CO-DETERMINATION

JAN - DECEMBER

1975 - 1988

The ABC of capitalism

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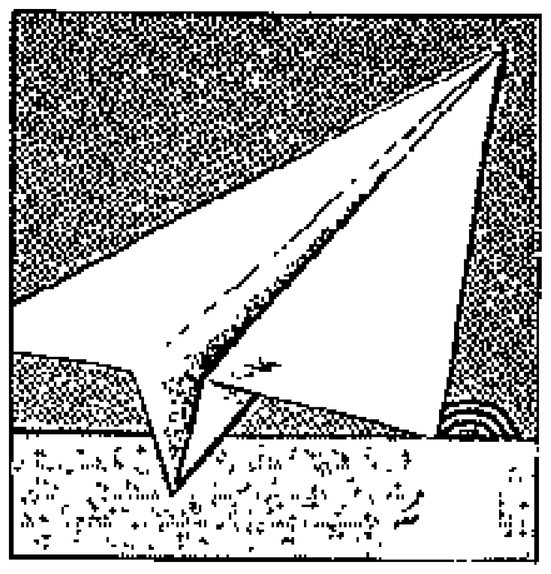


Could the emergence of hard-hat shareholders reduce trade union power and influence? If workers hold shares in the companies that employ them, the argument goes, they'll think twice about harming their stake by striking. Where would that leave unions?

Taken further, might this alluring prospect be the beginnings of "people's capitalism" in SA, similar to the trend in Margaret Thatcher's Britain?

There, the number of individual shareholders has more than quadrupled to 9m since 1980 — largely linked, of course, to privatisation of State-run corporations. Many hold little more than a couple of hundred British Telecom or TSB.

According to historian Paul Johnson, there are now more shareholders than union members in Britain. And the Labour Party has been forced to take them into account: the satirical magazine *Private Eye* recently featured on its cover Labour leader Neil Kinnock, sporting a top hat and declaring: "Comrade shareholders . . ."

But of course, SA is not the UK. The temptation to see shares for workers in SA as a panacea, or way to undercut unions, ought, in this early phase at least, to be resisted. Anglo American's chief labour officer Bobby Godsell observes that "giving workers first-hand experience of equity participation and capitalism is a good thing, but anyone who believes shares will blunt trade union pressure is under an illusion." Workers will still rely on collective bargaining for better wages and work conditions, he says.

The arguments in favour of popular share-

Despite black trade union opposition to workers owning shares in companies they work for, the idea seems to have caught on in boardrooms. This kind of "consumer capitalism" is a trend in the West. Worker shares are not intended to replace collective bargaining, though they could dampen it if they take off.

owning (as *The Economist* recently put them) may apply even more strongly here.

More people would come to understand about risk and reward, profits and the profit motive; and if this commercial culture takes hold, commerce as a whole is likely to be more successful. The important point is also made that to encourage more people to own shares, the tax system should be tailored to encourage this form of investment.

Pretoria would be wise to act on this advice.

The attractions of replicating Thatcher's "share-owning democracy" cannot be lost on business. Given black unions' advocacy of socialism, business' attempt to show the benefits of free-enterprise capitalism could wean workers away from collectivist solutions.

Where better to start than in the industrial relations terrain, the only real forum of black-white negotiation? (It has also, since the emergency, unfortunately become the only overt avenue for black militancy.)

Understandably, black suspicion of "racial capitalism" runs deep because of their historic, legislated exclusion from its benefits.

So National African Chamber of Commerce (Nafcoc) chief Sam Motsuenyane gives this advice: offering workers shares "has to be done in consultation with them, not be just another paternalistic gesture."

Motsuenyane says that for years Nafcoc has led the debate on equity and business participation of blacks, pointing out that the future of free enterprise is bleak if blacks are not involved — and given a stake they could lose.

They need more opportunities, including capital to start their own enterprises.

"Until 10 years ago, it was illegal for blacks to form companies, so they've been very suspicious all along," he adds. "Blacks need to be evangelised about the real benefits of capitalism: it must be on a voluntary basis, and in consultation. It should not be a case of buying off black loyalty, nor seen as a way to blunt the cutting edge of unions.

"Shares shouldn't be brought in at the expense of better wages and other conditions."

Motsuenyane supports a strong demand the unions also make if they're to accept share participation. He says that "coming into a company without being able to permeate policy-making could be frustrating. The more you bring blacks in, the more they need to be involved at boardroom level, which must not be tokenism."

This ties in with an observation by recently listed Jazz Stores MD Mark Lambertini, who told the Institute of Personnel Managers: "Profit-sharing without power-sharing is paternalism, in con-

In future, we will have to make a choice between moving into established enterprises or nationalising them. If we're not moving in, there'll come a time when the first move is to nationalise to give blacks a stake."

Cosatu — the biggest trade union federation representing about 1m workers — and its major affiliates are opposed to the idea of workers holding shares in the companies they work for.

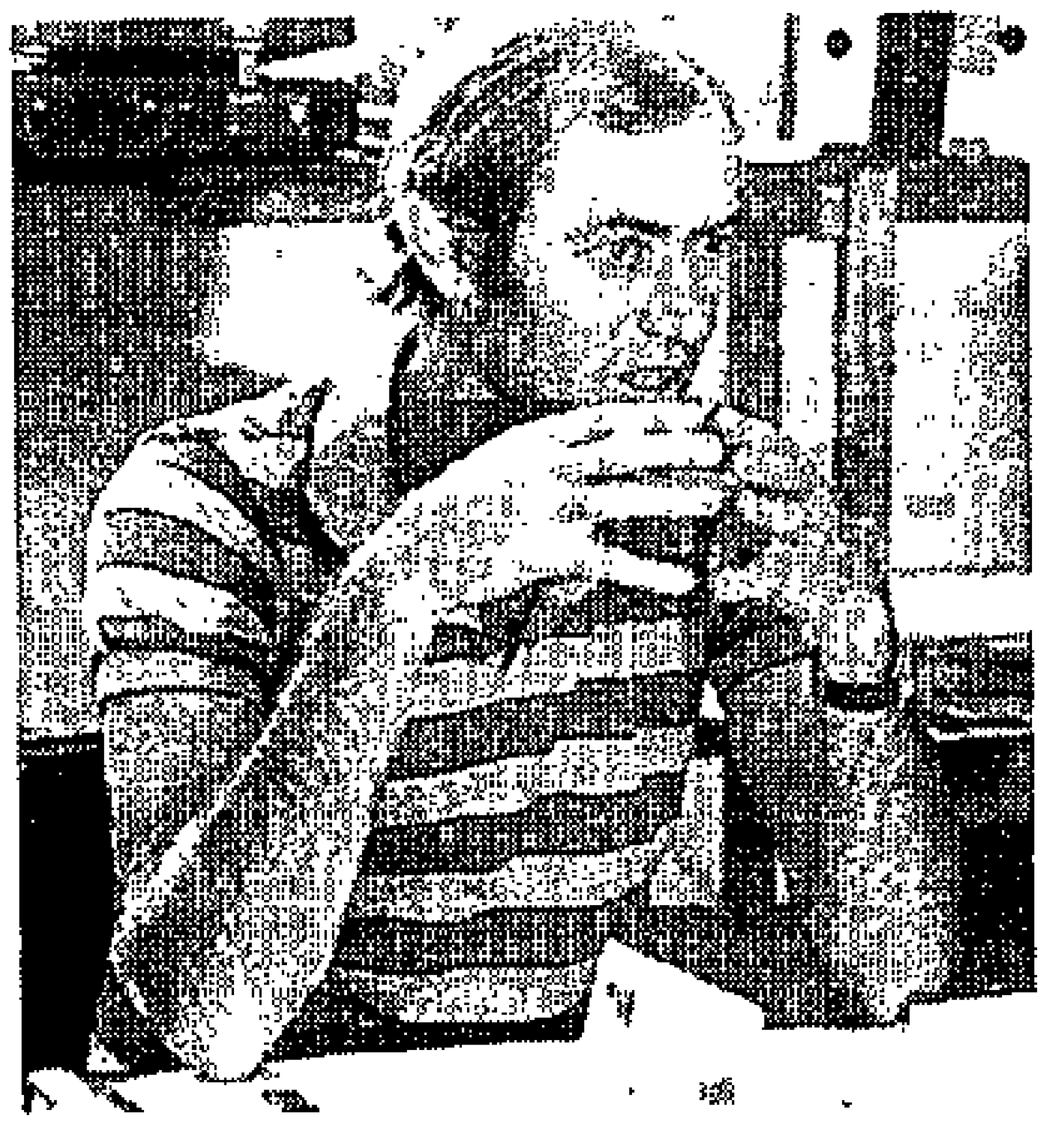
"Workers are offered shares without any real control over the company's direction and activity," explains Cosatu's Alec Erwin. If management wants workers to benefit, it should instead bargain in good faith and meet Cosatu's Living Wage Campaign.

Erwin says profit-sharing via shares and dividends would be minimal, compared to above-inflation wage increases and improved service conditions demanded by unions.

He adds that it is important for unions to respond to the schemes, as Cosatu sees them as "an explicit attempt to weaken unions," and not a long-term solution. From an employer's viewpoint, claims Erwin, offering workers share participation, without any control, is cheaper than strong collective bargaining.

These views, Erwin maintains, are based on those canvassed among rank and file members, and the position is supported by the majority of workers. Cosatu is, however, said to be discussing the idea of share trusts controlled by unions, particularly since the onset of disinvestment.

Triggered by the disinvestment of foreign-owned companies such as Ford, Coca-Cola, and Standard Chartered, employee share schemes have only recently captured the imagination of local companies. In the past three weeks alone, says the independent Labour & Economic Research Centre (Lerc), 18 newly listed companies have offered employee share schemes. Lerc estimates that between 35-50 companies have them, in addition to about 100 listed companies.



Cosatu's Erwin

JSE assistant manager, listings, Doug Gair,

schemes tend to affect small numbers and they generally do not have a union presence.

Bigger employers in the process of extending shares to employees are Pick 'n Pay, Coke-Amalgamated Beverage Industries, and Ford — and these have yet to prove themselves acceptable in the face of union opposition.

Anglo's scheme — details to be announced next month — will be open to about 250 000 black workers. Chairman Gavin Relly has said Anglo wants the offer to apply pretty widely, and it "is obviously going to mean a limited involvement for any individual."

Pick 'n Pay recently announced a wider share ownership scheme, which could give 50% of employees a stake in the company in four years — if its four-for-one share split plan and existing options are accepted.

Eligibility criteria could be lowered to five years' service, or assistant manager level. Details await approval by the board.

The company accepts the importance of consultation with the union before introducing the plan, and begins discussions with the Commercial, Catering & Allied Workers Union, a Cosatu affiliate, this week. However, no form of "codetermination" — a union representative on the board, say — is envisaged.

The company believes, instead, that "enlightened" management practice is the way to go, explains spokesman René de Wet.

In the wake of divestment, Amalgamated Beverage Industries (ABI), which used to be under Coca-Cola US's control, has offered 11m R1 shares to its largely black workforce of 3 500, as well as its 7 000 small dealers. The dividend is 11%, and the shares carry an SA Breweries-guaranteed repurchase price of R1,60 in 18 months.

Though the offer has been rejected in principle by the main union concerned, Food & Allied

Nene describes the offer as "a ploy to blunt workers' militancy and make them believe they are part and parcel of the company." He says workers would rather have improved wages and working conditions, and housing and education subsidies. "We're in a fight with capitalism and apartheid."

Workers at Ford-Samcor have been offered a share owning scheme with a difference. As part of its pull-out, Ford is offering to place 24% of the equity into a trust fund

Anglo's Relly . . . setting an historical precedent

for workers.

The metal workers' union (Numsa) is still considering the offer. Based on earlier statements, it may well reject it. The proposed scheme also entails two union representatives on Samcor's board.

Board representation of the union is a logical next step, and makes sense in the drive to sell the culture of capitalism to blacks.

It seems union members would, however, rather have the money. The union has calculated that selling the shares back to the company could mean R25 000 per worker, which may be more attractive to them.

Overall, the share offers are a fascinating microcosm of local political perceptions. A degree of worker-management conflict is inevitable. Companies offering participation schemes seem to have motives ranging from the benign to the astute.

Perfect symbiosis in the labour field is impossible, which does not mean that sincere attempts to convince workers of the benefits of capitalism are doomed because of union attitudes. For once, SA is in line with world trends. ■

tradition of the free market ..."

According to Motsuenyane, who believes "free enterprise will ultimately have to prevail in SA," many young blacks favour socialism because capitalism has excluded them. "If that door is sincerely opened and all kinds of mechanisms are created to bring them in, support for socialism will decline.

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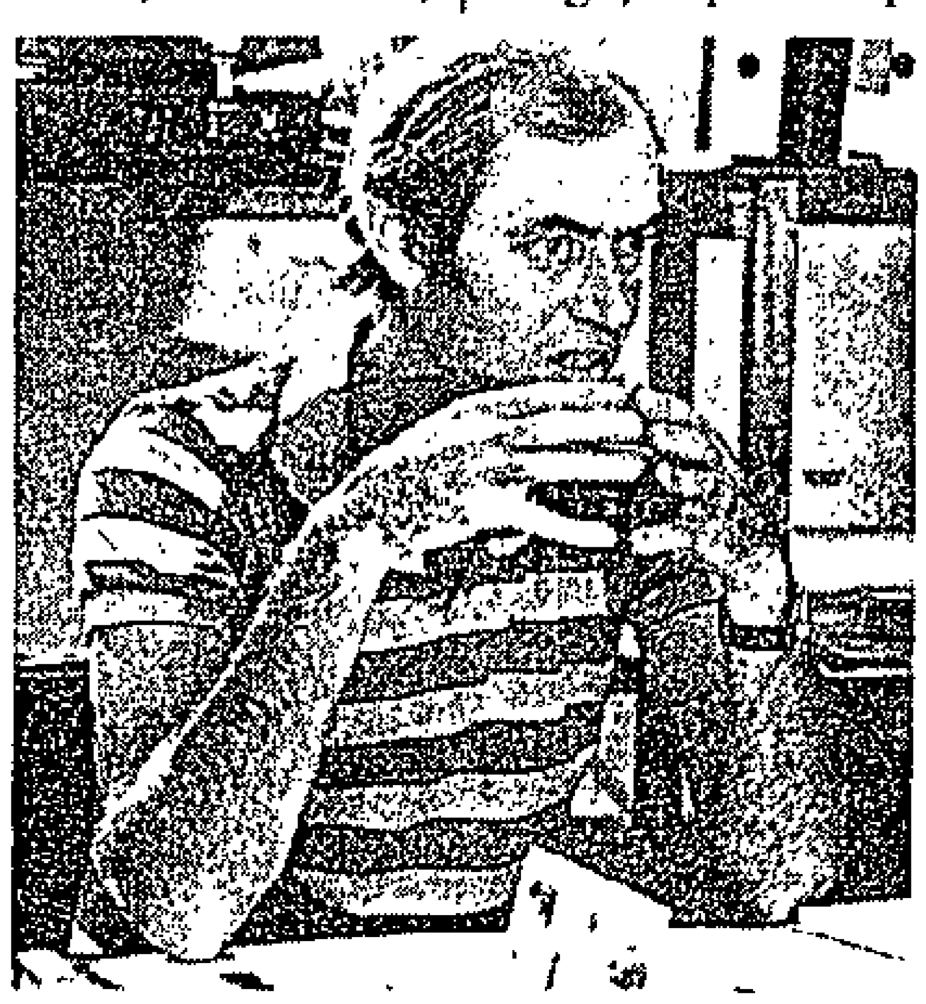

Cosatu's Erwin

JSE assistant manager, listings, Doug Gair, says share schemes for workers are still in their infancy, but are a growing trend among newly listed companies. The schemes vary, but their underlying principle is the same, he says, adding that they are a good idea if widely applied, and have proved beneficial to the companies.

The number of workers affected is not known but is so far relatively small. New listings with such schemes tend to affect small numbers and they generally do not have a union presence.

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Though the offer has been rejected in principle by the main union concerned, Food & Allied Workers' (Fawu), ABI says about 50% of employees have bought shares (three weeks before the offer closes on October 30).

It's not known how many dealers have bought, though an ABI spokesman says about R1m worth have been purchased by dealers.

Interestingly, the Soweto Chamber of Commerce has rejected the offer since it offers no control.

Fawu's senior shop steward at Coke, George Nene, tells the *FM* that workers at shopfloor level have turned down the offer. This emerged from a meeting in August where the issue was not directly voted on, but "consensus was reached."

Nene describes the offer as "a ploy to blunt workers' militancy and make them believe they are part and parcel of the company." He says workers would rather have improved wages and working conditions, and housing and education subsidies. "We're in a fight with capitalism and apartheid."

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Ford plans to keep up its SA links

Samcor employee trust to be finalised

B|Day 14/1/88 (29)

ALAN FINE

REPRESENTATIVES from Ford headquarters in Detroit are due in SA next week to take part in finalising the details of the employee trust which is to control 24% of the Samcor equity.

Samcor chairman Leslie Boyd said yesterday proposed rules of the trust, including the election process of trustees, will be discussed in the coming weeks with the National Union of Metalworkers of SA and other employee representatives.

Trustees will comprise five representatives of hourly-paid personnel and two of salaried staff. Two of the former and one of the latter are to be appointed to the Samcor board.

Boyd said he did not expect these arrangements to be completed in time for the next scheduled board meeting in February. However, he hoped employee directors would be able to attend the next one in May.

A further detail still to be finalised is a shareholders' agreement between Anglo American, Amic and the trust.

Boyd said Samcor had traded at a profit in 1987. The $61m pumped by Ford into Samcor amidst congressional controversy last month had wiped out Samcor's R200m debt (it was converted in financial rands), and the company now had "probably the strongest balance sheet of all vehicle manufacturing companies in SA", he said.

While the presence of employee directors on the board reflected a trend towards a more participatory type of management, Boyd did not expect any immediate changes in management systems and policy.

He said Ford would continue to play a key role in Samcor management by continuing to provide three senior managers. They would play the same role as before in Samcor's executive committee.

Boyd said Ford's motivation for these continued links was to assist Samcor to operate profitably in order to benefit the employee trust.

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THE ECONOMY

Unionists attack 'hidden agenda' share schemes

Employers must spell out their intentions in making shares available or face union suspicions, delegates to a personnel management seminar are told. HILARY JOFFE reports

EMPLOYERS might have "hidden agendas" in introducing employee share participation schemes (esops), several speakers suggested at an Institute for Personnel Management seminar this week.

And esops came under critical scrutiny from a trade unionist and an academic.

Employee share ownership schemes were nothing to do with democratising the workplace; rather they were aimed at smashing democracy, said Adrienne Bird, regional education officer for the National Union of Metalworkers of South Africa.

She said there was a deep irony in South African employers asking workers to invest in shares while they themselves were increasing their investments abroad: "Workers are being asked to experience risks capital itself is not prepared to take."

The South African labour force had little disposable income — something acknowledged in share schemes such as Anglo American's, in which shares were given free to workers. "Workers are supposed to be taught about the benefits of wealth creation when they have nothing," she said. "Workers can't afford this kind of wealth — and the pittance they are offered by most share schemes doesn't begin to address the problem."

Bird said workers might be more open to share schemes if they were paid a living wage, but wages and workers' standards of living had been dropping significantly.

Share offers were a form of deferred income for workers who could not afford this luxury, she said. "Workers trust only the cash in their pockets — they've learnt from hard experience of the fancy promises they've been made which have not been realised," Bird said.

None of the employee share schemes in South Africa gave workers any control over decisions affecting their lives, she said. Rather, they formed part of a sophisticated wider trade union-bashing strategy invoked to weaken workers fighting for a living wage. Organised labour had no alternative but to fight such schemes.

Professor Allen Zimbler of Wits University's Graduate School of Business said share participation schemes might lead to further alienation and dissatisfaction among workers by ignoring the real issue of power and participation.

He argued organisations which favoured participation should ask themselves why and should spell out their values explicitly.

Large - and small examples of participation

LAST year was the year of the employee share participation scheme (esop) with the announcement of highly publicised programmes by large employers. Some were a result of disinvestment; others were initiated by South African companies.

Managers at this week's IPM seminar discussed the state-of-the-art in esops: there were debates on the technicalities and the tax implications. But the seminar also offered an update on some of the major schemes — and details of a small but successful one.

Cape Cabinets, a small company in Atlantis, near Cape Town, allocated shares to employees following a restructuring of the company towards participative management. The changes resulted in a 26 percent increase in productivity from 1980 to 1987. Staff turnover dropped from 26,5 percent to 2,1 percent, general manager Geoff Frye told the seminar.

Other schemes are much larger but don't involve greater participation:

- The Anglo American Group Employee Shareholder Scheme Trust: manager Clive Fletcher said all Anglo companies had now decided to go ahead with the scheme, announced last November;
- The Amalgamated Beverage Industries scheme, in terms of an 11 percent stake in ABI (11-million shares at R1 each) was offered to 4 500 employees and 11 000 dealers following Coca Cola's disinvestment; ABI group training manager Heine Bruyns said 2 600 staff (76 percent of them black) and 4 500 dealers (63 percent black) had bought shares in terms of the scheme;
- The Anglo Alpha scheme introduced last year, in which shares were given to employees with 10 years' service or more; group personnel manager Penny Abbott said 67 percent of the 1 600 eligible staff had taken up the offer and at present held about three percent of the share capital.
- The Pick 'n Pay scheme, which allocates shares to workers with 10 years' service; this is now to be cut to five years, so 75 percent of employees could ultimately own shares, said Pick 'n Pay's René de Wet.

South African business people ... a history of avoiding confrontation with real issues and organisations were often afraid of asking qustions because they didn't want to hear the answers. Managers favouring share schemes should ask: "Do employees understand share participation schemes? Do they want them? Have we asked them?" he said. Managers were often afraid to ask what workers thought because they were afraid to hear the answers, which might expose them to different value systems.

He urged managers to be bold in exposing and confronting conflicts over values within their organisations. There could be no meaningful negotiation about shared values if the conflicts were not exposed, he said.

Zimbler suggested five possible motivations for esops on the part of businesses: assuaging consciences; co-opting workers to managerial values in the face of democratic socialism; pre-empting trade unions and collective action; making a real attempt to provide incentives to workers; or attempting to redistribute wealth. Managers must spell out their intentions, he argued, and ask whether they were offering real participation to employees.

FEDERATION OF ...

Head Office: P...

Affiliated Memb...

Union

1. Amalgamated
2. Amalgamated
3. Amalgamated
4. S.A. Boilerm... Shipbuilders
5. S.A. Electri...
6. Iron Moulder...

Cashing in on free share offer

Star 21/7/88 (29)

By Derek Tommey

The 110 000 Anglo American group employees who earlier this year accepted the corporation's free offer of five Anglo American shares are about to receive something more tangible.

On August 2 each of the 110 000 will receive a dividend cheque for R8,12 — the first to be paid on their five shares. Accompanying the dividend will be a brochure about Anglo American and the share issue.

"They can also geta copy of the annual report if they want," a senior Anglo American official said today.

They can also expect another dividend cheque on January 20, next year, when the interim payment for 1989 will be made.

The shares were offered to Anglo American's employees as part of an employee participation programme. The offer was accepted by 66 percent. However, those who did not take up the shares will get another chance. The corporation will be offering further free shares to its employees again next year.

The August 2 dividend will cost Anglo American R893 000. The group's total dividend bill for 1987-88 was R516 million.

Council plan

THE Wesselton Town Council near Ermelo has established a township development company with blacks on the management and others as shareholders.

Wesselton town clerk, Mr D J Swart, who believes that the establishment of the company is a first among councils in the Transvaal, said the company would be launched at the Wesselton council offices on July 22.

The company is to start building low-cost houses for Wesselton residents, among whom 60-75 percent are blacks. The company will alleviate the need to contract the private sector for the building of the houses.

People employed by the company were trained by the council from last year, with the aim of reducing unemployment.

Slabbert: Future of free enterprise 'grim'

CAPE TIMES 8/8/85

(29)

Political Correspondent

FREE enterprise faces a "very grim" future in South Africa as long as blacks remained locked into the townships and out of central government, according to the leader of the Progressive Federal Party, Dr Van Zyl Slabbert.

Speaking to the Diamond Club in Johannesburg yesterday, Dr Slabbert said that much had been said recently about the government's commitment to free enterprise and reform.

However, their future in the Republic was "very grim indeed" if the government could not say "yes" to young blacks asking questions like: Can I get out of the township in which I was born and live wherever my own ingenuity and talent enables me to live?; Can I move freely in the land of my birth to find work?; Am I in the same position as any other South African to call to account the government that takes decisions that affect my daily life?

● Meanwhile, speculation continued to grow yesterday that the government was likely to unveil significant new policy initiatives on blacks soon — probably at the National Party's first provincial congress of the season which begins in Durban next Thursday.

Speculation was fuelled by visiting US Congressman Stephen Solarz who, after a meeting with the Foreign Minister, Mr Pik Botha, suggested that certain of these planned reforms would be viewed as significant in the US.

The new government initiative on blacks is expected to deal with influx control and constitutional change.

The government has claimed that these issues have been on its reform agenda for some time, but the threat of impending sanctions is likely to infuse Pretoria with new urgency.

Anglo keeps workers informed

PATRICK MAFAFO

A SHAREHOLDER report, including information about Anglo American Corporation's activities and results for the 1987/88 financial year, has been made available to employees who are members of the group's employee shareholder scheme.

The report, believed to be the first of its kind, forms part of the group's communication campaign to educate all its workers on the benefits of the scheme.

"The corporation has always held the view that employees have the right to know, and are interested in, how their efforts have contributed to the corporation's performance," says Employee Shareholder Trust chairman Julian Ogilvie Thompson.

"Considerable research, including the canvassing of employee shareholder opinion, was carried out to ensure the production of a document that will tell its recipients what they want to know about their investment in a straightforward, thorough way," he added.

About 111 850 employees whose shares were issued on or before June 17 this year have received their first dividend cheque for the final dividend of 162,5c declared on June 2.

Thompson said that the group intended to make further share allocations annually for another four years.

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BDay 19/8/88

118 000 Anglo workers accept offer of shares

19/8/88 Sowetan 29

MORE than 118 000 Anglo American employees have accepted a special offer of shares in the group's employee shareholder scheme, the corporation announced on Wednesday.

The figure represents 64 percent of eligible employees — those who have worked for the corporation for more than two years.

IN addition a special employee shareholder report incorporating information about the corporation and its results for the 1987/88 financial year has been prepared and has been made available to employees.

"The Anglo American Corporation has always held the view that employees have the right to know, and are interested in, how their efforts have contributed to the corporation's performance," said Mr Julian Ogilve Thompson, chairman of the employee shareholder trust.

Special report for staff shareholders

ALAN FINE

STAFF shareholders at Anglo American and 17 subsidiaries yesterday started receiving special copies of the corporation's annual report.

Employee shareownership scheme trust manager Clive Fletcher said it had been decided after research among the 118 000 employee shareholders, who each own five AAC shares, to publish a report which would show they were valued members of the Anglo community. The special report was a description of Anglo's financial situation, but not written in the arcane way the statutory financial report was.

Each of the shareholders will also receive their final dividend for the last financial year — R8.13 each.

18/8/88 29 B/Day

Shares offered to Transkei citizens

Star (29) 7/9/88

UMTATA — Transkeians are being given a chance to buy shares in five top companies, including Ohlssons Breweries (Transkei) and Transun.

A public investment company, Intrashare, is to be launched by the Transkei Development Corporation (TDC), and shares will be made available to the public in an offer starting on September 30.

The TDC said yesterday the initial public offer would be for 10 million shares of R1 each and any Transkei citizen or Transkei-owned company would be eligible to apply for shares.

Shares might also be made available to Transkei residents who are not citizens, if not fully taken up by citizens.

The closing date for applications is November 7 1988.

"The TDC is placing shares it holds in five of the largest and most successful businesses in Transkei into the public investment company.

"Holders of shares in Intrashare will thus have an ownership stake in these five companies," the TDC said.

The five are Ohlssons' Breweries (Transkei), Singisi Forestry Products, Holiday Inns (Transkei), Sunkei Speakers and Transun.

Report urges bigger staff stake in SA companies

Star 21/10/88.

(29)

By MIKE SILUMA

South African companies must be prepared to grant a greater degree of ownership and control to employees, says a new study.

South African companies have been urged in a new report published by the Labour and Economic Research Centre to offer workers more control and ownership if participative management schemes are to be meaningful.

The report, based on a study by researcher Ms Judy Maller, isolates three reasons for the popularity of participative management with South African companies:

- The need to improve productivity and profitability.
- The "unionisation" of black workers and their propensity to engage in industrial action.
- The desire by management to guarantee the long-term survival of free enterprise.

Regarding black worker "unionisation", Ms Maller says management hopes that "by offering employees an opportunity to be involved in planning and decision-making, even at the micro-level of the work station, (employees) will be reluctant to compromise the performance of their company and subsequently hold back from ... industrial action".

The impetus behind the current popularity of participative management and Esops (employee share ownership programmes) in particular, is solidly founded on management's perception of human resource problems in South Africa, Ms Maller says.

"The emphasis is placed on forming a bond between the company and the employee, without mediation by the trade union."

At the ideological level, managements offer workers a stake in the free enterprise system, albeit a small one, in the hope that "(workers') allegiance will shift toward support for free enterprise".

Estimating that 120 South African companies have introduced some form of employee share ownership, Ms Maller predicts that the trend towards Esops will increase in the short to medium term due to more disinvestment and a desire by managements to boost employee productivity and company loyalty.

While examining union responses to worker participation, Ms Maller explores in some detail the various participation schemes offered by Pick 'n Pay, Anglo American Corporation, Samcor and Cashbuild.

Acknowledging differences in the conditions under which companies conduct their business, she argues that the Cashbuild experiment (introduced to resolve a profitability crisis) has demonstrated the definitive link between greater worker participation in management affairs and a company's performance.

The limitations of South African participative management schemes, Ms Maller says, "are on the whole management initiated and controlled, and do not go very far in broadening black workers' meaningful participation in the individual company or in the economy itself".

Not negotiated

Noting that most Esops have not been negotiated with unions, she warns that "the extension of limited employee share ownership to black workers will clearly not have the effect of resolving deep-rooted industrial relations conflicts, or of building a new partnership between managers, shareholders and workers".

Ms Maller concludes: "The current political and economic scenario encourages (worker) scepticism and hostility ... (and) requires a commitment on the part of management to cede more significant degrees of ownership and control to workers.

"It requires both management and the unions to take greater risks than they are currently willing to do."

Bloem builders' all-race breakthrough

Star 25/10/86 By Frank Jeans (29)

CAPE TOWN — A breakthrough in black-white relations in the building industry has been achieved in Bloemfontein — an expression of harmony which might well be the test case for organised building throughout the country.

Indeed, the Bloemfontein experience is probably the first time that black membership of an accredited association is now in the majority.

Last year, the Bloemfontein Master Builders and Allied Trades Association changed its name to the Building Industries Association and opened membership to all races.

Today, with the registration of 82 more black members imminent, the number of blacks in the BIA will be 147 compared with 137 whites.

Mr Barnie Bester, executive director of the restructured association and a delegate at the annual congress of the Building Industries Federation in Cape Town, said in an interview:

"We decided to do away with the 'master' image of the association and become truly representative as an employers' organisation.

"We started talking to contractors in the Botshabelo and Mangaung townships and the members started moving in.

"The set-up is working well because we are doing something constructive.

"We have our differences, of course, but we had differences with white members too," said Mr Bester.

"Certainly, there is no friction. We now see ourselves as a total building industry with neither black nor white — only big and small."

The BIA has launched a development programme with the accent on entrepreneurial training in conjunction with the Building Industries Federation and the University of the Free State.

The results are now evident.

The first 11 contractors completing the nine-month training course have now been given a R5 million low-cost housing project in Botshabelo.

Bifsa aiming to open doors to all

By Frank Jeans

CAPE TOWN — Of all the good intentions to emerge from the annual congress of the country's builders here, the determination of the establishment to strive for a total industry without race barriers was decidedly clear.

And what was of even greater importance was the signal from the informal sector and the "small man" that they were ready and willing to join the club without divisions provided the old traditions are swept away and the black man is brought into the decision-making process and management participation.

Certainly, the industry has been left in no doubt that the time for talking is over and that concerted action is long overdue.

Enthusiastic about the challenges ahead was the outgoing president of the Building Industries Federation, Mr Neil Fraser, who, in his valedictory address told delegates: "The informal sector represents a virtually untapped, potentially limitless growth area in the economy. It's recognition, accommodation and assistance through planned and controlled deregulation is a priority."

And, undoubtedly, taking up where he has left off will be the builders' new top man, Mr Basil Thompson, who made the point that as a labour-intensive industry, the building sector's goal should be the upliftment, both economically and socially, of its workforce.

"We have been concentrating on industrial relations and loss control and safety and rightly so but I am also committed to getting Bifsa involved with the people factor in a wider sense," said Mr Thompson in an interview. This has to be done at grass roots level and in areas of education of population control and improvement in the quality of life."

He made the point too, that the rank and file builders are Bifsa's people and that the federation would have to show a lot more credibility in its dealings with them.

"If you leave it to the bureaucrats to do that job, they are immediately suspect," said Mr Thompson.

The new president has the true grit to match his task of addressing the industry's concern in the areas of small business and deregulation and pledges his federation "to give it a full go".

Thrusting home the point was Mr Reuel Khoza, chief executive of Co-ordinated Marketing and Management when he told delegatges: "Your industry is hampered in hearing black aspirations because its management structures are almost totally white."

Delegates were left in no doubt that deregulation must go hand in hand with informal sector advancement while, at the same time, the sense of co-operation and understanding which now prevails was underlined by Mr Solomon Rammala, Town Clerk of Atteridgeville when he said: "The informal sector should thrive even more in the friendlier atmosphere being created."

He also pointed out, however, that while legislation is Government business only, private enterprise can do much indirectly. "So long as white business shelters behind and invokes laws which discriminate against black business, there is little incentive for the authorities to change them."

Incorporate black business, economic planners urged

(29) Star 3/11/88

Dr Sam Motsuenyane, president of the National African Federated Chamber of Commerce, had a message for white business at the Sunday Star Emeritus Citation Award last night. WINNIE GRAHAM looks at the message, the man and the influence he hason black consciousness.

"The survival of the free enterprise system in South Africa will only be ensured by the extent to which blacks perceive themselves as benefactors in that system."

The closing line of Dr Sam Motsuenyane's speech at the Johannesburg Sun last night summed up, perhaps, the growing consciousness of blacks in South Africa who are moving increasingly to organise both their businesses and consumers to compete equally in the South African economy.

On the success of their venture much of this country's economic future could depend.

Dr Motsuenyane has long campaigned for black unity through the efforts of his people.

He has made it plain that the deliberate exclusion of blacks from the mainstream of South Africa's economic life represents one of the greatest historical blunders of successive white governments.

This, he says, has led to the disenchantment with capitalism of young and educated blacks.

Free enterprise

"The development of a more favourable attitude towards the free enterprise system among blacks will demand first and foremost the opening up of the system," he says.

"For instance, a special venture capital fund must be created to enable blacks to acquire shares in white companies — either via the stock exchange or privately.

"Blacks must sit on the boards of companies and be eligible for promotion to the highest positions — on merit.

Dr Sam Motsuenyane ... "The deliberate exclusion of blacks from the mainstream of South Africa's economic life represents one of the greatest historical blunders of successive white governments."

"In the black townships, funds should be provided to black businessmen to develop viable infrastructure, including new industrial areas with potential for job creation.

"Black business must grow big and aim at capturing a fair share of the growing South African market and, more especially, the African market."

Black business, he says, is believed to attract only 10 to 20 per cent of the enormous growing buying power of black consumers expected to rise to more than R22 billion by the year 2 000.

The situation worries black businessmen. When deadlock in negotiations is reached, the potential weapon of boycott may, in future, be more readily used than in the past.

Dr Motsuenyane, who was involved in talks with the ANC in Lusaka earlier this year, said the economic strategy in post-apartheid South Africa was the subject of an intense discussion.

In his speech following the presentation of the Emeritus Citation, Dr Motsuenyane noted the great dilemma that would face South Africa in the post-apartheid era was "how to rapidly integrate blacks into the First World sector of the economy".

"How smoothly this essential transition will be, will depend largely on the foresight and imagination of our economic planners of today," he said.

"Although the Government and the private sector have made generous contributions towards the development of black entrepreneurship since the mid-seventies, the future holds even greater challenges if the existing black demands for economic empowerment are to be fully met."

Restrictions

Blacks, he said, had made noteworthy progress during the past two decades. Hardly 30 years ago, the unimpeded participation of blacks in the economic life of this country was construed in official circles not only as a threat but as "not being in the national interest".

"At the time everything possible was being done to handicap, prohibit and even retard the economic integration of blacks into the business life of our country," he said.

"Legislation and official policy restricted black businessmen from forming companies, from engaging in wholesale or industrial ventures, from accumulating funds for the purpose of establishing financial institutions and from doing any business which went beyond meeting the bare essential needs of the black community in the townships.

"Nafcoc (National African Federated Chamber of Commerce) was formed at the time to fulfil two important roles. Firstly, it served to unite businessmen in a concerted effort to persuade central government to adopt a more realistic policy towards black participation in the South African economy and, secondly, it was formed to help mobilise the black community establish institutions to promote their own economic development," he said

Worker share ownership vital, says US visitor

Star 23/11/88

By Adele Baleta

Without worker participation in share ownership schemes there could be no justice, Mr Norman Kurland, a member of President Ronald Reagan's task force for the expansion of employee share ownership in Third World countries, said in Johannesburg yesterday.

Mr Kurland is in South Africa to meet union and business leaders, and hold workshops to encourage the development of employee share ownership programmes (Esops).

PROMOTION THE AIM

He is also president of the Washington-based Centre for Economic and Social Justice, a group whose aim is the promotion of Esops.

Mr Kurland told a group of labour relations executives at a seminar organised by Webber Wentzel, a Johannesburg law firm, that South Africa needed to look at alternatives for reconstructing the country's economy in ways that were neither socialist nor capitalist.

He said neither socialism nor capitalism would bring about justice. It was necessary to democratise the opportunity for mass individual ownership of property and the means of production.

Esops, he said, did not bring together socialism or capitalism but transcended both.

"They are a method to enable new wealth to be created for the have-nots without taking away the old wealth of the haves, which is what most people fear about political change.

"We need to create a win-win situation where everyone can have a stake in a free, just and stable South Africa."

He said people needed to overcome their fears.

"The first step is to provide justice in the workplace. You cannot have justice without worker participation in share ownership schemes."

Mr Kurland believes the value of Esops is that it creates a win-win situation where an individual's energy, ingenuity and self interest merges with that of everyone else in the company.

Esops, he said, also transcended the conflict-prone and wasteful wage system, offering a new paradigm for creative problem-solving.

Employee stock ownership: the future solution?

8/6/87 8/10 29

EDMUND RUDMAN

EMPLOYEE stock ownership plans (ESOPs) are increasingly being viewed as a way to achieve a more equitable, democratic and productive economy.

Employee ownership is generally defined as a plan in which most of a company's employees own at least some stock in their company.

This concept has become popular in several West European countries and also in the US. In fact, in the US more than 8 000 companies have introduced some form of employee ownership, involving over 10-million employees. This has occurred because the US government has provided various incentives to encourage the formation of ESOPs, mainly in the form of tax concessions. In South Africa relatively few firms have introduced employee ownership schemes, due largely to the lack of incentives to do so.

An ESOP may be designed to combine many elements into a single package. In the broadest sense, it is an employee benefit programme. It can be used as an incentive for employees to improve productivity. It can be a retirement programme. Furthermore, it can function as a reward system, working best when a modest base salary is supplemented with cash bonuses and equity shares, which are linked to corporate performance. It can be a retirement programme.

It can also be a means for workers to participate both as workers and as shareholders in corporate direction.

According to Norman Kurland, one of the leading authorities on ESOPs in the US, "the value of an ESOP is that it can lead to a more synergistic (win-win) framework where the energy, ingenuity and self-interest of each person becomes merged with that of everyone else."

Several studies conducted in the US have compared the performance of companies that have introduced the ESOP concept with that of comparable conventionally-owned firms. The research findings indicated that, in general, companies with employee ownership are more productive and more profitable than those without.

A study of worker perceptions of business conducted by Unisa's School of Business Leadership in 1984, based on data gathered from 3 723 questionnaires submitted to the personnel of 78 of South Africa's leading organisations, arrived at, *inter alia*, the following conclusions:

□ perceptions reflect a high level of resistance towards business and the free market which is perceived as being exploitative by nature;

□ the perceptions exist that the free market has very little benefit for the worker and is mainly conducted for the benefit of (white) management, and;

□ productivity is hampered by perceptions which cause the workers to have a very low commitment to the welfare of business in particular and the economy in general.

ESOPs are being viewed to an increasing extent as a powerful deterrent to the rise of communism in Third World countries, the rationale being that if the capitalist base of society is substantially expanded, then the communists will find it increasingly difficult to obtain a foothold in these countries.

On the negative side, it should be mentioned that there will most likely be some resistance to the implementation of ESOPs. Some trade union leaders, for example, may view the ESOP as a potential threat to their institutional power, and may therefore discourage their members from participating.

It is clear that if the use of ESOPs can be successfully introduced in South Africa, the country stands to gain a great deal.

□ *Edmund Rudman is a senior lecturer in the Department of Business Economics at the University of South Africa.*

THE ECONOMY

Ford's departure rekindles shares-for-workers debate

The shares-for-workers scheme proposed by Ford this week is being treated warily by all sides. While the plan is intriguing, it is fraught with difficulties, legal, managerial and social. HILARY JOFFE reports

WHEN workers consider the Ford company's proposal to hand over its shares in Samcor to an employee trust they will not have many South African precedents to guide them.

The shares-for-workers idea has become popular in Britain and the United States but does not have much currency in business circles here. There are business leaders who advocate it and companies which have actually implemented such schemes, but so far these are only a handful.

Trade union reponse to the idea has been extremely cautious, but it is being discussed.

Ford proposes to place 24 percent of its 42 percent stake in Samcor — which manufactures Ford cars in South Africa and is owned jointly by Ford and Anglo American — in an employee trust, which would have two representatives on the company's board of directors.

The trade union response appeared initially to be negative. A spokesman for the National Metalworkers' Union of SA, which has majority membership at Samcor's two plants in Port Elizabeth and Pretoria, said the union was unlikely to accept the offer. Later, however, Numsa representative Les Kettledas said the proposal was still under consideration by the union's members at the two plants.

Meanwhile, Samcor chairman and Anglo director Leslie Boyd gave assurances that while the company had experienced problems, it was now showing a marginal profit.

For the union and its members, the motor company's profitability (or lack thereof) will clearly be a major question. Workers will not want to be landed with shares which don't earn dividends. Neither will they want to be involved as shareholders or directors in the problems of restructuring an ailing company.

There are other questions which will have to be answered. One issue is payment. Once the company pays dividends the shares will have to be paid for. And the workers and the union will want to know how. Another issue is what the trust funds will be used for.

The general idea of employee share ownership schemes is fraught with problems for unions. The tension between the role of worker and the role of shareholder is the basis of most of the problem issues identified by trade union sources in employee share ownership proposals.

Related to this is the issue of legal ownership versus real control. Shares may give workers a small stake in the company for which they work but they will have little power to improve their conditions of work.

Part of the problem with employee share ownership schemes is that they are emerging in South Africa in the context of a recession. Thus workers may find themselves in a situation where their interests as shareholders require retrenchment, underpayment or rationalisation in the company.

"The problems are clear: such proposals give workers a stake in ownership without giving them sufficient control to carry out policies which would be beneficial to them," says a Cosatu official. "This kind of part ownership offers workers nothing except a set of headaches."

Particular problems are involved for unions in the notion of worker directors, argues a researcher with the Labour and Economic Research Committee. This is especially so given the monopoly scale of many South African corporations.

Even if worker directors did have the skills and the shares to have an influence on the board, this might not be very effective in shaping workers' conditions in the factory.

The researcher notes a distinction between management and the board of directors in most firms. Shareholders and non-executive directors very often don't have much say in the day-to-day management of the firm, although they would have an influence on general policy.

He also points to the kinds of conflicts which could arise for worker directors. "The paradigm of accumulating capital is very seductive: as directors, worker representatives might find themselves protecting the company's investment, letting the social schemes wait. Only a strong worker director tied strongly to a collective base would resist this."

But it's workers' perceptions of managerial attempts to extend share ownership to them which may turn out to be the biggest barrier to such schemes. "Workers see schemes in which they are subsidised to buy shares by the company as an attempt to buy them off," says the Food and Allied Workers' Union's Jan Theron. "Workers can't afford to be shareholders. They can only own shares because the company buys them in. This puts them in a problematic relationship to the company."

Despite all the aspects of worker share ownership schemes which trade union officials identify as problem areas, it is clear the idea has not met with total rejection. Research and debate is taking place within Cosatu and it is likely the principle of share ownership will be discussed in some form at the federation's congress in July.

If the idea does meet with any support, it will probably be the collective trust option which is favoured, rather than individual share ownership by workers. Workers collectively could start to accumulate capital to be applied for socially useful ends.

Business leaders who advocate or implement employee share ownership schemes tend to argue for the advantages of such schemes in giving workers a stake in the free enterprise system, or in raising productivity and profits. One of the most ardent advocates of the idea of worker shareholders is Johannesburg Stock Exchange chairman Tony Norton. "You don't tell people free enterprise is a good thing by lots of rhetoric, you only do so by offering them participation: let people feel, taste and experience free enterprise." He doesn't agree that there might be a basic conflict between being a worker and being a shareholder.

The JSE used to have a rule that only five percent of a company's total share equity could be owned by its employees (in unusual circumstances this could rise to 7,5 percent). This rule has now been dropped, partly in an attempt to encourage broader share ownership.

One company which recently heeded Norton's call is Merhold, due to be listed on the JSE in July. The company decided to pay its 130 workers a special bonus in shares, says Christopher Seabrooke, managing director of Merhold parent company SA Bias. He says he won't be disturbed if the workers sell all their shares at a profit when the company is listed: "It will mean they've understood the principle of share ownership and making a profit."

Another name associated with shares for workers — and with disinvestment — is Coca Cola. Amalgamated Beverage Industries, owned jointly by SA Breweries, Cadbury Schweppes and formerly the American Coca Cola company, plans to offer the R11-million in ABI shares that were held by Coke to 3 500 workers and 7 000 dealers later this year.

The ABI scheme has been controversial, with the Food and Allied and the Food and Beverage Workers Union coming out against the idea when it was publicised earlier this year.

There are other companies which have introduced employee share schemes, such as Quality Tyres and Jazz Stores, and more who have thought of it but haven't made progress so far. Perhaps the most advanced share ownership scheme is the Cashbuild one (see story on this page).

CASE STUDY: A SOUTH AFRICAN COMPANY THAT'S TRIED IT

A company where workers can fire the boss

Cashbuild is one of the few SA companies with worker-participation experience. Their verdict: it works. HILARY JOFFE reports

Koopman: Afrikaner who remembed his own militancy

ALBERT KOOPMAN sees himself as a corporate crusader. His mission is to persuade employers of the need for "justice" — worker participation in management.

And his greatest source of pride is the fact that in Cashbuild, the company he managed and in which he implemented his scheme for corporate justice, the workers can fire the manager.

It's not a right Cashbuild's workers have used very often. In the four years since the scheme was started, the company has lost only three managers. It hasn't lost many workers either. Staff turnover, which stood at 126 percent in 1982, is down to nine percent.

Worker participation has also saved the company an estimated R1,5-million on "shrinkage", the loss or theft of goods — and the biggest threat to profits in Cashbuild, a building materials wholesaler.

Cashbuild's revolution was started in 1982, when the company's profits dipped. It was bad leadership and not a bad economic climate which was the cause, says Koopman, and so management decided to ask the workers their opinions.

It took a long process of negotiation and consultation with workers for the scheme to be developed. What emerged was the Cashbuild Creed of Trust. It sets out (in seven languages) the philosophy and principles by which the company is run and to which both workers and managers are subject.

Each branch is governed by a venture committee, or "venture-comm", consisting of four elected worker representatives and one manager. The venture-comm has authority over the running of the enterprise and over hiring and firing. A manager who is perceived to be racist or who swears at workers can be fired, as can a worker who steals, after a hearing by the committee.

Workers thus have their say over what Koopman calls the "soft variables" of labour and enterprise. But their participation does not extend to the "hard variables". Workers do not have a say in the company's overall investment decisions. This, according to Koopman, is because they lack the required skills and knowledge. He does however anticipate that workers' say in investment decisions will eventually increase.

Meanwhile, the workers can and do own shares in the company. When Cashbuild, previously part of Metro Cash and Carry, was listed on the Johannesburg Stock Exchange last year the participative management scheme had already been running for four years. Workers who had been with the company for five years or more were offered shares before the company was listed and many chose to buy. Thirty-one percent of staff now own shares in Cashbuild.

Koopman heaps scorn on South African managers who think they can buy workers off with profit incentive or share ownership schemes.

"You can't sell ownership in the system unless you allow people to have a say over the workplace. Otherwise it's just putting honey round the lips and workers would be stupid not to see that," he argues.

Koopman sees himself as listening to, and having an empathy with, black workers. He relates this to his Afrikaans background and argues that Afrikaners have forgotten their own history of oppression and their militancy as workers earlier this century.

Koopman was managing director of Cashbuild but resigned recently to become a consultant "because of the amount of people who looked to the company for a recipe to avoid conflict at the workplace. Business perceived us as having a magic formula. But they have to understand the principles and the way of life that goes with our system."

He feels many South African managers are intransigent and often paranoid, especially about trade unions. "You have to live, eat, sleep and drink with the unions instead of spilling blood," he says. "Business must realise that unions are not the enemy of businessmen."

Cashbuild has however not had to deal with trade unions very much. Although Koopman says he has had discussions with trade unionists and was involved directly with them in Metro Cash and Carry, which is unionised, only two of Cashbuild's branches are unionised.

Trade unions are not incompatible with Cashbuild's participative management structure, Koopman argues. But he does point to the irony of the decision to recognise a union in a branch being largely in the hands of workers themselves.

The Cashbuild scheme is not a total success, Koopman admits. He estimates that in 40 percent of the company's 30 branches it is working just as intended. But in 20 percent of the branches, mainly those in small rightwing towns, it is not working at all; and in the rest, clear results have not yet been received.

Maggie's share-dealing manual worker

SHARE ownership figures in Britain testify to Margaret Thatcher's attempts to give workers a stake in British capitalism and free enterprise.

The proportion of British adults who now own shares is almost three times what it was in 1979, mainly as a result of government initiatives, according to a recent Treasury/Stock Exchange survey.

Weekly Mail Reporter

Nearly 20 percent of Britain's adult population owned shares in quoted or unquoted companies at the beginning of this year, compared with a figure of seven percent for 1979. The Treasury's Economic Progress Report attributes the increase to the British government's privatisation initiatives as well as to its favourable tax treatment for employee share schemes.

Three-quarters of shareholders, a total of 6,5-million people, own shares in companies privatised by the Thatcher government, such as British Telecom and British Gas, as well as in the Trustee Savings Bank Group. Three and a half million of these people own only privatised company or Trustee Savings Bank shares.

Manual workers have been major buyers of the shares of privatised companies. As a result the fastest growth in share ownership has been among manual workers, from two percent in 1979 to 11 percent now, according to the Treasury Report. In contrast, 40 percent of professionals and managers are share owners.

The increase in the number of employees owning shares in the companies for which they work is the other major factor in the build-up of share ownership in Britain since 1979, according to the report. One and a half million people, or 3,5 percent of all adults, own shares in the companies which employ them.

British share ownership figures now resemble those of the United States, where somewhere between 20-27 percent of adults own shares or unit trusts. But in France and Japan the figures are nine percent and five percent respectively.

Similar figures for South Africa are not available, according to the Johannesburg Stock Exchange.

Union considering Ford's offer

CP Correspondent

A PROPOSAL by Ford Motor Company to offer workers at its SA Motor Corporation plant a 24 percent stake and two positions on the board of directors is being considered by the newly formed National Union of Metal Workers in South Africa.

This emerged from a statement released on Monday by the general-secretary of the National Automobile and Allied Workers' Union, Les Kettledas.

Acting on behalf of Numsa, Kettledas said that once the implications of the proposal had been fully considered and clear proposals had been formulated, the matter would be discussed with the company.

Kettledas said Ford's intention to withdraw from South Africa by placing 24 percent of its 42 percent share in Samcor in an employee trust had been communicated to Numsa.

"The trust is offered on the basis that it will give employees a share in the ownership of Samcor and a share in Samcor's earnings at such a time as it becomes profitable.

"This is under consideration by Numsa members at Samcor plants in Port Elizabeth and Silverton, Pretoria." – East Cape News Agency.

(~~[illegible]~~) City Press 21/6/87 (29)

29

Staff shares might be increased

Pick 'n Pay shows overall growth

Own Correspondent

PICK 'n Pay was considering a share split, mainly to give more staff a stake in the company, chairman Raymond Ackerman said on Friday.

Ackerman told the AGM one of the strengths of the company was that 11% of the 19 774 full-time employees were shareholders and he wanted that to double in the next few years. He said employee participation was a worldwide trend.

Joint MD Hugh Herman said in a response to a question from the floor that Pick 'n Pay was reassessing the Australian situation, where it had been prevented from expanding, and was looking at ways of circumventing the law.

Herman said that despite lack of progress in its plans to open up two more stores because of opposition from unions and the Labour government, its sole store was growing by about 18% to 20%.

As far as the local market was concerned, Ackerman said company business was up 21% from the year-end in March, and that augered well for the rest of the year.

In the last financial year, Pick 'n Pay lifted earnings 21% to R43m (R35,4m) or 220,1c (181,4c) a share. Turnover was up 15% to R2,4bn compared with R2,1bn the previous year.

Herman, who said the company had started poorly last year but had picked up well, predicted earnings of not less than 20% for this financial year.

He also pointed out that although the staff had increased by 7%, the salary bill had risen by 15% — in line with the turnover increase.

Devoting most of his address to business confidence, Ackerman said it was important business leaders show confidence, and this was evident in Pick 'n Pay's opening of three new stores in the past month, with more to come.

However, he appealed to government to inject business with confidence, specifically the reduction of taxes and restoration of growth.

He also appealed to government "from the heart" to rescind "any possible thought of making us rent collectors".

P W Botha had accused business of meddling in politics, yet the rent boycott was a highly political and emotive issue.

Ackerman said business involvement with rent collections could "smash" confidence which was coming right and spoil industrial relations.

...rate of return on its investments it would make more sense to use a pay-as-you-go scheme," he said.

Soft drink giant's offer to workers

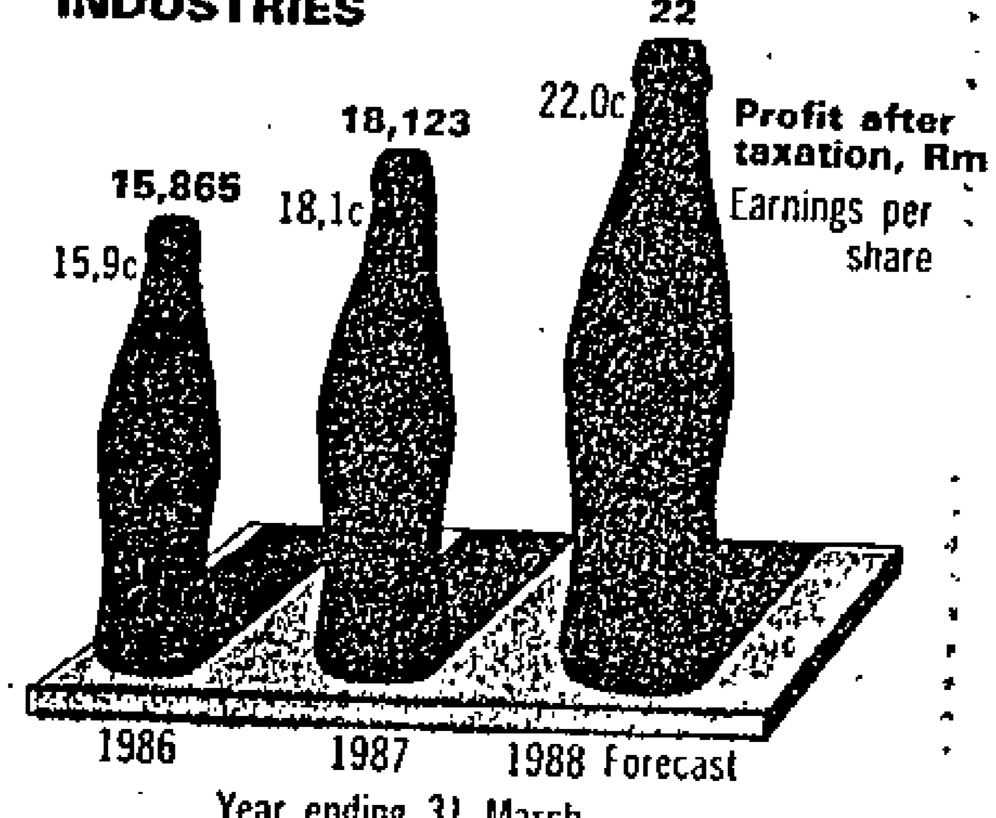
(29) 30/8/87 B/Day

MICK COLLINS

SOFT drink giant Amalgated Beverage Industries (ABI) yesterday popped the question to 3 500 employees and 7 000 dealers with an R11m gilt-edged share offer in its R440m-a-year bottling business.

The bottlers of Coca-Cola, Fanta, Sprite and Schweppes products, made the non-racial, nobody-can-lose, offer of

AMALGAMATED BEVERAGE INDUSTRIES



Source ABI PROSPECTUS Graphic JOHN McCANN

shares priced at R1 in blocks of 100.

MD Alex Reid said the offer would allow 11% of ABI to be owned by customers and staff.

"It's the biggest offer of its type in SA, and gives all our staff and independent dealers the chance to own a meaningful stake in a multi-million-rand company."

"We would like them to become share-

● To Page 2

ABI workers offered shares

30/8/87 B/Day (29)

● From Page 1

holders and share in the profits that ABI expects to make," Reid said.

ABI says anyone wanting to sell their shares is guaranteed not to lose money on the deal.

They can sell them at R160 for 100 shares in July 1989 to major shareholder SA Breweries, which guarantees to buy them at that price.

Coca-Cola sold its 30% holding in ABI in October last year amid US anti-apartheid pressure.

At the time of its withdrawal, the company announced that most of its holdings would be sold to SA Breweries, while the remainder of its shares would be distributed among dealers and employees on a non-racial basis.

(24) 10 / 89

Fleshing out the Utopian talk of 'worker control'

Far-fetched as it may sound at first, 'worker control' can be achieved without fundamental changes to a business enterprise and without shackling management's freedom to create policy, argues Cape Town economist PUNDY PILLAY

FOREIGN firms leaving SA should seriously consider converting their companies to worker-controlled enterprises (WCEs) if they are as concerned with black welfare as they claim.

Both the disinvestment of US companies and the increasing disenchantment by the workforce of traditional owner-controlled enterprises, make the consideration of alternative management structures timeous.

Until now the link between ownership and control has been almost universal. A WCE, which is a system in which control is enjoyed by those working in an enterprise rather than by those owning it will radically change that tradition.

For the US companies wanting to pull out of South Africa this represents a painless way of redistributing income in favour of the working class.

Disinvestment by US companies has meant parent companies sell to South African management at prices often far below market values, but retain links through licence and technology agreements.

By withdrawing this way US disinvestment had enriched South African businessmen, some of whom have made it clear they do not intend adhering to the Sullivan code and other measures which pressurised US companies into maintaining relatively fair wages and conditions of employment. Workers in general will be worse off because of this corporate restructuring.

The idea of worker control is not as far-fetched as it may initially appear because it can be achieved without fundamentally changing the structure or organisation of the enterprise.

All discussions of industrial democracy contain two fundamental positions to management. The first is that the distinction between day-to-day management and ultimate responsibility and control should be maintained. On the other hand, there is also the belief that a fully democratic enterprise should eventually dispense with all or most of the functions of management as we know them today and move on to complete self-management.

Experience suggests that WCEs should try to maintain separate management functions rather than opt for enterprises without specific management roles.

A failure to perceive the importance of separate management functions in a WCE has often proved disastrous. History shows that the management required in an enterprise controlled by its workforce must be particularly strong if only to counteract anarchic tendencies and that it should be more like, than unlike, management in a conventional firm.

Where the workforce is ultimately sovereign management will obviously need to adapt its style. There is also some evidence that as such an enterprise gains experience and confidence, the need for immediate work supervision may be reduced. The crucial point, however, is that a WCE cannot dispense with professional management.

In an industrial democracy which dispenses with management — sometimes referred to as a Utopian model of industrial democracy — power arrangements are essentially of the "bottom upwards" variety. The essential problem with such a structure is that the power which flows from people at the bottom does not push upwards to a management structure of any kind.

In the alternative non-Utopian bottoms-upwards WCE, ultimate control and responsibility will flow, by definition, from the people at the bottom to management at the top.

A general assembly of the workforce will be the ultimate sovereign body. On the other hand, arrangements for day-to-day management will be required, and in enterprises in excess of say 20, the assembly could delegate responsibilities to an elected committee or board.

Thus a WCE will have a sovereign workforce assembly, a management team and an elected authority. The relationship between the two will depend on the nature of the enterprise, its history and the personalities involved. But the management team is always constitutionally subordinate to the elected body.

If the WCE is to compete successfully with conventional capitalist enterprises, the management team will need as much freedom in the execution of agreed policy as is enjoyed by management in conventional firms.

Deviations from this pure model are possible. These could include those similar to those found in control structures of enterprises which started as private firms and have converted to democratic enterprises.

Initially the management is not fully subordinate to a general assembly of the workforce. There are certain entrenched arrangements which, for an agreed period, the workforce cannot change.

The establishment of WCEs will not be easy. Their history in Western Europe and North America is hardly encouraging, and there have been more failures than successes.

But once this widespread failure of the past is understood, there is no reason why WCEs should not be cautiously promoted.

4507

MANAGEMENT FM 28/8/87

No profit, no bonus

Some companies are discovering the advantages of wooing worker's loyalty through share participations. Last week another, soft drink giant Amalgamated Beverage Industries, offered employees and independent dealers shares to the value of R11m.

Share participation schemes offer a stake in company prosperity. The company thereby hopes to win workers' hearts and minds, increase productivity and push up profits. This system seems especially popular among companies newly listed on the Johannesburg Stock Exchange.

But Albert Koopman, former MD of Cashbuild and recently voted one of four outstanding young South Africans of the year, voices scepticism. He supports the idea, as long as it doesn't amount to "window-dressing" and denies workers their rights.

At Cashbuild he implemented a system of management participation through which workers were given a democratic vote on issues, to a point where they could even fire management. To avoid prejudice, decisions were made strictly in line with a value system called the "Cashbuild creed of trust."

Although some 31% of the staff at Cashbuild held shares, Koopman says shareholding came second to "justice at the workplace." He adds that few workers truly understand shares: the number of shares held by individuals is often too small to mean much.

Another danger often overlooked is, of course, that workers who hold shares will also be affected by company losses. Koopman therefore believes a better way to spur workers' performance is profit sharing: every worker receives a weekly bonus which is a percentage of the week's profits. It's simple. No profits, no bonus, he says.

Share participation also — not surprisingly — receives flak from trade unions. Congress of SA Trade Unions (Cosatu) spokesman Frank Meintjies says Cosatu is "completely opposed" to the practice as it draws workers into "an economic system which creates poverty."

What probably bothers Cosatu most is that share participation could weaken unions' power. Meintjies says shares are often not issued equally to all the workers; this

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could divide workers at shopfloor level.

Cosatu also regards share offers as a cop-out by companies who have for years "denied workers a living wage" and now try to avoid workers' real demands. "We don't want workers to be loyal to companies over which they have no control."

11-17/9/87 (29)

Southern's 'too-radical' call starts gaining ground

THE call a year ago by life insurance company Southern Life for worker representation on the boards of pension funds was greeted with some derision in business circles.

According to Southern Life chief executive Bill Haslam, the idea of trade unions having a say in investment decisions was a very controversial one.

Trade union officials confirm this: some employers have proved intransigent in the face of calls for representation on pension fund boards or — favoured by the Congress of SA Trade Unions — the substitution of provident funds for pension funds.

But things are changing: "People are realising now that paternalism is dead and they've got to involve their employees," Haslam says.

Worker representatives now sit on the boards of some company pension funds. And in at least 20 companies, unions have negotiated or are negotiating new provident funds, with boards of trustees composed equally of worker and management representatives.

Trade unions see the provident funds as bodies of assets, owned by workers, which could in the long term be put to use to meet social needs, such as low-cost housing or education or community facilities.

It could also mean a careful watch on investment portfolios by workers wishing to avoid holding shares in, for example, companies with particularly bad labour relations — a prospect which financial institutions which do the investing for these funds may find a little worrying: "What stocks can you hold in a volatile South Africa?" Haslam asks.

With workers having a say over investment portfolios, political questions are likely to influence share-buying decisions

Such questions have been raised by some worker trustees in the provident funds — with worker trustees checking that their funds were not holding SA Transport Services stock during the railways strike, for example.

This has not become a widespread practice, but certain kinds of investment are absolutely out of the question: workers and trade unions will not allow provident funds to hold defence, police or Armscor stock. "Workers do not want to finance their own oppression," says Chemical Workers' Union general secretary Rod Crompton.

Apart from this unambivalent stance, the trustees of the new funds have so far done nothing very unconventional on the investment front.

The priority for the funds is financial stability. They have to build up their assets so that they can meet workers' benefit claims. They've thus adopted fairly conventional investment strategies which ensure good returns with minimum risk.

In doing so, the trustees are relying on investment consultants from established financial institutions.

National Union of Metalworkers' Bobby Marie adds: "Workers don't have the time or the skills." But just as management does, they are buying expertise.

What is most significant is that trade unions are building in to the provident fund agreements the requirement that information be fully disclosed and regularly reported back to workers.

At this stage trade unions haven't yet built up the expertise to determine alternative investment strategies, but this may come. Through participation in the provident funds, says Crompton, workers will learn more about financial markets.

Meanwhile, they will stick to avoiding the most sensitive investments, in government stocks and bonds. But they can't avoid it altogether.

By law, pension funds have to hold 53 percent of their investment in prescribed assets, while provident funds can hold 33 percent in prescribed assets, as long as the investments are held through life assurance companies (53 percent if they are not).

Prescribed assets are mainly government stocks and bonds but also include cash and bank deposits.

Trade unions are not the only ones who find the prescribed assets requirements problematic.

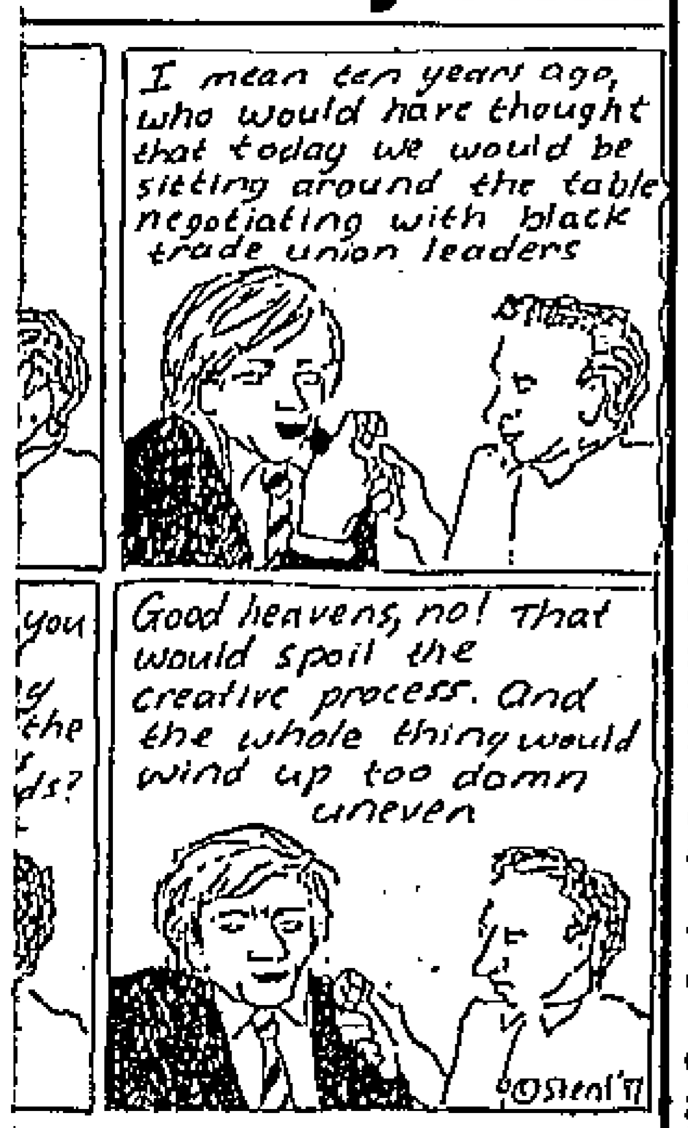
The life assurance and pensions industry has come out against the idea generally. The Pensions Institute of South Africa said earlier this year it had set as one of its priorities the reduction of prescribed assets held by pension funds: its concern relates to the relatively poorer return of prescribed assets compared with those allowed free rein on the stock exchange.

"The prescribed assets requirement is a cheap way of raising finance for the government: a ready source of finance at reduced rates," says Haslam.

The prescribed asset requirements were originally supposed to be a way of protecting the money of pension fund members. But full disclosure of information to members would provide as much — or more — protection, he argues.

Labour and Economic Research Centre researcher Taffy Adler comments that the anti-prescribed assets strategy of all the life assurers is a way of maximising their returns — and that if they do this they should be looking at increasing the payouts to pension fund contributors too.

by Stent



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THERE'S NOTHING SOCIALIST ABOUT SHARES-FOR-ALL

W/Mail 9-15/10/87

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By HILARYJOFFE

SOUTH AFRICAN companies which are introducing employee share ownership plans, or Esops, are "searching for ways to make employees more productive in the context of an economy in crisis", says the Labour and Economic Research Centre in a recent Bulletin.

LERC argues that Esops cannot be seen as a form of socialism: rather they should be situated firmly within the capitalist economy. "Workers' participation in decision-making does not increase simply by virtue of being minority shareholders," say the researchers.

In introducing Esops, South African companies are following trends in other capitalist countries.

Esops have been a feature of American corporate life since 1974 and 19 percent of the top 100 companies now have schemes whereby employees hold more than 10 percent of their company's shares. By the year 2000 it's likely that 25 percent of American employees will own part of their companies.

In Britain over 1 000 companies had introduced Esops by 1986 — compared with a mere 30 in 1979. The British initiative is an important part of Thatcher's aim of making "every worker a capitalist".

British trade unions have attempted to enhance the advantages to workers of share ownership by starting a bank, Unity Trust.

But trust funds, rather than individual shareholdings, are favoured in some countries. In Scandinavia "wage earner" funds which come directly out of company profits are used to buy company shares on behalf of employees and are controlled by the recognised trade union. The eventual aim is that employees should become majority shareholders.

Workers have become shareholders in a different way where they have bought out their companies in response to company closure or bankruptcy, taking over all the shares and the management of the company. This has been successful in some cases in the US, where since the early Eighties about 100 failing plants have been bought out by employees, saving an estimated 50 000 jobs.

Employee buyouts have primarily taken a co-operative form in Belgium, France, Italy, Japan and Britain

More boycott talk? SA can afford to be smug

SOUTH AFRICA'S secret and open trade with the rest of Africa will continue to thrive despite calls for stronger sanctions, say businessmen and government officials.

South Africa remains Africa's economic superpower, conscious of the inability of other Southern African countries to survive without it and adroit at circumventing sanctions, analysts say.

As a result South African business people and government officials do not seem too concerned about next week's meeting of Commonwealth heads of state, at which African leaders are expected to call for intensified sanctions.

South African trade with the rest of the continent now totals nearly R3-billion a year, according to Deputy Director General of Foreign Affairs Glen Babb. Analysts say the figure is impossible to confirm because of substantial secret dealings.

One newspaper report has put the number of African countries trading with South Africa at more than 45.

And Assocom Chief Executive Raymond Parsons estimates that South Africa generates more than 75 percent of Southern Africa's gross domestic product and can only benefit "if we have trading partners in the region who can pay for our goods and services".

Parsons said the meeting of Commonwealth heads of state in Vancouver next week would emphasise the need to help South Africa's neighbours rebuild economically.

Economists estimate over 50 percent of South Africa's foreign trade is "semi-clandestine" and say the cheap rand gives South African manufacturing industry an advantage in Africa and elsewhere.

● The West German Trade Union Federation (DGB) this week urged consumers to boycott South African goods, especially foodstuffs, in protest against apartheid.

The DGB also called on the West German government to push for European Community sanctions against imports of such goods as coal from South Africa

● The New York Times said in an editorial this week that Washington should maintain its sanctions against South Africa as a clear signal of US opposition to apartheid.
— Sapa-Reuter.

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of THE GUA...

Case study: Pick 'n Pay and the catering union

THE plan sounded enlightened and innovative: Socially-minded supermarket chain Pick 'n Pay would ensure half its employees owned shares in the company by 1992.

The union was unimpressed.

The Commercial Catering and Allied Workers' Union said Pick 'n Pay had decided on the scheme unilaterally and did not communicate with the union, which represents the majority of the company's workers.

The union is particularly critical of the structure of the trust which Pick 'n Pay has set up to implement the scheme. "The trustees of the new fund have already been appointed. Workers have not been given the opportunity to elect or play a role in electing representatives to this board," Ccawusa's Jeremy Daphne said.

The union said Pick 'n Pay had been projecting its new employee share ownership scheme as a major advance for worker shopfloor welfare and a step towards industrial democracy but "for the workers involved it is important to remove the tinsel and see what lies underneath".

Pick 'n Pay executive chairman Raymond Ackerman said the company had not discussed this particular scheme with Ccawusa but had discussed the idea with the union in the past. The union said this was incorrect: "At no stage have there been negotiations or consultations with Ccawusa on this matter," the union said. "This applies to the present scheme and the new scheme that Pick 'n Pay intends implementing."

Ackerman told *Weekly Mail* he knew some trade unionists were against the scheme and "I respect this view", but he hoped the trade union would come to accept that the scheme gave workers a meaningful stake in the company.

"We can in our own businesses give people the experience of power sharing in the economic field," Ackerman said.

He said Pick 'n Pay was not trying to co-opt workers or divide them from the trade union. "We believe wages are the main thing and all the things we negotiate with the trade union remain paramount — share ownership is just a cherry on the top."

At present, 16 percent of its 18 000 employees own shares in Pick 'n Pay.

The company intends to raise this proportion to 50 percent over the next three or four years, by changing the criteria for employee share allocation and splitting Pick 'n Pay and Picwik (the holding company) shares into four. (Thus, for example, Pick 'n Pay shares which this week were trading at R45, would be split such that a share would cost about R11 and a Picwik share about R5,50.)

In terms of the existing scheme, shares have been allocated to employees with more than 10 years' service and to managers.

In terms of the new scheme, it is likely that employees with five years service will be included, as will senior staff below managerial level.

The company has allocated R25-million which will be used to buy Pick 'n Pay and Picwik shares on the market (it will not be issuing new shares). These will be held in a trust fund for staff.

Raymond Ackerman

Employees can buy their shares from the trust after five years if they have the money, or the shares will automatically become theirs after 10 years through dividend repayments into the trust.

The scheme and the trust have come under fire from Ccawusa. The union says most workers will have to wait the full 10 years before they own their shares — meanwhile they will be represented on the trust by a board of trustees whom they have had no say in electing.

"Workers automatically qualify to receive shares and there appears to be no consultation involved," the union says.

And it points out that the share scheme will not give workers any significant power in the company, as individual shareholders will have little voting power. Also, it says, even if the company raises to 50 percent the proportion of staff who hold shares, "this would only constitute a small percentage of the total issued share capital of the company".

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future economic and political stability of South Africa will be largely influenced by the degree of understanding and trust that can be engendered among all people towards a market-orientated economy. Ownership of equity, as well as houses and trading entities, must become more widely accepted as a legitimate form of private ownership."

Standard doesn't have to worry too much about trade unions. But both Pick 'n Pay and the Coke share offers have come under fire from unions in their own companies (see story above).

When US multinational Coca Cola announced its intention to pull out of South Africa last year, selling the major part of its holding in Amalgamated Beverage Industries to South African Breweries, R11-million of shares in ABI were set aside for the company's 7 000 workers and 3 500 Coke dealers. The scheme is now being implemented and the share offer closes at the end of this month.

ABI Managing Director Alex Reid said the company saw the share offer arising out of Coke's pullout as an opportunity to "introduce the concept of share dealing to a community who by and large have never had an opportunity to participate in a capitalist type system" and added that it was "a genuine attempt to let workers share and participate in the company they work for".

ABI's training programme to teach workers and dealers about shares and share dealing has received a fair amount of publicity. And the compa-

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THE ECONOMY

A stake for workers: So why the sour faces?

The idea of employee shares in companies is catching on fast among liberal managements. But trade unionists are a lot less enthusiastic. HILARY JOFFE reports

THE shares-for-workers idea is definitely the fashion in business circles. At least 24 companies have implemented employee share ownership schemes, according to the Labour and Economic Research Centre, and two more have announced plans to do so in the future.

It is an issue, however, which is fraught with conflict. Companies going this route are arguing that they wish to give employees a meaningful stake in the company. But trade unions remain opposed to the idea of individual share ownership by workers. And there has even been opposition from black business people, as the recent statement by Soweto traders against the Coke share deal attests.

Standard Bank's announcement this week that it was to offer three million shares to staff and customers was another disinvestment "opportunity" — like the Ford and Coca Cola ones earlier this year. But unlike the Ford offer to turn over the American company's South African holdings to an employee trust, both Standard and Coke have offered shares to individual employees, as well as to customers.

The Standard offer arises out of British parent company Standard Chartered Plc's sale of its 38,9 percent stake in the South African corporation in August. Approximately one million preferred ordinary shares have been set aside for staff (excluding executives) of Standard Bank Investment Corporation and its wholly-owned subsidiaries. Two million have been set aside for customers, one million of which will be placed with black customers, by a private placement.

The shares are being offered at R18,75 a share — a discount on the R24,50 SBIC shares were trading at earlier this week.

SBIC's directors seem particularly concerned that their offer not be misread. In a statement this week they said they attached great importantance to the success of the placement and hope "that its motivation will be understood and accepted in the communities to which it is directed". They said they had consulted "with members of the black community".

The SBIC statement says the corporation's directors "consider that the future economic and political stability of South Africa will be largely influenced by the degree of understanding and trust that can be engendered among all people towards a market-orientated economy. Ownership of equity, as well as houses and trading entities, must become more widely accepted as a legitimate form of private ownership."

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ABI's training programme to teach workers and dealers about shares and share dealing has received a fair amount of publicity. And the company said recently it was pleased with the response by workers and dealers.

But despite descriptions of the scheme in one newspaper as "an offer they can't refuse", some dealers and workers have refused it.

The Soweto Chamber of Commerce and Industries this month turned down the offer on the basis that it symbolised only "token representation". SCCI Projects Director Peter Temane said "If the offer is fully taken up, staff and dealers will have 11 percent of ABI's shareholding but almost 80 percent of their products are sold to the black community. I don't think it is a fair business proposition; it must rather be seen as political tokenism."

And the Food and Allied Workers' Union (a Cosatu affiliate) and Food and Beverage Workers' Union (a Nactu affiliate), the two trade unions representing ABI's workers, have opposed the scheme from the start.

The scheme was not negotiated with them, and they see individual share ownership as problematic anyway.

Workers saw the scheme as an attempt to buy them off, a spokesman for Fawu said earlier this year. He said share ownership put workers in a problematic relationship to the company since: "They are then supposed to have a direct interest in the profits of the company and to be less inclined to make demands affecting profits."

But while he said the share ownership scheme in the form proposed by ABI — individual shareholding — had "no likelihood" of being accepted by the union, collective forms of ownership were being discussed.

"We're struggling for a living wage, let along considering buying shares," Cosatu's Jay Naidoo has said. As Cosatu sees it, share ownership will not give workers a greater say in the workplace and might co-opt sections of the labour movement. Nonetheless, it would give workers control of some wealth and the idea of share ownership by worker trusts is being seriously considered within the federation.

And the unions' firm call is for companies to negotiate with them over such proposals — something which has clearly been absent in many of the share schemes.

But trade unions are not the only ones who have reservations about share schemes. There are those in business circles who have pointed to the problems too.

One human resources director says companies are using these schemes to avoid meeting workers' demands for a living wage. He argues companies should be developing genuine nego-

Case study: Pick 'n Pay and the catering union

W Mail 9-15/10/87

THE plan sounded enlightened and innovative: Socially-minded supermarket chain Pick 'n Pay would ensure half its employees owned shares in the company by 1992.

The union was unimpressed.

The Commercial Catering and Allied Workers' Union said Pick 'n Pay had decided on the scheme unilaterally and did not communicate with the union, which represents the majority of the company's workers.

The union is particularly critical of the structure of the trust which Pick 'n Pay has set up to implement the scheme. "The trustees of the new fund have already been appointed. Workers have not been given the opportunity to elect or play a role in electing representatives to this board," Ccawusa's Jeremy Daphne said.

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Ackerman told *Weekly Mail* he knew some trade unionists were against the scheme and "I respect this view", but he hoped the trade union would come to accept that the scheme gave workers a meaningful stake in the company.

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"Workers automatically qualify to receive shares and there appears to be no consultation involved," the union says.

And it points out that the share scheme will not give workers any significant power in the company, as individual shareholders will have little voting power. Also, it says, even if the company raises to 50 percent the proportion of staff who hold shares, "this would only constitute a small percentage of the total issued share capital of the company".

Anglo announces its share scheme

THE Anglo American Corporation and De Beers yesterday announced details of their employee share ownership plans, in which an equal number of shares will be given free to every employee with two or more years' service.

The target is five Anglo shares for each of its 250 000 workers or 10 De Beers shares for each of its 20 000 employees.

New shares will be issued. These will be held for four years by trusts on behalf of employees who choose to take up the offer. In that time employees will not be able to sell the shares but will receive the dividends.

The Anglo Corporation and De Beers will seek the approval of existing shareholders to go ahead with the scheme in December.

The scheme will initially run for five years, during which time further offers of shares will be made each year. Up to 7,5 million shares — 3,5% of Anglo's present issued share capital — could be involved over the five years. At present though, even if everyone took them up, the total employee stake would amount to only 0,7% of Anglo's shares.

Anglo chairman Gavin Relly said yesterday that the scheme would enable employees to become involved in the process of investment and wealth creation.

The National Union of Mineworkers' has condemmed the scheme as a ploy to deceive workers.

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Ramaphosa: It's sheer political blackmail

W Mail 27\11-3\12\87 (29)

THE National Union of Mineworkers' general secretary, Cyril Ramaphosa, describes Anglo's share offer as "political and economic blackmail that the corporation is using to try to seduce workers away from socialism". And workers will not be deceived by it, he says.

"The debate has been raised by workers and their organisations and by other democratic organisations to have a socialist system in our country: it's clear to us that this intervention by Anglo to offer shares to workers is a political intervention," says Ramaphosa.

He views it as a Thatcherite attempt "to make every worker a capitalist" — one which he sets in "a broader context of a general crisis facing the capitalist casino economy which is clearly coming under attack by organised workers."

He rejects the scheme as part of Anglo's approach to preparing for a post apartheid society: "It's using undemocratic and illegitimate methods of preparing for a post apartheid South Africa — when our people's demands are enshrined in the Freedom Charter. These schemes are an attempt to diffuse the momentum that has been built up in recent years for our people to achieve liberation and win an exploitation-free system in this country. We can but say that these attempts on their part will clearly fail because what they are doing is using the most degenerate tokenism."

The stakeholding initiative on Anglo's part is an attempt to induce workers to greater loyalty to the company which employs them, Ramaphosa says. "We are surprised that the scheme comes so soon after the miners' strike, when our members clearly demonstrated their dissatisfaction with the starvation wages being paid," he says, asking: "Why not increase our wage through the money going to purchase these shares so we can have a living wage now, not in four years' time."

The share offer gives no meaningful participation to workers, says Ramaphosa, and Anglo has in the past refused to give workers meaningful participation in matters more intimate to them, such as health and safety or control over their living environment in the hostels.

Workers have had no say in the appointment of the trustees who are supposed to be taking decisions on their behalf, he says.

29 6

Share offers gain momentum ... but not yet labour acceptance

The more managements offer shares to workers, the more they fail to win friends. Why? DUNCAN INNES reports

THE Amalgamated Beverage Industries recently announced the successful completion of its share offer to ABI staff and dealers.

Coming on top of Ford's announcement of the successful conclusion of a share ownership scheme with the National Union of Metal Workers and Anglo's announcement that it is to give away shares to its employees, it would seem that the new management strategy of encouraging employee share ownership is rapidly gaining momentum.

But all of the above schemes, as well as that of Pick 'n Pay, have run into serious criticism from unions.

A closer look at the ABI offer may help to throw light both on union objections to share ownership schemes for employees and also on the implications of such schemes for unions in the future.

ABI is the largest producer and distributor of Coca Cola and related soft drinks, like Fanta and Appletizer, in the country. Ten years ago the Coca Cola Corporation owned 82 percent of ABI, but when it disinvested last year it sold off its holding to the South African Breweries (70 percent) and Cadbury Schweppes (19 percent).

Coke's intention was that the remaining 11 percent of ABI's shares, which amounted to 11-million shares valued at one rand each, should be made available to staff and dealers who handled ABI products. Two million of the shares were to be allocated among the 4 000 ABI employees and the remaining nine million were to be allocated among the 7 000 ABI dealers.

The target ABI publicly set themselves was that they would be able to persuade 60 percent of their staff and dealers to take up these shares.

The Standard Bank agreed to lend money to those dealers without the ready cash to take up the offer, while ABI itself offered to lend money on an interest-free basis over 18 months to staff members. ABI's major shareholder, South African Breweries, agreed to buy back any outstanding shares at R1,60 each.

To popularise the scheme ABI sought assistance from the Centre for Developing Business at the University of the Witwatersrand to produce a video informing its staff and dealers of the benefits of the scheme. In addition, a simplified prospectus was produced in four different languages and numerous lecturers were brought in to offer direct counselling.

Despite these efforts, initial responses to the scheme were not favourable. As far as staff were concerned, both the Food and Allied Workers' Union and the Food, Beverage Workers' Union initially rejected the offer, arguing that equity participation without participation in decision-making was unacceptable.

Fawu, in particular, saw the offer as a trap, claiming that: "The sale of shares advances and protects the interests of profit-makers, while dividing united action by the workers."

Nor was the initial response from dealers any better.

The Soweto Chamber of Commerce and Industries launched a blistering attack on the scheme, pointing out that: "If the offer is fully taken up, staff and dealers will have 11 percent of ABI's shareholding, but almost 80 percent of their products are sold to the black community. I don't think it is a fair business proposition, it must rather be seen as political tokenism."

By the end of October the scheme looked to be headed for disaster with less than one million of the 11-million shares having been sold.

At that point the company decided to dispense with the video sales package and to adopt a hard sell approach among dealers instead. As far as staff were concerned, management gave up trying to convince unions of the scheme's benefits and instead approached staff on a one to one basis.

The results: 58 percent of staff and 62 percent of dealers finally accepted the offer. Furthermore, because the company limited the number of shares individual staff and dealers could apply for, when the final applications were received the staff allocation was six times over-subscribed and the dealers' nine times.

Undoubtedly, the ABI offer was ultimately a success.

However, one serious problem that emerged in the final analysis was that union resistance, especially from Fawu, remained strong. While a high proportion of staff in non-Fawu areas of company activity took up the shares, in areas where Fawu were strongest the response from staff was very poor.

Those employers who favour such schemes — and not all employers do — argue that they provide an opportunity to spread South Africa's wealth further afield, enabling black employees especially to participate meaningfully in the fruits of their own labour.

But share ownership for workers does not necessarily address workers's demands for a greater say in the running of their companies. The ABI share offer of two million shares to staff in fact represents a mere two percent of the total shares in the company, while Anglo American's recent offer is not even one percent of the total.

The only case in which staff have been offered a meaningful share in a company, from the point of view of participation in decision-making, is Numsa's 24 percent holding in Samcor. Significantly, Numsa is the only Cosatu union so far to accept management's share offer.

But leaving aside this issue, unions also fear that the dividend payments arising from share ownership will ultimately be used by management as a substitute for wage increases.

Edmund Rudman of Unisa puts forward the management case, arguing that employee share ownership "works best when a modest base salary is supplemented with cash bonuses and equity shares which are linked to corporate performance".

Unions fear this means that in good years wages will in effect be held down so that dividends can be paid to employee shareholders. One problem for unions here is that while they can negotiate over wages, they cannot negotiate over the size of the dividends. Secondly, while wage agreements cover all employees, dividend payments are made only to shareholders and the amount of cash received depends on the number of shares held.

In bad years, of course, unions fear that management may simply decide not to pay any dividends at all even though workers have become dependent on dividend payments to supplement their wages.

It is problems like these which have caused unions to reject most of the share ownership schemes that have been proposed so far. However, as the ABI case suggests, there is no shortage of non-unionised workers who are at present eager to participate in such schemes. This is a factor which unions cannot afford to ignore.

Labour changes hailed

By Sheryl Raine

Sweeping proposals to revamp South Africa's labour laws have been widely welcomed by industrial relations experts and some say the proposals are among the most enlightened in the world.

Professor Nic Wiehahn, the father of labour reform in South Africa and head of Unisa's School of Business Leadership was particularly impressed with moves to declare as unfair labour practice discrimination against employees on the grounds of race, sex or religion.

Although it was implied in the existing Labour Relations Act (LRA) that discrimination was an unfair labour practice, this is the first time in South African labour history that discrimination has been clearly and officially condemned.

"I believe the law should go even further to make this type of discrimination punishable," said Professor Wiehahn.

He also welcomed proposals to establish a labour appeal court as a division of the Supreme Court.

The new proposals governing definitions of an unfair labour practice, dismissals and the settlement of disputes were published in the Government Gazette for comment yesterday.

CONTRADICTIONS

Labour lawyers largely welcomed the proposals but pointed out that there were now some fundamental contradictions in the country's labour laws.

"The Mines and Works Act still reserves 13 jobs for whites on the mines," said one.

Although a draft Bill to scrap job reservation on the mines was tabled in Parliament last year, amendments to the Mines and Works Act have still to be passed.

Another lawyer said: "A particularly far-reaching proposal concerns the recommendation that an employer who unreasonably fails to negotiate on an industrial council, or with a representative trade union or group of employees, is guilty of an unfair labour practice."

Lawyers also said the unions' ability to mobilise broad support in disputes with employers would be limited.

Sharon Benard (17) of Redhill High School received distinctions in seven subjects. The matriculation certificate she's holding belongs to her sister Annemarie (19), who received seven distinctions in the same subjects two years ago. © Picture by Ruvan Boshoff.

STT 13/12/87 (29)

Employee share-ownership schemes are South African managements' new answer to narrowing the gulf between worker and employer interests. Mike Miles, Executive Director of the Institute of Industrial Relations, and Neville Huxham, Anglo American Public Relations Manager, offer two views on the subject

Workers will give real verdict on share plan

IT was to be expected that the recent announcement of an employee share-ownership scheme by Anglo American and De Beers would evoke widespread comment.

It was similarly predictable that the scheme would generally be welcomed by capitalists and attacked by socialists, because this plan goes right to the heart of the controversy about what South Africa's future economic system should be.

The real verdict on the scheme will be handed down, not by managers or trade unionists, and not by journalists or politicians, but by the workers themselves; and this will not happen soon, but only when it has been seen and tested in operation. This could take years.

The debate — dispute is perhaps a better word — about economic systems is conducted with particular vigour in South Africa, because it has become tied to the highly explosive issue of human rights.

[redacted]

Most black people, quite understandably, see their economic deprivation and their lack of effective political rights as being two sides of the same coin, and therefore are tempted to believe that the economic as well as the political system must be scrapped if there is to be a future.

Understandable though it certainly is, this belief is based upon a misconception, which is that what black people have experienced in the past was, in fact, free enterprise.

It simply was not. Land Acts, pass laws, group areas, job reservation and a large number of regulations bearing directly upon black enterprise and black employment have, in fact, denied black people the freedom of opportunity which is quite essential to that system.

In reality, if one looks around the world, personal freedom flourishes far more in the capitalist countries than in the socialist ones — because freedom is a prerequisite for successful capitalism.

A number of restrictive laws have now been repealed in South Africa, and others may follow. Economic opportunity is already improving for black people, precisely because free enterprise is beginning to come into its own as

By NEVILLE HUXHAM

apartheid is dismantled or breaks down.

Political democracy has not yet come, but its economic counterpart is just beginning to emerge.

It is into this dynamic situation that Gavin Relly, Julian Ogilvie-Thompson and their colleagues have moved, with a scheme which proposes to give working people an early opportunity to experience share ownership and its benefits, to learn something more about the creation of wealth.

As Mr Relly put it in a letter to all eligible employees:

"South Africa is in transition away from apartheid. In the new society now emerging South Africans need common goals, common experiences and common challenges. Your board believes that this scheme can make a contribution to this purpose, and I feel sure you will wish to support this investment in our future."

Relly and his colleagues, in presenting the scheme, have been deliberately modest. They have conceded that, while impressively wide in its extent, it is necessarily very limited as to the assets which can be given to each individual.

[redacted]

They have pointed out that participation is entirely voluntary. They have been at pains to stress that the share scheme is only one of a number of measures required to create the preconditions for wealth creation. They have re-emphasised their loyalty to trade unionism, collective bargaining and participative management.

Yet they have been criticised, and not only by trade unionists, for the manner of introduction of the scheme.

Chiefly this criticism has been focused upon the fact that there was no prior consultation or negotiation with the unions (they were informed, but this is not the same thing).

Now the Anglo/De Beers decision to implement the scheme by direct communication with individual workers was by no means inadvertent, nor lightly taken. On the contrary, it was decided after thorough debate that share ownership must not be treated simply as an element in remuneration. It is certainly not that; the acceptance of a share is an act of investment, not the receipt of wages.

It was for this reason that the scheme was based upon an equal allocation of shares to all employees, whereas a wage increase would have been proportioned to job ranking.

The unions have said, in effect: Drop this scheme and give us better wages instead.

But nothing is further from the minds of Mr Relly and his managers than that these two should be seen as mutually exclusive. On the contrary, it is expected and intended that the process of determining wages and conditions by collective bargaining should continue as though the offer of shares had never been made.

[redacted]

It is one principle of good business that wages and conditions should be freely negotiated between organised labour and management. It is another, quite separate, principle that workers should as far as is humanly possible hold a stake in the enterprise and share in its fortunes.

It is not difficult to understand that young trade unions, struggling to solidify their strength, should resent any direct dealing between the management and the workers. Unions want to represent workers for all purposes.

So they should, perhaps — insofar as the workers are seen only in that capacity. But workers are also people, citizens, parents. And it is of the very essence of free enterprise that a man should own his property individually, be it his house or his bicycle or his shares.

For the purposes of this scheme, the people are potential shareholders, and this is an individual matter.

The key factor in all industrial relations is trust. Trust is not easy to establish anywhere, least of all in our country where acute political tensions impinge on industry.

Yet Anglo and De Beers think that they ought to be trusted when they declare that share ownership is additional to and separate from healthy unionism, collective bargaining, and fair wages — in all of which they also believe.

Not a panacea for our critical labour issues

By MIKE MILES

THOSE who believe the introduction of the employee share-ownership plans are a magical potion to stem the onslaught against capitalism are sadly deluding themselves.

They are not a panacea for any of the critical issues facing labour and management in South Africa today, although they are relevant where the scheme is geared for those who manage the undertaking.

They cannot be relevant where they are created for those who labour for the undertaking unless certain measures are adopted from the scheme's inception and criteria agreed upon by all parties as to their viability and operation.

The establishment of Employee Share Ownership Plans (Esops) by management in order to create individual worker-capitalists runs against the fundamental principles of pluralism which is the basis for equity in a socially democratic free enterprise system.

Esops are not an alternative to trade unions and a rational collective bargaining system.

However, one can understand why some employers might consider the introduction of these schemes when year after year their respective enterprises are subjected to critical industrial disruption.

Trade unions that consistently practise such activity at the expense of responsible collective bargaining and their members' wellbeing ought not to be too quick to criticise before they've thought through their own actions and the long-term implications of such schemes.

Yet providing a stake in the enterprise and the system through economic participation is not the remedy to avoid strike activity.

It is indeed a sad reflection on our overall socio-economic and political system that employers find themselves having to resort to such methods to alleviate the inequality which is entrenched in South Africa.

The major reasons militating against Esops are, I believe, the following:-

● The argument in favour of Esops rests on the concept of the redistribution of wealth.

Wealth certainly cannot be redistributed merely by allocating a few shares to individual employees.

If the objective is the promotion of capitalism or the free enterprise system at the expense of socialism, Esops are not the solution either.

Capitalism and socialism are not only economic concepts, they are political concepts as well, and until a political solution is found for this country any system which is synonomous with supporting apartheid is not going to find much favour with those who are the victims of apartheid.

● An equally important aspect of Esops is the focus on individuality, not on collectivity.

This is the basis for a unitarist perspective, akin to paternalism, which sees all employees as individuals within the enterprise and part of "the team".

Such an approach ignores the fact that employees have group identity with conflicting interests and that relationships are best regulated through standardised processes of negotiation, consultation and joint problem-solving.

The latter is the pluralist perspective, accepted as standard industrial relations practice.

Where management retains its collective power base at the expense of the labour collective for the promotion of individualism, then it shall be seen to be reverting to a unitarist style of management.

This style does not eliminate conflict, it promotes it.

This is the fundamental reason why trade unions voice objectives to the Esops scheme.

● There is an argument that individual share participation would mean that workers would think twice before striking.

This is a fallacy. Workers go on strike for a number of reasons, primarily due to their dissatisfaction at management and conditions in the workplace. Their rationale could be "we are part-owners, we now have a greater right to say when we shall or shall not work."

These reservations about the schemes, however, does not mean they are irrelevant.

It is a pity they were not introduced 70 years ago, but nontheless with these proposals and adaptations some success might still be achieved in addressing the redistribution of wealth, albeit to a limited extent, before the '90s.

Some suggestions for the meaningful and effective implementation of financial participation schemes are:-

First, these schemes should be collective-based, rather than individual based. This would not necessarily exclude individuals from owning shares in a public company.

The advantage of being collectively based means a more effective redistribution of wealth, the finances could be channelled into a trust and that money could be used for community housing and welfare projects for the betterment of the workers in their communities.

Second, any participation scheme in order to be effective must be negotiated with the representative trade unions with regard to quantum, and they must be consulted in the process of implementation.

Third, where Esops are introduced they should form part of the employee's renumeration package and be subject to inclusion in annual wage negotiations with the representative trade unions.

One must acknowledge that in the present circumstances there is no substitute for the collective bargaining process.

Share participation schemes will not dent the labour movement's power base, nor will they make any significant contribution to the redistribution of wealth and power in the country's labour relation.

Our fragile system cannot afford to become too polarised — labour and management need to be seen to be dealing with common-interest issues more often and more openly through the right channels.

These shares are all about politics, not dividends

29

Anglo American announces a massive shares-for-workers scheme to give employees a stake in private enterprise. But the unions are wary: the scheme is 'political blackmail' they say. HILARY JOFFE reports

ANGLO's scheme to provide shares for its employees is not about the stockmarket — it's about politics.

Specifically, it's an attempt by Anglo to intervene in the debate about capitalism and socialism.

And it's on this terrain the union is joining battle with the corporation.

Anglo intends the shares to give workers the experience of wealth creating investment in a private capitalist enterprise. The corporation favours private over state ownership, market forces over centralised planning. And it is trying to ensure "free enterprise" system in a future non-racial South Africa.

The union sees this as an attempt to seduce workers away from talk of socialism: their view of a post apartheid society differs from Anglo's. And the union's view of workers' priorities in the present society is a little different too. The union wants to see a non-racial society which is not exploitative. The workers' primary demand in the present is for a living wage — not for a small investment.

The debate about futures is one which Anglo is into in a big way — with the publication of the Clem Sunter book, *South Africa in the 1990s*, and a book soon to be published, edited by Godsell and American sociologist Peter Berger, dealing with post apartheid options. Post apartheid society and free enterprise have been themes in a number of recent statements by Anglo executives.

From Anglo's point of view, the share scheme is just one intervention in the debate. If all the companies in the Anglo fold decided to allocate the targetted five shares it could cost up to R70-million at this week's share price. It would make little difference, at least in the short term, to the structure of ownership of the corporation.

And it's doubtful whether share ownership would have much effect on workers' decisions to strike to improve wages and conditions.

From workers' point of view five shares valued at R300 at this week's prices, yielding R11,25 in dividend income last year, is not going to make much difference to their daily lives. The only advantage might be the once a year opportunity to go to the shareholders' meeting and have their say on company policy — something which would delight some in Anglo.

But workers have demonstrated they have more effective collective ways of expressing their views on Anglo policies.

Ironically, the fact that the shares are to be given free to employees may open Anglo's scheme to more charges of co-option than those in which employees buy the shares.

Anglo says it will advise workers to consult their unions as to whether to accept the shares.

The National Union of Mineworkers has said it advises workers to reject the offer.

Workers may be reluctant though to forego something for free. NUM's Cyril Ramaphosa argues that workers' live from hand to mouth and want money which is accessible — they are not likely to favour longer term investments as those who have more disposable income do.

It's precisely the longer term investment mentality which Anglo is trying to inculcate. But the strategy may be limited while wage levels are such that workers' needs and aspirations are for more immediate gains.

Bobby Godsell

Cyril Ramaphosa

Godsell: Interventions in the debate on capitalism

ANGLO AMERICAN group industrial relations consultant Bobby Godsell is not naive enough to believe that by giving shares to workers, the corporation will "turn 200 000 socialists into comitted capitalists".

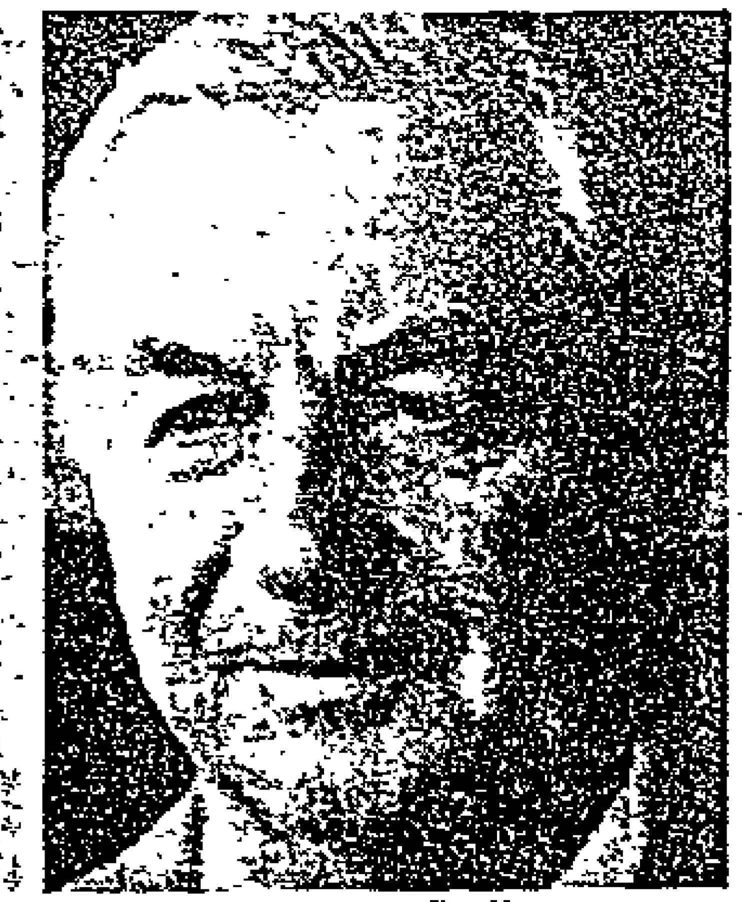
But he sees the share offer as an intervention in "the evolving debate in South Africa about capitalism and socialism and about the best way of combatting poverty and inequality.

"The central principle is to give employees the opportunity if they wish to experience investment — using money to create more money, as opposed to money as a reward or a form of consumption," says Godsell.

"The scheme has "no high ideological purpose", he says, and will not of itself change people's ideological experiences. But the share offer is an attempt to expand workers' experience of the modern economy and to give them a basis of informed experience of investment through privately owned companies — an experience which Godsell hopes would bear on the debate.

"I have a healthy respect for the capacity of our workers to make their own ideological decisions and come to their own conclusions," he says.

The basis on which Godsell is pushing the Anglo share scheme is a sophisticated one. He is at pains to stress that it will not replace collective bargaining, that it is not a form of remuneration or a bonus system. He is clearly trying to avoid allegations that this is an attempt to co-opt workers.



Gavin Relly

This is not about ownership and control of the corporation, he says — even though over time employees could come to constitute a significant block of shareholders. Godsell says the plan was initiated two years ago and has nothing to do with strikes.

When Anglo chairman Gavin Relly, announced the share plan in his annual report to shareholders in July this year, he was less equivocal than is Godsell on the motivation for giving shares to employees. His ideological ambitions seem to be greater than just a modest attempt to generate debate.

His announcement of Anglo's share ownership plan came in the context of his remarks on the necessity to ensure the survival of the free enterprise system in "the new South Africa that is in the making" and on the deficiencies of "a Marxist state". He linked share ownership and home ownership as ways of giving employees a stake in the future of the country.

And he drew an implicit comparison between the broader share scheme planned for all employees and the exsiting share participation schemes for senior management, which, he said "have worked well in drawing management and shareholders together in common purpose".

The Ford disinvestment deal announced this week in which Anglo is also involved, stands in marked contrast to the Anglo share scheme. Both involve worker share ownership but in very different forms.

Godsell says he is "very pleased at the Ford agreement — it is a most creative, responsible and helpful way for a foreign company to change the way it operates in South Africa". But he sees the issues as different to those in the Anglo scheme.

W/Mail

Dec ' 1987

9

Give workers a stake — Schwarz

(29) STAR 17/4/86.

Political Staff

PARLIAMENT — Mr Harry Schwarz, official opposition spokesman on finance, has appealed to the Government to give workers a share in their companies.

"Give the workers a stake in business and they will not be so quick to strike or throw petrol bombs when it is their factory that will be hurt.

GOLD MINES

"If you want capital formation and stability, you must give workers a stake in the capitalist system," he said during the second reading debate on the budget.

"This will save the free enterprise system. We don't understand the conflict between capitalism and socialism in this country.

"Unless all South Africans taste the fruits of capitalism, they will not support it."

Mr Schwarz said in Britain workers were given about R8 000 worth of shares in their company — and this was under a Conservative, not a Labour, government.

He said he included gold mines in this proposal.

Mr Schwarz also appealed to the Government to launch a Buy South Africa campaign. This would help to save jobs and so maintain stability.

First step towards worker directors

29

Guardian 4/6/78

by Keith Harper

THE PRIME MINISTER announced the Government's tentative moves towards industrial democracy without concealing the problems that lay ahead in bringing it about and the doubts about when he could introduce legislation in Parliament.

In the Commons he talked about hopes for the next session, but later at a press conference he admitted that there might be difficulties and that it could be the session after that. He agreed that last week's White Paper contained a number of loose ends and that there would have to be more consultation with both sides of industry.

According to the White Paper it would be three or four years after legislation was introduced that workers could actually get on to company boards. In the Commons the Prime Minister referred to five or six years. This means that at the very least Labour would have to win the next election and the one after that before private companies would have to worry about the reality of worker directors in the boardroom.

The announcement was greeted with predictable shrieks of horror from the Conservatives, the Institute of Directors and the CBI, whose director general, Sir John Methven, said that the Government was still obsessed "with the idea of extending trade union power."

The unions, who are in many ways just as divided as any other group on industrial democracy, adopted a welcoming approach. Mr Len Murray, the TUC general secretary, described it as "a major step forward," but it got a mixed reaction from Mr David Basnett, chairman of the TUC, who said it was a compromise proposal. For the Transport and General Workers' Union, Mr Moss Evans said that more would have to be done in the private sector to protect trade unions.

Lord Bullock, who chaired the committee on industrial democracy, which made far more radical proposals than those set out last week, said his first reaction was a feeling of satisfaction.

Mr Callaghan emphasised that it was the Government's firm intention to legislate on "something like" the White Paper. He pointed out that there had been considerable discussion "and on some occasions explosions" in the preparation, and it was the Government's task to reconcile all the parties. His objective was to try to replace a policy of "defensive co-existence" with one of "positive partnership."

The emphasis in the Government's White Paper is on the voluntary approach and a simple statement that it is not the intention to impose a "standard pattern of participation on industry by law." Whenever the legislation comes into effect companies employing more than 500 people would be under legal obligation to discuss "all major proposals" with the workforce, which would be represented by an inter-union committee.

In companies employing more than 2,000 people, of which there are some 700 in Britain, the legal right to representation on the board would come only "three to four years" after the establishment of the inter-union committee. Where this could not be achieved voluntarily employees should have a right to appoint one third of the directors either to the top board of a new two-tier board structure or to the existing unitary board. Mr Callaghan said he hoped that this could be dealt with in one piece of legislation.

Where it comes to forcing worker directors on private sector companies the White Paper is at its vaguest. Mr Callaghan said there would have to be a ballot of every member of the company, and that included non-unionists. This is a proposal which is in direct conflict with that of the TUC which has been pressing for what it calls "single channel representation."

Mr Callaghan explained that if the ballot went against worker directors that would be it. But the White Paper does not suggest what kind of majority would be necessary among the workforce before worker directors were admitted to the boardroom.

Asked what the Government would do to impose sanctions on recalcitrant firms, the Prime Minister replied that persuasion was all important. He thought that employers would "hardly fly in the face of their employees."

29 FINMAIL 14/11/86

SHARE PARTICIPATION SCHEMES

Credit for go-getters

The West widely encourages employees, not just key executives, to participate directly in the fortunes of their employers. Yet in SA outmoded tax laws are being used to discourage this.

Schemes which allow employees to participate in the fortunes of their companies are well on their way to becoming another cornerstone of Western economic success. So Inland Revenue's fresh assault on share participation schemes can expect to meet with considerable resentment. It also represents a threat to productive enterprise which SA simply cannot afford.

For historical reasons, notes Ernst & Whinney's Julian Nagy, the benefits of share participation schemes in SA are restricted almost exclusively to key executives. So, for the present at least, only the relatively affluent are directly affected. But Inland Revenue's policy ignores major developments in the West that could have a highly beneficial application in SA.

In the UK, where share participation schemes are tax-exempt, Margaret Thatcher's government is trying with some success to popularise the concept of share ownership. The greater the number of people who can hold shares, the lower the perception of a capitalist minority controlling the economy.

Surveys in SA have shown widespread black perceptions of an "oppressive" capitalist domination; and that the concentration of corporate power is unacceptable. One way to overcome these false perceptions, and to encourage wider share ownership — which should also be seen as wider ownership of productive capital — is by fairer tax treatment of share participation schemes.

They could be made tax-exempt, or at the very least the rules associated with share transactions could be clarified. The problem is simply stated: the surplus (or loss) arising on a share disposal may be either *taxable* revenue, or a *tax-exempt* capital gain. Regardless of whether the shares are acquired in open trading or under a participation scheme, the problem is the same.

Tony Norton, executive director of the Johannesburg Stock Exchange (JSE), has called consistently for the capital/revenue problem to be cleaned up. According to him, an unquantifiable level of JSE activity is suppressed by the problem: many people simply do not know if they will be taxed on a share sale or not.

The capital/revenue distinction forms the biggest grey area of South African tax law. As a loose rule, if shares are used with the intention of making quick bucks, dealing (speculation) is assumed and the profits are likely revenue. But if the shares are acquired with an investment intention, especially on a long-term basis, the gains are likely capital. Some 90% of SA's tax case law attests to the thin line between capital and revenue.

Price Waterhouse's Chris Frame lists three of Revenue's inherent difficulties in dealing with share sales:

☐ The attempt to classify share transactions as part of the *salary* received by an individual, for services rendered (foreign experience has shown the need for detailed and complex legislation);

☐ The attempt to tax share transactions as a return on the separate trade of *sharedealing* (Revenue's costs here can easily outweigh "returns"); and

☐ The attempt to classify share transactions under the provisions of a *capital gains tax* (CGT), where gains can, of course, only be taxed under the provisions of such a tax.

At present, corporate and personal tax planning in SA has generally been severely confused by the work of the Margo Commission on tax, which has yet to file its report. What the commission is involved in is *sub judice*, but there is credible speculation that a CGT will be recommended.

Nobody wants any new taxes, but assuming that CGT is implemented, it could go some way towards clarifying the present difficulties surrounding share participation schemes. The thin line between capital and revenue will be more distinct. It could be a rule, for example, that if a share is held for more than 12 months, profits will be classified as capital and not revenue.

In SA, share participation schemes have developed into two main branches: share option schemes, and share trust schemes. If directors or employees are involved in the latter, in terms of the Companies Act, shares must be issued to them through a trust.

Option schemes — preferred by Norton — normally allow the employee to acquire the shares at a future date at an option price — generally today's market price. If, when the option is exercised, the shares have risen on the market, the "profit" is taxed. This, however, is a paper profit as the shares have not necessarily been sold, so the employee has cash-flow problems.

Aiken & Carter's Patrick McGurk points out that when such an option is exercised, the Income Tax Act expressly provides that the profit will be taxed. If exercise of the option is subject to a condition — for example, that the shares may not be transferred for a fixed period — profit will not be taxed till then.

But the employee can sell some shares to pay the tax. If he sells the remaining shares at some future date, he *may* be taxed on the gains as a share dealer. So share options can be taxed twice:

☐ When the option is exercised; and

☐ When the remaining shares are sold.

Share trust schemes generally involve immediate ownership of the shares at today's market price. The acquisition is normally financed by way of a soft loan to the employee. This loan is subject to perks tax, introduced in 1985.

Subsequent share sales by the employee are also open to attack, as representing dealing in shares. So both option and trust schemes can be twice taxed. But in a trust scheme, perks tax on the soft loan is payable in full, even if the share declines in value.

Employer practice over the past two years has switched from trust to option schemes. Depending on the assumption of how well the shares may appreciate between granting and exercise of an option, "extra" shares can be issued to pay the tax. Thus the employer bears the cost of the tax, though the employee is liable for it. How widespread this is depends on the employer-employee deal.

Revenue's new policy is probably also rooted in a Cape tax case handed down last year. This taxed the share *trust*, the conduit used in share participation schemes, on its profits. Commentators have criticised the case and singled out the provisions of the trust in question as unusual.

But whenever a case in favour of Revenue falls in its lap, it is used as ammunition to gather more taxes. The Cape case is also of doubtful authority, as cases handed down in the tax courts do not form part of the doctrine of precedent — used in the Supreme and Magistrates' Courts.

JSE's Norton . . . reform the system

Another reason for the apparent clampdown on share participation schemes is a rejuvenated Inland Revenue, with recruits from the accounting and legal fraternities.

Norton says the JSE has been calling incessantly for the "six month" rule used in the US — surpluses on share deals after six months of holding are a capital gain. In SA, the overall countenance of the schemes can be given an inexpensive facelift by relaxing or eliminating taxes on share transactions. More employees at differing levels of the corporate structure could benefit. Employees who may be given shares as part of Pretoria's deregulation programme would feel better.

Liquidity at the JSE, a centrepoint for capital formation in a capital-starved country, would increase. Norton says that practically every company that has come to the market this year has hosted a share participation scheme. If there is one area where a tax can be fruitfully abolished, this is it.

Clarification of tax law applicable to share participation schemes and share transactions generally is exceptionally important, and needs to be done in any event.

Finance Minister Barend du Plessis has not hesitated to move on tax matters when it suits him despite the Margo Commission. This is a technical point that does not need whatever insights Judge Margo and his manifold commissioners might feel they need to bring to bear on a capital gains tax — a tax that would itself be a mistake.

It is not the function of the revenue authorities to use obscurities in tax law and practice to wring more income out of taxpayers. Yet this seems to have become normal in SA. Equity is not a principle on which our tax collectors place much weight.

If it is the serious intention of Pretoria to encourage business activity — which appears to be the message from the November 7 summit — then clarity in this matter is a pressing necessity. There is no need to wait for the Margo Commission, where consensus is going to be difficult, so weighed down is it in the unbalance of its own membership.

What is also needed, of course, is a wiser and more constructive approach to ownership and generation of capital, a problem in which tax laws and their application are a key element.

The benefits of an enlightened tax policy have been clearly demonstrated elsewhere as have the costs of an overly short-sighted view.

If there is merit in following the Japanese — which appears to be the view among some members of government and industrialists — then we have to look seriously at removing or reducing taxes not only on share options but also on interest payments and dividends.

If we are to spread the fruits of capitalism, then the fiscal restraints on the benefits must go. This requires no great act of courage, no orderly introduction or consolidation period: all euphemism for doing nothing. All it needs is common sense. ■

(29) S. Times 6/3/83

Staff made shareholders for saving their factory

By PRAVEN NAIDOO

AS a reward for risking their lives to fight a fire which threatened to destroy a Durban factory, six employees — including a driver and the labourers' foreman — have been made shareholders in the company.

Each of the six employees now owns 100 shares worth R1 each in a national company which manufactures swimming pool maintenance products.

The new shareholders are van-driver Mr Vitalis Bulose, assembly line worker Mr Bruggeman Nxele, foreman Mr Amos Nzimponde, labourer Mr Doyi Mboyi, manager Mr David Kellerman and Mr Jay Haripersad, a director of the company.

The entire multi-million rand plant at the Pinetown factory could have been razed if the fire had not been stopped in time.

Panic

The blaze broke out in a room where an imported powder containing a very high concentration of chlorine is compressed into tablets.

Next to the pressing room was a storeroom containing over forty tons of the highly inflammable chlorine powder and recently made tablets.

If the second storeroom caught fire it would have been unlikely that the fire could have been stopped, said Mr Jay Haripersad, the director who helped stop the fire from spreading.

He said that when the fire broke out, the women working in the pressing room ran into the main building of the factory in panic.

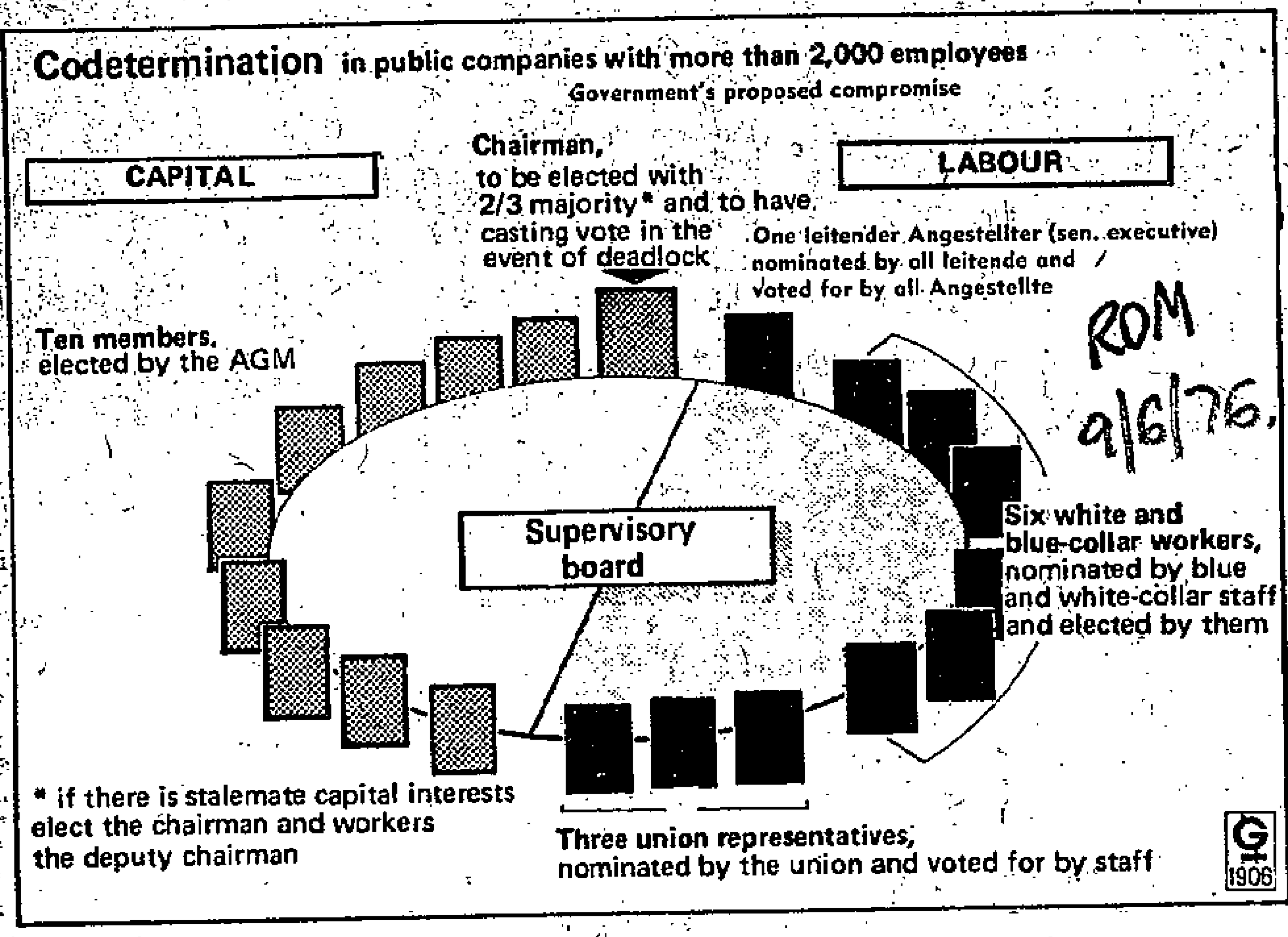
"Everybody was excited and running around and five of the workers and myself grabbed fire extinguishers and ran towards the room."

Intense

He said that the heat was very intense and thick white smoke poured out of the room.

It took the six about 20 minutes to get the fire under control.

It is believed that Natal's high humidity level caused the compressed chlorine to burst into flames spontaneously.



Up the workers

FROM next month West German workers will be entitled to equal representation with shareholders on the boards of major German companies.

Under the headline "Could this happen here?" the Trade Union Council of South Africa's monthly journal, Labour Mirror, publishes this drawing to show how West Germany's new Co-determination Act works.

The new law will apply to all companies with more than 2 000 employees and is expected to affect about 600 firms.

It provides for blue and white collar employees to nominate and elect six board members, with another three representing trade union interests, and one elected by senior executives.

Counterbalancing them are 10 board members elected by shareholders at their annual meeting.

The chairman, who has a casting vote on the board, must be elected by a two-thirds majority of the board. If there is a deadlock, the shareholders' representatives elect him with the employees electing his deputy. — JOHN IMRIE.

CODETERMINATION

Workers in boardrooms

FIN MAIL
17/12/76

29

The Germans have them. The British are thinking about them. The French are in two minds

In South Africa, worker participation in boardrooms is about as far away as the man in the moon. In parts of Europe, in contrast, it is an established tradition and, judging by some recent proposals, it might soon leap across the Channel to England.

Six years ago West Germany was the only EEC country with extensive worker participation. Since then the Netherlands, Denmark and Luxembourg have also given workers a say on the boards of large companies. France has toyed with the idea, and now Britain is likely to follow suit.

Are South African boardrooms wise to keep out of the game? Shouldn't they, too, be manned by worker representatives as well as by shareholder representatives?

One person with strong views on this is Harry Schwarz, chairman of the national executive of the Progressive Reform Party. "In SA," he claims, "worker participation is even more urgent than in Europe, because of the threat of Black socialism. If free-enterprise is to survive in this country, we shall have to move fast."

He believes the interests of Black and White workers should be represented by common trade unions, which should be given a voice on the boards of major companies.

At the heart of the issue lies an even more fundamental one: in a modern free-enterprise industrial society, are the interests of workers and capitalists broadly compatible (in which case worker participation makes sense), or are they essentially in conflict (in which case it does not)?

On the whole, the West Germans accept the view that the interests of workers and shareholders can indeed be reconciled, and that reconciliation is best achieved by cosy chats around boardroom tables. They believe that the contrary view, which emphasises continuous industrial conflict (and, of course, class conflict, which goes with it), is wrong and lies behind "the British malaise".

British directors, Germans claim, are upper class, private school, officers and gentlemen. Employees are working class, State school and "other ranks". Each group, so the argument goes, has a deeply ingrained suspicion of the other. Neither can take a decision that is seen to be in the common good, only one that is designed to take advantage of the other side.

The Germans are supported in this view of things by 30 years of experience of *mitbestimmung* (co determination), a system that forces representatives of the workforce and representatives of share capital to sit down at the same table and discuss every important decision a German company takes. Chancellor Helmut Schmidt will often tell an English listener that this system, and the readiness of German unions to play their part within it, are key elements in Germany's post-war success.

The irony in this is that it was the British who imposed the origins of *mitbestimmung* on West Germany after the Second World War, and that it is the British today who are coming to West Germany to study the German experience of *mitbestimmung* with a view to installing something similar in Great Britain.

The British government will shortly receive the report of the Bullock Committee on Industrial Democracy. It now seems almost certain that this committee will recommend a balance of power on the boardrooms of British companies with more than 2 000 employees. Despite stiff resistance from the Confederation of British Industry, the top British employers association, it appears that two top directors on this committee have been won round to the idea of "worker directors" on British boards and that the committee will thus unanimously recommend a British form of *mitbestimmung*.

The German version has been continuously refined since the war and has, in fact, just been reformed to give the worker/union interests a still larger say in the management of a German company's affairs. The most important feature of the German system is the pair of boards that control each company. The management board consists of the group of executives, including the chief executive, who are responsible for the day-to-day running of the company. They are appointed by a "supervisory board" which also vets all major decisions affecting investment and employment. It is in this supervisory board that *mitbestimmung* exists.

Under the new *mitbestimmung* law the supervisory board consists of 20 people — 10 of them are elected by shareholders and 10 by the employees. In the event of a deadlock between the two sides, the chairman has a second tie-breaking vote. The mechanism for choosing the chairman makes it virtually certain that he will come from the shareholder's camp. Thus, the final word of the property owner — the shareholder — which would have been constitutionally difficult to remove, is maintained, but only as a last resort.

Of the 10 people sitting on the employees' side of the boardroom, three are nominated by the unions directly while six are elected by the whole workforce. In companies of under 8 000

PRP's Schwarz . . . we'll have to move fast

employees there is a direct vote for these six: in larger companies there is an elaborate electoral college that does the choosing.

The tenth man on the workers' side of the supervisory board is a senior executive nominated by other executives but elected to office by the entire workforce. His role was the source of bitter argument during the setting up of the new *mitbestimmung* system. The political right claimed that executives were workers and had a right to be represented in the supervisory board. The political left and the unions felt that a senior executive would be bound to be a Trojan horse who would side consistently with the shareholders.

It is clear that the balance of power in the revamped supervisory board still favours profit-orientated corporate decision taking. But it is worth mentioning that the true voting balance is very rarely tested. The attractive thing about *mitbestimmung*, as it has developed in Germany, is that painful decisions are quickly shown to be avoidable or unavoidable in the discussion leading up to the vote, and are rarely still under hot dispute by the time the vote is called.

The German steel and coal industries had something very similar to the latest model of *mitbestimmung* imposed upon them by the allies in the wake of the war, (not in an early move towards industrial democracy, but to hinder any possible rearmament). Despite the painful cutbacks that had to be made in the coal industry in the years that followed, there does not appear to have been one instance in which a decision over pit closures led to a deadlock situation in the supervisory boards of the coal companies.

The most important result of *mitbestimmung* is not that it gives nearly equal voting rights to the worker/union interest group and to the shareholder/management interest group, but rather that it involves one group with the other group in the decision-taking process. This promises to be even more true of the emerging British system where there will not be the two-tiered board structure that pulls German worker directors out of the day-to-day line of fire.

This process of involvement is probably what is needed to remove the self-imposed barriers that separate the British unions from British management. This is, indeed, the prime reason why *mitbestimmung* is viewed with suspicion by both ends of the political spectrum in Britain. One cannot deny that there is a measure of truth in the German allegations about class in British industry. It is probably true that the average British working man would benefit if the British unions were to become rather less determinedly proletarian in their outlook.

Yet it is probably also true that the Germans are risking going too far in the other direction. There is a growing awareness in Germany that union leaders are losing touch with the workers they are supposed to represent. These leaders are managerial in appearance. They have *mitbestimmung* in Bonn's economic management. They are often locked inside the panelled boardrooms of huge corporations. There is a risk that German workers will turn to more politically hardline organisations with whom they can identify — a risk, in short, that if the British style of confrontation does not exist it may have to be invented.

CO-DETERMINATION

Britain moves step nearer worker directors

The Argus Bureau 11/8/75

LONDON. — If Government proposals, announced last week, materialise according to schedule, Britain could have statutory worker directors within two years.

Mr Peter Shore, Secretary for Trade, said he had set up a committee of inquiry on industrial democracy to recommend legislation for 1976-77.

The Government appears to be backing the TUC's recommendation for a 50-50 board split between workers and management.

However, any intended legislation which comes to Parliament with such recommendations is likely to have a rough passage. For while the TUC naturally welcomed the moves, there has been intense criticism from the Confederation of British Industry.

PROPOSALS

At Lucas Industries, a joint working party is to examine union proposals for worker participation made by the Association of Professional, Executive, Computer and Clerical Staffs (Apex).

Significantly, opposition has come from other unions, notably Tass, the staff side of the Engineering Union, which sees little to be gained from worker participation while industry is in private hands.

That opposition reflects the confused state into which the movement towards worker participation in Britain has developed.

The Labour Party has met only part of its election pledge to increase participation in industry by introducing the Employment Protection Bill and the Industry Bill.

UNEMPLOYMENT

It has not yet brought into law the TUC proposal for supervisory boards on which half the directors would be elected by and be accountable to the workers.

But, motivated largely by the increasing rate of unemployment, unions are becoming more militant in their demands for participation, as shown by the Apex presentation, details of which are still secret.

At the same time management, while openly opposing any move towards sharing power at board level, is becoming obliging in giving in to some demands at the shopfloor level.

CONFUSION

Underlying the whole situation there is tremendous confusion about who should participate in what and the exact structure of participative bodies.

The general feeling within management is that industrial democracy in Britain must start to work on the shopfloor before it can work effectively in the boardroom.

The unions have pointed out that in Germany the election of worker-directors to the supervisory board which oversees the executive management was an early post-war development.

TENTATIVELY

France is now tentatively proposing to join Germany, Austria and the Scandinavian countries in some form of statutory board representation for workers.

The Netherlands allows workers' representatives a veto on board membership, but not a place.

So already Britain is far behind. In most European countries there are works councils set up under legislation or by national employer-union agreement.

In Germany, especially, these have very wide and real powers. Whether such forced participation will work in Britain, which has a history of open confrontation between workers and management, remains to be seen.

Employers oppose worker director scheme

ARGUS 22/10/75

CO-DETERMN 19.7.10

The Argus European Financial Correspondent

BRUSSELS. — The European Employers Organisation, UNICE, has slammed the EEC's proposals for worker participation in industry.

The European Commission statute which recommends that workers and shareholders should have a much greater say in the destiny of a company has been condemned by the employers as unacceptable, rigid and unwieldy.

The employers say the statute represents a step along a road which is dangerous for the European economic system.

IMPOSSIBLE

If adopted, they say, the worker participation system will seriously impair the operating capacity of companies and will render impossible decisions by firms which are necessary for competitive and economic reasons.

By giving a one-third share in the management of a company to the shareholders and to the employees, the statute "is calculated to discourage risk-taking in undertakings, where those who take the economic initiative are reduced to a minority in their own enterprise."

Anglo offers more shares

Finance Staff

The Anglo American Group Employee Shareholder Scheme announced on Friday that employees would be issued five more Anglo American shares at the corporation's head office and participating gold mining companies.

The gold mining companies participating in the scheme are Freegold, Vaal Reefs, Western Deep, Elandsrand, SA Land and Ergo.

Employees who have already joined the scheme will automatically receive the five shares. Those eligible employees who did not join the scheme last year and those who have now completed the qualifying two years' service will be entitled to join the scheme and receive five shares.

Other participating companies will have to decide how many shares to offer their employees this year. This will depend on how the companies have performed financially.

About 120 900 employees from 19 companies have already joined the scheme. Mr Clive Fletcher, manager of the scheme, believes that more employees will take up the offer.

'Give Iscor workers first option on shares'

Star 15/2/89 (29)

By Michael Chester

The private sector has urged the Competition Board to ensure the 60 000 rank-and-file workers in the Iscor labour force be given first crack at owning shares when the R6 billion State steel corporation launches its privatisation programme.

The proposal forms a key theme in arguments put forward by the Association of Chambers of Commerce and Industry that the privatisation scheme be designed to ensure as wide a spread of shareholders as possible.

Assocom is pressing for shares to be listed on the Johannesburg Stock Exchange to give the general public a chance to buy a stake in the steel giant, rather than sales of huge blocks of shares in direct deals with the big financial institutions. Whatever the final shape of the State handover of the operations, Iscor workers should be offered a financial stake, says Assocom.

Dr Dawie de Villiers, the Minister handling the privatisation timetable, has hinted that the Government might back a share scheme for employees.

Assocom suggests consideration be given to a scheme granting one or more free shares for every one bought by an employee — up to a set limit.

In addition, thought should be given to allowing the phasing of payment for shares over a number of instalments.

Assocom advocates a 1990 deadline for the privatisation programme.

A submission to the Competition Board says the privatisation of Iscor had the alternative of either the outright sale of the enterprise by one huge share issue — or an agreement in which the State sells out its stake in phases.

"The fact is the South African economy is of relatively small size and in consequence if firms are to exist in industries such as iron and steel, where large scale is necessary, the existence of large companies is unavoidable and the number of firms will be few.

"In such circumstances, a degree of economic power concentration will become evident — and of course such a process would be greatly reinforced through the disinvestment campaign.

"However, the privatisation of Iscor, if carried out correctly, could facilitate some degree of deconcentration by providing a new investment avenue to the community. Since access to international capital sources is restricted, the exercise will have to rely upon capital sources within South Africa.

"A single share issue of that magnitude in any one year would put stress on the local equity market and Assocom would accord favour a progressive divestment exercise over a period of years," Assocom said.

The aim of the Government and the private sector must be directed towards the maintenance of as large a degree of competition as practicable.

But against arguments that each of the seven huge Iscor plants could operate separately, overseas experience was that fragmentation of an industry could lead to plant closures rather than increased competition.

The fragmentation of the corporation might create added difficulties in meeting competition on already-restricted international markets.

The question remained, however, about whether or not a privately owned Iscor would be able to abuse any monopoly powers.

"In view of the dominant role played by Iscor in the steel industry, it clearly remains necessary for consumers to be assured that any tendencies towards the exercising of adverse monopoly powers associated with the privatisation will be prevented," Assocom adds.

Samcor pays first dividend to employees

B/Day 17/1/89

29

ALAN FINE

SAMCOR employees, who own 24% of the company's equity, have received some R4m in dividend payments, the first dividend paid since the shares were transferred into an employee trust as part of Ford's disinvestment deal a year ago.

Samcor chairman Les Boyd said yesterday all of the 4 500 employees who had been in service for the full year each received a cheque for R940 in mid-December.

Beneficiaries include all wage and salary earners.

A dispute which blew up among workers last year over whether the fund's dividend income should be chanelled into community projects or distributed to the workers themselves has apparently been resolved.

Boyd said the trustees had changed the rules in order to give each worker the choice of accepting the money or handing it back for use in community projects.

He said none had taken up the latter option.

Employee trustees have not yet been elected as provided for and the trust is still being run by three outside trustees — two lawyers and a Ford representative.

Boyd said the decision to change the rules was taken after extensive consultation between the trustees and employees.

Spokesmen for the National Union of Metalworkers of SA (Numsa) motor section, who negotiated the original deal, could not be reached for comment.

Koopman launches concept kit

STimes 28/5/87

29

THE concepts and philosophies of Albert Koopman's participative management are now available to business managers throughout South Africa.

Mr Koopman launched his video kit this week. It gives a step-by-step guide to managers who wish to introduce participative management.

The concept of participative management was evolved by Mr Koopman at Cashbuild, which is still reporting excellent results after his departure.

He has taken from his experience in this field and produced a kit which consists of a four-part video, process manual, resource material and a leader's guide.

His intention is to offer a type of hand-holding to companies committed to participative management, or who have taken that road.

The concept has its roots in Venturecomms, work teams of five people handling labour, safety, merchandise, operations and quality-of-life portfolios.

The working environment of such organisations is based on justice, fairness and trust, which is conducive to developing people — as opposed to black advancement which is regarded by some as a patronising handout.

Cashbuild's Venturecomm creed of trust says it "will serve as a platform for freedom of speech and upward mobility of staff for the active involvement of all races, religions, sexes and creeds in the day-to-day running of a Cashbuild branch".

The video kit was devised by Mr Koopman in response to frequent calls from managers. It includes a flow-chart so that the manager will know what phase his company is in, and plots the peaks and valleys of the process.

Mr Koopman says: "This is not a training programme, but a process. Making participative management work is not a nine-day wonder, but a long-term commitment from the company, to the process."

PUSH ON, BLACKS URGED

By JOSHUA RABOROKO

FORMER African Bank chief executive Mr Gaby Magomola said black business often referred to as "the sleeping giant" had the opportunity to become South Africa's economic power.


Gaby Magomola

Addressing the national meeting of Business Challenge held in Soweto, Magomola said blacks possessed a powerful collective bargaining power that could help them dictate the pace of a change in the country.

The economic development of South Africa's blacks should not be deferred to the post apartheid era.

"The time for economic development and making a greater contribution to the economic pie is now inspite of the tremendous odds that face us," Magomola said.

He said blacks still suffered from lack of access to capital, lack of expertise compounded by poor education and restrictive laws that stifle creativity. This discouraged many from pushing forward.

The managing director of BC, Mr Phil Khumalo said blacks must fight for political and economic liberation. "We have the power to do that because of our numbers," he said.

He urged members to team up with big corporations but warned that such a marriage should not exploit blacks.

Khumalo said blacks must learn to be job creators rather than to be employees, adding, "that could only be achieved if they flexed their economic muscle".

BC was, like stokvels, formed to enable blacks to rely on their own resources, he said.

Call for West German system for workers

B Day 15/7/85

29

ALAN FINE

A WEST German-style system of worker participation in the management of business enterprises in a future SA has been called for by Cosatu's Amalgamated Clothing and Textile Workers' Union (Actwusa).

The latest Actwusa Worker News said the proposals formed part of a resolution which was passed at a recent union congress to encourage debate on a "worker charter".

The resolution said while the Freedom Charter was an historic document raising many fundamental issues, it was "no substitute for clearly spelt out protections of minimum worker rights which ought to be included in any genuinely democratic constitution for SA".

It said worker participation in the management of enterprises should be set out in law. It proposed that in publicly owned enterprises at least half the management board should be elected by the workforce.

It was less specific regarding numbers in the case of private firms, but said delegates elected by workers should sit on management boards and be entitled to attend all management meetings where decisions affecting workers were made.

Another point regarded as an important facet of a worker charter was that all social welfare funds, such as those for unemployment insurance and workmens' compensation, should be controlled by the trade union movement.

Also, no laws governing conditions of work should be made without prior negotiation with the union movement.

The proposals encompassed the right to strike, including strikers' right to protection from dismissal and to picket.

They also covered matters such as freedom of association, recognition of majority unions in plants and protection from unfair dismissal.

JWT chairman cuts stake to 20%

B/Day 3/5/89

(29)

MANDY JEAN WOODS

TOP ad agency J Walter Thompson SA chairman Tim Hamilton-Russell has agreed to give up 60% of his majority shareholding to allow senior staff members to become shareholders.

This move resulted in eight senior staff members of JWT Cape Town, including MD Victor Bennett, withdrawing their resignations at the weekend.

● HAMILTON-RUSSELL

Unhappiness with Hamilton-Russell's handling of the company and the lack of a share-scheme arrangement for senior staff were among the reasons given by six senior JWT Johannesburg staff, including MD Elliot Schwartz, and the eight JWT Cape Town staff who resigned last month. Schwartz, together with four former JWT employees, has since started his own agency within the Grey Group.

Former JWT Worldwide president of the Asia/Pacific/SA region Don Thompson said yesterday JWT Worldwide would continue to hold its 20% stake in the company, Hamilton-Russell would reduce his shareholding from 80% to 20% and the remaining 60% would be allocated to senior members of staff in JWT Cape Town, JWT Johannesburg and Enterprise.

He said: "Not all of the 60% of shares will be allocated immediately. Some of it will be held in trust for future allocation."

Under the new shareholding arrangement, Hamilton-Russell will continue in

● To Page 2

JWT chairman to give up 60% of stake

B/Day 7/5/89

● From Page 1

(29)

his position as chairman and, together with the MDs of the three companies, will head up the board.

Hamilton-Russell said last night he had wanted to involve senior staff in a share scheme for a long time but had been prohibited to some degree by a contract he had with JWT International.

He said: "With the brain-drain situation in SA it is not possible to run a meaningful agency without some sort of share-scheme arrangement. I am delighted JWT Worldwide and WPP have agreed to this."

Thompson said the agency had only lost the R1,4m Appletiser account since the mass resignations.

He also said the agency had been inundated with candidates applying for the vacancies created by the resignations.

PEOPLE AT THE TOP ARE ON THE MOVE — PAGE 11

APPOINTMENTS

PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA

MANPOWER MIRROR by ROBYN CHALMERS

Agonising issue of social responsibility

29

THE concept of corporate social responsibility programmes (CSR) has been a contentious issue between management and trade unions for years.

Many trade unionists believe that such programmes are patronising and paternalistic, and management sees them as vital to ensure a worthwhile future for South Africa.

Towards the end of last year the oil companies ran into trouble with the Chemical Workers Industrial Union (CWIU) when it declared a dispute over the fact that the employers refused to discuss the way corporate profits were spent on CSR.

This was only one of the many disputes arising over the concept of CSR, leading to dissatisfaction among not only workers but management, which allegedly cannot understand why its good deeds are not appreciated.

A conference was held in Johannesburg to discuss the issue.

Barlow Rand director Charles Lipp, who opened the conference, said a realisation was dawning among business leaders that the solutions to socio-political and socio-economic problems did not lie alone in the promotion of the quality of life, or the many concepts that went to make it up.

"What we are coming to appreciate is that the individual human being, for intrinsic worth as such, is the focus of attention in the final analysis. At Barlow Rand we believe that, with legitimate self-interest, we are attempting to invest in the country's healthy future existence.

"We hope our contribution will help to produce an economic environment in which our group is able to continue to thrive."

PG Bison chief executive Leon Cohen looked at the history of CSR, saying he considered the advent of the union movement to be one of the most important catalysts of change in SA.

"It challenged traditional authoritarianism with its dependence on threat or paternalism to motivate the workforce.

"White managements were introduced to the process of negotiation and through this process began for the first time to recognise the workforce as comprising real people.

"It gave to the blacks the realisation of just how important they are to commerce and industry and, more consequential, the recognition of their ability to organise and mobilise."

The toughest lesson management had to learn, he said, was that SA was becoming poorer. Reality was that the nation and managers were in a squeeze, and they had to ask themselves what they could do to take themselves successfully into the 21st century.

"Be it self-interest, be it fear or threat, the challenge we saw was that if we did not increase the capacity of business to stay in business, then no matter whether all concerned commenced right now a process of consultation toward real change, there would still in fact be no worthwhile future to which we could look forward."

As a result corporations looked at four major areas in which to invest funds — education, health, housing and employment. The objectives of investment in such areas were seen as setting up an economic, social and politically stable environment, optimising profits and causing a positive image among employees and consumers.

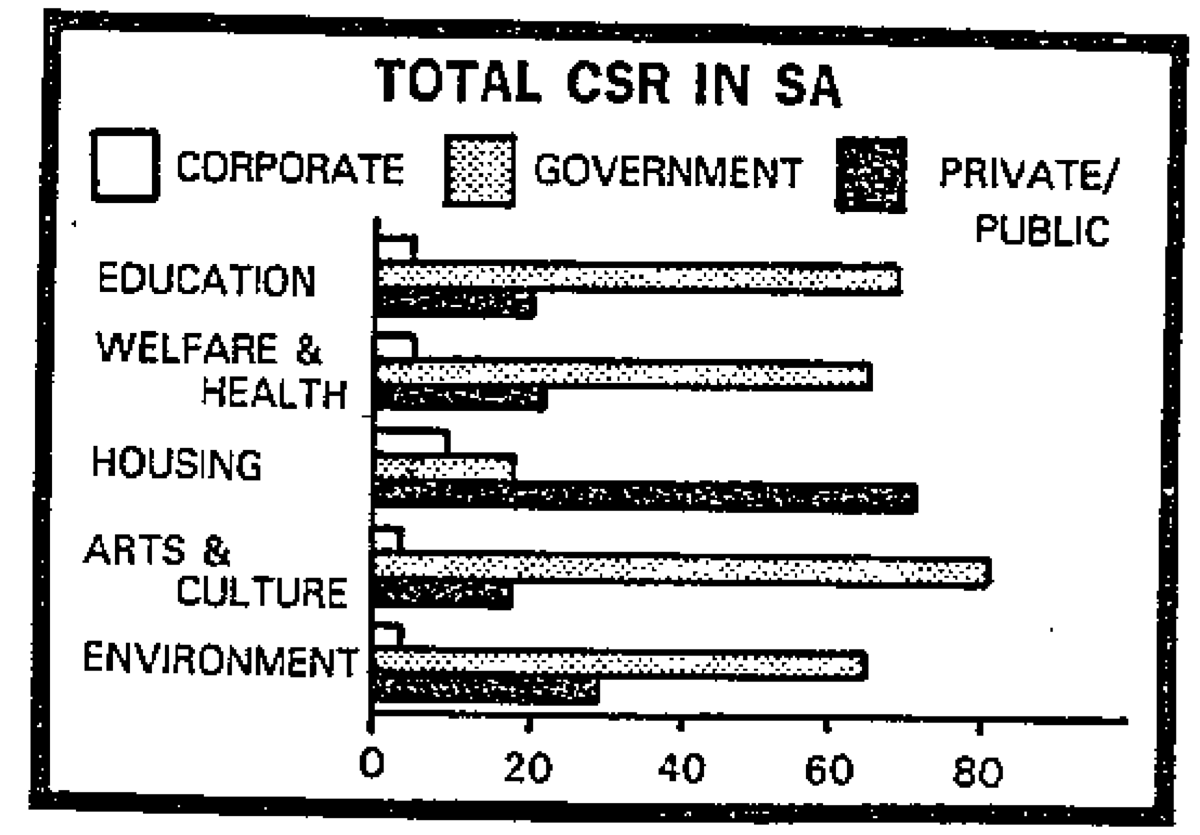
It is the last point which brings CSR programmes into conflict with unions.

Workers believe that companies are not genuine in their attempts to help the underprivileged, and are merely looking for favourable publicity.

A survey by ITG chairman Jonathan Harrod identifies SA Breweries, Shell, Coca Cola, Anglo American, Perm, Pick 'n Pay and First National Bank, among others, as giving exceptionally good community support.

Some of these companies, such as Shell, place emphasis on consultation with the people they are helping. Other firms refuse to consider them at all in decision making.

Although some may argue that the end justifies the means, unions are adamant that they should have a say in the way in which profits are spent. They argue that workers played a large part in generating profits.



Pilot body after stake in SAA

Star 3/2/89

By Kaizer Nyatsumba

SA Airways Pilots Association president Captain Ian Dommisse has confirmed that Saapa is holding talks with local and international bankers to raise money to buy shares in SAA.

He said the association was involved in preliminary talks with South African and overseas bankers in a bid to raise enough money to buy 30 to 40 percent of SAA.

Commenting on International Federation of Air Traffic Controllers' Associations president Mr Erik Sermijn's statement on conditions at Jan Smuts, Capt Dommisse said Saapa was aware there were traffic control problems at the airport.

He said the association had held discussions with the relevant authorities.

Mr Sermijn said he had been told the situation at Jan Smuts was "rapidly reaching crisis point, (and that) if the spate of resignations continues, a possible collapse of the whole air traffic control system can be expected".

DIVIDENDS TOO SMALL, SAY SAMCOR WORKERS

(29) B/Day 18/1/89

SIPHO NGCOBO

SAMCOR workers, who last month received R940 each in dividend payments from the 24% of the company's equity they own, are complaining that the money is too little and say they expected at least R3 000 each.

The workers who talked to Business Day at Samcor's Pretoria plant yesterday said they suspected the dividend payments had been "rigged".

One worker said: "The R940 paid out to me is one of the most serious disappointments of my life. I know I am entitled to much more than the sum of money they have paid me ... However, we have delegated our representatives to take the matter up with management."

Several other workers, who did not want to reveal their names, expressed anger and dissapointment at the R940 and vowed they would not rest until they were paid R3 000 each.

The dividend payments, the first since the funds were transferred into an employee trust as part of Ford's disinvestment agreement, total about R4m.

The controversy surrounding the 24% equity owned by workers came into the open last year when many workers rejected the idea that the dividends should be channelled into community projects.

B/Day 18/1/89

Samcor fund's trustees broke rules — Numsa

ALAN FINE

TRUSTEES of the Samcor employee trust fund had violated the fund's rules by amending them to pay dividends directly to employees, a National Union of Metalworkers of SA (Numsa) spokesman said yesterday.

Numsa motor section chief Fred Sauls said Numsa officials had read with deep concern yesterday's Business Day report that about R4m had been paid out, at R940 a person.

He said the deed of trust contained specific provisions for democratically amending the fund's rules — a secret ballot supported by 75% of employees. The rules initially required that dividends earned by the fund's ownership of 24% of Samcor equity be channelled into community projects.

Sauls said Numsa would demand that Samcor pay R4m to the fund to reimburse it.

Further, Numsa had referred the matter to its attorneys with a view to possible legal action against the trustees.

"This violates our agreement with Ford and will have serious repercussions," Sauls said.

The amended rules allow employees to decide whether to keep the money or return it for use in community projects.

Asked whether the fact that none had returned their cheques showed workers favoured the new rules, Sauls said to give a worker nearly R1 000 and to ask him or her to return it was an unsatisfactory way of canvassing opinion.

● See Page 3

…estante
21.2.75
…DOMADAIRE
… - NEUCHÂTEL - MOUTIER - ZURICH RG

«BALLY (Autogestion) C'EST FINI!»

MAIS POURQUOI ?

Après des mois de dures négociations pour liquider l'affaire Lip à Besançon, le premier ministre français, Pierre Messmer, excédé par l'obstination des syndicats à défendre leur cause, a utilisé la formule: « Lip, c'est fini! » Aujourd'hui, l'entreprise Lip vit et prospère grâce à la volonté des ouvriers qui n'ont pas accepté d'être dépossédés de leur outil de travail.

Vendredi soir, à Sion, à l'issue de la manifestation, des participants déclaraient à leur tour que « Bally, c'est fini ! » Pourquoi les ateliers de Sion et de Brigue, au demeurant rentables, vont-ils être fermés ?

L'amertume du personnel Bally-Valais

A la fin de l'an dernier, le représentant de la direction de Bally à Schönenwerd avait assuré à tous les travailleurs la sécurité de l'emploi pour 1975. Quelques semaines plus tard, le conseil d'administration décidait brutalement, et sans consultation préalable, la fermeture définitive des ateliers et le licenciement des travailleurs — un peu plus d'une centaine.

Cette décision arbitraire a provoqué une profonde amertume dans le personnel parce qu'elle était en contradiction avec les promesses faites peu de temps auparavant.

La réaction des syndicats

Dès l'annonce de la fermeture, les ouvriers et les employés ont interpellé les syndicats pour défendre leur cause. Toutes les démarches tentées, soit par les organisations professionnelles, soit par les pouvoirs publics, n'ont pas amené la maison Bally à changer d'avis. Au contraire, sa direction rappelait à la fin de la semaine dernière, par un communiqué laconique, que sa décision était irrévocable.

Le pourrissement de l'affaire a poussé le personnel de Bally à organiser une manifestation publique, pour appeler la population à se solidariser avec lui, pour demander la sécurité de l'emploi et la convocation de l'Office de conciliation.

Les responsables syndicaux ont donné pour consigne, qui fut largement répercutée dans la presse valaisanne, que la manifestation devait se dérouler dans l'ordre et la légalité.

Le respect de la légalité face à l'illégalité

L'insistance mise par les responsables des travailleurs et des syndicats sur le respect de la légalité peut surprendre. Il n'est donc pas légal, pour des ouvriers, de défendre leur emploi et leur outil de travail, tandis qu'il est légal qu'un conseil d'administration ordonne la fermeture d'ateliers bénéficiaires et licencie le personnel.

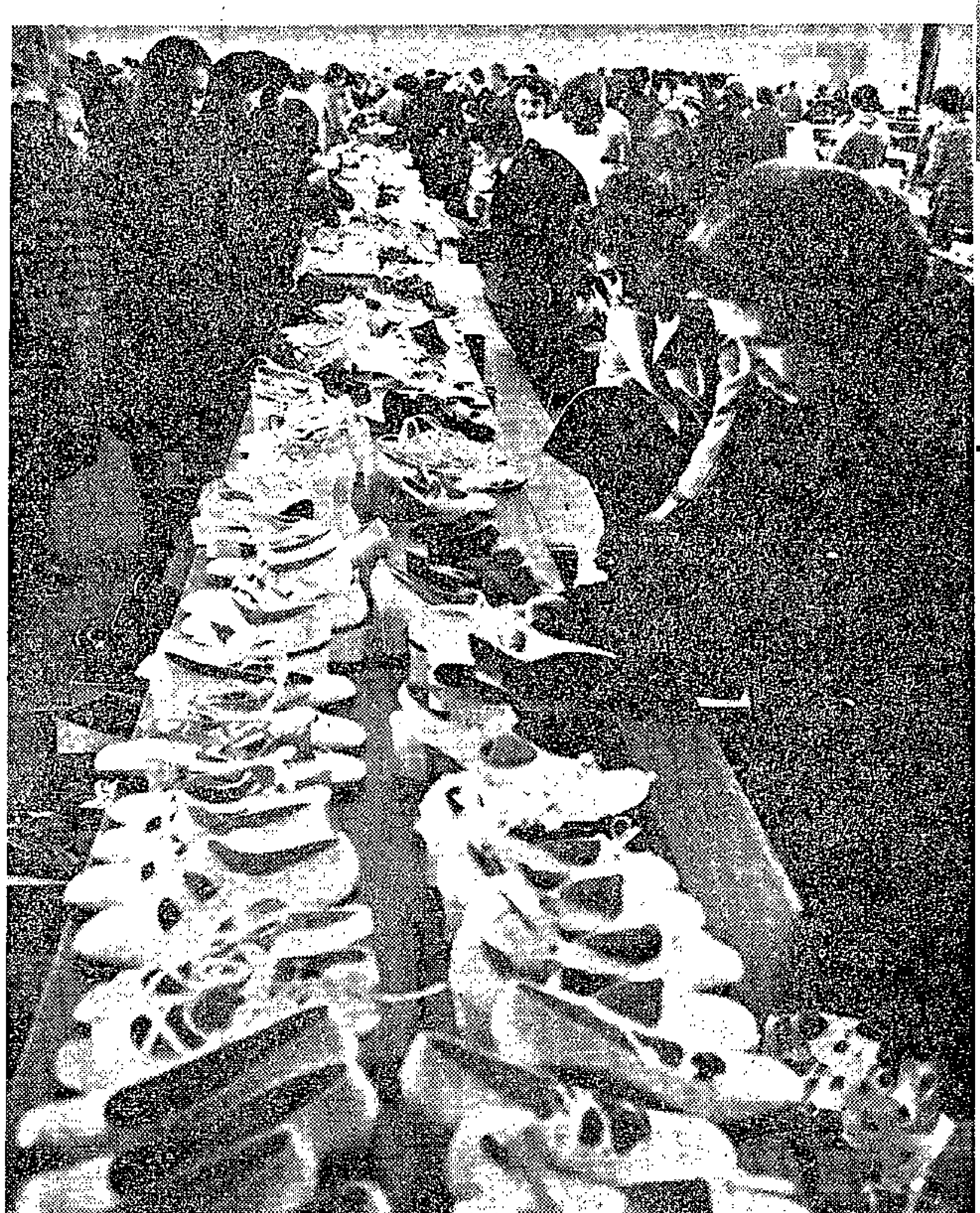
Que faut-il penser d'une légalité qui, au nom du profit, ferme des entreprises rentables, congédie des travailleurs et exporte le chômage ?

Devant ce coup de force, les responsables syndicaux ont adopté une position de repli, dans le respect du contrat collectif national. Ils ont repoussé à plus tard des actions plus percutantes.

Quant à la direction de Bally, elle ne s'est pas tellement préoccupée du respect de la convention collective puisqu'elle n'a pas répondu à la convocation de l'office de conciliation de Sion.

La manifestation

Elle a rassemblé quelque quatre à cinq mille personnes. Les syndicats ont réussi — avec le concours d'organisations de solidarité, telles le Mouvement populaire des familles, Kritisches



Ci-dessus : deux protagonistes de « l'affaire Bally » : M. Paul Piller, directeur de Bally-Sion (en haut) et M. Maurice Vouillamoz, chef de la délégation ouvrière. Ci-contre : les chaussures Bally se vendent toujours bien. Alors?

Photos ASL et Valpresse

Oberwallis, le CASS et le Parti socialiste de Sion — à mobiliser une partie de l'opinion publique.

Les discours — des paroles muselées — ont confirmé ce que nous savions. « Bally, c'était fini!» Ce ne sont pas les slogans « non à la fermeture » ou « boycottons Bally » qui feront évoluer favorablement une situation désormais compromise.

Il ne suffit plus aujourd'hui de dénoncer les structures multinationales des industries, de critiquer le capitalisme, de donner en pâture à la foule les noms d'un conseil d'administration... Il faut s'interroger sur les mécanismes d'un système qui permet à une

Pierre WANNER.

TOURNEZ LA PAGE S.V.P.

GENER

28/2/81 STAR

Social workers call for Govt probe

Own Correspondent

CAPE TOWN — Facing a serious shortage of social workers, the Society of Social Workers of South Africa has appealed for an investigation by the Government into its profession.

Apart from salaries and general working conditions the society is particularly concerned about the disparity in pay between race groups which, it says, is also affecting the staff situation.

Mr Geoff Oldfield, MP, New Republic Party and spokesman on social matters, said this week: "The situation is just not good enough when one takes into account the vital role social workers play in human relationships.

"The Government should give immediate attention to closing the wage gap and no time should be lost in making known the extent of the proposed April 1 increases.

"Most social workers are carrying excessive case loads and the country cannot afford to lose any more social workers."

In a letter calling for an investigation sent last month to all Cabinet members, the society said it was "particularly concerned about discriminatory aspects of conditions of service of social workers of various population groups and more particularly unequal salaries.

Many social workers were prepared to work at State departments only if they could not obtain posts in private welfare organisations which paid equal salaries, or to fulfil bursary commitments," the society said.

TRADE UNIONS (29)

Shared experience

Apart from committed socialists, trade unionists in the US, Britain and Europe have astutely used employee share schemes to better the lot of their members (*Current affairs* December 4).

The schemes form part of the "participative management" approach, which aims to encourage workers to become involved in the running of a company (although the Anglo and De Beers schemes "do not pretend to change the ownership and control structure"). It is largely the result of growing

FINANCIAL MAIL DECEMBER 11 1987

(29) FM 11/12/87

trade union power and the "them and us" syndrome, which it is intended to counter. Europe, after the war, saw the establishment of works councils and worker representation on boards of management in the coal and steel industries in Germany, for example.

In Scandinavia, the idea goes further with what are called "wage earner funds." These come out of company profits for the purchase of company shares on the employees' behalf, and are controlled by the recognised union, with the aim of making the workers the majority shareholders. This has, however, had mixed success, reports the Labour & Economic Research Centre (Lerc).

According to Lerc, a recent US study of 360 hi-tech companies shows that those with employee share schemes grew two to four times as fast as companies whose employees do not own company stock.

Employee share ownership schemes have flourished in the US ever since government in 1974 enacted tax incentives to encourage employers to set up such schemes. Banks are also encouraged to make loans to worker trusts to buy shares for their members. The result, says Lerc, is that 19% of the top 100 US companies now have schemes whereby employees hold more than 10% of their company's shares. Seven thousand firms, employing some 10m workers, have introduced something of the sort; and it is predicted that 25% of American employees will own a stake in their companies by the year 2000.

De Beers chairman Julian Ogilvie Thompson remarked last week that the Margo Commission had recommended tax incentives for such schemes, and he was encouraged by government's invitation to the corporation to suggest proposals in this regard.

In Britain, 40 unions (two-thirds of the total) in 1984 established a special bank called Unity Trust, to take advantage of the worker share ownership phenomenon. Committed to "promoting profitable investment in the UK," one of its main functions is to finance employee share owning.

Unity Trust, explains Lerc, lends cash to employee share trusts to buy shares in their companies. The company uses the new capital to expand production in a way that is negotiated with the workers. A proportion of the extra profit is paid back into the employee trust, eventually to pay back the (preferential) loan from Unity Trust.

Unity Trust argues that employee share ownership schemes "provide an opportunity for all employees to benefit from share ownership, enhances job security, and creates new employment opportunities."

Cape Times 21/9/82 (29)

World in brief

70 die in floods

SAN SALVADOR. — Torrential rains triggered floods across El Salvador yesterday, killing at least 70 people.

Death by mistake

KAMPALA. — Three members of the youth branch of the ruling Uganda Peoples Congress had been killed in a clash with security forces after being mistaken for anti-government guerillas, sources said yesterday.

Bandits killed

NAIROBI. — Kenyan security forces killed two Somali bandits and wounded several while the bandits were driving 350 head of stolen cattle across the border, police said yesterday.

Arms charges

PARIS. — Three suspected members of a banned extremist group which has claimed responsibilty for several bombings in France have been charged with possessing arms and explosives. Police said one of the three was Mr Michel Camillieri, 30, thought to be a founder of Action Directe.

Bomb attack

CORK, Ireland. — Five hooded gunmen bombed a government radar tracking station on Ireland's south-west tip early yesterday, badly damaging the key installation, police reported.

Rudolf Hess

WEST BERLIN. — The former nazi leader Rudolf Hess had been returned from the British military hospital in West Berlin to his cell in Spandau Prison yesterday after responding to treatment for pleurisy, British military authorities announced. — Sapa-Reuter-AP

Sweden swings back to the left

STOCKHOLM. — Sweden has swung back to the left with Sunday's election of Mr Olof Palme and his Social Democrats but commentators have ruled out any sudden change in this country of consensus politics.

The Social Democrats regained power after six years in opposition by capturing 166 seats in the 349-member Parliament, a gain of 12 and majority of three over the non-socialists.

The communists survived popular anger over events in Poland and held on to their 20 seats to give the left-wing block a total of 186 seats.

Outgoing Prime Minister Mr Thorbjoern Faelldin, who headed a shaky minority centre-liberal coalition, handed his resignation to the Speaker of Parliament yesterday. But he will remain as caretaker prime minister until Parliament opens on October 4.

The Social Democrats were expected to discuss forming a cabinet yesterday to be presented to the Riksdag (Parliament) on October 9.

Mr Palme staked his political future on a controversial proposal to establish collective funds to buy into private industry. If the funds were set up, workers and firms would pay from their wages and profits into a collective pool to buy shares in companies on the stock exchange.

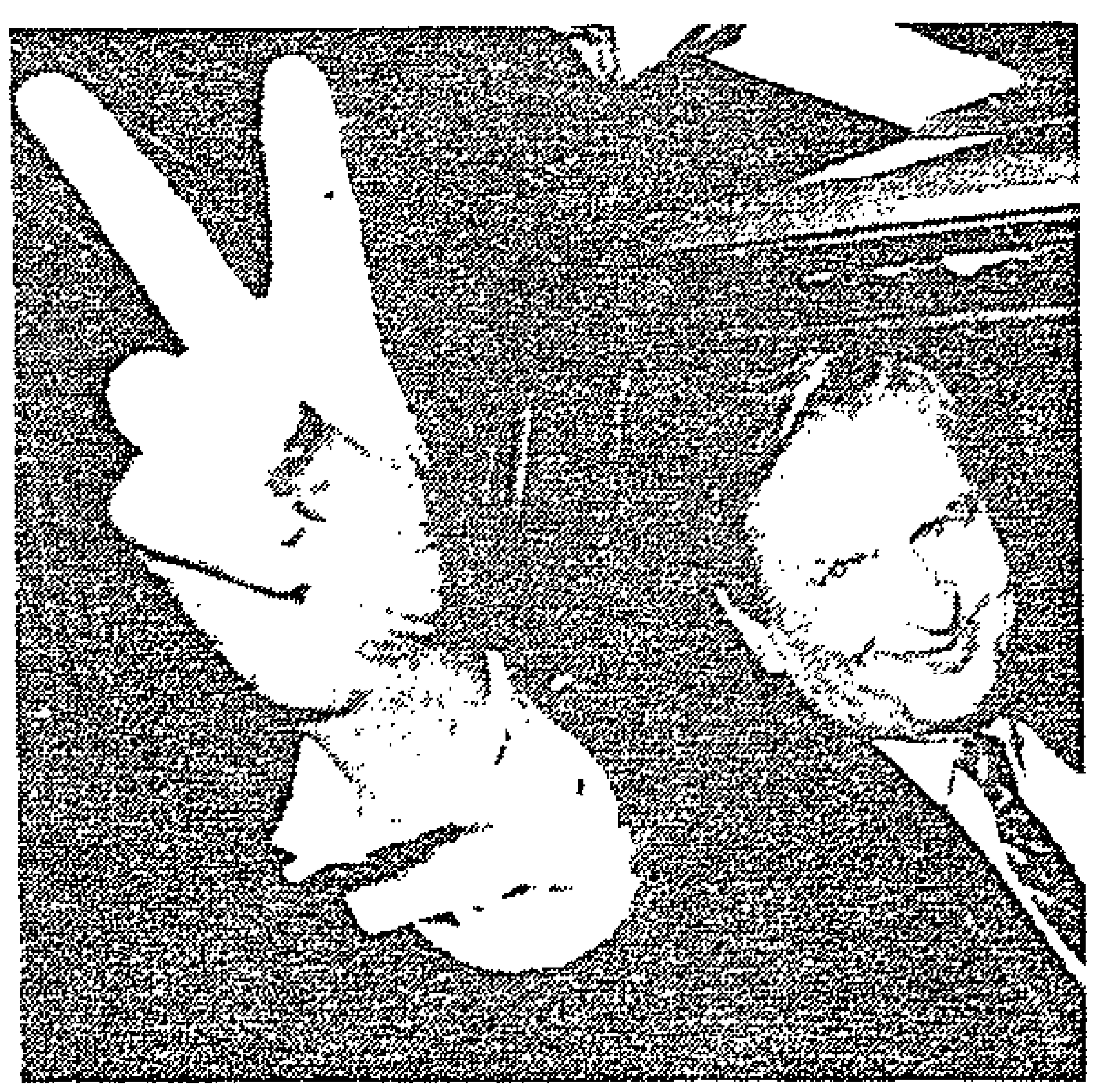
Mr Palme is not unknown in international affairs.

Both as a former prime minister and opposition leader, his involvement in foreign affairs — particularly through his United Nations, Socialist International and Brand Commission positions — has given him the reputation of an outspoken diplomat.

'Wide respect'

His close knowledge of underdeveloped countries and commitment to the cause of foreign aid have earned him wide respect — not least in Commonwealth countries which have fared well from the extensive aid that Olof Palme has been instrumental in sending from Sweden.

Mr Palme who speaks fluent English, French and German as well as his native Swedish, is vice-president of the Socialist International Organization and was one of the members of the Brand Commission dealing with the problems of a north-south dialogue. — Own Correspondent and Sapa-Reuter



A smiling Mr Olof Palme, leader of Sweden's Social-Democratic Party, gives a V-for-victory sign in Stockholm after his party had won the general election here on Sunday after six years in opposition.

London's anti-racist advisers

Own Correspondent

LONDON. — Twenty-two senior posts have been specially created at a cost of about R500 000 a year by the Inner London Education Authority (ILEA) as part of its "positive discriminination campaign" to improve race relations and lessons in school.

The posts, to be advertised this week, include four "advisers in anti-racist strategies" who will need to have "a good grounding in the theory and history of racism" and help teachers belonging to organizations such as the Anti-Nazi League or black power movements. Most of the newly-created jobs will have salaries ranging from R16 680 to R22 410 a year.

The left-wing dominated ILEA — the biggest education body in Britain — has made it clear that its "initiatives in multi-ethnic education" will include teaching other languages and cultures.

29
Star
19/1/82

First it was more pay, then better working conditions. Now legislation is being drafted by the EEC which aims at worker-representation on the board. If successful it could result in a radical shift from union power. Aimed at multinationals the effects could reverberate outside the EEC.

Workers head for firm's boardroom

By Nicholas Bray

Legislation is being prepared at European Common Market headquarters which could change the face of worker - management relations in Western Europe.

If passed by European Economic Community (EEC) Governments, two draft directives will give workers in the 10 community countries a much bigger say in their companies' management.

One, the so-called fifth company directive, aims to give worker-representatives a place on company boards.

The other, dubbed the "Vredeling Directive" after former EEC social affairs commissioner Henk Vredeling, would set revolutionary rules for workers' rights to information about their employers' policies.

"These are two very significant directives" Amadeo Turner, British Conservative member of the European Parliament involved in drafting the legislation, said. "They mean much more than just consultation about lavatories."

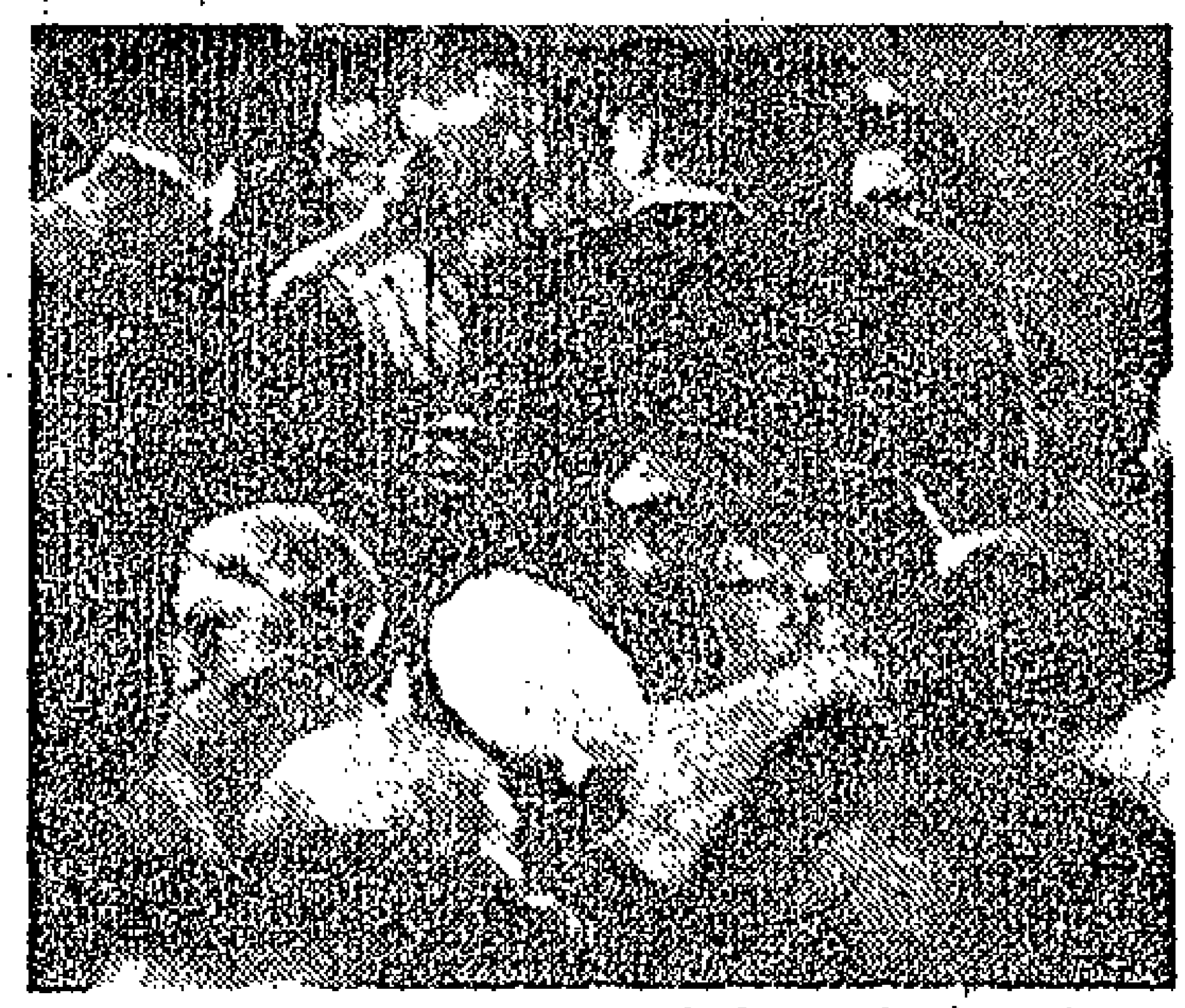
The fifth company directive, due to be debated by the European Parliament in March, would give workers the right to appoint representatives with specific rights in company decision-making.

In countries like West Germany and the Netherlands where a two-tier board system exists, workers would be allowed representatives on the supervisory boards of their companies.

Under this system, a board of directors takes executive decisions while the supervisory board has powers to oversee company affairs.

In Britain, which has no two-tier board system, elected consultative councils of workers would be given the same right to voice an opinion about proposed company policy, before any final decision is taken by the firm's board of directors.

The directive, in the form in which it stands at present would not give workers a final veto on company decision-taking, either as members of the supervisory board or under a consultative council system.



New legislation could shake union's grip.

"This, as under the existing German system of 'Mitbestimmung' (co-determination), would remain in the hands of shareholders, who have a majority on West German supervisory boards," Mr Turner said.

The proposal, intended to apply to firms with more than 500 employees, has already led to widespread controversy. For British workers, it could mean a radical shift away from the present trades union-dominated system of works councils. Representatives would be elected by a secret ballot of all employees, not only union members.

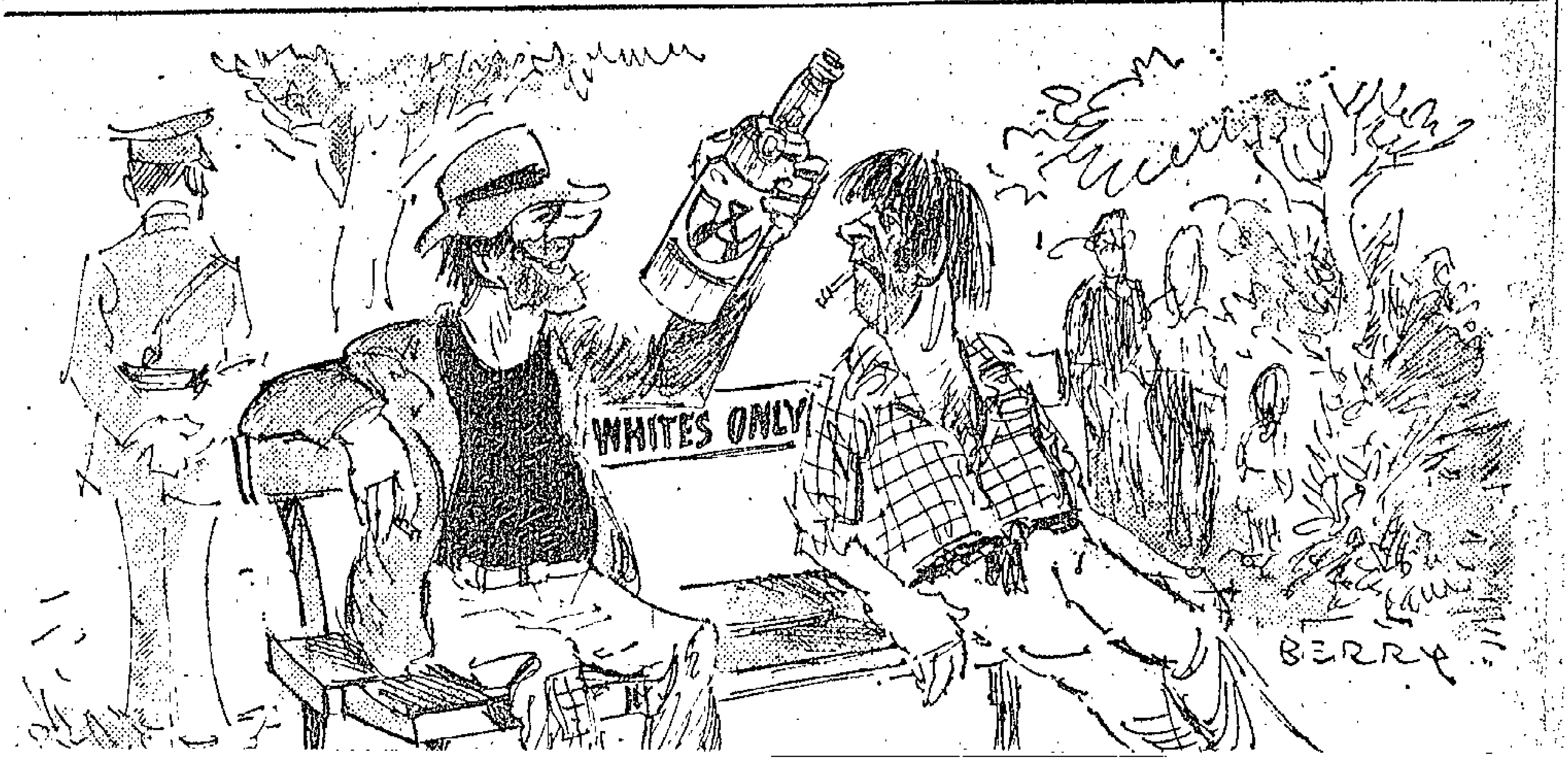
The Vredeling directive, on information to company employees, has proved even more controversial. If it goes through, and trades unionists are giving it enthusiastic backing, workers employed by multi-national groups need no longer fear being kept in the dark about major decisions affecting their jobs.

Because it is particularly aimed at multinationals, the impact of the Vredeling directive could extend beyond national boundaries and even outside the EEC.

Workers would be given the right to demand information and consultation about such issues as plant closures and redundancies, changes in production plans, new investments and new company policies.

Once approved by EEC governments, the provisions of both Vredeling and the fifth company directive would become law in the 10 EEC states.

Nicholas Bray is on the staff of Reuter. He wrote this report from Brussels.



Cape Times 21/3/84

29

Williamson gives evidence

Own Correspondent

PRETORIA. — The twice-elected president of the National Union of Students (Nusas), Mr Auret Dennis van Heerden, had a modus vivendi relationship with the section head of intelligence of the security police in Pretoria, Major Craig Williamson, it was stated in the Pretoria Supreme Court yesterday.

It was a dramatic moment in the month-long case when counsel representing the 10 security policemen being sued, Mr H Z Slomowitz SC, called Major Williamson.

Mr Van Heerden, 29, from Johannesburg, is bringing the R113 000 action against the security policemen for alleged maltreatment and torture while he was in detention in 1982.

'Escapades'

There was silence when Major Williamson went into the witness box and told of his escapades as a police undercover agent while he was a student at the University of the Witwatersrand.

Major Williamson joined the police in 1968 and four years later became a security policeman while he was a registered student at the university.

He left the country in 1977 for Geneva in Switzerland, where he became deputy director of the International University Exchange Fund.

He used the position to manipulate the fund in providing money to persons and organizations approved by the African National Congress.

Major Williamson said he first met Mr Van Heerden in Geneva in 1979. Mr Van Heerden was visiting various students' political organizations in Europe.

"We had discussions for two full days and covered a full range of topics," Major Williamson said.

Major Williamson was still testifying on Mr Van Heerden's political views when Mr Sydeny Kentridge SC, representing Mr Van Heerden, objected and said the evidence was irrelevant.

Major Williamson said he returned to South Africa in 1980 after being exposed as a police undercover agent.

He met Mr Van Heerden at the offices of the Northern Transvaal security police. Mr Van Heerden was being interrogated in connection with a Rhodes University lecturer, Mr Guy Burger.

Major Williamson said that after volunteering to take a statement from Mr Van Heerden he invited him to his office at the police headquarters. They had coffee at a nearby coffee bar.

"Mr Van Heerden seemed to know what I was talking about when I told him about attempts by ANC fronts in the neighbouring states to try to infiltrate, manipulate and control legitimate political and other organizations on behalf of the ANC."

Major Williamson said that during the discussion Mr Van Heerden was "supportive" of the points he made.

'Modus vivendi'

The two reached a modus vivendi. "In turn I would assist him in any way I could," Major Williamson said.

"I told him that if he needed to talk to me and wanted any assistance, he should contact me at a certain telephone number. He should call himself Dennis and ask for Arthur."

Mr Van Heerden was taking notes during the time Major Williamson was giving evidence.

Major Williamson said the meeting took place on September 1980.

They again met at a coffee bar in Burlington Arcade in Pretoria in December 1980.

'Spy' rumour

He was to discuss the rumour that Mr Van Heerden was a police spy.

Major Williamson said he received a telephone call from Mr Van Heerden in January 1981.

They met to discuss a story which was to be broken by Rhodes newspapers of spy rumours on university campuses. Major Williamson said the following meeting was during February at a Pretoria coffee bar.

Major Williamson will continue his evidence-in-chief.

Earlier Warrant-Officer Lawrence Charles Phillip Prince, had been questioned on his interrogation of Mr Van Heerden at the Benoni police station.

Prescription note

Mr Van Heerden had testified that he had been tortured by the security police at Benoni. Warrant-Officer Prince denied that he had given Mr Van Heerden three ananase tablets to reduce the swellings and bruises he had afterwards.

He denied further that he received the tablets from Captain P Swanepoel of the Benoni security police.

A prescription note from Civic Pharmacy in Benoni issued on November 19, 1981 was produced an an exhibit.

The hearing continues.

Mr Sydney Kentridge SC, Mr J Browde SC and Mr W H Trengove is representing Mr Van Heerden. Mr H Z Slomowitz SC, Mr J Gautschi and Mr S F Burger represent the Security Police. Mr Justice C F Eloff is presiding.

Their 's

By COLIN HOWELL

THE fact that one of the least-spectacular events at surf lifesaving competitions carries the most scoring weight is perhaps the best pointer as to how this 'sport' is regarded by lifesavers and their administrators alike.

Every one of the 700 competitors who took part in last week's Opel National Surf Lifesaving Champio... gate in N... the slick ... lifesaving has effect... 50 000 ... since its 1933.

At all ... ings, the ... suscitation involves ... than the ... proven ... simulated one in wh...

The Regional Commissioner ... Springbok Kevin Campbell, winning all four rounds co...

Petrol-bomb attack: Man

Man on car theft charge

JOHANNESBURG. —

Attenbor... report: S...

29

20/3/86

Argus

Drug evidence in Auret hearing

PRETORIA. — A prescription for drugs used to reduce bruising and swelling was handed in to the Pretoria Supreme Court hearing in which a former detainee is claiming R113 000 in damages from 10 security policemen.

Mr Auret van Heerden, 29, has claimed that on November 18 and 19 1981 he was tortured at the Benoni police station while in detention.

He has claimed further that on November 20 1981, Warrant Officer Lawrence Prins, one of the defendants, gave him tablets to reduce his swelling and bruising.

Later, Warrant Officer Prins gave Mr van Heerden the whole bottle of tablets on which was written the name of a Lieutenant J Swanepoel and the name of a Benoni chemist.

DENIED

Warrant Officer Prins denied in court today that he ever gave Mr van Heerden tablets or that the detainee had any bruises or swelling that needed treatment.

Mr Sidney Kentridge, SC, (for Mr van Heerden) today called a witness, Mr R M Hurwitz of the Civic Pharmacy, 67 Bedford Avenue, Benoni.

Mr Hurwitz brought with him an original prescription for several drugs including Ananase, a drug used to reduce swelling and bruising.

The prescription was dated November 19 1981 and was made out in the name of Lieutenant J Swanepoel and included his South African police medical aid number.

CO-OPERATE

Warrant Officer Prins said he would never give a detainee any drugs apart from a headache pill.

He said he had never threatened or assaulted Mr van Heerden and that any additional information from the detainee obtained at Benoni had emerged as a result of the detainee's decision to co-operate.

Mr Kentridge put it to him that security policemen who assaulted prisoners were not badly thought of for their actions.

Proceeding.

Time to be aware

July 1986

THE 2 000 000-strong South African Consumer Union has declared next month 'Consumer Awareness Month' and will launch it country-wide on August 25 — the 25th anniversary of the Union's first meeting.

In Durban, the launch will take the form of a seminar organised in association with the Women's Bureau, to be held at 8 pm in the Royal Hotel.

It will be chaired by Christopher Dingle, and panellists will include representatives of the Trade Union Council of South Africa, the Meat Board, the Motor Industries Federation, the University of Natal, OK Bazaars and the SA Perm.

Tickets are R10, which includes refreshments, and can be booked through the Women's Bureau, ☎ 292151.

As part of its contribution to consumer awareness, the Bureau will also host a seminar on geriatric medicine on September 8, but details have not been finalised.

Although the Consumer Union is composed of many consumer bodies, it is possible to join as an individual. For this purpose, or to register any consumer complaint, the address to write to is The SA Consumer Union, PO Box 26242, Arcadia 0007.

Complaints will then be passed on the Consumer Council which, unlike the autonomous Consumer Union, has a government-paid staff.

As Union chairwoman Betty Hirzel puts it: 'Everyone has the right to spend his money foolishly, but no one should have to do it out of ignorance.'

Affordable disinvestment

CP Correspondent

TODAY, when the SA Motor Corporation's factories close, workers will be receiving a cheque of R700 over and above their salary, according to Ford's disinvestment agreement.

This agreement was signed on November 24, after 10 months of negotiations between Samcor, Ford Canada, Anglo American Corporation, Anglo American Industrial Corporation and the National Union of Metal Workers of SA.

The agreement provides for the establishment of three trust funds – a community trust in Port Elizabeth and Pretoria and employee trusts at Samcor factories.

Three worker directors to serve on the Samcor board of directors will be elected from the trustees of the employee trust according to the agreement.

Numsa signed the agreement after mass meetings with the workers. Shop stewards proposed three options for the workers. They could reject the employee trust, accept and divide the dividends paid directly to each worker or establish community trusts.

At both the Pretoria and Port Elizabeth plants, the community and employee trust option was unanimously chosen.

Each of the community trusts have been donated R6-million by Ford and the employee trust has been granted a 24 percent share holding equity in Samcor. Dividends from these shares are to be used by the employee trust for projects deemed necessary by them.

The R700 to be paid to Samcor employees is not part of these trusts and is to be paid for "from past profits", said Les Kettledas, the Eastern Cape Numsa secretary.

The employee trust will be administered by seven trustees – five hourly paid and two salaried employees – all elected by fellow-employees. Management will have no power of veto over decisions made by the trustees.

Each community trust will have eight trustees, four elected from Samcor employees and four community representatives.

Training will be provided to trustees and worker directors so they can represent the interests of workers adequately. Black employees will also be trained to upgrade the skills and qualifications of the work force. – Pen.

29

CPress 13/12/87

ARGUS 11/12/87 (329)

Matanzima staying in Free State

The Argus Correspondent

EAST LONDON. — Transkei's former president, Paramount Chief Kaiser Matanzima, is staying with the Transkeian Consul in Bloemfontein, the Consul, Mr M Xopa, has confirmed.

Mr Xopa is the chief's brother-in-law.

The announcement follows several days of confusion over both Chief Kaiser's legal status and his whereabouts.

Chief Kaiser, who was detained in Transkei last week, had been flown to Pelonomi Hospital in Bloemfontein for treatment for a kidney complaint. He discharged himself the same day after complaining about his room.

PRIVATELY

Mr Xopa said that the chief was getting on well and was being treated privately.

Transkeian government spokesman Chief Dumisani Gwadiso claimed this week that Chief Kaiser was still regarded as being in detention.

But his legal status was clarified when the Transkeian Supreme Court ruled that as he was no longer in the territory he could no longer be in detention.

Prime Minister Stella Sigcau said Chief Kaiser was "on holiday" and refused to comment on whether or not Chief Kaiser would be detained if he returned.

29

THE ECONOMY

Ford pullout sets first for negotiations

By HILARY JOFFE

THE Ford Motor Company's withdrawal from South Africa, details of which were announced this week, has set a precedent for disinvesting companies and trade unions.

It is the only case where a disinvesting company has negotiated the terms of its withdrawal from South Africa with a trade union.

And the decision of the National Union of Metalworkers to accept the substantial stake in Samcor offered by Ford is an indication of the terms other Cosatu unions would find acceptable from foreign companies pulling out of South Africa.

In terms of the agreement reached this week between the union, Ford, Anglo American Industrial Corporation and Samcor, 24 percent of Samcor's shares will be donated by Ford to an employee trust, with dividend income to be used for the community rather than for individual workers. Workers will elect the trustees, who will elect three employee directors to the Samcor board.

The rest of Ford's stake in Samcor will be sold to Anglo and AMIC, which together will own 76 percent of the motor company.

An Anglo statement this week said Ford would continue to supply Samcor with vehicles, parts, management and technical assistance and would allow Samcor to use the Ford trademark.

It was only on the basis that dividends from the Samcor shares would be used for community development rather than for individual workers that the union could participate in the deal, says Fred Sauls, head of Numsa's motor section.

Sauls sees the agreement as a victory for Numsa, which had rejected Ford's original plan in terms of which individual workers would have benefitted from ownership of Samcor shares, a principle which the workers rejected.

The deal isn't totally satisfactory in the union's view, since only a portion of Ford's stake has been turned over to the employee trust, but it does begin to meet the conditions for an acceptable disinvestment to which Cosatu unions have committed themselves: "to ensure that the social wealth of South Africa remains the property of the people of South Africa for the benefit of all".

Sauls stresses that the union does not see the employee stake in Samcor as a form of worker participation in the running of the company. "We do not believe you can have collective enterprise in a private enterprise economy," he says.

Two of the three worker directors on the Samcor board will represent hourly-paid employees and the third will represent salaried staff.

According to Sauls, the worker directors will not participate in the actual management of the company. Rather, he says, "We feel this will give workers direct access to information for the first time."

Sauls says the accountability of the directors to workers will prevent them identifying with management interests: "They will go to the directors' meetings with a worker point of view. If they start to show management inclinations the workers can deal with them."

Sauls expects the main issues the trust will deal with will be community health, education and recreation (libraries, for example). But there is no restriction on what projects it can fund or in which communities.

Trustees will be working out the way the trust will operate in consultation with workers over the next six to eight months, to be ready by the time dividend income begins to flow.

The company has agreed to fund training in financial and managerial skills for trustees and worker directors, in institutions jointly agreed on by union and management. The company will also fund a five-year programme to upgrade the skills of Samcor workers.

Ford will also establish two community trusts, one in Port Elizabeth and one in Pretoria, to which it will donate $4-million (R8-million). The boards of trustees will comprise an equal number of employee and community representatives.

Rupert thinks small; Shell thinks co-op

By HILARY JOFFE

THE chiefs of two giant multinationals have come out with opposing positions on whether small business and the informal sector are the solution to unemployment.

While Rembrandt Group chair Anton Rupert has stressed the importance of small business in the South African economy, Shell South Africa chairman John Wilson has cautioned against viewing the informal sector "as a panacea to our national economic problem of unemployment".

Speaking at the opening of the Small Business Development Corporation's annual general meeting, Rupert, who is chairman of the SBDC, said: "If just 20 percent of expenditure on defence and police could be diverted to small business development, our problems would be minimised," reports said.

Rupert said small business needed help from both the private sector and the government: "More money is needed to create more small businesses which will generate more jobs."

Opening the meeting, SBDC managing director Ben Vosloo said since 1981 about 158 300 job opportunities had been created or maintained at an average cost of R2 400 per opportunity. "The private and public sectors share the SBDC's conviction that small business is by far the most cost-effective job creator in the South African economy," Vosloo said.

But Shell's Wilson is sceptical.

In an address to the Western Province branch of the Institute of Marketing Managers last week, he pointed to some of the limitations of small business. He argued in favour of co-operative projects, such as the South African Black Taxis Association or the Sarmcol Workers Co-operative, initiated by black community organisations and trade unions. "Co-operatives are favoured over small business firms because they embrace the very important principles of collective responsibility and the shared utilisation of skills," he said.

He said South Africa's business infrastructure was inadequate for supporting its population growth "with the result that unemployment has reached catastrophic proportions", with black unemployment over 50 percent in some areas.

Wilson described the informal sector business network in black townships as "the creative response of impoverished people" but questioned whether the informal sector was really the response to structural unemployment.

He cited figures showing that half the small firms in South Africa did not survive beyond two years and argued that small firms were clearly not in a position to compete with large enterprises because they did not enjoy the benefits of economies of scale. "In South Africa, where 10 percent of the economic enterprises account for about 76 percent of total turnover in industry, construction and trading, the small firm really struggles for survival," Wilson said.

W/Mail 21/8/87

B/Day 30/7/87

'Address the real problem'

B/Day 30/7/87

(28)

SOPHIE TEMA

MANAGEMENT should halt unilateral decisions and actions of reform in business until it addressed the problems of the entire workforce, tax consultant Christo Nel said yesterday.

Nel, a delegate to the talks with the ANC in Dakar, in an address to businessmen, managers, consultants and community members at a seminar in Johannesburg, called on management to embrace the principle of parity in the workforce.

He spoke on "democratisation in the workplace".

Nel said unless business people addressed "white fears" and whites themselves were willing to understand the basic situation of blacks, then SA could forget about democratisation in the workplace.

He said business was the only area and the only structure inside SA where the true extremes of apartheid had not been implemented and where people of different race groups got together regularly on a vast basis.

Business was also the only area where people learned to talk and know one another.

Nel said: "Several years back, blacks who were comparable farmers with whites were forced off land into industrial areas because the colonial government had decided that they would not develop and could best fulfil the need for cheap labour.

"For over four decades black South Africans were locked in a trap from which it was difficult to escape.

"And for all these years business proprietors could not have done anything to change the minds of the government, but they could have done something to change the minds of the people — this they did not do.

"Then came influx control, which is the one single legislation that forced blacks out of the country's economic participation, and the Group Areas Act which has more than 2 000 laws that prevent blacks from opening businesses in white areas," Nel said.

Nel said he was shocked to see credible leaders support the present state of emergency instead of standing up and doing something positive about the situation.

Business no help in struggle — Cosatu

B/Day 3/7/87

29

LONDON — Cosatu general secretary Jay Naidoo has ruled out the possibility of working with business against apartheid.

In an interview with the briefing paper, Southscan, Naidoo said that even under the state of emergency there was no indication that business was prepared to go farther then verbal condemnation of apartheid.

"A lot of their profits have accrued directly out of apartheid."

Cosatu rejected the claim by foreign companies that their codes of conduct had helped in the worker struggle.

"The fact that you can de-racialise a canteen system and build houses for a few dozen workers does not change the structure of apartheid and they have made very little impact on that.

"The only company that has come out against the government and its attacks on Cosatu has been Shell and they have done that for their own reasons — because they are under international pressure — but employers as a whole remained remarkably silent during the whole attack on Cosatu and one feels that they were actually looking forward to a situation where they would have a docile labour movement.

"Although we have met with employers and put concrete demands, they have never met any of those demands, so there is no possibility of us talking of forging an alliance with them."

As pressure on the co-ops grows . . .

Farming sector liquidations on the horizon

(29) B|Day|3|7|87

CHRIS CAIRNCROSS

THE debt overhang in the agricultural sector, now more than R13bn, has raised the spectre of a series of traumatic summary liquidations countrywide.

These have the potential of devasting many rural economies.

Immediate concern in this regard is the pressure building up on a number of the large co-operatives, particularly those in the northern and north-western Transvaal, which are now under severe financial strain after doing much to cushion many of their drought-stricken members.

Department of Agricultural Economics and Water Affairs officials say the co-ops are now experiencing financial problems of their own, with several of the larger bodies facing the threat of sequestration action.

The situation has deteriorated to a level that has caused government to urgently introduce major changes to existing legislation aimed at forestalling any "precipitate" liquidations in this area.

In a memorandum attached to the Co-operatives Amendment Bill, tabled in Parliament by Agriculture Minister Greyling Wentzel, it is stressed that it has become essential in the interests of the agricultural industry that "co-operatives which are no longer successful concerns owing to financial problems be placed under judicial management rather than be liquidated".

The memorandum adds: "Liquidation of especially the larger agricultural co-operatives would have an adverse effect not only on their members, but also on the whole of the agricultural industry in the areas served by them."

Taking a leaf out of the Companies Act, legislators have introduced significant and wide-ranging amendments to the Co-operative Act.

Two major clauses introduce special compromises and arrangements between a co-op and its creditors, and make provision for a co-op to be placed under judicial management — a totally new proposal.

Edited by Mandy Jean Woods

The way to better production

29

6 Day 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.

CAPE TIMES 5/11/88 29

Woman dies in blast at dry cleaners

DEVASTATED ... Mr Cohen Hill, owner of Nyanga Dry Cleaners, amid the charred ruins of his NY6 business where an explosion claimed the life of an employee yesterday.
Picture: Glenn Sherratt

Miss Gcotyelwa Ntlabathi, who died in the blast.

By CHRIS BATEMAN

A WOMAN died as bystanders saved the lives of her four co-workers when a distilling machine exploded at a dry-cleaning shop in Guguletu yesterday.

Rescuers used makeshift crowbars to force open a locked steel gate and enable the workers to escape advancing flames from a rear entrance of Nyanga Dry Cleaners in NY6.

The blaze began with an explosion at the front of the shop soon after Miss Gcotyelwa Ntlabathi, 20, of NY134, had left her colleagues in a rear packing room to serve a customer.

A shocked and distraught colleague, who identified herself as "Zokiswa", said Miss Ntlabathi was writing up an order when "we heard an incredible explosion".

"There were just flames everywhere but we couldn't open the door. It was too much heat and fumes for us to go out through the front," she said.

People outside had run off to return with "metal sticks" and force open the locked burglar-proof gate.

"Only when we got out did we realise that Gcotyelwa was missing," she sobbed.

Dry-cleaner owner Mr Cohen Hill said equipment worth R500 000 was destroyed. He was not insured, he said.

Neighbouring shop owner Mrs Nomonde Mgojo said the blast was "so sudden there was nothing anyone could do".

Neighbours described Miss Ntlabathi as "a good, clean-living child".

Building industry 'has cut black aspirations'

Star 26/10/88

(29)

By Frank Jeans

CAPE TOWN — Black aspirations in the building industry were no different from white aspirations, but it was critically important for things to be done with and not for black people, a speaker at the Building Industries Federation annual congress in Cape Town said last night.

Mr Reuel Khoza, chief executive of Co-ordinated Marketing and Management, said aspirations could be seen from two aspects — from the side of employees in the industry and from the side of aspiring contractors.

Mr Khoza said a critical factor from employees' point of view was that assisting aspirations was as much a question of management style and talent, of openness and accessibility, as an issue arising from the system.

Participative management should be installed in the corporate culture with significant rewards and penalties for compliance or non-compliance.

The building industry was hampered in hearing black aspirations because its management structures were almost exclusively white.

Until the total lack of black managers in decision-making structures was redressed questions about what blacks wanted would continue to plague management.

As entrepreneurs, black contractors had the same aspirations as whites — they wanted to make a living in the industry.

Reform is key to economic growth

Star 5/10/88

(29)

By Sven Lünsche

The chief executive of the African Bank, Gaby Magomola, has called on businessmen to see political reform as an opportunity for economic growth and not as a deterrent.

Addressing a conference on "Tax for today's businessmen" yesterday, hosted jointly by accountants Kessel Feinstein, Charter Life and *The Black Business Magazine*, Mr Magomala said businessmen were leaving the country in droves or investing their money off-shore.

In the face of political reform, white businessmen are showing a reluctance to invest in local capital projects and are showing a complacency towards the real issues in South Africa, he said.

"If we shared our resources and our knowledge we could create a much improved economy.

"Attempts to promote black business need to be quadrupled, until blacks are integrated as fully fledged members of the economy," Mr Magomola concluded.

At the same conference Charter Life's legal manager, Martin Sweet, said sensible tax planning had become virtually impossible, as retroactive tax laws had become an accepted part of tax policy.

"It also raises the level of uncertainty in investment to such a degree that business confidence is being undermined," Mr Sweet told the delegates.

"The plain fact is that the Department of Finance is forever resitingits goal posts wherever it perceives itself to be at a disadvantage.

"The inevitable question is whether tax reform has been abandoned in the face of governments failure to significantly curb the huge rate of state spending," Mr Sweet said.

He added that economic instability was the ultimate product of inefficient government and so was more taxation which feeds into the spiral.

carefully towards the end to avoid burning.

SA businessmen urged to invest in informal sector

Star 5/10/88

29

By Michael Chester

Investment by business in black education and housing should be matched by investment in the informal economic sector, Mr Lawrence Mavundla, president of the African Council of Hawkers and Informal Businesses, told a conference in Johannesburg at the weekend.

"Unless more blacks are given an opportunity to become economically independent, they will forever rely on the formal sector to provide housing and bursaries for them," he said.

"If a man has a means of earning his own living, not only can he provide housing and education for himself, but he also has the choice of deciding where he wants that housing and education to be, rather than be forced to depend on the choice tied to the requirements of the sponsor."

Addressing an "Update" conference run by the Aiken and Peat firm of accountants, Mr Mavundla said investment in the informal sector could offer businesses a positive profit return by exposure and entry to new and widening markets for their products and services.

He quoted estimates by Professor Brian Kantor, head of the business school of the University of Cape Town, that the informal sector now contributed 40 percent of the national economy over and above the official measurement of gross national product.

In 1984, he said, there were said to be 7,2 million black students at school, but an independent survey had found that accommodation at third-tier level was limited to only 15 900 a year.

This compounded the problem of unemployment, which Cosatu's unemployed workers' co-ordinating committee believed now stood at 6,5 million.

The solution lay in black economic independence.

Travel agents set for Perth

South Africa will be represented at the 22nd world congress of the Universal Federation of Travel Agents' Associations (Uftaa) in Perth next month, which takes place with the blessing of the Australian government, says Uftaa director Mr B Singer.

Oil firms will ask for more

Star 5/10/88

By Claire Robertson
Pretoria Bureau

Major oil firms operating in South Africa are to approach the Government to ask for a larger slice of the petrol price should profits be threatened by a drop in demand following a recent retail fuel price rise, according to Mr John Drake of Shell.

Mr Drake, who is the managing director of Shell's oil division, said the oil companies were concerned that a number of factors could affect their margin.

These included a possible drop in demand, rising inflation and a sudden change in prices set on the international market.

Oil firms received about four percent of the price paid by the consumer. They did not share in the recent retail price increase and had not had their portion of the price increased for about two years.

Mr Drake said he did not foresee an increase in the consumer price if the adjustment was granted by the Government.

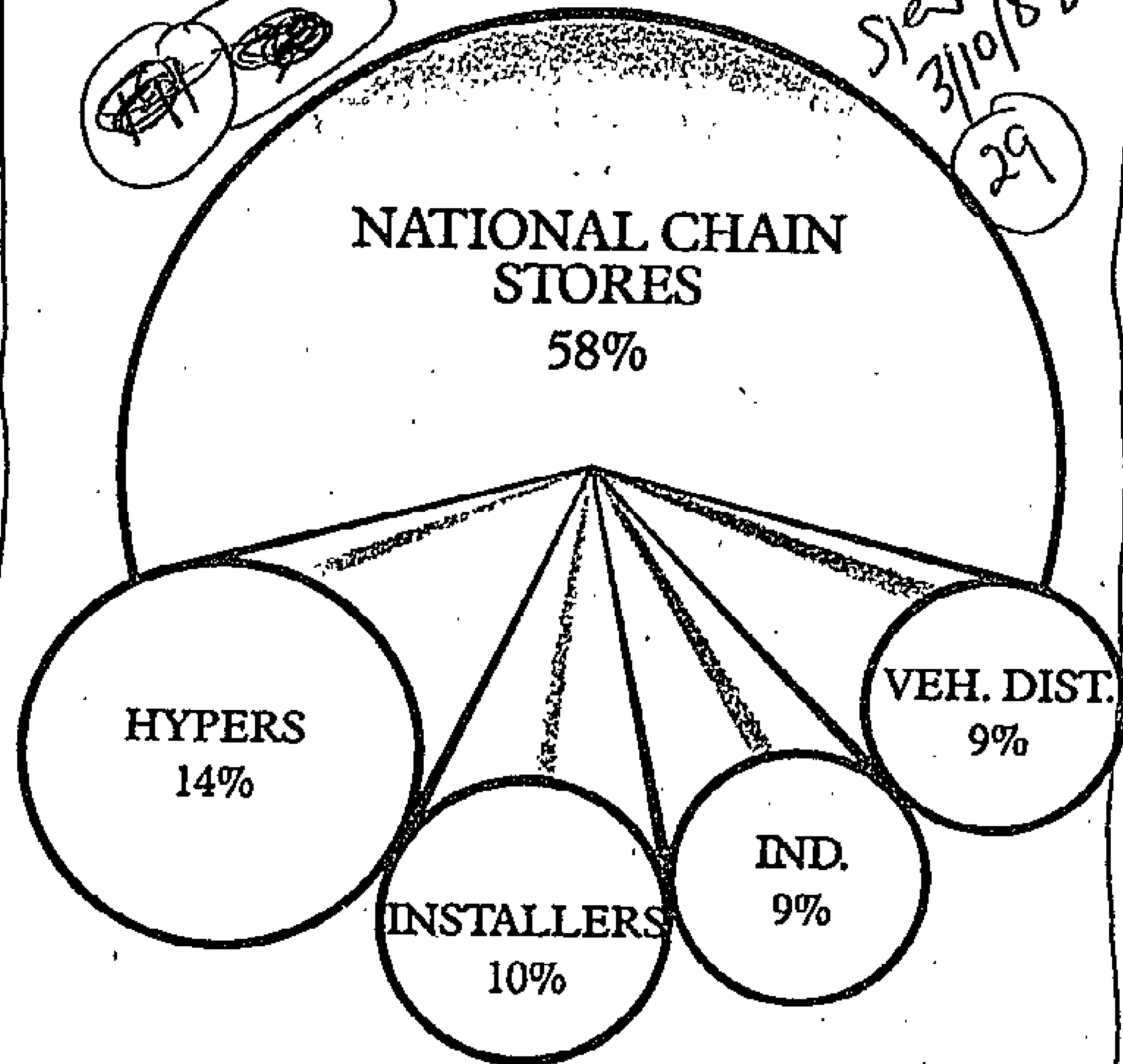
Oil firms' results had been helped by a buoyant demand before the recent increase but were hindered by inflation and could be further harmed if demand dropped.

Corporate Survey: AUDI

Customer Profile

Siel 3/10/88

29



Windfall for black staffers

When Audiodek Holdings was listed last year, the directors decided to do something special for its black staff.

They bought 50 000 shares on the understanding that when they were sold, and should any profit be made, the money would be divided equally, based on years of service, among black staff.

A R10 984 profit was made on the sale, giving a payout to each staffer of R57 for each year of service. The highest amount paid was to Mr Israel Pilanyane, who received R1 147 for 20 years' service. Black staff were also invited to participate in the share option scheme.

Quiet revolution

Libertarians and their sympathisers are peacefully fighting a grassroots revolution. The message: free enterprise, individual liberty, and small, decentralised government offer a prosperous alternative to apartheid and the big State. The target: managers, workers, government officials and ordinary South Africans.

Some 150 delegates from North America, Europe and southern Africa gathered at the Libertarian International World Conference in Swaziland this week heard a progress report on how their ideas of individualism are catching on here.

Corporate crusader Albert Koopman told them the revolution is in the workplace — and in the hearts of white managers. He said many white businessmen preach free enterprise, democracy and individual dignity, but don't let their workers taste freedom. "We teach them about free enterprise and profits, but don't let them swim in our swimming pool."

Koopman, who revitalised Cashbuild with participative management, says businessmen must let workers help draw up the shopfloor rules and have a say in who supervises them. He calls it "the consent of the managed" and says it brings out the best in workers. His company accordingly reported sharply lower absenteeism and theft and sharply higher productivity and profits. By fighting apartheid and authoritarianism on the workshop floor, "by allowing the freedom to be enterprising," white managers are doing what's right — and what pays, he said.

Workers and management are also being reached through "With Justice for All," a training course run by the Free Market Foundation. In a three-day course, trainers show a series of videos on prices, profits, inflation, business principles and politics, and field wide-ranging questions. Some 200 000 people, mostly black workers, have gone through the course, and director Marc Swanepoel says South Africans embrace the message of free enterprise, individual rights and limited government readily. "It's an eye-opener for them," he says. "They finally see a way out of SA's mess."

David Maphumulo, a trainer at Saficon Investments who has presented the course to 500 people, agrees. "Black workers are aware that government controls their daily lives and tells them where to live and work and they don't like it. When we say that's in fact socialism it dawns in their minds, 'Ah, yes. That's socialism'." Maphumulo adds: "What they want is to be recognised as human beings and to be part of a normal society. We think free enterprise and limited government deliver that."

For Wits law professor Louise Tager, the change is happening quietly in government offices. As executive officer of the Law Review Project, she makes proposals for freeing blacks from arbitrary and excessive regulation, and tries to persuade government to adopt them.

"Deregulation is the means to dismantle social and economic apartheid," Tager says. "If it can be achieved, SA will have made an important advance towards restoring those rights which have been denied to the black community for so many years." Tager told the conference that the government has already taken important steps towards restoring blacks' freedom of movement, allowing them to own land and stripping away discriminatory legislation which governed black business activity. She says the next round of deregulation should abolish licensing laws and establish free enterprise zones around the country, modelled after the Kew Enterprise Centre outside Alexandra.

"The entrepreneurial spirit which has been stifled through oppressive legislation will now be able to blossom in what we hope will soon become an open and free economy."

Finally, libertarians are taking their message to the people. The rallying point is the best-selling *SA: The Solution*, written by Free Market Foundation executive director Leon Louw and Frances Kendall. The book calls for massive deregulation and privatisation and limited central government. SA would be divided into perhaps 100 cantons, where rules and regulations would be instituted by nonracial democratic local governments — a competing political market.

The book has been applauded by a wide range of South Africans: Idasa's Frederik van Zyl Slabbert, Nafcoc's Sam Motsuenyane, Zulu leader Mangosuthu Buthelezi, the UDF's Archie Gumede, Transport Minister Eli Louw, Hendrik Verwoerd Jr and Winnie Mandela. "Here lies hope for a shattered nation," Mandela writes in the book's foreword.

Kendall told the SA delegates to the libertarian conference that it is up to them to spread the ideas: "If people who believe in freedom aren't willing to work for it, they must not cry when they end up living in a dictatorship." ■

FM

12/8/88

New company formed to assist black builders

Sowetan 28/7/88

(29)

ONE of the leading construction companies in South Africa, Time Housing, has teamed up with Hibom Township Developers — a group of black entrepreneurs — to form a new housing company to be called Tri-Time Housing (Pty) Ltd.

The new company, Tri-Time Housing, has already started work on its first development. It is busy building about 50 homes in Alexandra township, near Johannesburg.

Expand

The company plans to expand its activities to Soweto and other metropolitan areas in the Transvaal.

The company's directors are Mr Winston Mokoena, Mr Emmanuel Khumalo, Mr Alf Molathloe of Hibom Township Developers, Mr Mike Graham (managing director of Time Housing) and Mr Pat Collins (director of Time Housing, Transvaal).

Mr Graham said he believed that co-operative ventures of this nature were essential to effectively address the huge black housing backlog.

He said such an association would undoubtedly benefit the community at large and black building entrepreneurs in particular.

Black

"Not only will we have the opportunity of working with black builders and experience their problems at first hand, but we will also be laying the foundation for a mutually rewarding association for the future," Mr Graham said.

He said Time Housing would provide the administrative, financial and management expertise while Hibom would be responsible for sales and construction.

The new company, he said, was backed by Time Housing's draughting and conveying services, its financial muscle and credit facilities.

Assist

The formation of Tri-Time is the latest initiative by Time Housing to assist black builders and sub-contractors.

Last year, the company teamed up with Charles Builders, a Witbank firm of black entrepreneurs which had all the contracts and building skills but needed strong financial and administrative back-up.

The team was put to the test on a municipal contract for 89 homes. These were completed in only four months — two months ahead of schedule.

Mr Graham said his company firmly believed that the most effective ways of dealing with black housing was to train more black artisans and to assist black builders.

"To this end, we are constantly looking at teaming up with progressive black building companies. I believe that the route we have taken is a logical one for the industry. It will significantly contribute to the future prosperity of the country and all its people," Mr Graham said.

THE directors of Tri-Time Housing, a co-operative venture formed to tackle the immense black housing backlog. They are from left: Mr Alf Molathloe, Mr Pat Collins, Mr Winston Mokoena, Mr Emmanuel Khumalo and Mr Mike Graham.

Columbia looking for more growth

(29) Star 15/7/88

By Sven Forssman

Growth in the current financial year will be achieved via mergers and cash acquisitions, Columbia Consultants chief executive Gordon Polovin says in the annual report.

"As many of the group companies, including Pride, Concorde, Milstan and Toco, are cash-flush or have debt capacity, they are well positioned to take advantage of new market conditions," he says.

"Columbia will focus its attention, for the most part, inwardly, adopting a stance of consolidation. At the same time, with excess debt capacity, it will continue to investigate relatively larger investment banking opportunities.

"In this respect, it is expected that the ongoing disinvestment campaign being implemented in the US will present good opportunities."

As a result of growth and the increase in the number of key employees, Columbia is introducing a share scheme for its staff.

On corporate finance activities, Mr Polovin says the group was involved in frenetic growth activity, culminating in the current corporate structure. "This involved 35 acquisitions, five mergers and four listings, completed within 18 months since the listing in October 1986.

W/Mail
29/4-4/5/88

(29)

share of world gold production since 1970, when ...

Privatisation promotes market forces

Old wounds re-open in Samcor dispute

By EDDIE KOCH

THE reasons why more than 3 000 workers shut down the SA Motor Corporation (Samcor) assembly plant last week in protest at their union's involvement in the company's share ownership scheme are not easy to unravel.

The National Union of Metalworkers of South Africa (Numsa) agreed in November last year to set up a trust in which workers would hold 24 percent of the company's shares on condition that the dividends be used for community projects.

At the time the agreement was seen by Numsa as a victory for the union. Numsa had opposed Ford's original plan to give shares to workers on an individual basis.

The union saw the Samcor share ownership scheme as going some way to meeting Congress of South African Trade Unions policy that disinvestment should take place in such a way "that the social wealth of the country remains the property of the people of South Africa for the benefit of all".

So why did the work force object so vehemently to a seemingly sound agreement? Reasons put forward by workers so far don't help to clarify the issue.

Press reports have quoted striking workers as saying they did not want to be "mini-capitalists" participating with management in the running of the company.

Other reports cited worker dissatisfaction at a rumour that the fund would be used to buy the Mamelodi Sundowns football club.

Samcor officials have refused to comment on the issue.

Asked to explain the confusion, a senior Numsa representative told the *Weekly Mail* the activities of a group of workers from a rival union at the Samcor engine plant in Port Elizabeth was the main cause of the dispute.

Fred Sauls, national secretary for Numsa's motor section, said the group had been campaigning against the agreement for more than four months.

The dissident group, he said, was made up of former members of the Motor Assembly and Component Workers' Union of South Africa (Macwusa) who were reluctant to accept the merger between Macwusa and other metal and motor unions last year that led to the formation of Numsa.

Three weeks after the agreement was signed, he said, the rival group announced its opposition to the fund and in February this year "instructed their attorneys to stop all further dealings on the grounds that the union had no mandate for the agreement"

Sauls insisted Numsa's decision that the trust use dividends for community projects was taken at general meetings of workers who had given the union the go-ahead to sign the agreement.

The Macwusa faction then launched an "Anti Trust Campaign" in which petition forms were circulated at both plants telling workers their share of the company's assets amounted to R187-million and that if this amount were divided among the 4 000 workers it would give each worker at least R40 000, said Sauls.

"Workers did not realise that for this to happen the company would have to sell its entire plant and stock. In their minds it was a chance to get R40 000 and the idea spread like wildfire.

There has been a long history of rivalry in the Eastern Cape between Macwusa and the National Automobile and Allied Workers Union (Naawu), the biggest motor workers' union to join Numsa.

Asked if the Samcor strike had undermined the ability of Cosatu unions to implement this policy, he said Numsa's model was still the best option for unions faced with a disinvesting company.

"We don't believe it (the strike) poses a problem of direction for us. But we must be careful to have much more intense discussions and seminars on a grassroots level instead of a few mass meetings that last for one hour each. Workers must be made fully aware of what they are entering into and we have been sadly lacking in doing that."

THE WORLD THIS WEEK

Does India exist? Has it ever?

Perhaps the aptest description of India was that of economist JK Galbraith, who called this land of numberless languages, sects and cultures, many engaged in centuries-old blood feuds, a 'functioning anarchy'. Anarchy, indeed. But functioning? India's best-known novelist dissects the empire which never was

By SALMAN RUSHDIE

The novelist who coined the phrase 'Midnight's Children', to describe the generation born after India gained independence, returns to the land of his birth

FORTY years ago, the independent nation of India and I were born within eight weeks of each other. I came first. This gave rise to a family joke — that the departure of the British was occasioned by my arrival on the scene and the joke, in turn, became the germ of a novel, *Midnight's Children* in which not just one child, but one thousand and one children born in the midnight hour of freedom, the first hour of August 15 1947, were comically and tragically connected to the birth of a nation.

(I worked out, by the way, that the Indian birth-rate in August 1947 was about two babies a second, so my fictional figure of 1 001 an hour was, if anything, a little on the low side.)

The chain rection continued. The novel's title became, for many Indians, a catch-phrase defining that generation which was too young to remember the Empire of the liberation struggle; and when Rajiv Gandhi became prime minister in 1984, I found his administration being welcomed in the newspapers by such headlines as "Enter midnight's children".

So when 40 came around, it occurred to me to take a look at the state of the Indian nation, which was, like me, entering its fifth decade, and to look, in particular, through the eyes of the class of '47, the country's citizen-twins, my generation. I flew to the sub-continent to make a film about the real-life counterparts of the imaginary beings I once made up. Midnight's real children: to meet them would be like closing a circle.

There was a question I wanted to answer, with their help: does India exist? If it doesn't, what's keeping Pakistan and Bangladesh apart?

It's when you start thinking about the political entity, the nation of India, the thing whose 40th anniversary occasioned my journey, that the question starts making sense. After all, in the four thousand years of Indian history, there never was such a creature as a united India. Nobody ever managed to rule the whole place, not the Mughals, not the British. And then, that midnight, the thing that had never existed was suddenly "free".

But what on earth was it? On what common ground (if any) did it, does it, stand?

Some countries are united by a common language; India has around 15 major languages and numberless minor ones. Nor are its people united by race, religion or culture. These days, you can hear some voices suggesting that the preservation of the union is not in the common interest.

JK Galbraith's description of India as "functioning anarchy" still fits, but the stresses on the the country have never been been so great. Does India exist? If it doesn't, the explanation is to be found in a single word: communalism. The politics of religious hatred. There is a medium-sized town called Ayodhya in the state of Uttar Pradesh, and in this town there is a fairly commonplace mosque named Babri Masjid.

According to the Ramayana, however, Ayodhya was the home town of the Hindu god, Rama, and according to a local legend the spot where he was born — the Ramjanmabhoomi — is the one on which the Muslim place of worship stands today. The site has been disputed territory ever since independence, but for most of the 40 years the lid has been kept on the problem by the very Indian method of shelving the case, locking the mosque's gates, and allowing neither Hindus nor Moslems to enter.

Last year, however, the case finally came to court and the judgement seemed to favour the Hindus. Babri Masjid was opened, and fell into the hands of the extremist Hindu fundamentalist organisation, the Vishwa Hindu Parishad. After that, Hindus and Moslems clashed all over north India, and in most outbreaks of communal violence the Babri Masjid affair was cited as a primary cause.

When I arrived in Delhi the old Walled City was under heavy curfew because of just such an outbreak of violence. In the little alleys of Chandni Chowk I met a Hindu tailor, Harbans Lal, who worked in a sari shop and as mild and gentle a man as you could wish to find. The violence terrified him.

"When it started," he said, "I shut up the shop and ran away." But in spite of all his mildness, Harbans Lal was a firm supporter of the Hindu nationalist party that used to be called the Jan Sangh and is now the BJP.

"I voted for Rajiv Gandhi in the election after Mrs Gandhi died," he said. "It was a big mistake. I won't do it again."

I asked him what should be done about Babri Masjid. Should it be locked up again as it had been for so many years? Should it be a place where both Hindus and Moslems could go to worship? "It's a Hindu shrine," he said. "It should be for the Hindus." There was no possibility, in his mind, of a compromise.

A couple of days later, the Walled City was still bubbling with tension. Th curfew was lifted for an hour or two every day to enable people to go out and buy food. The rest of the time, security was very tight. It was Eid, the great Muslim festival celebrating the end of the month of fasting, but the city's leading Imams had said that Eid should not be celebrated. In Meerut, the mutilated corpses of Moslems in the river. The city's predominantly Hindu police force had run amok. Once again, Babri Masjid was one of the bones of contention.

I met Abdul Ghani, a Delhi Moslem tailor, and who, like Harbans Lal, India and me, was 1947-born. I was struck by how much like Harbans Lal he was. They were both slightly-built, mild-mannered men with courteous voices and attractive smiles.

They each earned about a thousand rupees (R240) a month, and dreamed of owning their own shops, knowing they never would. And when it came to the Hindu-Moslem communal division, Ghani was just as unyielding as Harbans Lal had been. "What belongs to the Moslems," he said when asked about Babri Masjid, "should be given back to the Moslems."

The gentleness of Harbans Lal and Abdul Ghani made their religious divisions especially telling. Nor was Babri Masjid the only issue between the faiths.

In Ahmedabad, in the state of Gujarat, Hindu-Moslem violence was once again centred in the old walled city area of Manek Chowk, and had long ago acquired its own internal logic: so many families had lost members in the fighting that the cycle of revenge seemed unstoppable.

Political forces were at work too. At Ahmedabad hospital, the doctors found that many of the knife wounds they treated were professionally inflicted. Somebody was sending trained killers into town.

All over India — Meerut, Delhi, Ahmedabad, Bombay — tension between Hindus and Moslems was rising. In Bombay, a journalist told me that many communal incidents took place in areas where Moslems had begun to prosper. Behind the flash-points like Ayodhya, she suggested was Hindu resentment of Moslem prosperity.

Many members of Indian minority groups started out as devotees of the old, secular definition of India, and there were no Indians as patriotic as the Sikhs. Until 1984, you could say that the Sikhs were the Indian nationalists. Then came the storming of the Golden Temple and the assassination of Mrs Gandhi and things changed.

The group of Sikh radicals led by Jarnail Singh Bhindranwale, the religious leader who died in the Golden Temple storming, could not be said to represent more that a small minority of all Sikhs.

The campaign for a Sikh separate, Khalistan, had similarly found few takers among India's Sikhs. Until November 1984, when Indira Gandhi died, and it became known that her assassins were Sikhs.

In Delhi, angry Hindu mobs — among whom party workers of Mrs Gandhi's Congress-I were everywhere — decided to hold all Sikhs responsible for the deeds of the assassins. Thus an entirely new form of communal violence — Hindu-Sikh riots — came into being, and in the next 10 days the Sikh community suffered a series of traumatising attacks from which it has not, maybe never will, recover.

In Block 32 of the Delhi suburb called Trilokpuri, perhaps 350 Sikhs were burned alive. I walked past streets of scarred, gutted houses in some of which you could still see the bones of the dead.

It was the worst place I have ever seen, not least because, in the surrounding street children played normally, the neighbours went on with their lives. Yet some of these people who perpetrated the crime of 32 Trilokpuri, which was only one of the many massacres of the Sikhs that took place that November. Many Sikh "midnight children" never reached 40 at all.

A taxi driver, Pal Singh (born November 1947) told me that he had never had time for the Khalistan movement, but after 1984, he had changed his mind.

"Now it will come," he said, "maybe within 10 years." Sikhs were selling up their property in Delhi and buying land in the Punjab, so that if the time came when they had to flee to the Sikh heartland they wouldn't have to leave their assets behind. "I'm doing it too," Pal Singh said.

The new element in Indian communalism is the emergence of a collective Hindu consciousness that transcends caste, and that believes Hinduism to be under threat from other Indian minorities.

Unfortunately for India, the linkage between Hindu fundamentalism and the idea of the nation shows no signs of weakening. India is increasingly defined as Hindu India and Sikh and Moslem fundamentalism grow fiercer and more entrenched in response.

"These days," a young Hindu woman said to me, "one's religion is worn on one's sleeve." She was corrected by a Sikh friend. "It is worn," he said, "in a scabbard at the hip".

I remember that when *Midnight's Children* was first published in 1981, the most common Indian criticism of it was that it was too pessimistic about the future.

It's a sad truth that nobody finds the novel's ending pessimistic any more, because what has happened in India since 1981 is so much darker than anything I had imagined. If anything, the book's conclusion, with its suggestion of a new, more pragmatic generation rising up to take over from the midnight children, now seems absurdly, romantically optimistic.

But India regularly confounds its critics by its resilience, its survival in spite of everything.

It's my guess that the old functioning anarchy will, somehow, keep on functioning for another 40 years and no doubt, another 40 after that.

But don't ask me how. — The Guardian, London

MARITZBURG VIOLENCE

Big guns fly in

In an effort to add momentum to its peace initiative in Natal, the Pietermaritzburg Chamber of Commerce will jet in an Assocom delegation to the city this week. Assocom president Alex Rogoff, chief executive Raymond Parsons and exco chairman Brian Kurz will tour the war-torn black townships and meet the SA Police and representatives of the main combatants, UDF and Inkatha.

Increased business anxiety follows the sporadic outbreak of violence in Maritzburg itself and a bloody weekend in which the total number of deaths officially recorded in the area since the start of the new year rose to 121. There is also growing concern over the number of refugees — now estimated at around 60 000 — who have fled their homes to escape the violence. Many are being housed in the city and it has been alleged that large numbers of youths have headed for ANC camps.

Meanwhile, conveners of a new peace initiative were kept guessing this week over the support of Inkatha president and KwaZulu Chief Minister Mangosuthu Buthelezi.

By Tuesday, the Methodist Church's Rev Khoza Mgojo had not yet had a reply from Buthelezi to an invitation to talks sent last week. A spokesman for Buthelezi said the invitation had only arrived on Friday and a reply could be expected "today or tomorrow."

Archie Gumede, president of the UDF, had received a similar invitation to the meeting proposed for February 23 and told the press he had already accepted. Also invited are representatives of Cosatu, the Maritzburg and Durban Chambers of Commerce and the Maritzburg Council of Churches.

FINANCIAL MAIL FEBRUARY 19 1988

BUSINESS DD 6/2/88

45% staff take De Beers' shares

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JOHANNESBURG — Group De Beers Employee Shareholder Scheme has met with a 45 per cent acceptance — 4 928 of the 10 888 South African employees offered shares in the company will take them up.

A statement from De Beers said this was encouraging in the light of international experience.

The project was long-term, and employees would again be invited to participate in the 1989 share allocation.

The statement said:"It is hoped that, over time, those presently unfamiliar with share ownership will gain knowledge and confidence in the scheme and that a progressively higher percentage will participate in each subsequent year."

At the South African operations of De Beers Consolidated Mines, 1 692 rejected the offer to receive shares, while 4 268 did not respond.

In Namibia, 4 741 employees of CDM and De Beers Services received offers of shares. The positive responses totalled 837 or 18% of the offers, while 17 employees declined the offer and 3 887 did not respond.

Workers cool on De Beers offer

Star 5/2/88

29

By Teigue Payne

A large number of employees of De Beers Consolidated Mines in Namibia and South Africa have not accepted the company's free share participation offer.

Of 10 888 employees in the South African operations eligible for the share allocation in 1988, the first year of the scheme, 45 percent (4 928) have accepted and 15,5 percent (1 692) have rejected the offer. No response has yet been received from 4 268, says De Beers.

Of 4 741 eligible employees in Namibia, 18 percent (837) have accepted amd 17 people have declined the offer. No response has been received from 3 887.

De Beers says a number of employees were on leave and have yet to receive the offer.

The acceptance figures are far below those achieved by the offer to Anglo American head office staff where 98 percent have accepted. The Anglo and De Beers schemes are structurally identical.

However, workers on the mines are generally less educated than those at head office, and many are migrants. Although an education campaign was a large part of the scheme, this is apparently a long-term process.

It is understood that in both South Africa and Namibia, unions have been campaigning against acceptance.

De Beers says: "In the light of international experience, this is an encouraging start to what is a long-term project that will run for at least five years."

It says employees will again be invited to participate in 1989, and it hopes that over time they will gain confidence in the scheme.

BUSINESS

D/D 29/1/88

98pc Anglo staff take share offer

29

JOHANNESBURG — An offer of five Anglo American Corporation shares each in 1988, made in terms of the Anglo American Group Employees Shareholder Scheme, has been accepted by more than 98 per cent of the corporation's 2 445 eligible employees.

The offer, to head office employees with at least two years' service, was accepted by 2 402 and declined by 43.

Anglo's chairman, Mr Gavin Relly, said he was encouraged by the positive response at head office and hopeful that both shareholders and employees in associated companies would similarly endorse the scheme.

Meetings of associated companies to seek their shareholders' approval to join the scheme will be held shortly.

"It should be noted that the problems of communicating information about the scheme, particularly on the mines, will be much greater than at head office and consequently, the level of acceptance is unlikely to be as high," Mr Relly said.

Implementation of the scheme in participating associated companies begins in February and will continue until April.

The scheme is a long-term project and will run for a minimum period of five years.

It is hoped that, over time, employees unfamiliar with share ownership will gain knowledge of and confidence in the scheme.

The secretary of the power Mine Workers' Union, Mr Cyril Ramaphosa, rejected the offer of shares when it was first announced. — DDC

Assocom says omens look good

D/D 29/1/88

JOHANNESBURG — Assocom's business confidence index (BCI) has made a further upward shift in January to 98 points, from 97,3 in December and 97,1 in November.

"This reflects the renewal of economic growth which is gaining the upper hand over the continuing bear trend on the JSE and the recent small rises in interest rates," says Assocom.

"The economic evidence now points to the likelihood of a 3 to 3,5 per cent real growth rate in 1988."

Among the positive influences this month were: real imports continued upwards, real retail sales rose strongly, the inflation rate fell, the number of immigrants exceeded the number of emigrants and insolvencies declined. Negative influences were the continuing bear trend on the JSE, the slight upward movement of interest rates, motor vehicle stock shortages and a slight increase in unemployment.

"The economic omens for 1988 look very favourable," Assocom comments.

"By the end of last year the economic upturn had gathered considerable momentum, especially if the activities of the informal sector are also taken into account. Both corporate and consumer credit demand are rising."

"It seems as if the South African economy has now moved into the next phase of the economic upswing. In a perverse way disinvestment and sanctions may have stimulated a measure of growth through the new challenges they pose to the business community."

Assocom believes inflation this year is likely to remain at about the same level as in 1987.

Economic policy had an even more important role to play than last year.

"The big question now is not so much South Africa's economic performance in 1988, but rather whether it will be sustained into 1989. There will be a greater need this year to keep the economy on an even keel. The success of such a policy will, in its turn, help long-term business planning and underpin confidence," Assocom says. — Sapa

Delta's new chief

PORT ELIZABETH — Mr Keith Butler-Wheelhouse has been appointed chairman and chief executive officer of Delta Motor Corporation, the company announced here yesterday.

In addition, Mr Len Abrahamse — who has been a non-executive director of Delta Motor Corporation since its inception — has been appointed deputy chairman of the company.

These appointments - both effective immediately - follow the death last year of Mr Bob Price, who was the first chairman of the newly founded South African company.

Mr Butler-Wheelhouse, a former director of General Motors South African, became Delta's managing director when a South African management team took over control of the company on January 1, 1987. Together with the late Mr Price, he has guided Delta through a successful first year of operation. — DDC

Sugar prices

LONDON — RAW: No4 Contract indicator $147. No6 Cif Contract Feb/Mar $201 20 No6 Caribbean/UK Freight element $33. No6 Fobs Contract Equivalent $228.20. WHITE: No5 Fobs Contract Feb/Mar $238. — Sapa-Rns

D/D. 29/1/88

Avis, AA deal

JOHANNESBURG — The Automobile Association has appointed Avis, the country's largest car rental company, as its official car rental contractor.

The AA appointment, which took effect on January 1, entitles the association's 650 000 members to special rates as well as to a variety of exclusive special offers, in South Africa and internationally — including the facility of acquiring Avis credit cards.

All Avis Renters will automatically be entitled to free use of the AA's breakdown and certain other services.

Avis managing director, Mr Tony Langley, said his company would be working closely with the AA in developing new leisure travel packages which would be purpose designed for the AA membership.

In addition, AA members will be given the opportunity to test-rent new models when these are introduced, and to acquire cars when they are retired from the Avis fleet.

Mr Peter Elliott, AA director-general, said the AA had been influenced in its decision to appoint Avis by the range of additional benefits that Avis could offer AA members.

Other considerations had been the size of its fleet - currently running at around 6 000 cars - and the spread of its branch network, which has some 85 outlets in business centres, major suburbs and holiday resorts and at all airports throughout the country.

The fact that Avis is able to provide its services internationally as well as domestically had been another consideration, he said. — Sapa

CO- DETERMINATION -

1989- 1990

Free shares for Iscor employees

29

AS PART of its drive to encourage wider share ownership, the state and Iscor are offering all Iscor employees an attractive package of 150 million shares when the giant steel producer is listed later this year.

Participation by Iscor's 58 000 employees is entirely voluntary and will be extended to all full-time employees who are working for Iscor and its subsidiaries on August 31, 1989 and who are still in service when the offer opens.

The package consists of three offers. First, 100 free shares will be offered to all full-time employees of Iscor and its subsidiaries, with the full cost carried by the state.

Secondly, all employees will be offered shares at a 20 percent discount on optional, deferred payment terms over a maximum period of three years. The number of shares offered will depend on job grading.

Thirdly, the state is also setting aside almost five percent of Iscor's issued shares for staff on a preferential basis. Allocation will be equal to the number of shares for which each employee qualifies under the discount scheme.

The 100 free shares and 20 percent discount shares will make up 50 percent of the 150 million shares offered to employees, with the preferential shares making up the other 50 percent.

This accounts for about 10 percent of the issued shares of Iscor.— Sapa.

Share scheme for Iscor employees

B|Day 31/7/89

29

ALAN FINE

EARLY feedback from employees on the Iscor employee share ownership programme (esop) indicated understanding, acceptance and some enthusiasm, Iscor spokesman Piet du Plessis said at the weekend.

However Numsa, the largest union among Iscor's 58 000 employees, has expressed bitterness at not having been consulted beforehand.

Employees and unions were briefed on Friday about the scheme, which has been in the pipeline for months as part of Iscor's privatisation programme.

The 150m shares set aside for employees are expected to be worth R300m, assuming a R2 a share pre-listing price. This share bloc represents nearly 10% of Iscor's total equity.

This compares to the 3,5% of equity ultimately to be offered to Anglo American group employees in terms of its esop launched 18 months ago. In the Anglo case, all shares are given free of charge to employees.

Government has promised to privatise at least 51% of Iscor's equity in the first phase of the corporation's privatisation.

However, it is understood the company is expecting outstanding results for the year to June 30, and this could increase the number of shares initially made available to the public.

Numsa's Bobby Marie said he had expressed the union's extreme unhappiness at not having been consulted to Iscor MD Willem van Wyk at the briefing.

"Iscor's take-it-or-leave-it attitude is unacceptable. We wanted the opportunity to talk. Instead the scheme has been presented as a *fait accompli*".

He said the union was examining the offer with a view to formulating an attitude to its detail.

Du Plessis said Iscor's response to this criticism had been that privatisation was not a management matter, it was the decision of government, the major shareholder.

A privatisation unit spokesman argued that any share offer was made unilaterally. It was up to the potential buyer, in this case each employee, to decide whether to accept it.

The scheme was devised "as part of the state's drive to encourage wider share ownership among all South Africans", privatisation unit adviser Eugene van Rensburg, said in a statement. Participation would be entirely voluntary.

The share offer will be extended to all full-time employees who are working for

☐ To Page 2

Iscor

29

B|Day 31/7/89

☐ From Page 1

Iscor and its subsidiaries on August 31 and who are still in service when the offer opens, probably in early October.

Each employee will be entitled to 100 free shares.

Secondly, all employees will be offered shares at a 20% discount. An interest-free loan payable over three years will be available. The number of shares offered to each employee will depend on job grading, and is understood to range from 900 to several thousand.

These two facets represent almost 5% of Iscor's total equity.

Thirdly, the state is setting aside another 5% of issued shares for staff on a preferential basis, the numbers available to each employee similarly dependent on job grading.

Du Plessis said Iscor was establishing share information offices at all its centres to assist the process of communicating the scheme to staff.

The Iscor offer also differs from the Anglo one in that shares, other than those being paid off in terms of the loan arrangement — and which would be held in trust — would be immediately negotiable through the JSE.

Employees who do not immediately take up their entitlement of discount shares will be able to do so in November 1990 or 1991.

Those shares set aside on a preferential basis and which are not taken up will be added to the public offer.

● Comment: Page 6

Iscor plan a 'derisory bonus' for blacks

BDay 5/7/87 [redacted]

[redacted] ALAN FINE 29

AS A purported attempt to use the privatisation process to redistribute wealth, the Iscor employee share ownership programme (Esop) announced last week was bogus, Numsa said yesterday.

Numsa official Bobby Marie said initial union impressions were that the Esop would mean a financial killing for Iscor management but was little more than a derisory bonus for black workers.

He said also if Business Day's assumption that Iscor was being valued at R3bn was correct, it would mean government was selling off the family silver at an undervalued price. Such an exercise would further skew the distribution of wealth in favour of wealthy investors.

Marie said Numsa's views were based on initial feedback from the union's nearly 10 000 members at Iscor, and on limited information received from Iscor.

He said Numsa was devising a comprehensive response to Friday's announcement, and was, for this purpose, seeking further information from management. He repeated the union's unhappiness at not having been afforded prior consultation on the structure of the offer.

The deal, in terms of which 150-million shares have been set aside for staff, includes 100 free shares for each of the 58 000 employees; a further allotment at a 20% discount on the listing price, with each individual's entitlement dependent on job grading; and an equal number of shares at the full price being made available on a preferential basis.

Marie said the most likely scenario was that most black workers would accept the free shares and sell them.

B/Day 6/7/89

State chips in to cover perks tax

29

KAY TURVEY

THE State is to carry the full cost of the Iscor employee share participation scheme — including the perks tax — with funds raised through privatisation.

Iscor privatisation adviser Eugene van Rensburg said the State would pay the Receiver of Revenue one lump sum for taxes owed from funds raised.

This would include the fringe benefits tax applicable to the gift of shares taken up by employees. However, the payment of this perks tax attracts tax, itself being an additional perk.

Bernard Kaiser, assistant of GM Senbank, one of Iscor's merchant bankers, said it had been agreed with the Receiver of Revenue that, where this tax was paid, it would do only one round and fall away.

This tax situation comes into effect without any exemptions from fringe benefits tax legislation, although Iscor employees will not in effect pay tax on the benefit.

Iscor was being treated in much the same way as any other private sector company, Van Rensburg said.

To introduce an exemption from perks tax under the Income Tax Act would have been unacceptable, tax experts pointed out, because it would be contrary to equal treatment for public and private sector bodies.

28

Weekly Mail 7-13/7/87.

Naidoo was tipped as first black cardinal

By CARMEL RICKARD, Durban

THE sudden death of Archbishop Stephen Naidoo of Cape Town has left the Catholic church stunned at the loss of one of its most significant leaders, who was tipped to become this country's first black cardinal.

Naidoo, 52, was born in Durban, grew up in Cape Town and studied in Scotland, England and India as well as in Rome, where he obtained a doctorate in canon law.

His abilities were recognised early by the church authorities and while still an auxiliary bishop he was elected to the council of the world synod of bishops in Rome, a body on which he was serving at the time of his death. He was also a member of the Vatican Congregation for the Evangelisation of Peoples.

Naidoo took ill soon after his return from a recent trip to the United States. He was admitted to hospital but was subsequently discharged by doctors who recommended he should recuperate away from the stresses of the archdiocese. He died on July 1 at his brother's home in London.

Naidoo, a member of the Redemptorist order, was a passionate speaker with an intense style of preaching.

It was widely expected that Naidoo, the first black archbishop of Cape Town, would have been appointed cardinal by the Pope.

Naidoo played a significant role in the struggle for human rights in South Africa, and often worked with his Anglican counterpart, Archbishop Desmond Tutu, in demonstating the concern of the church about issues of justice.

Earlier this year Naidoo, with Tutu and other church leaders, was part of delegations to Minister of Law and Order Adriaan Vlok during which they negotiated over the plight of detainees held under Emergency regulations who were on hunger strike against their continued detention.

Last February he was part of a church procession to parliament in protest against the effective banning of 19 organisations. Naidoo, with several other church leaders, was arrested, while police turned a water cannon on the rest of the deputation.

He had also been a leading figure in attempts to reconcile warring factions in Cape Town's KTC township.

Tutu, who is in Norway, se[illegible] condolences, speaking of the "wo[illegible]erful relationship" between the two archbishops. His media spokesman, John Allen, said: "In times of crisis intervention, Archbishop Stephen was usually the first person that Archbishop Desmond turned to."

The chancellor of the Archdiocese of Cape Town, Father Clifford Stokes, described Naidoo as "embued with a passionate sense of justice, always prepared to come to the assistance of those whose security or civil liberties were threatened no matter what the cost to himself".

There is a widespread belief that the heart condition from which Naidoo died was largely the result of how strongly he felt about the injustices around him, a theory supported by the president of the Southern African Catholic Bishops' Conference, Bishop Wilfred Napier. Napier said he had no doubt that Naidoo's heart problems were caused by the stress of playing a leadership role in the continuing South African crisis.

"When he saw people being badly treated it really hit him right down to the depths of his being."

Naidoo was the second top black Catholic church leader in southern Africa to die of a heart problem in the last few months, just weeks after the death of Archbishop Alphonsus Liguori Morapeli of Maseru.

Among the many tributes to Naidoo from outside South Africa were messages from Cardinal Tomko of the Congregation for Evangelisation of Peoples at the Vatican, Bishop David Konstant of Leeds and Archbishop Derek Worlock of Liverpool.

A requiem mass was celebrated in Westminister Cathedral on Tuesday. Following a lying in state on July 11 and 12, a requiem mass is planned for the Good Hope Centre.

LABOUR LETTER/Alan Fine

Iscor's lost opportunity

29 BDay 7/7/89.

WITH ALL the heady talk of the "big" negotiation floating around, two more modest examples have, or should have, surfaced in the past week.

The "should have been" is the Iscor share offer to employees announced last Friday. The offer is superior in many respects to equivalent private sector schemes implemented in the past few years.

With 10% of total equity set aside for employees, it is larger than all except the Samcor deal, where an employee trust received 24% of that company's equity in the special circumstances of disinvestment.

It is also comparable with the largest employee share ownership programmes (esops) implemented in the UK's privatisation process. Further, employees' shares will be immediately negotiable upon the listing of Iscor.

This approach recognises prospective share-owners as mature adults capable of making their own economic decisions. The more popular private sector approach is to keep shares in trust, and the employees as captive share-owners, for a few years while they "learn" the benefits of share ownership.

□ □ □ □

THE Iscor esop, though, is more than a run-of-the-mill private sector scheme. It is a critical part of a new and controversial government policy — privatisation — with important political and economic implications.

In this light, the official argument against prior consultation with representatives of the workforce — that no share offer involves negotiation — is both questionable in itself (what, for example, were Mobil and Gencor doing in the first few months of the year?) and irrelevant.

The creation of this scheme was an opportunity — now lost — to engage unions, who represent well over 50% of Iscor's non-managerial staff, in debate over some of the major economic questions of the day.

Debate would have been difficult, particularly given that the major unions at Iscor — Cosatu's Numsa with nearly 10 000 members and the whites-only SA Iron and Steel Industries Union (more than 6 000) — come from opposite ends of the political spectrum.

But it is quite possible that it would have thrown up some extremely creative ideas. Numsa is now devising a comprehensive response to the scheme, and the outcome of these deliberations may give an inkling of what opportunities were missed.

If there is a less than positive response to the scheme — from employees or their organisations — those in Iscor management, the privatisation unit, or the Department of Administration and Privatisation, who decided it was necessary to proceed unilaterally, will have to bear the blame.

□ □ □ □

THE second example is the mostly amicable settlement reached this week between the NUM and the Chamber of Mines, which holds out some important lessons on how the negotiation process works in South African industry.

There was, back in April, a great deal of outrage expressed by the Chamber and many independent commentators at the NUM's opening demand, which was for increases of more than 100% in some respects.

The Chamber, as a player, was entitled to express its views on what, at face value, appeared a wholly unreasonable demand. That, after all, is how the "game" is played.

For outsiders, though, it should have been simply a reaffirmation of South African traditions of collective bargaining.

Opening demands invariably reflect what the union's constituency considers a fair or living wage. These demands are intended to make a serious point, and are generally not related to payability in the industry or company concerned.

The real negotiations come later and, more often than not, are successfully concluded.

REVIEW

More join Anglo's esop

S1 Times 9/7/89

(29)

ANGLO American reports that 132 000, or 69%, of 192 000 eligible workers are now members of its group employee shareholder scheme (esop).

The directors say in the 1989 report that an important object of the scheme is the creation of a sense of stakeholding among all employees in the enterprise in which they are employed.

"Independent research conducted during the year on the response of employee shareholders to the scheme has confirmed the strength of this sense of ownership.

"It has also provided evidence of a debate that is emerging regarding the mechanisms of the scheme and the activities of the companies in which employee shareholders work."

Anglo's esop scheme was launched in November 1987 when the corporation allocated employees with a minimum of two years' service five shares each, paid for by the company.

Employees are required to keep their shares in the Anglo Group Employee Shareholder Trust for at least four years, after which they are free to do with them as they please.

The scheme has been criticised by the National Union of Mineworkers (Num), primarily because it was not consulted. A repeat of this is being played by the National Union of Metalworkers (Numsa) over the Iscor esop.

Anglo is expected to issue 1,26-million shares to employees in the next five years — about 1,65% of equity. Num general secretary Cyril Ramaphosa says the share offer gives no meaningful participation to workers.

When Anglo released its shareholder report towards the end of last year, it said about 64,4% of eligible employees had taken up the offer. Since then another 32 000 workers have taken the free shares.

Esops will continue to be a controversial issue for unions until companies negotiate the schemes with them. It will be interesting to see how many Anglo employees retain their shares after the four years are up.

Row over city Eid celebrations

Cape Times 12/7/89

By RONNIE MORRIS 28

THE Imam of a Salt River mosque ~~who~~ has decided to celebrate Eid-ul-Adha tomorrow has been told by the trustees to toe the line and celebrate on Friday or have his services terminated and be charged with trespassing if found on the mosque premises.

The Cape Times learnt last night that more than 250 residents had attended a special general meeting at the Tennyson Street mosque last Sunday and unanimously decided to follow Imam Mogamat Moerat and celebrate Eid on Thursday in line with Mecca.

On Monday, Imam Moerat was told in a letter from lawyers — acting for the trustees — that his conduct as an employee of the mosque "constitutes misconduct and insubordination which justifies instant dismissal".

"We have been instructed to call on you to forward us an unequivocal undertaking in writing that you will forthwith cease your insistence in holding Eid prayers on Thursday and further that you will undertake to lead Eid prayers on Friday as directed by the trustees.

"Unless you deliver your written undertaking as required at our offices by no later than 5pm on Tuesday your services will be deemed to have been terminated forthwith and your presence on the mosque premises thereafter will constitute trespassing."

Imam Moerat confirmed last night that he had received the letter and said he had already seen his

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Cape Times 12/7/89 28

From page 1

lawyers. The threat of an instant dismissal was unconstitutional, he said.

Mr Maajid Warley, Imam Moerat's lawyer, last night said the letter had come from a committee which "we feel don't exist". He added that an annual general meeting had not been held for at least four years.

The mosque committee had no locus standi (legal standing) and Imam Moerat could be dismissed only by two-thirds of the congregation in a general meeting. As far as he knew, the congregation was behind Imam Moerat, he said.

Mr Warley said Imam Moerat disputed the misconduct and insubordination charges and would apply to the Supreme Court immediately if he were to be dismissed.

Meanwhile, in an advertisement in the Cape Times today and headlined "Sê maar slamat vir Almal (Wish everybody)", the Call of Islam called on its members, friends and supporters to celebrate Eid on Friday.

"Since the celebration of Eid-ul-Adha is not obligatory it makes sense that to disturb a legitimate practice of three hundred years one should strive for maximum consensus before doing so," it said.

"Since very many of the Muslim countries such as Indonesia, Malaysia, Pakistan and even Egypt do not celebrate Eid-ul-Adha with Mecca our essential concern is our local unity."

Imam Ali Gierdien, acting chairman of the Muslim Judicial Council — which will celebrate Eid on Friday, said he wished to reiterate the council's strong appeal for the dispute to be handled with "extreme care and circumspection".

The MJC made a strong appeal for Muslims to be "kind and gentle" and accept the greetings and welcome those Muslims who wished to celebrate Eid tomorrow.

In an impassioned plea, Imam Ebrahim Samaai appealed to Muslims to consider carefully "not to make a laughing stock of Islam".

While decisions on the issue had already been reached by mosques, the individual should feel free to perform Eid prayers on a day and at a mosque which would grant a "conscious-free" stand, if one did not feel comfortable with the outcome of a particular mosque.

"It is unfortunate that the confusion is the result of our religious leaders who are not prepared to sink their egos and personality for unity, a precious thing in Islam," Imam Samaai said.

Tutu backs Mobil workers' trust fund

Star 18/7/87

Archbishop Desmond Tutu has thrown his weight behind the campaign by the Chemical Workers' Industrial Union (CWIU) for the establishment of a trust fund by American oil giant Mobil.

The demand for a trust fund is one of the CWIU's guidelines for disinvesting companies, and has been a point of dispute between the union and Mobil since the company announced its decision to withdraw from South Africa.

The CWIU has demanded that Mobil place proceeds from its sale of assets to Gencor in a trust fund "controlled by working people for the upliftment of workers and their communities". It has also demanded that Mobil disclose the contents of the agreement of sale.

A meeting with representatives of Mobil's American headquarters takes place tomorrow. — Labour Reporter.

Small investors to get big chance

Iscor's JSE listing set for November 8

BDay 25/7/89
(29)

ROBERT GREIG and
CHERILYN IRETON

ISCOR will be listed on the JSE on November 8.

Institutions and small investors will be invited to participate in two separate share offers before the flotation.

MD Willem van Wyk said in Pretoria yesterday: "There is no reason for the state to continue to retain control of Iscor. It has been run and managed successfully as a private company."

Iscor's initial capitalisation is still undecided and will depend on the 1989 financial results due out in September.

Small investors will also be favoured if the offer is oversubscribed.

Van Wyk said government would not underwrite the issue and the decision on underwriting would be made in the light of institutional investor attitudes.

State merchant bankers are canvassing views of potential institutional investors.

No special mechanisms to persuade small investors to keep their shares were being considered, said the Privatisation Unit's Peter van Huyssteen.

However, the terms of the offer limited domestic, corporate and foreign shareholding to 20% each. This would also help to spread Iscor share-ownership.

This approach is compatible with the employees' share scheme which will seek to place 10% of Iscor's shares on offer (150-million) in the hands of 58 000 staff.

These in turn would partly depend on Iscor's results. They were expected to "continue the trend of considerable growth shown in the year to end-June in pre-tax profits and adequate real after-tax profits".

The state plans to sell a minimum of 50% of Iscor in an initial tranche. The timing and size of later tranches would depend on ruling market conditions.

Van Wyk said it was possible the 50% could be worth "considerably more" than the R3bn referred to last year by Privatisation and Deregulation Minister Dawie de Villiers. Van Wyk put Iscor's net asset value at R4,5bn.

Iscor will issue its prospectus when the share offers open at the beginning of October. The offers close on October 27.

● See Page 8

Squatters move to camp

MORE than 50 000 squatters from three squatter camps in Tokoza and Katlehong townships will be resettled at the Rietfontein resettlement camp on the East Rand during August.

The resettlement of the squatters was disclosed by the Transvaal Provincial Administration MEC, Mr John Mavuso, who is heading the Government's squatter resettlement project.

He said Rietfontein was being serviced by the Government which is to provide water taps and ablution facilities before allocating self-service sites.

The largest number of squatters will be from Dunusa in Tokoza which presently has more than 20 000 people. The Katlehong squatter camp is home to more than 16 000 squatters.

The rest will come from Tambokiesfontein which is on the outskirts of Tokoza.

Tokoza Town Council's acting town clerk Mr Sydney Qwabe yesterday said the resettlement project did not include people living in backyards.

LET US SHARE

Beauty and brains go together — so seems to say the lovely face of 22-year-old Unibo student, Mumsie Molefe.

Iscor's offer to workers

The State and Iscor Company are offering all employees of the giant steel producer - black and white - shares in a bid to encourage wider share ownership among all South Africans later this year.

At a press conference in Pretoria yesterday, Iscor's manpower manager, Mr Johan Prinsloo, they were offering employees an attractive package of 150-million shares at the listing of the giant steel company.

Participation in the share scheme by Iscor's 58 000 employees is entirely voluntary and will be extended to all full-time employees who are working for the company and its subsidiaries on August 31, 1989 and who are still in service when the offer opens, according to Mr Prinsloo.

The decision was taken after the company negotiated with major trade unions, including the National Union of Mineworkers, the National Union of Metalworkers of SA and the Black Allied Mining and Construction Workers Union.

The package consists of three offers. Firstly 100 free shares will be offered to all full-time employees of Iscor and its subsidiaries, the full cost of which will be carried by the State.

Secondly, all employees will be offered shares at a 20 percent discount on optional, deferred payment terms over a maximum period of three years. The number of shares offered to each employee will depend on job grading,he said.

Thirdly, the State is also setting aside almost 5 percent of Iscor's issued shares for staff on a preferential basis. Allocation will be equal to the number of shares for which eacxh employees qualifies under the discount scheme.

The 100 free shar and 20 percent discount shares will make up 50 percent of the 150-million shares offered to employees, with the prefrential shares making up the other 50 percent.

"Iscor management is going out of its way to communicate details of the employee share offer scheme to its staff, and among other things, will establish public information offices at all its centres," Prinsloo said.

Rip off is alleged

Sowetan 28/7/89.

AFRICAN National Congress commanders and leaders are allegedly selling off supplies intended for insurgents inside South Africa police say.

This information was said to have been gleaned from various ANC defectors during questioning by the security forces.

According to the SAP public relations directorate, the defectors say the supplies from Scandinavian countries were being seized by key ANC personnel and then sold for hard cash.

A ready market is said to exist on the black market in countries such as Zambia for these high-quality goods which are in short supply. Cash is then said to be pocketed by the ANC black marketeers, the sources said.

Fairy godmother will help you strike it rich

Star 9/9/89

29

DEREK TOMMEY

HARD-PRESSED South Africans will soon have a chance to make a quick killing on the stock exchange and ease their financial plight. Next month the Government is to play fairy godmother to the nation by offering everyone a chance to buy Iscor shares at bargain-basement prices. Important details of the offer will be announced next Wednesday.

But it is looking increasingly like an offer that any person who wants to do himself and his country a good turn can not afford to refuse.

Institutional investment managers point out that this is the first of a planned series of privatisations of Government assets. They emphasise that the Government cannot afford to let this one flop otherwise the success of the whole series could be in jeopardy.

Comsequently, they are expecting the Government to issue Iscor shares at a highly favourable price.

Market analysts suggest that the shares could be issued on a price-earnings ratio of three-and-a-half to four. That is, the issue price a share will be three-and-a-half to four times earnings a share.

On a PE of this size there is little risk that the shares could fall below their issue price and there is a good prospect for capital appreciation.

MAGIC TOUCH — If you've ever wondered how people make money on the stock exchange, this is your chance. Get some Iscor shares and a fairy godmother will wave a magic wand — No they won't turn into gold but you'll get a good cash profit.

For example, shares of Highveld Steel and Usko, two fairly comparable companies, are standing on PE ratios of more than five. Were the market to ultimately price Iscor shares on the same basis, as seems highly likely, those investors subscribing for the shares could see a 25 percent and possibly even larger capital profit.

The Iscor share offer opens on October 2 and closes on October 25. Those people wishing to take up Iscor shares should start accumulating cash now.

Those who are strapped for cash can, of course, turn to their banks for a loan.

The First National Bank was ready for a rush of applicants for loans for the Iscor share offer, says Mr Brent Chalmers, head of the bank's communications division.

Applications for credit to buy Iscor shares would be treated the same as other requests for credit, he said.

One intriguing aspect of the Iscor share offer is that those receiving shares will not only be enriching themselves but could be enriching the country as well.

The Government expects to receive more than R3 billion from the share issue which it should be able to put to good use easing its own financial position.

However, the Goverment could run into considerable criticism if it used this money to boost public servants salaries.

Although the Government has abolished the distinction betweem capital and current account spending, there still remains considerable opposition to using capital receipts, such as the proceeds of the Iscor issue, for current spending.

Nonetheless the receipt of R3 billion if used to repay loans or reduce future borrowing requirements could save the Government up to R500 million a year in interest payments. It is savings such as these that could be used to cut taxes or finance higher Government spending without further tax increases.

So whichever course the Government chooses, the ordinary taxpayer should get some relief.

Iscor is quite excited at the inteeest shown by the public in the share offer.

More than 15 400 people have phoned Iscor's share information office for information about the offer.

More than 90 percent of the callers have indicated that they are likely to buy Iscor shares, said Mr Keith Rhodes of TWS who with Penelope Gracie is handling the communications strategy for the Iscor listing.

"You have to discount some of this enthusiasm as many of the callers may have been simply expressing their hopes and may not when the offer opens.

"However, we are encouraged by the response we have had to date."

The share information office, which opened its toll-free telephone lines on August 21, is handling up to 130 calls an hour and the tempo of inquiries is building up.

Flood of inquiries

In the first week the office handled 6 500 requests for information. In the second week it had 5 255 requests.

But on Monday alone this week it received 2 318 inquiries and on Tuesday an ever larger 3 405.

So far the largest number of inquiries (4 556) has come from the PWV area followed by 3 743 from the Cape and 3 625 from the rest of the Transvaal.

Most of the calls are from men in the over 30's age group.

Under 20 percent of the inquiries were from the 18 to 29 age group, 41 percent from the 30 to 49 age group and 39 percent from the over 49 age group. But the office has received 159 responses from people under the age of 18.

THE RESERVE BANK'S holding of gold

29

Iscor offers shares

Sowetan explains share ownership

AS part of its mission develop black business and educate readers on business matters, the *Sowetan* is running a series of articles on share ownership ahead of the listing of Iscor, the biggest single share offer in South African history.

For many people Iscor's flotation will be their first venture into share ownership.

These articles are designed to help the newcomer make an informed choice when the offer opens to the public on October 2.

Enter the *Sowetan* Share Ownership Crossword Competition and win 300 Iscor shares.

At the end of the series, there will be a lucky draw of all entries from Crosswords 1,2,3,4 and 5 and you could be the winner of 1 000 Iscor shares.

The answers to the crosswords are in italics in each article.

ARTICLE ONE

Understanding the Stock Exchange

If you plan to invest money in shares, you should not do so before gaining sufficient knowledge to achieve the best results.

An important part of this process is an understanding of the financial results of the companies listed on the Johannesburg Stock Exchange - an understanding which involves familiarity with the terms used by the financial media to describe share performance and the behaviour of the market in general.

But before taking the plunge, you need to ask yourself some pertinent questions - and to answer them satisfactorily

Thus:

* Do you have sufficient money to comfortably cover your living costs?

* Do you have sufficient insurance to protect your family?

* Do you have enough ready cash to meet emergencies?

If you are able to answer these qustions affirmatively, then step one of your grand stock market strategy can be set in motion.

Although shares (part ownership in a company) may be bought other than through a stock market, it is almost invariably most beneficial to buy shares which are listed on the Johannesburg Stock Exchange (JSE), partly because the JSE has a comprehensive set of rules designed to protect the investor and partly because, by its very nature, it offers the facility whereby most of the shares it lists can be readily bought or sold.

Variety

Additionally, the JSE lists a wide variety of shares, hence giving each investor a wide range of choice as to type of industry and the level of risk and return.

This is an extremely important feature of the JSE, since financial objectives can vary widely from one investor to the next.

For example:

* You might require a relatively high level of security coupled with a steady long term growth, in which event you would opt for shares in large, well-established and solid companies - the so-called "blue chip" shares.

* You might seek rapid short term growth, in which event you would buy the JSE's more speculative shares, bearing in mind, though, that such shares contain an above-average risk element.

* You might wish for a high level of income, in which case you would buy shares that yield a high rate of return, but whose capital growth potential is more limited than most.

In deciding which type of share to buy, you should constantly bear in mind the twin (and related) concepts of risk and reward.

Generally speaking, the higher the risk the higher the reward and, conversely, the lower the risk, the lower the reward.

You need accordingly, to assess your own risk profile and to shape your investment strategy accordingly.

Remember, though, that investing in shares is a risky business relative to investing your money in the bank or building society and it is therefore usually prudent to err on the side of low risk.

The nature of stock exchange risk is fourfold:

* The commercial risk of the economy's business cycle and changes in interest rates.

* The political risk as it relates to levels of confidence in the economy.

* The market risk insofar as the JSE moves in cycles and you could well find yourself buying at the top of the cycle.

* The risk of the company in which you hold shares not performing up to expectations.

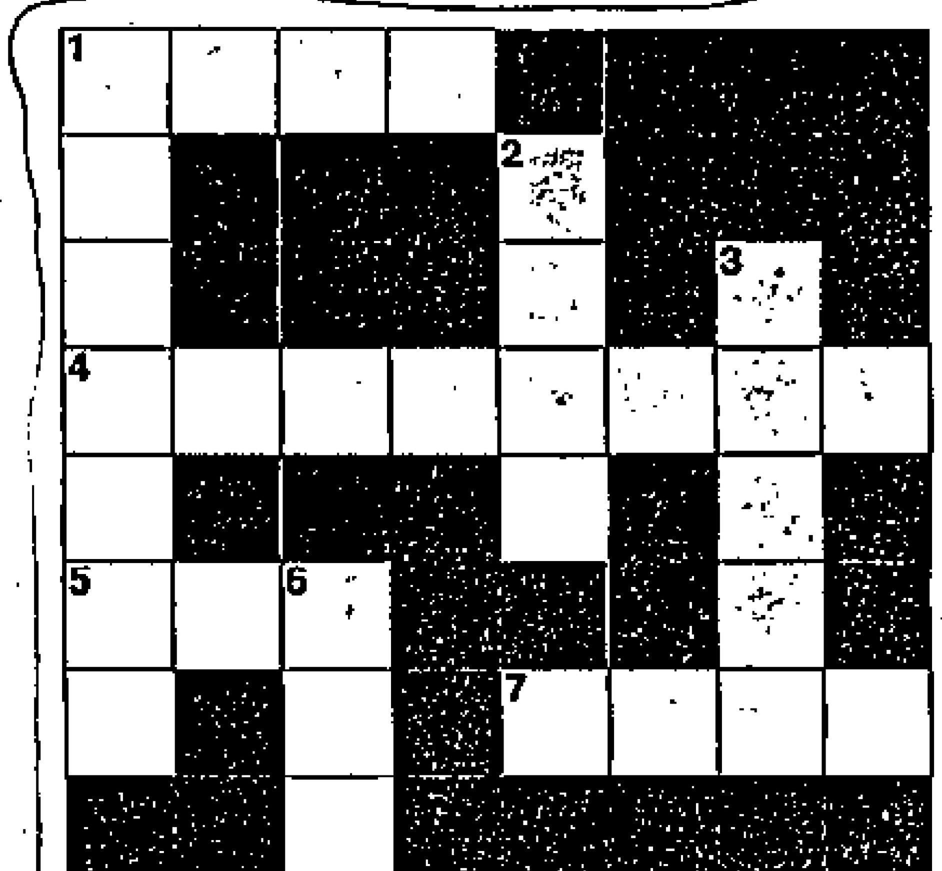
You should go a long way towards reducing the level of risk to which you expose yourself by observing the folloiwng guidelines:

* Don't act on an unsubstantiated or an unreliable tip. Before you buy, check the soundness of your information or your personal deduction with your stockbroker.

* Do not buy shares with borrowed money. Shares bought with your own money can be held for an indefinite period, helping you to stay with your shares during severe market downturns. You may not be able to do so if you have borrowed to buy shares.

* Don't buy when the stock market is overheated and don't be a panic seller when the stock market is unduly depressed.

Next week's article will focus on the factors to consider in arriving at a decision as to which shares are good buys for you.



CLUES

Across:

1. What do you need to meet an emergency? (4)
4. If you decide to go ahead this is what you will become (8).
5. Go ahead - get on the stage (3).
7. Anyone who does this will now be the owner (4).

Down:

1. You need this to start - try Pretoria (7).
2. Take the chance - you may get lot for a little (4).
3. You need this to buy the shares of your choice (5).
6. Should someone give you this, take a close look before you buy (3).

RULES

1. Cut out the completed crossword and paste on the back of a postcard clearly marking your name, address, phone number and the number of the crossword.
2. Staff members of the Argus Group, TWS Communications and their immediate families may not enter.
3. The winner will be notified by post and will receive his/her shares after Iscor has been listed on the Johannesburg Stock Exchange.
4. The competition closes on next Monday at 4 pm.
5. The solution to this crossword will be published next week and the winner's name will be published the following week. The winner of the 1000 Iscor shares will be announced in the week of October 24.
6. Send your entries to:

Shares Crossword
Sowetan Business
P O Box 6663
JOHANNESBURG
2000

'Nuisance' fan is charged

A MAN is to appear in ... Transkei police public ... fans attacked David Nu-

This is the day Iscor and investors have long waited for

Star 12/9/89

(29)

By Derek Tommey

For the past four months Iscor, one of the world's leading steel producers, has been waging a major communications campaign aimed at stimulating public interest in its share offer — the biggest in South Africa's history.

The share issue follows the Government's decision to privatise state-owned enterprises — starting with Iscor.

Later today the offer will reach its penultimate phase when Iscor announces pertinent details of the offer.

The market is confidently expecting the issue price to be R2 a share with a minimum allocation of 100 shares.

But what is more important to the market is the size of the return which investors will get on their money.

In technical terms they want to know what the prospective earnings yield and dividend yield will be?

Expectations are that Iscor will earn about R1 billion after tax this year and that it will issue 2 billion shares, which at R2 a share, will bring the Government R4 billion.

This means that the shares will be issued on a prospective earnings yield of 25 percent - equal to a price earnings ratio of 4.

The country's other major steel producers are on a much lower earnings yield which means that their shares are more expensive than Iscor's will be.

The market does not appear to be so knowledgeable about the prospective dividend yield. Suggestions are that it is likely to be about 6 percent which means that Iscor would be paying out a quarter of its earnings.

As Iscor is highly capital-intensive and needs to invest large sums every year to buy the latest technology, a 75 percent retention of profits is not seen as unreasonable. This is especially so in these days of high inflation and a slumping rand exchange rate when new plant increases in price by 20 percent to 30 percent every year.

The proposed Iscor issue, meanwhile, is being blamed for dampening activity on the share market. The sum sought is a great deal of money; but many institutions and private individuals will be doing their best to find the money, even if it means scraping the bottom of the barrel.

Iscor's share issue holds rich pickings for investors

Star 13/9/89

29

By Derek Tommey

The small investor should show a handsome profit from the Iscor share issue.

Details revealed yesterday show Iscor is laying out the red carpet for the ordinary individual, making it extremely easy to obtain shares at an attractive price.

But Iscor's advisers are satisfied the state is getting real value for its shares, says Hennie van der Merwe, chief executive of Finansbank, one of the two merchant banks involved in the issue.

Iscor shares are being issued at a price of R2, the minimum subscription being for 100 shares.

To ensure that the small investor has a reasonable chance of securing an allocation, Iscor is setting aside 150 million shares worth R300 million for the general public.

However, despite the huge number of shares reserved for the small investor, it does not mean they will receive all the shares for which they subscribe.

Brokers believe the public issue could be oversubscribed two or three times.

So small investors can expect to receive only one-third to two-thirds of the number of shares for which they subscribe.

Calculated on Iscor's taxed profits of R812 million for the year to June, the shares are being issued at a price of 4,56 times earnings.

But on Iscor's expected profits of just over R1 billion for the current financial year, the prospective P/E ratio is an extremely attractive 3,8.

Expected earnings

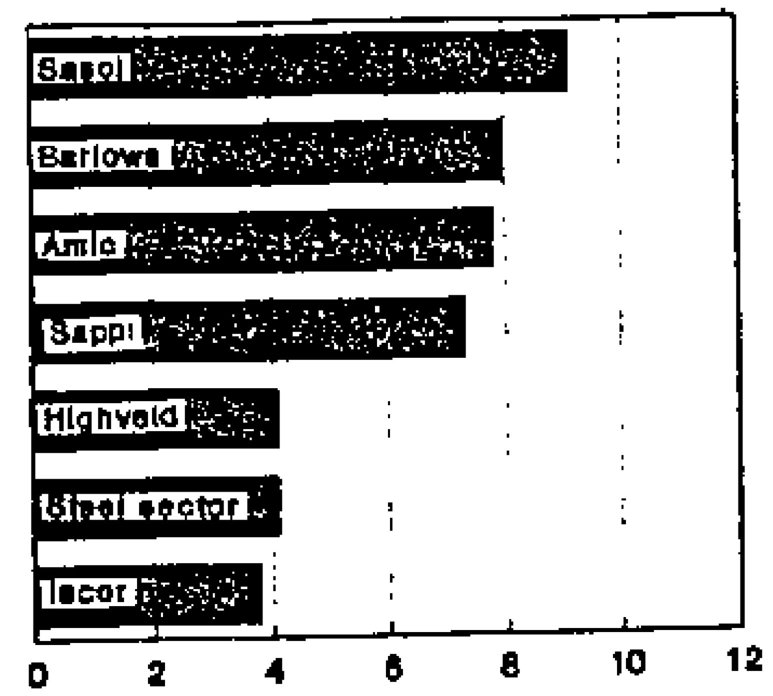
This compares favourably with the prospective P/E ratios of other blue-chips for the year to June 1990.

To buy Hiveld an investor would have to pay 4,1 times its expected earnings.

To buy Barlows one would have to pay 7,3 times earnings.

Other P/E ratios are 7,3 for Sappi, 9,1 for Sasol, 7,8 for Amic, 4,1 for the steel sector as a whole and 8,2 for the industrial index.

It ia clear that those investors taking up Iscor shares will be getting much more for their money than if they were to buy Hiveld and about twice as much as they would get if they were to buy Barlow, Sappi, Sasol or Amic.



Comparative prospective P/Es for year to June 1990

Iscor is proposing to pay dividends of 17,6c a share for the year to June 1990. This is a return of 8,8 percent on the R2 issue price.

The dividend will be covered three times by earnings, which is somewhat more generous than the four-times cover some analysts were expecting.

The Iscor offer opens on October 2 and closes on October 25. Shares will be listed on the JSE on November 8.

Mr van der Merwe said yesterday Iscor wanted to attract a wide spread of investors. But the emphasis would be on responsible marketing.

Discretionary funds

"We would be delighted if the Iscor share register topped 100 000 names, but only if applicants were using discretionary funds for their share purchases.

"If they public offer is a real success and we get the over-subscription we expect, the allocation will favour the smaller, rather than the larger, applicant."

He said Iscor had been valued at R3,7 billion by its two merchant banks.

Iscor would have 1,85 billion shares in issue, of which 300 million would be held by the Industrial Development Corporation (IDC), 185 million by Iscor employees, 150 million by the general public and the balance of 1,215 billion by institutions.

Mr van der Merwe said discussions with institutions had indicated Iscor would have no difficulty placing these shares with them.

In fact, some of the 200 institutions which had indicated they would be taking up Iscor shares were unlikely to get all they wanted. This meant they would have to buy extra shares in the market, which should ensure a strong demand for the shares.

Every Iscor employee would get 200 Iscor shares at no charge. In addition, Iscor employees would be able to buy a substantial number at a 20 percent discount and a further substantial number at the offer price.

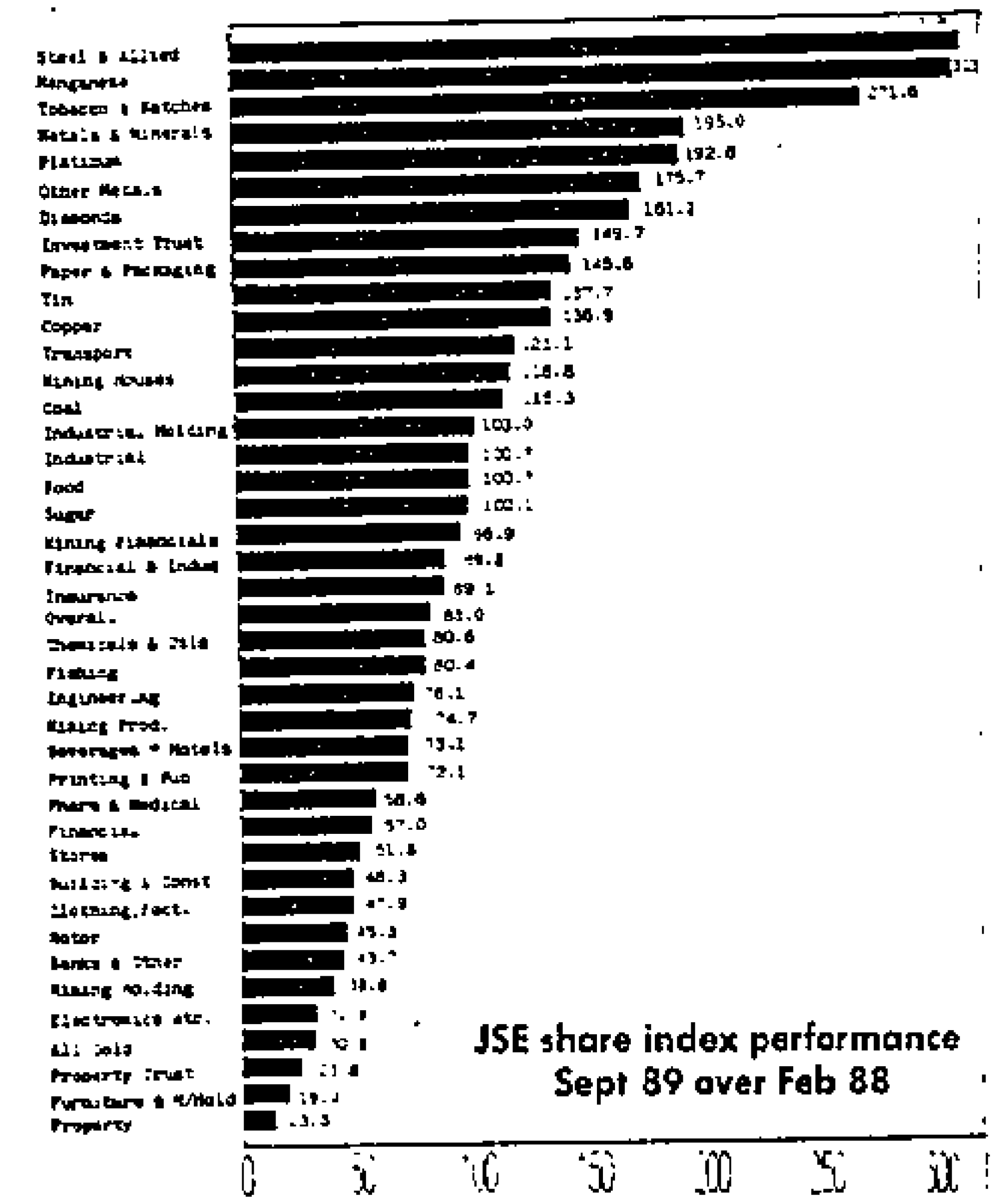
Piet du Plessis of Iscor said the feedback from the workers on the share issue had been positive.

Market conditions

Mr van der Merwe said the IDC was not allowed to vote its Iscor shares and would have to sell them once market conditions favoured their sale.

About 75 percent of the IDC's holdings would be offered to other Iscor shareholders by way of a rights issue. The balance would also be offered to shareholders on a similar basis at a later stage.

The state has already received R600 million from the IDC for its Iscor shares and will receive a further R3,1 billion when the offer closes on October 25, making a total of R3,76 billion in all.


JSE share index performance Sept 89 over Feb 88

Iscor comes to the market on November 8 with the steel and allied sector of the JSE riding the crest of the wave, having outperformed all other sectors since the market bottomed-out in February last year. Since February last year the sector has recorded a total return (capital appreciation plus dividends) of 318 percent, ousting the manganese sector by a short head. Worst performing sector on the JSE in this time was the property sector, which has risen by only 13,3 percent.

Iscor workers favoured in share offer

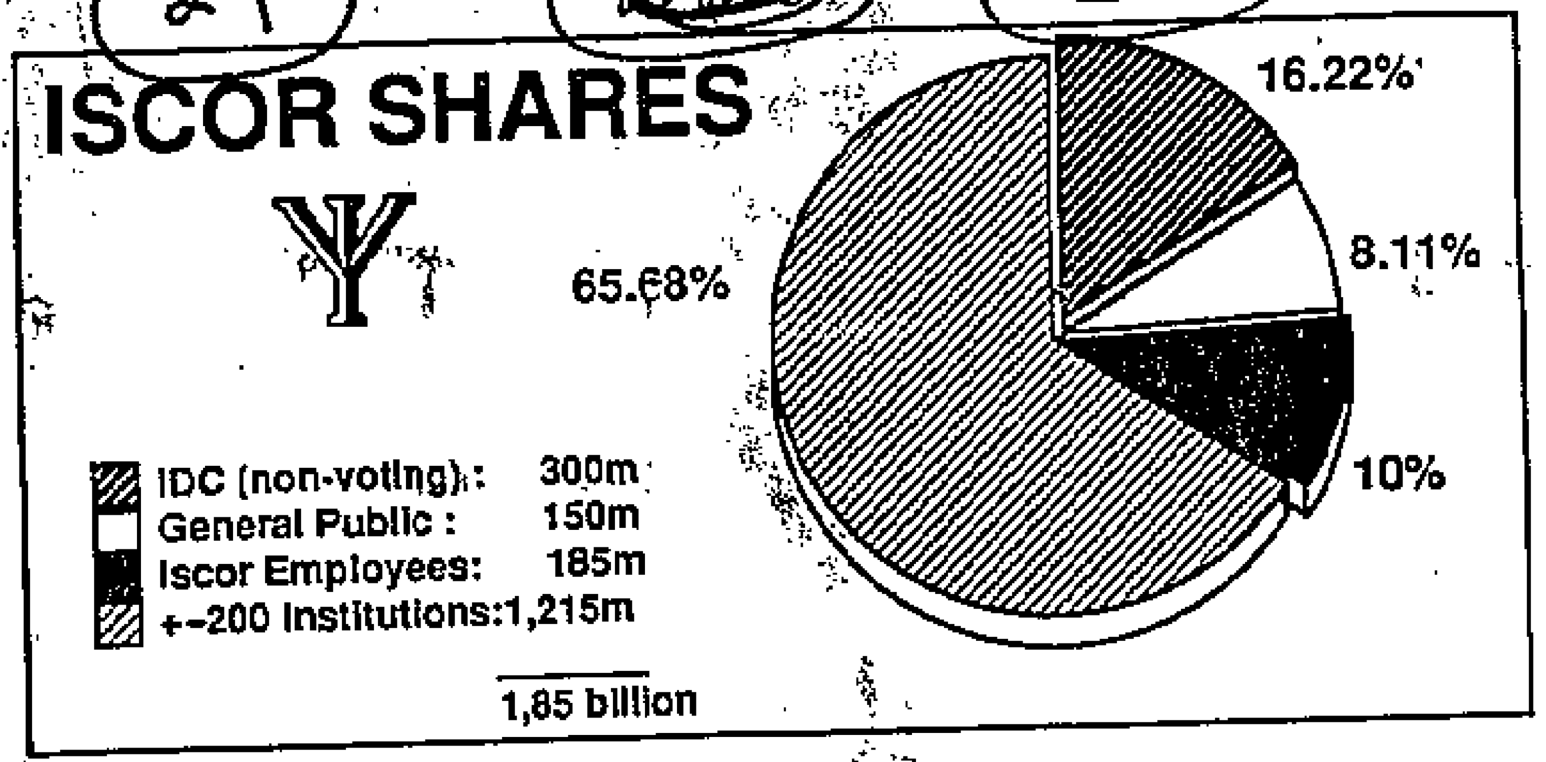
Star 13/9/89

29

By Derek Tommey

Details issued last night show that Iscor workers are being specially favoured in Iscor's planned share offer.

When the share offer closes on October 25, they will hold 185 million or 10 percent of Iscor's total issued share capital. This is a larger number of shares than will be held by the general public.



NO CHARGE

Every Iscor worker is to receive 200 shares at no charge.

In addition they will have the right to take up more Iscor shares to a total of 5 percent of the issued capital at a discount of 20 percent on the R2 issue price.

They will also be entitled to subscribe for a further 5 percent at the issue price of R2 a share. Payment for the shares will be over three years.

This favourable treatment of Iscor workers reflects Government policy to give people employed in privatised operations a substantial stake in these enterprises.

Market sources point out that this should help to overcome worker objections to the planned privatisation of other State enterprises. Iscor will have a share capital of 1,85 billion shares when the issue is completed.

Of these, 150 million will be held by the general public, 1,215 billion by some 200 institutions, 300 million by the Industrial Development Corporation and virtually all of the balance by Iscor workers.

The offer price is R2 a share which is 3,8 times prospective earnings a share for the financial year ending next June. This is a highly favourable price and should ensure that the issue is well-supported.

EARNINGS

The 3,8 times earnings compares with a 4,1 price-earnings ratio for Highveld Steel, another major steel producer, 8,0 for leading mining and industrial share Barlows, 7,3 for paper producer Sappi, 9,1 for synthetic oil producer Sasol and 7,? for Anglo American's major industrial company Amic.

The proposed dividend yield is 8,8 percent, which will be covered three times by earnings.

● See Page 18.

29

Nafcoc shares offered

Dr Motsuenyane.

Sowetan 14/9/89

By JOSHUA RABOROKO

THE National African Federated Chamber of Commerce is selling 5000 shares at its shopping centre in Soshanguve in an attempt to create opportunities for meaningful black participation in the economy of South Africa.

In a national message Nafcoc's president Dr Sam Motsuenyane said the project was being handed over to the black community in the hope that it represented a significant milestone on the road towards the economic empowerment of blacks.

He said it had been decided to issue a total of 5000 shares through which Nafcoc members would have an opportunity to own a majority of the equity of this viable commercial venture.

"To buy a share, members will be asked to pay R200 a month over 24 months. Any member who wishes to take a larger shareholding may do so by paying R400 for two shares, R600 for three shares and so on to a maximum of 250 shares," he said.

The share participation will be administered by Chartered Accountants Coopers and Lybrand. The payment period started on September 1 and will end on August 31 1991.

Barriers

He said should a member buying shares fail to meet two consecutive monthly payments, all previous payments made up to that point would be declared a donation to Nafcoc.

Motsuenyane said for 20 years Nafcoc had striven to break down the barriers which impeded economic advancement and to create opportunities for meaningful black participation in the economy of South Africa.

"Our country would certainly have no future worthy of talking about if black businessmen are continually hindered from participating fully and freely in the country's economic mainstream.

Skills

"Nafcoc perceives itself as a facilitating instrument to ensure that blacks acquire both the skills and the capacity of creating vehicles by means of which they can develop and grow economically," he said.

He said the scheme offered every black an opportunity to own part of the magnificent Nafcoc shopping complex and thereby to derive benefits from its growth and development in the form of annual dividends.

The complex is situated 15 kilometres north of Pretoria and has been in business for just under a year.

Iscor share issue will be heavily over-subscribed

29

By David Canning

The R2 price at which steel giant Iscor last night pitched its shares appears set to result in a large over-subscription by the public. It also should yield a substantial profit for those lucky enough to get an allocation.

As the share price has been pitched at an attractive rate, relative to other blue chips, stockbrokers generally expect the shares to be listed at a healthy premium. Star 14/9/89.

However some eyebrows have been raised by the fact that Iscor's employees are due to get more shares than small investors, partly in a free handout.

The workforce has been allocated 10 percent of the total compared with eight percent for the general public. The institutions get about 66 percent and the Industrial Development Corporation retains 16 percent.

The State is to give Iscor's 58000 workers 200 free shares each, a total of 1,16 million shares worth R23,2 million. They can also buy into a another pool of shares at a 20 percent discount and into a third pool at the normal price.

An Iscor spokeswoman said it was important to give employees a stake in the privatised company and that smaller investor would have the resources to buy more than the eight percent allocated.

Spokeswoman Penny Gracie said from Johannesburg that the eight percent allocation to the general public in fact was high, bearing in mind "guesstimates" that there are only 350 000 shareholders in the country.

Asked about Inland Revenue's likely reaction to stagging of the huge issue, tax expert Costa Divaris said the Receiver had become much more aggressive and he was not sure whether he would follow the normal convention "of not taxing once-off profits by the small investor".

Mr Divaris said the State was very ill-advised to already have announced its intention to allocate at least 100 shares to every applicant.

Unless there was some watertight method of checking, this could lead to many applications in fictitious names.

● The National Union of Metal Workers (Numsa) yesterday said its members were reluctant to take up even their free share issue and that they would rather have cash. The union said at R2 a share, the assets of Iscor were being sold "cheaply to those who are sufficiently wealthy enough to invest".

Deciding what shares to buy

DECIDING what shares to buy is a task that first time investors - and investors with many years of experience too - find daunting.

From all the many hundreds of shares available on the Johannesburg Stock Exchange, which one deserves to be looked at carefully and which should not be touched, if at all, only with a bargepole?

Although no hard-and-fast rules can be laid down, first time investors would be well advised to follow some basic principles in their attempt to identify worthwhile investments.

The first is to accept that no one can know everything, so it is useless trying to master the entire stock market.

Rather than trying to make sense of the market as a whole, first time investors should narrow the field by concentrating on the area or the couple of areas where they feel most comfortable or in which they feel the most interest.

This someone, whose interested in tinkering with electronic equipment as a hobby, might feel drawn to the electronic sector; or a housewife might feel a particular interest in the retailing sector.

The second principle first time investors would do well to keep firmly foremost in their minds is that the performance of each individual sector of the economy is determined largely by what is happening in the economy as a whole.

No one can predict the future - but the best predictions of how a particular sector, or of course a particular company in a sector, will perform are made against the backround of the national and international factors that affect business.

Therefore the wise investor pays attention to the "big picture" before zeroing in on a sector that interests him for a more detailed analysis of the companies in that sector.

The third principle investors should bear in mind is that they should not put all their aggs in one basket.

An investor who puts all his finance into say one gold share runs a far greater risk of seeing his investment perform miserably than an investor who puts half his money into that same gold share and the other half into a share in another sector.

Best of all is to spread the risk between a selection of shares - most experienced experts recommend at least five - in several sectors.

The advantage of investing in several sectors rather than one is that economic upswings and downswings do not affect different areas of the economy in precisely the same way.

Sowetan Share Ownership Crossword Competition No 2

As part of its commitment to develop and educate the community on business matters, the *Sowetan* is running a series of articles on share ownership ahead of the listing of Iscor, the biggest single share offer in South Africa's history.

For many people, Iscor's flotation will be their first venture into share ownership. These articles are designed to help the newcomer make an informed choice when the offer opens to the public on October 2. Enter the *Sowetan* Share Ownership Competition and win 300 Iscor shares! At the end of the series there will be a lucky draw of all entries from Crosswords 1, 2, 3, 4 and 5 you could also be the winner of 1 000 Iscor shares! The answers are in each article.

Booms

Although the big cycles of booms and recessions tend to affect all companies, not all react to the same speed or to the same extent.

So while one sector is struggling to escape the effects of a recession, another might already be well into a boom period, a making a good profit and therefore paying good dividends.

The fourth principle, and most important one, is that investment decisions should never be made on the spur of the moment or for emotional reasons.

Anyone who buys a share merely because he likes the sound of its name or because a friend recommends it, is asking for trouble. So is anyone who buys a share for any reason whatsoever other than that he believes on good evidence that it will be a profitable home for his money.

As for where this evidence can be collected, a good place to start is the *Stock Exchange Handbook* and *JSE Monthly Bulletin*, as well as the latest annual and interim reports and accounts of the companies being considered.

Other good sources of information are stockbrokers and the financial Press. Armed with as much information as he can lay his hands on, the investor can start comparing performances and prospects.

How much weight he will attach to the various factors that make up a company's profile will depend on what sort of risk he is willing to accept.

Obviously, the greater the risk, the greater the potential rewards.

An investor looking for a safe home for his money rather than for a chance of seeing his money grow quickly will favour "blue chip" companies, such as Anglo American and Barlow Rand, which have a record of steady growth in profits.

Someone willing to accept more risk in the hope of making bigger profits will place less emphasis on past performance than on future prospects, and might decide to invest in one of the Development Capital Market companies, or in the JSE's new Venture Capital Market, or in a smaller company on the main board.

Next week's article will look in more detail at how to assess the relative merits of shares in the mining and industrial sectors.

Brokers tout for Numsa business (109)

Offer for Iscor worker shares outrages govt

29

B/Day 20/9/89.

ALAN FINE

IN A move that has infuriated government's Privatisation Unit, two financial institutions have approached Numsa with offers to take over the 12-million Iscor shares to which its 10 000 members at the company are entitled.

Numsa's Bobby Marie confirmed yesterday that the union had been approached by stockbrokers Mechiel du Toit, Solms & Co and by the Rand Merchant Bank with proposals.

RMB senior manager Rory Kirk said yesterday it was "not bank policy to confirm or deny deals before they may or may not have occurred".

Mechiel du Toit's James MacMillan confirmed an approach had been made to Numsa. But, he added, the proposed deal had been called off because of Business Day's inquiries.

The Privatisation Unit's Eugene van Rensburg said yesterday the offers "go against the whole grain of the employee share scheme, which was designed to give workers an opportunity to participate".

He said he was "very upset" to hear of these approaches, which were seemingly intended to abuse what the institutions seemed to believe were uninformed employees.

Each employee is entitled to a free allotment of 200 shares, plus — in the case of Numsa members — an average of about 1 000 shares at a 20% discount on the R2 issue price.

Financing the purchase of these shares would therefore amount to about R16m. Assuming the shares came onto the market at around R2,50, the Numsa members' holdings would be worth R30m — a R14m profit equivalent to an average of R1 400 a member.

Marie said the union had no mandate at this stage to negotiate any deals on behalf of Iscor members. He said the union was seeking further information and would meet members at the weekend to discuss various options.

Members, he said, were suspicious of, and reluctant to participate in, the scheme. But he added: "We are concerned that there are large amounts of money due to workers and we want to protect their interests."

It is understood RMB offered to finance the purchase of Numsa members' share entitlements, on condition that the shares were sold to RMB within a week of the Iscor listing on November 8.

The Mechiel du Toit offer was also to be based on financing the employees' purchase of shares, but with a guaranteed R2 a share purchase offer immediately on listing. MacMillan said, however, it had been planned that the offer price was negotiable.

On Monday the firm told Business Day it was mainly a jobbing firm and the bulk of the approximately 12-million shares would be for its own book.

Yesterday MacMillan denied this, saying it was an offer made on behalf of a client. When the client was informed the

☐ To Page 2

22/9/89

(29) Sept 89

Readers' queries

N W W of Parkwood writes: My financial position is as follows:

1. I have recently retired and have a pension of R1 900 a month tax free. I am single.
2. I live in a flat which is paid. The monthly levy amounts to about R300 a month.
3. I have invested R25 000 with the Old Mutual in an Anchor Plan policy which is fixed for 10 years and R25 000 with Sanlam in a similar policy, also tied up for 10 years.
4. I have R60 000 in a building society on fixed deposit until May 1990, which I need to reinvest.
5. I also have R20 000 in another building society account. I thought I should leave this in case of any unexpected expenses which could occur.
6. I have a Toyota motor car which is two years old.

I should be glad to have your advice as to whether R20 000 is too much to leave in the building society account and what would you recommend for the re-investment of the R60 000.

ANSWER: I have no hesitation in recommending that you purchase some form of property with the R60 000 you have available. That sum will enable you to purchase a flat, if not in Johannesburg, then in one of the Reef towns where property values tend to be lower.

Consider the option of obtaining the Government's first-time home buyer's subsidy which amounts to one-third of your interest payments for the first seven years. This is a worthwhile option, even if it means taking out a bond with a financial institution in order to qualify. The rules concerning this subsidy have recently been amended, now making it possible to apply for the subsidy in the case of a flat or duplex. Inquire about this subsidy at any bank or building society.

It is difficult to make recommendations about your other investable funds. I would need to know more about your personal and financial life — your age, whether your pension keeps pace with inflation etc.

But at some stage, if I were in your shoes, I would consider investing some money in either unit trusts or quoted shares on the Johannesburg Stock Exchange. Put please do not, as so many readers invariably do, invest in unquoted stocks touted by unscrupulous share-pushers. I receive calls virtually every day from readers complaining about these shares. I believe they are a very bad investment indeed.

The JSE has the advantage of being a regulated market with some form of statutory control exercised over it. — Magnus Heystek.

Iscor hype blinds buyers to better prospects

Star 23/9/89

(29)

FINANCE STAFF

THE build up in the scramble to buy shares in the State's iron and steel producer, Iscor, is being totally overdone.

The sale by the Government of this state asset to the public has been so over-advertised that more rational thinking by investors appears to have been ignored.

The Government is selling at R2 a share its R3 billion interest in the country's largest steel producer to the public.

Stock market analysts said when it eventually gets to the market, Iscor on a share capitalisation basis will be a minor player when compared with Barlow Rand (R7,9 billion), Rembrandt (R5,8 billion), Gencor (R12 billion), Anglo American (R22,5 billion), De Beers (R22 billion) or non-listed Old Mutual (R40 billion).

Market capitalisation is arrived at by multiplying the number of a company's shares owned by the public by the price traded on the stock market.

Iscor is offering a huge amount of shares to the public at R2,0 a share and most people are betting that these shares will trade at R2,50 on the stock market after they have been listed.

Some 200 of the country's financial institutions have indicated to the vendors of the scrip that they would be interested in buying.

They will be restricted after listing to buying a maximum of 20 percent of the total issued share capital.

This would then mean that everybody would make an instant 50c gross profit on R2 in the month between offering to buy the shares and subsequent sale on the stock market.

If one strips out brokerage fees and bank lending charges this 50c would be of the order of 40c — a 20 percent profit.

However, as the Sanlam's and Old Mutual's will not allocated this sort of subscription even if they were to apply for it, investors believe that after the listing some of the major institutions will be in the market looking to build up their investment to strategic propostions.

This sort of reasoning has led investors to believe that the share will have a floor price of around R2,50 and acquiring the shares will be a sure bet.

Iscor is a monopoly and now that state price control has been removed it, to all intents and purposes, cannot show a loss.

But the cherry on its profits, exports, could be hit by sanctions and thus affect on the bottom line.

The dividend projections look good, and so while the share price might languish because of the excessive numbers in issue and the pressure from those selling to realise their profits, at least the investors' cash flow needs might be assisted.

But this is the nub, industrial share prices have been pulled down by the overhang of the Iscor issue and a number of these now look attractive at current market prices.

A buy into one these at the moment, given their capital appreciation and dividend potential, make them as attractive as buying into Iscor.

Serious long-term investors would be well advised to look more fully across the board for opportunities that the Iscor "hype" is creating and consider a quiet move into shares of a more robust shade of blue.

Some analysts have become alarmed over the attitude of smaller institutions who, they believe, might be staging a major portion of their eventual allotment while only retaining a half or a third for their portfolios.

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Black income tips economic balance

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BDay 25/9/89

GERALD REILLY

PRETORIA — The rising income of blacks is reshaping the economic balance in SA in their favour and steadily increasing their economic empowerment, says Economic Advisory Council member Hohale Mahanyele.

Speaking at a Pretoria University Graduate School of Business function last week, he also warned that SA was heading for a management crisis if the country persisted in recruiting managers mainly from the white population.

Currently whites constituted 90% of the managerial corps.'

On earnings, Mahanyele said black incomes had grown faster than white incomes since 1973.

Between 1986 and 2000 earnings growth was projected to average 50% for blacks, against only 10% for whites.

Disposable incomes showed an even faster increasing trend.

Other projections were that blacks would constitute 84,1% of the economically active population by the end of the century.

It was accepted that growth of 3% a year was the absolute minimum if SA was to stave off massive unemployment which could result in serious socio-political upheavals.

Managerial pool

On the looming managerial crisis, Mahanyele said in excess of 210 000 additional managers would be needed by the year 2000, according to authoritative estimates, with whites only able to contribute a maximum of 40 000.

Everything pointed to the need for blacks to be drawn into the managerial pool, especially as the black population would total over 80% by 2020.

The ratio of workers to managers was 50 to 1 in SA, compared with 12 to 1 in Japan, 14 to 1 in Australia and 16 to 1 in the US.

Some estimates claimed the SA ratio would deteriorate to 76 to 1 by the turn of the century.

Some companies tended to rationalise away the need to appoint black managers because of their educational and experience background, said Mahanyele.

Others advanced blacks into management because they saw a new political and economic order with a different distribution of power.

Most blacks occupying or aspiring to managerial jobs cited racial discrimination as the main cause of their inferior status in the organisation.

Existing black company employees rarely got promoted to managerial level.

It was obvious that although advancement of blacks to managerial jobs had become an economic necessity, companies still held back, he said.

A mining investment

29

Bear in mind certain principles before using your money

THE first principle an investor should bear in mind when looking at a mining company is that by its nature a mine is a wasting asset, since the amount of ore in the ground is limited.

One day, even the richest mine is going to run out of ore. When that day comes, the company that owns the mine will stop mining, return as much of its capital as possible to shareholders - and liquidate itself.

It is therefore of prime importance to an investor to know the life expectancy of the mines he is interested in.

In some cases, for instance some of the older Witwatersrand gold producers, that life expectancy might be only a few years.

In other cases, for instance in some of the newer gold, coal, copper and other mining companies, the reserves of ore might be so extensive that no one can say when they are likely to run dry.

Where the life of a mine is clearly limited, the wise investor will be looking to obtain not only an adequate return on his capital, but also the recovery of the capital itself, by way of the dividends the company will be able to pay until the day it bites the dust.

This process is known as amortisation.

A simple example of how amortisation involves a mine that is expected to close down after five years, is when it will sell its plant and any freehold land.

Assuming the dividends over the five years are estimated at 20c a year, and the "break-up" operations seem likely to produce a further 60c a share, spread over a three-year break-up period, an investor can expect a total of 160c a share over eight years.

The shares in this particular mine stand at 80c in the market and apparently offer a current return of 25 percent (calculated on the present dividend of 20c on the share price of 80c).

However, after eight years the shares are going to be worth nothing, so the investor must recover the 80c he has paid for them.

Therefore he decides to regard half the 20c dividend as a return of his capital and to keep a record showing a progressively lower cost price for the shares.

The other half of his annual income from this share (10c) he regards as income, seeing the yield as 12.5 percent.

This is a very elementary example of the principle of amortisation.

In practice, an investor might make much more complex calculations involving his personal tax situation and also the fact that, as his capital is coming back during the life of the investment, it is available for him to reinvest somewhere else.

Of course, how accurate any of these calculations will be, depends on the soundness of the estimate of the life of the mine.

Quite apart from the question of how long a mine will continue to produce ore, mining shares have many features peculiar to themselves which demand from an investor some knowledge of the technical terms used in mining.

Nearly all the mining companies produce extensive statistics each year, while the gold mining industry also provides quarterly reports detailing tonnages milled, gold recovered, etc.

When the price of gold is determined by the international market for the metal, accurate predictions are far more difficult, or even impossible, to make.

For one thing, earnings now depend not only on the market price, which is subject to unpredictable events throughout the world, but also on Government policy on gold sales.

Other uncertainties in assessing gold mining shares include the normal hazards of mining - rock bursts, for instance, the erosion of profits by higher working costs and the possibility of labour disputes.

Turning to industrial companies, the wise investor considers the macro picture of the world and national economies before turning his attention to particular companies.

The sort of questions to consider when thinking of investing in an industrial company include:

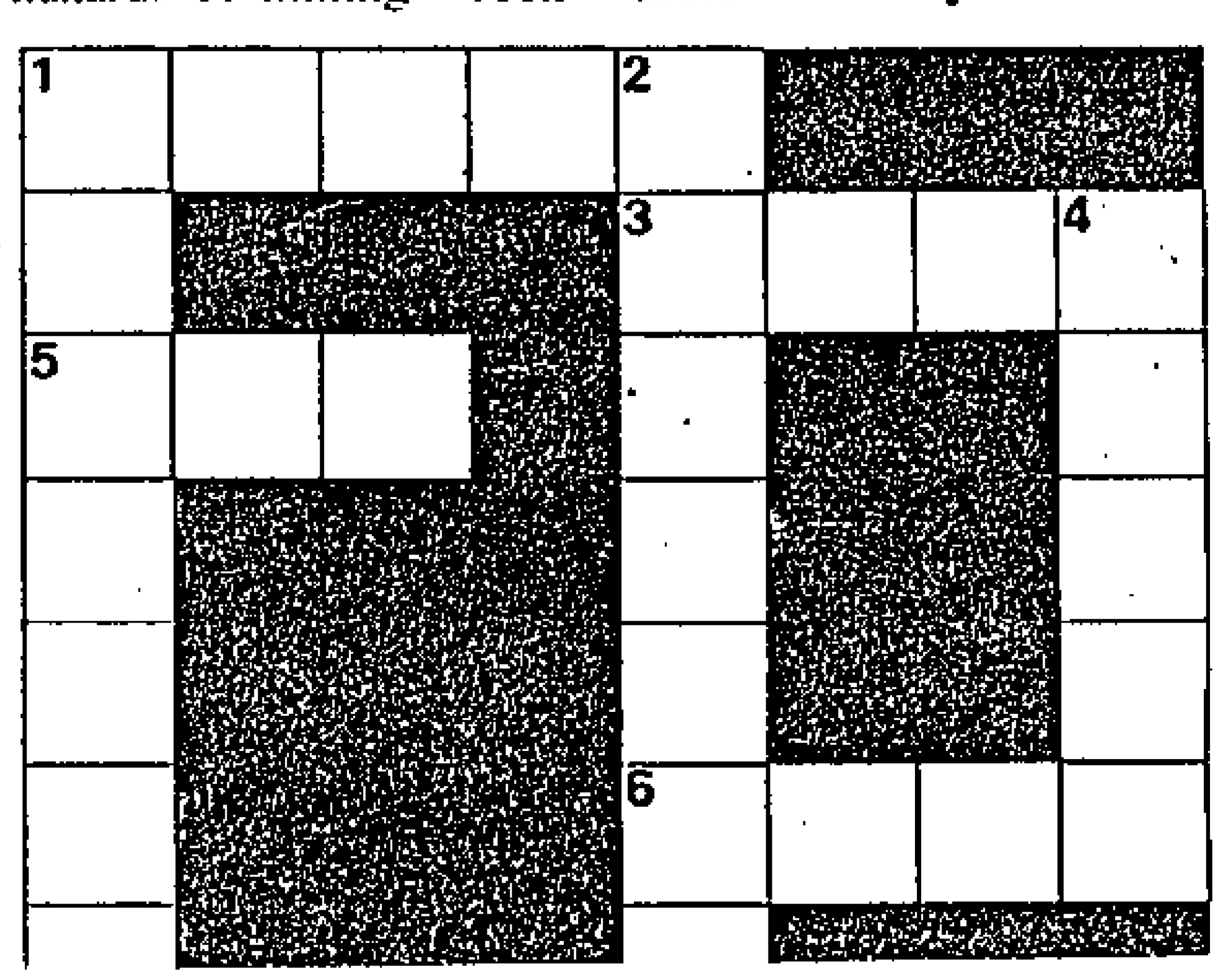
* Is there anything happening in the world economy which could affect the local market?

* What are the general prospects for industry, in the light of financial and commercial prospects for the country as a whole.

* What is the outlook for the section of trade or industry with which the company is concerned?

* How does the company compare with its competitors? If it has no serious competitors, is there a threat to its future because of its monopoly?

Next week we will look at how to go about buying shares and timing decisions to buy and sell.



Allegations against RMB 'unfounded'

29

By Ann Crotty

Rand Merchant Bank's (RMB) plan to fund part of the Iscor share offer to employees seemed, from day one, to have had little chance of success, given the much more attractive funding facilities being offered by the Government.

The furore that broke out last week is indicative of the sensitive nature of the ambitious plan to include workers as shareholders in a privatised Iscor. It also highlights the difficulty involved in communicating the specific details to workers who, in general, are innocents in the hard-nosed business of JSE investment.

Charges that RMB went against the spirit of the privatisation scheme in its alleged attempt to buy up blocks of shares from the Iscor employees appear unfounded.

RMB's offer to the National Union of Metalworkers of South Africa (Numsa) represents an offer to fund the share acquisition for workers. It included a fee of 8,5c per share to cover interest, brokerage, administration and underwriting. It did not involve a commitment by workers to sell their shares at a predetermined price.

RMB says if the financing facility is accepted, then "each member has until November 15 1989 to decide whether to sell or hold all or any of his shares".

"If he decides to sell, he will, through Numsa, instruct RMB's transfer secretaries to sell the desired number of shares at the then-market price and to pay the surplus, if any, to the member, care of Numsa.

Star 27/9/89

"If he decides to hold the shares after November 15, he has to arrange his own financing and settle his indebtedness to RMB by no later than November 30 1989," says the RMB.

This suggests that Numsa might not have been informed of the full details of the implementation of the Iscor offer by end-August when it received the RMB offer.

Star 27/9/89

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Vital to know mine's expected life span

The first principle an investor should bear in mind when looking at a mining company is that by its nature a mine is a wasting asset, since the amount of ore in the ground is limited.

One day, even the richest mine is going to run out of ore. When that day comes, the company that owns the mine will stop mining, return as much of its capital as possible to shareholders — and liquidate itself.

It is therefore of prime importance to an investor to know the life expectancy of the mines he is interested in.

In some cases, for instance some of the older Witwatersrand gold producers, that life expectancy may be only a few years. In other cases, such as some of the newer gold, coal, copper and other mining companies, the ore reserves may be so extensive that no one can say when they will run dry.

Where the life of a mine is clearly limited, the wise investor will be looking to obtain not only an adequate return on his capital but also the recovery of the capital itself, by way of the dividends the company will be able to pay until the day it bites the dust. This process is known as amortisation.

A simple example of how to calculate amortisation involves a mine that is expected to close down after five years, when it will sell its plant and any freehold land.

Assuming the dividends over the five years are estimated at 20c a year, and the "break-up" operations seem likely to produce a further 60c a share spread over a three-year break-up period, an investor can expect a total of 160c a share over eight years.

The shares in this particular mine stand at 80c in the market and apparently offer a current return of 25 percent (calculated on the present dividend of 20c on the share price of 80c).

WORTH NOTHING

However, after eight years the shares are going to be worth nothing, so the investor must recover the 80c he has paid for them. Therefore, he decides to regard half the 20c dividend as a return of his capital and to keep a record showing a progressively lower cost price for the shares.

The other half of his annual income from this share (10c) he regards as income, seeing his yield as 12,5 percent.

This is an elementary explanation of the principle of amortisation. In practice, an investor may make much more complex calculations involving his personal tax situation and also the fact that as his capital is coming back during the life of the investment it is available for him to reinvest elsewhere.

Quite apart from the question of how long a mine will continue to produce ore, mining shares have many features peculiar to themselves which demand from an investor some knowledge of the technical terms used in mining.

Nearly all the mining companies produce extensive statistics each year, while the gold mining industry also provides quarterly reports detailing tonnages milled, gold recovered, and so on.

In the past, when gold was sold at a fixed price, investors could make predictions with a fair chance of being proved right. These days, when the price of gold is determined by the international market for the metal, accurate predictions are far more difficult, or even impossible, to make.

For one thing, earnings now depend not only on the market price, which is subject to unpredictable events throughout the world, but also on government policy on gold sales.

Other uncertainties in assessing gold mining shares include the normal hazards of mining — rock bursts, for instance, the erosion of profits by higher working costs and the possibility of labour disputes.

Turning to industrial companies, the wise investor considers the macro picture of the world and national economies before turning his attention to particular companies.

The sort of questions to consider when thinking of investing in an industrial company include:

- Is there anything happening in the world economy which could affect the local market?
- What are the general prospects for industry, in the light of the financial and commercial prospects for the country as a whole?
- What is the outlook for the section of trade or industry with which the company is concerned?
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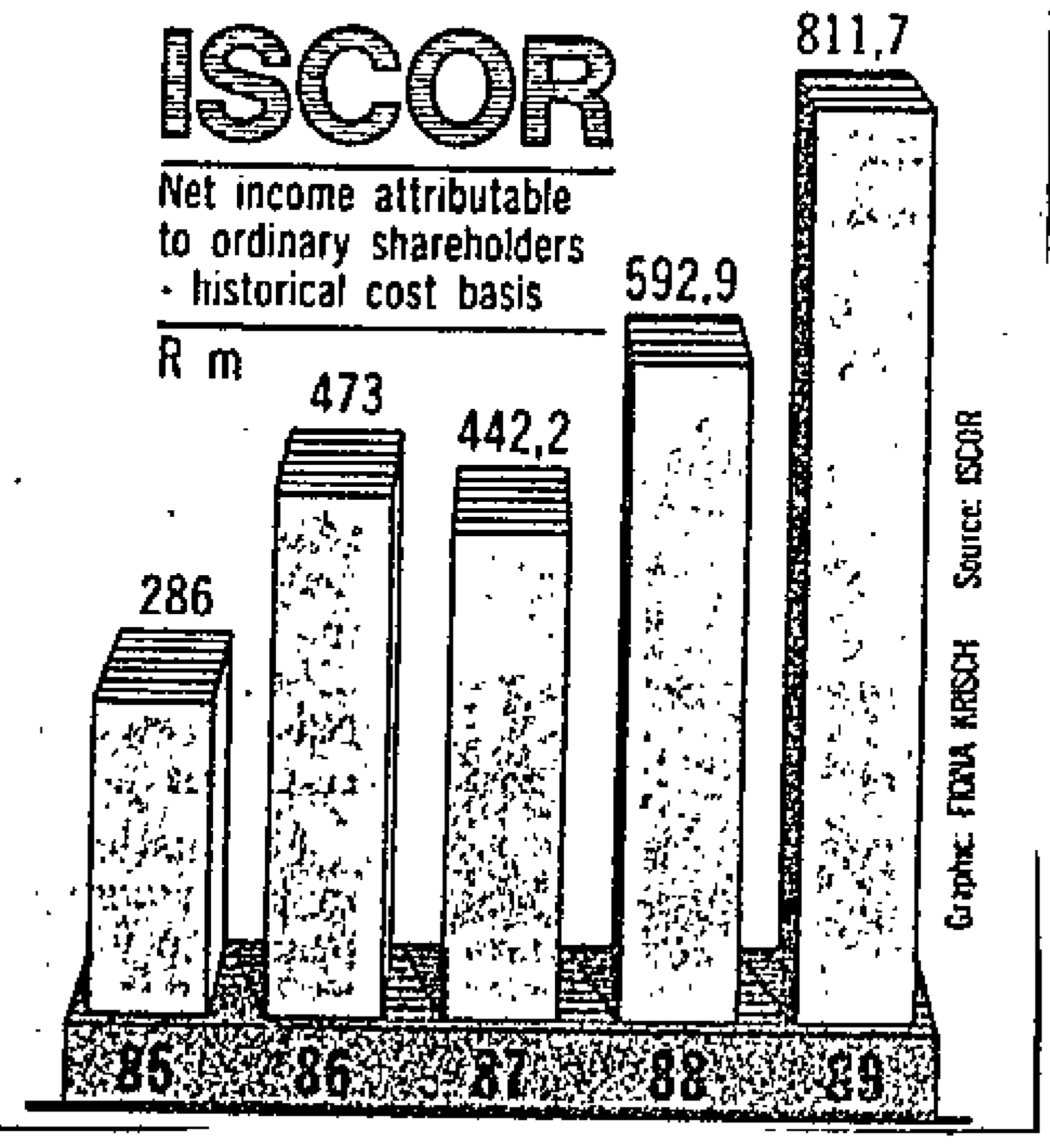
gives guarantees to Numsa

R36m offer to aid purchase of Iscor shares

29

B/Day 27/9/89.



ALAN FINE

RAND Merchant Bank (RMB) has disclosed details of an estimated R36m offer to finance the purchase by 10 000 Numsa members of the Iscor shares to which they are entitled in terms of the employee share scheme.

The offer, which was disclosed yesterday, included a guarantee that no Numsa member would lose money on the issue even if trading in the shares occurred at below the listing price.

This would occur through offering each subscriber a right to sell his shares to RMB at a price which covered the issue price, interest and underwriting costs.

RMB chairman G T Ferreira also criticised what he called ill-informed and speculative Press reports which had created the impression RMB intended to exploit uninformed employees and which had caused the bank to suffer embarrassment and a loss of goodwill locally and internationally.

RMB said it had offered to make a short-term facility available to Numsa members to take up shares, on which interest would be charged at the prime overdraft rate, plus 1%.

RMB said it would also charge a 2,5% underwriting fee to cover brokerage, administration costs and costs of hedging against market risk. Numsa members wanting to take up the offer would apply individually through the union.

In addition to the free 200 shares being offered to each Iscor employee as part of the privatisation process, each Numsa member was entitled to an average 1 000 shares at a 20% discount on the R2 issue price and a further, equivalent, preferential allocation at the full listing price.

A Numsa spokesman yesterday refused to comment on the offer, saying members had asked the union to conduct a series of discussions with them on the entire Iscor share scheme.

RMB said each member would have until November 15 — a week after the listing — to decide whether to sell or hold any or all of his shares. If he decided to sell this would be done by asking Numsa to instruct RMB's transfer secretaries to sell the desired number at market prices. The surplus would then be paid over to him.

If he decided not to sell, he would have to arrange his own financing and settle his indebtedness to RMB by November 30.

The guarantee would give participants the right to sell their shares to RMB at R2,085 at any time in the first week after listing. However, no one would be forced to sell shares to RMB. The offer would not apply to the free shares.

Ferreira said the offer had been made in August after Numsa had made known its reservations about the Iscor employee share scheme.

This was before details about the share price and the state's special financing scheme (which included deferred repayments over three years for the discount shares) for employees had become known.

He said RMB was well aware that the intention of the employee share scheme was to encourage employees to become long-term holders of such shares.

In this regard, he said, RMB and Numsa had originally discussed the establishment of a trust to hold the shares on an ongoing basis.

RMB had done its utmost to provide Numsa members with the facility to gain full benefit from their share entitlement

□ To Page 2

RMB R36m offer

29

□ From Page 1

with a guarantee of no loss. The bank stood to gain only the underwriting fee and about 0,5% of the interest.

The bank had no intention of taking over the shares. B/Day 27/9/89.

Ferreira objected to insinuations about "taking 'candy from kids' (the headline of a Business Day editorial on the matter) and premature Press reports", as well as what he called "shoot-from-the-hip frontier journalism".

He said RMB had previously refused to comment on its proposals to Numsa because the dealings were confidential.

Details had been revealed now with the bank's client's consent.

□ Before publishing the initial article on the matter last Wednesday, Business Day put its information to an RMB spokesman who refused to comment.

Perceptions of free enterprise system improve

Star 28/9/89

By Jabulani Sikhakhane

Management and employees are now more closer than in 1986 to agreeing on a national economic vision and both have enough in common to forge a strategy for wealth creation, according to Project Free Enterprise's 1989 report.

The report: "Wealth Creation in SA : strategies for economic freedom and growth in 1990's" was released by Professor Martin Nasser, the chairman and research leader of Project Free Enterprise in Johannesburg yesterday.

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The results of the third Project Free Enterprise's study on perceptions and attitudes show more optimism for the future. Professor Nasser told a media conference that he expected a lot more hostility than in 1984 and 1986 when the first two studies on perceptions and attitudes were done.

The report says there are common values with which management and its workforce could identify and concludes that there is a greater degree of consensus between the two than is commonly believed. This augurs well for creating a common national focus, it says.

Perceptions and attitudes towards the free enterprise system have shifted considerably since the first two studies.

There had been a remarkably positive shift towards a more solid understanding of the realities of business and basic economic principles.

"It would appear that the concerted effort on the part of the government and business in implementing the recommendations suggested in the 1986 study have had a marked impact on perceptions," the report said.

The flourishing of bodies like Sabta and the African Council for Hawkers and Informal Businesses (Achib), are among some of the factors accounting for changed perceptions, Professor Nasser said.

Professor Martin Nasser

On the area of participative management, the report notes that sharing of financial information was considered a problematic component.

"It is difficult to involve employees in the running of the business, without simultaneously telling them how the business is doing financially. However detailed financial disclosure has often emerged as a point of conflict in management:union negotiations."

About 50 percent of the semi and unskilled employees, as opposed to 28 percent and 35 percent of management/supervisory and skilled categories respectively, said management never share financial results with employees.

This confirmed the statement that the most negative perceptions regarding management efforts lie at the lower levels of the organisation.

It is important to know the mine's expected life span

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Answers to Crossword No 2

Across: 1 predict, 4 finance, 7 wise.
Down: 1 profit, 2 economy, 3 in, 5 chip, 6 well.

● **The winner of Crossword No 1 is: A R Sharples, of Parkmore, Johannesburg.**

The Star shares competition

The clues published yesterday were incorrect, herewith is a corrected version

Another chance to win some shares

As part of its commitment to a free market system, The Star is running a series of articles on share ownership ahead of the listing of Iscor, the biggest single share offer in South Africa's history.

For many people, Iscor's flotation will be their first venture into share ownership.

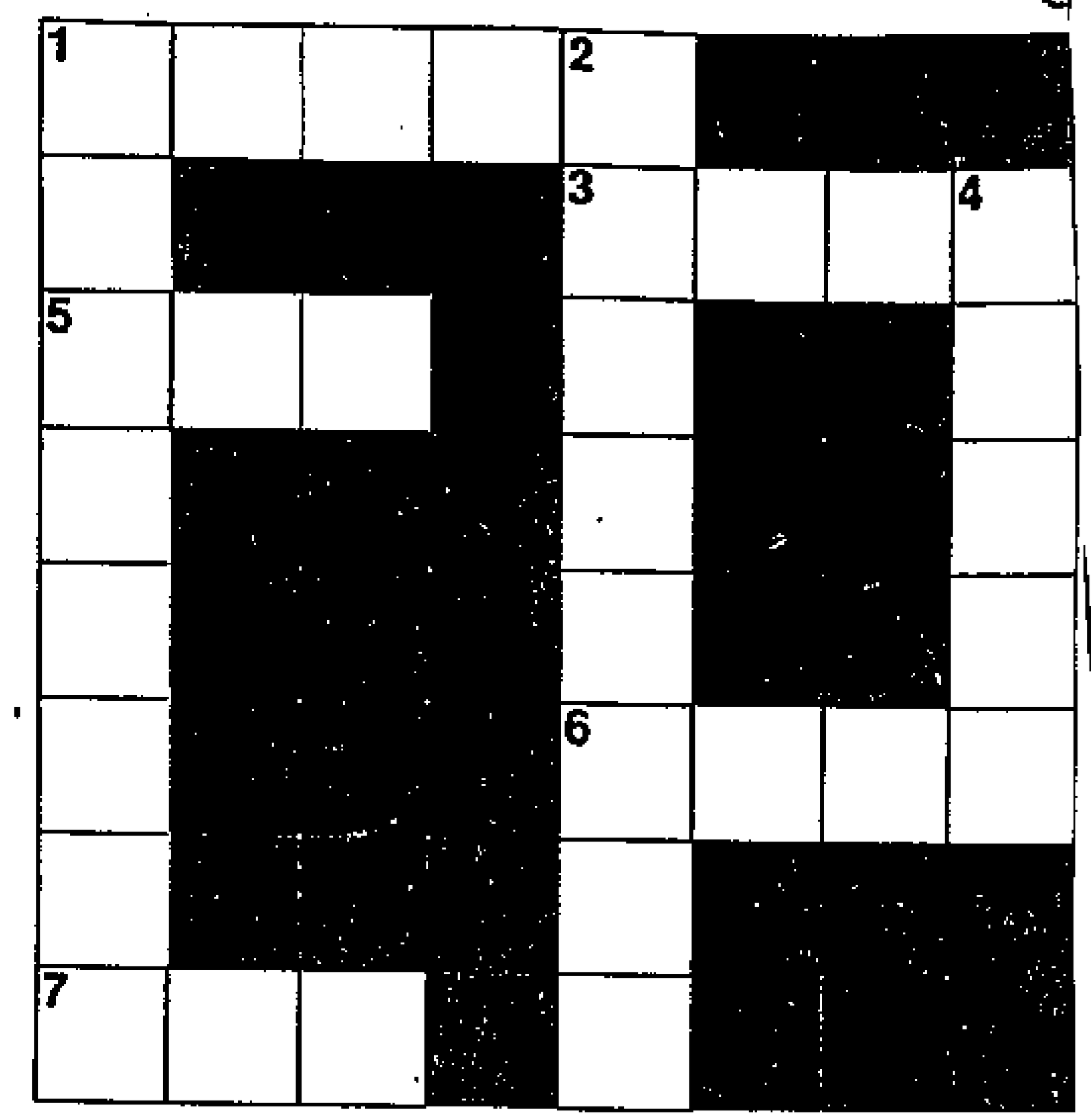
These articles are designed to help the newcomer make an informed choice when the offer opens to the public on October 2.

Enter The Star Share Ownership Crossword Competition and win 300 Iscor shares! At the end of the series there will be a lucky draw of all entries from Crosswords 1, 2, 3, 4 and 5, and you could be the winner of 1 000 Iscor shares!

RULES

1. Cut out the completed crossword and paste it on the back of a postcard, clearly marking your name, address, telephone number and the number of the crossword.
2. Staff members of the Argus Group, TWS Communications and their immediate families may not enter.
3. The winner will be notified by post and will receive his/her Iscor shares after Iscor has been listed on the Johannesburg Stock Exchange.
4. The competition closes on October 3.
5. The solution to this crossword will be published next week and the winner's name will be published the following week. The winner of the 1 000 Iscor shares will be announced in the week of October 24.
6. Send your entries to: The Star, Box 1014, Johannesburg 2000.

Crossword No 3



Clues

ACROSS

1. All you own is one. (5)
3. Earnings now depend not ... on the market price. (4)
5. Where 6 across comes from. (3)
6. See 5 across. (4)
7. And so on. (3)

DOWN

1. You must get your money back before the shares become worthless — allow for this from your dividends. (8)
2. A measure of the miner's output. (8)
4. The amount of value of the miner's output. (5)

Concern over Iscor shares funding

(29) BDay 28/9/89

ALAN FINE

THE Privatisation Unit yesterday expressed further concern over proposed outside financing of the 20% discounted Iscor employee shares, for which a state financing scheme is available.

Unit head Pieter van Huysteen said, however, outside financing of the additional preferential allocation to employees at the full issue price could be of benefit to employees who would otherwise be unable to purchase these shares.

He was reacting to the details of the Rand Merchant Bank (RMB) offer to Numsa members, reported in Business Day yesterday, to finance about R36m worth of shares to which they are entitled.

RMB has offered a short-term facility to members, as well as a guaranteed buy-back option at R2,085 a share within the first week of listing, should trading occur below the break-even point for participants.

RMB chairman G T Ferreira yesterday agreed that the state financing scheme on the discounted share allocation was more advantageous to employees than his firm's scheme.

Recommend

The RMB offer, he said, had been made before the bank learned the details of the scheme and made little commercial sense now.

"I would recommend they accept the state offer," he said.

Iscor employees will be entitled to loans from state funds to purchase shares and repay the effectively interest-free loan over three years. Shares not yet paid for will be kept in a trust.

Van Huysteen said the state scheme was designed to be an incentive to employees to look upon their shareholdings as a long-term investment through which they would benefit from the excellent prospects of dividends as well as growth potential.

A financing scheme which discouraged long-term shareholdings was contrary to the spirit of the privatisation offer to employees, he said.

Numsa has repeatedly said its members do not share these sentiments.

Management-employee gap is closing — report

810.ay 28/9/89

(29)

MANDY JEAN WOODS

ONE of the most crucial issues facing the economy is the need for greater cohesion between management and its workforce, the third phase of a study by Project Free Enterprise has found.

Released in Johannesburg yesterday, the study says the gap between management and the workforce has closed enough in the past five years for a joint strategy in national wealth creation to begin.

Wealth creation is identified by the report as the most practical, cost-effective and non-ideological way to bridge the gulf between management and employees.

The first study, which was released five years ago, showed an alarming misunderstanding by workers of how the economy worked.

The report, titled Wealth Creation in SA, shows there has been a dramatic shift in perceptions and attitudes of workers towards the free enterprise system.

The report says there has been "remarkably positive shifts towards a more solid understanding of the realities of business and basic economic principles.

"The role of banks, government, management inputs and productivity have now been placed in their proper perspective," the report said.

The study found management and the workforce identified the same five out of six factors considered by each to be the most important values for developing the SA economy.

Management identified these factors as, in order of priority, education, privatisation, political change, increased productivity, deregulation and work opportunity.

The workforce listed their priorities as political change, education, work opportunity, increased productivity, equal opportunity and privatisation.

Sceptical

The study also found that:

- 69% of employees said they had not been exposed to formal business training courses in the past five years;
- more than half of all skilled employees and almost as many semi- and unskilled employees said management encouraged their participation at all levels;
- employees are still generally sceptical about their management's commitment to equal opportunity programmes;
- management should support the erosion of the Group Areas Act as its presents a major barrier to the emergence of a common corporate culture;
- the overwhelming majority of employees approve of employee share-ownership schemes.

Star 30/11/81

29

Iscor — to buy or not to buy?

Should one participate in the Iscor share issue? It comes as no surprise that questions about the Iscor share issue have jammed The Star's mailbag this week. They have jammed the Iscor switchboard and those of most stockbrokers as well. This article, written by correspondent RICHARD CLUVER, tries to answer most of those queries.

LET me start by answering the most commonly asked question: Should investors go for the Iscor offer? My answer is an unqualified YES — but only if you are an investor. Do NOT stag this issue.

At the offer price of R2, the shares are being offered at an historic dividend yield of 7,3 percent and 8,8 percent is forecast. By comparison, Highveld Steel is currently standing at a dividend yield of 3,9 percent and Union Steel at 2,8 percent. The average is thus 3,35 percent.

Iscor's credentials are good and I have no reason to doubt that the forecast dividend will be met, if only because the underwriters of share issues usually ensure such forecasts are met.

Comparing these averages, one might thus conclude that if all things remain equal, Iscor shares are actually worth between R4,36 and R5,25, which makes one wonder why the stockbroking community is guessing at a price of R2,50 a share!

My own guess — and I must emphasise that it is a guess because we have not seen anything like this issue — is that the price will indeed open at around R2,50 because people will listen to what the brokers are saying. But over the next few months it will rise to a level nearer the market average.

It is impossible to estimate how many people will be stagging the issue — ie applying in order to immediately sell in the expectation of making a quick buck. But it is fair to assume that there will be enough stagging in order to depress the price for a while.

If you intend to speculate on the issue, then please remember that speculating in shares is taxable. If you wish to avoid paying tax, you will need to treat the issue as an investment and not sell unless you feel the time has come for good reasons to switch to an alternative investment.

In order to put a monetary value upon the deal, one must assume that you borrow money in order to apply. I will thus assume that you are going to apply for a 1 000 Iscor shares and that you borrow the necessary R2 000 from the bank at a rate of 22 percent.

Scenario One

I will first of all assume that you are eventually unsuccessful and are not allocated any shares. Your costs will thus consist of interest at R73,33 and bank charges at R10,00. You will thus have lost R83,33 on the deal.

Scenario Two

Let us assume you are allocated 100 shares, that they open, as the brokers suggest, at R2,50, and that the balance of the money is refunded two months later. Your opening profit will thus be R50 and in this situation you will loose R33,33 on the deal if you sell immediately. In addition you would have to pay the stockbroker who sells your shares brokerage at the rate of 1 percent per share plus 1,2 percent, adding R4 to your loss.

Scenario Three

Assume you are allocated 200 shares which open at R2,50. Your dealing profit at the opening would be R100 from which you must deduct R83,33 plus the broker's selling charge of R8. Your profit would be R8,67. The marginal taxpayer would have to pay away R3,90 of this in tax, leaving a clear profit of R4,77 for the whole exercise. Considering there is much doubt whether people could obtain as many as 200 shares per 1 000 application, I would thus not recommend that one go in for this share speculatively.

Scenario Four

If you apply and hold the shares for a reasonable period, however, I would expect them to rise to something of the order of R5 over the course of the following year. Holding 100 at an overdraft rate of 22 percent would add R36,66 to your borrowing costs over the balance of one year, making a total of R119,99 at the stockbroker would claim R7 for selling them at the end of the year, leaving you with a net profit of R173,01 — 54 percent.

But do not, unless you think the rand is going to keep on plunging for years to come, think of holding these shares for much more than the next year. The steel market is a volatile one and international prices are starting to come down from a cyclical high.

Scenario Five

The final and in this case most probable situation will be that of the stock exchange newcomer who draws R200 out of his savings account, applies and is granted a hundred shares. He is currently receiving 6,5 percent and that implies a two-month loss of interest of R13. Assuming the shares open at R2,50 each and he sells immediately, he would make R50 less R4 brokerage less his R13 loss of interest. His net profit would thus be R33.

Whether this final option will be sufficient to tempt millions to apply remains to be seem.

Iscor to hold presentations in major centres

29

FINANCE STAFF

PUBLIC presentations to give prospective shareholders financial and operational information relating to the listing of Iscor, will be held in major centres around the country.

The presentations will be made by Mr Eric van der Merwe, general manager, finance, at Iscor, and members of the four sponsoring brokers to the listing Ed Hern Rudolph, Davis Borkum Hare, Fergusson Bros and Frankel Kruger Vinderine. Star 30/9/89

"The listing of Iscor will be the biggest single financial offer in South African history. Our aim is to assist memebers of the public to make an informed decision regarding the purchase of Iscor shares," said a spokesman for the sponsoring brokers.

"Each presentation will last about 45 minutes and there will be time set aside for questions afterwards," the spokesman said.

The presentation in Johannesburg will be held on Monday October 2(12h30) at the Transvaal Automobile Club, 60 5th Street, Lower Houghton and in Pretoria on Tuesday October 3 (12h30) at the Pretoria City Hall, Paul Kruger Street, Pretoria.

There is no charge for seating but as it is limited interested people should phone Tracy Watson or Carol Bradbury at (011) 726-5161 to reserve seats.

Union in dilemma over Iscor shares

The privatisation of Iscor is a sensitive issue for the socialist-leaning National Union of Metalworkers of SA. This week it clarified its stance, reports DREW FORREST.

The Iscor employee share offer confronts the National Union of Metalworkers with a dilemma: how does it protect members' interests without appearing to back privatisation?

A union with strong socialist leanings, Numsa this week criticised the State for "selling the nation's wealth cheaply to major business interests".

Claiming it had not been consulted on the Iscor sale, it said managers were likely to get much of the 10 percent employee share allocation.

In the past Numsa has hit out at employee share offers as "a disguised production bonus" and as deferred pay when workers want a living wage.

Numsa insists that its 9 500 Iscor members do not want to be shareholders — but experience shows the pitfalls of a union "hands-off" approach to worker share participation.

In 1987 leading mine unionist Mr Cyril Ramaphosa attacked Anglo American's staff share scheme as a "Thatcherite attempt to make every worker a capitalist".

Yet Anglo insists that many of its black miners have taken shares. At highly unionised Vaal Reefs, for example, it claims a 78 percent acceptance.

Another factor for Numsa is the Inkatha-linked United Workers Union of SA (Uwusa), a rival with no qualms about worker share ownership.

After a series of meetings with members, Numsa announced its policy on the Iscor offer this week.

Workers would apply for their 200 free share entitlement, and sell the shares immediately.

The union said it had negotiated a loan — potentially R26 million — from Rand Merchant Bank (RMB) to help workers buy the average 1 500 shares offered at the market price under a preferential placement.

These would immediately be sold and the profits placed in a trust fund under the control of its members at Iscor. At a selling price of R2,50 a share, up to R4 million could accrue to the fund, Numsa said.

To ensure that workers do not lose on the deal, RMB has offered to buy the shares for R2.85 in the first week after listing if the price dips below this. However, the union has negotiated to sell the shares to other institutions, and expects a higher price.

Controversy surrounds the third leg of Iscor's offer to employees — that of a minimum of 900 shares each at 20 percent discount.

Numsa said the State's Privatisation Unit blocked the purchase of discount shares under the RMB deal because this encouraged workers to sell rather than hold on to the shares.

The unit's chairman, Mr Pieter van Huysteen, denied the claim.

But he added that Iscor managers and the Government felt the State's deferred payment scheme, in terms of which shares can be purchased interest-free over a period, was in the best interests of workers.

Mr van Huysteen said that for logistical reasons, Iscor and the State were unwilling to facilitate Numsa's collective offer.

The union considers this self-defeating. "Because of black workers' resistance to share deals and limited access to credit, it is most unlikely that they will take up the discount share offer," said Numsa's Mr Bernie Fanaroff.

(STAR) 24/10/89, STAR

Look before you leap, investors are warned

By Helen Grange

Concern is mounting over the flood of prospective Iscor shareholders expected to apply for shares over the next seven weeks — and financial experts are warning would-be investors to "look before they leap".

Unprecedented interest in the share issue has been shown by people from every income group in the wake of a multimillion-rand media campaign.

Families and groups of office workers are reported to be pooling resources and many will be dipping into their savings and borrowing money to buy Iscor shares.

Although only a few people have handed in their applications for Iscor shares since the opening of the offer on Monday, sources at the two merchant banks handling the listing, Senbank and Finansbank, expect the momentum to build up dramatically towards the closing date, October 25.

FINANCIAL DIFFICULTY

This is the first time so many "ordinary people" — as opposed to seasoned investors — have looked to shares as means to make money and although the buy looks good, warnings that the buyer might not get what he or she bargained for are coming thick and fast.

Dr Dawie de Villiers, Minister of Mineral and Energy Affairs, recently warned South Africans not to invest funds they could ill afford, expressing concern over people finding themselves in financial difficulty after buying shares wildly.

Said Mr Tony Norton, president of the Johannesburg Stock Exchange: "It is important to make people aware of risks they might be taking.

"In previous strong markets, people have been known to borrow money to buy shares and then found themselves in trouble. People who can't afford to hold shares should not plunge their money into them — but for investors who can afford them, the Iscor shares look like a good investment."

Stockbrokers are also worried about "stag" investors, who will sell their shares immediately after Iscor is listed.

In addition, financiers have warned that if share allocations are small the profits will also be small. For instance, if the share price reaches 250c (it is currently 200c) the capital gain on 200 shares would be R100, less R10 for brokerage and interest costs.

Deal for Iscor managers

B/Day 4/10/87

(29)

BARRY SERGEANT

ISCOR executives have been allocated 60-million shares for a Management Share Incentive Scheme.

Eric van der Merwe, Iscor GM, finance, said that at this stage no details over and above those in the prospectus were available.

Van der Merwe said that the share incentive scheme was no different to the typical scheme found in a public company. The 60-million shares amount to 3,2% of the 1,85-billion shares that will be in issue on November 8.

The prospectus says the scheme will be a combined share purchase/share option scheme.

Moreover, "if an offer is accepted in respect of scheme shares, it shall be accompanied by payment of 1 cent." The balance of the money will be lent to the participant by a trust and "shall bear interest as determined by the board from time to time".

If the interest rate is below the "official" rate of interest, participants will pay perks tax on the difference. Van der Merwe said that at this stage, it was not known how many shares would be taken up before the listing. The 60-million shares made available for the scheme are over and above the 1,85-billion shares that will be in issue on listing day:

- ☐ The general public, 150-million;
- ☐ Employees and pensioners of the Iscor group and associated companies and organisations of the group, directors of Iscor and selected institutions, 1,307-billion;
- ☐ Existing preference shareholders, 439 272;
- ☐ The State Share Trust (including 200 free shares each for Iscor employees), 92,5-million;
- ☐ The Industrial Development Corporation, 300-million; and
- ☐ The state, 28 shares.

Iscor: Numsa plans trust fund from profits

ALAN FINE

NUMSA is to channel an anticipated R4m in profits from the sale of about 10-million preferential Iscor shares allocated to its members into a trust fund for the advancement of the collective interests of those members. B/Day 11/10/89

The purchase is to be financed by Rand Merchant Bank. The shares will be sold immediately after the listing next month.

RMB has offered to make available the potential R20m required. It has underwritten the plan by offering to purchase the shares for R2,085 apiece should the opening price be below that level, which ensures the union and its members there will be no loss on the immediate post-listing sale after interest and brokerage fees.

The R4m profit estimate is based on a hypothetical R2,50 selling price.

RMB chief G T Ferreira confirmed yesterday that the offer still stood. The union fund is to be administered by Numsa members at Iscor who will decide on the use to which the money should be put.

The union announced yesterday the decision was made after extensive consultations with its members at the soon-to-be-privatised corporation, who are entitled to an average 1 000 preferential shares each.

Each member would be asked to sign a mandate to transfer any profits on the sale of the shares to the trust fund, Numsa said.

An equivalent number of shares to which

□ To Page 2 (29)

Numsa fund profit

B/Day 11/10/89

(29)

□ From Page 1

the employees are entitled at a 20% discount will not be dealt with in this way. The union required Iscor's co-operation in facilitating the process of what is effectively a collective purchase of shares. Management declined to do so in regard to the discounted shares.

Numsa expressed its disappointment at this decision, which is in line with the Privatisation Unit's view that the state's deferred payment scheme available for the purchase of disounted shares was preferable to outside financing.

The scheme is effectively an interest-free loan repayable over three years. Shares financed this way are held in trust and are non-negotiable until paid for.

Numsa made it clear yesterday it opposed the entire employee share scheme.

The union deplored "the selling of the nations's wealth cheaply to major business interests", and believed the employee share offer largely benefited management.

The union had also advised members to take up the 200 free shares to which each is entitled and sell them immediately.

STAR (...) (D 29) (200)

11/10/89

Numsa takes decision

Iscor men to accept shares — then sell

By Drew Forrest

Members of the National Union of Metalworkers (Numsa) are to take advantage of Iscor's employee share offer — but will sell the shares as soon as they come on the market.

In a statement, Numsa "deplored the selling of the nation's wealth cheaply to major business interests", saying also that much of the staff share allocation would go to managers.

Extensive discussion with its 9 500 Iscor members had shown workers did not want to be shareholders in Iscor, as participation would mean little and give them no say in Iscor policy.

Numsa said, however, that workers would take the 200 free shares offered them and sell them as soon as possible. "This, they believe, is money which belongs to them in any event."

Workers would also buy shares offered to them under a preferential placement, using a loan negotiated with the Rand Merchant Bank (RMB). These would be resold and profits placed in a trust fund controlled by Numsa members at Iscor.

Numsa's Mr Bernie Fanaroff estimated yesterday that if the shares reached a market price of R2,50, up to R4 million could accrue to the fund.

Numsa also attacked the Privatisation Unit for blocking the purchase of shares under a 20 percent discount offer with money made available by RMB.

The Government is understood to feel the immediate resale of shares defeats the object of the offer, which is to give workers a stake in industry. Mr Fanaroff said that as black workers had limited access to credit, it was "most unlikely" they would take up the discount share offer.

What kind of share the workers want

B/Day 13/10/89 29

ALAN FINE

THANKS to some hard work and a bit of luck, Numsa has contrived to subvert utterly the entire purpose behind the employee share aspect of the Iscor flotation.

The plan, as reported earlier this week, is to set up a trust fund financed by the profits of up to 10-million stagged preferential shares — employee shares will be sold immediately and the money used for the "collective benefit" of members at Iscor.

This could hardly be more contrary to the state's intention of using the privatisation process as an opportunity to educate a broad mass of the population, including employees, to the advantages and benefits of individual and long-term shareownership.

It could be argued that holding on to the shares, if long-term financing could be arranged, may make better financial sense. But Numsa's plan is more a political than a financial one.

All it would take to complete the picture is the trust being used one day as a strike fund.

This assumes, of course, that the plan does not run into difficulties as did the same union's efforts at Samcor last year.

It appears Numsa is highly conscious of possible problems. Organisers spent much time discussing the matter with membership, which is why its resolution took so long.

This is not to say the Iscor employee share scheme will be a total failure. Numsa represents, after all, only a minority of the workforce. But the development has important long-term political implications.

□□□□

WHY did it turn out this way? For a start, those who managed this aspect of the Iscor flotation acted in precisely the way the new President has argued is *not* the way to resolve SA's problems.

The employee share structure was not the subject of consultation, much less negotiation. The offer of 10% of the equity to employees was announced as a fait accompli with the assumption that it would be gratefully received.

Privatisation is not a simple economic transaction. It is an important facet of economic policy. And if we are all talking about the need to negotiate the country's political future, the same applies equally to its economy.

Therefore the argument put forward in defence of this approach, that share ownership is simply a matter of individual choice, simply does not hold water.

It seems, rather, a disingenuous way of avoiding the need to negotiate with an important, organised, constituency.

As this column has argued before, Iscor was an opportunity to engage in the privatisation debate with one of SA's most sophisticated unions. The sophistication is shown in the fact that Numsa did not take the unimaginative course of simply rejecting the share scheme through rhetoric.

There would doubtless be hostility towards the privatisation process in SA following a different course to that, say, in the UK, with concessions being made to socialist-tinged organisations.

But, as people like JCI's Ronnie Bethlehem have argued, SA will have to find some kind of economic middle road between the pure free marketeers and the socialists.

Numsa is not wedded to the idea of a nationalised command economy. The union's education officer, economist Alec Erwin, is on record as saying: "Nationalisation is not a solution in itself. More complex ownership structures are necessary — ranging from nationalisation, to state-capital partnerships, to worker-controlled enterprises, to co-operatives and to private enterprise."

Read this with Numsa's reasons for opposing the Iscor scheme:

"Numsa was not consulted at any stage in the move towards privatisation. Numsa deplores the selling of the nation's wealth cheaply to major business interests ... Financially this (worker) participation will be worth very little and it would not give workers any say in the policy of the company."

Does any of this lay the basis for discussion before the next major state corporation is privatised? Perhaps it is something for the Privatisation Unit to think about.

REVIEW

Iscor listing gives little man bite at ownership

ST Times 3/12/89

29

By Julie Walker

FOR THE first time since Sasol 10 years ago, the Johannesburg Stock Exchange witnessed the sale of assets by the State.

It took the form of the giant Iscor privatisation. Iscor is currently capitalised at R4,3-billion — around four times the size of Highveld Steel and Vanadium.

The Iscor offer was made in several parts after an expensive publicity and educational campaign was undertaken to promote the concept of share ownership to South Africans.

The man in the street did not have to compete with the institutions in the scramble for shares. Institutions applied for 1,4-billion shares, which had been earmarked for them at the same R2 each paid by the public. The public offer of 150-million shares attracted more than R1,2-billion of the savings of South Africans. Those who applied for up to 1 000 shares got them all in an allocation which favoured the smaller investor. The share register contains more than 100 000 names.

On the day of listing, the JSE floor was almost as busy as the Berlin Wall at opening time. Deals were struck between 220c and 240c, the price eventually settling at about 230c. It picked up to 235c as the whole JSE rallied in line with a rise in gold late in the year.

The rate of rise in interest rates accelerated towards the end of the year, with prime climbing to 21%.

The JSE became an expensive place to be invested, and many share prices came off their highs reached in the middle of the year.

As interest rates rise, the profits of companies with large borrowings are dampened because a higher interest bill has to be footed. When earnings growth is expected to be retarded, share prices either stay put or fall.

If there is no capital growth, investors are better off putting their money on deposit and earning 18% or more in interest. They tend to flee equities, returning when rates start to come down again. The current sentiment dictates that rates could even rise before easing.

This was witnessed in the decline in industrial share prices and indices over the last few months. Mining shares had a run because of a rally in precious metal prices.

Take Barlows, which announced wonderful results for the year to September, yet whose share price peaked at 4 625c on August 30. It came down to R40 and stayed there.

The industrial index peaked late in August at 2 840, easing to about 2 570 by mid-November.

SA Breweries was another yardstick stock, topping out at R28 before coming back to R25.

Building & Construction is always one of the first sectors to move ahead of a downturn in the economy. The index reached its high in May — well ahead of other sectors.

The steel index is a classic example of the parabola. It peaked in June at 1 611, having doubled in only seven months after Highveld's great performance. But it eased to 1 157.

Furniture & Household came down only after the latest rise in prime was announced early in October. The index was at a high of 306 on October 11, having come up from 221 in December last year. It is now 282 points.

Some large furniture retailers announced sharp declines in both sales and profits during the second part of the year as consumers feel the pinch of the climbing cost of living.

On the other hand, the banks sector at above 1 400 is still close to its September high of 1 423, and is about 40% up on the year.

Sector boosted

The sector has been boosted by some neat turnarounds among the leaders, notably First National. The results from banks fall into two camps. There are those which outperform whatever the market is doing, and those which will likewise underperform.

The former express satisfaction and optimism, the latter bleat about bad conditions and point fingers at everybody else.

The banks tend to do better when interest rates start to fall, so the medium-term outlook is fair, although in the short-term there could be a few surprises.

Property trusts tend to do better when interest rates are high. They are not permitted to borrow, and deposit the rents collected in the bank until distribution time, so earning more interest.

Nevertheless, the current interest yield is only 9,5% — not enough to compete with a fixed deposit. The property trust index hit a high of 169 in August before coming down to 148. The expectations of capital appreciation from this sector are not high enough to attract investors.

Next year could see a rush of takeovers of companies that became too highly geared before interest bills crippled their growth. Investors could do worse than to look for good shares trading at discounts to their net asset values.

STAR 1/3/90

The man who is handing over

By FINANCE STAFF (29)

Mr Gavin Relly, who retires as chairman of Anglo American at the end of this month, will be remembered above all as the man who wanted to show the group's hundreds of thousands of workers that capitalism and shareholding can have a pleasant face.

In 1988 he launched the group's employee shareholder scheme which entitled every worker to receive, free, a small annual allocation of Anglo American shares.

The scheme has been readily accepted by the group's employees. By March last year 133 000 workers — equal to 69 percent of the eligible work force — had become shareholders.

Mr Relly's philosophy has been that Anglo's first responsibility is to the community at large as much as to its stakeholders. "For, if it fails in that aim it will lack the means of discharging any broader social responsibilities."

Mr Relly recognised early the need for black people to move into more skilled jobs on the mines and he has been a staunch advocate of non-racial employment policies. He has also been a leading force in the drive to provide better educational facilities for blacks and to improve their skills.

On the political front, he called on the Government a year ago to alter the political landscape by releasing political prisoners and addressing the issue of the state of emergency.

As a result, he said, "opposition groups will have to move away from the comfortable stance of protest politics, recognise the hard realities of the South African situation, and negotiate and find compromise solutions that do not satisfy abstract ideological positions". These were prescient words.

Gavin Relly was born in Cape Town on February 6 1926 and educated at Bishops and at Trinity College, Oxford, where he read politics, philosophy and economics after war service in Italy with the SA Sixth Division.

After leaving university he spent a short time in the political arena, working for Sir de Villiers Graaf who later became leader of the United Party.

Mr Relly joined Anglo American in 1949 and was private secretary to Mr Harry Oppenheimer and then to Sir Ernest Oppenheimer. In April 1965 he became a director of Anglo American.

After working in Lusaka and Toronto Mr Relly was appointed deputy chairman in May 1977 and chairman of the executive committee in November 1978. He became chairman on Harry Oppenheimer's retirement in 1983.

Under his guidance the group has prospered greatly. Equity-accounted earnings rose from R638 million in 1982/83 to R2,6 billion in 1988/89 and the group is well placed for further major expansion.

Mr Relly married Jane Glenton in 1951 and they have three children: Janis, Georgina and Giles.

When not working, he likes to fish and play golf.

FM 6/4/90

What big business must do (29)

Paul Browning is a Pretoria-based transport consultant and author of "Black Economic Empowerment: Shaping SA Business for the 21st Century."

Since President F W de Klerk's opening address to parliament events have made it clear that real political change is on the way. But there must also be changes of equal substance in business.

The ANC has stated plainly that it will insist on a complete restructuring of the economy in order to redistribute wealth. It has placed nationalisation on the table as its starting point but ANC leaders have sent strong signals that they no longer see this as the best means of creating fairer shares for all. They have, in effect, challenged business to come up with practical and demonstrably effective options.

A more balanced distribution of wealth must be created, not by artificial means, but as an integral part of the process of expanding the economy. The best means of achieving this is the emergence, in a very short time, of a large black business movement operating in the mainstream economy.

By 1995, at least a significant minority of firms listed on the JSE must be owned by black entrepreneurs. They will be the third wave of businesses to complement today's English and Afrikaans giants.

If the small enterprise of today is to become the big business of tomorrow, it must acquire general management skills — finance, administration, personnel, marketing and production control skills. This can be achieved only with the co-operation of established businesses. They must seek interaction with black business to help it grow and, at the same time, to pass on the skills and culture of formal business.

One of the best means of achieving this is through subcontracting on a large scale. This can be either internal, such as assisting the company's truck drivers to become self-employed contractors, or external.

Another way is through the creation of franchises in a wide range of fields — construction, travel, electrical contracting, passenger and freight transport, for example. Franchises enable the entrepreneur to remain independent but acquire necessary management skills through the support and guidance of the franchisor.

Franchises would be developed to meet the market needs of established businesses that wish to sell their products and services to blacks, buy products and services from black businesses, or provide specialist training and other services to the franchises.

In either case, subcontracting or franchising, the established company must be prepared to become deeply involved in transferring business skills to the black entrepreneur.

That will not be without cost, so the established businesses must be able to see direct financial benefits in at least the medium term from its interaction with emerging black businesses. It could then view development expenditure as investment. The funds could be found in the budget now devoted to social responsibility activities.

A large and profitable black business sector will be able to undertake educational and housing projects within its own community without them being seen, as they often are today, as paternalistic handouts from the profits of apartheid.

Established businesses cannot afford to divert too much time or effort to these new developments, so a new kind of intermediary is needed.

Some of the giants of business have set up their own inhouse small business units to act as this intermediary. Second-tier companies won't be able to afford this. They will be looking for a consultancy service specialising in interaction.

This will be provided by profit-orientated companies filling a clear market need, derived from the proposition that established businesses can gain calculable economic benefits from encouraging black economic growth. These consultancies will offer specialist services for a fee, just like an advertising agency or PR firm.

This mechanism of interaction will help to create, in the shortest possible time, a large group of black entrepreneurs who have the ability and confidence to act in the mainstream economy and the staying power to grow big.

Moves of substance on the political front will take place rapidly in order to achieve a constitutional settlement later in the decade. Equally, changes in the shape of business must begin now so that they advance in harmony with the political changes.

'From bush fighter to economist'

MICHAEL HARTNACK

HARARE — The SA liberation struggle was "gradually working away from the era of the bush fighter" to the "era of the new economist", Soweto civic leader Nthato Motlana predicted yesterday.

Motlana, leader of a 105-member delegation of black SA businessmen to Zimbabwe, said SA was plagued by a lack of trained black economists.

Motlana told a seminar on opportunities for trade between a post-apartheid SA and its neighbours that while it was hard to name five black SA economists with the necessary qualifications, there had been an upsurge of black businessmen with import-export licences, issued by a government keen to circumvent sanctions.

Motlana said the 1976 disturbances had prompted the formation of the Small Business Development Corporation, backed by state funds.

"But to our utter dismay it turned out that the major part of that money went towards establishing the small white business and the blacks, as usually, were left sucking the hind titty.

"In present-day SA in order to qualify for a business licence you have to be very careful about the political stance you take in public, about the statements you make.

"When you do get a licence you are seen as someone willing to bend under the strain," he said.

Motlana urged recognition that black businessmen could perform an essential role with the same social conscience as academics.

Caution

Opening the meeting in Harare yesterday, Industry and Commerce Deputy Minister Moton Malianga said while current policy of the Southern African Development Co-ordination Conference (SADCC) and the East and Central African Preferential Trade Area was to reduce dependency, SA would resume a focal role once apartheid was abolished.

"We should then fully realise the 'complementarities' in the economies of this region. Developments in SA have taken a promising turn and we are watching developments with caution and interest," he said.

"Co-operation would have to be radically different from the colonial type of monetary union which SA wants to foist on its neighbours," said an Industry and Commerce Ministry paper tabled at yesterday's seminar.

It predicted that, like Rhodesia after 15 years of isolation, post-apartheid SA would not fully recognise the cost of present policies "until the time of reintegration".

President Robert Mugabe's former special adviser on sanctions, and current head of the parastatal Zimbabwe Development Corporation, Christopher Ushewokunze, predicted that a majority rule government would come to power in SA with a political base but not economic one.

It had to design strategies for "economic involvement" by itself and the black majority, he said.

Unions will fight for a share of control

B1041 18/5/90

(29)

UNIONS can be expected to increase pressure for a share of control over capital funds — be they pension or provident funds, foundations or CSR allocations.

Labour and Economic Research Centre (Lerc) projects co-ordinator Taffy Adler says they will also increasingly link what they see as socially responsible investment to the kind of macro-economic programmes and policies being developed through Cosatu.

Lerc is a group acting as consultants to the militant black union movement on such issues as housing, training, retirement benefit funding, work study, job grading, shiftwork and productivity.

Adler says this priority is emerging as business continues in its unwillingness "to share CSR initiatives with unions in a seriously consultative way".

The predominant management view is that social security is a matter of management prerogative.

He says retirement security, housing and education are moving to the top of union agendas on the social security front. Of these, because of the immediacy of the problem, housing is the most insistent.

At the same time, Adler says, a clear perception has been developed by union leadership on the link between education and economic well-being.

Over the last couple of years, a basic breakthrough has been achieved in union participation in the administration of retirement benefit schemes. The negotiation is over the amount of money, especially employer contributions, transferred to these funds and how it is invested and disbursed.

The retirement fund investment scenario is becoming far more favourable to what Adler calls an "alternative investment policy".

Alternative

Until now, he says, there have been no serious alternative investments, even where unions are strongly involved in pension fund administration.

Adler says some unions are close to major retirement fund investments in land and housing. He is unwilling at this stage to say where this is occurring.

However, he says these alternative investments are not handouts. In financial terms, they are the equivalent of investment in Eskom gilts — providing a market-level rate of return on a secured, no-risk investment.

It is not a matter of workers' savings subsidising housing development. No one believes that retirement fund assets can be used as charitable donations.

Adler says: "All this has emerged in the negotiating framework and is an exciting departure from the old investment patterns."

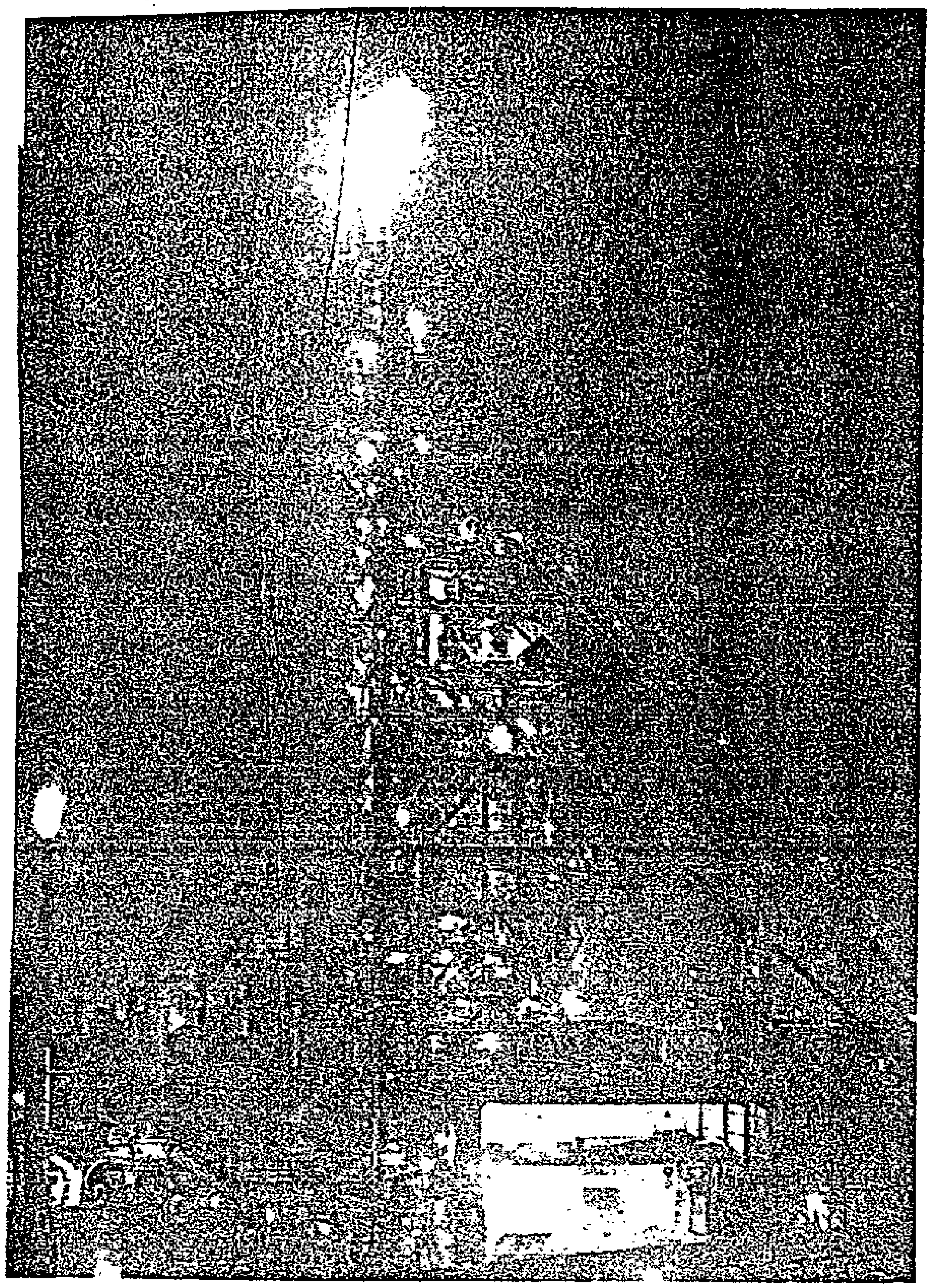
But when it comes to CSR funding, employers are reluctant to set up funds with union participation in decision-making — not only on the level of funding but where these resources should be placed.

If unions gained a share of control over such funds, how would they use them in a manner linked to "macroeconomic programmes and policies".

Adler says these policies are being developed. However the general thrust is towards manufacturing-led internal consumer-based growth lending itself to job creation and wealth redistribution.

"Socially responsible activity will be defined as that which develops this activity. The trend will be away from charitable-type projects towards developmental ones and productive enterprise.

"Educational, training and housing projects will be at the forefront," he says.



Iscor's environmentally friendly Corex plant at Pretoria.

Structuring the ideal investment portfolio

OFF COURSE, there is no such thing as an ideal investment portfolio, as many investors who thought they were on to a "good thing" can testify.

If there were such a thing as an ideal portfolio, we would all be rich (and getting richer) without anybody ever losing money.

But there are certain guidelines that can help each and everyone of us, notwithstanding how much money we may have, to better plan an investment portfolio.

In times of high inflation and risk, investment planning becomes increasingly important for more and more people. However, a managed portfolio can be expensive and not really cost effective for the average investor, says Greg Culhane, of Metboard, a leading financial institution.

This article hopefully provides a guideline to assist you in structuring an investment portfolio to suit your individual needs.

Currently, only capital growth investments have the ability to beat inflation. Investment in cash deposits, irrespective of what rate of interest is being paid, offer taxed returns below current inflation rates, thus eroding your capital base in real terms over time.

Capital growth investments, however, are usually riskier than cash deposits and a trade-off between risk and return must be made. Furthermore, in order to obtain capital growth, some investment income must be forgone and for people who rely heavily on investment income to support their other income, this limits the available options.

Obviously, the ideal would be a combination of relatively low-risk capital growth investment, with high-yielding, income-producing investments. This can be achieved if the following guidelines are followed:

- Keep your capital intact. Capital growth and investment income requires capital. This might seem obvious, but in many cases investors tie up more than they can afford in long-term investments and as a result need to liquidate a portion every now and again in order to meet their normal living requirements.

When structuring an investment portfolio, keep a portion of capital reasonably liquid to allow for your current and short-term needs.

- Do not strive for short-term capital gains. While many investments offer quick capital gains, these are usually also extremely risky and should be left for the young and the adventurous.

A person who still has a fifteen-to-twenty year earning potential can afford to gamble with a high-risk, high-return investment opportunity. However, if you are in a position where you are approaching the end of your salary-earing potential, high-risk investments have no place in your portfolio.

- Do not invest funds in any capital-growth investment for less than five years. Many capital-growth investments can be liquidated with short notice and many investors make the mistake of investing in these using funds which may be required in the near future. Consequently, they may be required to liquidate their investment at a time when the market they are in is depressed, resulting in a capital loss.

- Do not place all your eggs in one basket. Time has shown that different markets do not always move in sympathy with each other. For example, when the stock market crashed in October 1987, the property market was virtually unaffected. When interest rates drop, the stock market usually improves and when interest rates rise, the property market is often adversely affected.

Therefore, if you have investments spread over cash, property and equity, the chances of long-term stable growth are considerably higher.

- Invest in the tried and tested. New investment possibilities continue to flood the market. While many may prove to be tempting, restrict yourself to those investments which have a track record of good returns. Unit trusts, for example, have shown an average taxed return in excess of 20% over the last five years and investments in sound commercial property have proven to be an excellent hedge against inflation.

This hedge has been enhanced by certain investment companies such as Metboard, which provide gearing facilities to improve returns and carry substantial tax savings.

- Refrain from investments requiring special expertise. Investments in Persian carpets, paintings, vintage or exclusive cars can indeed prove to be extremely profitable. The same can be said for investments in futures, options and venture capital.

These investments, however, require a high degree of expertise and one cannot always rely on the expertise of others in an area where your knowledge base is relatively low.

It is evident, therefore, that there are a number of ways for investors to ensure that their returns cater for their needs to hedge against inflation at relatively low-risk levels, while ensuring there is a sufficient income stream to allow for an acceptable standard of living to be maintained.

W/M and suppl

(29)

Decentralising worker power

17/8 - 19/8 90

Store-based committees at Cashbuild make decisions about employment conditions and review management's behaviour

WEEKLY MAIL REPORTER

WHILE trade unions in South Africa strive for the empowerment of workers through centralising the bargaining might of employees, wholesale firm Cashbuild has redistributed a degree of power through an elaborate decentralisation process.

Cashbuild is a building materials wholesaler aimed mainly at the black housing market. It supplies traders and builders, and until recently focused on the rural areas of South Africa and its southern African neighbours.

With the increasingly broad acceptance and accommodation of urbanisation in South Africa, Cashbuild has shifted its attention towards the major towns and cities.

Seven years ago the firm introduced a system of decentralised worker power focused on store-based committees called "venturecoms". Each venturecom is elected by all the workers in a store, and consists of five individuals with a range of personnel-oriented management portfolios.

Each branch manager is appointed by the head office and is responsible for what Cashbuild human resources director, Roy Bagatini, calls the "hard functions": decisions about orders, pricing, and discounts. The elected venturecom makes decisions about employment conditions and employee management relations.

For example, if a worker is considered to have behaved incorrectly the venturecom decides on what action should be taken.

The branch manager is also subject to the discipline of the workers. Three months after appointment, the manager is subject to a review process by employees, at which point a head office representative meets with the venturecom. So far workers have not blocked a manager, says Bagatini, but more than one branch manager has been removed at the bidding of the venturecom.

Each year wages are settled at a "great indaba" at which each venturecom has two representatives. Wages are not so much negotiated as discussed. According to Bagatini, because the company has prospered it has been able to offer better wage increases than rivals in the building supplies industry, so major disputes have not emerged.

This looks like a virtuous circle — enlightened management practices leading to successful operations, making adequate wage settlements possible, and averting disputes. But it could also be argued that the system has not really been tested.

Very few Cashbuild workers belong to unions. Bagatini says that after a Frasers operation was taken over by Cashbuild a few years ago, workers steadily and voluntarily withdrew from their erstwhile union. Though Bagatini says the firm is not hostile to unions, some researchers have noted a degree of hostility from head office.

How different is the venturecom from the kind of works committees the government encouraged black workers to join before it recognised black unions? The decentralisation of power, and anti-union dynamic (if not policy) are features the institutions have in common. But the degree of power exercised, or at least granted the committees is very different.

For power to be effectively exercised by the workers in these circumstances, workers would need a continuing education and training programme.

Bagatini argues that the value system internalised in the company — of the mutual interests of management and workers — also distinguishes the Cashbuild set-up from conventional industrial relations systems. He says, and sociological evidence backs this up, that over the years the firm has won the trust of the workers.

One feature Bagatini regards as critical is the "wealth creation incentive". This operates on the principle that the earnings of shareholders should not rise faster than the earnings of the workers. If payouts to shareholders rise, the same proportional increase in income (over wages) is set aside for the wealth creation fund, which is paid out to workers as an end-of-year bonus.

Another way of getting commitment to the firm's interests is the "loss-prevention bonus", which works by workers combining to take shrinkage below the pre-set loss-provision allowance. The difference between the allowance and actual losses is shared between workers at each branch. Bagatini says shrinkage has shrunk dramatically as a result of the system.

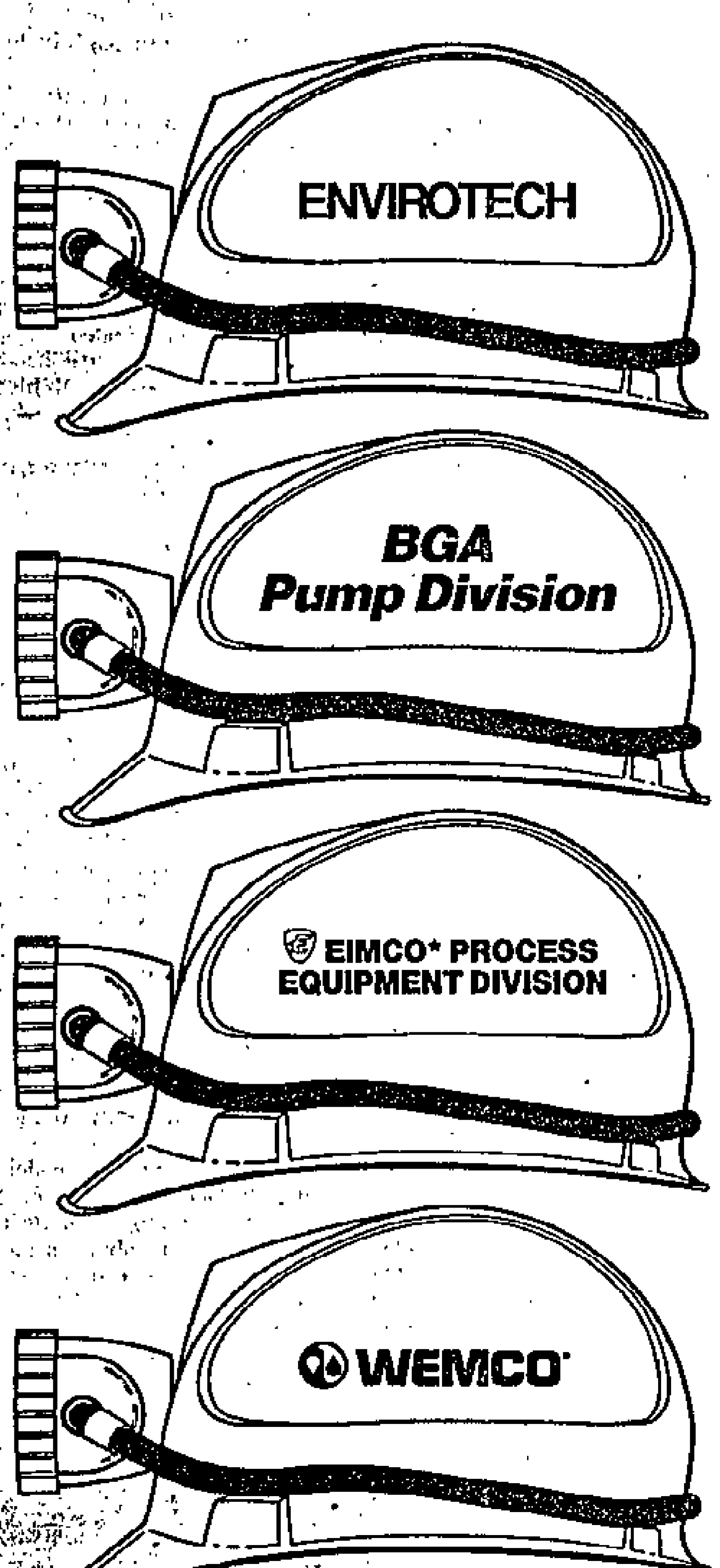
Though profits are shared, workers do not, by their own choice, have representation on the company's board. At the last "great indaba", management raised the question of worker represenation, but got a negative response, according to Bagatini.

Cashbuild was listed a few years ago, and is 78 percent owned by Sanlam subsidiary Sankorp. At first, long-serving employees and venturecom members were issued with shares, but this practice has been dropped. Now shares are occasionally awarded to workers for exceptional service. Bagatini says employee share ownership schemes do not work because workers are not educationally equipped to understand and accept share ownership.

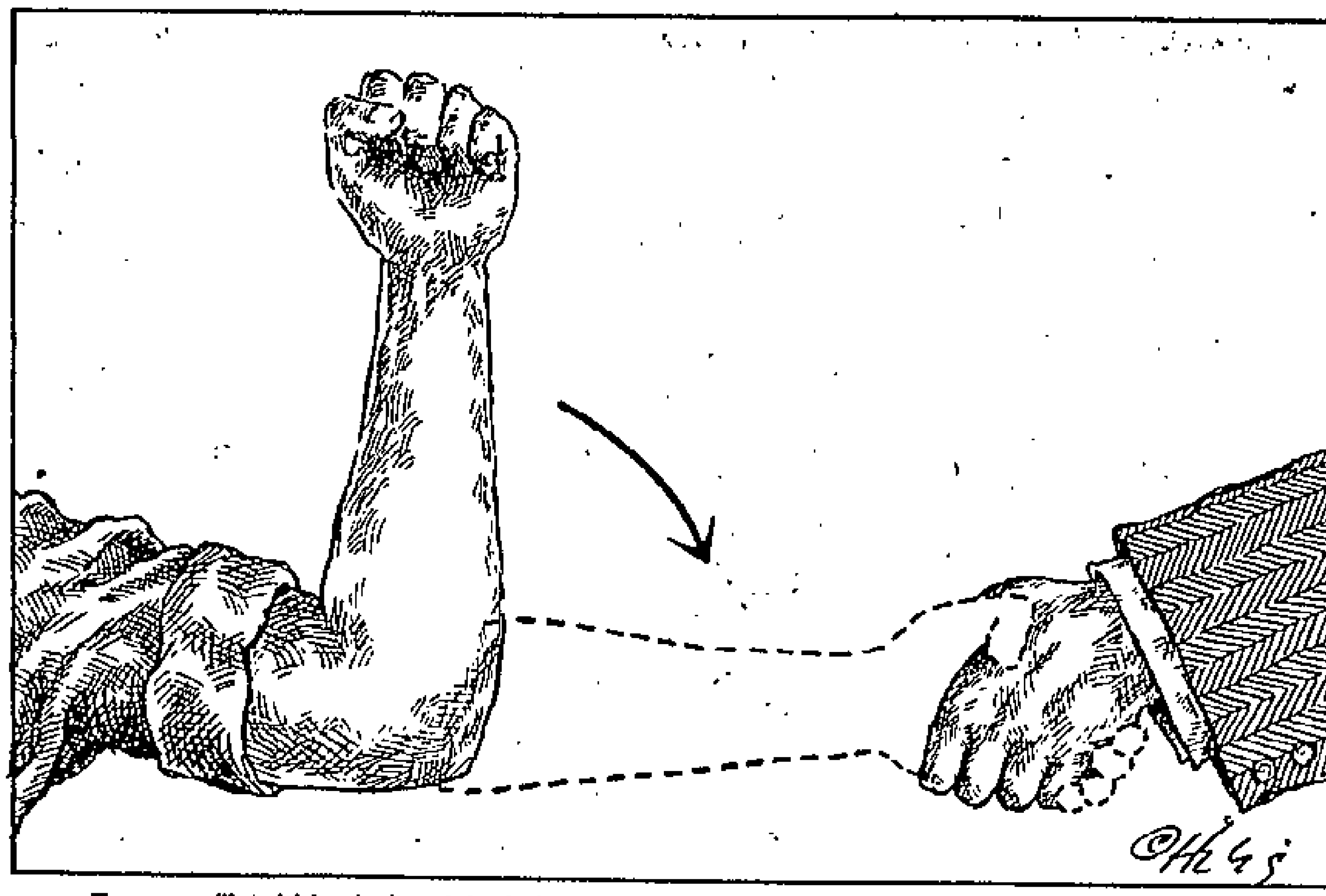
A new venture by Cashbuild is taking the concept of empowerment in a different direction. The company is franchising former branch managers who set up their own retail stores building supply stores called "U-Build". Bagatini says the six U-Build outlets now running in Soweto are doing well.

The great achievement of the firm, Bagatini says, is the workers' commitment to the firm which derives from a combination of material incentives and trust between management and labour.

An independent sociologist's analysis indicates that though the system does not always work according to the model, there was a very unusual degree of acceptance by workers that their interests coincided with management's.



PARTICIPATIVE MANAGEMENT



From conflict-ridden industrial relations to full workers' participation on the shopfloor

(29)

And now, VW thinks BIG

WMail Suppl 17/8 - 19/8/90

The unique case of the Eastern Cape Volkswagen plant sets an example of how a union can advance its members by participating in corporate decision making.

BY JUDY MALLER
Department of Sociology at Wits University

VOLKSWAGEN SA is an exceptional example of worker participation in a country which is characterised by an authoritarian style of management and an adversarial style of industrial relations. VW is unique in the way it has accepted the National Union of Metalworkers (Numsa) at the centre of its structure of worker participation.

Usually worker participation schemes in South Africa aim to win over the loyalty and motivation of the workforce to weaken the power of unions. VW is an exceptional case because of the interaction between, on the one hand, a well-organised and militant union and, on the other hand, a pluralist management, influenced by the co-determination practices of their West German principals, and committed to increasing workers' participation in decision-making.

The case of VWSA demonstrates how a union can advance its members' participation in corporate decision-making within and beyond the framework of collective bargaining. It uncovers the potential power of the trade union on the shopfloor to influence decisions about production, discipline and employment conditions. It also demonstrates the potential for unions to influence company policy through the joint committee structures set by management.

The Uitenhage-based factory employs 8 371 employees. Nearly 30 percent of the workers are classified white, and of the rest nearly two-thirds are African. Of the total, 81 percent are members of the Numsa — the powerful Congress of South African Trade Unions' affiliate.

Industrial relations at VW have been conflict-ridden for most of the eighties. Within the four months of June to September 1989, for example, there were 30 industrial actions, consisting of the following events.

The union has a large number of office bearers on the shopfloor. For every 200 employees there is a part-time shop steward. For every 750 employees there is a full-time shop steward (introduced in 1980 following a period of intense conflict). Twenty-seven part-time shop stewards handle the day-to-day disputes and grievances, while the full-timers undertake negotiations and general disputes.

Shop stewards are provided with extensive facilities by the company: a centralised office with phone, typewriter and furniture, a meeting venue, an outside area to meet with the entire workforce, and offices on the shopfloor for each full-time shop steward and all part-time shop stewards in the department. Shop stewards meet on a daily basis to review events and plan strategy.

Management has set up an elaborate system of joint committees which they see as the beginnings of a co-determination system following the German model. Brian Smith, the Human Resource director, says that management pursues a pluralist model. He explains that "although a certain amount of conflict is inherent in the system, it can be resolved by a system of collective bargaining that will allow some sort of balance of power or equilibrium to be reached".

Through the joint committee system, management is attempting to promote co-operation on issues of common interests.

The most influential of the six committees is Jumec (Joint Union/Management Executive Committee) which consists of senior management and full-time shop stewards. It meets on a quarterly basis to review "corporate stategic issues".

While management sees Jumec as an embryonic works council where joint decision-making would take place, the union sees it as a negotiating forum where demands are put forward to senior management. The union is careful not to make recommendations about ways of improving productivity rates or absenteeism, and all information is passed down to the shopfloor via the part-time shop stewards. The union does, however, view attendance at Jumec meetings as important, and is able to influence company policy by virtue of their participation.

The union's participation in a joint committee structure has not yet resulted in the institutionalisation of conflict. The number of strikes and stoppages in 1989 is testimony to the ongoing militancy of the workforce. Significantly, the Jumec structure is not the primary forum where workers exert control over production. It is rather on the shopfloor that a situation of workers' control is beginning to emerge.

The shop stewards have become an integral part of the structure of authority on the shopfloor. Many workers believed that social relations on the shopfloor had changed because of the power exacted by union representatives.

Many strikes last year were precipitated by dismissals — all workers interviewed saw this as a major cause of increased industrial action.

But shop stewards, do more than prevent unfair dismissals. Shop stewards are consulted when production management issues instructions to the workforce. In some departments workers will not carry out an instruction unless it is delivered in person by the shop steward.

Shop stewards also have the right to move around the shopfloor without restrictions.

The shop stewards also have access to strategic information from Jumec which is very rapidly passed through the ranks of the workforce.

Another shopfloor manager observed: "Very often the guys on the line know about a top-level decision before I do because the union passes down information a hell of a lot quicker than management does."

The union also has leverage on the shop floor. Production may be paralysed simply by withdrawing labour from strategic departments in the factory.

VW workers through their union have used the management-intiated structures of participation to push back the frontier of control. They have retained the locus of power of the trade union and participate in joint committee structures as representatives of the union and not as individual members of the company "family".

While the union participates in joint committees and recognises the interdependent relationship between the management and the workforce, it also retains its independent base on the shopfloor, preventing incorporation from taking place.

Productivity levels have not been substantially improved by this approach, despite the increase in market share VW has enjoyed. Clearly, relations between management and labour are still based on the traditional conflict model of industrial relations.

Co-operative relationships through Jumec and other joint committees play an important yet minor role in the overall process of decision-making, and participation in Jumec is always secondary to the basic mistrust that exists on the shopfloor.

The VW case study represents, the beginning, of a shift away from adversarial collective bargaining, by supplementing such collective bargaining with consultative structures. There is a long way to go, before the mutual benefits of co-operative relations are manifest. But there is already a clear basis for the development of co-operative relations.

The need to move towards a co-operative model of industrial relations, which at the same time does not compromise union independence is widely accepted. The model must be based on the mutual advantages that both labour and capital derive from a productive and efficient enterprise. Unions, for example, can gain greater power through the interventionist role that it plays within such a model, and because of the active input of workplace delegates.

This means a new type of unionism, which empowers workplace delegates rather than centralising decision-making in the hands of union officials. Such unionism also exerts considerable influence over investment and technology design. This new unionism retains the right to strike and to influence decisions via collective action. The aim would be to democratise the workplace and to improve productivity to the mutual benefit of both labour and capital, and the economy as a whole.

This model entails full and power-centred participation. Full participation involves workers' influence over investment and production policy decisions, and power-centred participation involves a restructuring of the authority and power relations. The VWSA case study shows the centrality of the union in achieving this form of participation.

However, the overall approach presupposes a democratic state and hence its applicability to the South African workplace cannot be divorced from struggles for democracy more broadly.

Workers at VWSA cannot accept co-operative relations with management prior to the extension of political rights and upgrading of their community, which would result from a reallocation of state-controlled resources. These events will form the basis of an extension of VWSA's programme of co-determination based on strong and independent unionism.

SPARRING WITH THE BIG BOYS

The threat of boycotts and myriad other problems continue to prevent the three major retail chains from opening outlets in black townships.

They are now allowed to hold as much as a 49% share in townships stores, but the National African Federated Chamber of Commerce (Nafcoc) has consistently opposed joint ventures, no matter how much the deal is structured in favour of the black trader.

Pick 'n Pay's Raymond Ackerman said recently: "We had a plan to supply 80% of the capital and give local traders 80% of the equity. Whenever we tried to get this plan off the ground Nafcoc has withdrawn its support at the last minute. And we wouldn't open stores in the black townships without the support of local businesses."

Nafcoc president Sam Motsuenyane says: "We've opposed joint ventures because of our past experience in which traders lost their independence as part of these deals."

So there are no Pick 'n Pays, Checkers nor OK Bazaars in black townships, though Pick 'n Pay and OK each have a store in the coloured township of Mitchell's Plain, near Cape Town, and Checkers has an interest in a development in the Indian township of Chatsworth, near Durban.

There has been speculation for months that OK would open a branch in Alexandra, but this hasn't happened. Checkers MD Serge Martinengo recently said "the best opportunity (for growth) will come when we can open in the black dormitory areas, probably with black equity participation" (*Business* June 29).

While the Big Three struggle to find the door to the townships, the fourth largest retailer, Spar, continues to build up its significant presence there. Spar suffered from unofficial boycotts in the Seventies and early Eighties but is now supported by Nafcoc and has become an established part of the township scene.

Spar stores are owned by franchisees and supplied by the Spar group, so it has been able to open in black areas without the restrictions placed on white-owned stores.

The first black Spar franchise was awarded 27 years ago. There are now 40 black franchise-holders, out of 506 outlets; and most operate the smaller Spar Savemor stores. Spar awards three types of franchises — Spar for larger stores, Kwiksave for smaller stores in urban areas, and Savemor, mainly for rural areas and townships.

Mosololi ... *selling groceries the Spar way*

"Spar has earned its stripes over time," says business consultant Willie Ramoshaba. "It might have been seen as a white chain and the store-owners just front men, but the stores are now identified with the owner. The black market is still getting used to the idea of franchising and Spar is the first franchise to gain a measure of credibility."

Spar national marketing director Brian Beavon says he expects the number of black franchise-holders to increase, but the requirements for a franchise are strict. "The problem is finding qualified applicants. Normally our franchise-holders own existing stores but they need to conform to our rules in size, image and turnover. Spar operators tend to become leaders of their community, which puts heavy requirements on their time." He hopes spaza operators will evolve into café owners and then into recruits for Spar.

Joel Mosololi, who holds the Spar franchise in Daveyton, East Rand, says Spar offers assistance such as on-the-job training, promotions, advertising and pricing. "It also helps to draw up a feasibility study when the franchise applicant is applying for capital."

Spar says it's been successful in preventing whites from operating through black fronts. The franchise is awarded to the major shareholder, so if a black applicant was backed by a white, the franchise would be awarded directly to the white, or whoever was putting up most of the money. Spar requires detailed proof that the store-owner is the true major shareholder.

Transvaal marketing director Basil Jansen adds that while Spar franchise-holders can have their franchise revoked, if they consistently fail to follow Spar's rules, it isn't any more usual for this to happen among black than other franchisees.

Spar owners in townships have a high-density population at their doorstep. Mosololi says 80 000 people go to his store every month and most come on foot. Like all Spar owners, he is required to operate a butchery, bakery and fresh produce department. "The bakery doesn't provide great returns on the investment I've made but it brings feet into the shop."

While retailers are traditionally a noisy bunch, Spar has kept a low profile. Since Tiger Oats took control of the holding company, W G Brown Investments, two years ago, it has gone more public. For instance, its advertising, produced by Bates Wells, Durban, is now considered the most innovative in food retailing.

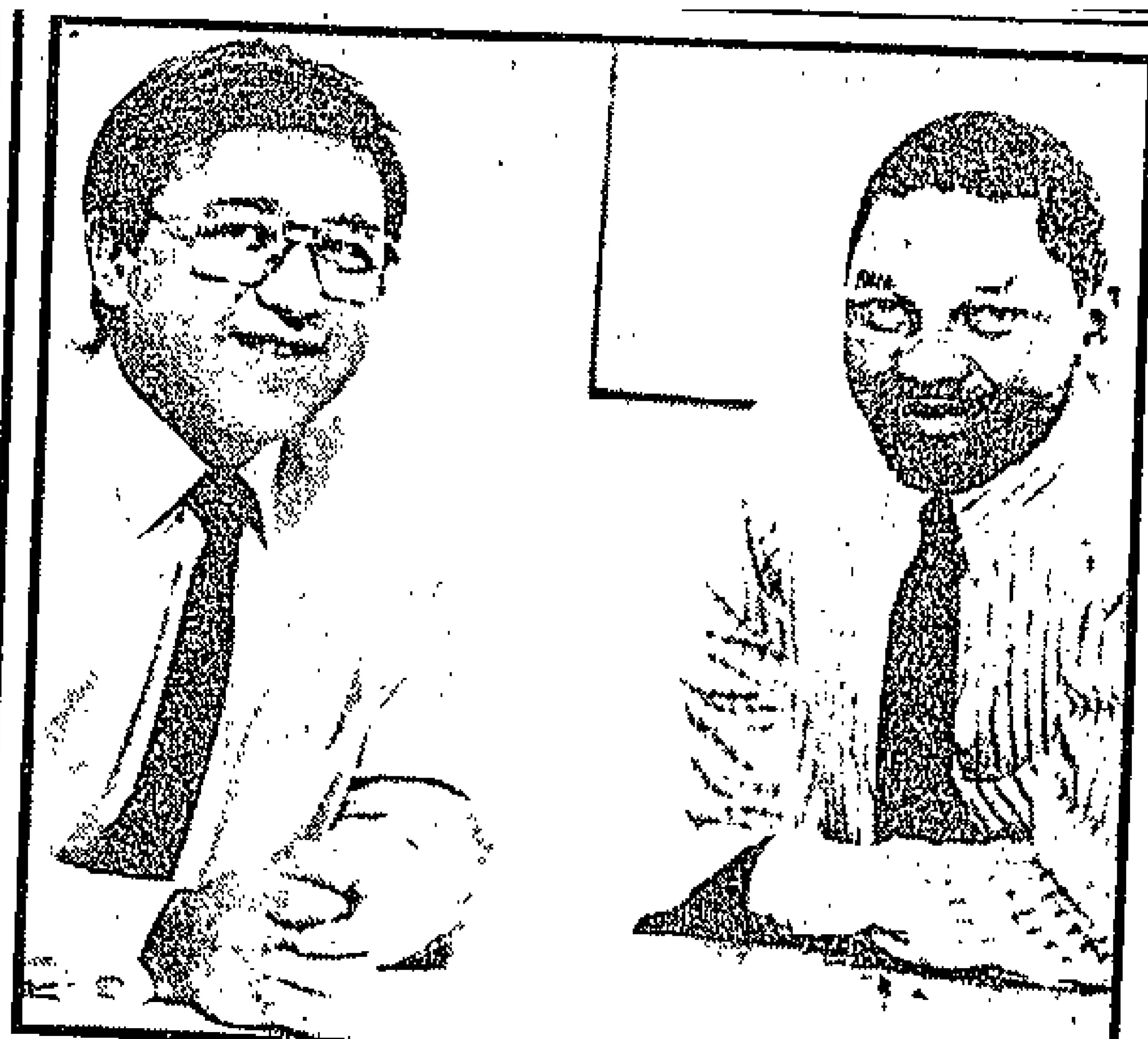
Beavon isn't worrying about the major chains setting up branches in the black urban areas. "We've managed to co-exist everywhere else. We never fear competition."

Stephen Cranston

RETAIL GIANTS

	Turnover (Rbn)	Branches
1) Pick n' Pay	4,3	110
2) OK Bazaars	4,2	215
3) Checkers	3,2	166
4) Spar	2,0	506

prices quadrupled.



Managing partner at Wiehan Meyernel Izak de Villiers and new partner JJ Njeke Picture: TOM EDLEY

Njeke is chartering unknown waters

ST Times 14/10/90

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By CHARMAIN NAIDOO

CHARTERED accountant JJ Njeke has made auditing history by becoming the first black partner at a mainly Afrikaans accounting firm's Johannesburg head office.

One of only 29 black accountants in SA, 32-year-old Mr Njeke moved into Wiehan Meyernel's plush 23rd floor offices in the heart of the financial district on October 1.

His new title has not made Mr Njeke forget that the road ahead could be rocky — racial prejudice is not yet dead in the new SA, he says.

Managing partner Izak de Villiers — Wiehan Meyernel has 23 partners in Johannesburg and 90 countrywide — said he could not exclude the possibility that some clients would refuse to have a black auditor look at their books.

"We took a conscious decision several years ago at Wiehan Meyernel to ensure the inclusion of blacks — all the way up to partner level."

The auditing firm prides itself on being progressive.

"We're not your normal run-of-the-mill accounting firm," says Mr De Villiers.

The bright green boardroom table, surrounded by purple-dominating paisley chairs, and the black partner sitting round it, bears this out.

"We're very pleased to have JJ. It is up to him, and the 28 other black accountants, to encourage black people to enter this field."

He says that most of the major firms in Johannesburg recently agreed that 10% of their intake would be black.

"That in itself will not help. Additional education and training is often necessary and then there is the fact that you can't send your black accountants to all firms — in SA at this time, they are still not accepted by some.

"But we have to do it. We hope that JJ will be able to help recruits qualify and adjust to this specialised field by isolating the particular problems they have and find ways to counter them."

Training

Mr De Villiers says that teaching confidence is as important as added training and education.

"Black people have been oppressed for so long that they have to learn to believe in themselves," he says.

For young, confident, eloquent Mr Njeke his new appointment has come after nine and a half years with the firm.

Educated in Port St Johns in Transkei, he graduated with a B Com degree from Fort Hare University in Ciskei and went on to do his post-graduate degree at Unisa.

That there are only 29 black accountants in SA is appalling, says Mr Njeke.

"When you consider that there is a shortage of CAs, it is apparent that people in the profession will have to work hard to do something about this."

Did he believe that the high academic requirements and professional standards expected of chartered accountants should be lowered?

"Absolutely not. The standards have to be maintained. Better education at the bottom end of the scale is what we need."

Mr Njeke became a partner at Wiehan Meyernel's Umtata branch 18 months ago.

"I'm pleased to be here — it's where everything happens."

Rajak scores third round win

By DAVID CARTE

YORKCOR subsidiary Agent Timber has lost the third round of its court battle against a former managing director, Herbert Rajak.

Legal costs to be picked up by Agent are believed to have run to several times last year's taxed profit of listed Yorkcor.

Yorkcor, controlled by Solly Tucker and famous for its lavish annual reports, last year earned only R137 000.

Mr Rajak told Business Times his costs plus those of Protea International and Protea International Timbers — to be carried by Agent — had come to R250 000.

He thought those of Agent could be even higher, suggesting a bill of R400 000-plus for Agent. But Mr Tucker is on record as estimating Agent's expenses at R100 000 to R200 000.

When Mr Rajak and several other staff members moved from Agent Timber to Malbak's Protea International Timbers, Agent Timber sought to restrain him from divulging information confidential to Agent and from contracting or soliciting business from its customers.

SOLLY TUCKER ... disagrees

Urgent

In September, the Rand Supreme Court granted Agent an interim interdict after an urgent application.

But in October Mr Justice Van der Walt ruled against Agent. The judge refused Agent leave to appeal but the Yorkcor timber exporting company appealed to the Chief Justice. The Chief Justice this week upheld the earlier judgment.

In his judgment, Judge Van der Walt commented on "the alarming and disconcerting picture of an employee abusing his position to the prejudice of the applicants, created by the founding affidavit.

"This impression was brought about in part by the use of highly emotive language ... the use of the words 'stealthily developed', 'improper intention', 'completely wrongful intention', 'inspired and pursuing apparently sincere negotiations'."

Other emotive language singled out by the judge: "Ostensibly conducting himself in a manner entirely consistent with his responsibilities ..."

And: "He nevertheless engaged in intensive and surreptitious activity. In setting up the said appointments he falsely represented that he was acting and continuing to act for and on behalf of and for the benefit of first applicant."

The judge continues: "That was an astounding allegation to make if one has regard to the faxes and letterheads of the first applicant. He was, in fact, representing first applicant, not falsely representing.

"Applicant also misquoted certain telefax messages by changing the order of phrases contained therein. In this manner the phrases quoted better served the connotation applicant sought to place on them, whereas if regard is had to the correct order of the phrases in the original ... a different connotation is apparent ...

"I have carefully read the voluminous affidavits and annexures before the court and I am satisfied that ... Rajak has refuted the inferences of impropriety sought to be drawn by the applicants ..."

The court found that the information obtained by Mr Rajak in the course of his employment at Agent was not of such a degree of confidentiality peculiar to Agent's business that its use by Mr Rajak would constitute a misappropriation to the prejudice of the applicants.

It found that contracts were concluded on an ad hoc basis. Agent argued that Mr Rajak's knowledge of how it did business would give him an unfair advantage — but no evidence to this effect was put forward.

Exclusive

The judge said that if Agent wished to keep its customers exclusive a specific contractual restraint was called for.

"Lacking such a contractual restraint, Rajak cannot be prohibited from utilising business methods which he had probably brought into applicant's business by virtue of his prior expertise in the export timber trade, nor can he be prohibited from using business contacts known to him from former times, or even new contacts made while in the employ of applicants.

"This is part and parcel of his inherent knowledge of the export trade and not confidential to the applicants alone.

"Such a restraint would not be in the public interest as it would stifle healthy competition in the export timber trade and inhibit his undoubted right to trade and exercise his skills as a trader."

Unitrans in big scoop

Business Times Reporter

UNITRANS Natal has won a R6-million a year contract from AECI Chlor-Alkali and Plastics to carry chemicals and plastics from Umbogintwini to customers.

It is the first time AECI Umbogintwini has used a public carrier in its 80-year history and it is Unitrans' biggest contract from the group.

The haulier will spend more than R6-million on new vehicles to replace AECI's truck tractor fleet, which will be sold.

Nafcoc opens its doors to all races

Sowetan 23/10/90

(29)

By MATHATHA TSEDU

THE National African Federated Chamber of Commerce resolved at the weekend to open membership to all races but stopped short of calling for the lifting of economic sanctions against South Africa.

In resolutions adopted at the sixth National Summit Conference held at Thohoyandou, Venda, Nafcoc also demanded that to ensure "tangible expression and meaning to black empowerment", all companies listed on the Johannesburg Stock Exchange should, within the next 10 years:

* have at least 30 percent of their board members from the black community,

* at least 40 percent of their total share holdings must be controlled by the black community,

* 50 percent of the value of their outside purchases must come from black-owned suppliers and contractors, and

* at least 60 percent of their top managerial and professional personnel must come from the black community.

The two-day conference also commissioned the drafting of an economic framework that will address "the needs of a free South Africa".

The conference further noted "with sadness that centuries of deprivation, humiliation, and naked oppression" had led to the loss within the black community of the values of creativity, self-reliance and self-confidence.

A campaign designed to "resuscitate these well treasured" black values must be embarked on.

In an interview after the conference Nafcoc president Dr Sam Motsuenyane said the country was moving into an integrated society and there was pressure on his organisation to review its exclusivity.

Membership would, however, still be restricted to those who believed in the principles of freedom, justice and equality.

He said Nafcoc had not imposed sanctions and could, therefore, not lift them. The organisation was, however, calling on the Government to "expedite the implementation of an equitable political settlement that would bring about the lifting of sanctions".

Nafcoc gives big business 10 years to redress balance

BY MONDLI MAKHANYA (29)

BLACK businessmen have given corporate South Africa 10 years to readdress the lack of black participation in the formal sector.

This was one of the demands of the National African Chamber of Commerce and Industry which held its the sixth Summit Conference in Venda last weekend. A landmark decision was taken to open membership to all races.

Nafcoc drew up a four-point programme for big business to give meaning to the Black Economic Empowerment campaign. It recommended that within 10 years:

- All JSE-listed companies listed should have 30 percent of board members drawn from the black community
- 40 percent of their shareholdings should be controlled by blacks
- 50 percent of outside purchases should come from black suppliers and contractors WMail 26/10-1/11/90
- 60 percent of top managerial staff and personnel should be black.

Nafcoc executive director Mofase Lekota said the organisation had "a lot of ideas" as to how this could be achieved and would discuss its strategies with big business.

Pointing out that the recommendations were based on research, Lekota said: "We are flexible about the issue of percentages. We just want them to agree about the principle of increasing the level of black representation."

Another resolution was that Nafcoc should play a leading role in designing a new economic system and its economic commission should draw up such a document "as a matter of urgency".

"However, we cannot set a deadline because it will have to be in-depth research. The whole thing may take up to two years but reports will be issued periodically," he said.

B Day 28/10/90

Higher incomes for poor 'crucial for redistribution'

(1) (29)

DURBAN — The underprivileged should be helped to earn higher incomes in order to eliminate the unbalanced distribution of wealth, Sanlam senior GM Walter Scheffler said at the Afrikaanse Handelsinstituut Congress (AHI) yesterday.

Scheffler said the concept of redistributing wealth "had explosive potential and it is important to define precisely what is meant by it".

"If it is a question of a redistribution of capital — that is, expropriation or alienation of assets — we can forget about economic growth.

"We will then probably have to concentrate on preventing a civil war, or handling it."

He said the only meaningful way to obtain a more justifiable distribution of income was to have a relatively larger income flow to the poorer section of the population.

If it was only a question of redistributing the existing cake, the most productive part of the community would be worse off and would be inclined to produce less or even to stop producing, for example, by emigrating.

"One should, therefore, create a larger cake so that the desired redistribution could be brought about without throttling to death the current productive entrepreneur through higher taxes or other limitations," he said.

The answer necessarily lay in economic growth. To achieve this the average level of training would have to be increased.

It was not only a question of spending more but spending more effectively.

Scheffler said that to attain more effective expenditure, the communities concerned would have to co-operate.

"A larger investment in SA's peoples should be made so that we can become more productive. To bring that about we will have to be satisfied with a less luxurious infrastructure otherwise sufficient funds will just not be available. We would simply have to adjust our standards to a a lower level and be prepared to make adaptations.

"It is also important that the expectation of quick riches among the underprivileged should be tempered by our black leaders to a more realistic expectation, otherwise the new SA may possibly result in ungovernable chaos."

Afrox full of gas and flying higher (29)

By DAVID CARTE

AFROX consolidated its blue-chip rating this week with a 27% annual earnings increase — after allowing for inflation.

What's better is that chairman Peter Joubert expects further earnings improvement in 1991, recession notwithstanding.

The gases, welding and hospital group reports sales up 24% at R903,9-million, operating profit 25% better at R184,4-million and taxed attributable profit 29% higher at R66,8-million in spite of an interest bill that surged 84% to R30,7-million. A final dividend of 85c has been declared, making 135c for the year to September, a 35% increase.

At the interim, earnings were up only 19%, implying that second-half earnings spurted no less than 35%. To eliminate most of the effects of inflation from stated earnings, Afrox provided an extra R15,7-million of additional depreciation. This amount was virtually unchanged on 1989.

S Times 4/11/90

Labour

The secret of Afrox's success, says Mr Joubert, is in finding new applications for gases, developing hospitals cost effectively, while stressing patient care and satisfaction, good husbandry of working capital and of labour.

Labour relations are based on a principle of "job ownership" and job growth. All staff members with more than 10 years' service have shares through a sort of unit trust. Staff members own 8% of the company worth R89-million. The company has yet to have a strike.

Gases and welding contributed 85% of profits and health care the balance. About 75% of assets are in gases and welding and 25% in hospitals.

Mr Joubert reports that demand for gases across the economy actually declined. But Afrox makes 120 types of gas and continues to invent ways of using them. It managed to increase sales volumes. It claims a 60% share of its million of additional depreciation. This amount was virtually unchanged on 1989.

5/11/90 4/11/90

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Mr Joubert reports that demand for gases across the economy actually declined. But Afrox makes 120 types of gas and continues to invent ways of using them. It managed to increase sales volumes. It claims a 60% share of its markets.

Oxygen is being used by gold mines to increase extraction rates in the leaching process. In addition, Afrox has built large gas plants at Iscor, Middelburg Steel and Scaw Metals. It sells these gases at modest prices to the host companies — but scores in being able to sell excess capacity to other users.

Afrox has started exporting. Exports topped R15-million and are bound to grow.

The group is on a hectic expansion tack, having spent R340-million in the past three years. Capital spending has been concentrated in the medical division in recent years, but Mr Joubert says the emphasis in the immediate future will swing back to gases.

Cyclical

"There are so many empty beds in provincial hospitals it seems silly to expand private hospitals. We are still hoping the State will privatise wards in existing hospitals."

Mr Joubert says welding is the most cyclical part of the business and is feeling the downturn in engineering and metal working.

At 3 700c, Afrox is 17 times latest inflation-adjusted earnings and about 12 times historic cost earnings. The dividend yield is 3,6%.

Shareholders who bought the share a year ago have had an all-in return of 45%. Those who bought five years ago have had an annual compound rate of return of 38%. Nice going and there's more organic growth to come.

Nafcoc maps out black advancement

29

CAPE TOWN — At least 30% of JSE-listed companies' boards must be black, 40% of shareholders must be black, 50% of outside purchases must come from black-owned suppliers and 60% of top managerial and personnel must be black, a Nafcoc resolution states. B/Day 27/11/90

Nafcoc president Sam Motsuenyane told the Euromoney Conference yesterday this should be achieved within 10 years if not sooner to restructure the formal economic sector to include blacks in its ownership, management and operational activities.

He said Nafcoc had decided at a conference in September this would give expression and meaning to black economic empowerment.

While the business community was concerned at how a post-apartheid government would solve the problem of redressing the imbalances in the economy, it had a responsibility to make positive proposals as to how these could be redressed.

Other areas which required attention were black access to land and capital, labour mobility and access to education and training of good quality.

To attend to land ownership discrepancies, the Lands Acts of 1913 and 1936 had to be scrapped as well as the Group Areas Act. This step was already envisaged by government, Motsuenyane said.

The farming industry had to be de-racialised and black and white farmers be given the same recognition by government.

The various agricultural departments should be rationalised to ensure the optimisation of resources, and an appropriate funding structure established to help individual black farmers or syndicates to buy state or white-owned land.

The communal land tenure system in the homelands had to be revised to allow individual ownership and title to land, and new training centres for black farmers and farm managers needed to be opened to improve their level of performance and managerial abilities.

Black access to capital, while it had been improved recently, still suffered from the lack of collateral, fixed property or long-term investments.

On the education problem, he said to achieve satisfactory levels of economic growth SA had to produce the right quantity and quality of specialists, managers and leaders in every facet of professional, technical or academic education. The present system fell far short of meeting these demands. — Sapa.

Nafcoc plea for black top brass stirs storm

S/Times 2/12/90 (29)

By CHARMAIN NAIDOO

DERISION has greeted Sam Motsuenyane's demand for a radical programme of affirmative action

The president of the National African Federated Chamber of Commerce (Nafcoc) told delegates at the Euromoney magazine conference in Cape Town this week his organisation had resolved that within 10 years:

- All companies listed on the JSE must have at least 30% of black board members;
- At least 40% of their total shareholding must be controlled by the black community;
- At least 50% of the value of their outside purchases must come from black-owned suppliers and contractors;
- At least 60% of top managerial positions must be held by blacks.

Guidelines

Business leaders said the demand was totally impractical, and the Financial Mail wrote that "it is difficult for us to reconcile Nafcoc's desire for economic growth, backed by the efficient allocation of resources, with its willingness to see both processes impaired — at obvious cost to black job creation — by the application of racial quotas to the running of quoted companies".

It said: "The object of a free SA must be to ensure that wealth and income flow to those with merit — not to those with a certain skin colour."

But Mr Motsuenyane says there is no need for alarm.

"These are merely guidelines. We do not aim to dictate to business. Instead, we would like to work with them on issues that need to be addressed.

"We certainly do not want to see tokenism or promotion without merit. We do want more education and training and more formal inclusion of blacks in the economic structure."

JSE president Tony Norton says the 10-year target is ambitious.

"The concept of black involvement is not only laudable morally, but physically essential. However, you cannot have a public market with a quota of shareholders. That is self defeating.

"On the other hand, we would be delighted if, through natural economic forces, the number of black shareholders increased."

Mr Norton believes revolutionary change should be avoided.

"I am an evolutionist. Change is necessary, but we need to avoid excesses."

Jimmy McKenzie, senior general manager at equal-opportunity employer First National Bank, says the bank has been on the course suggested by Nafcoc for many years.

The bank employs 25 000 people, 40% of them black and 560 in managerial and supervisory roles.

"It takes about 10 to 12 years to train a young person to become a competent banker. It does not happen overnight.

"For companies starting now, there will necessarily be a long catch-up period."

SA has had growth of less than 2% for the past decade. It is locked into a recession where retrenchments are more the rule than hiring people.

Mr Motsuenyane says: "I believe R50-billion needs to be allocated to education and training.

"That is three-quarters of the Budget and sounds implausible. But over 10 years at an additional R5-billion the figure becomes less daunting."

When sanctions are dropped, the cost of servicing foreign debt will fall. When duplication in the public service ends, the money saved should be spent on priority issues like education.

Agent

"We need to persuade the private sector and the Government that we need an action programme. I hope companies will show an interest.

"Since the mid-1970s the private sector has been an agent for change. But it is expected to do much more.

"This is a Nafcoc initiative and we have not consulted the ANC about the issue. However, we will talk to it."

Asked whether the 40% black shareholding figure is not unreasonably high, Mr Motsuenyane says: "Blacks will soon represent 85% of the population with whites only 10%.

"If we don't do something, white economic domination will supplant white racial domination."

Shares for all, says PAC

29

THEO RAWANA

THE PAC envisaged a post-apartheid SA in which companies would be "asked" to create funds to enable workers to buy shares, the organisation's Zimbabwe-based economist Sipho Shabalala said in Johannesburg yesterday.

Giving a PAC perspective at a seminar organised by the Wits Centre for Policy Studies and the Konrad Adenauer Foundation, Shabalala said to avoid over-capitalisation, existing shareholders would be asked to reduce their level of shareholding by selling part of their shares to workers.

Shabalala said new shares should be issued to workers where the problem of over-capitalisation did not exist.

"Here we are not talking about token share participation by workers, but sizeable magnitudes. The shares must also have voting rights attached."

The exact size and percentage could be investigated further with full participation by workers, management and government officials where considered necessary.

Saying the state would also directly or indirectly support the fund, Shabalala added: "The state might consider money contributed by existing firms to be tax-deductible within particular ranges of magnitude."

Legislation would be passed to ensure the involvement of workers in financing, investment and dividend/reserve decisions.

The right of workers to have access to information to enable them to participate fully in these decisions would also have to be legislated, Shabalala said.

Once the workers' needs had been seen

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PAC

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□ From Page 1

to, Shabalala added that direct taxation would be used to transfer income from companies to the state to enable it to effect the redistribution of wealth.

Through collective bargaining — subject to firms' capacity to pay, the need for employment generation and consideration of macro-inflationary effects — "income-denominated" wealth should be redistributed through wage increases in favour of African workers.

Shabalala said firms would be required to effect human resources training and development programmes to enhance the skills of African workers and to open up promotion opportunities.

"Through the tripartite system and decision-making processes, it shall be made obligatory in labour terms for companies to contribute to the social benefits of their employees such as education of children, housing of workers, health and insurance, recreation facilities, etc."

The PAC-directed state would respect the articulation of workers' needs by the African workers themselves.

'It's economic war'

C/Press 16/12/90

THE lack of representation of black people in the economic arena needs to be addressed and an "economic war" must be waged, according to Black Management Forum national president Don Mkhwanazi.

The fight for control of productive assets will be fierce and bloody, he told the Eastern Cape Chamber of Commerce conference in Port Elizabeth this week.

Privatisation and deregulation, plus the belief in a free-market economy, were issues which heralded the beginnings of an economic war.

"This is a war which must be led by black business. We must break the chains of economic bondage."

At least 60 percent black representation in top management and greater representation at board level in JSE-listed companies was needed.

This would begin to redress the current imbalance, promote greater participation in economic life and would create a more equitable economic pattern.

"We are past the stage of social responsibility and beyond do-gooders.

"What we are talking about is the total transformation and fundamental change of ownership of productive assets, management and corporate power.

"We are no longer talking about sponsorship of dinners.

"What we want is that the sponsors of these dinners give us a meaningful stake in their companies and make soft loans and capital available to black business to facilitate and accelerate the process of black economic empowerment."

Attacking the pace of President FW de Klerk's reform initiative, he said the process of change could not be termed irreversible when people were still being detained without trial. Aggressive and unacceptable police behaviour remained part of the government's arsenal, he said.

"We can never say change is irreversible when our comrades are refused indemnity, when indemnity can be withdrawn at any time or when brother and sister are being tried in the courts for fighting for their birthright." – PENI

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Iscor employees take up more shares

By Roy Cokayne Star 20/11/90

Iscor employees and pensioners have taken up 12 008 700, or more than 37 percent, of the remaining 32 209 900 preferential shares being held in trust for them in terms of the prospectus to the iron and steel giant before its listing.

These shares were taken up by 13 286 Iscor employees or pensioners. The figure includes new employees who became eligible to take up shares and employees or pensioners who did not take up their full entitlement.

Employees and pensioners first had the opportunity to apply for Iscor shares in terms of this preferential share scheme before the company was listed on the JSE in November last year.

Iscor made a public offer of 150 million shares at R2 a share before its listing. In addition to the public issue, it offered 1 284 million to insitutions, 92,5 million either free or at a 20 percent discount to employees and another 92,5 million to employees on a preferential basis.

The public showed great interest in the initial offer and more than 250 000 applications for 600 million shares were received.

On the basis of the share allocation, Iscor acquired more than 300 000 shareholders — 254 000 from the public and more than 50 000 from Iscor employees and financial institutions.

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Privatisation

One of the State's goals with privatisation was to promote a wider shareholding in the share capital of entities to be privatised.

The State also undertook to ensure that employees of State corporations such as Iscor were properly cared for in the process of privatisation.

With these objectives in mind, the State placed 92,5 million ordinary shares in Iscor — 5 percent of the issued share capital — in a trust to be dealt with as follows:

Two hundred shares were offered and allocated to all fulltime employees free of cost.

Any fringe benefit tax implications linked to these shares would be borne by the State.

The offer of the shares was a once-off offer by the State to employees and all costs related to the offer were borne by the State.

The rest of the shares — 92,5 million less the free shares — were dealt with on the basis of their remaining in trust until allocated to and paid for by employees.

The State granted the trust a three-year period during which to pay for the shares.

Shares were offered on a sliding scale based on employee grading levels determined by Iscor to all employees as defined at the issue price less a 20 percent discount — in other words for every 80 shares taken up and paid for, 20 shares were acquired free.

Shares which were not applied for, were held in trust and offered last month at the then ruling market price to employees of the Iscor group and associated companies and organisations of the group at August 31 still so employed at November 1.

The maximum number of shares for each new employee (employees joining betweeen September 1 1989 and August 31 1990) was limited to two-thirds of the total number of shares for each employee grading level as previously determined, rounded to the nearest multiple of 100 shares less any shares obtained during any previous period of employment.

Employees who did not apply for their full entitlements at the time of listing of Iscor or in November 1990, will be limited to a maximum number of shares equal to their original entitlements.

Social upliftment fund set up

Privatised brewer plans JSE listing

B Day 27/12/90

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PETER DELMAR

THE black-controlled company which has taken over government's near-monopoly share of the giant sorghum beer industry is planning a JSE listing next year, with the proceeds going to a special black social upliftment fund.

Spokesmen for the company, National Sorghum Breweries (NSB), disclosed this week that NSB — which has an annual turnover of R250m to R350m — would seek a JSE listing in the first half of the year. NSB owns 18 major breweries and has an 85% share of the sorghum beer market.

NSB spokesman Patrick Mafafo said yesterday that 4 500 employees would hold at least 25% of the company's shares. There was no possibility of retrenchments as a result of the privatisation exercise.

The mechanics of how workers would acquire their shareholding had not yet been worked out, he said.

An NSB statement said privatisation of the sorghum industry would be completed by the end of next year and the company would be wholly owned by its employees and the black community. The state's sorghum interests were transferred from the Industrial Development Corporation to NSB in July this year.

The statement said the company was debt-free with reserves worth "millions". A prospectus would be released in March.

Mafafo said NSB directors intended expanding the company beyond its single product base and were looking at other beverages, as well as markets in Africa and abroad. There were no plans to "tackle SAB head-on" in the clear beer market. However, NSB was investigating import arrangements with European beer producers, including the makers of such well-known brands as Guinness and Heineken.

Mafafo said US-based consultants were also researching the feasibility of exporting sorghum to the US. They were particularly looking at whether sorghum should be aimed at black Americans, for whom the product had an "ethnocentric appeal", or whether it should be aimed at the large health market.

CSIR studies had shown that sorghum beer was a viable food supplement, he said. Another major short-term strategy would be to expand the more up-market local consumption of clear sorghum beer.

Mafafo said proceeds from the sale of shares — expected to raise more than R100m — would go towards a special "black community upliftment" fund to be administered independently of NSB.

Although details of projects to be funded still had to be worked out, funding would be in line with NSB's mission statement of "paving the way for the entry of the black community into the mainstream of the economy". A "minimal" proportion of the share issue would go towards NSB's expansion beyond its single product base.

Mafafo said that in addition to the employees' 25%-plus share, various sectors of the black community would be given preferential share allocations. Discussions had already been held with black shebeen owners and taverners.

Sorghum beer production has been con-

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Brewer

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trolled by the public sector since shortly after the turn of the century. In the 1950s production was controlled by various white municipalities and later by administration boards, with proceeds being used to finance black township administration.

Black business organisations such as Nafcoc have repeatedly called for the industry to be brought under black control and the issue has been considered by government since 1984. Mafafo said the employees' 25% shareholding would give them an effective veto right over special resolutions. For this reason, black liberation movements were expected not to oppose the move.

NSB chairman is Mohale Mahanyele, former Nafcoc executive director and a director of SA Philips, Johnson & Johnson, York Timber and the SA Foreign Trade Organisation. The MD is Sammy Mosikili.

No listing planned for sorghum brewer

Business Day Reporter

THE chairman of National Sorghum Breweries, the black-controlled company which has taken over government's near-monopoly share of the giant sorghum beer industry, has denied the company is planning a JSE-listing next year.

Chairman Mohale Mahanyele said this week a statement claiming that the company's 4 500 employees would hold at least 25% of shares in the company had not been formally approved by him.

The statement was issued by a public relations consultant and quoted Mahanyele as saying the privatisation of government's stake in the industry would be completed next year.

Mahanyele also denied that NSB's 4 500 employees would definitely hold at least 25% of the company's shares.

NSB owns 18 major breweries and has an 85% share of the R250m sorghum beer market. The state's sorghum interests were transferred from the IDC to NSB in July.

The statement said the company was debt-free with reserves worth "millions". A prospectus would be released in March.

The "spokesman" — whom Mahanyele confirmed had links with NSB — said the company was planning to expand beyond the sorghum beer market and was looking at other beverages, including markets in Africa and beyond.

In particular, exporting sorghum beer to the US was being investigated, he said. Possible import arrangements with European beer producers were also under investigation.

CO - DETERMINATION

1991 - 1992

Workers turn ploughshares into JSE shares

South 16/5-21/5/92

IT MAY be a case of turning ploughshares into JSE shares when major trade unions launch their own unit trust fund for workers next month.

JSE-listed companies that are "socially responsible" will be targets of investment for part of workers' pension and provident fund contributions.

The fund — known as the Community Growth Fund (CGF) — is the brainchild of the Cape-based Labour Research Service and will be administered and managed by Syfrets.

Its aim is to invest in companies with strong growth in earnings and capital, but which also satisfy certain union criteria of social responsibility.

These include fair employment practices, job creation, union recognition, safe working conditions, equal opportunity policies, black advancement and protection of the environment.

"The aim of the fund is to marry high returns with socially responsible investment. Members' pension contributions will be carefully protected," said Mr Manoko Nchwe of the National Union of Mineworkers (NUM).

Support for the fund was pledged by former NUM secretary-general Mr Cyril Ramaphosa, who was involved in the initial stages of the fund before moving over to the ANC.

Ramaphosa said: "This is a fund which represents a break with the past. It is the first step into a future where workers are no longer mere spectators, but active participants in shaping their economic destiny.

"The formation of the fund should send a clear message to companies, especially those with bad employment policies, that the silent giant is awakening and will challenge those who have run roughshod over workers' interests."

A number of financial institutions were examined and Syfrets was eventually selected to manage the fund.

A spokesperson for the Labour Research Office, Mr Gordon Young, said: "Syfrets is a reputable institution with an excellent track record in the investment performance of its own unit trusts."

The firm, which is putting R2 million of its own money into the CGF, has accepted the leading role of unions in the project.

Syfrets chief executive Mr John Cragg said: "We are delighted the unions chose Syfrets' expertise in this bold investment venture. Over time it could become one of the largest unit trusts in the country."

The fund is expected to get about 30 percent of the cash flow of union contributions to pensions and provident funds.

As is the case with any other unit trust, individuals as well as trade unions will be able to invest in the fund.

Cosatu affiliates which have endorsed the CGF are the National Union of Mineworkers, Construction and Allied Workers Union, Transport and General Workers Union and the Paper Printing Wood and Allied Workers Union.

The Nactu unions are the National Union of Food, Wine, Spirits and Allied Workers, Transport and Allied Workers Union and the Metal and Electrical Workers Union of SA.

QUENTIN WILSON

Dilemmas looming for SA's pension fund trustees

B|Day 12/5/92.

JIM JONES

29

LAST Monday a number of Cosatu and Nactu unions, led by the NUM, announced the formation of a unit trust, the Community Growth Fund (CGF), hailed as an innovative investment outlet for union provident funds. It is and it isn't.

It is innovative in that the unions make clear the fund will buy shares only in companies deemed "socially responsible". And it is politically innovative as the unions have made clear from the outset that they will exercise the votes on shares held by their unit trust.

The CGF, to be managed by Syfrets, is not an innovator of investment in private sector firms by nominally socialist unions or the provident funds they manage for their members. Union provident funds already hold equities as well as other investments forming the normal portfolios of pension funds.

The new fund has no track record and will only start operating in June. It kicked off last Monday with R30 paid in by Cyril Ramaphosa. His modest contribution was followed rapidly the next day by the well-publicised investment of R1m by the Times Media (TML) Pension Fund.

The facts that CGF is not yet operating and has no track record suggest that the TML Pension Fund's investment could not have been motivated by the investment or actuarial criteria which normally govern pension fund investments. Furthermore, while they remain invested in CGF, the TML Pension Fund trustees will have no influence over the ways in which CGF's managers exercise voting rights on shares held by the unit trust.

The TML Pension Fund's initiative highlighted the dilemma of many pension fund trustees pondering how best to protect members' interests from possible government intervention. The TML Pension Fund trustees' initiative was politically innovative and was tagged as such by the NUM whose Manoko Nchwe said it was "extremely important that a company such as TML has identified itself with this cause".

Nchwe, who has since quit the union, might be forgiven for confusing the TML Pension Fund with TML itself. Stephen Mulholland, who publicly presented the pension fund's money to representatives of the NUM, is well known as a former newspaper editor and as TML's present MD. But the decision to invest R1m in CGF was taken as a trustee of the TML Pension Fund. He and his two co-trustees decided to place the R1m with CGF.

TML publishes newspapers, including Business Day. TML's pension fund is an entirely separate entity whose sole purpose is to manage the retirement savings of employees.

Business Day will pay particular editorial attention to CGF to compare the performance of the unit trust's "socially responsible" investments with those whose investment policies are not restricted by union views on social responsibility. The contest will be fascinating.

But that is another issue. The TML Pension Fund trustees' decision raises issues central to the management of pension funds and the protection of fund members' savings, particularly as political organisations such as the ANC have indicated support for future legislation which could milk life assurers and pension funds to finance investment in such "socially responsible" ventures as mass housing on which investment returns will be negligible.

Now that the TML Pension Fund has endorsed and invested in a "socially responsible" union-sponsored venture with no investment track record, it could be difficult for the managers of this or other companies' pension funds to resist outside pressure for members' savings to be directed into further "socially responsible" investments. And it could inspire unions to attempt to use representation on pension funds for political ends.

It is a short step, for example, from investing in firms managed in a "socially responsible" manner to investing in mass housing projects or non-profit enterprises sponsored by unions or political groups. Other unions could follow the NUM's lead and form unit trusts and could try to persuade other pension funds to follow TML's example. Numsa, for example, refused to join the NUM initiative and insists that pension funds and life assurers be obliged to redistribute wealth by investing in mass housing schemes and so on.

These are issues which have yet to be debated and resolved. But pension fund trustees who have yet to broaden their approach and who interpret their fiduciary responsibilities more narrowly than TML's might be haunted by Kipling's words: "... once you have paid him the Danegeld you never get rid of the Dane."

Trustees and managers are generally charged with running pension funds so as to maximise the benefits which will accrue to their members. Generally, those investments should be politically blind. Union members who contribute to the CGF are aware of its restrictive investment covenants. Members of more conventional pension funds generally assume that maximisation of benefits implies a narrow financial interpretation. That is normally the case as professional fund managers rely on their investment track records when bidding for pension fund management contracts. As a result, most pension fund members understandably rely on the assumption that previous investment strategies will persist and that investment decisions will be taken solely on the basis of measurable investment returns.

They also take for granted that the fiduciary duties of pension fund managers require consultation with trustees when voting rights are exercised and that trustees will not permanantly renounce those rights.

But SA is in a process of rapid change, and thoughtful pension fund trustees might deem it necessary to make investments based on considerations which appear more politically than financially motivated. This might be justified, for example, by the argument that a commitment to "socially responsible" investments now might protect pension fund wealth from the depredations of some future government's populist redistribution policies.

But should politically motivated investments falter, pension fund trustees could run the risk of being accused of paying insufficient heed to their fiduciary responsibilities.

The rights of pension fund members should not be obscured by the political debate. By the same token, the views of pension fund members should not be overlooked by those entrusted with the management of members' savings. It would appear axiomatic that investment innovation which goes beyond normally accepted criteria should first be endorsed by the members.

Looked at from another vantage point, it is time, perhaps, for the playing fields to be levelled and for legislation to be introduced which gives individuals who prefer to opt out of compulsory pension fund membership the same tax breaks as those inside. Personal pension schemes should be treated no differently than group schemes run by professional pension fund managers. Individuals could then make their own decisions about whether to invest in "socially responsible" equities and decide for themselves which are "socially responsible".

The TML initiative has brought to the forefront new issues for private pension funds. They are issues which will need to be addressed rationally and openly, for the good of existing pension fund members and future ones. It is inconceivable that at least for several generations the state could provide adequate benefits for South African pensioners. That means the responsibility will continue to lie with private pension schemes. We cannot afford to get things wrong.

LETTER

Controls keep pension trustees in check

29

B/Day 14/5/92

PETER McCULLOCH

ıOT TOO long ago, management ontrol of pension and provident unds was totally in the hands of ompany management.

A few years ago, with the advent f negotiated provident funds, this egan to change. Members of provident funds, represented by their nions, demanded representation on he boards of trustees of the negotited funds.

In recently issued draft guidance otes, the Inland Revenue Commisioner effectively approved this deelopment by suggesting that all ınds should include member repreentatives on the board of trustees.

In recent negotiations, certain nions have demanded majority repesentation on the board of trustees, rguing that pension and provident ınd contributions are deferred comensation and therefore from the me the money is invested in the fund it becomes the workers' money. The workers should therefore determine how this money is invested and control management of the fund.

Many fund members also regard the assets invested in pension and provident funds as a source of wealth for potential worker empowerment. Suggestions have been made that at least part of these assets should be invested in "socially desirable investments" which to some extent redress the wrongs of apartheid.

Are there risks that worker majorities on the boards of trustees of pension or provident funds together with the call for worker economic empowerment could lead to fiscal irresponsibility?

I would tend to think not. SA legislation imposes a number of controls on trustees and their advisers.

Trustees must at all times act in the best interests of all the fund's members and they will have the Financial Services Board, the fund's auditor, and the fund's actuary looking over their shoulders.

Furthermore, the prudent investment guidelines and other investment controls limit the trustees' flexibility in investment matters.

Recently a new unit trust, the Community Growth Fund (CGF), was launched. It is managed by Syfrets and has union participation on its management committee. The CGF is being marketed as a potential investment for pension funds and provident funds and will be constrained in the investments it makes. This unit trust is a nod to socially acceptable investment, but although the companies' track records in job creation, trade union relations, and environment issues will be monitored, investments made in JSE-listed companies and investment returns will be of paramount importance.

Before the advent of this unit trust, member trustees on negotiated funds were already setting constraints on investment managers. Thus, through individual provident funds, workers already have some say on the suitability of investment decisions on assets they partly control.

It has been our experience in working with member trustees on provident funds that however much they are concerned at the social inequalities existing in SA there is a keen awareness that the provident fund can only be of limited assistance in addressing these issues. However, the economic difficulties facing the country will always be on the agenda.

☐ **The author is joint MD of Alexander Forbes Negotiated Benefit Consultants.**

REVIEW

Growth answer to decay in SA

Sowetan 20/2/92

By JOSHUA RABOROKO

THE South African economy needs to expand in order to solve the problems caused by the stagnation of many centuries, leading Soweto businessman Mr George Negota said yesterday.

Addressing a seminar on "Employee involvement in South Africa - managing the creative tension between visions and realities", he said the economy had to grow to curb unemployment by absorbing thousands of school leavers every year.

He said: "In order to achieve a realistic growth, every capable person with potential should be able to play a role and, towards that end, training should be provided."

However, he said, the purpose of training and the objective it seeks to achieve through selected individuals should be made clear and that it should be within the planned career path of an individual.

Training

South African companies would rather provide general training to a black employee without a well defined scope and specific role which they would like him to play.

He said: "If training is aimed at providing individuals with skills, then those who are trained should be placed where they would be able to exercise their skills immediately.

"This has been a problem in South African companies. Black employees who were exposed to training ended up not knowing the purpose of the training because it was never tied to identified jobs."

The time had come to involve employees in the affairs of companies, he said, adding, it was a fact that certain people within companies were not ready to accept other races into the decision-making machinery.

Apartheid on the shop floor of many companies would have to be scrapped and those who practised it should be allowed their democratic right to leave the establishment.

Racism was one of the major problems to be eradicated by companies during this transitional period, he said, calling on employers and employees to work harder and to ensure that the interests of the economy were properly served.

Capital and labour still had to find each other in an environment free of apartheid.

Prosperity can flow from union funds

BDay 26/5/92

29

WALTER SCHEFFLER

SUCCESSFUL economic empowerment of SA's black population is necessary for the future prosperity of all South Africans. The investments in pension and provident funds held on behalf of black members run into billions of rands and can rightfully be considered as a means to help achieve this end.

The recent announcement of a trade union-endorsed unit trust, the Community Growth Fund (CGF) may be a small but meaningful step in this direction — provided that it is managed sensibly and reasonably.

Two aspects specifically mentioned will be the restriction to investments in companies deemed "socially responsible", and the intention of the unions to exercise their voting rights on shares held. (If the first criterion is properly adhered to then, presumably, the need for the second will not arise.)

There is some debate on the position of fund trustees who choose to support "socially responsible" investments. I do not think trustees will be neglecting their fiduciary duties if they choose to invest some portion of their funds in the CGF or similar investment vehicle if these provide a healthy mix of normal sound investment criteria coupled with a moderation of political and social conscience.

In theory, any limitation on investment decision must restrict the portfolio managers' scope to maximise investment returns. In practise, if the limitations are limited — and that is the crux — it should make no measurable difference that could be identifiable beyond normal variations in returns from nonrestricted portfolios.

If the approach will be to blacklist a small number of companies deemed "socially irresponsible", and this is not done on emotion but with reason, the result may be quite acceptable. One may well argue that socially irresponsible and unethical behaviour by companies will not lead to sustainable long-term returns to shareholders.

The token R1m investment by TML Pension Fund in CGF was probably politically motivated, but that does not exclude financial soundness. It may well prove to be a very profitable investment for TML as employer which ultimately carries the cost not only of pension fund contributions but also of salaries to union members.

Responsible trade union participation in the investment markets should be welcomed and encouraged. It does not require personal commitment to call for socially responsible investments with other peoples' money, but it may be a sobering exercise to have to put one's own members' money where one's mouth is, and thereby to lead by positive example rather than shouting from the sidelines.

A unit trust is not, however, the most effective investment vehicle for provident fund investments. The cost structure of unit funds is normally geared towards the small investor, and is far too high if applied to large investments by provident funds.

Provident funds should ideally invest in balanced portfolios consisting of a reasonable distribution of shares, property, fixed interest and cash, as is typically the case with managed portfolios of insurance companies, but unfortunatley cannot be provided by unit trusts.

Unit trusts cannot at present meet the prudent asset regulations of the registrar of pension funds, which means provident funds using unit trusts will have to do so themselves.

☐ **Scheffler is senior GM, group benefits, at Sanlam.**

New fund calls for extra diligence

BDay 29/5/92.

29

JOE GATES

ALLEGATIONS of financial impropriety against the late Robert Maxwell led the Economist to comment (November 9 1991) that "entrepreneurial capitalism needs capital, but capital always needs guardians".

This appears true for pension fund trustees, owing to the emergence of the trade union-sponsored Community Growth Fund (CGF). This alternative investment vehicle is welcomed for a variety of reasons. But, as with most innovations, there will be obstacles to overcome and learning curves to master.

It is welcomed in the hope that its advent is a signal that nationalisation is relegated to the history books of economic and political posturing. If not, pension funds will once again be hampered by prescribed investment sponsored by interventionists.

It is also welcomed if it is a signal to all that trade unions underwrite the free market — a system which is always willing to receive new entrants and competition. If not, it will be a well-disguised socialist plot to co-opt market forces.

In the race to subscribe to the CGF or equivalent facility, pension fund trustees must remain conscious of their fiduciary duties and use them to advantage — to act with care, good faith and diligence; to obtain expert advice if their own knowledge is wanting; to avoid conflict of interest; to invest assets for the benefit of the fund and its members; and to act with impartiality in respect of members and beneficiaries.

It is not difficult to find justification in each of these duties when assessing the CGF as an investment vehicle, especially in regard to the economic and social environment of members and beneficiaries. However, trustees might feel obliged to maximise investment return on monies under their control.

The pursuit of investment performance is not necessarily in the best medium- or long-term interests of members and beneficiaries, and trustees should contemplate the responsibility that comes with freedom of choice offered by pension fund investment regulations.

Through diligent analysis and research, pension fund trustees can contribute to the economic enrichment of our country and its people as well as pension fund members while ensuring competitive returns.

Social responsibility does not mean that investment performance can be disregarded in favour of ethics and conscience, as the latter do not necessarily meet the bread-and-butter issues members need to finance in their retirement.

What is called for in trustees is a fine blend of conscience and reality, theory and practice, and an empathetic understanding of the present as well as the future.

Ultimately trustees are going to have to define their funds' boundaries regarding risk and reward, and find solace in the notion that optimising returns on funds they control might well be as important for their own funds' members as maximising returns for other funds' members.

If they are concerned that they might breach their fiduciary duties and find an action in law against them, perhaps the defence of *volenti non fit injuria* — there can be no action if a person voluntarily consents to the prospect of suffering injury — might allow for this.

Our courts have recognised the need to adapt the law to fit the changing times: "There comes a time in the growth of every living system of law when old practice … must be modified in order to keep pace with the requirements of changing conditions." (Innes C J, Blower v Van Noorden 1909 TS 890).

And "however anxious the court may be to maintain the Roman Dutch law in all its integrity, there must, in the ordinary course, be a progressive development of the law, keeping pace with modern requirements." (De Villiers C J, Henderson v Henderson (1903) 20 SC 513).

Pliny the Elder knew more than most when he observed that there was always something new out of Africa. Our trustees must ensure that, above all else, they discharge their fiduciary responsibilities in a careful, honest and diligent manner, for the CGF or its equivalent will be one instance of there being no doubt (with apologies to Juvenal for what is lost in translation) as to who guards the guards.

☐ Gates is AA Life Assurance Association Ltd MD and president of the Institute of Life and Pension Advisers.

Social responsibility need not curb investment returns

B/Day 21/5/92.

ANTHONY ASHER

29

(CGF) by the Labour Research Service (LRS) and Syfrets has captured the investment public's imagination, if not yet its pockets.

Discussion about the fund has raised a number of questions, not least as to whether socially desirable investment is contrary to the principles of trusteeship. The answer is no; it is, in fact, one of the principles.

The actuarial textbook Day and Jamieson gives five rules that govern institutional investments:

- ☐ The liabilities of the fund must be met as and when they arise;
- ☐ The liabilities must be met with as much surplus as possible (that is, the investment return must be as high as possible);
- ☐ The risk involved in maximising the return must not be so great as to imperil the meeting of the liabilities;
- ☐ The investment should not be objectionable to the original savers on social or ethical grounds and, subject to the above three rules, investments should be those which can be held most beneficially on such considerations; and
- ☐ When these four rules are satisfied, the investment manager should choose the investments which do most to further the other objectives of his business.

The CGF will focus particularly on rule four, at the expense of rule five but not of the first three. As everybody knows, rule five is usually followed by investment managers controlled by the conglomerates.

But will restrictions placed on the investment manager reduce the investment return?

Funds need as few as 12 stocks to be fully diversified. There are 150 stocks in the JSE Actuaries Index. This means that Syfrets will have plenty of choice, even if restricted to only half the shares in the index. The CGF can, therefore, be sufficiently diversified.

The return will be reduced only if the shares bought by the CGF are too highly priced. If the price rises too much, other investors in these shares will sell them and the price will return to a more reasonable level. Serious distortions will occur only if the CGF becomes a very large investor. If this were to happen, selection criteria might have to be relaxed if the CGF were to remain an appropriate investment for retirement funds.

In addition, LRS has chosen Syfrets to manage the CGF because of its excellent investment performance in the recent past. All in all, I would be surprised if the performance of the CGF differed much from other unit trusts.

But surely companies that pay higher wages must have lower profits and lower investment returns?

This is a common fallacy. It is not important for a company to have a particularly high rate of return on shareholders' funds. Excellent investment yields are more likely to arise from high growth in profits.

Companies that show a high rate of profit may well be bad investments if the high return is dependent on shareholders exploiting one of the other stakeholders in the company, or as a result of an unwillingness to invest in future growth. (The stakeholders in the company — apart from the shareholders — are the employees, suppliers, customers and society as a whole.)

Kgalema Mothlanthe, general secretary of the NUM, the main union backer of the CGF.

Where companies are paying higher than average wages to their unskilled labour, it is possible that one or other of the stakeholders are making sacrifices. It is also possible that higher productivity allows the paying of higher wages. The aim we are setting ourselves is a fair division of the company's turnover between wages, salaries, profits and returns to other stakeholders. It is a question of not too much nor too little, and applies equally to wages, salaries, profits and directors' fees.

But are company managements not responsible for maximising profits, and will the CGF not do harm by encouraging managers to concentrate on other things?

In discussions with the members of various unions, I have found that their major concern in the area of investment is its relationship to the creation of jobs. This is, therefore, also likely to be the main concern of the CGF. A company that is going to provide consistently higher returns to its shareholders can only do so by finding new markets for new products and, in the process, creating jobs. In the long run, job creation and superior profits go hand in hand — there is no other way.

In his article (Business Day, May 12), Jim Jones raised the question of whether trustees were not abdicating ... investing in the CGF.

This is a question of corporate governance which is becoming an important issue internationally. If retirement funds own most of the shares in the companies, and they do not exercise their votes, who controls the companies' managers?

I agree that the exercise of votes is a fiduciary responsibility of trustees. This is, however, seldom done in SA. The problem is that retirement fund trustees are seldom in a position to be adequately informed about every company in which they invest. They are necessarily dependent on consultants of one sort or another to advise them in this area. A major reason for supporting the CGF is that it will provide the first such service in SA. This is a crucial area for the democratisation and revitalisation of SA business.

When all is said and done, is there not a danger that the investment decisions taken by the CGF will not be made in the best financial interest of the members?

We are not perfect. Mistakes will be made. But there are two reasons why an investment in the CGF may well yield better returns than the alternatives.

The first is that the CGF will concentrate on the long term. We will attempt to avoid companies that are making short-term profits from pollution, racial discrimination, exploitative wages and other shortsighted policies. In the long run, these companies will have to pay for their myopia, and investment in them is therefore risky for retirement funds.

The second reason is that, in the CGF management company board, the investment managers are going to have to justify their points of view more thoroughly than would be the case in the average investment committee. Better decisions are likely to be hammered out, and investors are likely to benefit.

☐ **Asher is director of actuarial studies at Wits University and chairman-elect of the management company of the CGF.**

FM 15/5/92 (29)

brandt would be penalised because of its liquor and tobacco interests — as would Breweries for its beer division and its "monopoly" of the market. But it is likely the interests of workers in those industries will count more heavily than these ethical concerns. In fact, Rembrandt could score well for its tiny mining operation Transhex, which is seen in a relatively positive light by the union — though poor disclosure would detract from the final score.

SAB would probably be highly rated because wages are relatively high and the conglomerate recognises the unions involved and has an affirmative action programme. Safren could gain marks because it negotiates centrally with the Transport & General Workers' Union.

Of course, though the CGF will increase the influence of unions, the funds will form a relatively small part of the investment stream. No-one is able to make even a ballpark estimate of the union funds going into the equity market at present but the entire pension and provident fund industry is estimated about 40%. And of the 13 000 pension and provident funds, only a handful allow union representation in asset management — an indication that the potential for attracting funds is limited.

Simply put, these sorts of nebulous criteria — and a weighting that must be a matter of opinion — will provide a lucrative source of income for under-paid academics, as do the calculation of what are called living wages. It could be the cause of endless dispute. For instance, companies that cut wages but increase jobs as a result are not likely to be viewed in a sanguine light by unions. But the social benefit of their actions could be material.

In Britain a similar fund, the TU Fund Managers, was established in 1961 to invest in companies in which trade union members work. It is now worth only about £65m. Fund chairman Tony Christopher says the problem is that "most of the big trade union pension funds — such as the Post Office workers which has a cash flow of £1m a day — are in the hands of several financial services companies."

Political leverage in SA will probably play a part in directing funds into CGF. But success will depend on its investment performance. If it is to become a force, the fund must prove its worth. This is the ultimate safeguard for wary investors.

Asher does not foresee problems in balancing ethical and investment merits. "Behaviour that is socially undesirable is not compatible with the best returns." He argues that short-term profits may be greater if the criteria are ignored but there will be a longer-term cost to the economy and the company concerned.

Problems are more likely to arise for the trustees of non-union pension funds that decide to take part. They are surrendering, on funds in CGF, their fiduciary duty to maximise returns for members and pensioners. Instead, they are accepting that union influence with other objectives may be brought to bear.

Under the circumstances, they would be advised to make sure of their legal culpability before committing funds under their supervision. Of course, if shareholders' funds are committed, the situation is different — depending largely on where shareholder control is vested.

There is also a danger that, to justify the performance of CGF, its managers might claim that investment performance is compatible with the social constraints placed upon them. That should not be accepted. Investment returns need to match those of nonconstrained funds.

Eventual tyranny

Finally, "social responsibility" has a distinctly Orwellian ring about it. The criteria could change according to the opinions of those whose decision it is. The danger of a replication of the eventual tyranny of the pigs of *Animal Farm* should not be forgotten, especially as political pressure mounts to provide low-cost housing for minimal investment return or other questionable social objectives are introduced.

Nor should pension fund trustees forget that if they decide to place only a small amount of funds under their care in CGF, they, like the socialist hardliners, will have violated a verity. If some, why should not all of their resources be in socially responsible companies — however defined?

What should remain central to a consideration to invest in CGF is that few businesses in the modern world can continue to increase their investment surpluses, and reinvest adequately in their own undertakings to ensure survival, if they violate for long the social norms of society.

If that principle is accepted, CGF is more than anything else a means of allaying mutual suspicion — and doing it overtly within the public arena. ■

THE COMRADES TRY CAPITALISM

Only a few years ago — while he was at the helm of the National Union of Mineworkers (NUM) — Cyril Ramaphosa rejected Anglo American's employee share option scheme as a dirty trick. It was designed to co-opt workers at the expense of union demands for better pay and working conditions.

Today, Ramaphosa, who remains a father-figure of the NUM, is in the far more powerful position of secretary-general of the ANC — which leads the so-called tripartite alliance with the Congress of SA Trade Unions (Cosatu) and the SA Communist Party. His presence at the launch of the CGF was, therefore, symbolically important. Of course, he warned companies careless of employee rights that workers were now active participants in the economy and no longer spectators or exploited victims.

But the CGF had its genesis in resolutions adopted at recent NUM congresses: that the mineworkers' pension fund should not be used to invest in "apartheid-supporting" companies. Some 340 000 employees contribute to that pension fund, valued at around R400m.

Anglo American public affairs spokesman Michael Spicer describes the union unit trust as a very positive development, which shifts the locus of the social reponsibility debate from the abstract to a more positive, practical realm.

On the question of foreign investment especially, Spicer adds, discussions have tended to be on a theoretical level, whereas now the argument about why there is a need for it will be more focused. The educative value of the initiative will also cut both ways — exposing management to the demands of blacks for social uplift-ment.

Ian Hamilton of Syfrets, which will administer the CGF, described the new fund as an important breakthrough in making investment more democratic: "It takes cognisance of the voice of the worker."

All this marks a major departure by the unions in general and the NUM especially, long regarded as Cosatu's flagship even though it has been overtaken by the metal workers, Numsa, in terms of membership. In fact, Numsa's absence from this scheme was noticeable, though whether it is adopting a wait-and-see approach, or doesn't like the idea, is unclear.

Other Cosatu affiliates which have endorsed the CGF include: the construction and allied workers (Cawu), transport (T&GWU) and paper and printing (PPWAWU). Among the Nactu unions are: food, wine, spirit and allied workers; transport and metal and allied workers.

Despite Numsa's absence, however, the point remains that here is a large union, NUM, which in the past led the militant socialist approach but is now at the forefront of compromise.

It wasn't long ago that NUM president James Motlatsi, addressing the African Miners' Association, spoke of a return to "pre-capitalist mining," whatever that may mean. Now the NUM looks to be following a strategy of seeking to influence companies' social practices by mobilising their funds accordingly. However limited the social purchase of the CGF may be in reality, the significance is that the unions are attempting to influence the system rather than abolish it.

Unionists find knowing your Marx isn't enough

WMail 8/3-14/3/91 (29)

Financial woes and retrenchments at South Africa's only union factory, Zenzeleni Clothing, have serious implications for labour and its drive for industrial democracy.
DREW FORREST reports

THE framed union T-shirt hanging behind the reception desk leaves the visitor in no doubt: here is no ordinary clothing factory.

On the shopfloor, where more than 100 workers are cutting, sewing and pressing workwear, the impression deepens. "Quality starts with you," exhorts a notice, scrawled by a worker's hand; posters urge solidarity with Chile, and farmworkers to "organise or starve".

"South African managements are so uptight about what goes on notice-boards," says managing director Glen Cormack. "We try to remove those areas of conflict."

The uniquely worker-centred atmosphere is that of Zenzeleni Clothing in Durban, launched two years ago by the South African Clothing and Textile Workers Union (Sactwu). But idle sewing machines on the T-shirt line are a tell-tale pointer that all is not well at South Africa's only union factory.

Days earlier, Zenzeleni ("Do it yourself") retrenched 125 of its 300 workers. Two shopstewards are directors, and workers had a more than usual say, but it was ultimately a decision of a union board of trustees. It was a nightmare for Sactwu which launched the project to employ retrenched Frame workers with a view to ploughing profits into further job creation. Following closely on the closure of a National Union of Metalworkers' supermarket co-operative in Port Elizabeth, Zenzeleni's woes have implications for labour's drive to increase workers' stake in the economy.

The battle for survival at the factory — reports put losses last year at R2-million — has done more than embroil Sactwu in painful contradictions. Assistant general secretary Yunis Shaik estimates the union has injected R1-million to prop it up.

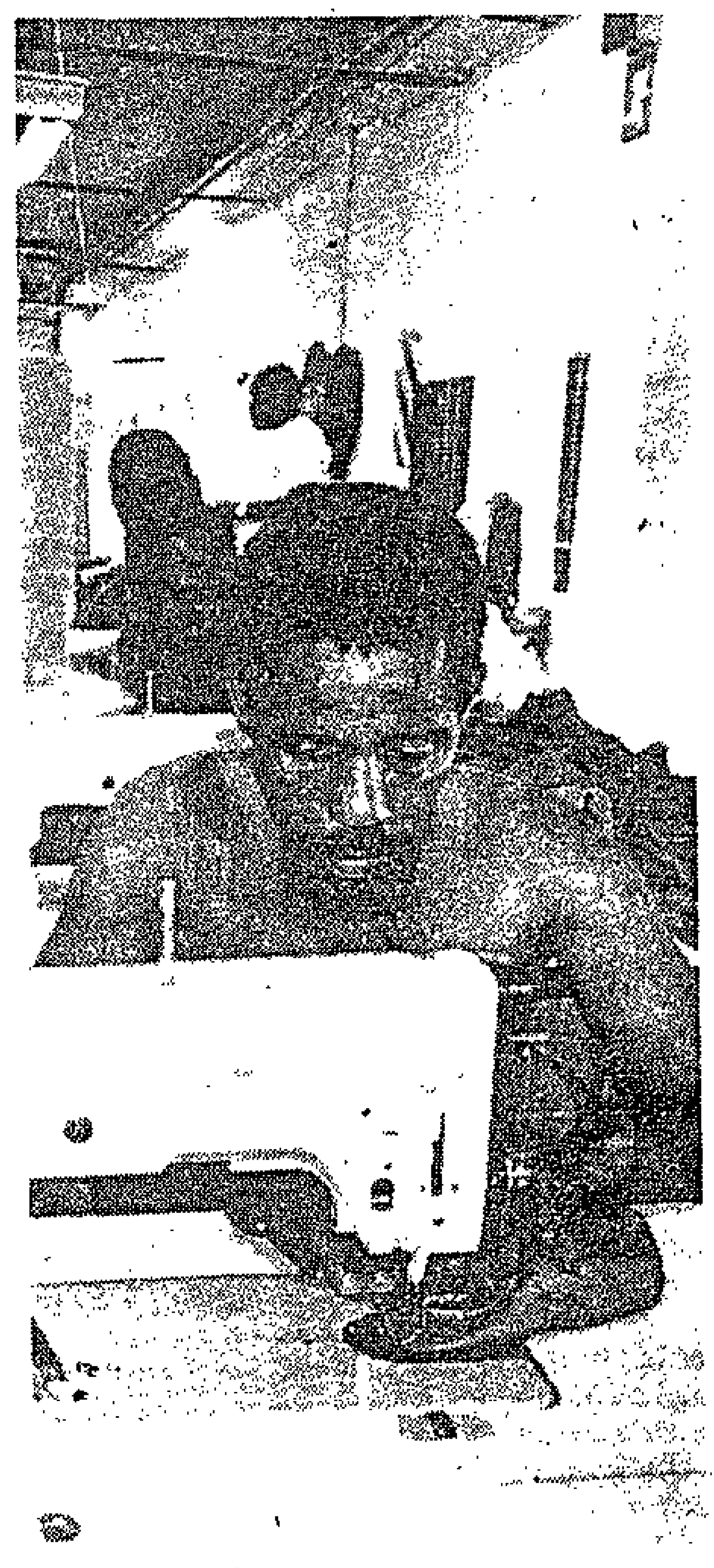
What went wrong? Some setbacks have clearly been beyond Sactwu's control: sales of political and union T-shirts, a potentially captive market, collapsed from 3 000 to 300 a month last year under the brunt of political violence, while R2,5-million pledged by Frame was drip-fed into the project, leaving it initially undercapitalised.

The key hurdles in servicing orders, Shaik complains, have been credit from textile mills and finance.

"Banks are happy to have our multimillion rand account — but for loans, they want double security; they fear it'll be politically sensitive if they have to foreclose. It's infuriating that we don't get equal treatment."

He warns that if business refuses to play ball, labour will have to launch its own financial instruments.

But Sactwu is also grappling with its own failures. In a frank assessment, Shaik said labour had to learn "to make business,



Union democracy: Workers face the reality of making a business succeed
Photo: DREW FORREST

rather than political, decisions. Business is not run on the buddy system, and knowing your Marx is not enough — if you don't pay, the supplier cancels; if you don't supply, the customer cancels."

He said: "We've got to be accountable for errors — we can't keep pointing to what we have suffered."

Setting up a factory to employ 300 and then seeking orders had been a mistake, Shaik added. "You need a workable plan based on business principles and managed by a businessman, not some arty-farty progressive."

For some union critics, the retrenchments expose a root flaw at Zenzeleni: Sactwu is the workers' employer and representative. Workers have unusual powers — dismissals, for example, are negotiated on the basis of a mutually agreed code of conduct.

But in contrast with a classical co-op, they don't have the final say on the running of the enterprise or how earnings are distributed. Pay is negotiated by Sactwu at the industrial council, and any surplus goes to the trust for further work creation.

The National Union of Mineworkers' (NUM) co-ops embody a contrasting approach: although NUM provides loan capital and support services, these are producer-controlled.

"We're critical of union-owned factories," said NUM co-ops co-ordinator Kate Philipp. "They set up irreconcilable differences between workers and the union."

For Shaik, the NUM schemes fail to address the key question of ownership, of how to "strengthen the economic stake of the class as a whole.

"Through Zenzeleni, our 200 000 members have a stake, however small, in the economy and their own industry. Ordinary workers — Dolly and Jayshree in the factories — paid for this project."

Shaik and Cormack stress that the aim is growing shopfloor control as workers acquire business skills, as well as a greater slice of the product. One idea is the conversion of some profits to shares redeemable by workers on leaving the company.

The approach was endorsed by Zenzeleni shopsteward Yusuf Smith, who urged closer co-operation between workers and managers, but told *The Weekly Mail*: "Maybe when workers are fully trained and experienced in the industry, they can take over. But it will take years; it's better like it is at the moment."

Shop-floor conflict sometimes sparked charges that "Sactwu is oppressing us", but only from "a few individuals", he said.

Zenzeleni has a new plan involving stepwise reconstruction in tandem with the cultivation of credit — Frame has been helpful here — and Shaik is convinced the company can work.

He dismisses claims that worker involvement is an obstacle to business success: "There's no conflict between demands for higher wages and company growth." Certainly the Zenzeleni system has its advantages; Cormack says absenteeism is lower than one percent, as against three to five percent in normal companies.

"We paid a high price but we've now reached the top of the learning curve," Shaik says. "We had to live the dream to learn the reality."

Privatisation a major factor in the redistribution of wealth

Star 8/3/91.

(29)

By Des Parker

Privatisation of state-owned industry may be unfashionable in South Africa at the moment but it will be looked at afresh if the words of the head of a visting British trade delegation fall on receptive ears.

Sir Keith Stuart is chairman of Uksata (UK South Africa Trade Association) and is heading an influential trade delegation to this country.

In addition, he chairs the board of Associated British Ports Holdings, which in 1982 was one of the first public-sector bodies to be privatised in the UK after the Conservative Party led by Margaret Thatcher was returned to power in 1979.

Interviewed yesterday Sir Keith said he understood the caution he had heard expressed on the question of privatisation in South Africa.

"When I talk to organisations on the left of the political spectrum about the drawbacks to nationalisation, I am asked, 'What other means are there to redistribute wealth?'," he said.

"I point to the considerable increase in wealth of the ordinary man and woman in Britain through the medium of share-ownership in privatised facilities.

"Just as happened in South Africa, there was initial opposition from the trade unions to the concept and to the distribution of shares among workers, but when there was acceptance for it among the people and the benefits could be seen, the unions changed their approach."

Significant

Sir Keith said it was "very significant" that the Labour Party in Britain was no longer proposing re-nationalisation.

"Even if there is a change of government, Labour would leave the vast majority of privatised industry in the hands of the public."

As the biggest ports authority in Britain, Associated British Ports owns 22 of the major ports in the country, or about a quarter of the total. Its share price has increased eightfold since its flotation nine years ago.

"By far the most important aspect of privatisation is the emphasis on share-ownership among employees in order to overcome misguided accusations that it is all a capitalist plot," said Sir Keith.

At a lunch of the SA British Trade Association in Durban yesterday, Sir Keith told guests he believed the British government would move "over the next few months to remove sanctions, even if the Commonwealth and the EC drag their feet".

The "euphoria" over the emancipation of communist Eastern Europe had waned, and South Africa was once more in contention among British companies as an investment opportunity and a destination for exports.

However, Sir Keith cautioned, wariness about the country's constitutional future and at the ANC's stated views on nationalistion meant there would "not be a flood of pounds in the short-term".

He warned too that while South African exporters had high-quality, saleable products to sell, they were not "aggressive or determined enough" to make the most of their marketing opportunities in Britain — one of the most open markets in Europe.

"The quality of your products is good, but the quality of the marketing effort that we have seen is way behind that of people like the Japanese, the Germans and the Italians. If you go out and hard sell — particularly now that politics is no longer on the agenda — the results will be most gratifying," Sir Keith assured his audience.

South Africa was a traditional trading partner of Britain which had once again become the second biggest exporter of goods to the Republic.

Two-way trade last year grew 25 percent to R11 billion.

Sir Keith said he would tell British exporters on his return home to concentrate on traditional markets, like South Africa, and "not to be obsessed with strange new worlds like Rumania".

Share incentive schemes can hold some attraction

BDay 20/3/91 **GILLIAN HAYNE** 29

THE attractiveness of share incentive schemes has been severely limited over the past couple of years but schemes can still show to advantage if the dividend is high and the interest charged on the loan low, KPMG Aiken and Peat tax partner Hennie Coetzee says.

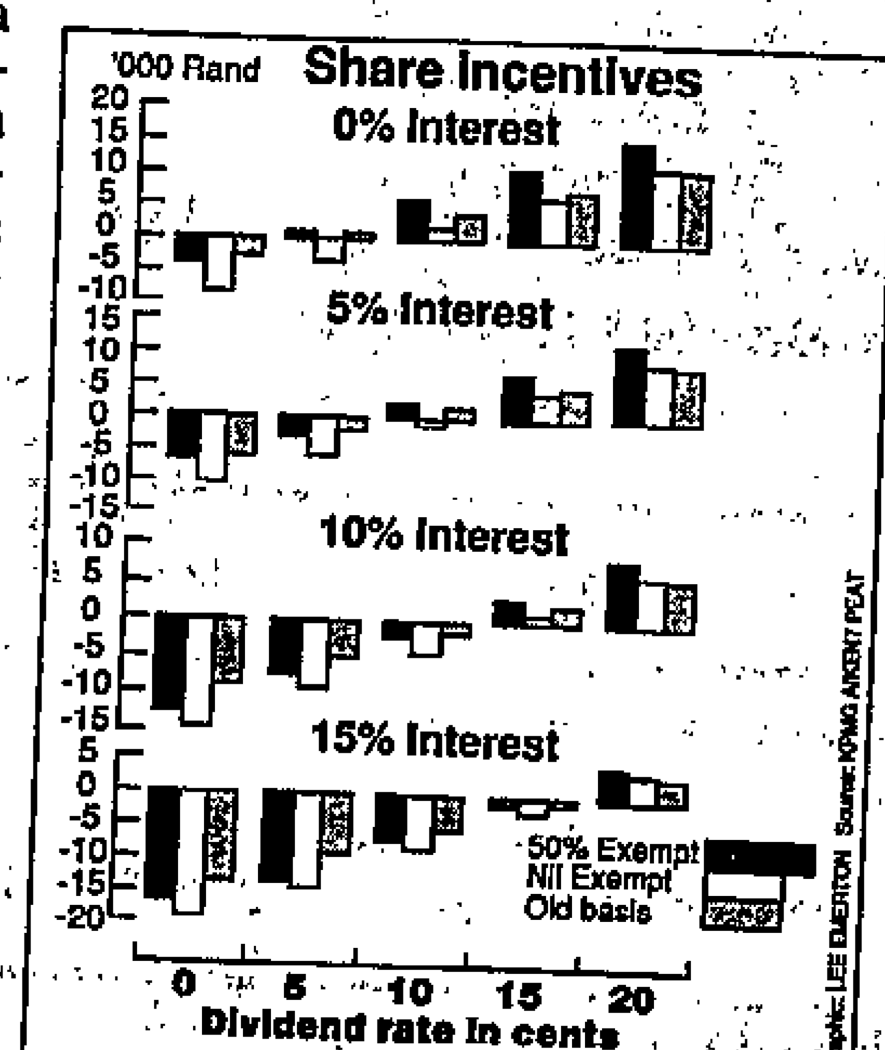
Coetzee said the viability of share incentive shemes was called into question following the exemption of dividends in the hands of individuals, as it meant that interest on loans raised for the purpose of buying the shares was no longer proportionately tax deductible.

"The reason is that if a high dividend yield cannot be maintained, the employee will sacrifice cash flow."

The threshold between profitable and non-profit-making share incentive schemes depends on whether the individual pays interest on the company loan.

The threshold is illustrated by the accompanying graphs.

They reflect a comparison between the cash flow of an employee when dividends were still partly taxable (the old basis); the cash flow on schemes in place by March 15 1990, when dividends were no longer taxable but 50% of the fringe benefit accruing to the employee is exempt from tax until February 28 1995 (50% exempt); and the cash flow of employees in regard to loans raised to purchase shares subsequent to March 15 1990 (nil exempt).



The example is based on a hypothetical scenario of a loan of R100 000 utilised to purchase shares, the nominal value of which is 100c. The variable information is the rate of interest charged on the loan and the amount of dividend, in cents, declared per share. Each graph assumes a different rate of interest charged by the employer, that is, 0%, 5%, 10% and 15%.

New share incentive schemes, that is, schemes that came into existence after March 15 1990, seem to be unattractive to the employee if the employee makes use of borrowed money in order to purchase his shares.

If no interest is charged by the employer in regard to such a loan, a dividend of 8,36c a share would be required to ensure that after he has paid tax, his cash flow would be nil. Should the employer charge 1% interest on a loan in the example, he would be out of pocket for R560.

Coetzee suggested though that there could be occasions when it might be to the ultimate financial advantage of the employee to sacrifice cash flow in favour of capital growth.

Brewer rolls out shares barrel

(29) C Press 28/4/91.

By LULAMA LUTI

AFTER campaigning for 80 years for more say over the sorghum beer industry the black community is now poised to control it.

The black-controlled National Sorghum Breweries (NSB) – which has an annual turnover of R350-million – this week announced a share issue. The NSB share issue opens on May 17 and closes on June 14. Company employees will get preference, with about 30 percent of the issue being reserved for them.

The remaining 70 percent will be offered to distributors and consumers. Runners, retailers, and shebeen and tavern owners will get special consideration.

During the share issue period there will be an intensive 'enlightenment' programme for prospective shareholders. As a back-up to the programme toll-free phone lines will be available. Advisers will man them for 12 hours a day.

The company, run by a two-man board under the chairmanship of well-known businessman Mohale Mahanyele, will not go for listing on the Johannesburg Stock Exchange for the time being.

Shareholders will not be allowed to hold more than 10 percent of the company's shares, said Mahanyele, so takeover bids by big companies can be avoided.

Group managing director Sam Mosikili said he hoped the enlightenment programme would "dispel suspicion and ignorance about shares in the black community".

The sorghum beer industry accounts for more than a third of all alcoholic beverages consumed in South Africa and has been under government control since 1908. NSB took over control from the government last year.

The directors hope the privatisation of the company will mean it will be wholly-owned by employees and members of the community.

Said Mahanyele: "If we are to even out the disparity in the economy we must ensure that we give opportunities to black people.

"Without meaningful black involvement in business the much-vaunted new South Africa may never become a reality."

NSB has 18 breweries. The largest division is iJuba in Natal.

"I hope traditional supporters of the sorghum beer industry will seize this opportunity to obtain control of this, their industry," said Mahanyele.

Mohale Mahanyele . . . hoping to dispel fear of black community towards ownership of shares.

Glasses raised over beer offer

By DERRICK LUTHAYI C/Press 30/6/91 29

RESPONSE to the offer of 44 million shares in National Sorghum Breweries Limited, which closed on June 19, has exceeded the expectations of the company's directors.

Over 90 percent of the offer has been taken up by more than 9 000 investors throughout the country. The remaining block of less than 10 percent of the shares has been taken up by the Industrial Development Corporation who are the underwriters of the offer.

However the IDC admitted the offer was only valid for one month-end and has agreed to requests from individuals, burial societies, black business and stokvels who said they needed more time to consult with members and arrange finance to sell their shares to applicants at R1 each until July 31.

NSB executive chairman Mohale Mahanyele, said: "We are the only company of this size that brings blacks and whites together, with blacks in a leading role. The company's mission is black economic empowerment and this share offer is a cornerstone of this policy.

"The entire offer was structured so as to enable black people to take advantage of a unique opportunity to participate for the first time in the mainstream of the South African economy."

He said the offer was virtually restricted to members of the black community, that no single investor could own more than 10 percent of the share capital, and that the share price of R1 is guaranteed for 12 months.

NSB negotiated special arrangements with The Standard Bank and African Bank to ensure loans would be made available to prospective shareholders.

Mahanyele stressed that 30 percent of the offer had been set aside for NSB employees – by far the largest stake to be owned by workers in any major company in South Africa.

Mahanyele is pleased with the success of the public share offer campaign.

Froth flies in sorghum beer row

By SEKOLA SELLO

Cit News 23/6/91

29

BIG business is blocking the entry of black entrepreneurs into the mainstream of the economy, charges the executive chairman of National Sorgum Beer, Mohale Mahanyele.

The NSB boss said this at a hastily-convened press conference where he criticised a report in a daily business newspaper which gave an unfavourable account of the sorghum industry.

Blacks were offered 44 million shares in the State-owned NSB at 100 cents each. The offer closed on Wednesday.

Mahanyele said that in terms of assets, NSB is the largest black-owned company in South Africa.

The newspaper report said the industry had no prospects for growth, that a mature industry was being placed in the hands of unsophisticated black shareholders and that sorghum was an old Third World product doomed to die.

In a strong criticism of the report, Mahanyele said that apart from being factually wrong in many respects, it was also insulting to blacks and its main aim was to deny blacks entry into the mainstream of the economy.

Mahanyele said it was not true that there was caution about the future growth prospects for sorghum beer or that the NSB's share offer has not been well received.

More shares had been bought than expected and they were expecting an "even greater flood".

"This week several companies were inquiring about our share offer. It was only on Wednesday, following the newspaper report, that some of the companies which had expressed interest in buying shares for their employees became reluctant," said Mahanyele.

He admitted that in recent years the industry had neither grown or declined. However, he attributed this to the previous owners not marketing the product.

"We are marketing the product aggressively today and as a result are even beginning to penetrate markets in Namibia and Mozambique, which were previously closed to us."

Denying that the industry was now being given to unsophisticated black shareholders, Mahanyele said some of them had held senior positions in white companies.

"It is strange that when (Sam) Mosikili or Mahanyele holds a senior position in a white company, his sophistication is not brought into question. However, when he holds a senior position in a black-controlled company, he is now said to be unsophisticated."

Witnesses said a birthday party was in progress

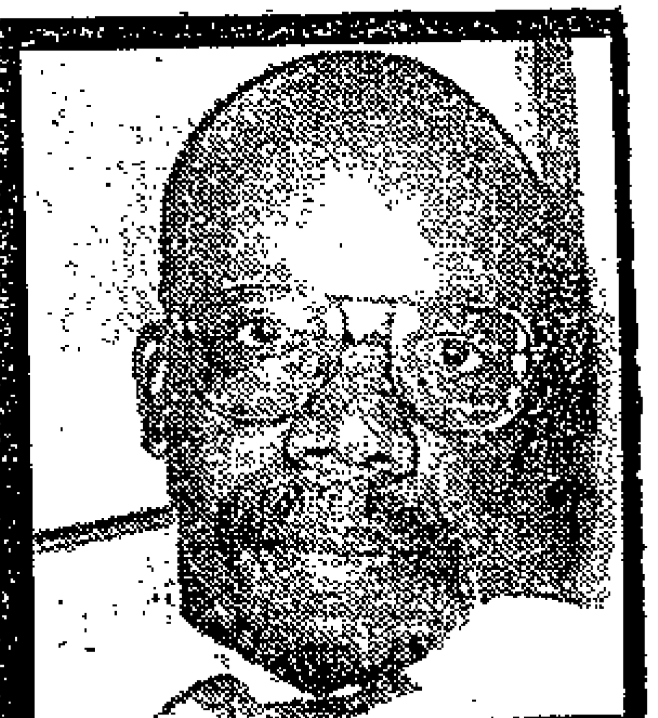
with his young

Exhume Motsuenyane's plan

Sowetan 23/11/92

(29)

It's my business



THAMI MAZWAI

THE Sam Motsuenyane document on black economic empowerment must be exhumed and placed on the table as the economic Codesa continues.

Obviously at this stage the parameters of socio-economic restructuring are being discussed, but the Motsuenyane document needs to get a closer look in one of the working groups.

Two years ago Motsuenyane incurred the wrath of white business when he said:

All companies listed on the Johannesburg Stock Exchange must have about 30 percent of their board members chosen from the black community;

Forty percent of their shares must be in black hands;

At least 50 percent of their purchases must be from black suppliers and contractors; and

At least 60 percent of their top managers must be from the black community.

All this, he said, must happen over a period of 10 years. As usual, and despite the time frame, the bulk of the white business community was enraged. Only the white Institute of Directors supported the scheme. Blacks rallied behind Motsuenyane.

Looking at what he said, I wonder what the fuss was about, and why a leading white financial weekly contemptuously called this "corporate dreams".

This is not the only time that the white business community has come out smoking when our leaders speak about economic reconstruction.

Last year an ANC workshop suggested, - mind you, merely suggested - that the "haves" be taxed and there was an outcry. Then Mr Nelson Mandela talked about nationalising some major institutions - and we had another outburst.

Every time the PAC, SACP and Azapo have opened their mouths, the white business community has gone into convulsions. Is this community suggesting, as the finance weekly did, that things are now nearing normality? What about the fact that blacks still languish at the bottom of the scrap heap while whites live in luxury?

The education system and other apartheid laws have ensured that we are denied business acumen and knowhow, and whites are thus always on top.

A look at income differentials published by the SA Institute of Race Relations shows that in 1990 blacks on average earned R12 660 a year, and whites R43 332.

This is the sad story of apartheid and the system is now so deeply ingrained that it no longer needs legislation. It will need major surgery, and for that matter without an anaesthetic, to ensure apartheid dies. And the Motsuenyuane strategy, simple and pragamatic, is nowhere near that type of surgery.

If whites oppose the Motsuenyane plan, can they just say what they are doing to benefit blacks on a grand scale as Motsuenyane's plan would?

Even this year, programmes to develop managers run by universities have a white intake of more than 90 percent. This shows that white organisations are just not prepared to absorb blacks into positions of control and influence.

Instead of lambasting Motsuenyane, white businesses should be queueing outside his office, asking him when and how to start.

Motsuenyane deserves a medal, for he has come up with a programme which will give the lily-white corporate world a South African face.

What I suspect is that white business wants to maintain that much vaunted market system without us first agreeing to it, and then saying how it should be adapted to benefit blacks.

Privatisation and the introduction of VAT are two examples of this general ploy to impose an economic system on the next government. What we must not forget is that the economic Codesa deals with the basic necessitiies of life, what the struggle was about in the first place.

Solutions such as the one suggested by Motsuenyane must be encouraged because - as I will show next week - they will stimulate the economy while uplifting blacks.

Labour, business take initiative

W/Mail 24/1/ - 30/1/92 (29)

By DREW FORREST

IN A giant stride towards co-determination, business leaders this week signalled their clear backing for macro-economic negotiations with the labour movement.

At a heavyweight meeting convened by the Consultative Business Movement in Johannesburg, both sides agreed to set up a working group with 50/50 representation within two weeks which will debate the aims, scope, powers and composition of an economic forum, as well as urgent issues such as its relationship with the Convention for a Democratic South Africa (Codesa).

The plenary will reconvene within weeks and sources were confident a forum would be in place by mid-year.

Speaking for labour were the Congress of South African Trade Unions, the National Council of Trade Unions (Nactu) and the largest representative of organised white workers, the Federation of Salaried Staff Associations.

On the employer side of the table were the South African Chamber of Business, the South African Co-ordinating Committee on Labour Affairs (Saccola), the Afrikaner Handelsinstituut, the Steel and Engineering Industries Federation, the Chamber of Mines, Federation of African Business and Consumer Organisations (Fabcos) and National African Federated Chambers of Business and Industry (Nafcoc).

Business has been equivocal about the forum concept, mooted last year by Cosatu. As long ago as last July, a meeting between Cosatu, Saccola and the government yielded a draft agreement on a procedure for establishing a forum, which business and the state subsequently failed to endorse.

"The dominant employer view is that this must be pursued," said a business source. "Other business organisations will come in as the process develops."

A potential stumbling-block is the issue of state involvement. Influenced by its experience of the National Manpower Commission — where employer-union compromise proposals were regularly overriden last year — Cosatu insists that the government must participate directly in the forum as a negotiator.

The government's view is unclear, but the dominant view appears to be that the forum should be a bilateral affair with advisory powers. Unionists see Finance Minister Barend du Plessis and Law and Order Minister Hernus Kriel as key obstacles.

Business sources contacted this week were confident that once a forum was in place, government would find pressure to join it irresistible — as happened with the "Saccola Accord" on the Labour Relations Act.

On the forum's scope and powers, there are differences of emphasis between employers and unions. Cosatu is looking in the long-term for negotiations on economic policy, but its immediate goal is to agree "transitional economic arrangements", including immediate, concrete measures to stem job cuts and create employment and an end to "unilateral restructuring" by business and the state.

Employers are more cautious: some appear to see the forum as a way of setting principles and guidelines rather than policy.

It is likely that the parties will agree to draw a range of political players into the process, including the African National Congress and civic organisations, but as junior partners.

"If we're discussing transitional measures, major political groupings must be included," said Cosatu spokesman Neil Coleman. "Agreements on job creation schemes, for example, must involve the ANC as a potential future ruling party."

Although it is misleading to describe the forum as the "economic Codesa" — economic talks will focus on substantive issues and solutions, while Codesa is concerned with principles and procedures — the relationship between the two will have to be defined.

One approach mooted at this week's meeting was the creation of a constitutional committee under the forum, with formal links to Codesa, which would make an input on economic matters.

Some Cosatu unionists fear employers' primary interest in the forum will be to win union undertakings on pay restraint and industrial stability.

Employer sources deny this. "We're looking for an institutional structure in which the partners can play their proper role in society — the question of strikes and wages belong at a lower level of negotiation," one commented.

Employees are allotted shares in grand plan for community to control the industry

Star 29/5/91

The 3 500 employees of the NSB (80 percent of whom are black) have been alloted 700 000 shares for free — which works out at 200 shares per employee.

They have also been offered the other 12,5 million at 70c per share — a discount of 30 percent to the issue price of 100c. Shares not applied for will be held in trust and offered again in July 1993 to NSB employees at the 100c issued price.

To enable the Trust to acquire and subscribe for the said shares, the State has made an interest-free loan of R13,2 million for three years to the NSB Employee Share Trust.

The State will also bear any fringe benefit tax liabilities arising out of the 200 free shares.

According to the prospectus the State had on numerous occassions indicated its intention to place NSB in the hands of the community which supports the sorghum beer industry.

In terms of the scheme, employees have a period of three years to pay for their shares. Payment could be made on a monthly basis or a lump sum payment at the end of the the three-year period.

Dividends will be paid to employees only in respect to the shares that have been paid for. With respect to shares not yet paid for, dividends will be credited to the individual employee's loan account.

The trust will dissolve after three years. Any shares or cash left after the period will revert to the State, which will also be responsible for any losses or profits.

Unit trusts could be just the thing

By JOSHUA RABOROKO

WHEN most people, especially black businessmen, think of the JSE, they see a palace where only the rich can enter. Sowetan 18/4/91.

Not so, says Mr Stafford Thomas, senior portfolio manager at Sanlam. "Unit trusts open the door for ordinary people - both black and white interested in investment.

Shares in South Africa's public companies are bought and sold on the stock exchange. Some of these shares are excellent investments - as the companies grow and prosper, their shares become more and more valuable while in bad investments shares lose value.

Taking a risk

So, buying shares means you take a risk. Investors play it safe by spreading the risk. They buy shares in several different companies.

Such collection of shares is called a portfolio. If some of the companies in a portfolio fare poorly, the chances are that the others will do better.

Obviously, a lot of money is needed to buy a portfolio of shares. This will allow one to predict safely; if one company fares badly, chances are the others may not.

So how will ordinary people be able to afford these shares? And how will they be able to buy many different shares? This is where unit trusts come into the picture. (29)

Unit trusts sell share units, at reasonable prices. The minimum investment is R100 or R200 a month. When the money of all these investors, big and small, is put together, the total may be millions of rands.

This money, says Thomas, is used to buy shares and build a profitable portfolio. Managers who make a full-time study of the stock exchange, manage the portfolio. They are assisted by highly qualified researchers and other experts.

Investors should remember that share prices do not only go up. They may also come down. The market - meaning all the shares on the stock exchange - usually up if measured over several years. But sometimes the market goes down.

Sanlam portfolio offers two advices:

* Invest only the money left over after food, clothing, shelter and other essential purchases have been made;

* Do not regard unit trusts as a get-rich-quick scheme. Invest money that you will not need for about four to seven years.

Support for black directors

MARCIA KLEIN

THE Institute of Directors in southern Africa (IOD) has backed the call by the National African Federated Chamber of Commerce (Nafcoc) for a sharp increase in the number of black company directors.

Nafcoc has called for a 30% increase in the number of blacks on the boards of listed companies within 10 years.

IOD chairman Brian Hawksworth said the IOD fully endorsed Sam Motsuenyane's call "for sharply increased black involvement in steering the affairs of SA's listed companies".

The call comes soon after the appointment of former KaNgwane chief minister Enos Mabuza to the Anglovaal, Standard Bank and TML boards.

However, this was possible "only if an increasing number of blacks are educated in the responsibilities and duties of directors".

He said the IOD had offered to provide Nafcoc members with training "and whatever other assistance is required".

The IOD has also asked Nafcoc to identify possible members for the IOD, thus providing continuing education and the opportunity to meet regularly with other directors of companies. B|Day 26/6/91

Concern

A further benefit was that IOD members had full reciprocal membership of the IOD in London.

Hawksworth said the IOD's support stemmed partly from its concern that only 1% of its members were black.

Ongoing recruitment efforts had met with little success, and Hawksworth said that Nafcoc's call would hopefully prove to be a turning point.

Black staff make a mint in Putco

(29) 2/6/91

ST Times (Bus Times)

By DAVID CARTE

MANY blacks have made small fortunes through owning shares in mass-transport operator Putco.

But they fear to be identified lest they suffer a similar fate to one of their number who was hacked to death in the township riots of 1984.

Having acquired Putco shares in 1967, he sold some at a profit of thousands of rands. With the proceeds, he bought a bottle store in the late 1970s.

Then he made a mistake. He was elected to a township council. He was murdered by a mob and his stores were gutted. His widow was left penniless and his children had to leave university.

He cannot be named because his destitute widow fears reprisals.

Apartheid

Today, with its buses and properties about to be sold, Putco's share price is treble its level of a year ago.

One shareholder says: "We don't want to be branded as profiteers on apartheid."

In 1970 Putco had more black shareholders than any other company on the JSE. The company was years ahead of Anglo American and other enlightened companies that have given their employees shares in the past few years.

A stark difference from latter-day employee share schemes was that Putco staff members asked for and paid for their shares.

Most blacks who had shares after the Carleo family bought control of the company from Leyland in the early 1970s have sold them. But even those who held their shares for 10 years to the present are worth thousands.

Unbeknown to many analysts, Putco has been one of the best-performing shares on the JSE in spite of a poor published profit record.

Its performance is not widely appreciated because of an atrocious published profit record and two share splits in the past 15 years. Shareholders today have 10 shares for every one held in 1970 plus one in property arm Putco Properties.

One analyst has calculated that shares worth R400 in 1967 (they were 2c, allowing for share splits) would today have been worth R1-million if dividends had been reinvested.

Even without reinvestment of dividends, returns have been spectacular, R1 000 growing to R126 000 from 1970 to 1990. Depending on prices obtained for the buses and properties, there could be even greater profits in the asset disposal.

Putco's black staff is still share conscious. Putco unions, one under ANC influence and the other influenced by the PAC, last year demanded 10 shares a staff member — to be paid for — plus 10 additional ones donated by the company. In the period the shares have moved from 70c to 270c.

The entire staff was given 500 000 shares in 1981. Those shares are now worth R3,37-million.

On behalf of commuters, Putco was paid huge amounts in government subsidies — R876-million in the six years to 1990, according to Transport Minister Piet Welgemoed.

Family

The biggest beneficiary of Putco's proposed asset strip is chairman Albino Carleo, who has 52% of the company.

His family collected R46-million in a special dividend last year and could get another R50-million to R100-million when the asset strip is completed. Estimates of the value of assets vary from R100-million to R300-million.

Taco Kuiper, publisher of FACtS Investors Guide, has called on Putco to provide more information so that shareholders can value the company more accurately.

Although there has been controversy about shareholders profiting from subsidies, the Government has repeatedly checked the method by which they were calculated and found them to be in order.

Mr Welgemoed has no objection to the proposed asset strip.

Unions wary of share schemes

By SHARON SOROUR (29) ARGUS 24/6/91
Labour Reporter

TRADE union leaders are suspicious of companies allocating shares to workers, says industrial relations journal I R Data.

A report in the latest edition said trade unionists did not agree that having worker representatives on company boards would improve relations.

National Union of Mineworkers (NUM) general secretray Mr Cyril Ramaphosa said the Anglo American share scheme, four years old and worth 0,6 percent of Anglo's portfolio, was "degenerated tokenism" and the demand for a living wage remained.

Cosatu general secretary Mr Jay Naidoo said, "Equity participation doesn't redress fundamental inequalities and certainly won't resolve the unemployment crisis."

Plan will spark economy

Sowetan 30/1/92

29

It's my business

THAMI MAZWAI

A LITTLE empathy could help the white business community understand Dr Sam Motsuenyane's suggestions on black economic empowerment.

He wants what they want - redistribution through growth - but he wisely links this with continuous black advancement at all levels of the economy.

Motsuenyane says:

- 30 percent of board members of JSE-listed companies should be black;
- 40 percent of shareholding at these companies be black;
- 50 percent of purchases should come from black businesses and;
- 60 percent of managers should be black.

This would apply to companies listed on the Johannesburg Stock Exchange and be attained over 10 years.

Big business responds, point by point:

- Our grounding on business issues is inadequate and such appointments would be mere tokenism;
- There is no law that bars blacks from buying shares;
- Businessman, like consumers, want the best product at the most competitive prices; and
- Promotions must be made on ability, not colour.

These arguments, even to many blacks, make sense. If our economy is to expand, most people agree, much emphasis must now be placed on exports and the manufacturing industry.

A leading development economist says: "Countries which dominate the global economy are those which can manufacture goods most efficiently, develop technology for new products and processes the fastest, and win the biggest share of other countries' markets for their exports."

Disadvantage

Our major companies are thus forced to be cost-effective, and will hire experienced managers and buy from seasoned suppliers. This puts blacks at a disadvantage.

However, Motsuenyane still has a case.

Firstly, as the white electorate voted for apartheid, and this policy is responsible for our lack of technical and management expertise, why punish us for not having these skills?

Secondly, as a lot of companies, for instance Anglo American, Barlow Rand, Anglovaal and others, have already started on the route suggested by Motsuenyane, why the outcry?

Thirdly, we are not talking *accepted market principles, sensible economies or any of those nice sounding terms;* we are talking of basic survival and our development as one nation.

Western countries are deadlocked in the GATT talks, an international forum regulating trade between nations.

Some insist subsidies to farmers must be retained, while others want them scrapped altogether. In short, countries are looking at their own interests.

Our national interest is to bridge the economic gap between black and white. Furthermore, all things being equal, Motsuenyane's formula will stimulate the economy to some extent.

Bolster

An increase in black managers and the purchasing of supplies from township entrepreneurs will bolster black incomes.

An increase in the sales of cars, furniture, white goods and other upper bracket goods will follow the increase in consumption that spontaneously happens when incomes go up.

In turn, factories for these items become busier and jobs are created.

Buying from township suppliers also attracts more blacks who will want a piece of the action - this time as producers.

Keener competition will develop between township entrepreneurs and some will now want more skilled people, and more advanced capital equipment will be bought to get an edge over rivals.

As Motsuenyane's formula has a 10-year time frame, companies can plan over several years to achieve these targets.

The sting is that stereotypes in management levels who are determined to keep the economy all white, will now be forced to consciously seek out black managers, or select and develop from the staff they have; and will also tap the townships for entrepreneurs who will supply some of their needs.

Bitterness won't work – Japanese envoy

South 2/5-7/5/92 29

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.

New unit trust fund launched

STAR 5/5/92

Finance Staff (29)

A new unit trust fund was launched yesterday — but this is a fund with a difference.

The new fund, called Community Growth Fund, is for trade unions and will invest in JSE-listed companies only with the approval of the trade unions.

Trade union members' pension and provident fund contributions will be made into the new fund.

Companies that wish to be included in the fund's portfolio will have to comply with certain union-defined criteria of social responsibility.

These include fair employment practices, job creation, union recognition, safe working conditions, equal-opportunity policies, black advancement and protection of the environment.

The Community Growth Fund will be administered by Syfrets Ltd in conjunction with Unity Incorporated and the Community Growth Management Company.

Speaking at its launch, ANC secretary-general Cyril Ramaphosa said: "I give this fund overwhelming support. The support of the ANC will be forthcoming."

● See Page 16

R12 000 fine for copyright offender

Staff Reporter

the record industry mil-

Unions launch unit trust to invest workers' funds in JSE shares

BDay 5/5/92

DIRK HARTFORD

SEVERAL of SA's biggest trade unions have formed a unit trust to invest portions of workers' pension and provident funds in "socially responsible" JSE-listed companies.

The trust — the Community Growth Fund (CGF) — hopes to attract local and foreign investment through its social conscience focus.

It will be managed and administered by Syfrets, which said yesterday the CGF could quickly become one of the biggest unit trusts in the country.

The trust, which will start operating in June, was unveiled at a news conference yesterday by NUM spokesman Monoko Nchwe and Syfrets representative Ian Hamilton. Also present were ANC secretary-general Cyril Ramaphosa, NUM general secretary Kgalema Motlanthe, Nedcor MD Chris Liebenberg, Unit Trust Association chairman Clive Turner, Registrar of Unit Trusts representative Gerry Anderson and Prof Anthony Asher of Wits University's actuarial science department.

Asher will initially chair the joint union-Syfrets board controlling the fund.

Representatives of participating unions — including Cosatu's NUM; Construction and Allied Workers' Union; Transport and General Workers' Union; Paper, Printing Wood and Allied Workers' Union and Nactu's National Union of Food, Wine, Spirits and Allied Workers; Transport and Allied Workers' Union and Metal and Electrical Workers' Union of SA — were also present.

The union-controlled fund will invest in mainly blue chip companies which have strong capital and earnings growth and which comply with the unions' social responsibility criteria. "The aim of the fund is to marry high returns with socially responsible investment. Members' pension contributions will be carefully protected and the fund will not be used to influence the outcome of day-to-day labour disputes," said Nchwe.

(29)

The social criteria include active support for job-creation projects, recognition of trade unions, fair levels of pay, affirmative action programmes and the promotion of health and safety.

Companies privatised after the fund comes on stream will not qualify for investment, nor will companies which manufacture arms, pollute the environment and have offshore investments with little benefit for SA workers.

Nchwe said there was no blacklist of companies. The unions had devised a point system to measure companies' social responsibility and investment decisions would be influenced by the number of points a company had.

Hamilton said Syfrets had matched its choice of potential investments with the union choice and found they fitted almost perfectly. Socially irresponsible companies were usually unfavourable investments in any event.

Ramaphosa, who put down a R30 deposit to invest in the fund when it opened, called on all provident and pension funds to invest in the CGF. He said the fund meant workers were no longer spectators in the economy, but active participants in determining their own economic destiny.

☐ To Page 2

Unit trusts

BDay 5/5/92

From Page 1

"The silent giant (the working class) is awakening and will start challenging those companies who ride roughshod over the interests of workers."

Ramaphosa said the ANC still had to discuss the fund, but he was sure it would support it.

Other unionists welcomed the fund as a powerful tool in the hands of workers which would also help educate workers about this aspect of the economy.

Many other unions are expected to support the fund. In addition to pension and provident funds, union subscriptions — which run into millions of rands every month — could be invested. Political, civic, church and funding agencies are also potential big investors.

Syfrets will put R2m into the fund initially and some provident funds, including two in the mining industry, have indicated they will invest. If 30% of the annual cash flow of one of these mining funds was invested, it would exceed R100m a year.

The fund will be managed by the Community Growth Management Company, consisting of Syfrets and the union Unity Inc.

Decision-making will start with recommendations from Syfrets according to its normal share selection criteria. The unions will then select shares according to social criteria and Syfrets will make the investments after deciding on the portfolio structure, asset mix and the market risk.

Unions launch unit trust to invest workers' funds in JSE shares

BDay 5/5/92

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Trade unions set up unit trust fund

STAR 5/5/92 [redacted] [redacted] 29 [redacted]

By Mike Siluma
Labour Reporter

Major trade unions have launched an investment fund to deploy a part of their workers' pension and provident fund contributions into socially responsible JSE-listed companies.

The Community Growth Fund (CGF), a unit trust fund to be administered and managed by Syfrets, was unveiled yesterday by Syfrets executives and officials from the seven participating Cosatu and Nactu unions.

The fund could eventually attract about R15 million a month in pension and provident fund contributions by union members as well as individuals.

Union criteria

Union spokesperson Manoko Nchwe emphasised that although the fund — initiated by the union advisory group, the Labour Research Service — would seek to invest in companies which provided strong growth in earnings, such companies would have to meet union-defined criteria for social responsibility and not act in conflict with union interests.

The criteria included fair employment practices, job creation, union recognition, safe working conditions, protection of the environment, equal opportunity and affirmative action policies.

Ms Nchwe added that unions would not invest in companies which were involved in the production of arms or allow workers' money to be used to finance the privatisation of companies which were government-owned.

Companies involved in offshore investments would also be excluded.

However, said Miss Nchwe, as the unions saw investment in the fund as a long-term decision, they would not attempt to use the fund to influence the day-to-day labour disputes of companies in which they invested.

Syfrets has already put R2 million of its own money into the fund, which is expected eventually to receive up to 30 percent of the cash flow of participating unions' pension and provident fund contributions.

The fund, which begins to operate next month, will also be open to individuals in the same way ordinary unit trusts are.

Although neither the unions nor Syfrets would put a figure on the amounts of union money likely to flow into the CGF, it is understood that provident fund contributions on behalf of members of a key union in the venture, the National Union of Mineworkers, amount to about R25 million a month.

Independents

Union officials involved in the project are confident that more Cosatu unions, as well as a number of independents, will eventually participate in the fund.

Cosatu unions taking part in the initiative are the National Union of Mineworkers, the Paper, Printing, Wood & Allied Workers' Union, the Construction & Allied Workers' Union and the Transport & General Workers' Union.

The Nactu unions are the Transport & Allied Workers' Union, the Metal & Electrical Workers' Union of SA and the National Union of Food, Wine, Spirits & Allied Workers.

Syfrets chief executive John Cragg said: "We are delighted that the unions chose Syfrets' expertise in this bold investment venture, which could over time become one of the largest unit trusts in the country."

First step

ANC support for the CGF was pledged by former NUM secretary-general Cyril Ramaphosa, who was involved in the initial stages of the fund before moving over to the ANC.

"This is a fund which represents a break with the past, the first step into a future where workers will no longer be mere spectators, but active participants in shaping their economic destiny.

"The formation of the fund should send a very clear message to companies, especially those with bad employment policies, that the silent giant is awakening and will challenge those who have ridden roughshod over the interests of workers," said Mr Ramaphosa.

The Registrar of Unit Trusts has in principle approved the fund, which is scheduled to start operating on June 1.

The interests of the fund will be looked after by a joint board to be chaired initially by Professor Anthony Asher of the Department of Actuarial Science at the University of the Witwatersrand.

The board will make its decisions after receiving investment advice from Syfrets and acceptability research from Labour Research Service.

Unions 'want to help run things'

Btoday 6/5/92

CAPE TOWN — Trade unions would demand increased worker participation in individual enterprises in future as part of their struggle for economic democracy, ANC secretary-general Cyril Ramaphosa told delegates.

They would also want to play a greater role in the restructuring of the economy and in the strategic planning of companies.

"One of the greatest challenges in overturning apartheid is to combine the move to political democracy with the creation of a path towards economic democracy," he said.

Both forms of democracy would entail a major shift in power towards the working class, a process which would be aided by collective bargaining.

"The achievement of economic democracy will have to be underpinned by government policy and by new laws," Ramaphosa said.

Government intervention would be needed for the redistribution of wealth, the alleviation of poverty and the protection of unemployed, domestic and farm workers who could not bargain collectively.

(29)

He cited four areas in which workers could build a measure of economic democracy through collective bargaining — training and affirmative action, greater disclosure of information, participation in planning and the investment of workers' savings and retirement funds. The new Community Growth Fund was a first step in workers having a say over how their savings were invested.

Ramaphosa said new laws requiring greater disclosure of corporate information were necessary to create a better environment for collective bargaining. Published accounts were not sufficient as they normally covered far more than the bargaining units.

A key issue for collective bargaining would be a government-supported programme to provide basic education in literacy and numeracy as well as more advanced training for workers.

He said trade unionism was likely to spread in SA, in contrast to its decline in many western countries which had substantial welfare programmes and state support systems for unemployed and disadvantaged workers.

It would take many years before such a system could be in place in SA.

Unions become players in the game of growth

BDay 7/5/92. (27)

STEPHEN MULHOLLAND

IT IS difficult to overstate the importance of the formation this week of the Community Growth Fund (CGF), a unit trust backed by militant trade unions.

Whatever gloss is put upon it, and however many investment criteria are laid down, the simple fact is that these unions are now embracing market mechanisms. Their move is an acknowledgment that markets are here to stay as a permanent part of our economy and these unions have decided to become players in the great game of growth.

Collectivism has collapsed around the world while markets have emerged triumphant as the most efficient means for the allocation of scarce resources and the generation of the greatest economic good for the greatest numbers. This is not to say that markets are perfect. In this life nothing is. But, to paraphrase Churchill, it is the best economic system man has yet devised, calling as it does on men and women to strive individually to better themselves and thus, through Adam Smith's invisible hand, adding to the wealth of all of society.

This might all sound very lofty and far removed from a decision by unions to launch a unit trust. But what do unit trusts do? They accept cash from the public which they then invest in the money markets and on the stock exchange. If they are to succeed they must try to maximise the growth of the capital and income of those who hold their units. Unless they satisfy their investors they risk losing the funds they have under control to competing unit trusts.

That will certainly be the case with the R1m which the trustees of the Times Media Limited Pension Fund this week invested in the CGF. We made the investment in order to achieve a competitive return for our employees who own the fund — and our pensioners who are its present beneficiaries.

We have a fiduciary duty to try to maximise the growth and income of the fund and will take decisions to invest or disinvest on this basis, as will other investors.

Through the CGF, members of the unions and — more importantly, for they must take the decisions — those who manage the affairs of the unions, will be exposed to the demands of the real world in which, however hard men try, the natural forces of the market cannot be denied. The Soviets tried for 70 years to do so, ruining their people in the process. There is perhaps no better illustration of the futility of the efforts of the communists than the fall in the rouble from the old official 1:1 parity with the dollar, dictated by the party, to the present market rate of 120 roubles to the dollar.

The CGF's criteria are predictable and understandable, particularly in regard to the labour policies of companies in which they invest. They should enter into debate with the managements concerned and it might be instructive for them to learn that if their investments are to grow, it is often necessary, for example, to pay the wage which clears the labour market rather than some artificially high minimum which has the immediate effect of destroying job opportunities.

Another area where criteria might crumble in the face of reality is the stricture against investing abroad. This makes little sense. Certainly the desire to diversify political risks is one spur to overseas investment by SA firms. But there are distinct advantages for the nation as a whole to build a healthy portfolio of foreign investments.

In this way special SA skills, such as we have in mining, can be exploited for our benefit in foreign countries which need such skills. Overseas investments provide us with dividends in hard currencies. They also keep us connected to the latest technological developments and provide opportunities for training and development of staff.

We call for foreign investment in SA. We must remember that, like trade, investment is a two-way street in which funds seek out the best opportunities to maximise performance. The less governments interfere, the better for the people.

This week's huge investment by Sappi in the European paper-making market is a case in point. Not only has SA joined the world leaders in this critical industry but, because of the way in which the deal was structured, Sappi will be placing millions of its shares in foreign hands. Thus our links with the developed world are strengthened, which can only benefit all our people.

The formation of the CGF flies in the face of the policy of nationalisation. It is tacit acceptance that the way to influence the affairs of companies is to own shares in them. This is a really remarkable breakthrough and it deserves widespread support from the business community, in the interests of the business community, for that is how the world works: people act in their perceived best interests to improve their postions.

☐ **Mulholland is TML MD.**

LETTERS

Share payout for workers

(29)

DIRK HARTFORD

ABOUT 130 000 Anglo American and De Beers workers will soon be able to decide whether to cash in shares given to them five years ago.

The shares' total value at current prices could exceed R70m. B/Day 7/5/92

All Anglo employees who accepted the offer had shares placed in trust each year since 1987. Five years ago, Anglo shares were worth about R80. Today they average R120.

A similar scheme applied at De Beers, where shares worth R40 in 1987 now average R90.

When the scheme was announced, the NUM condemned it as an attempt to buy workers into capitalism. Workers were encouraged not to accept the offer. As a result, about 30% refused free shares. At one De Beers mine, almost all workers declined the offer. The NUM could not be contacted last night.

Workers at Anglo head office are already able to cash in their shares, but an Anglo spokesman said most had left them in the trust.

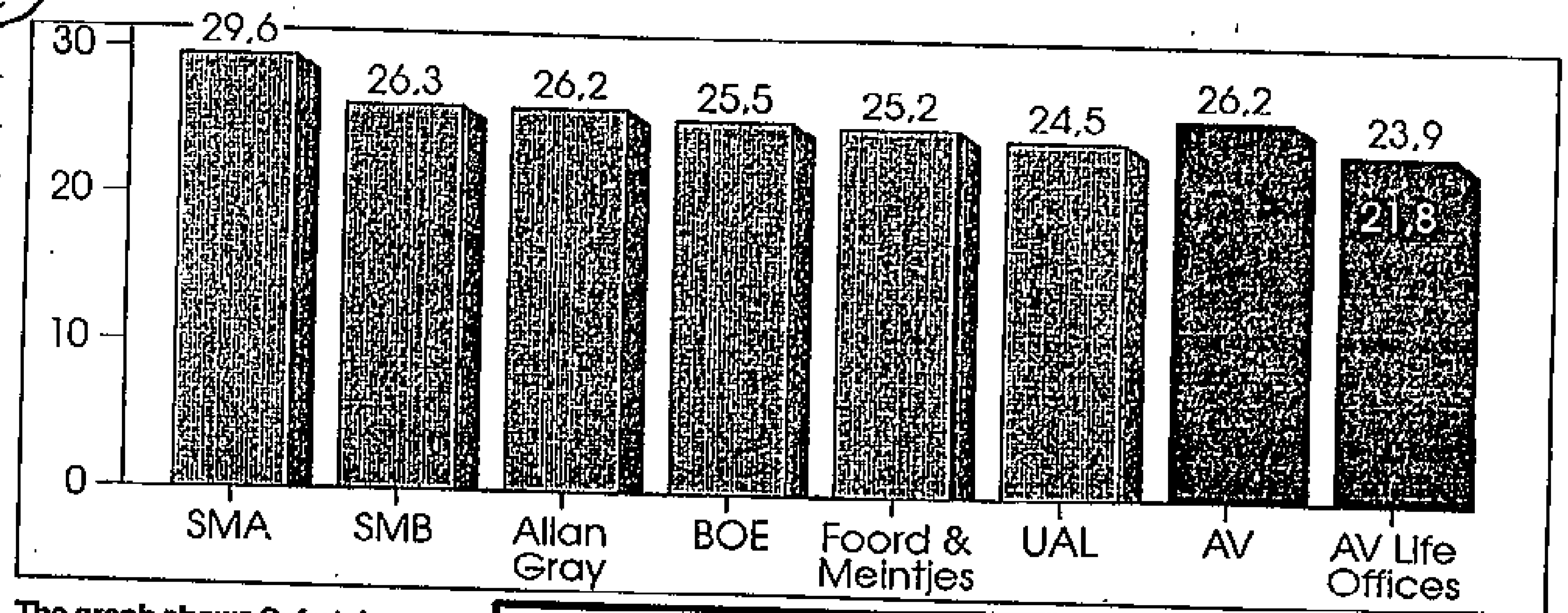
☐ Outside of the share scheme, some mine workers have substantial savings. An industry fund called Teba-Cash had nearly R300m in deposits last year.

Unions move into the boardroom

W/Mail 8/5-14/5/92

WANTED: Potentially massive unit trust fund seeks socially responsible company with healthy profit margin for long-term relationship. For further information contact the Syfrets/Cosatu/Nactu alliance.

FERIAL HAFFAJEE reports



The graph shows Syfrets' outstanding performance
SOURCE: Alexander Forbes

UNIONS affiliated to both the Congress of South African Trade Unions and the National Council of Trade Unions this week catapulted themselves into the boardroom.

They launched the Community Growth Fund, a unit trust which will invest in companies "that provide strong growth in earnings and capital and at the same time satisfy certain union-defined criteria of social responsibility".

High on the list of criteria are progressive labour relations, union recognition, good safety records, job creation, equal opportunity policies, black advancement and environmental protection.

According to one of the architects of the fund, Gordon Young, of the Labour Research Service (LRS) — a trade union service organisation — Syfrets has been inundated with interested investors.

This week, Times Media Limited (TML) pledged R1-million to the fund and two provident funds in the mining industry have indicated their intention to invest. The fund will start operating on June 1.

An LRS spokesman said: "We are delighted that TML has acknowledged the superior potential of socially responsible investment. It is possible, however, that TML's own industrial relations practices would disqualify it from appearing on the unions' list of approved shares."

The fund, it is hoped, will eventually receive about 30 percent of the cash flow of union pension and provident funds. But it is not exclusively for trade pension and provident fund investments.

Individuals may buy unit trusts and National Union of Mineworkers representative Manoko Nchwe said she hoped unions would also invest subscriptions in the fund and that civic and political organisations would find an ethical investment option.

While ethical considerations underpin the unit trust, Syfrets was chosen as fund manager because of their excellent track record in the investment performance of their own unit trusts", says Young. Syfrets Growth Fund was the top performing unit trust over the past three years.

Syfrets also gave the Community Growth Fund the best deal on the market. Where the average charge of unit trust management is 0,7 percent Syfrets gave them a preferential rate of 0,5 percent.

Syfrets chief executive John Cragg said: "We are delighted that the unions chose Syfrets' expertise in this bold investment."

Syfrets was lucky; investments made by provident and pension funds amount to about R186-billion and account for 29 percent of the Johannesburg Stock Exchange.

Day-to-day administration will be done by Syfrets who will also make investment decisions and handle the marketing of the fund together with the LRS.

Unions will retain control of the fund through the Community Growth Fund Management Company. This management company will be owned jointly by Syfrets and the trade unions.

LRS says: "The unions, through their 50 percent holding in this company, will have effective control over the management company."

South Africa has no index to rate a company's social responsibility status as exists in Europe and North America and such primary acceptability research will fall to the LRS.

What it will do is devise a point system and allocate points to companies based on the 12 criteria for investment.

"But companies do not have to satisfy all the criteria," says Nchwe. Unions will not be inflexible or "take a bureaucratic stance".

However, certain companies are automatically excluded.

They include privatised companies, arms manufacturers and foreign companies except "where there is a clear benefit to South African workers".

Unionist Allan Horwitz is concerned that "we must have strong democratic structures to direct and mandate union trustees".

Young says the fund will send reports to investors. But it will be the responsibility of participating unions to keep their members informed of developments in the fund.

Another problem which Horwitz raises is the "high degree of monopolisation that exists in South Africa ... it may be that one mine or factory has a progressive policy, but that the group as a whole is reactionary".

Young agrees but says "there is no way we can avoid some investment in big conglomerates".

But the nature of the company's activities will determine how much and whether the fund invests with them. And smaller companies will be targeted for investment instead of large holding companies.

Shares lure key unions

Clip news 10/5/92

☐ MONEY TALK

THE founding during the past week of the Community Growth Fund (CGF), a unit trust supported by key trade unions, represents an important step forward in the evolvement of a new economic dispensation in SA.

The new fund will ensure that union members take part in top companies listed on the Johannesburg Stock Exchange.

Basically the CGF will be investing a portion of the regular pension contributions of thousands of workers.

Union spokesman Manoko Nchwe said the CGF would only invest in the shares of companies with good social responsibility policies.

The fund will be administered by Syfrets, but will be controlled by the unions.

SA businessmen are pleased by the unions' decision to participate so directly in the market mechanism.

One company, Times Media Limited, was quick off the mark to authorise R1-million from its pension fund to be transferred to the CGF.

Only time will tell whether the new fund will be successful, but certain knowledgeable investment analysts believe that in the long term CGF may well become one of the most powerful unit trusts in SA, because it will enjoy a large and regular flow of cash.

Altron hopes to fit the unions' bill

S/Times (BUSS) 10/5/92

29

By JULIE WALKER

ALTRON executive chairman Bill Venter hopes his group is one in which the trade unions' unit trust would be happy to invest.

The unit trust can invest only in companies with strong social responsibility programmes. Altron — whose main investments are in Altech, Powertech and Fintech — fits the bill.

Dr Venter says: "Since the strategic systems side of Altech's business was wound down we have redeployed 400 engineers to look at ways of developing products for improved education, housing and health care.

Keen

"We have developed an advanced interactive educational system using a 60cm satellite dish at a cost within the reach of almost all schools. We are aiming at the lost generation."

Dr Venter says European and eastern companies are keen to invest in Southern African projects. The common factor is that potential investors are looking for SA partners.

"SA is the hub of activity for the whole of sub-Saharan Africa. Investors realise that a greenfields venture has a high chance of failure."

Foreign partners bring the markets that they have built up over many years and SA companies provide local expertise, manufacturing, servicing and so on.

Dr Venter denies Altron would pay a premium for markets it will pick up in any case now that sanctions are going. He says foreign investors are bringing capital, technology and expertise to the region.

Although many regard Africa as a basket case, Dr Venter thinks otherwise.

"There is enormous mineral wealth and tourism potential, both of which are job-creators. But the infrastructure has to be improved.

"Communication is probably the greatest stumbling block, but traditional copper cabling is vulnerable to theft throughout the region."

To this end, Altech has developed a solar-powered rural radio system which looks set to be a winner. It is on trial in the Eastern Transvaal.

Turnover

Electrification would bring about radical change, but the required investment will not be made by the authorities unless payment for power can be guaranteed. A smart-card pre-payment electricity dispensing system has been developed to eliminate the administrative burden.

Powertech has introduced a cable harness systems that replaces conventional house-wiring.

The Altron group has R200-million in cash for investment in well-researched areas. Acquisition opportunities are few and new ventures are likely.

In the year to February, Altron made almost R93-million, or 489c a share, on turnover of R2,6-billion. This was a 19% improvement in spite of the tough economic conditions.

BILL VENTER: Keen to make tools to educate the lost generation

All the facts on Europe

By JULIE WALKER

AUDITING firm Deloitte Pim Goldby has invited two representatives of its European co-ordination office to present seminars to clients who are potential investors and traders with Europe.

Brussels-based Graham Branton and Richard Doherty will talk about details and pitfalls associated with doing business in the European Economic Community and in eastern Europe.

The treaty between the six Efta states and the 12 EEC nations has paved the way for investment or for trade with 18 countries on a single set of criteria.

"Common legislation in several fields has already been agreed on," says Mr Branton. "They include banking, telecommunications, industrial standards, transport, energy and environmental matters, with insurance coming soon.

"Public procurement policy on goods and services now obliges the authorities to take the cheapest product on offer providing it meets quality standards. This opens the door to everybody."

However, each nation still has its own tax policy, company law and accounting rules. Mr Branton says it is important that potential investors make the best decisions on where to do business and to take into account grants and subsidies, as well as repatriation of profits, use of foreign staff and so on.

Mr Doherty says the biggest problem facing would-be investors in eastern Europe is the lack of reliable information and statistics. Deloitte has established a network of offices and contacts throughout the region to update the European database and advise clients worldwide.

Deloitte Pim Goldby believes there is enough interest in Europe among its SA clients to justify its establishing links and making information available.

N BRIEF

sector. Drop Inn warns again.

TUESDAY: Longmile shareholders' meeting on 18/5, delisting from 22/5, shares to be redeemed at 260c.

WEDNESDAY: Sanlam buys Sanland shares at 87c from Allan Grey Investment Counsel, members offered same. African Cable members approve acquisition of Siemens Cables.

Pepgro to raise R135-million through the issue of 15 convertible debentures of 6% for 100 ordinaries held at R12 after sub-division of Pepgro

Industrial

Union unit trust on the way to big time

29

S Times (Buss) 10/5/92

By CHARLENE SMITH

THE Community Growth Fund (CGF) to be launched on June 1 by trade unions could become one of the largest unit trusts in South Africa, says Syfrets chief executive John Cragg.

Syfrets will manage the fund.

Trade unions have made it clear this is not the last move they will make with the money accumulating in pension and provident funds to which their members contribute. They could seek to increase the 30% ceiling they have put on their own pension and provident fund investments in the CGF.

They are also investigating other investments.

Trade unions have long been unhappy about their lack of influence on the investment of money from workers' pension and provident contributions. Few black workers had pension rights in the past, but the unions have tried to change the system. Former general secretary of the National Union of Mineworkers Cyril Ramaphosa was a prime mover in bringing about change.

Clout

Others involved in the new scheme include the Transport and General Workers Union; Paper, Printing and Allied Workers Union; Construction and Allied Workers Union; and Nactu's National Union of Food, Wine, Spirits and Allied Workers; Transport and Allied Workers Union and Metal and Electrical Workers Union of SA.

Now that unions and their members realise they have growing financial clout they intend to make their money work — on their terms.

Manoko Nchwe, collective bargaining official at the NUM, says they will not use the fund "to influence the outcome of day-to-day labour disputes".

The NUM said in its biennial report this year that its provident fund "has 330 000 members on the gold and coal mines and total investments worth over R250-million".

World

"The members contribute about R10-million every month from their wages and the employers contribute the same amount. All of the money is invested by Old Mutual. Most of the money is invested in firms like Barlow Rand and Anglo American. The union has no say on where the workers' money is invested. We need to discuss if this is correct."

Discussions are under way between the Labour Research Services (LRS), represented by Gordon Young, and Syfrets Managed Assets team.

Mr Young says: "The unions have been disenchanted with the performance of the economy over the last 10 years. Cosatu unions have called for more union involvement in the investment of their money.

"We have established a cautious scheme that won't set the world alight, but it is not meant to. This is a blue-chip investment vehicle. There will be others."

Mr Young says other options are being considered — for example, "establishing greenfield projects for job creation".

But the unions realise that such projects carry higher risks than relatively safe unit trust investments.

"When we have more experience we would like to try other options. They may carry higher risk, but could yield higher returns."

Seal

LRS surveyed the market before choosing Syfrets.

"We selected what we thought would be the best company from our point of view and made an offer. We looked at four factors: did it have a unit trust; a reputation for integrity; was it prepared to acknowledge the importance of unions and did it have a proven track record."

Mr Young says Syfrets — it has placed R2-million of its money in the scheme — provided a lot of support.

"Union members have been extremely enthusiastic, we have had meetings with them throughout the country. There is an underestimation of the savings drive among workers. They are keen that we should put more than our 30% limit into the fund, but we are taking a cautious approach."

About 500 000 workers will initially invest in the fund — which is also open to the public.

Merit

TML managing director Steve Mulholland put R1-million of his company's pension fund in CGF this week.

Mr Young says an investment by the Community Growth Fund will "by no means be a seal of approval for the company we invest in. I don't think any company would meet all the criteria we set, but we will back more progressive companies."

Investment decisions will be set according to such criteria as a company's job creation record, its industrial relations, its health and safety practices among others.

"Unions will get together soon and decide on a weighting system. A company that does badly on one item may fare better on others. It may, for example, have a good health and safety record, but be a known union basher."

A Syfrets spokesman says it will recommend "shares with financial merit to the LRS. LRS will then select according to their criteria of socially responsible companies.

"We have done some research, and most successful companies have a social conscience.

"Several pension funds have given us between 20% to 30% of their cash flow. We cannot give more details until the official launch."

New unit trust buoys market

STAR 11/5/92.

By Tom Hood (29)

CAPE TOWN — Trade unions cheered the share market last week with their decision to go ahead and form a unit trust where anyone can chip in for only R30 a month.

The Community Growth Fund (CGF) makes its debut next month as a general fund and the country's 44th unit trust.

It is set to make an enormous impact on business and worker-employer relations.

JSE analysts believe news of its formation signals to investors that threats to nationalise big business are certain to evaporate — a factor one analyst says helped to boost investment confidence and share prices last week.

But company directors will have to pull up their socks because the new breed of capitalists are likely to be less apathetic, if not downright bolshie, compared with the present generation of investors.

Union leaders are deadly serious when they talk about worker participation in making business decisions in the new South Africa.

For starters, they will be entitled through their unit trust management company, Unity Incorporated, to arm themselves with proxies and challenge directors at company meetings.

Then, if the fund invests millions in a company — it is alowed to buy up to 10 percent of a company's shares — the unions could be expected to demand a seat on the board of directors in the same way that financial institutions are represented in many companies.

Unions have long demanded a say in decision-making — in Germany and the US worker participation is common.

George Young, spokesman for Labour Research Service, which devised the plan for the union fund, says issuing proxies to unions concerned is a popular method of challenging companies in the US and Britain at AGMs.

"We as a unit trust would have the right to issue proxies to interested parties and it might encourage companies to give us information."

CGF has the potential to grow at a spanking pace and become one of the largest.

It has two major advantages over competitors.

Big companies are expected to invest millions to show they are among the "good guys" with social responsibility.

It has been promised as much as 10 and 25 percent of the huge cash flows of union pension funds every month.

Union pension funds must invest money anyway if they want to protect workers' pensions from inflation, and what better place than their own CGF?

The fund will be punted by unions to members and the minimum investment of R30 a month, or a R500 lump sum, are the among the lowest and most affordable in the industry.

It will get off to a flying start on June 1. Syrets, which has a 50 percent stake in the management company, will start CGF with a R2 million investment — double what it gave to launch its own Syfrets Growth Fund about four years ago.

Other companies have either pledged or indicated they too would invest millions.

Leon Campher, MD of Syfrets Growth Fund Managers, says he and his staff have been inundated with inquiries.

Clive Fox, MD of Consolidated Fund Managers, an independent unit trust management company, forecasts that an enormous amount of money will go into the fund which, he says, is a "very clever marketing exercise in terms of harnessing black money".

"The only concern is that it will invest in so-called union-acceptable companies , which might not necessarily be the best investment."

The fund is the brainchild of Labour Research Service to overcome union complaints that they have no say in how members' funds are invested , while money has been invested in low-wage and union-bashing companies or removed from the country and used where there is no clear benefit to workers in South Africa.

Investment policy will be towards manufacturing companies that provide jobs and meet union criteria of social responsibility, such as fair employment practices and safe working conditions.

Stellenbosch economist Willem Roets forecasts: "Just as the poor whites did in 1946, the black unions are going to use their financial muscle.

"They could end up with enough directors on the board to run their own gold mine."

JS turns a blind eye to alleged ANC misdeeds

BDay 5/3/91

SIMON BARBER in Washington

3S the ANC continue to detain abuse dissidents in Tanzania, ıbia, Angola and elsewhere? If it no, does anybody care to verify lenial? Or is the matter simply sensitive to be investigated?

he State Department's latest an- human rights compendium es, in its section on Tanzania, "numerous, credible reports of ure and mistreatment by ANC ırity personnel of ANC-defector ɩinees at ANC refugee camps ɩinued in 1990".

he report's Zambia chapter re- is: "Some former members of th African liberation groups have ı subjected to harassment by the ınisations which they have left. re are reliable reports that the ɔ has imprisoned defectors and ɩinees".

he official principally responsi- for Africa in the State Depart- ıt's Bureau of Human Rights and ıanitarian Affairs, which col- s the report from drafts submit- by US embassies, declined to pro- any further information.

he statements took Assistant retary of State for Africa Her- ı Cohen by surprise and he ɘed to look into them. A short le later he asserted "my people me we have received no such re- ɩs" since ANC deputy president son Mandela visited Tanzania April.

The issue is not addressed at all in the compendium's section on SA. Allegations made by a group of former ANC detainees after their return to SA last year are not mentioned. Nor is the fact that one, Sipho Phungulwa, was subsequently murdered in Transkei.

After Cohen's remarks, an official involved in the report's preparation said if the department's SA desk had seen the references in the Zambia and Tanzania sections, it would have sought their deletion.

In a "background" interview last week, a senior administration official (who cannot be further identified under the ground rules of the discussion) was pressed on the issue again. He gave a reply identical to Cohen's. He also brushed aside suggestions that the department might consider actively investigating the "credible" and "reliable" reports.

The only surprise in all this is that the human rights annual mentioned the abuse of ANC dissidents at all. Though there has been some sporadic interest in Congress, the US administration has never before raised the question formally.

The official excuse for this silence is that the report is supposed to focus on the human rights practices of governments. Opposition groups are only discussed insofar as they are felt to be germane to the behaviour of the state — as they might be in a case of civil war, for example.

When the human rights officer at the US embassy in Pretoria drafts his chapter he deals solely with what is going on, or is alleged by human rights groups to be going on, in SA.

This also applies to Tanzanian and Zimbabwean affairs. As a result, the alleged activities of the ANC outside SA have tended to slip through the cracks.

If one accepts this explanation at face value, then the fact that the ANC's treatment of dissidents gets a mention at all this year would seem to suggest either that the department thinks the matter serious enough that normal procedures should be bent to raise it, or that someone, somewhere, in the bureaucracy finally decided that it needed flagging.

Given the testimony that those officials most closely involved with SA would have deleted the references had they had the chance, one has to go with the second hypothesis: a person or persons are trying as delicately as possible to blow the whistle.

They are wasting their time. Out of a mixture of cowardice, guilt and largely cynical reasons of state, the unspoken consensus here is that the ANC must be ~~the beneficiary of affir-~~ mative action on all fronts, including the moral one. Whatever appalling things its members may have done, or may continue to do, the movement must be exempt from the kind of inquiry or indictment to which the government is regularly, often quite justifiably, subjected.

In Washington, the ANC even receives special treatment before the law. The Foreign Agents Registration Act (FARA) requires anyone "engaging in political activities for or on behalf of foreign governments, foreign political parties and other foreign principals" to register with the Justice Department and provide public, semi-annual statements describing those activities, how they were paid for and by whom.

A wide array of SA representatives are duly registered, including the embassy's consultants, the SA Foundation, and local law firms acting on behalf of various trade associations and other business interests. So are the Washington offices of the Angolan rebel movement Unita.

The ANC's locally headquartered US mission, on the other hand, is not registered and while a number of administration officials, including counsel familiar with the Act, have privately said they can see no reason why not, the same officials have also made clear that this is a matter better left unpursued.

The Justice Department did take it up four years ago on the instructions, ironically, of the 1986 Comprehensive Anti-Apartheid Act. Equally ironically, the ANC's New York mission and its then representative in Washington, Madumane Matubane, were both registered at the time. The New York office agreed to limit itself to UN business, which is exempt from the FARA.

Missing is any record of Lindiwe Mabuza, who arrived in Washington in 1988 to upgrade the ANC's presence here at State Department's urging. Her office on Capitol Hill is described on its letterhead as the ANC's "Mission to the US" and by no stretch of the imagination can it be regarded as a branch of the ANC's UN operation.

To the contrary, Mabuza's position would seem to be exactly that of Unita's Jardo Muekalia, and since he has to register as his organisation's US representative, it is difficult to see why she shouldn't also.

Petty? Perhaps. It may also be said that the FARA is a law that lends itself to political abuse and witchhunting. Nonetheless, it is the law and one easily complied with by those who have nothing to hide.

For the administration to let the matter slide may be politically convenient. However, like ignoring the human rights question, it can only add to the organisation's evident belief it can get away with anything.

REVIEW

Numsa members cash in on share deal

VERA VON LIERES

MORE than 4 800 National Union of Metalworkers of SA (Numsa) members stand to collect more than R400 each from the proceeds of a preferential offer of Iscor shares acquired when Iscor was privatised and listed on the JSE in 1989.

Rand Merchant Bank (RMB) financed the workers' purchase of preferentially allocated shares and underwrote the purchase price. B/Day 1/3/91

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The shares were sold in December 1989, after the listing. RMB was repaid the amount it had advanced and the net profit of R1,6m, equivalent to 22c a share, was invested.

In the past 15 months the R1,6m has earned interest of R400 000.

At the end of 1989 Bobby Marie, Numsa's spokesman, said the money would be invested for the workers' collective interests.

However, early last month the union instructed RMB to distribute the profit and accrued interest to those members who had applied for shares.

Union spokesman Bernie Fanaroff yesterday confirmed the union had decided to distribute the proceeds of the sale among members.

Foreign investors urged to boost economic power of SA blacks

B/Day 21/1/91

THEO RAWANA

COMPANIES investing in SA should undertake to give top management positions to suitable and qualified blacks, while all new investment should address black economic empowerment, Black Management Forum (BMF) president Don Mkhwanazi said recently.

Addressing the Umtata branch of the BMF, Mkhwanazi said whether the broad liberation movement agreed or not, the international community would go ahead and lift sanctions.

"The question then is — how do we advance the cause of our economic struggle given the resolve of the international community not to heed the call by the liberation movement?

"How do we manage the collapse of sanctions to our advantage?" Mkhwanazi asked.

Demand

29

"What we should be saying to all the companies that want to invest in SA is that top management positions should be given to suitable and qualified blacks, failing which black understudies must be identified, placed, trained and developed to take over these positions within a stipulated time frame.

"This must apply to all levels of management," Mkhwanazi said.

Another demand should be that a percentage of initial total capital outlay and/or the total of pretax profits be set aside for technical, managerial, skills training and upgrading of workers, Mkhwanazi said.

"Over and above this a percentage of company profits should be ploughed into the social investment area, firstly for the benefit of employees and secondly for communities in which these firms operate."

Mkhwanazi said workers, black managers and the black community should be given at least meaningful part in the ownerhip of companies.

"Soft loans or funds should be made available to these stakeholders to make it easy for them to take advantage of ownership," he added.

Lip-service to blacks - financier

29

Sowetan 14/2/91.

ORGANISED business in South Africa is "dragging its feet" on the issue of black economic advancement.

And if it does not make bolder strides towards meaningful black involvement in the formal sector, prospects for healthy free enterprise in the new South Africa will be damaged.

The warning - and the charge - comes not from the ANC, but from the South African Board for Personnel Practice, which represents the personnel profession.

By JOSHUA RABOROKO

Chairman Mr Gary Whyte says: "Business leaders have been paying lip-service to black empowerment for a long time.

"Now they have to stop just talking about it and do something."

Whyte was responding to a call by president of the National Federated Chamber of Commerce Dr Sam Motsuenyane to speed up the involvement of blacks in the ownership, management and operation of organised business.

He said the resolution, made at a summit conference last year, had generally been dismissed with derision or ignored in the white community.

Nafcoc's resolution stated, among other things, that 30 percent of the board members of all companies listed on the JSE must be black and that 40 percent of their total shareholders be black.

It also wants that 50 percent of the value of the companies' outside purchases should come from black-owned suppliers and contractors and at least 60 percent of top managerial staff from the black community.

Whyte said: "While the language of the resolution might appear provocative in some business circles because of the imperative 'must' attached to it, the percentage which Nafcoc laid down were not unreasonable.

"The demographic reality is that about 75 percent of our economically active population is black," he said.

"In the personnel profession, we have been watching the reaction to the Nafcoc resolution with interest.

"We do not for a moment think that most business leaders found the demands comfortable.

"But nevertheless, we believe that underlying the Nafcoc statement is a very critical issue that needs to be put on the table and debated much more openly," Whyte added.

Beer barons turn tables on whites

Sowetan 14/5/91

29

THE sour taste of apartheid lingers in South African sorghum beer, which is about to make capitalist shareholders of thousands of black drinkers.

The black businessmen who run state-owned National Sorghum Breweries Ltd (NSB) - the world's biggest sorghum beer company - plan to sell shares in the firm from Friday.

But apart from the company's white staff, only blacks need apply.

The colour bar on ownership is the latest twist in the politically charged history of the brew.

For many years the Government used it to help pay for apartheid.

"We are now in the final throes of ensuring that this industry will return to its rightful owners, the black community," NSB executive chairman Mohale Mahanyele said.

Policy

"Our company policy is aimed at black economic empowerment and addressing an historical wrong."

Blacks have been brewing sorghum beer for about seven centuries, but in 1908 Natal barred them from distributing it so white municipalities would have a monopoly.

The monopoly was extended to other white municipalities, including those around Johannesburg.

They set up beerhalls and used the proceeds to pay for services in black townships.

With the creation of so-called black homelands in the 1960s, beer profits were diverted from the townships to the territories which apartheid dictated were the real homes of South Africa's blacks.

Police raids on illicit home

FOCUS

brewers were part of daily township life.

Beerhalls became sumbols of apartheid and were attacked in anti-Government protests.

The official names which whites gave sorghum beer reflected changing racial labels - from "kaffir" beer, to native beer.

Since the Government set up NSB with a board of independent directors in 1970, brewery products have been given names like Zebra, Leopard, Country Brew and Kalahari.

Nutritious

Sorghum beer is packed with protein, carbohydrate and vitamins and is low in alcohol.

It is as nutritious as an intravenous drip, and for the non-traditional consumer, equally palatable.

Mahanyele said white staff of NSB, including some top executives, would also be able to buy shares so ownership would not be exclusively black.

Target

"This is not regarded as a privatisation. It is regarded as returning something that has been taken away from the black community," he said.

"The share offer is particularly aimed at consumers of the product, who are 98,9 percent black.

"It stands to reason the people who benefit from this offer should be the black community."

But the blacks-only policy has come in for criticism.

Business Day newspaper said in an editorial: "It's fine that employees and distributors be offered preferential allocations.

MOHALE MAHANYELE: "Our company policy is aimed at black economic empowerment...."

"What sticks in the craw is that the remainder of the shares are reserved for what NSB coyly describes as sorghum beer's 'traditional consumers'. What's wrong with openly offering the shares to everyone?"

Critical

The paper also criticised the NSB decision not to offer the shares on the Johannesburg Stock Exchange initially but act itself as trader in the stock.

Mahanyele said this was to protect the share buyers, who would generally be small investors with no more than R100 or R200 to spend.

Their equity would be guaranteed for the first year.

"Why must the 'traditional consumers' be treated as juveniles?" asked the newspaper.

"Are NSB's managers ... to decide who will own the company's shares after privatisation? Will prospective shareholders need to carry a pass classifying them as 'traditional consumers?'"

The cost

Mahanyele said he expected hundreds of thousands of people to buy shares.

Shares will be priced at R1 each but the number on offer will be disclosed only on Friday.

The company, with an annual turnover of around R300 million employs 3 500 people and runs 18 breweries. - *Sapa-Reuter*.

Sowetan's cartoonist Len Sak is on leave. His work will reappear when he returns.

Political comment in this issue by Aggrey Klaaste and Deon du Plessis. Newsbills by Sydney Matlhaku. Sub-editing and headlines by Ivan Fynn. All of 61 Commando Road, Industria West, Johannesburg.

Write to the Editor at PO Box 6663, Johannesburg 2000. Nom-de-Plumes can be used, but full names and addresses should be supplied or the letter will not be published.

Sorghum workers get free shares

29

S Times (Bus Times)

By DON ROBERTSON

19/5/91

THE GOVERNMENT's promise to privatise the sorghum beer industry is being fulfilled with this week's issue by National Sorghum Breweries (NSB) of 44-million shares at R1 each.

The proceeds will be used to repay a R44-million loan in full to the Government. It is effectively the purchase price of the company.

The offer, which opened on Friday and will close on June 19, is aimed at employees, distributors, retailers and consumers. Should all the shares not be applied for, the balance will be offered to the public.

Each of the 3 500 employees will be given 200 free shares out of an allocation of 13,2-million, which will be bought by the NSB Employee Share Trust. To finance this, the trust has borrowed R13,2-million from the State, repayable, free of interest, in three years.

After the allocation of about 700 000 free shares to employees, the 12,5-million balance will be offered to them at a discount of 30%, or 70c each. The 30c a share discount must be repaid within three years. The 30,8-million shares remaining will be offered to selected public groups.

The issue price looks attractive. Forecast earnings for the year to June are 29c a share and a dividend of 11,6c is expected, based on 2,5 times cover. In the following year, earnings are expected to decline to 25c and the dividend to 10c.

Shareholders will not qualify for a dividend in the current year and can expect to receive the first payment of 10c in September 1992.

How black must a boardroom be?

BDay 17/7/91 29

THAMI MAZWAI

NAFCOC president Sam Motsuenyane's call that JSE-listed companies should make their boards 30% black has been met with widely differing responses from white and black businessmen.

Peter Vundla, MD of the black-controlled advertising agency Herdbuoys, said: "Companies refuse to appoint competent blacks as general managers or to positions where they would strategically guide the company as a whole.

"Blacks have been appointed to sit on company boards mainly for token reasons and no substantial contributions were expected from them except to tell the company what was happening in the townships.

"We must be content with being social responsibility managers, public relations officers and so on.

"One of the few challenging positions given to blacks is that of human resources manager, but then the incumbent will only handle the black staff and will of course not be a member of the board."

Motsuenyane's call was made at a Nafcoc (National African Federated Chamber of Commerce) seminar six weeks ago in Cape Town and in an interview this week he spelled out his terms further.

"This country has a sophisticated white business community and a struggling black business sector. These must be integrated if we are to have a non-racial economy," said Motsuenyane.

"We need black directors, producers, investors and employers. It is the responsibility of the corporate sector to embark on affirmative action programmes to achieve these objectives."

To achieve this, he said:

- ☐ JSE-listed companies must have a 30% presence of blacks on their boards;
- ☐ blacks must own 40% of the equity in these companies;
- ☐ black businessmen must provide 50% of supplies needed by these companies to hasten the process of black entrepreneurial development; and
- ☐ managements must be 60% black compared with the present 4%.

These percentages, what he calls the 3-4-5-6 strategy, must be attained within 10 years.

Motsuenyane's call provoked an angry response from the white business establishment, perhaps summed up in the Financial Mail's comment:

"It is difficult for us to reconcile Nafcoc's desire for economic growth, backed by the efficient allocation of resources through a free market, with its willingness to see both processes impaired — at obvious cost to black job creation — by the application of racial quotas to the running of the quoted companies.

"The object of a free SA must be to ensure that wealth and income flow to those with merit — not to those with a certain skin colour."

But black businessman Rueul Khoza countered this argument by saying:

Qualified

"While our white colleagues are quick to denounce Motsuenyane, they forget that an unwritten law of 'no blacks in boardrooms' was in force until recently and many white companies still cling to it.

"It is all very well to talk of merit when government ensured it was whites who had this merit by giving them superior education."

However, the predominantly white Institute of Directors gave qualified support to Motsuenyane's call.

Institute chairman Piet Kieser said his organisation agreed with Motsuenyane but not necessarily with his figures.

"We support the appointment of suitably qualified blacks to boards and we have had discussions with Motsuenyane in that direction," he said.

White business leaders say they cannot find enough black managers, investors, suppliers and potential board members to meet Motsuenyane's demands in the specified period.

They say the education system would have to be massively transformed if Motsuenyane's criteria were to be met within 50 years, let alone 10.

Appointing people to management positions because they are black, or making purchases along these lines, would lead to inferior management and products, say white businessmen.

They believe the competitiveness of companies would be undermined, particularly against foreigners, and the production levels of SA companies would drop.

Affirmative action programmes, the essence of Motsuenyane's calls, are only effective if they complement merit as the major principle, say whites. If they become the dominant guideline the economy will deteriorate.

"But who must be blamed for this abnormal situation?" asks Khoza. "Why must blacks suffer?" He says this is what repudiating Motsuenyane's call amounts to.

Peter Vundla says whites never look hard and far enough for competent blacks.

Khoza said Motsuenyane did not set quotas but targets. "If you aim at nothing, you will hit nothing," he said.

He says there are enough qualified blacks for boardroom appointments.

"We are talking of non-executive directors who contribute to the drawing up of broad policy guidelines, strategic planning, helping the organisation scan the environment and highlighting issues that may impact on the company.

"Any person with intelligence and appropriate qualifications will be able to do this and in return he will be exposed to a new environment with the potential of developing his capabilities. What we need are opportunities."

Black Management Forum executive director Lot Ndlovu and Mike Ntlatleng, public affairs director of the Foundation of African Business and Consumer Services, endorsed Motsuenyane's call, but stressed that merit should be the main criterion.

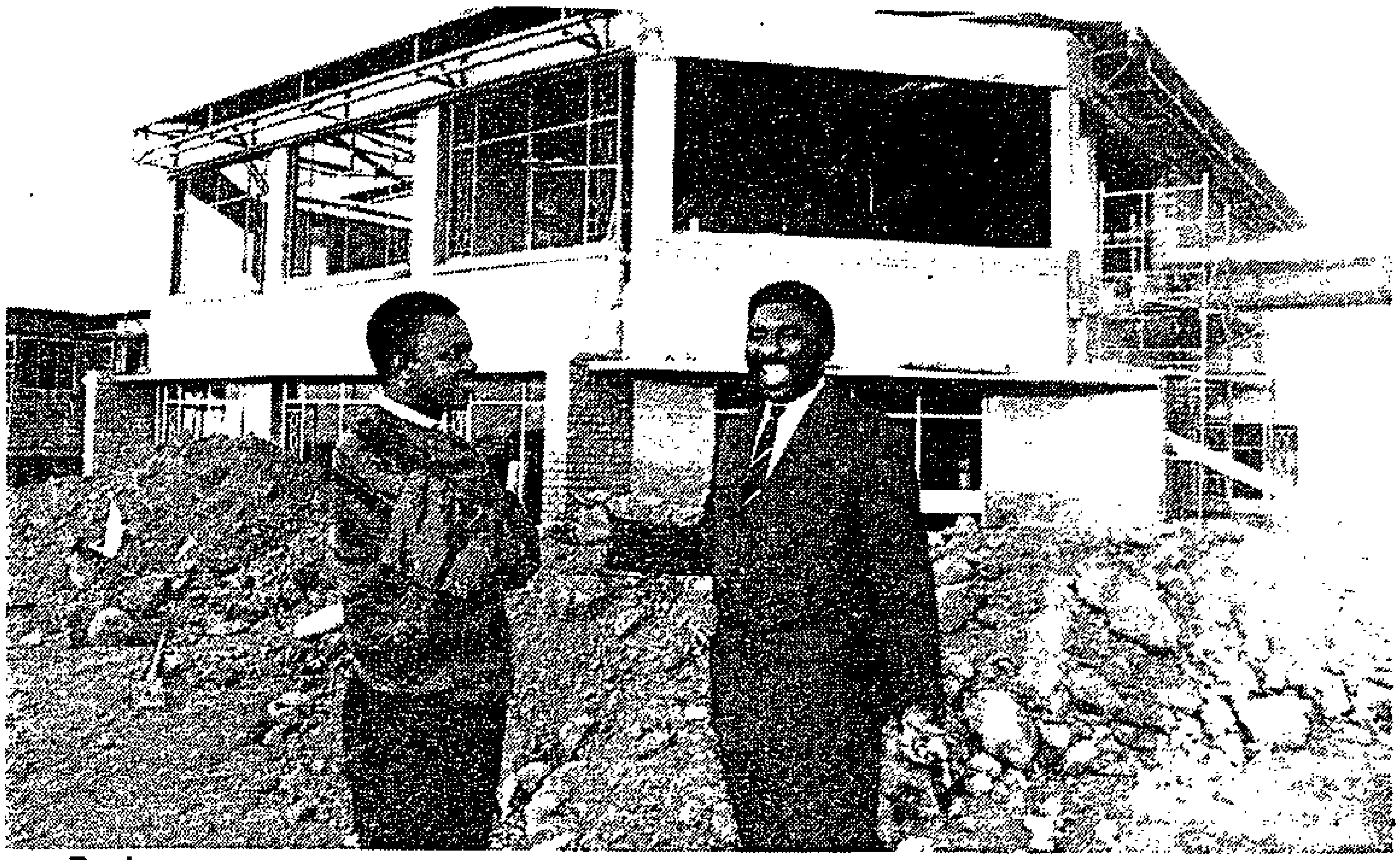
☐ MOTSUENYANE . . . setting targets

They say that a substantial number of people could be found in the black community to assume senior responsibilities.

Ndlovu said only a few blacks had so far been appointed to boards, and these were now being used as a pool whenever a company wanted a black person on its board.

"There is a desperate need to increase this pool," he said.

N-BUSINESS



Business reporter Ali Mphaki with Mr Sheiks Makhado with the centre in the background.

Makhado's dream

Sowetan 25/7/91 (29)

By ALI MPHAKI

THERE is a distinct nostalgic fondness in Mr Sheiks Makhado's voice as he speaks about the soon-to-be-ready first-phase of the R7 million National African Federated Chamber of Commerce and Industry Management Leadership and Development Centre in Soshanguve.

Makhado, Nafcoc's education officer, sees the centre as a culmination of Nafcoc's dream of redressing the existing imbalances of skills between blacks and whites in the country.

It is also, Makhado explains, a move in line with Nafcoc's resolutions taken at their 6th summit conference in Venda last October.

The summit strongly advocated far-reaching measures toward restructuring the formal economic sector in terms of black economic involvement in ownership, management and operational activities of the formal sector.

Among the resolutions adopted was that all companies listed on the Johannesburg Stock Exchange should have at least 30 percent of their board members from the black community; at least 40 percent of their total shareholding must be controlled blacks; and at least 60 percent of their top managerial and personnel must come from the black community.

"At the moment blacks represent about four percent of management in South Africa. If by the year 2000 whites might be 10 percent of the population, how then do we expect to survive if our economy is hoisted by 10 percent of skills?

"Even when the ANC or PAC or Azapo comes into power, these organisations will not have the resources to sustain that freedom if we do not start investing on human capital now. We need to increase the capacity of growth by increasing the skills base," Makhado said.

The initial idea of this centre came around 1987 but due to problems of consultancy, construction was delayed. At the time, cost of the centre was estimated at R3 million.

It has 20 working rooms which can accommodate 10 people each, four lecture rooms with a capacity to hold 35 people each and an auditorium which can accommodate about 150 people.

Apart from servicing Nafcoc's own sectors, Makhado said, the centre would be open to the public. There will also be a library, whose books will be more economically inclined.

The centre will offer multi-dimensional courses. Firstly those at basic level on management - a critical aspect as more than 60 percent of black businessmen are illiterate - computer programming, an executive secretarial course, middle management courses and post-graduate studies.

Second phase of the centre will be residential, to facilitate the use of the centre for even people who are from far and would normally experience accommodation problems.

Makhado said the centre would be opened in two months.

off

"We feel our own black business people must not wait before the final uhuru to start making contacts and connections with other businessmen," Ramoshaba said.

Ramoshaba, whose business premises have

UNIT TRUSTS

GENERAL EQUITY FUNDS

	Buyers	Sellers	Yield

New move to bring blacks on board

(29)

Finance Staff Star 3/7/91

The Institute of Directors in Southern Africa (IOD) has offered to assist the National African Federated Chamber of Commerce (Nafcoc) in its drive to increase to 30 percent the number of blacks on the boards of listed companies within ten years.

The IOD is the only organisation in southern Africa to represent leaders of the free enterprise system as individuals. Its membership includes many decision makers in commerce, industry and the professions who contribute in large measures to the success of private enterprise.

Chairman Brian Hawksworth said the IOD fully endorsed Dr Sam Motsuenyane's call for sharply increased black involvement in steering the affairs of South Africa's listed companies.

"We believe, however, that this is possible only if an increasing number of blacks are educated in the responsibilities and duties of directors, and the IOD has offered to provide Nafcoc members with training and whatever other assistance is required.

"We also have encouraged Nafcoc to identify possible members of the IOD, as this will provide continuing education and the opportunity to meet regularly with other directors of companies who, as IOD members, are committed to the improvement of expertise, status and professionalism."

Mr Hawksworth said his organisation's support for Dr Motsuenyane's objectives stemmed partly from its concern about the very small number of black IOD members.

"IOD membership stands at record levels and, of course, we are very pleased about this.

"We are concerned, however, that only one percent of our members are black, and that ongoing recruitment efforts have met with little success. Hopefully Dr Motsuenyane's call will prove to be a turning point."

Mr Hawksworth said the IOD had donated a R5 000 bursary to the Wits Business School, and that this had been awarded to Jack Jeremiah Mnisi, a candidate for the MBA Diploma.

Other highlights included the establishment of an Eastern Cape branch, and the holding of two relevant and successful conferences.

Nafcoc bid to control JSE firms

Sow C/Pres 1/9/91

29

NAFCOC is to mount an aggressive public relations campaign to promote a 10-year plan to raise levels of black participation and ownership in companies listed on the JSE.

The federation will also be making strong representations to the authorities on the shortcomings of VAT, Nafcoc executive director Mofasi Lekota said in a statement.

The resolutions were passed by the 100 000-member organisation at its 27th annual congress at Sun City attended by 1 400 delegates.

"The resolution on black involvement in public companies calls for a 30 percent participation on management boards and a 40 percent ownership by blacks of listed companies," Lekota said.

"It also seeks a ruling that 50 percent of the value of outside purchases made by listed companies should be placed with black-owned suppliers and contractors."

The resolution also suggested that 60 percent of top management and personnel should come from the black community, within the 10-year framework. – Sapa

MOFASI LEKOTA ... Strong representations.

Key to mining crisis is worker participation

B/Day 3/9/91. 2.9

VERA VON LIERES

NEWLY appointed NUM acting general secretary Marcel Golding has set worker participation in mine management as a central strategic objective for the union in the coming years, and as a necessary part of the industry's survival.

The gold mining industry and mining in general will remain a critical vehicle for the transitional process in SA for the next 20 or 30 years at least, Golding says.

"There remains an important future for gold as a major source of foreign exchange for SA in its process of economic transition," says Golding. "The industry has long been the backbone of SA's political economy. Recent problems reflect the fact that, internationally, gold has lost its value as a hedge against inflation and instability."

The future of the industry will depend on the gold price and the country's ability to develop and sustain a jewellery industry to absorb and add value to gold production coming out of SA. It will also depend on efforts to cut wastage and improve efficiency in mining, Golding argues.

Any mineral resource-based industry obviously has a defined life, he says. "We are not merely looking at the end of mining and the development of manufacturing. The emphasis should be on the integrated nature of one's economy with a view to developing beneficiated industry that can use raw materials to develop other manufactured commodities," Golding argues.

The crisis in the gold mining industry has resulted in employers believing the only solution lies in job and wage cuts, Golding says. Management has responded in a piecemeal fashion that has resulted in the loss of jobs.

"Government has shown no grasp of difficulties facing the industry or of the scale of consequences. The NUM believes a permanent mining commission with a charter and state funding is needed to direct the process of restructuring the industry."

The recent mining summit involving employers, government and unions provided a first step in that direction.

The NUM does not necessarily agree with the equation "higher paid workers, less jobs". Obviously, the goal is to achieve both the maximum number of jobs and the most efficient conditions of employment with the emphasis on development and training of workers, he says.

However, Golding argues little has been done to change the managerial culture on the mines, the labour process and the organisation of work.

"To save jobs and develop more efficient mining enterprises one must take into account a broader framework of principles which include the training, retraining and development of workers. But efficiency cannot be at the expense of declining health and safety and conditions of employment.

"Competition on a global market and the need for cheap commodities does not necessarily mean low wages. It can mean a skilled, highly paid labour force able to produce commodities at low cost."

The crisis requires a comprehensive response at both national and mine level. And there must be full democratic participation by workers and union representatives in any reorganisation process. It requires greater participation of workers in the decision-making of mining operations and less wastage on the part of management, Golding says.

The union has not yet developed co-management structures in the mining industry. Co-management,

□ GOLDING

says Golding, implies partnership, which is difficult when workers are housed in hostels and racial discrimination continues. In terms of the Occupational Diseases Act, for example, white workers received 13 times more than black workers for the same diseases.

Substantive rights, including the right to strike and the right to full disclosure of information, do not exist for miners. The present management prerogative also curtails the extent to which the union can involve itself in the production process, although this remains contested terrain, Golding says.

"Worker participation is the first stage to greater control over the labour process. Control over the utilisation of resources and investment decisions is possible depending on the rights that exist between the parties," he says.

Some employers have been farsighted in their industrial relations and realise that unions are important and stable pillars in the relationship between labour and capital, Golding says. Others continue to use anti-union practices, Golding says.

"Once the union has greater independence and substantive rights to back that independence, we can begin with issues of participation and control over decision-making in enterprise."

Investment, training, development, research, job grading and pay levels should be collective bargaining issues which unions, as independent institutions, should be able to address with employers, says Golding.

LETTERS

Makeba gets on board NSB

By DERRICK LUTHAYI

SONGBIRD Miriam Makeba, internationally known as "Mama Africa", will no doubt feel closer to the continent of her birth after her appointment as a director of the "back-to-my-roots" sorghum company, National Sorghum Breweries.

Makeba, banned in South Africa for more than three decades after addressing the United Nations on the South African political situation, is based in Brussels but hopes to return home for good after next month's *Children of Africa* concert in Lagos, Nigeria. (29)

Makeba's appointment was announced this week by NSB executive chairman Mohale Mahanyele, together with those of well-known musician and founder of the Ionian Choir Prof Khabi Mngoma; former headmaster at Morris Isaacson School Lekgau Mathabathe and leading medical practioner Dr Ndumiso Mzamane.

A MEMBER OF THE BOARD . . . Miriam Makeba with, from left, NSB boardmembers M Leoka, Dr N Mzamane, M Mahanyele, ET van Rensburg, IB Skosana and JJ de Bruyn.

'Business must reflect community needs'

C/Press 17/11/91

Mahanyele announced the departure of executive director Sam Mosikili, who has resigned from the board and the company to pursue other interests.

Mahanyele told the shareholders that business was an organ of society and it had to reflect and serve the needs of the community within which it operated.

"The NSB board of directors must, therefore, not only reflect the high calibre of business acumen required, but also the grassroots characteristics of religion, cultural, educational, health and other wider communal interests.

"We are indeed honoured and proud that leading members of different segments of our communities have been nominated to our board.

"Through their illustrious careers, we believe they can bring to bear on our company the need to serve the interests of our shareholders, employees and communities," said Mahanyele.

He added that, in line with its mission, the board, management and the entire staff of 3 500 reflected the population profile.

"We have the single largest complement of highly qualified and experienced black people of any company in the history of South Africa.

"Our relationships with trade unions, who represent the majority of our people, are healthy and we will continue to nurture this warm development.

"We are supporting a wide range of social projects on education, health, culture and business. All these are aimed at employment creation and wealth generation which are vital for a stable society," said Mahanyele.

There was jubilation and wild excitement when Mahanyele announced that NSB made a whopping R17-million profit, which represented a 54 percent increase in real earnings in the first trading year.

The company's annual financial report, the first since it became a black-controlled company after more than R44-million shares were bought by blacks early this year, shows that profits have risen from R11-million for 1990 to R17-million and that the turnover is up 15 percent from R310-million to R357 million.

"These high earnings were attributed to strict control of overheads and capital expenditure and the enforcement of a strong managerial bias for action. We are proud of the past year's performance," he said.

R100m hopes for unit trust

29

TIM COHEN

THE Community Growth Fund (CGF) trade union unit trust could grow to R100m by the end of its first year, a spokesman for the trust's managers said at the weekend.

The fund, which will invest workers' pension and provident funds in blue chip companies on the JSE, officially comes on stream today, but it has already attracted several millions from investors.

It will be managed by Syfrets, which has itself invested R2m in the CGF. Contributions of R1m have already been raised from Times Media Limited and the NUM's Johannesburg branch.

And Syfrets spokesman Ian Hamilton said pledges and commitments had been received from "mining houses, banks, retail groups and industrial conglomerates".

"We can safely say that the market response has far exceeded everyone's expectations," said Hamilton.

The fund aims to marry high returns and socially responsible investment. It is being backed by the NUM, the Construction and Allied Workers' Union, the Transport and General Workers' Union and the Paper, Print, Wood and Allied Workers' Union.

Nactu unions are also involved. Portions of the pension and provident funds of these unions will be invested in the CGF.

The fund will target a portfolio of blue chip shares, but will exclude those of companies involved in weapons manufacture, environmentally harmful businesses and offshore investments with little benefit to SA workers. Three union representatives will serve in a joint Syfrets-union company managing the portfolio.

NUM spokesman Martin Nicol said the

☐ To Page 2

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CGF unit trust

29

☐ From Page 1

fund would invest in companies promoting job creation, recognition of trade unions, affirmative action and environmental awareness.

BDay 1/6/92

"It is not a fund which seeks to invest in low-return housing projects, for example," Nicol said. He said the fund would also attempt to influence companies to follow policies consistent with criteria decided on by the managers and the unions.

Hamilton, who is also a director of the fund, said client confidentiality precluded him from disclosing names and figures, but said the commitment from major investors had exceeded expectations.

"We have been constantly on the road presenting the concept to major pension funds," Hamilton said. "If this level of interest continues, we would not be at all surprised if the fund reached R100m within the first year."

Labour Research Services (LRS) — a Cape Town-based labour advice unit — would play a major role in investment selection. Chief LRS spokesman Gordon Young said three provident funds and two pension funds had committed money to the CGF. Two of them are connected to the NUM. A large provident fund associated with the Paper, Print, Wood and Allied Workers Union had committed a large sum from both cash flow and assets.

NUM assistant general secretary Marcel Golding said: "Companies have been taken by surprise by the CGF. They had not thought of applying social criteria before."

Syfrets expects the fund to remain fairly liquid in the initial stages until a well-rounded portfolio of shares is put together.

Syfrets will make the initial share selections based on standard commercial and investment practices.

A joint board, chaired by Prof Anthony Asher of the Wits Actuarial Science Department, will then approve these investments after receiving input from the LRS and the unions.

D-Day for union-linked unit trusts

Staff Reporter STAR 1/6/92

(29)

The Community Growth Fund (CGF), a union-controlled unit trust dedicated to investing in "socially responsible" JSE-listed companies, officially starts operating today.

The fund, managed and administered by Cape-based Syfrets, has attracted unprecedented attention from investors and employers since it was first announced on May 4.

Syfrets spokesman Ian Hamilton said the market response had exceeded expectations.

"We have received commitments and pledges from mining houses, banks, retail groups and industrial conglomerates.

"If this level of interest continues, we would not be surprised if the fund reached R100 million within the first year," he said.

Labour Research Service, the Cape-based union advisory organisation which devised CGF, will play a pivotal role in investment selection.

Three provident funds and two pension funds have committed money to the CGF. Two of them are connected with the National Union of Mineworkers and another with the Paper, Printing, Wood and Allied Workers Union.

Socially responsible investors cannot avoid compromise

While the union-initiated Community Growth Fund is a novelty for SA, "conscientious investment" is common in Europe and North America. DAVID TURNER reports

BDay 15/6/92

(29)

THE notion of what is good and bad seems pretty clear cut in the world of investment — profitable investments are good, unprofitable ones are bad.

Quite straightforward really. That is, until you start to investigate how these profits are made. For example, how would you feel if your investment did well because it exploited a low paid workforce, carried out vivisection on animals or polluted the environment?

If you are uneasy about making money in any of these ways, then perhaps you should consider one of the growing number of investment vehicles which purport to be socially, ethically or environmentally responsible. You would not be the first. It is estimated there is more than £320m invested in conscientiously run collective funds in Europe, with a staggering $500bn lodged with similar vehicles in the US, home of "responsible" investment.

Unfortunately, the definitions of what is good or bad for the world and its population vary from one fund manager to another. And just because you have put your money into a conscientious-labelled fund, it does not necessarily mean that every company selected for investment will meet your idea of what is ethical or environmentally friendly. Some conscientious investments are far more conscientious than others.

Broadly speaking, the sector breaks down into three main areas:

☐ Funds with a positive approach which invest in companies contributing to the environment or society, including the so-called green funds;

☐ Funds with a negative approach which avoid investing in repressive regimes like SA, armaments, alcohol, gambling, tobacco and animal exploitation. These are the so-called ethical funds; and

☐ Funds which combine both a positive and a negative approach to stock selection.

To complicate matters, within these three broad categories, investment criteria vary enormously from one fund manager to another.

For example, under the "green" banner the TSB Environmental Investor Fund takes a purely positive approach. It will invest in companies making a contribution in one or more of 11 environmental categories, whether in the products and services they supply or through their internal management policies.

In contrast, the Clerical Medical Evergreen Trust is a much more selective green fund and uses positive and negative criteria to choose its environmentally friendly companies. It does not invest in companies involved in environmentally damaging activities like the manufacture of ozone-depleting chemicals, the supply of tropical hardwoods or the production or sale of meat products.

It would, however, also avoid companies which fall foul of certain ethical criteria. For example, it would not invest in companies which produce armaments or companies which provide gambling services, tobacco products or pornography.

The Fidelity UK Growth Fund excludes only companies involved in tobacco products while the Scottish Equitable Ethical Unit Trust will exclude a long list of companies, including banks, because the fund managers are unable to obtain sufficient information on who the banks are lending money to.

To complete the picture, the gulf within the category of fund managers who use positive and negative criteria is well illustrated by the screening techniques used by the Homeowners Green Chip Investment Fund, which was the first conscientious fund in Britain launched back in 1984 and currently accounts for almost half of the conscientious investment market in Europe. Green Chip identifies just three positive and three negative criteria for investment decision-taking, while Friends Provident lists six positive criteria and 10 negative factors.

Peter Webster, executive director of Ethical Investment Research Service (Eiris), says investors will have to accept some measure of compromise when choosing a conscientious fund vehicle because the individual companies it invests in will always have one or two skeletons in the cupboard.

It is also worth bearing in mind that ethical and environmental issues constantly evolve and change. What is unacceptable one year may be all right the next, and vice versa. For example, following the reforms in SA, many conscientious funds may soon regard that country as an acceptable area for investment.

Most funds encourage unit holders to make any queries they have about the selected companies but NM Financial, which runs the NM Conscience Fund, goes one step further. It holds unitholder meetings every six months, and unitholders are encouraged to go along to voice their opinions on the shares held and offer ideas for future investment.

In addition to unitholders' views, fund managers usually use an independent committee or advisory board to monitor selected companies for their conduct.

Once you have done your homework on which funds meet your investment criteria, you will need to take an equally rigorous look at performance records. These vary from the very good to the abysmal.

In Britain, Framlington Health Fund is the outstanding performer with a 65,3% return over the past 12 months. The worst fund by some considerable margin in performance terms has been the Buckmaster Fellowship Trust (minus 6,6%).

Screened investments, by their very nature, reduce the fund manager's choice. However, it would be wrong to assume that screened investments will always, therefore, turn in mediocre performances.

Scottish Equitable unit trust marketing manager Charles Henderson says his fund's strict criteria leave only about 250 British companies for his fund manager to select from. This makes it quite difficult to achieve a balanced portfolio of stocks, but not impossible. "If your stock and sector selection is good, then at the end of the day you can achieve very good performances. As with most successful unit trusts, good performance is inextricably linked to good fund management."

For investors who want even more control over conscientious investments, there are two portfolio management services on offer. Pall Mall Money in London has a non-discretionary ethical investment management service for clients with at least £40 000. Pall Mall's David Wheildon says demand has not been "dramatic" but the company does have several overseas clients. More wealthy individuals with £250 000 or more can opt for the discretionary service offered by stockbrokers Leopold Joseph and Sons.

But for those who prefer to steer clear of equity investments, it is still possible to find ethical or environmental alternatives.

The Ecology Building Society in Keighley, West Yorkshire, accepts deposits from savers and, in effect, recycles the money. "The money which our investors deposit with us is lent to enable ecologically sound properties to be bought. It is often difficult to obtain mortgages from other sources for these unconventional types of properties," explains the society.

However, it does admit: "While we try to offer a reasonable rate of interest we can't always compete with the big societies."

Another potential home for savings is the Industrial Common Ownership Finance Ltd (ICOF) Ethical Savings Account, offered by the Co-operative Bank. This is designed to help workers' co-operatives.

Clearly, conscientious investments vary enormously in detail, substance and performance. And, as Peter Webster from Eiris says, there is no absolute right or wrong in conscientious investment. It will always be a compromise to a greater or lesser extent.

☐ This is an edited version of an article in the May edition of The International, a Financial Times publication, of which Turner is editor.

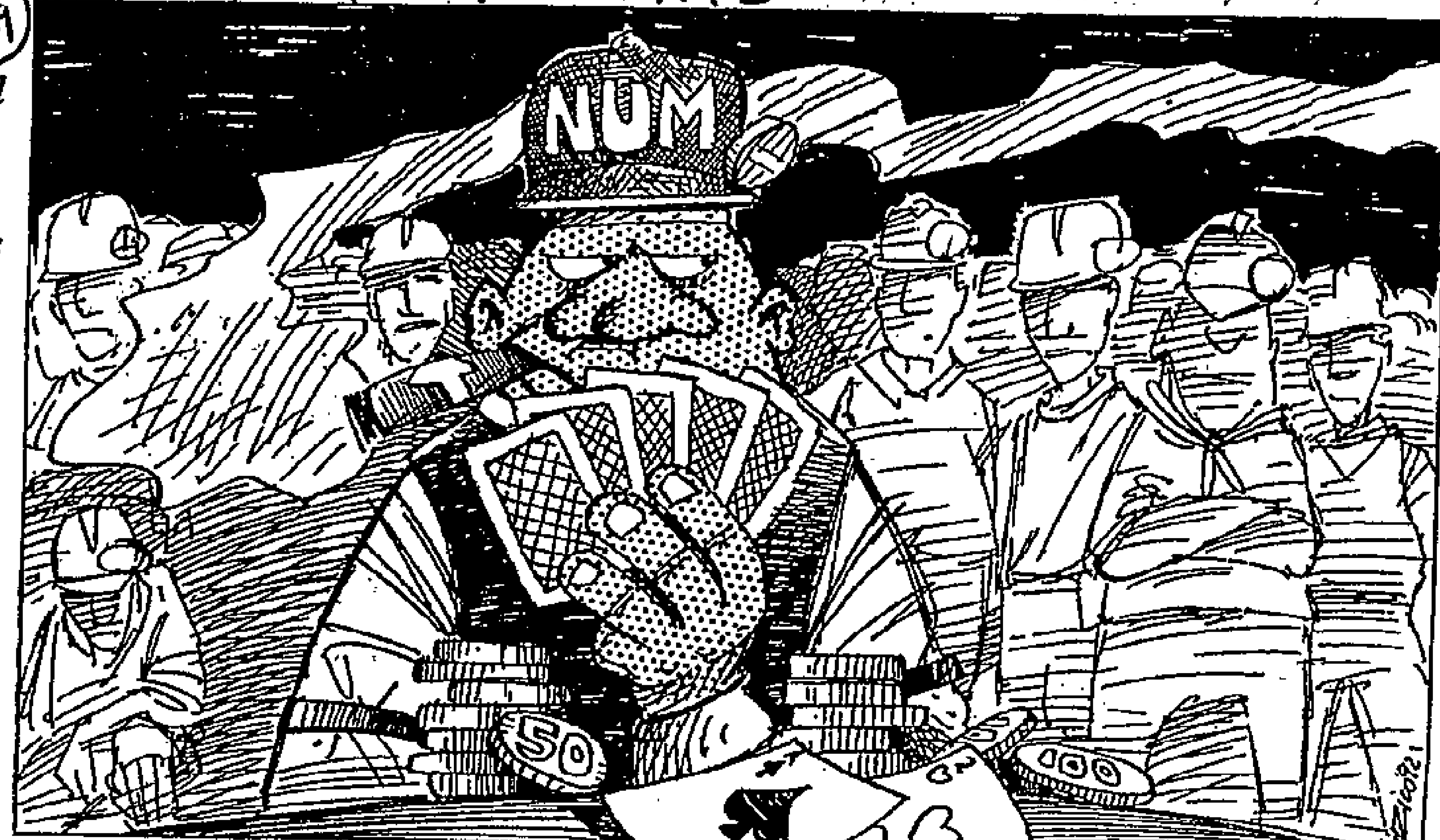
BUSINESS

Disunity over union fund

W.Mail 26/6 - 2/7/92.

A union-initiated avenue for investment was launched to acclaim. But not all unionists are overjoyed.

FERIAL HAFFAJEE *reports*



LEADING unionists have questioned the timing and the rationale of the union-initiated Community Growth Fund.

The fund was launched with much fanfare recently as a socially responsible way for unions to invest in the Johannesburg Stock Exchange.

Some unionists argue its launch is premature and that the time is not right for union investment in the JSE. Others accuse the National Union of Mineworkers — one of the unit trust's biggest proponents — of blazing ahead and taking other unions by surprise when other investment options are still being considered.

Only seven affiliates of the Congress of South African Trade Unions and the National Council of Trade Unions endorsed the fund.

A number of wealthy and well-organised unions are notably absent from the list of endorsements. Among these are the following Cosatu affiliates: the National Union of Metalworkers of South Africa, the Chemical Workers Industrial Union and the South African Commercial Catering and Allied Workers Union.

Nactu's largest affiliate, the South African Chemical Workers' Union, has also not endorsed the fund.

A Numsa member, who did not want to be identified, told *The Weekly Mail* the discussion on union investments had been left open-ended after a Cosatu workshop a year ago.

"At the time people believed the JSE was problematic and there was no way to identify socially responsible companies. The JSE is precarious. Your money is never safe, you are gambling with workers' money," he said.

The same workshop considered the establishment of community banks, which offer guaranteed returns albeit at lower interest rates, an option which now seems to have been forgotten.

"You cannot invest money now, especially if you don't support the country's present growth path," he concluded. Other union leaders contacted by *The Weekly Mail* agreed that the National Union of Mineworkers had jumped the gun and not considered other investment options.

A Cosatu representative said the federation may discuss the fund at its central executive committee meeting next month. But he added the Fund had taken Cosatu by surprise and that it would have been preferable if the launch had been co-ordinated and been endorsed by the whole labour movement.

Nactu assistant general secretary Mahlemola Skosana said his federation was "still looking at the CGF". But Skosana believes the CGF is premature. "It puts the cart before the horse," he believes.

"It uses the economy to tame black people and favours employed workers over the unemployed."

He also thought it was was problematic that only individual members of provident funds benefited from the profits of the fund and suggested that a percentage of the profits should go to union coffers.

But Skosana did concede the fund's plans to invest only in companies with sound social responsibility programmes and industrial relations practices was positive. "It will force companies to listen," he said.

Gordon Young, of the Labour Research Service (LRS) which designed the fund, said: "We followed the correct channels through both federations and consulted properly."

He said that discussions with Cosatu about the fund had "gone into limbo". The LRS had also met Nactu head office officials as well as with representatives of all affiliates.

Young believes only a limited number of unions have joined the CGF because provident funds are at different stages of development. Unions which have endorsed the fund all have well developed funds.

Young knows that "a couple of individuals are not convinced of the merits of the Community Growth Fund", but added: "When we address workers, they immediately understand what we are trying to do."

Responding to the accusation that the LRS and the NUM had jumped the gun in launching the fund, he said: "There is a lot of competition in the financial market. When you move, you have to move fast."

He also added that if union funds wanted to beat inflation, they had no choice but to invest on the stock market.

"Many of the reservations about the CGF is that is does not solve all the problems. We know that there must be other options as well," says Young.

To this end, the LRS is also considering ways in which unions can invest in co-operatives and fixed interest funds which could make low interest loans available to members.

In the meantime, the CGF is going full steam ahead. It has had indications that three more unions will soon join the fund and Cyril Ramaphosa also pledged African National Congress support for the fund.

The LRS also recently launched a provident fund training programme for provident fund trustees.

PROFESSIONAL APPOINTMENTS

Life Offices come to the aid of the under-privileged

29

STAR 1/7/92

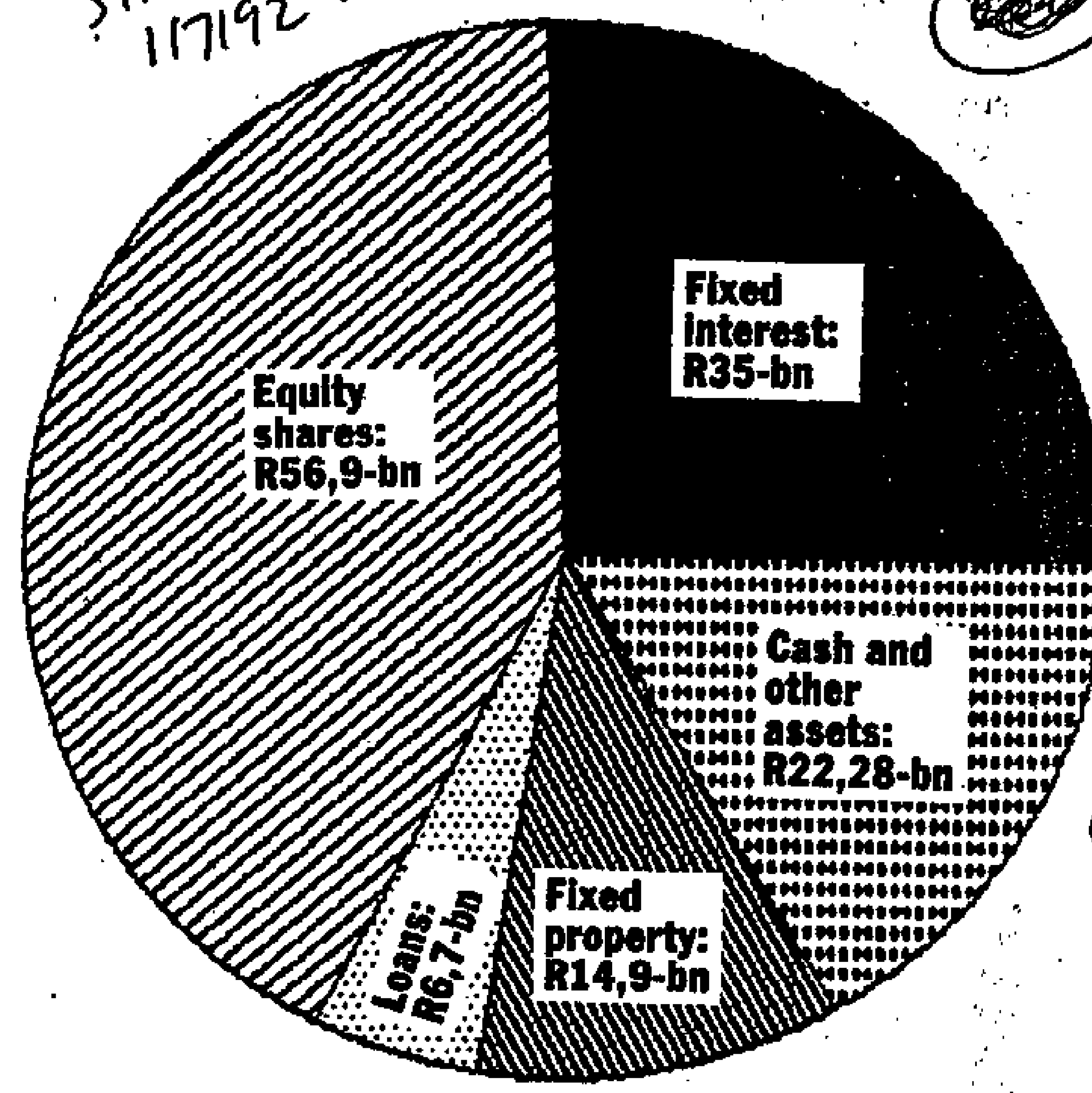
By Derek Tommey

The life insurance companies have formed an investment development unit to assist in projects helping the under-privileged obtain funds from the life industry.

But companies made it clear yesterday they did not intend simply to hand out cash to any supplicant with a plausible case.

Finance would be forthcoming for projects only if they satisfied reasonable investment criteria, they said.

Louis Shill, chairman of the Life Offices' Association, said the task of the investment development unit would be to evaluate and develop investment projects benefiting deprived communities, while providing investors with security and adequate long-term returns.



Assets of the Life Offices total R135,7 billion.

Criteria

Mr Shill said it was not possible to say how much the insurance companies would invest through the unit.

"The only limitation will be the ability of a project to satisfy reasonable investment criteria.

"If acceptable projects are made available, the money will be forthcoming."

He said that Barry Adams, former managing partner of Arthur Andersen & Co, and currently chief executive of ABR Corporate Finance, and David Geary, a former Sanlam executive, and until recently managing trustee of an investment trust, had started work at the unit.

They would initially set investment criteria and establish project ratings.

It was intended that initial investments would be in the areas of greatest need, such as housing, education, health and related infrastructure.

The unit would also actively seek investments to create sustainable employment in the commercial and industrial sectors.

The move is seen as a reply by the life offices to the continual criticism by labour unions and political groupings in recent years that they have not used any of their billions in investment funds to benefit the socially and economically deprived communities.

Mr Shill strongly denied that the insurance companies had not helped the under-privileged.

He said the life insurance companies had already committed some R10 billion to social development projects.

It also had some R45 billion invested in the broader infrastructural sector.

This excluded their substantial investments through shares, properties and other instruments which provided the country with long-term development capital.

The unit was a more obvious manifestation of the life insurance industry's more intensive support for development investments which would provide both social upliftment and adequate returns, he said.

"Given the current socio-economic situation in South Africa, the life insurance industry feels that a more focused approach is necessary, if it is to assist in developing a phase of societal and economic growth."

The unit has been under development for some months.

Extra-parliamentary groups such as the ANC, PAC, IFP, Cosatu and Nactu, together with the Government, have been involved in the development of the unit, or have been kept informed about its development.

Commuters offered a chance to hop on board

BIDAY 13/7/92

(29)

PETER GALLI

NEWCASTLE's black community was being offered equity in the town's new bus and taxi rank development, which was soon to be extensively upgraded and improved, Taxi City Centres director Norman Boxshall-Smith said in an interview.

The bus and taxi rank in use at present had already been acquired from the municipality and a company had been formed to offer all users equity in the development, a move which could help prevent boycotts of the facility.

A million linked units at R10 each will be offered. They comprise par value shares of one cent at R4 each, each linked to 19% unsecured redeemable debentures at a par value of R6 each.

"The shares offered are only linked with the debentures for subscription purposes, after which they can be traded separately at the discretion of the shareholders," director Matt Olivier said.

While the debentures would be redeemed at the discretion of the directors, this would only occur after five years. The debentures guaranteed a 19% return and would probably be redeemed once the shares were producing a similar return, he said.

However, the directors were looking for a private placement of at least 200 000 shares or 20% of the scheme. If this did not happen, they would probably refund the money to subscribers and retain a 100% interest.

The offer was not underwritten as the directors had sufficient funds of their own for the development.

Negotiations had been under way for more than four years with Kwazulu Transport, the SA Black Taxi Association (Sabta), the SA Long Distance Taxi Association (Saldta), the local Hawkers' Association and the more formal end of the retail business sector.

The final design for the development had been approved by all of these and was now out to tender. Construction should start in the next two months.

Some 800 taxis now use the rank, for which they pay the municipality about R20 a month. "We have advised the various associations that members can pay them this contribution, but in return for this users would have to see to basic security and the cleanliness of the area," Boxshall-Smith said.

The 7,2ha site, three blocks from Newcastle's CBD, would offer 4 500m² of retail space, including a butchery, bakery, general dealer and other shops.

An open plaza has been incorporated in the development to cater for hawkers, while slightly more formal trading kiosks will be provided along the eastern boundary of the complex.

Net average rentals of about R25,80/m² are being asked, with an additional R3/m² for operating costs. All of the leases have 12% escalation clauses, while about 40% of the shops have turnover clauses.

"About 72% of the retail space is already let, while BP has put in R1,3m for its petrol station. The station will only cost between R400 000 and R500 000, but BP has donated the rest towards upgrading," Boxshall-Smith said.

A return on the R10 investment of 15,1% was predicted for 1994, rising to 16,1% in 1995 and hitting 19,8% in 1998. These figures were based on revenues expected from leases after expenses at 90% occupation and had been confirmed by auditors Ernst & Young, Olivier said.

Community Growth Fund wins R50m commitments

BDAY 13/7/92 (29)

ANDREW KRUMM

THE Community Growth Fund — a socially responsible unit trust launched by seven trade unions in May — has already received firm commitments totalling R50m for the next 12 months, says Syfrets senior manager Ian Hamilton.

"This means the fund is halfway towards its goal of raising R100m within the first year of operation," he said at the weekend. Another R14m in contributions was in the pipeline.

"We encourage monthly contributions and not lump sums, in order to maintain an ongoing flow of money into the fund. It is remarkable that not one investor approached has refused to contribute. And I will continue to make about three presentations to potential investors every week until the end of the year."

He refused to give details of investors, saying only that mainly provident funds — including two in the mining sector — had contributed so far, while Times Media had contributed R1m from its pension fund.

Notwithstanding the inflow of money, funds would not be invested in the JSE just yet, he said.

While Syfrets was technically ready to place the first rand into socially responsible stocks, market conditions were not right.

"Given the uncertainty in the political and economic arenas, we are likely to continue with the prudent wait-and-see approach," he said.

Fund money would be invested in JSE-listed companies which adhered to 12 union-defined criteria such as union recognition, acceptable employment practices and black advancement.

"The Syfrets board determines the financial eligibility of companies, while the Labour Research Service — a non-profit economic advisory body to trade unions — tries to match these to socially responsible investment criteria."

The unions, however, had the final say and made recommendations accordingly. At present there were between 30 and 40 companies under investigation for the final selection list.

Hamilton would not disclose which companies had been chosen. "But, management attitude to unions is emerging as a key selection factor."

Performance statistics on socially responsible funds in the UK, the US and Canada showed that they outperformed other units trusts over a number of years, he said.

National Union of Food, Wine, Spirits and Allied Workers spokesman William Makhunga said the fund had been introduced to most retirement funds associated with his union and the response had been positive.

Chamber agrees to profit-sharing plan

BDay 17/7/92. 29

Business Day Reporters

THE NUM and the Chamber of Mines last night reached a wage settlement including a scheme dividing among workers 20% of mining groups' profits.

However, the NUM has declared a dispute in the coal mining sector after the chamber's collieries refused to make a "significantly" improved wage offer. The NUM will seek a conciliation board meeting for the coal mines. Offers ranged between 7,5% and 13,9%.

On the gold mines, Gold Fields of SA and Anglovaal refused to consider the profit-sharing scheme.

The NUM said last night details of the profit-sharing scheme would be discussed at group level to negotiate the levels at which profits would be shared.

Workers will get 20% of group profits after deductions for capital expenditure, interest and royalties.

NUM spokesman Martin Nicol said it was hoped the agreement would lead to workers on some mines getting increases in line with the increase in the cost of living.

The union said the agreement was reached after employers conceded an additional 1% contribution to the Mineworkers' Provident Fund. This offer was not matched by Gold Fields and the NUM was now in dispute with its mines.

Gold Fields offered gold mine workers a 6% wage increase, or R31 a month, against Anglo American's 8,9% and Gengold's 7,4%.

NUM assistant general secretary Marcel Golding said: "Workers on well organised mines will get a better deal than those where NUM is not well represented.

"The low basic wage increase ensures that jobs are protected to the maximum extent, while profitable mines will share part of their profits when they make them."

Chamber industrial relations GM Adrian du Plessis described the settlement as "a very positive one in a very tough year for the industry".

He regretted that the NUM had found it necessary to declare a dispute in respect of coal mines which had made a "substantial movement towards settling", and he hoped the dispute would be resolved soon.

Union's trust fund halfway to target

STAR 20/7/92

Finance Staff 29

CAPE TOWN — Just a month after its launch by seven trade unions, the Community Growth Fund is already halfway to its first year target of R100 million.

R50 million has already been pledged for the fund, set up in June by four Cosatu-affiliated unions — including the powerful National Union of Mineworkers — and three Nactu affiliates for the placing of workers' provident and pension fund money.

The CGF plans to invest in JSE-quoted companies which satisfy social as well as profitability criteria.

Job creation, wages, trade union recognition, health and safety and affirmative action programmes to promote blacks and women will all be taken into account.

Through their representatives on the trade union-controlled company Unity which controls the fund jointly with Syfrets, workers will have a decisive say in where their money is invested.

Thirty to 40 companies are under investigation for the final list, says Ian Hamilton, senior manager of Syfrets, which administers the fund and which is contributing R2 million.

"Management attitude towards unions is emerging as a key selection factor," he says.

But, insists Mr Hamilton, the first criterion is one of profitability: "We've been approached by companies which claim to satisfy all the social criteria. If they don't have the growth record we're looking for, we don't consider them."

Cash flow

The fund is looking for cash flow rather than lump sum investments, says Mr Hamilton. "We recommend that the provident funds leave their capital sums in guaranteed funds so if the market slumps, members don't suffer losses when they leave or are retrenched. Cash flow can be invested in non-guaranteed funds which offer better returns."

"The public's interest in the fund has been remarkable, especially considering that we haven't yet done any advertising," said Mr Hamilton.

Syfrets is technically ready to start investing on the JSE, but Mr Hamilton says he is in no hurry. "With the market likely to go on see-sawing in the immediate future, there's no reason to rush."

The fund's first quarterly report will be published at the end of September.

Unions outline criteria for testing social responsibility

B/DAY 23/7/92 (29)

IRENE BARENDILLA

SEVEN trade unions launched SA's first socially responsible investment fund, the Community Growth Fund, in May this year.

The fund takes the form of a unit trust and will aim for high capital growth while applying social criteria, determined and monitored by the participating unions, to the selection of investments.

The fund has been enthusiastically received. Provident funds — the main market for the fund — have already committed more than R50m to it after one month in operation.

But how exactly will the fund operate and the criteria be applied? Seventeen criteria have already been adopted in outline by the unions. Their interpretation and application are being discussed inside the unions. The process of selecting shares has already begun.

The Community Growth Management Company — which controls the fund — has trade unionists on the board in addition to investment professionals. And these trade unionists representing the main investors in the fund, will be looking at investments from a different point of view. A share selected by our investment advisers, Syfrets, will already have passed their stringent tests. Thereafter it must pass the unions' tests.

There are 17 criteria. Each has a different weighting. Normally, a company will be examined on its overall "score", so that weak performance on one criterion will not disqualify it from approval if it scores well on others.

But some criteria are important enough to be considered separately and companies which fail the test on these may not be selected.

The first is industrial relations. A company that has a hostile attitude to trade unions to the extent that it fails to recognise them, will be rejected out of hand. The unions are not looking for perfection, but recognition and a reasonable attitude to trade union rights such as access to company premises, stop order facilities, union meetings, and acknowledgement of shop stewards are the basic minima.

A company whose assets are wholly overseas will not be selected unless there is a clear benefit for SA workers. We shall want to know that the workers in the overseas plants are unionised. Our investment advisers will seek rand hedges in exporters instead.

The product of the company is also critical. For example, companies manufacturing tobacco products exclusively are likely to be rejected. The fund will also not finance the privatisation of companies from the public sector.

The other criteria will be considered together. Employment practices include the wages paid in comparison with other companies in the same sector. A company paying below-average wages will be marked down. Other conditions of employment, including maternity benefits and retirement provision, will also be considered.

A large weighting will be given to the company's job creation record. This does not include employment added through acquisitions. The fund will try to invest in companies which are growing by creating new jobs. Obviously, cyclical factors affect employment levels and full recognition will be given to them, but then the company ought to negotiate with the union about retrenchments.

Wherever possible, the fund would like to participate in rights issues where these will finance new job-creating projects. During the coming years, the fund will progressively raise its standards in relation to job creation.

Training of workers is a key union demand. Unions recognise that skills are the key to upliftment. They are often frustrated by management complacency on this issue. The company's budget for training, especially for black workers, will be examined in relation to turnover.

Affirmative action for black workers is related to training. Companies which have carefully planned and meaningful affirmative action programmes will be getting the most out of their workforce — at the same time offering an upward path for their employees. The fund will look behind the ringing phrases to the reality of affirmative action programmes. For example, the number of blacks in line management will be given more weight than window dressing in peripheral departments!

Of great importance to the union movement is equal opportunity for women workers. As with affirmative action, we will be looking for real action, not cosmetic displays.

Consideration will also be given to retention of profits. Workers have seen too many companies pay vast special dividends in one year, then plead poverty at wage negotiations the next. A company which wants to grow needs large retentions to finance fixed investment and this will score high in our investigations.

It goes almost without saying that disclosure of information is a key factor. Information that cannot be had from a company's annual report will be sought from the company itself. Companies which fail to disclose the information we need to assess their compliance with fund criteria will score badly here.

Worker participation is relatively new in this country and still extremely rare. Co-option does not come under this heading. At the most basic level, we shall be asking whether workers are represented on the pension fund's board of trustees.

The political profile of a company will also be considered. The unions cannot be expected to invest in public companies which use shareholders' money to promote the managers' private political objectives, especially when these conflict with union policies.

Health and safety is obviously a key issue for unions. Companies' performance will be judged by objective standards and reports from the unions involved. As with all the other criteria, full recognition will be given to a company whose safety record is improving, even if the level has not yet reached satisfactory standards.

Attention will also be given to a company's social spending programme. In particular, we shall ask about the degree of community participation, and whether the programme is genuinely social, or merely promoting the company's own ideology.

Workers are increasingly paying attention to environmental factors. So companies' records and practices will be examined and monitored on these issues.

Finally, racial discrimination will be a major factor and will be examined across all the other criteria. We shall be looking for evidence that companies are making determined efforts to get rid of all traces of racial discrimination, and to destroy the entire legacy of apartheid in all its forms.

For example, an equal opportunity programme for women will also be considered for the assistance it gives to black women specifically.

The seventeen criteria require much investigation. These investigations will be carried out on companies already selected by Syfrets as good investments.

The investigations will be carried out by the Labour Reserch Service, which will visit companies, interview trade unionists and extract written information from annual reports, stockbrokers' reports and the like. Companies will be asked to asist, for example by giving us sight of National Occupational Safety Association reports or environmental audits done for the company. Finally, a detailed analysis will be considered by the union representatives.

In this way, the fund will build up a portfolio which meets the requirements of the investors for socially responsible growth assets.

□ Barendilla is a board member of Unity, the union-controlled entity which applies social criteria to investments of the Community Growth Fund. She is an NUM official.

NUM, mines thrash out profit-sharing scheme

BDAY 28/7/92 (29)

MATTHEW CURTIN

IT'S make or break for the principle of profit-sharing on SA's gold mines. It is an issue which has already transformed industrial relations in the sector. And tens of thousands of jobs depend on its long-term success unless a soaring gold price arrives to rescue the industry.

The profit-sharing formula, the details of which are about to be thrashed out by the NUM and three of SA's six mining houses — Anglo American, Gengold and Rand Mines — is going "to test the generosity and optimism of management to the limit", says NUM collective bargaining head Martin Nicol.

The parties are in the process of finalising the principles of the profit-sharing scheme, before putting numbers to the theory on a mine-by-mine basis. The scheme is designed to replace last year's productivity scheme about which the union raised a number of objections.

The union and the mining houses have agreed in principle that mines will share profit, after tax and royalty payments and capital spending, a sum known as the "profit pool". Mine workers will be entitled to 20% of the pool, determined by a trigger level and a ceiling.

The pool will be based on the profit of individual mining companies — rather than mines — which should eliminate arguments about the reliability of financial information, because the companies publish the data quarterly. A key proviso is that profit will be calculated after capital spending as committed by the company at the beginning of its financial year — and averaged out over each month — rather than as the money is spent. There are normally large fluctuations in capital spending on the mines as management tries to maximise the tax-advantages of capital programmes. The NUM feared management might also manipulate capital spending to dent bonuses in profitable quarters.

Nicol says the NUM first wanted such a formula to be applied across-the-board. However, the union has been forced to accept that the formula will work only if applied according to each mining company's financial position.

The scheme is chiefly aimed at keeping marginal mines afloat, but a key attribute of marginal mines is their high gearing to gold prices. A small increase in price can transform a marginal producer like Gengold's Bracken from break even to being able to pay healthy dividends.

In addition, different marginal mines are more or less sensitive to gold prices, depending on their working costs and capital commitments.

Anglo American industrial relations manager Fanie Ernst says the keenest debate will be over the trigger point for the profit-sharing scheme. Should a mine pay out employees as soon as it moves into profit, or retain a proportion of that profit before the profit-pool mechanism is triggered? And what will the upper limit be? Industry sources say a possible yardstick is that the first 5% of profits be excluded from the scheme.

Ernst says the solution becomes easier to find if one regards any payments as a "wage supplement", rather than a bonus, aiming to achieve real wage increases related to a mine's profitability, rather than once-off bonanzas. Some mine managers are concerned about ensuring that the idea of an incentive (central to last year's productivity scheme) is retained. But Ernst points out that in agreements struck last year, management could have been forced to pay out productivity bonuses based on successful cost containment although a mine came close to break-even because of poor gold prices.

Alternatively, some managements may insist on bonuses being paid only if the mine exceeds past profit levels, or set rolling targets from which bonuses will then be paid.

The NUM is clearly concerned that its members are rewarded as quickly and as substantially as possible, but Nicol says the union accepts that it is unreasonable to expect a newly profitable mine to pay out large bonuses one quarter when it may have suffered large losses in previous quarters.

But, he says, that may conflict with sentiment on the mines themselves. Mine workers have had to accept a second year of wage increases significantly below the inflation rate. Existing bonuses based on negotiated or management-implemented schemes have been paid at only a handful of mines. Workers may feel they are entitled to a hefty share of any newfound profitability.

At marginal mines, the likely sudden swings from break-even to handsome earnings as gold prices move up and down will strengthen such sentiment. That, Nicol says, may widen the gap between the cordial management-union relationship established at chamber level, and those at the mines themselves. Another niggling factor is that workers have also seen retrenchments in the industry — creeping towards 15 000 so far this year — continue apace, despite the low pay awards designed to forestall them.

Gengold senior consulting engineer Kobus Olivier says negotiations will lead to a wide range of different formulae at different mines.

This week the NUM will start discussing each mining company's position, but at head office level. Management and the NUM agree last year's negotiated bonus schemes broke down because negotiating and implementing them at mine level, where mine managers and shop stewards have less cosy relationships, proved impossible.

In contrast to the mishmash of bonus schemes which emerged last year with varying degress of success, Olivier says that with the principle of profit-sharing firmly established, Gengold is confident that the new scheme will be easier to negotiate and implement this year.

LETTERS

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'Complementary' gilt fund

B/DAY 14/9/92 (29) (288)

LINDA ENSOR

CAPE TOWN — A gilt fund to complement the Community Growth Fund — an equity unit trust controlled by trade unions and Syfrets — was under consideration, fund director Ian Hamilton said at the weekend.

The Community Growth Fund was established with the intention of providing pension and provident funds with a socially responsible investment vehicle which invested only in companies meeting certain criteria, for instance job creation, union recognition, equal opportunity for all and fair wages.

Hamilton said the need for an additional fund arose because of the requirement that pension and provident funds invest in a balanced financial vehicle.

The prudential investment guidelines for pension and provident funds stipulated that a maximum of 75% could be invested in equities, with the rest having to be invested in property, cash and fixed interest securities.

To achieve this balance most pension and provident funds invested in guaranteed funds.

Syfrets had assumed responsibility for balancing the portfolios and cash flows of the pension and provident funds which invested in the Community Growth Fund.

However, Hamilton said, it would be preferable for the benefits of managing such investment funds to flow into the Community Growth Management Company, which controlled the Community Growth Fund and which was jointly owned by Syfrets and Unity, a trade union-owned company.

A total amount of R50m has been committed to the Community Growth Fund since its launch on June 1. Hamilton said the fund was 100% liquid, because of the uncertain state of the market, and for this reason would outperform the industry this quarter.

He said there was great concern about the US economy and the outcome of the French vote on Maastricht.

The fund would wait until the market settled down before investing.

The shares which met the union's social criteria had been selected and did not differ much from the Syfrets Growth Fund portfolio. One exclusion was Richemont, whose assets were wholly offshore.

Mine profit-sharing deal finalised

[redacted] ALAN FINE [redacted]

THE NUM and Anglo American have reached agreement on the detail of a profit-sharing scheme for the corporation's gold mines, which could add a maximum of 25% to 171 000 workers' basic earnings.

However, initial payouts, given the present circumstances of the industry, are likely to be low. B/DAY 30/9/92

The scheme — agreed to in principle at negotiations at the Chamber of Mines earlier this year — also will apply to members of the Council of Mining Unions and the three officials' associations.

29

In terms of the agreement, 5% of planned post-capex profits of each of the four participating mines, up to a level equal to the average quarterly profit for the period July 1991 to June 1992, will be distributed to the respective workforces.

And ~~20%~~ of any profits above ~~that~~ level will be distributed. However, a cap equal to 25% of pensionable earnings will apply.

The four mines are Freegold, Western Deep Levels, Elandsrand and Vaal Reefs.

The profit share payments will be made in a lump sum every three months after quarterly results are announced. The first payment will be made next month based on the September quarter's figures.

According to calculations prepared by the NUM as an example of the magnitude of likely payouts, and assuming the September quarter results are identical to June's, workers at Freegold would receive payments equal to an average 1,2% of earnings, those at Western Deep 0,5%,

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Profit-sharing

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☐ From Page 1

2,6% at Elandsrand and 1,7% at Vaal Reefs. The average monthly wages at the mines range from about R1 040 to R1 300.

It has been agreed that 25% of the profit-sharing "pool", or a minimum of R25 per person — whichever is higher — be divided equally among the workforce. Amounts above that would be distributed in proportion to pensionable earnings.

Rules for monitoring the scheme are still to be finalised, but it will include regular monthly meetings for shaft stewards and other employee representatives, and a training programme, to help workers understand the financial issues involved.

Details of the scheme were confirmed by Anglo and NUM spokesmen. A joint statement was being prepared.

The NUM is involved with talks on the same issue with Gengold and Blyvooruitzicht. Gold Fields, Anglovaal and JCI are not participating in the scheme.

Pension fund finances project

B/Day 5/10/92 (29)

LINDA ENSOR

CAPE TOWN — A major pension fund has invested R300m in a golf and country club estate near Hermanus which plans to host international golf and other sports tournaments when it opens in January 1995.

Eighteen multinational companies are expected to sign sponsorship contracts worth R18m spread over 15 years, underpinning the R300m pension fund investment in Laughing Waters.

Launching the Laughing Waters project at the weekend, chairman Peter Mills said the R300m was in place.

The pension fund had been guaranteed a 19,7% return on its investment over 15 years, the duration of the sponsorship contracts with the multinationals, each of which would pay about R2,5m a year for 15 years with an escalation factor of 14% a year.

In return each would get free advertising at all events: each company would have a dedicated hole on the 18-hole golf course for advertising purposes. Each would have specified use of facilities at the estate and would also have conference rooms and five houses on the estate.

Laughing Waters would consist of a 200-room lodge and 250 separate units. Stands for 50 units would be sold to founder members. The estate would have 18 conference centres, a 3 000m² auditorium with capacity to seat 2 000 people, six tennis courts, four bowling greens, six squash courts and a yacht club.

A total of R10m in prize money for sports events in 1995 would be available to attract mega sports stars in golf, tennis, squash and snooker. Technical equipment worth R15m, including a local area network system for TV cameras, a control room and multilanguage facilities, would be installed, Mills said.

International golf star and Laughing Waters golf director Mark McNulty, with course designer Peter Matkovich, planned the 6 290m, 72-par golf course to international standards. McNulty, who would wear the estate's fish eagle logo at all his international tournaments, would be building a home on the estate.

Mills said McNulty believed that five holes on the course would be world-class signature holes.

The estate, situated on a 113 ha site alongside the Bot River lagoon, an hour's drive from Cape Town, would have an annual running budget of R26m.

City Lodge group may be listed on JSE next month

(29) BDay 7/10/92

JONO WATERS

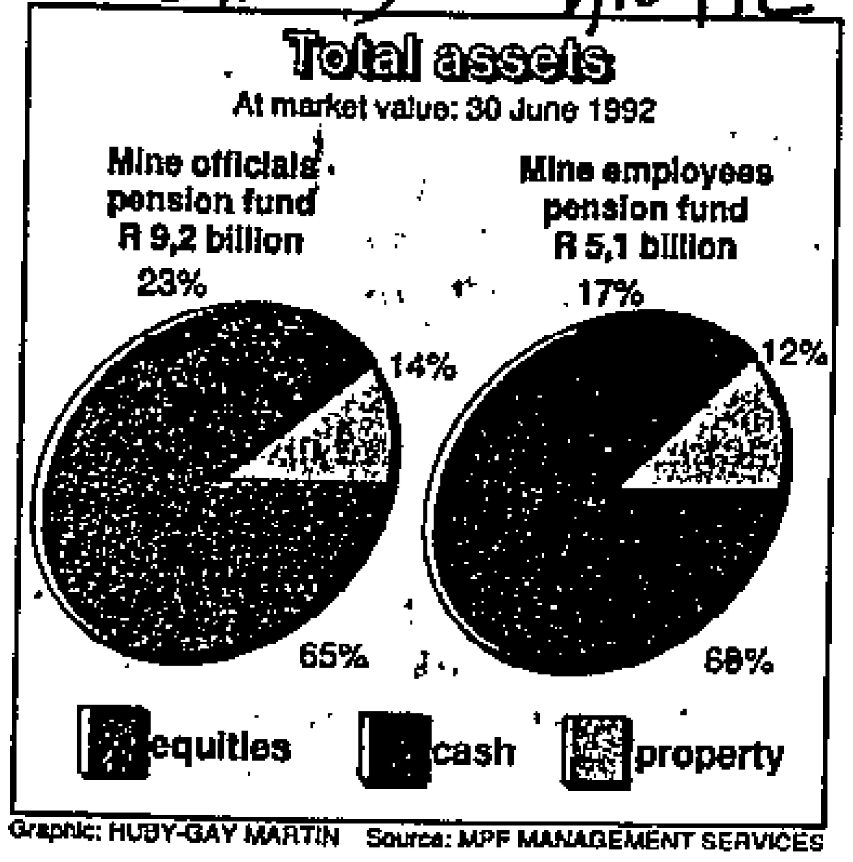
THE Mine Pension Fund Management Services would push ahead with plans for listing the City Lodge hotel group in early November, CE Barry Botes said yesterday.

Botes said at a presentation of the financial results of the Mine Officials' Pension Fund and the Mine Employees' Pension Fund that City Lodge planned to offer 5-million shares and convertible debentures at about R5 each. City Lodge was co-founded by the two mine pension funds and Hans Enderle in 1985.

The officials' fund's total assets in the 18 months ended June 30 stood at R9,2bn and the employees' fund's total assets amounted to R5,1bn. Botes said the fall in the De Beers share price had wiped R180m off the two funds' assets.

The return on total assets for the officials' fund in the year to end June 1992 was 19,7% compared with 23,8% in the same period the previous year, while the employees' fund showed a return of 19,4% (24,2%).

In the 18 months to end June 1992, the officials' fund received R479m from interest payments, R251m in dividend payments and R99,7m in rent income.



Graphic: HUBY-GAY MARTIN Source: MPF MANAGEMENT SERVICES

Expenditure amounted to R47,5m, producing a net income of R796m.

The employees' fund earned R201m in interest, R152m from dividends and R66,4m in rent which brought its total income for the 18 month period to R427m. Net income for the period amounted to R398m after expenditure of R28,7m.

Both pension funds had a mix of fixed interest cash, equities and property portfolios, but with a bias towards the stock exchange. The major equity holdings included Liberty Life, Richemont, Absa, Gencor, De Beers, Anglo American and SAB.

The officials' fund investment in shares at market value at June 30 this year amounted to R5,72bn and the second largest investment was R1,23bn in fixed-interest securities.

Shares held by the employees' fund at market value totalled R3,38bn and the fund's second largest investment was R655m in fixed interest securities.

Botes said the lack of revival in the economies of the G-7 countries had further affected SA as commodity prices had remained weak.

There was no major driving force to get the world economy going. However, the US could act as a positive force in stimulating world growth as it was election year, Botes said.

"Slow mild growth should come about in SA in the coming year, assuming a political solution is reached soon." As a result, Botes said the investment policy of the pension funds would remain cautious.

In June this year, the Mine Pension Funds' Management Corporation was replaced by the Mine Pension Fund Management Services, which Botes said would make the management of the two funds more efficient.

Analysts pessimistic about Rusfurn recovery outlook

BDay 7/10/92

MARCIA KLEIN

THE Rusfurn group was expected to record increasing losses which did not bode well for a medium-term recovery, analysts said yesterday.

They were reacting to yesterday's publication of the furniture group's results to end-June, in which attributable losses plunged to R135,9m from R79,2m in the previous year.

There was no reaction to the results in terms of the group's shares, but analysts said the losses had been expected and were already discounted in the share price of 12c, off a high of 550c last year.

They added that at 12c, there was not great scope for downward movement.

Rusfurn had forecast that there was little chance of a group profit in the new financial year, but analysts said they feared the losses could remain substantial.

If this was the case, Rusfurn could find it difficult to live up to its three-year recovery programme.

An analyst said the post year-end resignation of Wanda-Frasers and southern furniture division chairman Ian Sturrock was a blow to the group.

Sturrock had been responsible for building up Russells, one of the group's only profitable divisions, he said.

An analyst said he doubted that the group would be able to keep its head above the water after financial 1993.

However, he said Rusfurn's bankers were committed to continue funding the group for at least four years.

Executive chairman Laurie Korsten had said Rusfurn was unlikely to call for the additional R100m bankers' facilities available to it.

The analyst said this could indicate that the worst was over, but the market would adopt a wait-and-see attitude.

Shares for staff

ST Times (Buss) 29 8/11/92

ARGUS chief executive Doug Band has sold 5% of the Sowetan newspaper to its staff members.

Details of the deal, in which Argus is to sell 45% of the Sowetan to a trust fund, will be announced in a few weeks.

The fund, the Sowetan Trust, is claimed to represent the broad community served by the newspaper.

Argus owns 37% of Times Media. In the 1992 report, Argus chairman Murray Hofmeyr commented on the issue of Argus' role in the concentration of power in the mainstream press. Times Media managing director David Kovarsky believes he would have been told if the Argus stake in Times Media were under scrutiny.

London gold

Equity plan for Premier workers

29 LINDA ENSOR

CAPE TOWN — Equity participation for the employees of food group Premier was definitely on the cards, chairman Peter Wrighton said at the Black Management Forum conference at the weekend.

Wrighton received an award for being the most progressive business leader in the country, while the most progressive company award was shared by Nampak and pharmaceutical company Abjohn.

Wrighton said Premier was preparing to extend the co-determination being practised with workers in various internal joint committees by way of equity participation.

"We believe that this may be one of the ways in which the nation tackles the inequalities of the past... but at the same time benefits the economy rather than damaging it."

Equity participation would contribute to broadening the ownership and management base of the country's economy.

However, Wrighton warned that equity participation schemes would have to be "bold and meaningful" if they were not to be misconstrued as mere bribes and co-option by employees who regarded SA companies as white owned and controlled.

He said Premier would also like to bring in board representation for workers.

Nationalisation out

Sowetan 24/11/92

■ PAC's for 'socialisation programme' aimed at empowering Africans:

By Mzimkulu Malunga (29)

NATIONALISATION cannot address South Africa's economic problems, says the Pan Africanist Congress.

According to the head of the organisation's economics department, Mr Sipho Shabalala, the PAC had never advocated nationalisation as an economic option for South Africa.

At its economic seminar held in Gaborone this weekend, the PAC stunned many observers when it ruled out nationalisation as an alternative to address the country's economic problems.

Officials said this position was consistent with previous stances whenever the organisation voiced its policy on future economic options.

The PAC had always strived for what it termed a "socialisation programme" aimed at empowering Africans, said Shabalala.

The programme entailed the redistribution of the shares of the companies to the workers and community-based trusts. The introduction of anti-trust legislation would be geared towards breaking down conglomerates.

The organisation called for the democratisation of the corporate world in which workers would have increased participation including voting rights. Companies would have to decentralise power to enable African managers to play an enhanced role in the decision-making process.

Also, the PAC advocated the promotion of entrepreneurship among the African majority in all sectors of the economy in this country.

In many countries where it was applied, nationalisation had only benefited the state bureaucracy while the majority of the people remained poor.

Right on, Wrighton!

W/Mail 27/11-3/12/92 (29)

Peter Wrighton, chairman of Premier, was named progressive employer of the year this week. He told **FERIAL HAFFAJEE** *he owes it all to his Afrocentricism*

Peter Wrighton ... Hoping to have workers represented in the boardroom Photo: SARAH PRALL

PETER WRIGHTON'S revolution at the giant Premier Group started with a book he bought while waiting in an airport three years ago. It was written by Sony chief Akita Morita and, says Wrighton, "it explained the Japanese miracle and how he had introduced shared values and common beliefs into his company".

Soon "shared values", "training and trust", "affirmative action" and other Nineties buzzwords were heard in Premier boardrooms and staff canteens. Today joint employer-union committees run the company's provident fund, bursary and social investment programmes.

Premier plans to take it a step forward by introducing "equity participation" or employee share ownership schemes for workers.

"We hope soon to have our workers represented in our boardrooms," adds Wrighton. The company has sent joint union-management teams to Germany to study equity participation.

He also believes that all executive teams should reflect the country's racial balance; Premier has three black men on the board, the most in any major South African corporation.("We will have to deal with the gender imbalance later," Wrighton adds wryly.)

"If you're going to do any of these schemes, you have to pay more than just lip service," says the Premier chief.

Paying more than lip service has worked: this week the Black Management Forum capped him "progressive employer of the year". "It's as much an accolade for a progressive organisation," says Wrighton.

The theme of the BMF conference was "Eurocentric versus Afrocentric management" and Wrighton believes he got the prize because he is an Afrocentric manager who brought co-determination and "ubuntu" or humanism to the workplace.

"It's not only a philanthropic gesture," says Wrighton of Premier's R16-million allocation to social investment. "We get back more from the communities because they buy from our companies and our workers are more productive."

Wrighton has a colourful "pulling oneself up by the bootstraps" history which explains his willingness to give worker participation a chance.

He completed his accountancy degree at the University of the Witwatersrand part-time because he lost his father in the first year and had to support his family. He qualified with flying colours and began auditing Premier's subsidiary companies.

Premier appointed him group financial director in 1976 and when chairman Tony Bloom emigrated in 1989, Wrighton became group chairman.

Under Tony Bloom Premier had already implemented a "huge" training programme and performance bonus schemes were put in place.

"But still productivity deteriorated," says Wrighton, "because we needed something completely different".

The company established working committees comprised of equal numbers of worker and employer representatives.

Joint control was established over social investment, housing, safety, education, management, job creation, drought relief, school feeding schemes, bursaries and the company's provident fund.

He admits that it has not all been cosy industrial relations: "there have been fits and starts". There is a need "to train workers to accept responsibility and to condition managers for workers' participation".

Many workers still see the committees as an attempt at co-option and managers used to dictator style control, need to be trained to accept joint responsibility and consensus decision-making.

The company's "value system", its mission statement, had to become more than just a pretty plaque at corporate headquarters.

Managers and executives from all levels went on walk-abouts speaking to workers "to explain philosophies and to tap their fears and aspirations".

The statement had to be written in Standard Four English because this was the workers' average proficiency level. The spinoff of the walkabouts was a literacy drive for Premier workers called Jolt (Job Literacy Training).

But "the value system crashed" because the union had not been consulted.

The company started again by calling together the head honchos of the Food and Allied Workers Union and the Premier executive to thrash out their grievances publicly.

They videotaped the proceedings and sent it to all companies in the group, with 70 trained facilitators to explain the value system.

Wrighton is determined to implement a working "value system" throughout the group. "If we want to attract foreign investment," he says, "we need to be an ethical society."

There are still strikes and old style industrial relations at many of the group's subsdiaries and Wrighton admits that the new system will only bear fruit in the next generation.

Sharing values also meant changing the political face of the Group. Premier was one of the first companies to visit the African National Congress in Lusaka in 1989. It was also one of the first companies to encourage a "yes" vote in the referendum early this year and its in-house newspaper gives wide coverage to political developments.

In the run-up to the referendum earlier this year, Premier strung a huge banner on the M1-highway stating its commitment to "Peace and Democracy".

Says Wrighton: "The only problem was that the ANC stole our slogan."

Prepare for the coming revolution in profit sharing

BDAY 30/11/92

DEON THOMSON

(29)

RECENT research indicates that there is a groundswell movement within large corporations to share profits with workers. It has reached the stage where it is not so much a question of whether profits will be shared or not but how they will be divided up.

Research leads us to predict that the form of profit sharing known as gainsharing will be widely accepted and adopted as the standard practice in SA within five years.

Gainsharing is a system whereby the proceeds of any gains in productivity are shared between the stakeholders in agreed proportions. The norm in the US, where the concept is gaining in popularity, is a 50:50 division between the shareholders and the workforce. It is a meaningful and effective way of approaching the problems of wealth distribution and standards of living.

The most frequent reason advanced for not implementing gainsharing was the argument that the workers cannot in fact influence profits — therefore, gainsharing would really be like a free handout. With hindsight this argument has to be discarded — the failure to share has led to worker alienation which has adversely affected profits during the past decade — on a grand scale.

The real problem has been the difficulty management of large corporations has experienced in clearly conceptualising the nature of the partnership between the enterprise's important stakeholders.

A central convention in the reward system is that an employee is entitled to average pay for average performance. This is the foundation for remuneration grading systems. The requirement of "average performance" is defined in terms of acceptable physical standards, and also in standard terms and conditions of employment.

The extremely important corollary is that the employer should not ask for more than average performance without offering additional pay. The employer should not expect above average performance — he is not entitled to it.

One argument against this view is that "we pay more than the industry average and therefore we expect more." This is wrong as well. The reason why these employers are paying more than the industry average is to attract employees, and to show job turnover, and to experience fewer pay strikes.

This principle was vividly highlighted in an interview we conducted recently with a shop steward employed by a major manufacturer. When asked why the trade union was opposed to a campaign introduced by the company to enhance productivity, he replied: "This is not always true. The work for most people in the factory is by its nature hard work — both physically and mentally. What we resent is that you are employed to do a certain job at a certain speed. It seems unfair to have to work harder or faster without getting additional remuneration. Alternatively, the work must be regulated so that it provides regular work for the same number of employees."

This simple answer is so complete, and so obviously correct, that it seems to place the blame for the labour unrest of the past few decades fairly and squarely on the management of the larger corporations. Implicit in the statement is the call for fairness and equity, which cannot be refuted.

There are basically two ways of conceptualising the economic partnership. First there is the Western approach, typified by US corporate structures which ours closely resemble. The shareholders are regarded as one of the stakeholders. The role of management is conceptualised in "agency theory", which argues that management is "empowered" by the board of directors, who are the agents of the shareholders. The powers derived by management include the powers to staff the organisation and to negotiate levels of remuneration.

In the same way, management, which probably enjoys its own, separate incentive scheme, negotiates contracts of gainsharing with the worker group. It does not have to gain the approval of the board of directors because, by definition, it is only the "gains" (in other words, the extra profits) that are being shared.

If management is challenged on this, it would point out that it is a "win-win" arrangement — either both partners will gain, or neither will — in either event, neither partner loses.

The second approach is the Eastern one — for example Japan's. Here, essentially, there are only two stakeholders — the shareholder group, and the workforce comprising management and workers at all levels. That this is the case can be clearly seen in the way in which profits are shared.

As in the West, remuneration is negotiated with trade union representation. By and large wages are fixed at a minimum level. However, once or twice during the year, or even three or four times, double, treble or quadruple salary cheques are paid out, dependent on profits earned by the employer during the period since the last distribution of profits occurred. In other words, it is a distribution similar to the distribution of a dividend to shareholders. It is a direct sharing of profits.

Can this be criticised as being a mere handout? Doubtful. For one thing it would make employees very amenable to discusssing how profits could be maintained at the same high level — if not improved — so a further dividend could be earned.

This approach to incentive pay is very rare in SA.

Which approach will be adopted in SA? The intrinsic appeal of the Eastern approach is its simplicity and the way in which it encourages teamwork. It seems to satisfy all of the potential problems — including the problems of how to measure production bonuses, and who should participate in the profit-sharing and who should not.

Yet, there are advantages in the Western approach too — since management incentive schemes focus more directly on performance factors that can be influenced by the managers concerned. Separate incentive schemes are devised for separate groups of employees, each with a different focus.

There is a pragmatic answer to the dichotomy — it does not matter as long as there is a partnership. Nevertheless, given logistical problems in SA, the Eastern approach appears to be a far more satisfactory solution, and far easier to implement in the short term.

Is there another way in which profits can be shared?

Share participation is often looked upon as an alternative to profit-sharing. But this approach is fundamentally wrong. It confuses the separate roles of the different stakeholder groups. Share participation involves a buying and selling of shares — it has nothing to do with rendering services. It is only where share participation is on a substantial scale, as in a closely held private company, that it is likely to influence employee behaviour.

Unless the economic partnership is correctly conceptualised, and brought in as part of the mission statement, meaningful sharing cannot be justified. Management is simply not entitled to divert profits away from the shareholder group without justifiable reason.

Invariably, where the economic partnership has not been articulated, profit-sharing tends to be on a small, even insignificant, level — say, 5% of annual remuneration, which hardly affects the employee's performance. What is needed is true profit-sharing, which may pay out 30% or 40% of annual remuneration, funded entirely by an increase in profits.

☐ **Thomson is an associate of P-E Corporate Services.**

LETTERS

Trust and staff to buy 50% stake in Sowetan

(29) LLOYD COUTTS

BD/DM 4/12/92

A NEW company with community trust shareholding, Sowetan Publications Ltd (Sowetan PL), is to acquire the Sowetan newspaper — currently wholly owned by Argus Newspapers — by April 1.

The sale, part of Argus's unbundling programme, has been dismissed by the ANC as "sleight of hand" for not addressing concentration of ownership.

Argus Holdings CE Doug Band said yesterday the Sowetan Trust would be formed to hold a 45% interest in Sowetan PL on behalf of the community served by the newspaper.

Argus Newspapers would hold 50% and 5% would be offered to staff through an employee trust. The Sowetan Trust's acquisition of its share of Sowetan PL would be financed interest-free by Argus.

A panel of "eminent individuals", including Desmond Tutu, Sam Motsuenyane, Van Zyl Slabbert, Stanley Mogoba and Sowetan editor Aggrey Klaaste had been asked to appoint between six and 12 trustees. No political party officials would be permitted to serve as trustees.

Three trustees would serve on the board, Argus would have four directors, the staff one and the GM and editor would be ex-officio board members.

Band said the publication had been valued at between R55m and R60m.

Sowetan PL would be capitalised with an ordinary share capital of 2-million shares of R1 each, and debentures of R53m which would bear interest at prime overdraft rate. Argus would subscribe for 55% of the debentures (R29,15m) and 45% (R23,85m) would go to the trust. Argus would finance the debentures.

The trust would have the right to require the listing of Sowetan PL on the JSE after March 31 1996.

Band also said Argus would consider delinking with TML, in which it has a 37% stake, band also lack participation in Argus companies, broader representation on boards and staff shareholding.

Gengold, NUM end dispute

(29)

STAR 10/12/92

By Thabo Leshilo
Labour Reporter

The dispute between Gengold and the National Union of Mineworkers ended on Tuesday after they agreed on the profit-sharing scheme motivated in principle at the Chamber of Mines earlier this year, the company said yesterday.

In terms of the agreement, two of Gengold's mines, Grootvlei and St Helena, will pay an additional 1,5 percent on top of their basic wage increases, while Gengold's other mines will implement the agreement on profit sharing.

NUM last month declared a dispute with Gengold on behalf of 25 000 members employed by the company for allegedly blocking an industry settlement on wages and working conditions on gold mines.

The union has successfully negotiated profit-sharing schemes with Anglo American Corporation and Rand Mines.

● NUM has come up with a draft central "retrenchment agreement" for De Beers mines in a bid to protect its members.

This document comes after De Beers announced that more than 4 000 miners would be laid off in a cost-cutting move.

● The Miners' International Federation (MIF) presidium will meet for the first time in South Africa in Johannesburg tomorrow and again on Saturday.

Nafcoc sets goals for black business

ADRIAN HADLAND

UP TO 60% of all managerial positions in JSE-listed companies should be held by black businessmen by the year 2000, says former National African Federated Chamber of Commerce (Nafcoc) president Sam Motsuenyane.

Quoted in the recently published Portfolio of Black Business in SA 1993, Motsuenyane said the aim was part of a four-point plan adopted by Nafcoc to improve black participation in SA business.

The other three aims identified by Nafcoc were 30% black representation on the boards of all companies listed on the JSE, a 40% black holding of the equity of all JSE companies, and JSE companies sourcing 50% of all external needs from black entrepreneurs by 2000, Motsuenyane said.

"We realise that this will mean a complete reorientation of development strategies. But we would like the performance of the large corporations to be judged against those targets," he added.

Motsuenyane, Nafcoc president from 1968 until his retirement this year, said large white-controlled companies should try to emulate the Japanese by contracting out as much of their needs as possible to small black businesses.

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This would prevent big companies getting even bigger and outmanoeuvring small companies in the market place, he said.

"The organisation's target is that, by the end of the century, 50% of the discretionary needs of large companies should be contracted out to small ones."

Although blacks needed to get a greater slice of big business, black business remained eminently suited to exploiting the huge growth potential in the small business sector, both formal and informal, Portfolio publisher Willie Ramoshaba said.

"Black business is on the brink of unprecedented growth," he said.

Bax Nomvete, executive director of the Africa Institute for Policy Analysis and Economic Integration, said the marginalisation of SA's largest development resource — "the latent intellectual capacity and ingenuity of the black population" — was a major obstacle to generating sustainable economic growth and maintaining social, political and economic stability.

Drought has emptied the classrooms

Sowetan 30/3/92

By DON SEOKANE

LACK of water in Venda has disrupted classes at Tshisimane College of Education.

Students at the college stopped attending classes from March 19, citing the shortage of water as one of the reasons for the move.

A spokesman for the Venda department of education confirmed that classes had been brought to a halt at the college, but said the college had not been closed.

Students would resume classes as soon as the problem of water had been solved.

The spokesman said for the past two weeks a repair team from the homeland's department of works was at the college's campus trying to rectify the situation.

He said: "The situation has been worsened by the current drought affecting the whole country. The local spring, which supplies piped water, is said the be drying up and the boreholes are out of water."

The spokesman, however, confirmed that the efforts to normalise the situation at the campus were unsuccessful.

Venda has been hit by a severe drought with some villages being subjected to a water ration.

Gomomo warning on the economy

29

Sowetan 30/3/92

COSATU president Mr John Gomomo on Saturday called for worker participation in the restructuring of the economy and urged increased pressure on authorities to back demands for an interim government and a constituent assembly.

"If we allow the unilateral implementation of the present Government's programme, we will face an economic wasteland by the time a democratic government is elected," Gomomo told the union's economic policy conference in Johannesburg on Friday.

"An interim government and a constituent assembly is not a *fait accompli*. We still have to apply pressure to achieve these demands.

"Organised labour should set the pace," he said.