

MANUFACTURING  
CHEMICALS + PRODUCTS  
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1986

CAPE TIMES (RS)  
3/1/86 (2/1/86)

# Petrol increase 'was on cards'

PRETORIA — Although consumer bodies and others have expressed shock at Wednesday's two cents a litre rise in the price of inland petrol, the increase has been on the cards since the Minister of Transport, Mr Hendrik Schoeman, announced a wide range of increases in SA Transport Services tariffs.

On November 26 last year, the minister announced the increases, which included a "maximum of 15 percent" on goods transport tariffs to come into effect on January 1 this year.

The 2 percent rise in the price of petrol in all areas where transport costs are a component of the pump price to the consumer, has been ascribed to this increase by the Motor Industries Federation.

In practice, the increase means that 93-octane petrol on the Witwatersrand and most other inland areas has been increased, while the price at coastal centres such as Durban and Cape Town remains unchanged.

Further bad news for motorists is that another overall increase in the petrol price can be expected soon — possibly this month — as a result of the continuing poor rand exchange rate.

When he announced a "half-price" six cents a litre increase in the petrol price early in November, the Minister of Mineral and Energy Affairs, Mr Danie Steyn, said this was being done to give the consumer a break for the holiday period.

The increase was only half that needed in terms of the rand's exchange rate, and if the situation did not improve the price would have to be reviewed early in the new year, he warned. — Sapa

13/1/86 BUS DAY

# AECI factory opened

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AECI opened its new multi-million-rand explosives factory at Bethal in the Eastern Transvaal on Friday with a delayed bang

To mark the official opening of the R25m factory, AECI organised an explosion for the more than 200 special guests, which included Agriculture Minister Greyling Wentzel, explosives buyers from the mines and members of the media

Proceedings were to begin with a big bang — an explosion in the colours of the national flag

Wentzel pushed the detonator and no explosion resulted.

Explosives experts were summoned and guests hastily re-organised on a tour of the 1 600ha site.

CHERYLYN IRETON

The second time, the explosion did take place and phase two of the company's R160m decentralisation programme was launched.

AECI says that, when all phases are complete, it will be able to transport by road 93% of the explosives required by SA mines.

The Bethal factory will manufacture water gel explosives for the coal mining industry and operate as the main distribution centre for the Bethal mining area.

17.

STM 14/1/86

BUSINESS

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By Stan Kennedy  
The first of four explosives factories to be built outside the metropolitan areas by AECl Explosives & Chemicals has been officially opened at Bethal by the Minister of Agricultural Economics and of Water Affairs, Mr J J G Wentzel

Costing R27 million, the factory is the start of phase two of the company's R100 million decentralisation programme. Others will be established at Welkom, Klerksdorp and Utrecht.

The Bethal region is the fourth largest market area in southern Africa and accounts for 12 percent of the total explosives market. It is expected to grow about 60 percent over the next 10 years.

Built on a 1 600 ha site, the factory produces 600 000 cases of Emulgel — a range of water gel explosives — a year. There is also a distribution centre that handles the full range of AECl explosives and accessories. All these were previously supplied by Modderfontein, near Johannesburg.

The siting of the factory means that no major customer is more than 80km away and enables the company to deliver explosives on a daily basis. In turn, it reduces customers' inventories and the virtual elimination of magazines and the double and sometimes treble handling required by the present system.

Four run-of-mine ore mills, costing a total of R12 million, are being installed at Harmony gold mine in the Orange Free State by

# AECl opens new explosives factory

Polysius of Randburg.

The company is an international group specialising in the design and manufacture of machinery and complete plants for the cement, mineralogical and mining industries and the metallurgical industry.

A feature of the mills is the bearing configuration, for which Polysius holds the patents. The bearings are designed to support the mill under maximum loading conditions with a lubricant film hydro-dynamically induced between the rolling ring journal and the bearing shoe surfaces.

Shaft-sinking operations have been completed at Western Deep Levels No 1 Shaft and the R1 billion project, which started six years ago, is running on schedule.

The gold plant and refrigeration and ventilation plant will be completed by April 1 and the mine is gearing itself for the swinging into operation of the shaft a month later.

The service shaft, at 2 328 m and the main shaft, at 2 374 m, are in the process of being equipped and limited mining operations have started.

Experimental trackless mining is being carried out, at the new workplace using load-haul dumpers

to clear the gullies and transport the burden to the ore passes.

The mine is looking to achieve a production build-up to 60 000 tons a month milled by the end of the year. The shaft is capable of handling 400 000 tons a month and by the end of 1988, it will handle 160 000 tons a month. The excess capacity will be used for the hoisting of sub-shaft sinking and development rock.

When the shaft reaches full production in 1992, the hostel complex, which presently houses 5 000 and is being extended, will house more than 12 000.

The bulk of the equipment being supplied to the new lead and zinc mine at Perring near Vryberg is being supplied by Premier Equipment of Boksburg.

Costing R60 million, the mine is being developed by the metals division of Shell and the equipment represents more than 15 percent of the total.

Equipment includes five Euclid R35 rear dump trucks, a Euclid 30 000 l water tanker, a Michigan 275C front-end loader and Michigan 280C wheel dozer.

About 60 000 tons of zinc and 9 000 tons of lead concentrate will be produced each year for the next 16 years.



The R1 billion Western Deep Levels No 1 Shaft complex taking shape. It will be officially opened on May 1.

## Draughting by computer

By Frank Jeans

The "electronic draughtsman" — technically speaking Computer Aided Design — is the welcome newcomer to the construction industry as a big cost saver at a time when companies are feeling the crunch of falling work volumes and profit margins.

The CAD system, which replaces manual

draughting from buildings to nuts and bolts, is being used more and more by South African construction men.

"There were more CAD systems in operation in South African construction last year than in the American industry," says Mr Tim Schumann, managing director of Parktown-based Skok Systems.

"And although we are behind the Tanzanian and

One contractor used a R60 000 CAD system in a development of a block of flats. It cut the design time to a quarter of normal and in terms of man hours, the contractor paid for the system on the strength of this one project.

INTERBOU

CAD will be a feature at Interbou — South Africa's bi-annual building

# Little expansion seen in chemical industry

STAR 16/11/86 (183)

By Stan Kennedy

The poor economic environment and uncertainty regarding the direction of government policy has resulted in the virtual drying up of private sector investment in the chemical industry, say a leading Johannesburg firm of research consultants

Other than the government-backed off-shore gas project at Mossel Bay, no major new projects have been announced by the chemical industry since the late 1970s, says IMR Consultants in a report covering recent developments in the chemical, rubber and plastics industries

A proposed R230 million soda ash plant at Saldanha Bay, investigated by AECI and the Industrial Development Corporation, for instance, has been shelved due to uncertainty about government's protection policy, the report says

It points out that in recent years, government initiatives placing greater emphasis on free market policies have influenced developments in the industry

A report by the Competition Board on the explosives industry in 1982 paved the way for Sasol's entry this year. Likewise, in the plastics and fertiliser industries, the removal of quantitative import control in

favour of a system of tariff protection — although held back by unsettled markets — will have major long-term consequences

Together, the chemical, rubber and plastics industries account for more than 20 percent of manufacturing sales — or about R15 billion a year — and more than 10 percent of employment in manufacturing

The report assesses the impact on the industries of events such as drought, poor economic conditions and the dissolution of agreements between producers

One area particularly hard-hit, the report notes, is the fertiliser industry. Production plunged by more than 30 percent in 1983 as a result of the drought and although it improved in 1984, total demand for fertilisers only recovered to about 76 percent of the 1981 level

## Export opportunities

It says Sasol's ill-timed market entry and the break-up of the AECI and Triomf partnership in 1984 aggravated difficult market conditions. Also, since early in 1984, there has been severe price discounting and some major producers, including Fedmis and Triomf, have reported losses

While fertiliser imports declined sharply in 1983, exports rose from R49 million in 1983 to R118 million in 1984 as manufacturers sought new export opportunities

The report concludes that the outlook for fertilisers depends on the weather but that little real improvement is expected in the short-term due to the financial plight of farmers

Industrial chemical production fell sharply in 1982 and 1983 but after recovering in 1984, when sales accounted for 49 percent of total industrial chemical sales, it has again declined

Until recently, the plastics industry has performed well above average. Production of plastics, synthetic resins and fibres increased at an average of 10,4 percent a year between 1979 and 1984, compared with only 2,1 percent for the manufacturing sector as a whole

However, growth has slowed down lately as the recession spreads to important user areas such as construction, and there is currently considerable excess capacity in the industry

The rubber industry has performed poorly. Total rubber demand is estimated to have dropped from 120 000 tons in 1980 to 80 000 tons a year

By Stan Kennedy

South Africa has the basic resources and expertise to take on a large proportion of the fabrication work on the R2.3 billion Mossel Bay offshore project, says Mr Ivor Pritchard, senior project manager, Engineering Management Services Offshore (EMSO).

He told a cost engineering conference of the Southern African Section of the American Association of Cost Engineers today that the project will take about four years from the start of detailed engineering to the production of the first product away from the offshore facility.

Although Soekor found gas and gas condensate fields 85 km south of Mossel Bay from 1970 through to the early 1980s, there was no real requirement to produce the fields commercially as gas was not at that stage a major source of energy for either industry or domestic purposes.

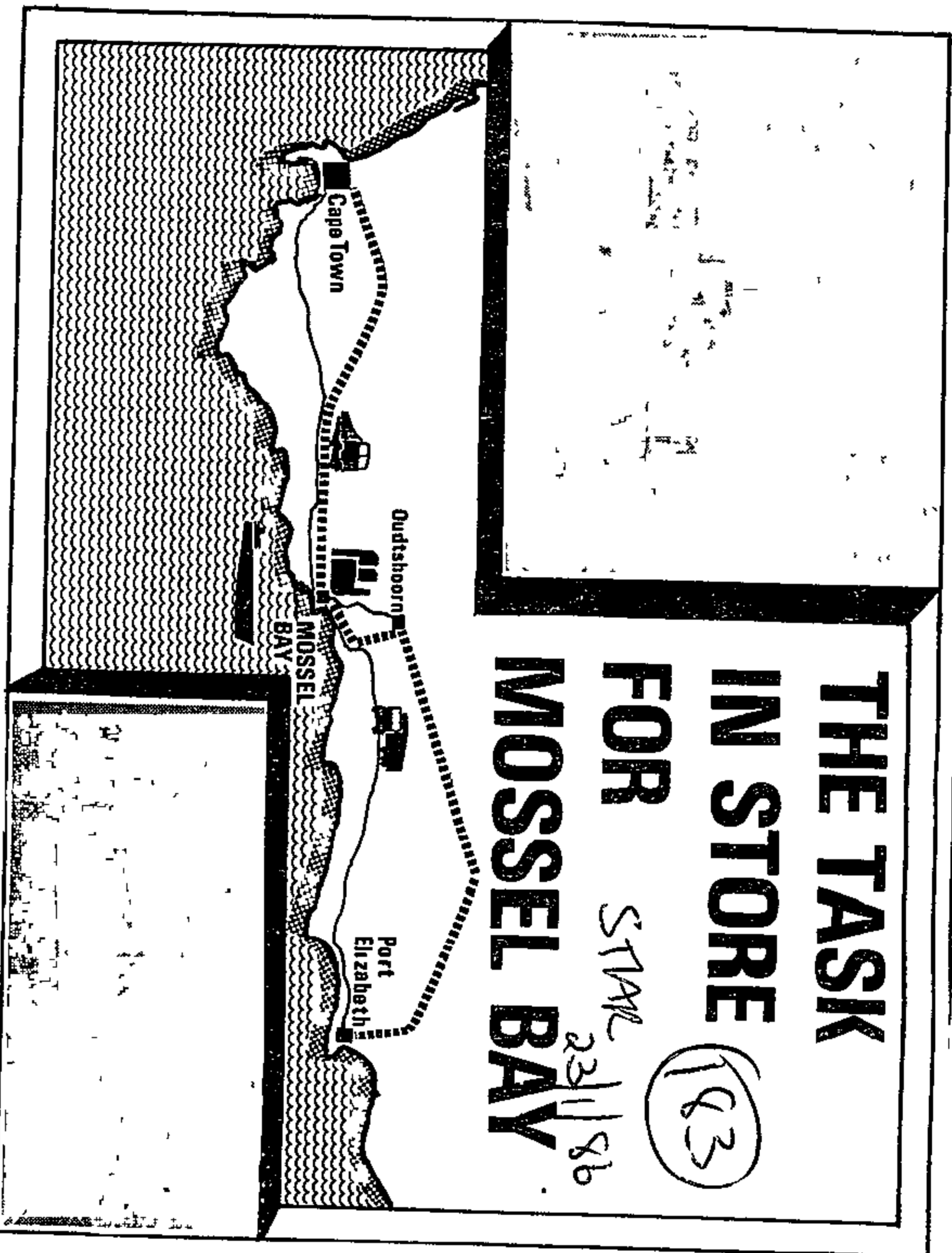
The scenario changed, however, in 1983 when Mobil developed a process to convert hydrocarbon gas and condensate into gasoline and diesel fuels.

### Feasibility studies

With the advent of the new processes, the offshore gas fields suddenly became of commercial interest as an alternative source of liquid fuels for the South African market.

Early last year, Soekor awarded contracts for feasibility studies to evaluate the viability of a project to bring the gas ashore and convert it into liquid fuels.

The feasibility project was done by EMSO, a South African company jointly owned by EMMS (part of the Murray & Roberts group) and Crawford & Russell International (part of the John Brown group).



## THE TASK IN STORE FOR MOSSSEL BAY

As part of the study, EMSO also investigated the capability of South African manufacturers and fabricators, and identified those items of equipment and materials which could be made in South Africa.

While there will be a limitation on the thickness and size of the plate that Iscor can produce, the majority of the steel requirements are well within its potential capacity, says Mr Pritchard.

If welded pipe is selected for the offshore pipeline, then the pipes with the required diameter and thickness can be produced in South Africa. Pumps, motors, vessels, pipework, instrumentation and

electrical equipment made in South Africa could, after evaluation, become part of the facility, but the major involvement of South African industry will be in the fabrication of the jacket, module support frames and modules.

### Support structure

Specialist items of equipment will have to be obtained from overseas. The support structure will be made of steel, will have eight legs, and will weigh 8 000-12 000 tons.

The four corner legs, weighing 10 000 tons, will be sunk into the sea bed with piling being done to a depth of about 100 m,

depending on soil conditions.

Mr Pritchard says the module support frame that fits on top of the jacket structure to form a deck and on which the processing and other modules can be placed, and the topsides — the facilities placed on top of the support structure — must be available at the right time.

If one module is delayed in the fabrication yard, the lifting programme will be jeopardised and extra costs could be incurred.

There are no heavy-lift vessels in South African waters and to bring one from, say, the North Sea would cost about R22.8 million. Each day it is on hire it clocks up another

R570 000

Then there is the cost of the pipeline barge which could cost up to R457 000 a day. Estimated time to lay a pipeline is 70 days.

What are the risks of an overrun? Mr Pritchard says the obvious major risk is the bringing together of the jacket, the modules, the module support frame and all the other equipment at the right time with the heavy-lift vessel.

### Relatively high risk

To achieve this requires very tight planning and management. Every day the programme is delayed, with the vessel sitting on site, costs R570 000.

In the Mossel Bay project, there will be a relatively high risk in fabricating the jacket in South Africa, where such work has never been done before.

The fabricator, even with help and assistance from an overseas company with the relevant experience, will need to climb an initial training curve which is obviously going to take time.

The jacket fabrication workforce will peak at about 650 to 700 people and therefore extended learning time could cost money.

Although the risks entail large sums of money, Mr Pritchard says it can all be minimised by good overall project management, very tight planning and monitoring, and by placing the fabrication work with companies who fully appreciate the scope of work and are backed by experienced overseas fabricators.

One of the most valuable tools in the project manager's armoury is that of cost control, based on a realistic estimate and with trending and forecasting facilities to identify trouble areas well in advance.

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# Workers hold sit-in strike over wages

By Sheryl Raine

About 250 workers involved in a wage dispute at Chesebrough Ponds in Wadeville yesterday staged a sit-in strike and occupied the staff canteen

The Chemical Workers' Industrial Union (CWIU) said in a statement that it was demanding a minimum wage of R3,25 an hour, May Day as a paid public holiday, a 40-hour week, one month's annual bonus and five days a year compassionate leave

Mr Dale Ralph, personnel manager for Chesebrough Ponds, confirmed that about 250 black workers had gone on strike at 7 am yesterday after first downing tools on Tuesday

He denied a union claim that the factory was brought to a standstill

Mr Ralph said negotiations were continuing with union representatives

The company had offered workers a package amounting to an 18,4 percent increase. He said the company was offering to increase the hourly wage from R2,70 an hour to R3,05 and to pay a 4,3 week bonus each year instead of the current two-week bonus

He said the company had agreed to discuss the issue of May Day with the union at a later date. The company had offered to grant five days compassionate leave to workers if travelling was involved, otherwise three days compassionate leave would be given

The union rejected the company's offer

Mr M Ravuku, a CWIU organiser, said workers had voted not to return to work until their demands had been met. The issue would be referred to the branch executive meeting of the CWIU on Saturday when the possibility of tougher action would be discussed

STAR 23/1/86

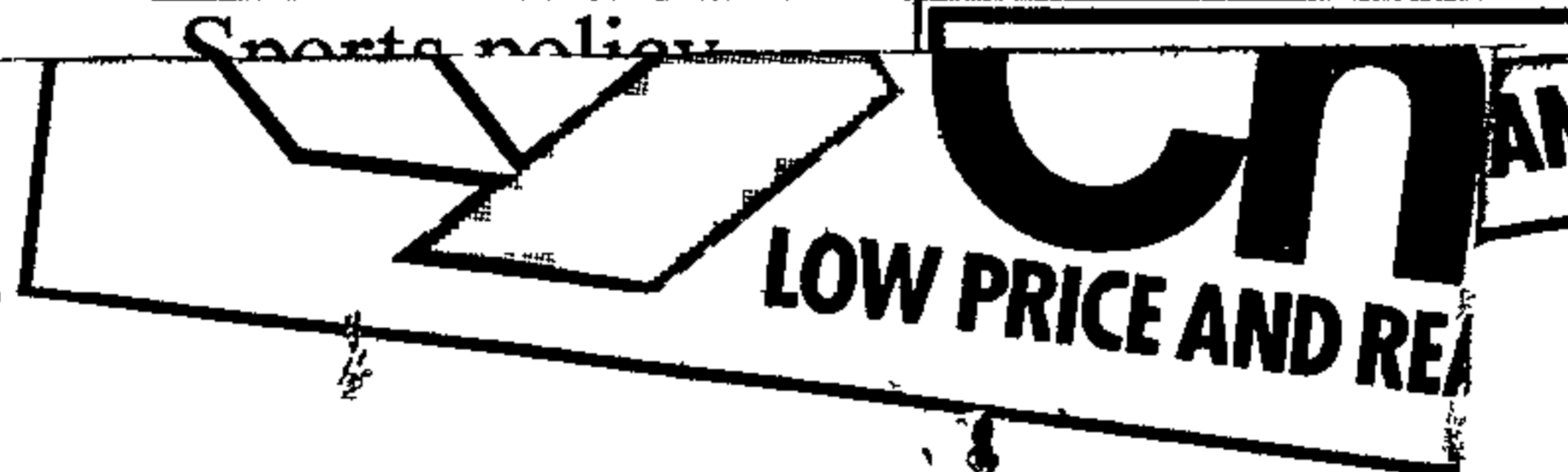
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Sports policy



(193) BUS DAY 29/11/86

### Risks seen offshore

THE major risk in the development of the Mossel Bay gas project will be bringing offshore structures together.

Engineering Management Services Offshore (Emso) project manager Ivor Pritchard said yesterday because such work had never been undertaken in SA there would be a relatively high risk in building and putting structures together.

Emso, owned by Murray & Roberts and Scottish giant John Brown, was responsible for the offshore feasibility study of the Soekor project. Pritchard said tight planning management would be needed because each day's delay would cost \$250 000.



# Pharmaceutical industry is under increasing pressure

24/11/86 STAR

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By Stan Kennedy

The pharmaceutical industry is under pressure, says Mrs Pauline Walters, managing director of Strategic Marketing Services, which recently published an appraisal of the industry

Potential developments in the broad socio-political environment that could affect it during the next two years include trends in disinvestment, privatisation, generic substitution, self-medication and the movement of blacks into the private healthcare sector

The appraisal takes a look at how the many thorny and controversial issues confronting the industry will interact and how they will develop in 1986 and 1987 and should be of especial interest to the industry's decision-makers

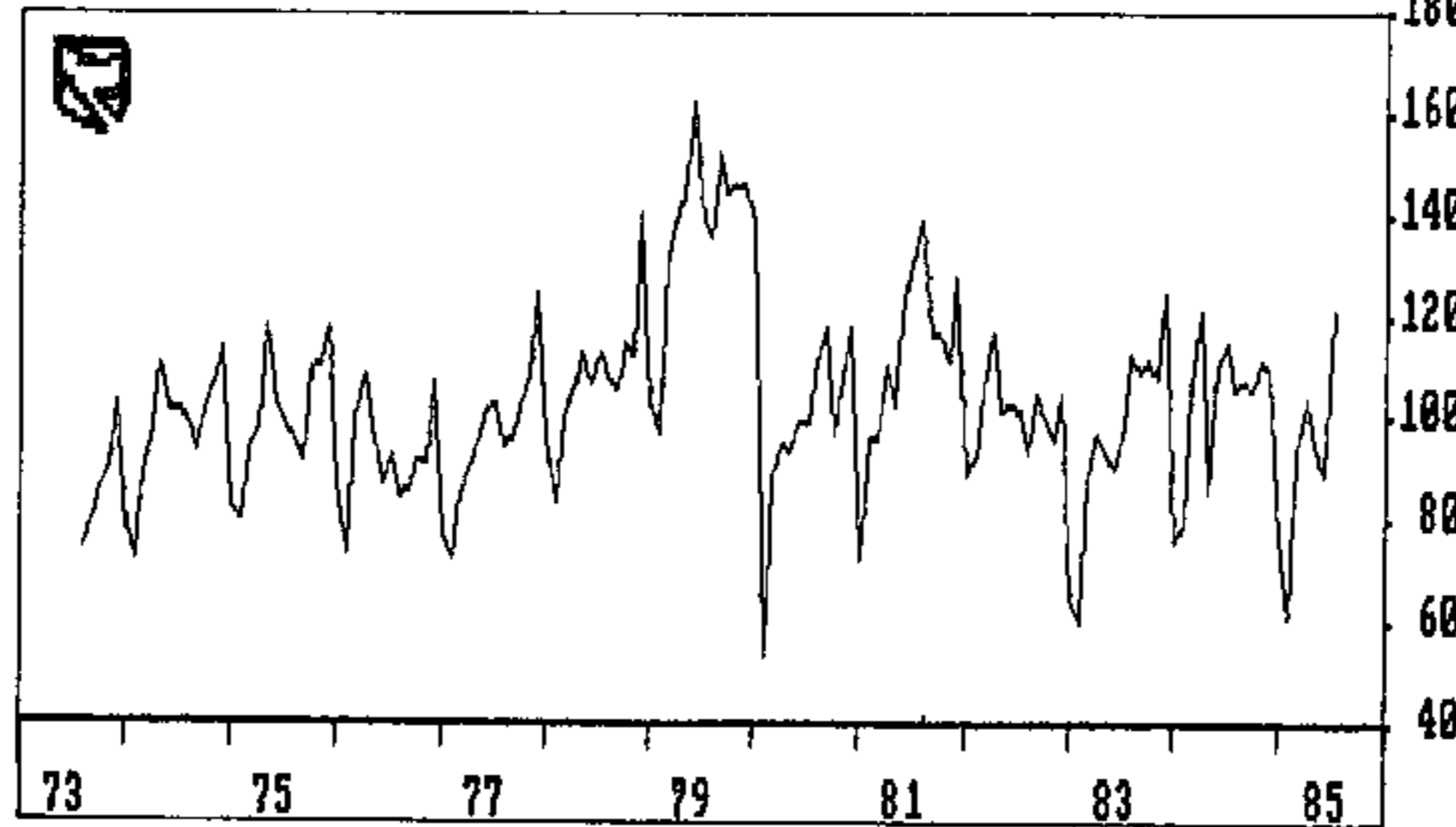
Causes of the pressures, says Mrs Walters, are the low rand, generic substitution, the need for cost-containment and the threat of multinational withdrawals

## Need to promote itself

"Last year was a testing one and 1986 is likely to develop into a period of consolidation for many companies

"There is a need for the industry to promote itself towards key influencers, such as government, consumers and the medical and para-medical professions, to present a strong front. It needs to express a commitment to the further development of a thriving healthcare infrastructure"

She says disinvestment could be a reality if the multinationals decide that their small exposure, which is less than five per-



The manufacturing production index (base 1975 equals 100) of medicines and pharmaceuticals has fluctuated fairly widely over the past 10 years, but after dropping to a near record low at one stage last year has started to recover again

cent of worldwide sales, is not worth the controversy it generates or the management time expended on defending their presence here

However, the different codes of conduct, such as the Sullivan Code or that of the EEC, she says, have a positive effect on the black worker

Also, the provision of healthcare should not be denied in any country

She says that, on balance, disinvestment is unlikely as long as the multi-nationals are making an equitable return on their investments

Government currently serves about 85 percent of the population through its medical services and if privatisation becomes a reality, certain of the healthcare services would be provided by the private sector, the report says

If only 15 percent is moved to the private sector, it would re-

duce the burden of government's costs. This would benefit the pharmaceutical companies which sell to government on an annual tender basis at a much lower price than to the private sector

The report argues that private hospitals and clinics would also benefit from greater privatisation of healthcare services

The facilities and infrastructure of the healthcare delivery system would expand to meet the new demand, with a big proportion of blacks, coloureds and Asians entering the market through their improved access to medical aid benefits

South Africa's healthcare delivery system has to cope with both First and Third World sectors. The report says this must be averaged out without downgrading the Third World system, or maintaining the First World system, which is based on high costs

"The public sector cannot carry the burden of healthcare alone — there should be a partnership between the public and private sectors

Whether privatisation will benefit the consumer or not is debatable. Some respondents feel that massive privatisation will push up costs, as prices are higher in this sector

Others believe that the rationale for privatisation is to provide health services on a more economic basis, evening out the disparity between the cost of public services and those of the private sector

The report says that whatever the outcome of the legal wrangle between the Pharmaceutical and Chemical Manufacturers' Association and the Pharmacy Board, generic substitution is here to stay

## Generic substitution

While the ethical pharmaceutical companies are against indiscriminate substitution, many pharmacists, who fear an adverse impact on their turnovers and profits, are not in favour of its wholesale application

"Many multi-nationals are not against generic substitution per se — they are against the pharmacist's ability to change the doctor's prescription," the report says

"The future of generic substitution will depend on the consumer's awareness of and ability to take responsibility for his or her own health

"However, if generic substitution is enforced in such a way it has a detrimental effect on profitability, then multi-nationals could divest as a result"

# Mossel Bay contracts: Tenders close <sup>Blue Day</sup> (183)

28/1/86

CHERYLYN IRETON and  
CHRIS CAIRNCROSS

CONTRACTS for the next stage of the Mossel Bay oil-from-gas scheme are likely to be awarded to companies already involved in the project, say construction sources

Tenders for project management of the gas fields closed yesterday. There was immediate speculation that consortia already linked to the project through initial feasibility studies — Engineering Management Services Offshore (EMSO) and Bateman Foster Wheeler — would be awarded the contracts.

Most local construction and engineering concerns vying for this crucial stage of the development teamed up with ex-

perienced overseas partners to strengthen their chances.

However, despite this, construction sources believe EMSO and Bateman Foster Wheeler are still the frontrunners.

EMSO, responsible for the offshore studies, is a company jointly owned by EMS and Crawford and Russell International — part of Scotland's John Brown Group.

The onshore feasibility work was undertaken by Bateman Foster Wheeler, a combination of Edward L Bateman and

American company Foster Wheeler. The consortium is tipped to win overall management of the R1,8bn onshore development.

Other consortia believed to have tendered for the first phase include LTA and American petrochemical giant Kellogg, as well as Grinaker and German engineers Bechtel International.

Fluor, which designed Sasol 2, is also understood to be interested.

Gencor's Sandock-Austral is also negotiating with overseas petrochemical companies. As the project develops, another Gencor company, Group 5, will tender for various aspects.

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2 Cape Times, Wednesday, January 29, 1986

## Blast damages AECI Modderfontein plant

Own Correspondent

JOHANNESBURG — One man was slightly injured and a building extensively damaged in an explosion at AECI's Modderfontein factory yesterday evening

An AECI spokesman said an employee received a slight laceration on the back of his head. He was treated in hospital and discharged.

A fire after the explosion was extinguished within minutes by the factory's emergency services.

AECI's publicity manager, Mr Murray Joubert, said no foul play is suspected.

However, an inquiry will be held, he said.

Last night a spokesman from the Police Public Relations Directorate said that the explosion would not be investigated by police as it was "not a police matter".

The AECI spokesman said that production at the plant would not be affected and no evaluation of the damage could be made until further investigation.

# Chemical workers in wage dispute

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31/1/86 By Sheryl Raine

Talks will continue today in efforts to settle a wage dispute between Matthey Rustenburg Refiners in Wadeville, Germiston, and about 200 members of the Chemical Workers' Industrial Union (CWIU).

Between 150 and 200 CWIU members at Matthey Rustenburg, downed tools on Wednesday. They returned to work at about mid-day yesterday, but a formal wage dispute has been declared.

Mr P Charlesworth, works manager at Matthey Rustenburg, said the company was willing to negotiate to reach a settlement.

According to a statement released yesterday by the CWIU, wage negotiations with Matthey Rustenburg, in which Rustenburg Platinum Holdings has a 50 percent share, have been under way since November.

"Several attempts to reach settlement have failed. Workers are demanding a 23 percent increase to bring the minimum wage to R3,30 an hour, May Day as a paid holiday, and the introduction of a long service allowance," the statement said.

## PROFITS UP BY 75 PERCENT

Mr Charlesworth declined to give details of the company's offer to the union, but said its wage increase amounted to a percentage just under the inflation rate of 18,4 percent.

The union said Rustenburg Platinum had increased its profits by 75 percent in six months. Mr Charlesworth confirmed this.

The union also claimed that the holding company was poised to make even greater profits with the decreased output from its rival, Impala Platinum, after the recent dismissal of 23 000 workers from Impala mines in Bophuthatswana.

Mr Charlesworth declined to comment on pending profits, but said the union's presumption about the profits of Rustenburg Platinum differed from the company's view.

The union said: "With inflation at 18,4 percent, workers are refusing to accept increases below this level. Increases below the level of inflation would mean a decrease in worker's living standards."

(4)

STAR  
Renfreight wage bill  
is to go up by 12 pc

3/2/86

By Mike Siluma

Two major transport unions have signed an agreement with the Renfreight group which will raise its wage bill by more than 12 percent

A spokesman for the Transport and General Workers' Union (TGWU) and General Workers' Union (GWU) said it was the first wage agreement negotiated with Renfreight on a national basis

She said negotiations began in November and were concluded last week after the unions declared a dispute following a deadlock in December.

A significant feature of the agreement is that the parties agreed that the question of the health of workers who handled asbestos would be given immediate attention

The company had also agreed to give workers all 10 annual public holidays

Union demands had included time-and-a-half and double pay for Saturday and Sunday work and a shift allowance of R2 for workers handling asbestos

Another demand was for the recognition of May 1 as a paid holiday

Reuter

cases.

183  
Strikers to resume talks

3/2/86  
Negotiations between Matthey Rustenburg Refiners in Wadeville, Germiston, and the Chemical Workers' Industrial Union (CWIU) will continue today in an effort to resolve a wage dispute

CWIU members went on strike last week over wage demands

The union said the company had offered to raise the minimum wage by 21 percent - from R2,69 an hour to R3,25

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INDOOR

1/10/86 Sale

ABOUT 50 workers at Expandite in Isando, a subsidiary of Burmah Oil, yesterday entered their second day of a strike over wages.

Mr Denis Thatcher, husband of the British premier, Mrs Margaret Thatcher, is a director of the company.

The workers, members of Chemical Workers' Industrial Union (CWIU), are demanding an increase of R23,00 a week and May Day and June 16 as paid holidays

Mr T Page, personnel director of the company, said the company was meeting the union. He declined to comment further.

However, a union spokesman said the company was refusing to negotiate until workers returned to work

Meanwhile about 15

# Isando strike enters 2nd day

**SOWETAN** workers of Mannys Supermarket in Kroonstad, who went on strike after nine of their colleagues were retrenched, have been dismissed. 6/2/86.

Mr Paul Jezile, organiser of the Commercial Catering and Allied Workers' Union (Ccawusa) said the union had declared a dispute with the company.

A Mr Catazorio, manager of the supermarket, declined to comment

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AECI

# Waiting for a lift-off

183 FM 7/2/86

For AECI the past four years have been a steady downhill slide — not even its profitable explosives division could prevent that. By 1984 earnings a share had slipped to 72c from 102c in 1981, there was a 5,7% slide at the 1985 interim and chances are that the dividend will be held at 55c for the fourth year when final results are published in a few weeks.

Not surprisingly, the share's performance has been soggy for some years. At least, it was weak until late 1985, when investors suddenly pushed the price up 35%, from 710c to 960c. Does this mean the market expects a recovery this year? The answer is probably yes — to a point.

There are three likely reasons for a re-rating investors felt AECI had lagged the chemical sector for too long, prospects may be favourable for a near-term earnings recovery, and — perhaps most important — news of official approval for the Mossel Bay gasfield drew attention to AECI's potential coal-based synfuel project.

After the fluctuations we've seen in the rand and world oil prices, reassessment of the chemical and oil sector was due anyway. Already, the uncertain implications for Sasol have been reflected in its share. But, for AECI, there is both good and bad in the new economic environment. And while earnings may well improve in 1986, there is not yet much excitement on the longer-term outlook.

The rand should have done several things.

For years management has complained of competitive imports, particularly of finished goods which use raw materials made by AECI. These imports had reduced demand for local products and helped depress capacity utilisation. Competition from abroad has shrunk substantially. "The rand could strengthen a lot more before that trend would reverse itself," says MD Mike Sander.

The exchange rate has also boosted export earnings. Already exports have advanced considerably in value and there has been volume growth, too. "That isn't as significant as it might seem because we have been exporting all surplus production in the plastics division since 1977," says Sander. "But we've seized more opportunities in other parts of the business. In fact, there are few areas where we don't see scope for exports."

However, there is a severe disadvantage in the lower rand as the group itself is reliant on various imported raw materials. Their soaring costs have added to pressures already exerted on margins by the combination of high inflation and little or no market growth. What will not be clear until the results is whether benefits from the rand have outweighed disadvantages.

Without doubt, lack of market growth — essentially, SA's flaccid economy — has been the single most important cause of weak

**The weak rand should help AECI this year — but what the group needs most is growth in the economy if its earnings are to break out of the downward trend of recent years.**

earnings performance. For AECI, a highly capital-intensive group, sales volumes are critical. As Sander says "In this sort of business you only make money when plants are running at full capacity. It's really only the last 15% that makes the returns." The plastics division, for example, has suffered notably, thanks to its link with the construction industry.

For that reason, any growth in local demand over the next year should make a marked difference to profitability. It is the major ingredient still needed for recovery. Apart from the better export throughput, attention has been concentrated for four years on plant efficiencies and de-bottlenecking.

The Umbogintwini fertiliser plants were mothballed, and after AECI lifted its stake in Coalplex to 100%, PVC production was restructured and is now at full capacity, resulting in cost savings and a swing from loss to profit. After several years of high capital expenditure, borrowings in 1984 being boosted by the Coalplex acquisition, spending should now fall. This would ease

the strain on cash flow and help the balance sheet. Debt equity was 0,68 at end-June.

The only large capital project is the R100m programme to build decentralised explosives factories close to the mines. On the face of it, decentralisation was encouraged by Sasol's entry to the market, but AECI denies this. Sasol's plants are coming on stream now.

Explosives sales will climb as the robust mining industry keeps expanding. Even so, this business may go less smoothly for AECI. For his part, Sander says margins on explosives will not shrink. "There is a new producer, but he has to cope with establishment and production costs. We haven't been milking the market and I can't see anybody making better margins than us."

Competition has long been intense in the fertiliser market, where producers were hurt by drought, high debt levels in the farming community, general overcapacity and the entry of Sasol in 1984. AECI rationalised its fertiliser interests when it broke with Triomf and established Kynoch as marketing arm.

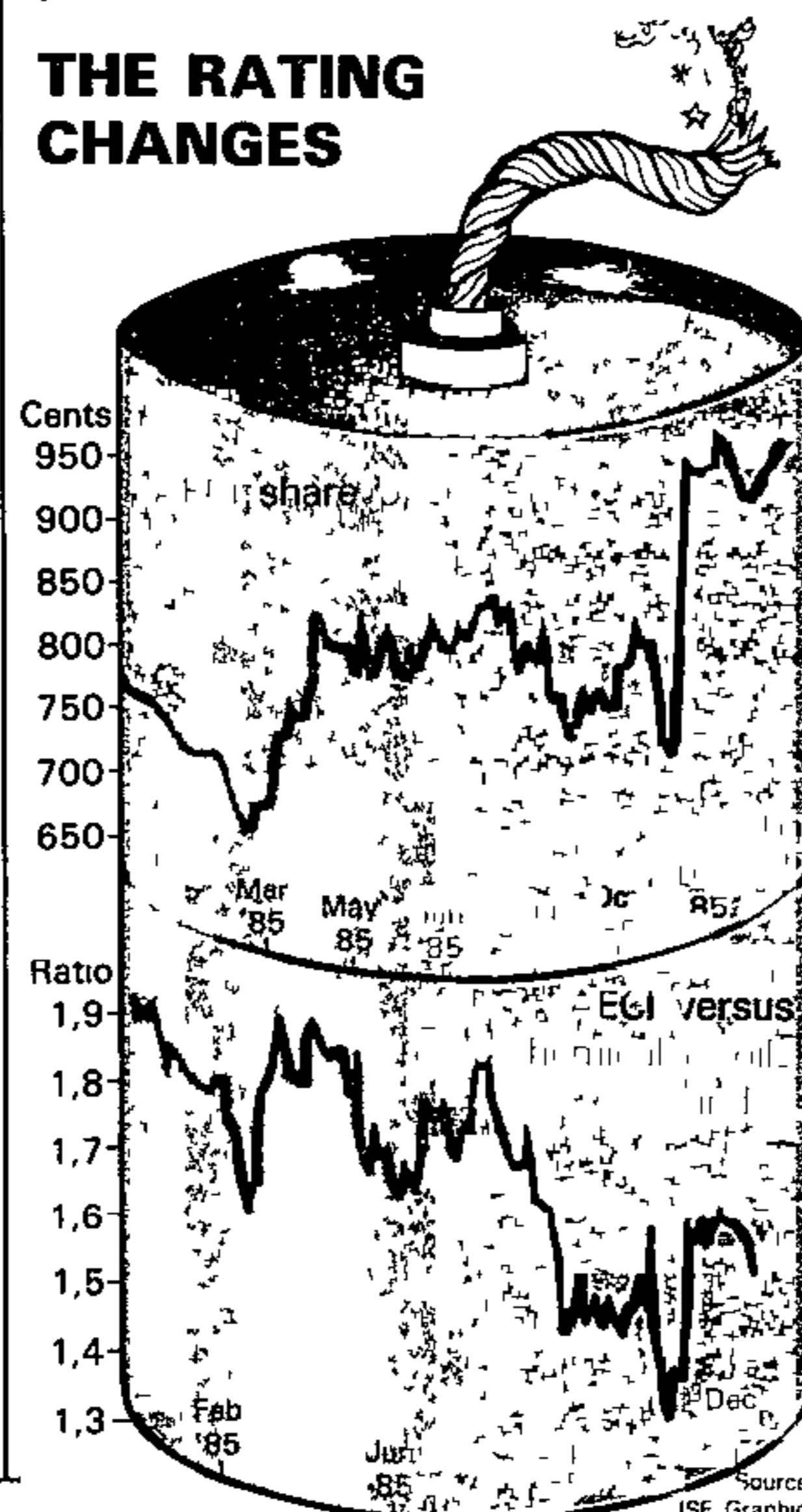
Sander says Kynoch has "done very well in a difficult year. We've held our market share and are happy with the results they're getting." However, while 1986 promises to be a better year for agriculture, it is too soon to assess the recovery prospects for producers. Agricultural demand is extremely important for the group and extends well beyond direct sales of fertiliser. Going into its fertilisers are raw materials like ammonia and nitric acid made by AECI, it also sells other farm products such as animal feeds.

Clearly, though, competition in these areas makes market growth all the more necessary if earnings are to return to the growth path of the late-Seventies. As a stockbroker's analyst says, "what worries us about that group is that their important products seem to be at a mature stage of their life cycles. That suggests earnings growth over time may not be much better than the growth of the economy."

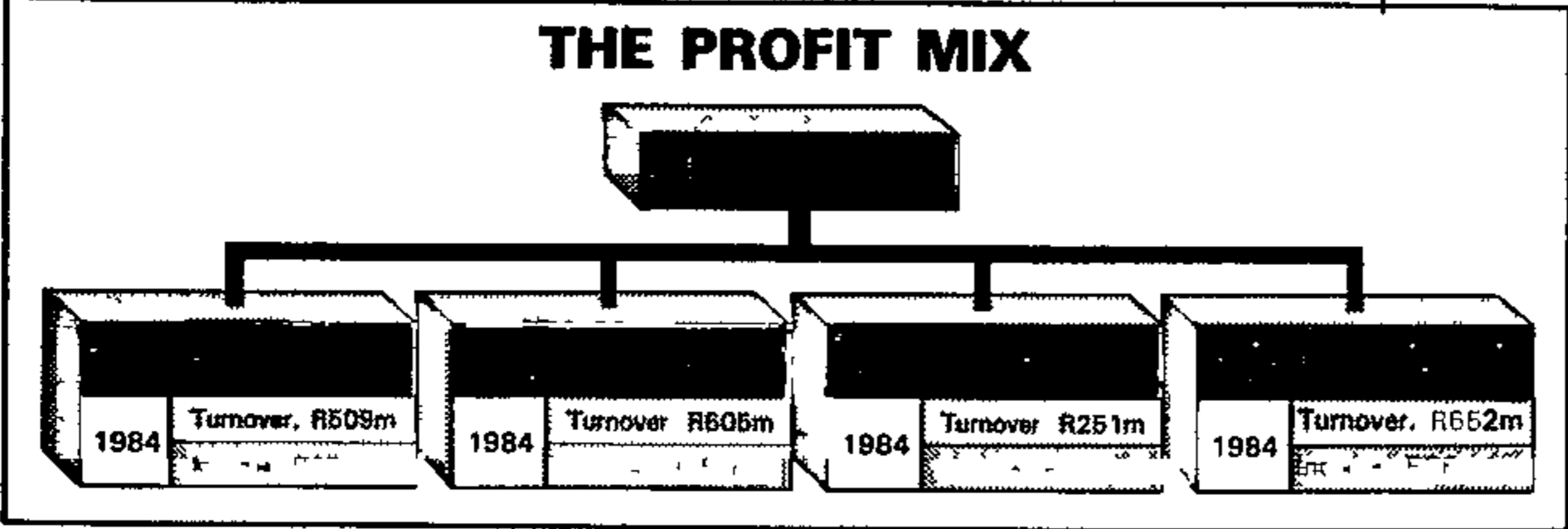
However, Sander sees considerable benefits from a more robust economy this year. "Average capacity utilisation has increased to about 75% from 70% a couple of years ago. We built plants at relatively low capital cost, before inflation was really bad. Now we have surplus capacity ready. Some growth in domestic demand would lift us past 90% and that would make a big difference to profitability. What would not help is a stronger rand boosted by the gold price, without accompanying economic growth."

From a longer-term standpoint, other considerations will be important. A key factor may be government's attitude to local manufacturing industries, particularly those producing "strategic" products. It remains to be seen whether government will persevere with

## THE RATING CHANGES



(183) FM 7/2/86



the industrial strategy that then Board of Trade & Industries director Basie Kleu produced some years ago, and which was criticised by local manufacturers for its emphasis on free markets.

Events since that report — the fall of the rand and world oil prices, rising inflation and unemployment, with its aggravating effect on political unrest — may well have persuaded government to rethink industrial strategy. This could apply to industry in general, as well as to unarguably strategic items such as fuel

Sander argues that there would be "a great deal of growth opportunities for the entire industry" from a carefully thought out strategy. "We need one designed to use SA's competitive advantages, such as vast quantities of cheap coal and relatively cheap energy and labour. Those resources should be used so that benefits roll through to the maker of the finished article"

Any such change of government thinking

could also affect prospects for AECI's syn-fuel project. At this stage, Sander will not add to what the group has said already, that it is evaluating the technical and economic feasibility of a coal-based synfuel process. But, like any such venture, government's attitude and support will be critical to a positive decision.

Given the economic and political problems government is facing, and the decision on Mossel Bay, I would be surprised if an announcement was made on AECI's plant during 1986. As it could take another five to six years to come on stream, profits from a synfuel project probably won't help AECI before 1992.

However, if the project does go ahead — and many believe SA must become more self-sufficient in fuels — it should generate further re-rating of the share, provided the oil market does not slide so far that all oil producers are temporarily downrated. Such a venture should lift AECI onto a new

#### MD Sander ... the rand could help or hinder

growth path: its product range would be expanded and it would have access to various feedstocks produced as by-products. Funding could be done off-balance sheet and, apart from government, there should be help via 39,5%-shareholder Amic.

For the present, there are no certainties whether this will happen, or when AECI's earnings will again be growing securely. The share may firm ahead of the results, but looks fairly priced at 960c, where it yields 5,7% compared with the sector's 4,1% and Sasol's 4,9%. Later this year, it could appreciate if investors start taking a view on syn-fuel prospects

Andrew McNulty

## MOTOR INDUSTRY

# Moving into second

As the world car industry marks its 100th anniversary this month, West German car-makers, for one, managed to celebrate by posting record production figures of 4,17m cars last year. That's a healthy 10% above 1984 levels.

On the flip side, SA's motor industry broke records of a different kind last year. April's new car sales slump to a record 10-year low was probably one of the grimmest. And this much is certain: local motor manufacturers will grind through another year of heavy recession. But although recovery is clearly still a long way off, industry executives are putting on a brave face for 1986 — and they do have some reason

The industry's umbrella body, National

Last year saw car sales plummet. This year a small improvement is hoped for — but inflation, rationalisation and disinvestment will continue to take their toll.

Automobile and Allied Manufacturers of SA (Naamsa), is forecasting this year's new car sales at around 215 000 against 1985's 204 322. Not a massive leap, agrees Naamsa director Nico Vermeulen, admitting that "there is still plenty to worry about". But, he adds, "a 5% rise in sales will indicate the

worst is now behind us." And commercial vehicle sales are also set to rise to 110 000 units in 1986, compared with last year's 101 005.

The industry is relatively bullish for the following reasons:

- Interest rates have fallen to 16,5% from last year's high of 25%;
- HP terms and the repayment period have been relaxed; and
- Government moves to reactivate the eco-

### PUT TOGETHER

Composition of the car market by size January — September 1985: 1984

	Units		Variance		% Market Share		
	1985	1984	Units	%	1985	1984	Variance
Small .. .. .	21 662	28 102	-6 440	-22,9	14,4	13,2	+1,2
Light ...	59 843	66 383	-6 540	-9,9	39,8	31,1	+8,7
Small performance	6 902	5 885	+1 017	+17,3	4,6	2,8	+1,8
Medium ..	8 375	17 305	-8 930	-51,6	5,6	8,1	-2,5
Executive medium	29 121	49 567	-20 446	-41,2	19,4	23,2	-3,8
Executive large	7 137	15 707	-8 570	-54,6	4,7	7,4	-2,7
Top executive ....	12 013	20 740	-8 727	-42,1	8,0	9,7	-1,7
Station wagons	5 393	9 556	-4 163	-43,6	3,6	4,5	-0,9
<b>Total</b>	<b>150 447</b>	<b>213 245</b>	<b>-62 798</b>	<b>-29,4</b>	<b>100,0</b>	<b>100,0</b>	

Source Wesbank "Wheels"





Striking SA Chemical Workers Union members at the Plascon-Evans plant in Epping yesterday afternoon. The workers have downed tools following a wage dispute.

# Wages: Paint workers down tools

Staff Reporter

**SOUTH AFRICAN** Chemical Worker Union members at the Plascon-Evans Paints (Pty) Ltd plant in Epping 2 downed tools yesterday following a wage dispute at the plant.

While a spokesperson for the union said that about 200 workers were involved in the action, a Plascon spokesman has

put the figure at 128. According to both Sacwu and management, a dispute had arisen following the rejection of an offer of an increase of R50 a month in favour of an "across the board" increment of R150 a month.

After a dispute was declared, the Department of Manpower had failed to convene a conciliation board within 30

days and a strike ballot was held on Thursday.

Since the strike, an offer of an increase of R52 a month was made by management, but this was rejected by the union.

In a telex to the Cape Times, a spokesman for the company, Mr R P Johannsen, said "Negotiations ceased with the company offering a mini-

mum increase of R50 per month per employee and the union demanding an 'across-the-board' increment of R150 per month.

"Currently the Plascon minimum wage is the highest in the paint manufacturing industry in South Africa — even before the R50 offered."

Mr Johannsen said the appointment of a conciliation board had been

requested and the outcome of this application was awaited.

"To date the negotiations have been conducted in a cordial and businesslike manner and the behaviour of the strikers has been reasonable."

He said 141 employees out of 300 participated in the strike ballot. Of these, 128 were striking, with the remainder having returned to work.

*Cape Times 8/2/86 183*

BUS DAY

# Ships take to SA fuel

ALAN PEAT

A **LOCALLY**-produced alternative fuel for marine engines is proving to be a substantial money-saver for shipping lines, says Unicorn Lines MD Mike Groves.

Waxy Oil 20, a derivative of a Sasol fuel oil designed for industrial furnace use, has been found suitable to fuel both ships' main engines and generators.

Used as a substitute for diesel in diesel-engined ships and on marine generators, Waxy Oil 20 costs less than R400 a ton, compared to a diesel price of about R700, says Tony Hurter, chief executive of Durban-based Fuel Firing Systems, which helped develop the fuel.

"The fuel is about the same price as heavy fuel oil," he says. "But we benefit as the vessels consume less for the same performance and its quality saves on cost of maintenance and repairs."

Unicorn now has its whole fleet burning the fuel, with five of its ships also using Waxy Oil 20 for auxiliary engines.

And, Hurter adds, five Safmarine vessels are using the oil as generator fuel — with savings of about R1500 a day for each generator.

"We also supply all the main engine fuel for incoming ships from Mercury Shipping of Hong Kong," he says.

A full scale trial is being conducted using a mixture of re-refined dumped oil and Waxy Oil 20 to fuel a Safmarine vessel.

# Support for paint workers' strike

CHE TIMES 14/4/86

183

Staff Reporter

SOUTH African Chemical Worker Union members at Plascon Parthenon plants in the Transvaal downed tools yesterday in sympathy with striking workers at the company's plant in Epping.

Sacwu workers downed tools at the Epping plant on Friday, following a breakdown in negotiations and a failure to convene a conciliatory board resulted in a strike ballot last Thursday.

Meanwhile, Sacwu workers at another Epping paint factory, Inmont (Pty) Ltd, downed tools in sympathy yesterday with the Plascon workers. This was confirmed by an Inmont spokesman.

Sacwu branch secretary at Plascon, Ms Patricia Dalille, said that no further offers had been received from management on an across-the-board increase of R52 per month, which was rejected on Friday.

Workers are demanding R150 more per month.

According to a Plascon statement released in Johannesburg, workers at five plants in the Transvaal and the Western Cape are on strike.

Only the strike at Plascon in Epping is legal.

Cape Times 17/2/86  
183  
Plascon threatens strikers with sacking

Staff Reporter  
STRIKING workers at the Epping plant of Plascon paints have been given until today to return to work or face dismissal

In a statement issued on Friday, the company's managing director, Mr Ralf Johannesen, said the decision to issue an ultimatum was "much to management's regret"

"Throughout our dispute procedure, we specifically avoided taking action which would have resulted in hardship to our workers' families. Management has kept an open-door policy

throughout the two-month dispute"

The South African Chemical Workers' Union (Sacwu) is demanding an across-the-board increase of R150 a month. Plascon management's last offer of R52 a month was rejected by the union

Sacwu members at Plascon-Parthenon plants in the Transvaal downed tools on Friday in sympathy with striking workers

According to a Plascon statement released in Johannesburg, workers at five plants in the Transvaal and the Western Cape are on strike

Call Times 19/2/66

# Industrial disputes in City

Staff Reporter

EMPLOYEES at two Cape Town factories were yesterday involved in industrial action, while action is being contemplated at a third following a threat to retrench 60 food processing workers

● At Nampak Paper in Bellville South, 150 members of the Congress of South African Trade Unions-affiliated Paper, Wood and Allied Workers' Union downed tools yesterday morning in support of a demand for a 50c-an-hour wage increase. Management has offered an effective 34c an hour. Nampak's deputy general manager, Mr N Willis, described the downing of tools as an "illegal strike"

● At Plascon-Evans Paints in Epping 2, about 200 employees today enter the 12th day of their legal strike over across-the-board wage increases. Negotiations between the union and management are continuing

A management threat to fire all the strikers on Monday has now been withdrawn pending further negotiations, and the union has lifted solidarity strikes at four other Plascon factories in the Cape and Transvaal

● At Snoek Wholesalers in Lansdowne, the Cosatu-affiliated Retail and Allied Workers' Union is attempting to negotiate the threatened retrenchment of 60 workers next week, and an attempt to achieve management recognition of the union

Workers have been told, however, they were being retrenched because there is "no snoek to pack"

However, the factory manager of Snoek Wholesalers, Mr Manuel Sardo, yesterday said "I don't know what you are talking about. I know nothing about any union. There is always snoek throughout the year because we work with frozen fish, and we are not retrenching any workers"

# Union condemns dismissal of strikers at AECI plant

By Sheryl Raine

The South African Chemical Workers Union (Sacwu) has condemned yesterday's dismissal of 270 striking workers by AECI's Alrode plant

The workers failed to meet a company ultimatum to return to work yesterday morning

Sacwu general secretary Mr Mike Tsotetsi said the workers went on strike last Friday in protest against the dismissal of a shop steward and another worker

Mr Tsotetsi said the workers had been told to report to the plant today to collect their pay. The company had also requested another meeting with the union to discuss the matter

An AECI spokesman, Mr Bokkie Botha, said the shop steward had appealed against his dismissal and appeal procedures were in progress when the workers decided to strike

"On Monday afternoon workers were

given an ultimatum to return to work yesterday morning or face dismissal. They continued to strike and have been dismissed

"However, discussions are still taking place with union representatives," he said

● Work at the Nampak Paper factory in Bellville stopped yesterday after a breakdown in wage negotiations

More than 150 workers downed tools while a Conciliation Board met union officials, management and representatives of the Department of Manpower

A spokesman for the Paper, Wood and Allied Workers' Union said workers had not had an increase since October last year and had asked for a 50 c increase on their wages of R2,18 an hour

The management had offered 30 c now and a further 8 c to lower-paid workers in July which was not acceptable to the workers

ARGUS 20/2/86

## 50 workers march in support of strikers

Staff Reporter

ABOUT 50 paint company workers marched to a neighbouring paint factory to show solidarity with striking workers

The Vadek (Pty) Ltd workers, members of the Chemical Workers' Union marched to Plascon-Parthenon in Epping during lunchtime yesterday

They carried placards and chanted outside before returning to their own factory

About 140 Plascon workers who are seeking a wage increase stopped working last week

On Friday the management threatened to dismiss them if they did not return to work on Monday

### BACK AT JOBS

Although the threat was not carried out, 14 workers were back at their jobs when the deadline expired, the union said

Union organiser Patricia de Lille said that on Monday the management offered increased overtime rates, a R2 monthly travelling allowance and five days extra leave for workers with five years' service

"The workers found this totally unacceptable. They still want an across-the-board increase of R150 and have appealed to the community not to scab on them," Ms de Lille said

### ULTIMATUM WITHDRAWN

Plascon managing director Mr R P Johannsen said 126 workers were on a legal strike

"A meeting between management and shop stewards took place on Monday, the ultimatum was withdrawn and negotiations between management and the union are continuing

"Plascon is the highest payer in the paint industry and has offered a R52 minimum increase," he said.

An independent mediator will meet management and union officials at the weekend.

## CHEMICAL SERVICES

# Time for a re-rating?

(183) FIN MAIL  
2/2/86

Earnings performance of Chemical Services (Chemserve) for the year to end-December 1985 was in marked contrast to the chemical sector as a whole. After a mere 2% increase in earnings a share in 1984, last year's advance was 30% — yet the share retains a sluggish rating, with a dividend yield of 5.4% against the 4% average for the chemicals and oil sector.

Several reasons could be found for the poor rating. One is that until recently profit performance has been unspectacular, only with the 1985 recovery to 115.2c did earnings move above 1981's 105.1c. Secondly, like controlling shareholder AECI (which yields 5.6%), the dividend was last increased in 1981. A further problem may be that the stock lacks marketability.

Management is aiming to create a more dynamic image. It is determined to expand by entering new domestic markets, moving into the international arena and by acquisition.

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**Dividends have been pegged for four years. This year could see an increase, in which event the market might view the stock more favourably.**

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That management has already produced a sharp earnings surge, ahead of groups like Sentrachem and AECI, must be partly attributable to a fundamental difference: unlike these groups, which are bulk producers of commodity chemicals, Chemserve concentrates on speciality chemicals. In this field, volumes are relatively small but margins high, technology and people are the key requirements.

Products fall into three categories: formulated chemicals, where products are blended and capital equipment is relatively simple; processed products, which require more chemical synthesis and sophisticated reac-

tors, and trading and merchandising of chemicals.

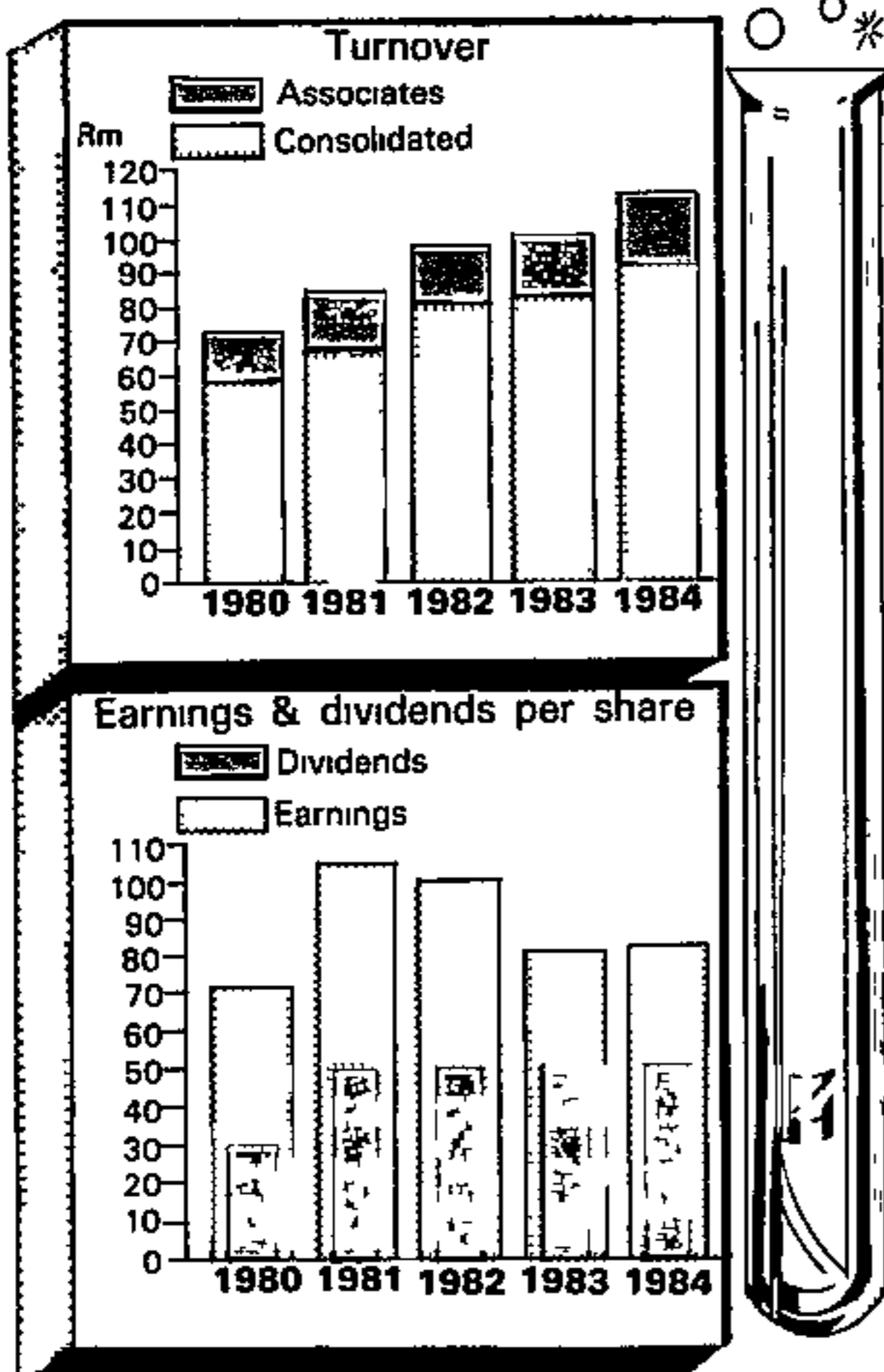
Customers, says financial director Lex van Vught, are spread across virtually every economic sector, this helps to insulate the company from recession. Declines in automotives and engineering have been offset by buoyant demand from mining and the paper industry. Chemserve thus increased market share and achieved a 34% advance in turnover in 1985 despite depressed economic conditions. But diversification has also curbed performance in times of boom. It is, MD Peter Francois says, a question of balance.

To service its different markets, Chemserve has 12 subsidiaries and four associate companies, each a specialist in its field. Only Chemserve Metal Sciences, which concentrates on the automotive industry, recorded a fall in taxed profit last year.

Competition from small operators in the formulated chemicals industry has created problems in the past few years. In this sector,



## UP IN '86?



little equipment and technology is required to set up shop. Competition has squeezed Chemsolve's margins, which have also been under pressure from the weak rand, as 50% of raw materials is imported.

In 1980, trading margins were 15%. In the last quarter of 1985 they were 11,4%. Van Vught points out that a return to 1980 levels may not be realistic, but an improvement is expected.

To reduce vulnerability to cut-throat competition, Chemsolve wants to concentrate on process chemicals (needing more hardware and higher standards of technology), and on the profitable trading and merchandising operation.

Francois says they are careful to watch developments in overseas markets and have been paying "fairly large amounts in overseas royalties so that we can get new technology for further market penetration on existing products." No specific capital expenditure is forecast, partly because capacity utilisation is still at only 75%.

Management is watching overseas developments to discover new products and services to introduce here, particularly where there will be little or no competition. In such cases they are prepared to start at grassroots level. Francois also sees potential in import replacement, but declines to elaborate.

Acquisitions are expected to be an important source of growth (another announcement should be made within six months) but Francois limits the amount to be spent in 1986 to R15m. Both Francois and Van Vught say they see no threat of over-diversification, provided Chemsolve stays in speciality chemicals.

Takeovers in 1985 complemented existing operations. Jago and Effluent Control, bought for 233 000 shares, increased the market strength of the electroplating ser-

vices operation. And Stein Hall (as it was then spelt) brought a wholly-owned subsidiary in the profitable guar industry at a net cost of R10,7m, paid for partly by the sale of Trochem for R7,95m, and partly by raising short-term finance.

Trochem was already in the guar business but Chemsolve sold because it was also in amines, which had been badly hurt by lack of demand for uranium.

Clearly, in this intensely service- and expertise-orientated group, the most important factor for success is management. Francois, who assumed the MD's mantle three years ago, has been with Chemsolve for 25 years. Other executive directors have been with the company for at least 14 years, all are chemists.

The past few years have not been a bed of roses. Earnings a share fell in 1982 and 1983, and a rationalisation programme was introduced. Control was tightened — stocks were cut from R18m in 1983 to R16,8m in 1984, debtors fell from 74 days in 1984 to 46 days in 1985, and the staff complement declined from 1 100 to 870 owing to non-replacement.



MD Francois ... watching the foreign markets

But volume output has not fallen ("all are working a little more productively," comments Francois). So earnings, after an average annual growth rate over the past six years of 7%, are now at record levels and the dividend is more than twice covered.

Francois predicts a rise in earnings of 20% in 1986. His reasons include widening margins and improved management systems. But in the longer term he does not see sufficient growth potential in SA alone. "The market is not saturated by any means, but organic growth has become difficult," he says. Exports are currently only 2% of turnover and, because of the high human input ("you have to show customers how to use the products"), Chemsolve's products are not easily exportable.

The group believes, however, that it has a formula for success which could apply in other countries. Probably the best way to export the experience gained in serving speciality chemicals would be by going into joint

ventures with overseas companies and selling expertise in process chemicals. Within five years, Francois believes, overseas ventures could add significantly to bottom-line profits.

A restraint on expansion plans is the lack of shares available to pay for acquisitions. Of the authorised 6m shares, 5,9m have been issued. The directors want to increase authorised capital and are discussing this with AECI.

Van Vught sees restructuring the balance sheet as a priority. Debt equity ratio has deteriorated to 0,65 from 0,52 at end-December 1984 and financing costs are up from R2m to R2,9m. This happened mainly because call funds of R2,7m were raised for Steinhall (which Francois expects to repay in two years from profits from Steinhall), and as a result of the rand value increase in the foreign loan.

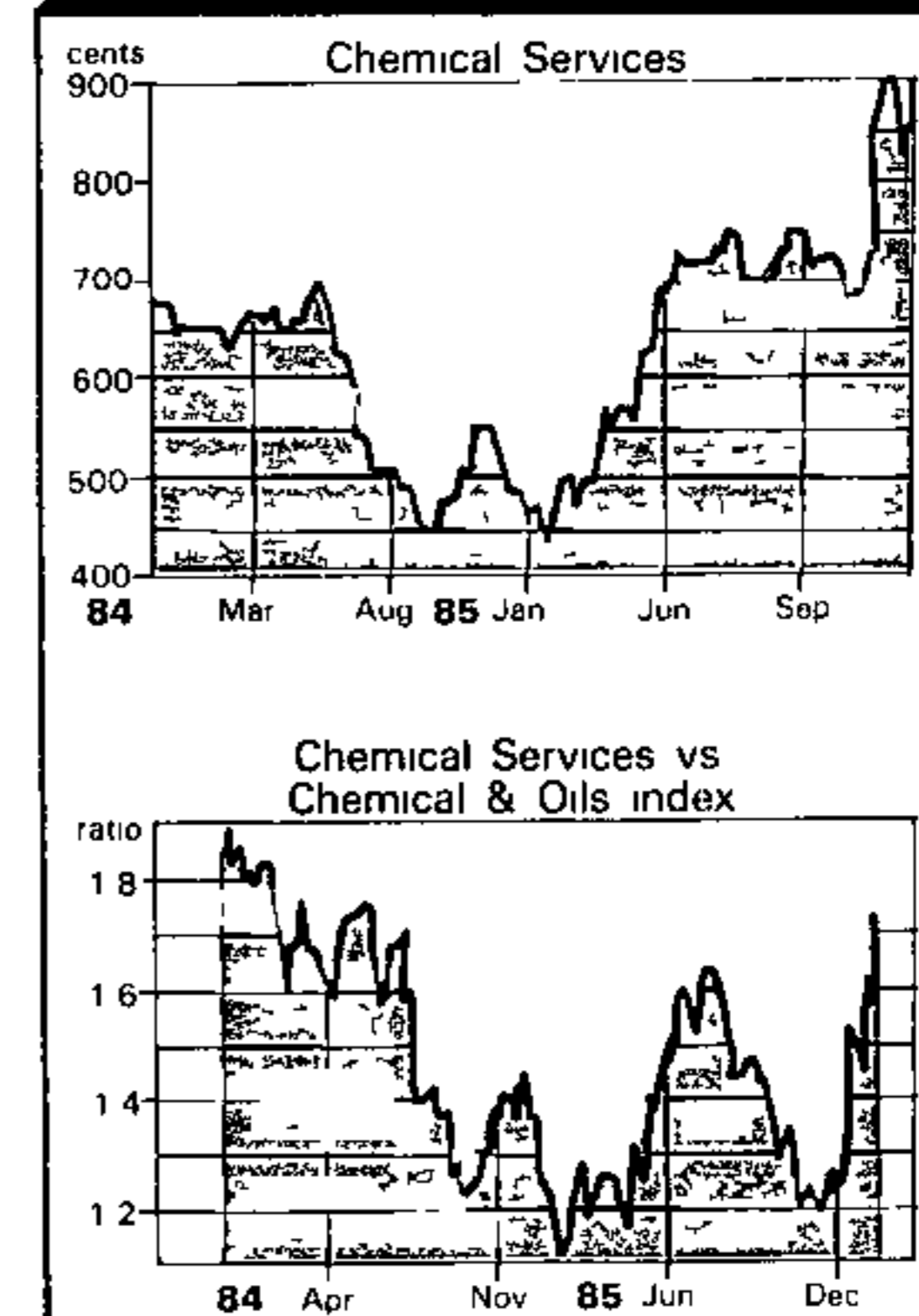
Because of the weak rand, the loan ballooned from R4,1m at end-1984 to R5,5m. Forward cover amounted to 50% at the end of 1985, but this has been reduced to 25%. The outstanding potential loss at year-end was R1,8m (R1,3m now), which is to be written off over the period of the loan.

From its recent performance, potential growth and expansion plans, Chemsolve may deserve a better rating, but marketability could be crucial. A rights issue would do little to help, as AECI (holding 58%) and other firm holders (20%) would be likely to follow their rights. What is needed is for more shares to find their way into the hands of minorities, who will trade and make a market in the stock.

A significant increase in dividend would be far more helpful to the image than mere talk of expansion plans. With attention turning to the balance sheet, cash flow looking good and cover back to 2,3 (1,8) times, 1986 could be the year that the dividend climbs off the 50c plateau.

Pat Kenney

## STILL HIGHER



Source: JSE Graphs

SOWETAN 25/2/85

# 40 down tools

SOWETAN Reporter

MORE than 40 workers at a pharmaceutical company in Wynberg yesterday went on strike after 12 of their colleagues were retrenched.

The workers, all members of the Black Health and Allied Workers' Union, work for E Merck South Africa, a German multinational company.

They said although the union was asked to make recommendations to management about retrenchments, their proposals were ignored.

## Dispute

The union claims attempts to discuss the matter with management failed. They then decided to down tools.

The company manager, a Mr Puckrin, was unavailable for comment, his secretary said. Several attempts to

reach Mr Puckrin were unsuccessful.

• More than 120 members of the South African Chemical Workers' Union (Sacwu), em-

ployed at Plascon Parthenon in Epping, Cape Town, are in the third week of a strike after a mediator failed to settle their wage dispute

tained burn wounds as a result of petrolbombs. 5 injured by rioters of which one sustained a gunshot wound and four injured by stone throwers.

(3) Yes.

(a) and (b) Since 15 February 1986 increased patrols have been carried out in the townships and on 18 February 1986 concerted actions by the SAP and SADF were carried out to remove obstacles from roads and to search houses in an attempt to arrest suspects

(4) No, not at this stage

*Own Affairs*  
*HANS SWARTZ* 25/2/86  
Committee of Inquiry into Certain Aspects of Child Care  
\*1. Mr R M BURROWS asked the Minister of Health Services and Welfare

(1) Whether all the recommendations contained in the 1982 report of the Committee of Inquiry into Certain Aspects of Child Care have been implemented, if not, (a) why not, (b) which recommendations have not been implemented and (c) when is it anticipated that these recommendations will be implemented;

(2) whether he has received any representations for the implementation of all the recommendations contained in this report; if so, (a) from whom, (b) when and (c) what was his response thereto,

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

\*THE MINISTER OF HEALTH SERVICES AND WELFARE.

(1) No

(a) Schools of industries do not fall under my jurisdiction and conse-

quently I can only furnish a reply on places of safety and children's homes. In respect of places of safety the majority of the recommendations have already been implemented

These recommendations are The appointment of multi-professional teams, upgrading of tending personnel, expansion of in-service training of personnel, appointment of experienced social workers as superintendents, determination of new standards for buildings, re-establishment of existing accommodation as good as possible as an interim measure to create a therapeutic milieu and the improvement of security measures.

Children's homes are run by private welfare organisations who are encouraged by departmental officers in the regional offices of the Department to implement the recommendations. As far as the Department itself is concerned attention has inter alia been given to: the amendment of registration of children's homes. The registration certificates of at least 80% of children's homes have been revised. Children's home liaison committees have been implemented in all the regions except one. Research on the child's re-adaptation after discharge from a children's home has started and a guide for management of children's homes is ready for the press. Due to the financial implications which other recommendations entail, it cannot be implemented at present

(b) Recommendations with considerable financial implications such as the erection of more places of safety and the rebuilding of children's homes according to the home unit system

(c) In the long term as funds become available.

(2) No

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

(3) No

Mr R M BURROWS: Mr Chairman, arising from the hon the Minister's reply, I should like to know whether he is convinced that the recommendations that have been accepted, as well as those that have not been accepted, will lead to the ending of the kind of conditions in places of safety that were widely reported in the media during the latter part of 1985?

The MINISTER, Mr Chairman, I think that question should be tabled [Interjections]

For written reply

General Affairs

*25/2/86*  
*HANS SWARTZ*  
28 Mr B B GODDALL asked the Minister of Transport Affairs

(1) Whether with reference to his reply to Question No 3 on 11 June 1985, he has calculated the volume in litres of fuel lost from the South African Transport Services fuel pipelines during the period April 1982 to March 1985, of not, (a) why not and (b) when will this information be available, if so,

(2) with regard to the above-mentioned period, (a) how many litres of fuel were lost and (b) what was the cost to the South African Transport Services of (i) the loss of fuel, (ii) repairs to the pipelines, (iii) cleaning up the spillage and (iv) compensation for damage;

(3) (a) what was the position occupied by each of the persons against whom dis-

ciplinary action was taken and (b) what was the nature of the disciplinary action taken against each of them?

The MINISTER OF TRANSPORT AFFAIRS:

(1) Yes

(a) and (b) Fall away.

(2) (a) Approximately 0,0064 per cent of the volume of product handled

(b), (i) The divulgence of this information is prohibited in terms of the provisions of section 4A of the Petroleum Products Act, 1977 (Act 120 of 1977)

(ii) and (iii) R110 730. Separate figures are not available

(iv) R57 650

(3) (a) Two Controllers (Pipelines) Assistant Controller (Pipelines) Technical Supervisor (Electrical)


(b) Appropriate fines were imposed on the employees concerned who were found guilty of negligence

*25/2/86*  
*HANS SWARTZ*  
30 Dr M S BARNARD asked the Minister of National Health and Population Development

With reference to his reply to Question No 32 on 12 February 1985, (a) what amount was spent on the Commission of Inquiry into Health Matters in the (i) latest specified financial year and (ii) current financial year as at the latest specified date for which figures are available and (b) what total amount had been spent on this commission as at that date?

ationals would be pressured into introducing some form of affirmative action or quota system to guarantee black advancement

Participation  
Mortgage Bonds  
**16,25%\***  
(011) 339-5731, 339-3101, 339-3008

**METBOARD**   
\*New rate 15,5% as from 1st March 1986.

# The Star

## Gold

London \$352,40 bid  
New York close \$348,00  
Hong Kong open \$348,34

## JSE close

Overall 1412,5 (1399,2)  
All Gold 1245,7 (1231,1)  
Indust 1159,3 (1150,1)

# AECI earnings slightly up despite divisional setbacks

26/2/86 STAR 183

By Peter Farley  
Investment Editor

Diversified chemicals and explosives group AECI pushed net income marginally higher in the year to end-December, after being slightly down at the half-way stage

New MD Mr Mike Sander told a Press conference that the combination of exports and the local product mix provided a cushion against the poor performance of some divisions

The two main black spots were divisions supplying the construction and automotive sectors, principally PVC, polyethylene and plastic

Mr Sander singled out the mining industry — explosives — specialist chemicals and exports as being the best performing areas. Consumer-linked products, mainly plastics for the packaging industry, were "moderately good"

## Veiled reference

The major surprise was Mr Sander's assertion that fertilizer operation Kynoch made a small profit last year, despite the December rains coming too late to have any real impact on last year's sales.

He also said that raw material sales to Kynoch had been costed on the same basis as sales to third parties

In a veiled reference to one-time partner and now competitor Triomf, Mr Sander said that

## Synthetic fuel plant may still be on

AECI management is still looking hard at the possibility of going ahead with a major synthetic fuel project — though no decision has yet been made MD Mr Mike Sander said yesterday that a feasibility study was presented to government at the end of last year and that negotiations were now taking place

He estimated that should the project be given the green light it would cost some R2,5 billion in today's money That means that should the project start next year, with inflation currently in excess of 20 percent, the project cost will be R3 billion

Mr Sander indicated that it would be along the lines of the Sasol oil-from-coal complex, and would be aimed at producing petrol and by-products. Though he would give no indication of where such a plant would be located, it seems likely that it would be close to Anglo American's coal mines.

He added that the main stumbling block was extracting financial guarantees from government — along the lines given to Sasol — and a guarantee that the same rules would apply regarding pricing and recoupable margins

the absence of debt on the Kynoch balance sheet enabled the company to keep its head above water, despite an otherwise crippling price war

Turning to the figures, exports contributed 10 percent of the group's R2,3 billion turnover, though domestic sales were unchanged in volume terms last year

That balance could well swing the other way this year, as export realisations weaken in the face of a stronger rand and volumes are cut back to supply increased demand in the local market There is still some scope to meet higher demand, however, with the group's average capacity utilisation running at around 74 percent last year

Finance charges jumped up to R91 million from R78 million, which included a further R26 million written off against potential losses on the group's offshore borrowings

These represent around half the total indebtedness of R650 million — or some \$160 million So far provisions of R50 million have been made against losses on these borrowings, with an estimated R15 million to come each year for the next five years — if the rand remains around the 50c mark

Finance director Mr George Thomas said, however, that should the rand appreciate back to above 90c US, all these provisions would be written back in

Though earnings per share

crept up to 74c from 72c, the total dividend payout was unchanged at 55c

Mr Sander singled out inflation as one of the biggest problems facing the company — pointing out that despite an unchanged stocks/debtors position and no increase in volume sales, working capital requirements had increased by some R100 million last year

He added that electricity charges rose by 15 percent last year, making a doubling since 1981

Looking ahead, however, it should be a reasonably satisfactory year for AECI, with demand returning in certain key areas

## Pushed price up

The only possible shadow next year is the entry of Sasol into the explosives market — AECI's first real challenge for some time Though Mr Sander is pretty sanguine about this development, there must be some cause for concern

Nevertheless, investors have pushed the share up 50 percent in the last couple of months to 1200c from 800c This leaves it on an historic dividend yield of 4,6 percent

But, although rated at a discount to the sector's 3,8 percent average, the probability that dividend cover will rise before payments to shareholders means the price is probably a fair reflection

# AECI maintains total div at 55c

MERVYN HARRIS

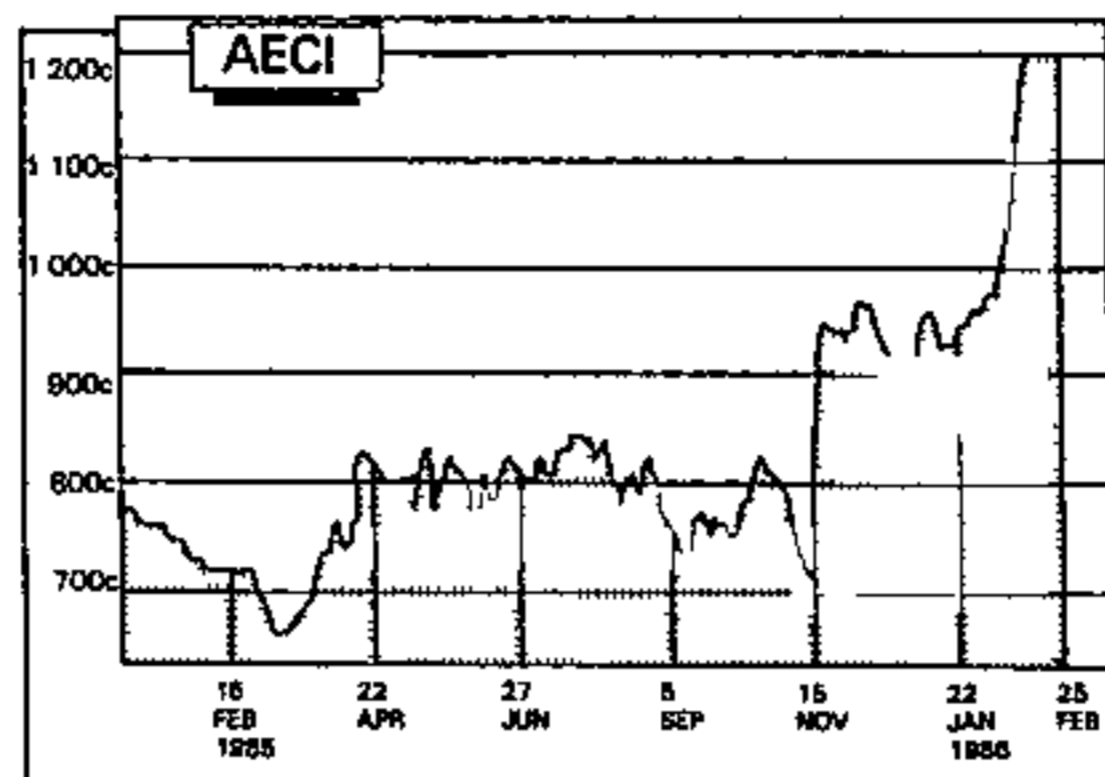
AECI's 3% earnings rise to 74c (72c) for the year to December will disappoint many analysts and investors after the hopes kindled by the share's strong performance over the past three months.

Although the rise is below forecasts of 80c, some will consider the company has done fairly well in what MD Mike Sander describes as a year of significant pressures.

An unchanged final dividend of 31c maintains the total at 55c for the fifth successive year

Earnings in 1986 are expected to be somewhat higher, but Sander refuses to be drawn on prospects of a dividend increase.

"SA is facing difficult times We hope



conditions will improve this year, but it will be from a period which has been very difficult."

Turnover was up 16% to R2,34bn (R2,02bn), boosted mainly by record exports of R233m, which were 35% higher than the R173m recorded in 1984

Group domestic sales were maintained at 1984 levels, with increased volumes in chemicals, plastics and fertilisers offset by reduced demand from operations associated with consumer demand

However, the sharply higher costs of imported raw materials kept trading margins under pressure in most areas, despite further economies in fixed operating costs and overheads

The rise in net trading income was, therefore, limited to 8% at R253m (R235m), while financing costs jumped 17% to R91m (R78m) because of high interest rates throughout most of the year

The fall of the rand necessitated a

● To Page 2

# AECI maintains div

← ● From page 1

higher provision against unrealised exchange differences of R26m (R20m).

Pre-tax profit was up from R157m to R162m, while attributable income edged up from R112m to R114m

There was an improvement in demand for most of the group's products in the second half of the year, but poor trading conditions were reflected in the fact that volume growth was only 10% up on 1981

Most of its activities are dependent on the value of the rand and the costs of imported raw materials, while there is a lag between the sharp rise in costs and the ability to pass them onto the market.

However, the results of businesses linked to export-oriented industries such as industrial chemicals were good

The plastics division showed no vol-

ume growth, but total sales improved because of demand for local products. Rising costs of imports helped other consumer-oriented businesses

The agricultural sector was held back by the effects of drought, low fertiliser prices and keen competition. Weak sectors were those linked to construction and the automotive industries

"We have a reasonably good balance, which means disasters in one area can be offset by improvements in others", says Sander. "We are well-placed for an improvement in the economy"

AECI shares have soared 50% from their August level of 800c to the current 1200c.

The share has regained ground after lagging behind other industrial shares despite the entry of Sasol into the fertiliser and explosive markets.

CAP-TRANS 26/2/86

# Speculation on cheaper petrol

## Political Staff

THERE was rising speculation among Parliamentarians in Cape Town yesterday that an announcement on reduction of the petrol price could be made later today after the weekly Cabinet meeting

There has been intense speculation for some time that the price will come down by several cents a litre soon because of the Rand's steady improvement against the Dollar

The exchange rate between the two is a vital factor as oil supplies are paid for in dollars and a rising Rand makes for more favourable trade

On top of this the price of crude oil has been falling recently

A substantial cut in the petrol price could have a marked affect in reducing the country's record inflation rate which went over 20 percent last month

Mr John Malcomess, opposition transport spokesman, said after the transport budget that petrol prices should

have been cut then and various senior spokesman in private enterprise have been calling for a reduction

It has also been pointed out that Mr Danie Steyn, Minister of Mineral and Energy Affairs, said at the time of the last increase in November that a reduction could be considered if the exchange rate improved sufficiently

● Sapa reports that yesterday in the House of Assembly Mr Barend du Plessis, Minister of Finance, said the government had no vested interest in keeping petrol prices high

## Reserve Fund

During his reply to the second-reading debate on the Additional Appropriation Bill, he said the petrol price had been steadied over the past two years with a R1,4 billion subsidy from the Reserve Fund

The fund had been accumulated over the years when there was a favourable exchange rate for the Rand and as

soon as the Minister of Mineral and Energy Affairs felt comfortable about the reserves, the price would be adjusted "But first the Rand must prove that it will retain the higher levels and the minister will have to feel comfortable that he will be able to maintain the price from the reserve fund through any future dip"

● The petrol price should be dropped immediately by 20 to 25 cents a litre, Mr Harry Schwarz (PFP Yeoville) said in the House

Speaking in the debate, he said Mr Danie Steyn was one of the main causes of inflation

He and the Minister of Finance were "taking 32,7 cents out of the price of every litre of petrol, taking it out of the hands of the people of South Africa"

When the value of the Rand fell, they were quick to increase the petrol price

Now it was at a higher level than when the price had been increased, while the crude oil price was falling

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# Cape Times

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**Stuttards**  
**FRUITED VINEGARS FROM FRANCE**  
 Some of the selection, Blackcurrant, Bilberry, Red Currant and Cherry  
 Food Hall  
 Claremont

# More petrol price cuts possible — minister

**IN A MOVE** welcomed by commerce and industry and criticized as "not enough" by the Opposition, the government yesterday announced that the petrol price will drop between 8 and 10 cents a litre on Monday. And further price cuts could be on the way.

Announcing the cuts, the Minister of Minerals and Energy Affairs, Mr Danie Steyn, said the government would consider further reductions in June, especially if the rand-dollar rate continued to improve.



The Minister of Minerals and Energy Affairs, Mr Danie Steyn, announces the decrease in price of petrol yesterday.

**Diesel**

He also indicated that June 15 was the deadline for all companies to convert petrol pumps from the half-price system.

From Monday the price of 98-octane petrol will drop by 8 cents a litre at the coast and that of 95-octane by 10 cents a litre.

Diesel prices for public transport will also fall enough" by the Opposition household paraffin by 2 cents a litre.

The minister said the cuts were made possible by the continued improvement of the exchange rate and the decrease in international oil prices.

These conditions made it possible that "unavoidable increases" in certain levies and the introduction of new levies could be accommodated.

These included a 2-cent a-litre levy to replace the third party system and an increase in the road levy fund by 2 cents a litre for petrol and 1 cent for diesel.

Mr Steyn said he was confident the cuts would have a significant effect on inflation and challenged the private sector to pass on the effects by lowering prices.

The price-control system on fuel prices would stay, he said.

Opposition parties yesterday criticized the government for not reducing the price more.

Chief opposition spokesman Mr Brian Goodall said "With the price of oil in dollars down by a third and the

rand up by over 40 percent from its low point, 10 cents was the minimum."

"Obviously the decrease will help contain inflation but it should be the first of many downward adjustments."

Conservative Party spokesman Dr Frans van Staden said the party

welcomed the decrease as it had been asking for it, but said it should have been greater.

"The increases of 1985 and the new year were exorbitant and contributed to the inflationary spiral," he said.

Mr Ralph Hardingham, spokesman for the New Republic Party, said that

while welcoming any cut he regretted it could not have been more.

Pick a Pay's executive director Mr Alan Gardiner, said the drop could have been "double or more" and criticized the continuing protection of oil companies.

Pick 'n Pay would lower petrol prices at the

chain's pumps nationwide from today — three days before the official date — and would also continue to fight to have petrol deregulated.

The chief executive of the Association of Chambers of Commerce of South Africa (Assocom), Mr Raymond Parsons, said the drop would

strengthen business and consumer confidence at an important stage of the economic upturn.

"While this alone can not solve South Africa's inflation problem, it will improve the chances of a much lower rate in the second half of 1986."

The 6.3-cent-a-litre decrease in the price of agricultural diesel re-

*Old 77/100 27/2/86*

Octane.	93 98	93 98	93 98
Current price:	R32,90 R34,30	R51,70 R53,90	R75,20 R79,40
New Price:	R29,40 R31,50	R46,20 R49,50	R67,20 R72,00

**Filling a tank**

take the opportunity of translating this into benefits for the consumer.

The chairman of the SA Motor Traders' Association, Mr George Beck, said the drop in fuel price was "a step in the right direction."

The Federated Chamber of Industries said it was "very pleased."

The FCI strongly supported the request that the reduction be passed on to the consumer through reduced transport, delivery and other charges.

The South African Agricultural Union said it was "satisfied."

Its president, Mr Kobus Jooste, said last year's diesel-price rise meant a cost increase of about R135 million a year for agriculture.

The 6.3-cent-a-litre decrease in the price of agricultural diesel re-

presented an effective saving of R85-million for agriculture, he said.

The Consumer Council's director, Mr Jan Crouse, said the "entirely announced petrol price cut could result in a drop in the inflation rate and could restore confidence in the economy."

'Ripple'

Mr Alan Lighton, director of the Cape Town Chamber of Commerce said the cut would have a ripple effect throughout the economy.

He also called on the government to revise the increase in sheep air and rail tariff increases which will take effect on April 1.

The managing director of Checkers, Mr Clive Well, said he was delighted that the government was acting in the interests of the country.

Political Staff Staff Reporter and Sapa

SA firms in line for bulk of R4bn contracts

BUS DAY  
27/2/86

# Mossel Bay winning tender within days

183

THE winning tender for the first phase of the R4bn Mossel Bay gas-field project will be announced within 10 days — and South African firms are in line to land the lion's share of the work

This was said by Mineral and Energy Affairs Minister Danie Steyn yesterday

Steyn told *Business Day* the winning tender for the first phase of the R4bn project — the building of the offshore platform — would be announced within the next 10 days

He indicated the winning contractors would probably be in line for contracts to build additional multi-million-rand offshore platforms

Steyn said he was optimistic that as

CHRIS CAIRNCROSS

the Mossel Bay project progressed, gas reserves would expand. He said it was also possible that additional gasfields would be located in the area

If this were the case, additional offshore facilities would be necessary to tap these resources

Steyn reaffirmed it was "official preference" that the giant platforms be built — or at least assembled — in Port Elizabeth, creating jobs and stimulating the extremely-depressed Eastern Cape economy

Responding to claims by local shipbuilders that they would be unable to compete against foreign tenders for con-

tracts on the petro-chemical project unless subsidies were restored, Steyn said government was prepared to bend over backwards to support local industry.

Government would be prepared to sit round a negotiating table with any local tenderers to review their cost structures and overcome obstacles "to the satisfaction of all", Steyn said.

He admitted that the strengthening value of the rand — accompanied by the declining dollar price of crude oil on the international market — had put a different complexion on the economics of the Mossel Bay venture.

However, Steyn stressed the project would in no way be delayed. It would go ahead as originally planned, he said.



# Motor oil, grease prices to be cut

The Argus Correspondent  
JOHANNESBURG. — BP  
Southern Africa is to cut the  
price of motor oil.

The chairman, Mr I J Sims,  
said his company would lower  
the prices of petroleum prod-  
ucts not regulated by the Gov-  
ernment Gazette on Monday.

The cuts were possible be-  
cause of weaker crude oil  
prices and the improvement in  
the rand/dollar exchange rate.

Prices of motor oils will be  
reduced by 23,6 cents a litre,  
industrial oils by 24,6c l, grease  
by 19,6c kg and liquid petro-  
leum gas by 11,7c l.

BP will also cut heavy fur-  
nace fuel by 8c l, bitumen by  
7c kg, aviation turbine fuel  
12,2c l, aviation gasoline  
23,6c l, power paraffin 11,4c l,  
benzine 22c l and white spirit  
by 15c l.

The Argus Political Staff re-  
ports that the Minister of Agri-  
cultural Economics, Mr Grey-  
ling Wentzel, today appealed to  
food producers to pass on the  
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to consumers.

Food producers spent R600-  
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Meanwhile a spokesman for  
South African Transport Ser-  
vices said it was unlikely that  
the recently announced in-  
creased bus fares would be re-  
duced because of the cheaper  
fuel price.

# Sentrachem in black, but losses at Afprene lift debt to R720-m

By Peter Farley  
Investment Editor

Any company which manages a bottom line profit despite the kind of self-imposed burdens Sentrachem is having to carry deserves some sort of congratulation

But any shareholder who believes that the embattled chemical group is out of the woods had better take a closer look

A pre-tax profit of R10 million in the six months to end-December, against a R36,6 million loss in the preceding 12 months, has been achieved after losses of almost R30 million on the Afprene project, losses of around R2 million in the fertiliser division and financing charges in excess of R37 million

The rest of the group obviously did rather well, considering the depressed local economy. Demand for chemicals remained pretty buoyant, led by the mining sector, while exports of products were up by more than 50 percent

In fact had it not been for Afprene, the bottom line profit would probably have been some six times greater than the 7,8c a share actually earned

Nevertheless, management claims that a tremendous effort on the Afprene side improved productivity and product quality, reduced costs and cut working capital requirements

The penetration of synthetic rubber usage in car tyres has increased to around 55 percent, while exports have also helped out

These factors, estimates MD Mr Dave Marlowe, reduced the losses at Afprene from 42c a share in the last

year's first half to 32c this time around

But because of Afprene the group's debt burden has grown to alarming proportions, with gearing now in excess of 120 percent and total debt more than R720 million

Despite the small profit achieved, Mr Marlowe said no dividend would be paid to shareholders, and indicated that earnings would probably be retained for at least another 18 months

The two prime objectives are to bring gearing down to around 60 percent and to push Afprene into the black. Both targets are some years off, but it is possible that once debt levels get back to more manageable proportions — say 90 percent of shareholders' funds — that a dividend may be resumed

With higher export realisations and local price increases — demand remained flat throughout the period — turnover was up to R534 million from R421 million in the year ago period

With margins pretty much unchanged and financing charges falling to R37 million from R55 million a small bottom line profit was achieved

Nevertheless, with the prospect of a stronger rand dampening export sales and a possible return to higher interest rates later this year or in 1987, the pressures which caused the group so many problems last year could once again rear their head

The obvious route at this point would be to go to the market with a rights issue to re-finance the debilitating debt burden. But although the share price has appreciated from a November low

of 140c to 200c yesterday, the new issue would have to be priced so cheaply as not to be worthwhile

However, the two main tranches of debt repayment on Afprene — R140 million and R280 million — are due in the second half of 1987. Maybe by then the share price will be in a stronger position and justify a rights issue.

Overall, the company remains highly vulnerable to fluctuations in both the rand and interest rates. Although the great part of the group is doing well, investors really have to consider what the prospects are for Afprene

On balance therefore, despite the return to profitability, it is not likely that there will be too many new buyers of the shares at this stage

Motor oil,  
grease  
prices to  
be cut

*176x 27/2/86*  
The Argus Correspondent  
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by 19,6c kg and liquid petro-  
leum gas by 11,7c ℓ.

BP will also cut heavy fur-  
nace fuel by 8c ℓ, bitumen by  
7c kg, aviation turbine fuel  
12,2c ℓ, aviation gasoline  
23,6c ℓ, power paraffin 11,4c ℓ,  
benzine 22c ℓ and white spirit  
by 15c ℓ.

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183 28/2/86 FIN MAIL.

AECI

# No boom in sight

AECI's 2,8% earnings a share advance in the year to end-December underlines its reliance on SA's economic growth. New MD Mike Sander points out that profit advanced against a background of the weakest economic conditions for years, and earnings a share at 74c remain well below the 1981 high of 104c or even the 88c of 1983. For the fifth year, the dividend has been pegged at 55c, and it would seem that AECI's resumed profit growth depends on the economy.

But these results are disappointing. After all, the mines' demand for explosives has remained strong and exports have presented opportunities, with export turnover up 35% at R233m. Even trading margins, while under pressure, have held up reasonably, dropping from 11,7% to only 10,8%. Plastics have been badly hit, but Kynoch Fertiliser made a small profit. Assets overall are performing sluggishly. Sander's biggest challenge is clearly going to be to get the group back to a more profitable wicket.

Foreign borrowing losses have compounded the effect of stagnant earnings. Having been caught by the fall in the rand (some 60% of the US\$160m of offshore loans was borrowed when the rand stood at US90c), AECI has persisted in not covering losses. It



AECI's Sander... more forex provisions

drawn on prospects for a higher dividend in 1986. Trading-wise, the lower rand has at least cut imports, benefiting AECI's consumer-orientated businesses in plastics, fibres, and vynide (a part of polymer converters).

Chemicals will gain from higher volumes following last year's lower ammonia production as a result of scheduled maintenance of plants at Modderfontein. And with capacity utilisation at 74%, a greater throughput would flow straight to profit. On the other hand, Sasol's entry into explosives, expected around mid-year, could start skimming some cream off what has been AECI's staple income source.

A bullish point is AECI's possible participation in a synfuels project, which has helped push the share price from R6,55 to R12 in less than a year (a rise hardly justified by fundamentals). The cost of such a project, for which Sander says the technical processes are "more than adequate," is put at R2,5 billion in current money. Sander reiterates that a synfuels project would only be possible with government support, but at this stage is giving no indication of government's response.

Despite Sasol's consistent dividend increases, AECI's share yields 4,6% on dividend, compared with Sasol's 5,5%. Hopes that the synfuels project will eventually get off the ground are keeping the price high (one could argue that, in terms of the capital expenditure, one should buy AECI only if it

does not win the synfuels contract). But Sasol, Trek, Chemserve and Farm-Ag appear to offer better dividend potential. I think investors might consider switching to other chemical shares, on short-term considerations at any rate. *Christopher Marchand*

## CONSUMER STOCKS

### Uncertain lift-off

Consumer-based shares have shown sharp gains in recent weeks — giving the impression that investors are anticipating recovery in earnings and dividends over the next year or two. Some companies undoubtedly will show turnarounds. But signs of a commercially sluggish 1985 remain and in many cases the prognoses from management are muted. Salary and wage increases will continue to lag the inflation rate — as evidenced by the recent 10% pay increase to public servants — and prospects for the unemployed remain poor.

Since the beginning of 1986, Amrel advanced to 1 050c (900c), Seardel to 470c (350c), Edgars to 9 700c (9 000c), and OK Bazaars to 1 400c (1 275c). Other handsome gains were posted by Ellermes, at a 12-month high of 800c (605c) and the broadly-based SA Breweries hit 965c (810c). Wooltru, despite last week's unexciting interim figures, rose to 1 375c (1 250c).

But if the JSE suggests that local consumer markets may be facing recovery, Wooltru doesn't support this. Its December interim earnings slipped from 50,5c to 43c a share, with the dividend pegged at 25c. Chairman David Susman depicts a gloomy trading environment, in which consumer spending showed no improvement. Christmas trading was, he says, "particularly disappointing, and consumer boycotts exacerbated the situation." The group does "not forecast improved trading conditions for the rest of the financial year."

Explaining this, group MD Tony Williamson says that "the high inflation rate will increase food costs dramatically. This will reduce disposable income remaining for non-food purchases such as clothing. He expects the trend to continue until the end of 1986 and projects clothing sales this year will drop in real terms by as much as 3%."

Richard Ferrer, marketing director of Federale Volks' unlisted appliances subsidiary, TEK Corporation, also takes a bearish view. "Conditions have never been worse," he says. "We have budgeted for a 16% drop in consumer spending on durables this year. Although this has been moderated by a stron-

### AECI HOLDS

Year to Dec 31	1984	1985
Turnover (Rm) .. .	2017	2340
Trading profit (Rm)	235	253
Finance costs (Rm)	78	91
Taxed profit (Rm) ..	109	109
Attributable profit (Rm) ..	112	114
Earnings (c) .. .	72	74
Dividends (c) .. .	55	55

hopes that the rand might rise sufficiently when the time for repayment rolls around. Instead, the rand kept on falling, and so the loss provisions for "unrealised exchange differences" kept growing.

At end-December, these amounted to R50m, but this year's rising rand will reduce this amount. The loss is to be charged against profit over the life of the loans, so, unless one believes that the rand will again hit US90c, AECI will make charges against profit in respect of offshore loan losses for the next five years. Another worrying point is that the debt:equity ratio has crept up from 0,65 to 0,70.

Nor does management offer much optimism about this year's prospects. "Earnings for 1986 will be somewhat higher, provided that economic growth this year is not unduly disrupted by adverse political developments," they forecast. Sander will not be

# Supermarket chain will keep selling cheaper petrol

Press 2/2/76  
183

PETROL stations operated by Pick'n Pay will continue to sell fuel at discount prices until Monday, says chairman Mr Raymond Ackerman.

He denied today that any Government order had been received banning his company from selling petrol at below the official prices.

"In terms of the Petroleum Act the Minister may issue an edict forcing me to stop selling at discount prices, but until that happens we carry on as before

Mr Raymond Ackerman



"Two major oil companies have continued to supply me with petrol, but one has refused I know that the Government is working feverishly with the oil companies to stop me," he said.

BP yesterday told Pick 'n Pay hyperamas that they would no longer be supplied with petrol. This was in the wake of Mr Ackerman's announcement that its petrol price was being dropped three days before the Government's scheduled date.

Mr Ackerman charged that there was a "strong feeling of a monopoly and a cartel" in the oil industry.

"It is evil. It is bad. And I believe anybody who forms a cartel should go to jail." The only reason BP had adopted such strong-arm tactics, according to Mr Ackerman, was because of he was "totally and utterly opposed to price-fixing" and his introduction of discount petrol.

"I don't need the Government to tell me what to do,"

said an indignant Mr Ackerman.

"At our Boksburg outlet we have set a precedent and have been allowed to sell petrol at discount prices for 10 years. Now they have the audacity to ask us to stop.

"The authorities have shown a lack of sensitivity and flexibility by not wanting to deregulate the supply of petrol to the public," Mr Ackerman said. — Staff Reporter and The Argus Pretoria Correspondent.

# sunrise finance

# It's the old firm to the rescue at Triomf

By Peter Farley

The return of the "old team" to Triomf has revived expectations that the embattled fertilizer group may yet be able to pull itself through its current financial predicaments

The resignation of MD Mr Kobus Becker last week has opened the way for the return of both founder and former chairman Dr Louis Luyt and erstwhile chief executive Mr Phillip Clarke

Mr Clarke worked for Triomf from 1966-1971, then returned as MD from 1975-1979 and has recently been chief executive at Russells However, on both his previous departures from Triomf earnings were at record levels

Both he and Dr Luyt were re-appointed to the Triomf board last week — at a time when the firm faced probably its most difficult time since inception

## Bleak prospect

The facts speak for themselves Gearing in Triomf has risen to a staggering 500 percent plus, while figures for the six months to end-December are probably going to be the bleakest in the company's history

Nevertheless, there is an air of confidence about the "new" management Lower interest rates, the conversion of R65 million of the debt into preference shares and improved prospects in both the local and overseas fertilizer markets suggest a turnaround could be on the cards

There are sceptics who have heard the same story before Triomf has certainly been an area of unfulfilled promises However, if the claims of Clarke and Luyt are to be believed, there is potential for a swift turnaround

While Clarke is reticent to elaborate on his plans for the company — after three days in the hot seat few executives would — it seems likely that the search for the best price on imported raw materials could see Triomf back importing substantial lines of those products

Already the key Potchestroom factory has returned to 75 percent capacity, from an around 60 percent average last year, while Richards Bay is benefiting from the resurgence of acid exports

In fact, such is the confidence of both Clarke and Luyt, that earlier suggestions of a further financial restructuring are now being dismissed as probably unnecessary

Triomf has been closely linked with the problems facing Nedbank, and there is little

doubt that the bank's commitment in this area is potentially vulnerable

However, Clarke says that Triomf will have no problem meeting its obligations and adds that there must also be no concern over Nedbank's ability to overcome its present difficulties

The new structure at Triomf will see Dr Luyt take the position of chief executive, while Mr Clarke will be MD In reality, says Luyt, Mr Clarke will be running the company — given that one person must stamp his corporate authority on the business

Exports certainly hold the key to the company's future success and Clarke admits that boycotts are one of the major blights on the horizon Nevertheless, he has confidence in his overseas trading partners and says that deals already concluded, combined with other finished product sales, could make an important contribution to the bottom line

Whatever happens, Triomf is far from giving up the fight Market share is improving from last year's 25 percent and a substantial maize crop should see the farmers in a better position to re-fertilise next year

It certainly should be interesting — whichever way it turns out



Louis Luyt back in the thick of things



Luyt and Clarke in happier days minorities will be looking for the same kind of success this time around

## Insider

TALES abound of the problems at many companies with the introduction of word processors that have built in "dictionaries" which prevent the users from keying in their own unique spelling.

The main problem has been that the programmes are often written in the US where the spelling differs markedly from the English version

However, Legal & General encountered a slightly different hassle with the recent change of name The computer just would not accept the word Lifegro — without the letter "w" Maybe it was trying to tell them something!

ALTHOUGH he hasn't the slightest worry about the professionalism of the Tiber Bonvec group, which is building the new Lonehill shop and office complex, developer Oswald Buchner couldn't resist the opportunity presented at the foundation-stone laying ceremony

"The number of bricks used in this structure, if laid end to end, would reach to the Cape and

back again," he said

Perfectly normal remark but then came the punchline: "I also understand the chairman of Tiber Bonvec recently recruited bricklayers from the town of the 'Leaning tower of Pisa'."

His quip got a chuckle or two and there were some nervous glances around but as every brickie knows, they cannot be blamed for the way the tower leans

It was the land on which it was built that caused the problem and, more to the point, put the town on the map

A TALE told recently concerns one of those seemingly regular occasions when a company like Barlow Rand takes over a company or group owned by a private family

In this instance the individual who sold out made a tidy sum of money and was discussing it with a friend The friend then asked, "Well, Sam, what's it like to be wealthy?"

Sam just shrugged his shoulders and replied, "It's all relative"

"What do you mean?" his friend asked

"Well," said Sam, "the more wealthier I become the more relatives I find"

Discount

CAR TINT  
1/3/86  
123  
ZEEED

# petrol 'till tanks run dry'

Staff Reporter

**PICK 'N PAY** said yesterday it would sell discounted petrol "until tanks run dry" in the wake of a government directive to oil companies to stop supplying petrol to outlets not selling at the prescribed price.

A spokesman for BP SA yesterday confirmed the directive was sent to his company, which at present co-ordinates the price aspect of the oil industry. Other suppliers had been informed.

He said the directive ordered suppliers not to supply petrol to any outlet "at which petrol was offered at any other price than that prescribed", and said that in effect this stopped supplies to Pick 'n Pay, which was the main retailer of discounted petrol.



Mr Raymond Ackerman of petrol was sold yesterday

### Queues

Pick 'n Pay director Mr Alan Gardiner said yesterday that the company expected the supplies to be cut until Monday, when his company would again be selling at the prescribed price and therefore be entitled to petrol.

There were queues of cars at the Brackenfell Hypermarket yesterday, where about eight times the normal daily amount

"We sold 60 000 litres of petrol there today, which is more than some garages sell in a month," he said yesterday, adding that Pick 'n Pay would sell discounted petrol over the weekend until tanks ran dry.

He thought the government action was tough and heavy-handed and referred to the government's behaviour as "unreasonable" and "disgusting".

Mr Gardiner said he felt the issue had come to a head now because his company had upset people in high places.

He was referring to a meeting in January in which Pick 'n Pay had told the authorities they were misguided and that they should have the courage to deregulate the petrol price.

BP said in a statement yesterday that the omission in some newspapers of the first paragraph of the statement by the chairman of BPSA, Mr Ian Sims, in which he refuted an allegation by Mr Raymond Ackerman, placed the remarks out of context.

The opening paragraph of Mr Sims's statement read "Mr I J Sims, chairman of BP Southern Africa (Pty) Ltd, has refuted Mr Raymond Ackerman's claim published in Business Day on February 25, that the oil companies were 'making a killing' because government had not reduced petrol prices."

The remarks attributed to Mr Ackerman in Business Day read "Ackerman said it was clear government had taken a decision favouring the oil companies, which he accused of 'making a killing' under present circumstances."

BPSA said its statement was issued to refute Mr Ackerman's specific allegation and had nothing to do with reports on the discounting of petrol in which in some cases the statement was juxtaposed.

### Damages for Vangelis

LONDON — Vangelis, the composer whose hits include the theme from the film "Chariots of Fire", and two musicians were awarded 250 000 sterling (£720 000) yesterday for a record company's illegal release of their early work.

A High Court judge ruled that Pye Record Sales, which in an earlier hearing had consented to judgment being entered against it for breach of copyright, should pay the amount for damages, interest and costs.

A lawyer for the three told the court the illegal releases consisted of several pieces of music recorded by his clients in the early 1970s.

He said Vangelis, whose full name is Vangelis Papathanassiou, regarded these pieces as inferior.

— Sapa-Reuter

was juxtaposed

CNC Trip 3/3/86

183

# Govt asked to step in in petrol price saga

Own Correspondent

**PORT ELIZABETH** — The Progressive Federal Party spokesman on energy and mineral affairs, Mr John Malcomess, called yesterday on the State President, Mr P W Botha, to intervene in the petrol price dispute between Pick 'n Pay and major oil companies

Petrol supplies to Pick 'n Pay have been cut on the instructions of the government and by Saturday the discount chain's 12 outlets had begun to run dry.

Mr Malcomess said he strongly objected to the action of the large oil companies in cutting supplies of petrol to Pick 'n Pay, pointing out that the man in the street was being penalized

"Their only reason is that Pick 'n Pay is selling petrol to the public at a discounted price. The main villain is of course the government (which is) forcing the private

sector to sell at its price and no lower"

Mr Malcomess said the Motor Industries Federation should also share the blame "for encouraging the government to take this action in order to protect their own vested interest".

"I am calling on the State President to intervene and if he will not take action then I accuse him of contravening a national goal as set out in the Constitution Act of South Africa. The goal concerned is 'to further private initiative and effective competition'," Mr Malcomess said

Meanwhile, director of Pick 'n Pay Mr Sean Summers said yesterday that there had been "total chaos" at the Boksburg service station on Friday and Saturday with queues of up to 60 cars. On Friday 58 000 litres were pumped — one-third more than usual

Today Pick 'n Pay is to announce the price of petrol at its Boksburg outlet, where it has in the past discounted petrol by 4c/l. The government ordered it to stop doing so from midnight on Friday and it is uncertain how it will get around to discounting on the cut petrol price

## 'Not the end'

"It's not the end of the petrol saga," Mr Summers said yesterday, but he declined to disclose what the company intended to do until today's announcement

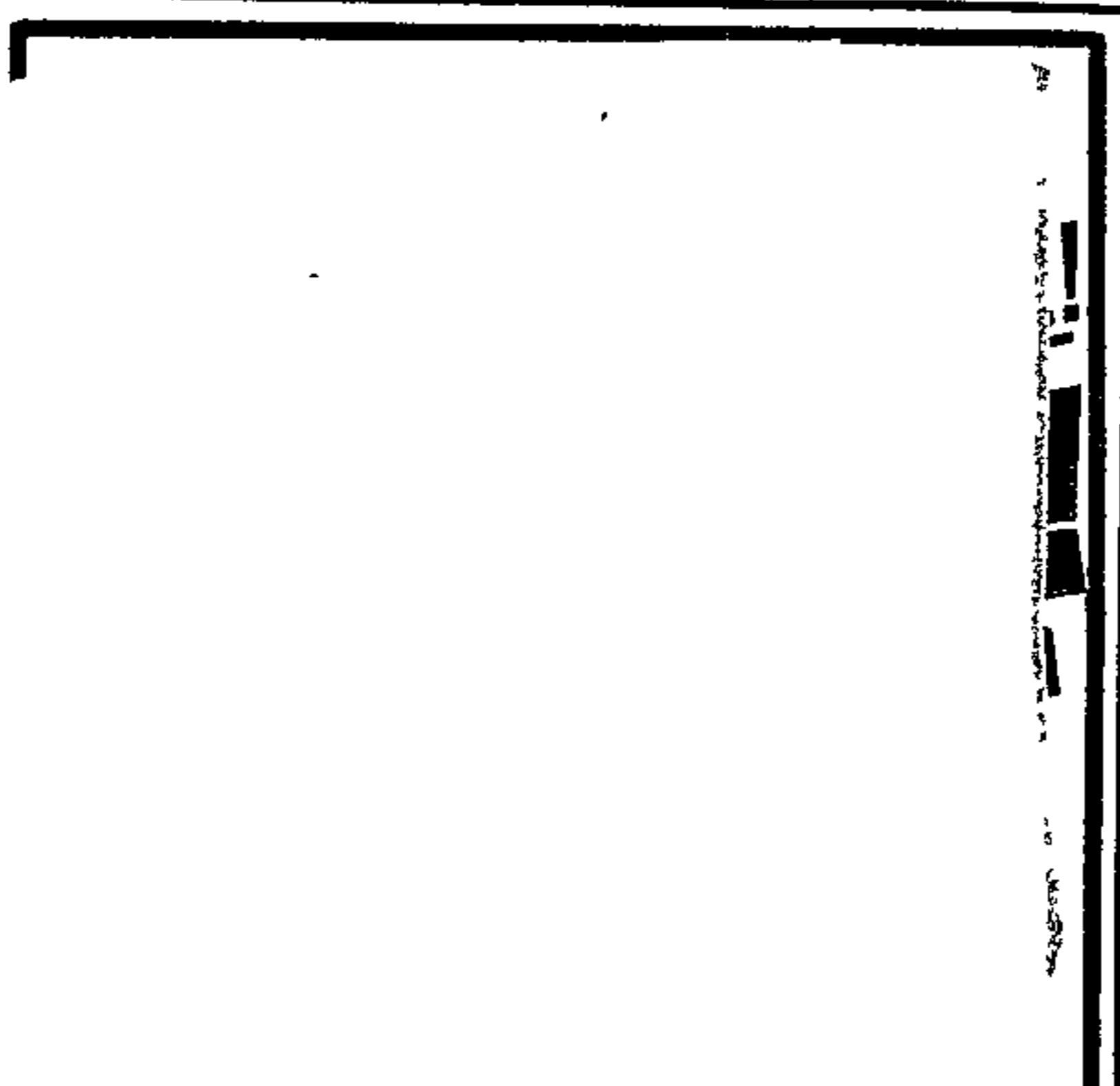
Mr Summers said the oil companies would resume their supplies to Pick 'n Pay from today when the new petrol price goes into operation at all service stations

Executive director for Pick 'n Pay Mr Alan Gardiner said he thought the government behaviour regarding discounting petrol was tough, unreasonable and disgusting

In the past Pick 'n Pay had had no reaction from the government when it sold old stocks of petrol at a discounted price before scheduled price cuts or rises

"There is no precedent for the government's harsh action," he said

Pick 'n Pay defied the government by dropping its petrol price by 8c/l and 10c/l four days before the specified date. At the Boksburg hypermarket where it usually discounts by 4c/l it dropped its price by 12c/l and 14c/l respectively





# Business Day

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## Desperate Nampo chief recalls Louis Luyt to Triomf



**DESPERATE** Nampo chairman Henrie de Jager recalled retired fertilizer magnate Louis Luyt to rescue the troubled fertilizer group, Triomf, which he had created.

Nampo is a 60% share-holder of Triomf and De Jager is its chairman. He asked Luyt to take the helm again as chief executive officer after

MD Kobus Becker resigned suddenly on Friday. The recall of Luyt and the accompanying management restructuring is seen as a positive sign for the distressed group.

Luyt will team up with a former colleague, Phillip Clarke, who has been appointed as MD. Two other senior staff members, group administration manager Pienar and import/export manager

Hannes Kotze also left the company. Nedbank, a preferential shareholder, hailed the changes. So did Nampo. "I don't think there is a finer marketing man (Luyt) in the country and in the light of the present market conditions, the changes can only be positive," said Nampo GM Piet Gouws. The task facing Luyt is a tough one because — by his own admission — the

company is beset with problems. However, he believes most of the problems are surmountable, including the repayment of the company's rising debt.

In December, the group transferred R5m of an estimated R200m debt owed to Nedbank into medium-term redeemable preference shares. Nedbank would not comment on the current debt position but said that all of

Triomf's commitments had been met. In the past nine months, exchange rates have pushed up the value of Triomf's short-term foreign loans from R60m to R180m and interest on this debt now totals R34m.

In addition fertilizer demand is down almost a third in the past 12 months and the industry is still shaky after a bitter price war which sliced almost R100m off market profits.

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CHERILYN HETTON

# Mawu to go to court over BTR dispute

By Mike Siluma

The Metal and Allied Workers' Union (Mawu) is to take its protracted dispute with BTR Sarmcol to the Industrial Court.

This follows the failure last week of a conciliation board to resolve the dispute, caused by the dismissal of almost 1 000 workers last April for striking in support of a demand for the recognition of Mawu.

The workers were fired by the company's factory in Howick, Natal.

A Mawu spokesman said the union would meet early this week to assess its local and international campaigns against BTR.

Actions taken by the union since the dismissals included calling on British unions to pressure the BTR and calling stayaways in the black townships around Howick and Maritzburg.

Several people have died in clashes between strikers and their replacements at Sarmcol.

Repeated attempts to resolve the dispute through negotiation have failed.

# 'Govt must tell public about fuel'

A PFP spokesman has urged the Government to explain to the public how the petrol industry in South Africa functions.

"People are confused and angry that a major chainstore cannot sell petrol at a discount.

"Although the Minister has adopted a reasonable attitude to informing the public on the distribution of petrol, I urge him to spell out how the petrol industry in South Africa functions," said Mr Brian Goodall, PFP spokesman on mineral and energy affairs.

"The PFP has made its attitude towards petrol distribution clear on many occasions. We believe that petrol prices should be determined by market forces and not by controls.

"I urge the Government to commit itself to a system whereby petrol prices will eventually be determined not by regulation, but by market forces.

"In the interim I would ask the Minister of Mineral and Energy Affairs to set both a minimum and a maximum price for petrol so that those who wish to sell cheaper petrol can."

# Cheaper fuel at the petrol pumps today

South African motorists took advantage today of cheaper petrol after the price dropped between 8c and 10c a litre at midnight.

Pick 'n Pay, which runs 12 garages country-wide, ran out of fuel at the weekend after oil companies followed Government orders and stopped supplying garages which had dropped prices before the official date.

A spokesman for Pick 'n Pay confirmed that fuel pumps ran dry, but said fresh supplies would be available today.

Another clash is likely between price-cutting Pick 'n Pay and the Government Sources in

the industry say the chain will be prevented from giving further price discounts on petrol, but Pick 'n Pay is likely to respond by giving customers discount coupons from today.

In terms of last week's announcement by the Minister of Mineral and Energy Affairs, Mr Dame Steyn, 93 octane (super) has been cut by 10c a litre and will cost 92c while 87 octane (regular) has dropped 8c a litre on the Witwatersrand, now costing 90c. At the coast, 98 octane has been reduced by 8c and 93 octane by 10c a litre.

Diesel prices have been reduced by between 4,3c and 8,3c a litre.



Petrol attendant "Caddy Master" stands next to a petrol pump which shows the cheaper petrol price — 92 c a litre for 93-octane petrol instead of the old price of 102 c a litre.

# Retailers drop prices after fuel price cut

Although suppliers have not dropped their prices as a result of today's reduction in the petrol price, some retailers say they have discounted a number of products.

A director of Pick'n Pay, Mr Richard Cohen, said that his store dropped prices last week on about 300 items when the fuel price decrease was announced.

"As we negotiate lower prices with our suppliers we will pass on these reductions," he said.

The managing director of Checkers, Mr Clive Weil, said special offers on fresh fruit and vegetables have resulted from their savings on the petrol price decrease.

"We have quantified our savings on these goods at somewhere between R250 000 and R300 000 as this is handled by our own distributors."

A spokesman for Spar said they would be reducing prices. "We are looking at reducing commodities we believe are critical and are trying to persuade suppliers to drop their list prices," he said.

# COALMINERS STILL OUT ON STRIKE

MORE than 960 black coal miners at Wolwekraans near Witbank were yesterday still on strike in protest against the actions of a hostel manager.

A spokesman for the company said they were holding discussions with the National Union of Mineworkers

The strike is in its fourth day

• MAWU is to take the management of a multinational company, BTR Sarmcol in Howick near Mantzberg, to the In-

## Labour briefs

4/3/86.  
Industrial Court following the sacking of more than 900 workers there last year **SOKJETAN**

• More than 1 000 members of the South African Chemical Workers Union at several plants of Plascon Paints and related companies, yesterday downed tools in support of dismissed workers at

Plascon Paints in Krugersdorp and Polycel in Alrode

The union's general secretary, Mr Michael Tsoetsi, said they called on the company to reinstate the workers to avoid a national strike. The new strikes are at plants in Johannesburg, Alberton, Cape Town, Alrode and Isando

• The strike by more than 850 members of the Metal and Allied Workers Union (Mawu) at Asea Cables in Pretoria, yesterday entered its

fourth week. Management has complained that workers who intended to go back to work have been intimidated by certain elements. They hope to open negotiations with the union soon

• Nampak Tissue (Transvaal) is holding discussions with the South African Allied Workers Union (Saawu) concerning the dismissal of about 160 striking workers at the Pretoria West plant

CAT TRIPS 4/3/86

# New plan to beat fuel price

Own Correspondent

JOHANNESBURG — Pick 'n Pay is expected to announce today plans to offer discount food coupons at its 12 filling stations countrywide, a move which could cause the retail giant to run headlong into another dispute with government and major oil companies

Oil industry sources said that the rationale behind the move was that Pick 'n Pay would be passing on to the consumer savings made on its petrol sales

Pick 'n Pay would therefore be able to argue that consumer savings were in line with government's call for food price reductions following the petrol price decrease

However Pick 'n Pay chairman Raymond Ackerman would neither confirm nor deny the plan yesterday. He said a major statement could be expected today

## Price cuts

Pick 'n Pay and its major retail competitors, OK Bazaars and Checkers, have announced price cuts on various items following the petrol price decrease

If Pick 'n Pay do go ahead with this scheme, it could herald another clash between itself and government, and possibly the oil companies

Three oil companies last week cut off supplies to Pick 'n Pay filling stations after they had reduced the price of petrol three days ahead of schedule

Mr Gardiner called for an objective inquiry into the selling of oil products and questioned the fact that companies,

including Pick 'n Pay, which owned car and truck fleets, were able to get discounts from suppliers, while the man in the street could not buy discounted petrol

Dr Louw Alberts, Director-General of the Department of Mineral and Energy Affairs, said the relationship between the wholesaler and the retailer did not affect the man in the street, provided the retail price was fixed

## Soared

He believed the discount obtained by bulk buyers from suppliers was only about two-thirds of a cent per litre

In Cape Town yesterday petrol sales soared after prices dropped by 10c/l for 93-octane petrol and 8c/l for 98-octane at one minute past midnight yesterday morning

Mr George Beckman, national chairman of the South African Motor Traders' Association and Cape Town service station owner, said his sales yesterday were 30 to 40 percent higher than usual on a Monday

A Rondebosch service station owner said "customers were saying that petrol was sold out all over the place"

● The Boland Poultry Producers Association yesterday announced they would recommend a 4 cents per dozen drop in the egg price with immediate effect because of "a drop in production costs mainly as a result of the improved exchange rate and lower price of petrol"

The association hoped the lead would be taken up by other suppliers to the industry

# Retailers push suppliers to pass on petrol savings

The battle to reduce consumer prices is intensifying as retailers continue to exert pressure on suppliers to pass on the savings of cheaper petrol and an improved rand-dollar exchange rate.

Supermarket chiefs today dismissed suggestions that their campaigns were aimed at generating publicity and not passing on benefits to consumers.

Checkers managing director, Mr Clive Weil said while it was true all retail chains were in business to make money, they were helping to create a competitive climate.

He said his group was applying strong pressure on manufacturers to drop prices and would consider naming suppliers who would not co-operate within the next 10 days.

Pick 'n Pay chairman, Mr Raymond Ackerman also hit back at critics who accused the supermarket group of introducing its petrol discount coupon scheme merely for publicity.

"The Government urged us to drop prices. When we respond, the SABC sarcastically claims that supermarket chains are not being genuine," he said.

Pick 'n Pay today announced the introduction of a coupon system at its service stations giving the motorist a 4c voucher on every litre of petrol sold.

The voucher can be redeemed on any product, apart from petrol, sold by the supermarket chain.

"Unfortunately this coupon cannot be redeemed on petrol, as that would be considered discounting petrol, but it can be redeemed on any other item purchased in any of our stores," said Mr Alan Gardiner, director of the company.

"We have to sell petrol at the price stipulated by the petrol companies. We are taking the extra profits we do not want and passing them back on food prices."

He said the move was "totally legal."

**Court**  
rules that  
41386  
strikers  
can't burn  
down plant

An urgent application to prevent striking workers at the Alberton Terranova paint manufacturing plant — owned by Plascon Evans (Transvaal) — from burning down the premises, was yesterday granted in the Rand Supreme Court.

The strikers are demanding the reinstatement of workers dismissed after disciplinary action, and after subsequent solidarity strikes at plants in Krugersdorp and Alrode.

Plascon Evans submitted the application late yesterday, fearing strikers would set fire to the premises, where highly inflammable chemicals are stored.

**QUOTED**

The replacement value of the plant — considered to be the most modern in the Southern Hemisphere and South Africa's largest — was quoted as more than R25 million.

The court ruling also ordered that:

- Workers leave the premises unless they are there to return to work as normal.

**PREVENT**

- Nobody may prevent employees from going to work.
- Nobody may intimidate or unlawfully threaten the safety or property of any employees.
- Nobody may create disturbances or interfere with the conduct of Plascon Evans business at the Alberton premises.

Plascon Evans' production director Mr. John Foyt said in an affidavit the illegal strike started at 7.20 am yesterday. It was in sympathy with workers who were dismissed from Plascon Evans' plants in Krugersdorp and Alrode after disciplinary action.

He said: "Vehicles were being stoned and people were being attacked as well as physically prevented from leaving and entering the premises."

"The workers had cited police involvement in the affair as the immediate reason to set the premises alight."

# Plascon gets order against strikers

4/3/86 BUS DAY  
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PLASCON EVANS (Tvl) of Alberton obtained an urgent restraining interdict in the Rand Supreme Court yesterday with the object of preventing strikers from setting fire to its R25m paint factory

They were also ordered by Mr Justice L L Esselen to leave the premises if not working and ordered not to intimidate or threaten fellow workers into joining the strike.

Informers allegedly told production director John Foyt the strikers — estimated to number about 120 — would burn down the factory last night if the police became involved in the strike.

"It is Plascon Evans' and my view that in the present circumstances the police are inevitably going to have to intervene shortly because of the danger to life and

LINDA ENSOR and  
CLAIRE PICKARD-CAMBRIDGE

the imminent threat of damage to property," Foyt said in court papers

Explosive chemicals were stored at the plant and Foyt believed the mood of the strikers warranted the belief that they might set the factory alight.

Workers at the plant went on a sympathy strike yesterday morning

Foyt said workers had been intimidated and people and vehicles entering and leaving the plant attacked and stoned

Sacwu yesterday said hundreds of workers at six factories downed tools in sympathy with more than 400 workers at Plascon in Leipaardsvlei, Krugersdorp, and Polycell, in Alberton, who were fired

last week after striking over the dismissal of two colleagues

The union said the six affected factories were Plascon Evans in Alberton, Doornfontein and Cape Town, Inmont SA in Johannesburg and Cape Town and National Importers and Packers in Wadville, Germiston

Personnel Director of the Plascon Group Gil Perez said most Plascon workers in Doornfontein were already back at work yesterday.

He confirmed sympathy strikes at Plascon in Alberton, Inmont SA factories in Cape Town and Johannesburg and at National Importers and Packers

He said workers at Lupaardsvlei and Polycell, Alberton, had been dismissed last week after illegal strike action



# Epping workers on strike

4/3/66  
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MORE THAN 200 workers at two Epping paint and ink factories have downed tools in support of more than 400 Plascon workers in the Transvaal who were fired last week after striking over the dismissal of two colleagues

About 150 workers at Plascon in Epping downed tools on Thursday in support of colleagues in Johannesburg and yesterday 63 workers at the Inmont printing factory in Epping joined in

The SA Chemical Workers' Union (Sacwu) said the industrial actions were in sympathy with more than 400 workers at Plascon in Luipaardsvlei, Krugersdorp, and Polycell in Alberton, who were fired last week

# New petrol-coupon scheme in trouble

By RENEE MOODIE

PICK 'N PAY yesterday announced a move to give a 4-cent coupon, redeemable on other purchases at their stores, for every litre of petrol bought at their service stations

But the move seemed set to be blocked by the government.

Mr Theuns Burger, deputy director of the Department of Mineral and Energy Affairs, said yesterday afternoon the new system was considered a petrol discount and fell under a ban on petrol sales to outlets not selling at the official price

## 'Savings'

Pick 'n Pay announced yesterday that customers at their 12 service stations across the country would receive a 4-cent coupon for every litre of petrol bought, and they could redeem these coupons at any Pick 'n Pay store on any item except petrol

Savings could amount to R2,50 to R5 a tank of petrol

Mr Burger said the government directive issued on Friday was still in force and it was now up to the oil companies to decide on any action

The directive signed by Mr Danie Steyn, Minister of Mineral and Energy Affairs, said that in terms of the powers vested in him by the Petroleum Products Act he prohibited the supply of petrol to any outlet at which petrol was offered for sale or supplied to customers

● "at any price other than the price

agreed upon, in respect of the area concerned, between the department, the wholesale petrol suppliers and the organized petrol outlets industry, and

● "under an arrangement in terms of which any refund or any other consideration of whatsoever nature is made or offered to consumers in respect of such sale, or

● "other than against a monetary consideration."

The directive was read to Mr Raymond Ackerman, chairman and joint managing director of Pick 'n Pay, who said his company had launched the new system after "poring" over its agreements with the oil companies, and after carefully consulting the Trade Coupons Act

## 'Agreements'

"The coupon system does not break any of our agreements and is in line with the Trade Coupons Act," he said

"It seems to me that the minister is not only superseding carefully negotiated, long-standing commercial agreements, which fully comply with the Petroleum Act, but that he is also superseding the Trade Coupons Act, issued by another department, and which allows coupons or discounts to be given on one item for another item"

He said Pick 'n Pay was still receiving petrol from its suppliers and added that the chain would continue with the discount system for the time being

# Pick 'n Pay taking Minister to court today

By Jackie Unwin

Pick 'n Pay is bringing an urgent application against the Minister of Mineral and Energy Affairs, Mr. Danie Steyn, in the Cape Supreme Court this afternoon

This follows the Minister's instruction to oil companies not to supply petrol to anybody selling it below the agreed price, or offering refunds or other considerations

Pick 'n Pay started a coupon system this week giving a 4c voucher, redeemable at company stores, for every litre of petrol bought. Its supplies were cut off on Wednesday

In reply to a request to the Minister to clarify the government ban on fuel, the company received a letter yesterday confirming his decision to impose restrictions, and saying he was operating within his powers.

## CONTENDS

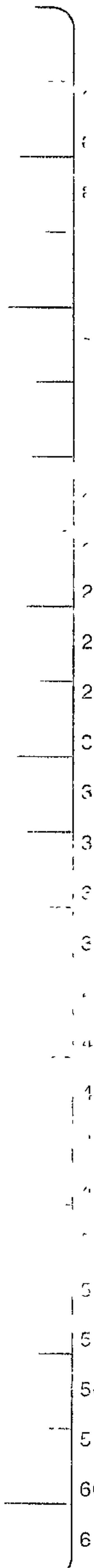
The supermarket chain contends the coupon system complies with the Trade Practices Act and the Minister issued his directive to oil companies under the Petroleum Act. The company feels the instruction was an abuse of power under the Petroleum Act

Pick 'n Pay director Mr Alan Gardiner said "It is amazing how much discounting is going on among other petrol stations. Coupons are being issued, there are free give-aways and car washes. Even an oil company is dishing out coupons at its garages."

"We feel this is a campaign against Pick 'n Pay."

He said some of his outlets were running out of petrol. Pick 'n Pay's turnover on petrol alone is in excess of R300 000 a day.

If judgment was given in the supermarket chain's favour, Mr Gardiner said he thought petrol companies would "move heaven and earth" to supply as soon as possible. "They want to sell petrol. They are caught in the crossfire," he said.



**Petrol:** <sup>Oil - Trans</sup> 6/3/86

**Interdict  
next step?**

PETROL supplies to rebel discounters Pick 'n Pay were stopped yesterday for the second time in a week — and the company says it will seek an urgent interdict to counter this if the government does not respond favourably to a letter it has sent to the Minister of Mineral and Energy Affairs, Mr Danie Steyn

The retail chain's two major suppliers, Shell SA and Trek Petroleum, as well as BP SA, which supplies petrol to only one station, all confirmed yesterday that deliveries to Pick 'n Pay's 12 service stations had been halted in compliance with last week's government directive ordering suppliers not to deliver fuel to outlets that discounted petrol

The notice was issued by Mr Steyn when Pick 'n Pay began selling petrol at a discount price several days before Monday's official price drop

Petrol supplies were cut off on Friday and resumed on Monday when Pick 'n Pay again sold petrol at the discounted price

Joint MD Mr Hugh Herman delivered the letter to Mr Steyn yesterday afternoon

Mr Herman said the directive had been issued three days before Pick 'n Pay introduced the discount coupon system, and therefore could not apply to the coupon system

#### **Company 'not discounting petrol'**

He added that Pick 'n Pay was not discounting petrol. It was sold at the normal price, but Pick 'n Pay gave a 4c discount coupon for every litre sold. This was exchangeable at its supermarkets

Pick 'n Pay believed Mr Steyn had acted beyond his powers with regard to the coupon scheme. The Petroleum Products Act dealt with the supply and procurement of fuel, while the issue of discount coupons fell under the Trade Practices Act

He said these matters had been pointed out to Mr Steyn in the letter

Mr Herman said he hoped Mr Steyn would reply by today. If the response was negative Pick 'n Pay would seek an urgent court interdict compelling the oil companies to recommence deliveries.

Mr Theunis Burger, deputy director of the Department of Mineral and Energy Affairs (DMEA), said it had issued the directive because it felt it had no alternative.

He said Pick 'n Pay's argument that the DMEA was encroaching on commercial agreements was a matter of opinion — Staff Reporter, Sapa and Own Correspondent

## Discounting

In terms of the scheme introduced to coincide with fuel price cuts this week, Pick'n Pay is offering a 4c coupon for every litre of petrol bought, redeemable on any merchandise except fuel

The department views this as a form of petrol discounting

Mr Gardiner claimed that the Government was waging a vendetta against his group because many petrol stations "are giving away everything from half-sheep to free car washes and free service to their customers"

He also charged that petrol companies themselves were engaged in "backroom prac-

(Turn to Page 3, col 1)

Mr John Malcomess, the Progressive Federal Party's spokesman on energy, today challenged the Government's propping-up of the petrol price by preventing Pick'n Pay from discounting petrol

He also demanded that the price of petrol be reduced because of the increase in the value of the rand and the continued softening of international oil prices

Pick'n Pay today claimed that it was being victimised by the Government over its petrol coupon scheme as a head-on confrontation loomed between the company and the Minister of Mineral and Energy Affairs, Mr Dame Steyn

## Deadline

The company has given Mr Steyn a deadline of midday today to reply to a letter protesting against a department directive to oil companies on Friday to stop supplying Pick'n Pay with petrol

If no reply was received the company would apply tomorrow for an urgent interdict against the Department of Mineral and Energy Affairs, the national manager, Mr Alan Gardiner, said

Mr Malcomess called on President P W Botha to intervene in the discounting controversy

"If he is in favour of deregulation and private enterprise he cannot sit back and allow the Government to force up prices, and still retain his credibility," he said

## "So quiet"

"Why also are organisations such as Assocom, the Afrikaanse Handelsinstituut and the Chamber of Industries so quiet?"

He also asked why the Automobile Association had supported the amending legislation that had given the Government the power to force the petrol companies to stop supplying the supermarket chain

A spokesman for the Department of Mineral and Energy Affairs confirmed that the department had served notice on the petrol companies to stop supplying fuel and it was now up to the supermarket company to follow whatever course it wanted

He confirmed that the current price was set on an exchange rate of 47 US cents to the rand and not to the current exchange rate of more than 50 cents

THE growing controversy over discount petrol widened today with the Government's commitment to free enterprise being challenged.

Queries were raised about why organised commerce and industry remained silent while the Government intervened directly to keep fuel prices high

# Discount petrol Price row grows

ARGUS 6/3/86

83 85

## Discount fuel row growing

Continued from Page 1

"tices" involving discounts to customers

"Why single out Pick'n Pay which gives food coupons?"

"If the Minister has the power under his directive issued on Friday, why is the Government victimising only Pick'n Pay?"

The joint managing director of Pick'n Pay, Mr Hugh Herman, said that his company was not looking for confrontation with the Minister, but believed it was a relevant matter and would therefore not back down

"We are willing to sit and negotiate with him

"We have taken advice from our lawyers and senior counsel and my company is not in contravention of the Petroleum Act or the Trade Practices Act"

Opening the annual meeting of the Queenstown Chamber of Commerce last night Mr Raymond Ackerman, the managing director of Pick'n Pay, said the argument that strategic considerations justified Government control of fuel prices did not apply in the present situation of a world oil glut and falling prices

"There may have been reason to protect oil 10 years ago but there is no longer a strategic interest," Mr Ackerman said — Political Staff and Sapa

Mr Ackerman



CAL TMA 6/3/86

# New chemical in SA's locust war

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**Environment Reporter**  
A NEW locust-killing chemical with a high success rate and low toxicity for humans and animals is being tested for immediate use in the war against the insects

The chemical — pro-troides — will replace those currently being used in the 38 magisterial districts being plagued by swarms of locusts, currently concentrated in the region of Kuruman, Barkly West and Vryburg

Mr Pikkie Baard, chief director of regulatory services for the Department of Agricultural Economics, said yesterday that he was aware of reports that his anti-locust campaign was using the controversial dieldrin and DDT, but denied this

The chemicals being used were:

● Diazinon, an organophosphate compound This is being used in two forms, as a water emulsion known as EC30 and

as an ultra-low volume spray (ULV) which was oil-based

● Fenitrothion, an organophosphate for use with the ULV.

● Lindane, which has been banned from use as a livestock remedy

● The controversial hexachloride benzene (or BHC) which is related to lindane and which has been banned and off the market for some time Permission to use it against the plague of locusts was obtained

"All these chemicals are dangerous to warm-blooded animals because they are able to accumulate in the tissue," Mr Baard said "We are aware of this but I must point out that toxicity for mammals is based on oral and tissue intake and crop-sprayers cannot acquire enough to be deadly.

"We also do not use lindane and BHC on crops or irrigation areas"

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# Petrol dispute goes to court

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**THE petrol discount/coupon controversy will be taken to the Supreme Court today as Pick 'n Pay seeks an urgent interdict to set aside a government notice which prevents oil companies from supplying petrol to outlets selling petrol at a discount.**

Pick 'n Pay decided to take this step after receiving an unfavourable reply from the Minister of Mineral and Energy Affairs, Mr Danie Steyn, to a letter to him in which they protested against the notice

The Pick 'n Pay letter, delivered to the minister on Wednesday by joint MD Mr Hugh Herman, questioned several aspects of the notice

Mr Steyn had replied saying the notice was still in force and was aimed at preventing the direct or indirect discounting of petrol

### MP pleased

A spokesman for the Department of Mineral and Energy Affairs (DMEA) confirmed that a reply had been sent to Pick 'n Pay but would not comment on the content of the letter

Reacting on the issue yesterday the PFP's spokesman on energy, Mr John Malcomess, said he was "pleased" that Pick 'n Pay had decided to take the government to court in the light of its intransigence in the petrol discounting controversy

He repeated his challenge to President P W Botha to take a personal hand in the mushrooming controversy, particularly in view of "the President's stated commitment to deregulation and free enterprise"

However, Mr Botha yesterday refused to be drawn into the row, saying the issue should be dealt with by Mr Steyn and the oil companies.

Mr Malcomess also questioned the "deafening silence" of commerce, industry and other political parties in Parliament in the face of direct government intervention to artificially prop up fuel prices

He challenged Assocom, the Afrikaans Handelsinstituut, the Chambers of Industries, the Automobile Association, the Labour Party and the National People's Party to demonstrate their support for "the man in the street" and publicly object to the government's stand.

The government notice was issued on Friday last week after Pick 'n Pay began selling petrol at a discount price several days before Monday's official price drop

Petrol supplies were resumed on Monday, but cut off again on Wednesday when a discount coupon system announced by Pick 'n Pay was held by the DMEA to be a form of discounting petrol.

Mr Herman yesterday said "Direct or indirect discounting of petrol is precisely what we are not doing. We are offering coupons, redeemable on other purchases, for litres of petrol purchased. We are still selling petrol at the prescribed price"

He said the interdict was being sought on the basis that the directive was issued on Friday last week, while the coupon scheme was only announced on Tuesday and on the basis that Mr Steyn was acting beyond his powers.

Petrol supplies from Shell SA, Trek Petroleum and BP SA, were still cut off yesterday

The managing director of Total South Africa, Mr Bernard Lafitte, said in a press statement yesterday that "allegations that the oil companies in South Africa were being protected by the government to the detriment of the consumer, were untrue.

### Fixed margin

The oil industry enjoyed a fixed margin, which was less than that of the oil pipeline costs, the levy for the National Road Fund and the amount being collected for GST

Mr Lafitte said that about one-third of the cost of petrol went towards taxes and levies which were unrelated to the actual cost of fuel.

He said the oil industry was only allowed to make a certain profit on its assets before taxation and if the industry did not make the allowed profit there was no mechanism to make up the difference — Staff Reporter, Political Staff and Own Correspondent

FINAL 7/3/86

## Triomf fights back

The flurry of activity at fertiliser giant Triomf last week, with founder Louis Luyt recalled to duty as chairman and Phillip Clarke's appointment as MD, underlines the grave problems facing the fertiliser industry

A fierce price war followed by falling demand and inevitable over-capacity has taken a heavy toll of industry resources

Luyt wasted no time getting down to his new job — he is already out of the country selling fertiliser. But Clarke, fresh from his chairmanship of Russells, is optimistic about Triomf's prospects

"Export possibilities are looking up and the outlook for local sales this year is marginally better after the improved rainfall. As we operate a volume-related industry, better plant utilisation will lead to better results," Clarke tells the *FM*.

He discounts suggestions that the sudden executive restructuring signals panic stations over the group's local and offshore debts of some R320m. The sale of plant — the group owns a phosphoric acid export plant at Richards Bay and a fertiliser production plant at Potchefstroom — is not being considered "at this stage"

Clarke says he has "the utmost confidence" in creditor bank Nedbank, to whom Triomf owes an estimated R200m. The stronger rand caused "a maximum 10%-12% deterioration" in the rand exposure of the group's five-year \$59m foreign loan over the past nine months, but this has now recovered. "This is no big problem," Clarke adds

A Nedbank spokesman says Triomf's inherent profitability remains intact, although the group suffers from "factors beyond its control," including the drought, the rand-dollar exchange rate and a reduced local market. "Farmers have cut fertiliser purchases, but they will return to the market once conditions return to normal," he says.

And with a strong resurgence in export utilisation at the Richards Bay plant, "there are no panic stations here at Nedbank," says the spokesman

Triomf's local sales historically contribute 60%-65% of total turnover, with exports making up the balance. "After a drastic fall,

exports are now back to some 60%-70% of plant capacity," says Clarke, who is also going overseas soon to seek export contracts

Although Triomf is now using between 60% and 65% of total manufacturing capacity, Clarke admits to a serious problems as far as local and export sales volumes and the rand's exchange rate are concerned

But the Nampo link — the maize producer body now owns about 50% of stock in the Triomf controlling company — should play an important role in improving local sales, says Clarke.

"Both Nampo and Triomf are committed to reducing farmers' fertiliser costs. Nitrogen imports and greater production efficiency would help achieve this

"Aggressive marketing also has a role," he says, adding that Triomf is now talking to government about importing raw-material feedstock



# Chemical Services defies adverse economic factors

After gloomy 1985, it was gratifying to read the annual report of Chemical Services, a group that has steadfastly progressed

The group managed to defy adverse economic factors, with annual turnover increasing to R120,6 million (R90,6 million) while net income before tax rose to R11,1 million (R8,67 million). Net income attributable to shareholders increased by an impressive 30 percent to R6,25 million (R5,01 million) giving earnings a share of 115c compared to 88,6c in 1984. With borrowings going-up

for good reasons the board has opted for a safety-first policy, paying an unchanged annual dividend of 50c

While sales of manufactured goods expressed in volume terms remained unchanged, sales of merchandise rose substantially. The fall of the rand resulted in the cost of raw materials and imported merchandise increasing. Happily the operating costs were kept in check.

The improved ratio of stocks and debtors to sales can be ascribed to the successful management of working capital. Apart from the subsidiary linked to the automotive industry, all major subsidiaries and associated companies returned improved profits in 1985.

Acquisitions, capex and the inevitable rise in working capital saw total borrowings up from R17,12 million to R20,89 million. Total borrowings as a percentage of shareholders' equity increased to 65 percent and was the main reason for pegging an annual dividend at 50c (the same since 1981) until its debt to equity ratio goes down.

Chairman Mr A B Nieuwoudt says "Several positive factors have recently emerged." In 1986 he believes that earnings and dividends should improve.

## Financial objectives

While the review of the group's activities reflected more positive aspects than negatives in each of the 16 subsidiaries it was the detailed personnel report which caught my eye.

The level of effort and employee morale was demonstrated by the real growth in value added per employee, with 1985 the highest recorded in the last eight years.

Redundancies in 1985 were limited to the loss of only 21 jobs as a result of regional and functional rationalisation. Staff turnover declined while total employment costs increased from R17,2 million to R19,6 million, representing a mere 13,8 percent increase which was way below the inflation rate.

The group has three strong financial objectives:

- To maintain a debt to equity ratio in the

Michael Menof on the company beat

range of 40 to 80 percent. In 1985 the ratio was 65 percent (52 percent).

- To obtain a minimum return of 30 percent per annum on average net assets before interest and tax. The group just failed with a 28 percent return for 1985, but was still well up on 1984's 22 percent.

- To maintain dividends in real terms, with a dividend cover of two times determined on the historical cost accounting basis, and to increase dividends in proportion to increase in earnings a share.

Shareholders can hardly complain of the 50c dividend which is 2,3 times covered, and although pegged it's still in their best interests due to the higher borrowings.

## Accounting policy

The net asset value per share has remained unchanged at R5,62 between 1984 and 1985. This alone is due to the board amending the accounting policy for the writing off of the cost of control on the consolidation of subsidiaries at year-end.

Previously the amount was amortised over eight years but, since it is not an independently realisable asset, the new policy is to immediately write off such amounts against reserves on acquisition. At December 1985 a whopping R6,0 million was written off against reserves — hence the "no change" situation.

The 1985 balance sheet is impressive, with shareholders' equity R31,8 million and capital employed R43,9 million. Working capital ratios have declined compared with 1984 but are nevertheless adequate.

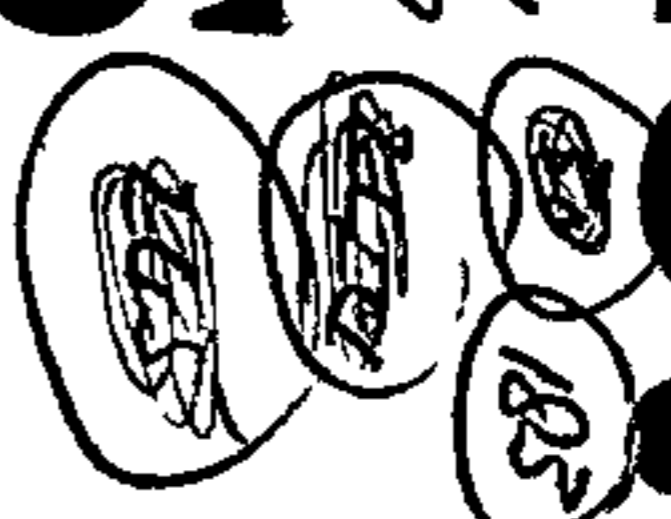
The income statement was excellent despite finance charges rising 50 percent from R2 million to R2,91 million.

At the annual meeting on March 26 shareholders will be asked to increase the authorised share capital from the R6 million almost fully issued at present to R12 million. This augurs well for the future as new acquisitions can be partly financed by allocating shares.

In my opinion the group does not need any rights issue as borrowings are not a problem. In fact, borrowings have not been fully utilised.

# Petrol battle: Court rules

*CHE 7/15/55  
8/5/56*



**By PETER DENNEHY  
Supreme Court Reporter**

**PICK 'N PAY Retailers (Pty) Ltd have been forced to drop their coupon scheme of selling petrol at an effective discount until the Supreme Court decides on the legality of the matter.**

Mr Justice L. Rose-Innes said he was not disposed to make an interim order which clashed with the minister's regulation, which "might be valid."

aside because the minister had acted beyond his powers, or had been too vague, or had abused his powers, according to Mr Herman's affidavit.

Earlier Mr P Hodes, for the State, had asked the court to turn down Pick 'n Pay's application on the grounds that all parties with a substantial interest in the matter, particularly its three petrol suppliers, Shell, BP and Trek, were not involved in the proceedings.

### 'Subordinate'

However, Mr Justice Rose-Innes ruled that the minister's directive in question was subordinate legislation and it could not be expected that all affected parties need be involved in the litigation.

The matter was postponed until March 17.

Mr Justice L. Rose-Innes presided. Mr S. Aaron SC, with Mr L. Weinkove and instructed by Sonnenberg, Hoffmann and Galombik, appeared for Pick 'n Pay. Mr P. Hodes SC, with Mr D. van Reenen and instructed by the State Attorney's office, appeared for the minister.



Mr Raymond Ackerman, chairman of Pick 'n Pay, leaves court yesterday.

Petrol supplies to the company's 12 outlets had been cut off and some outlets expected to run out yesterday. Mr Hugh Herman, a director of Pick 'n Pay Retailers, said in an affidavit before the Supreme Court yesterday.

Mr Sam Aaron SC, who appeared for Pick 'n Pay, requested permission to sell under the scheme while the court hearing was postponed for the Minister of Mineral and Energy Affairs to draw up an answering affidavit.

"Nobody would be harmed People benefit, they don't suffer," Mr Aaron said.

Mr Herman said in his affidavit that the minister, Mr Dame Steyn, had sent a letter to petrol wholesalers last Friday prohibiting them from supplying outlets which sold petrol for less than the formally agreed price, even if "under an arrangement."

Pick 'n Pay's suppliers had stopped supplying petrol to the company yesterday. Pick 'n Pay took the minister to court, seeking an urgent order setting aside his notice, of declaring that it did not prevent companies from supplying Pick 'n Pay.

The notice should be set-

Mr Herman also said the letter should not affect the supply of petrol to Pick 'n Pay as the company had not made any "arrangement" with its customers, but adopted a scheme available to all members of the public.

The Director of Energy Supply, Mr Lourens van den Berg, said in an affidavit that he believed Pick 'n Pay was making a profit of 6,25c a litre without the coupon scheme.

If the company dropped the scheme while the minister was given time to respond in court, its petrol supply would be resumed and it could continue to profit, he said.

# New date set for court clash on petrol discounting

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THE clash between Pick 'n Pay and government over the discounting of petrol is to come to a head in the Cape Town Supreme Court on Monday next week.

The court action was postponed on Friday to allow Minister of Mineral and Energy Affairs Dame Steyn to file an answering affidavit.

Until the issue is legally resolved, Pick 'n Pay has stopped its indirect discounting scheme through coupons handed out to motorists buying petrol.

In turn, the oil companies have

## CHRIS CAIRNCROSS

again started supplying Pick 'n Pay.

At Friday's hearing before Mr Justice I Rose-Innes, the Supreme Court was asked to rule that Steyn had abused his powers by prohibiting oil companies from supplying any outlet which offered any form of discount, direct or indirect, to its customers.

In an affidavit, Pick 'n Pay joint managing director Hugh Herman asked for the notice to be set aside, maintaining Steyn had gone beyond the powers conferred on him in terms

## of the Petroleum Act

Herman noted that the practice of giving away small gifts, or selling small articles at a reduced price to customers at service stations, has always been recognised as accepted trade practice.

In a replying affidavit asking for a postponement of the hearing, Director of Energy Supplies Lourens van den Berg estimated that Pick 'n Pay was already making a gross profit of 6,25c per litre of petrol without resorting to any coupon system.

During the hearing it was made

clear the action had wider implications than merely the impact on Pick 'n Pay and the three oil companies with which the retailer had contracts.

Mr Justice Rose-Innes ruled that it was clear that Steyn, when issuing his directive, was promulgating subordinate legislation that applied to the wholesaling and retailing of petrol generally.

The court's ruling next Monday is, consequently, going to have a major bearing on future petrol-pricing practices and policy.

Fund to finance synthetic fuel plans

# Demands on CEF to peak at about R6bn

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183



● STEYN

IF ALL the synthetic fuel projects in the pipeline — including Mossel Bay and the AECI coal scheme — get the go-ahead, capital demands on the Central Energy Fund (CEF) will peak at about R6,1bn by 1991.

This was revealed by Mineral and Energy Affairs Minister Dame Steyn in a written reply to a question tabled in Parliament.

Steyn said the current running balance in the CEF was R1,99bn, invested with approved institutions. To this could be added the amounts still outstanding on capital put up by the State for funding Sasol 2 and 3.

Sasol 2's current commitment was R1,09bn plus interest, while the projected value of Sasol 3's commitment was estimated to be about R2,3bn.

There was no schedule for the repayment of these outstanding

CHRIS CAIRNCROSS

amounts, but it was expected that a substantial portion would be forthcoming over the next four years.

Since the privatisation of Sasol 2, a partial capital repayment of R1,19bn plus interest had thus far been made to the CEF. From this, however, R453,8m was paid back to the State Income Fund to cover parliamentary grants for Sasol 2 and 3.

About R180,8m was also used to purchase shares in Sasol 3, and R18m was given to Escom to cover "extension fees" carrying over some debt owed by the farming community to the power utility.

Another primary source of funding to the CEF came from the 4c/l levy on fuel. Of this amount 0,055c/l was hived off to finance oil pollution control, and a further 0,22c/l was used to finance stockpiling activities.

This left 3,725c/l which was now allocated specifically to finance and, in part at least, to future synthetic fuel projects — considered a first priority in looking after the interests of the SA motorist, said Steyn.

Income from this portion of the levy amounted to about R216,8m between April 1, 1985, and the end of January this year.

Using that as a gauge, the CEF can probably expect to accumulate an extra R900m from the levy between now and 1991. With whatever interest may be accruing, this suggests the accumulated balance in the CEF could rise to R5bn in four years time — assuming no deductions are made between now and then.

This is most unlikely, as large capital amounts are almost certainly going to be drawn off in large tranches to finance the building of the Mossel Bay project.

79 000 sign petrol petition

CAPE TIMES 11/3/36 183

Staff Reporter

A PETITION bearing more than 79 000 signatures of people concerned about the high price of fuel was presented to the government yesterday

A pensioner and a housewife from Johannesburg — with no help from any organization — raised the signatures over two months since January 7

Mr Jack Huber said

yesterday "When the price of petrol went up in January, I felt I had to do something So Mrs Jill Perkiss and I — simply as two concerned citizens — went on a drive to get public support

"The result has been this incredible mass of signatures, which I have presented to the Minister of Transport Affairs, Mr Hendrik Schoeman"

Yesterday morning Mr Huber had a meeting

with Mr Schoeman, "who was astounded by our support and promised to take the matter to his colleagues"

The petition reads "We, the undersigned, object in the strongest terms possible to continual increases in the fuel price The government should help to combat inflation by using the massive profits of the oil pipeline to reduce the cost of petrol"

Mr Huber said the petition had first been published in a Johannesburg newspaper, "and then got splash treatment in all the major Transvaal papers

"And although the price of fuel went down recently, our objections still hold good

"We were inundated by calls for petition forms from as far afield as Somerset West One man alone brought in

more than 1 100 signatures

"I think it high time the government understood the plight of the man in the street I made it clear to Mr Schoeman that this has been purely an effort of the people, and cannot be ignored"

Mr Huber said that Mr Schoeman had said he would make a public statement on the matter once it had been fully discussed

## Plascon workers reject pay offer

Labour Reporter

WORKERS have rejected Plascon management's latest pay offer and the lock-out affecting 90 employees is expected to continue

Miss Patricia de Lille, branch secretary of the South African Chemical Workers Union, said both sides had come closer but were still a long way from agreement

The management's offer of a R52-a-month increase, R2-a-month transport allowance and R15-a-month attendance bonus was not acceptable

The union had reduced its demanded increase from R150 a month to R100, she said "Our members will not accept anything less"

"We cannot accept the attendance bonus because workers have to be at work every day to get it. Even if they miss work because of illness they lose it, which doubly penalises workers who become sick"

The management said the lock-out would remain in effect until the wage dispute was settled

# Drug group fires 60 in packaging row

12/3/86 STAR By Sheryl Raine 183

The Noristan group of drug companies in Pretoria fired about 60 workers yesterday following alleged irregularities in the company's packaging section and the workers' refusal to sign a declaration drawn up by group

According to Noristan's technical director, Dr Fritz Snyckers, the company had been forced to take this action to prevent affected pharmaceutical products from reaching the public. Operations in the packaging facility ceased on Friday afternoon, he said

In the past four weeks the company detected five incidents of irregularities in its packaging section. "The company is in dispute with the South African Chemical Workers' Union over wages and I believe the irregularities on the packaging line are related to this," said group human resources manager, Mr Warrick Buirski

He said the company had asked for an undertaking from packaging staff to comply fully with their conditions of employment and not to interfere with the packaging of products

Mr Mike Tsotetsi, the union's general secretary, said Noristan had been unable to satisfy the union with evidence of sabotage on its production lines. He denied workers in the packaging section were not fulfilling their tasks diligently and according to their conditions of employment

He said the workers had been effectively locked out of their workplace since Friday

3:04  
12/3/86  
**Adcock  
strikers  
evicted**

Linda Ensor

AN ORDER evicting 250 strikers from pharmaceutical manufacturer Adcock Ingram Laboratories, of Industria West, Johannesburg, was obtained with an urgent application to the Rand Supreme Court yesterday.

The restraining order also forbids workers from intimidating those entering the premises, from interfering with the conduct of Adcock's business and from threatening those who wished to continue working.

Delivery vehicles were allegedly prevented from entering the premises and one manager was allegedly threatened.

The legal strike by 250 of the 800 workers began on Monday and the workers allegedly threatened to kill or injure those who failed to join it.



launched in the toiletries division, and the fastest changing product lines — “the biggest headaches for retailers” — are among shampoos and deodorants

Still, McCarthy believes there is relatively little true innovation. He says most activity centres around improving a product or replacing a line with a revamp. Then the strategy is usually to rock the position of the number three and four brands, but rarely to attack a brand leader head-on.

That competition is becoming fiercer, particularly among the bigger companies, is illustrated by the market research findings of

A C Nielsen. Account director Judy Saunders notes that brand leaders, which held just short of 50% market share in 1970, moved down to 33% in 1979 and appear to have stabilised at around 35% now. She says that while number two brands are most affected by “own brands” or house brands, numbers three and four face a 50% chance of losing distribution because of competition from new brands.

Market share held by new brands has been falling constantly since the Seventies. But their greatest market penetration occurs in health and beauty aids, where they achieved

32,5% of the market in 1985. The food sector is the most competitive, and new brands achieved a market share of 28,3% in 1985.

Nielsen MD Patrick McHarry suggests that, while competition is fierce, some of the more prominent retailers and manufacturers “determine their own destiny through the creation of superior strategies.”

But, he adds “We have been overwhelmed by the intensity of the competition that pervades the industry. Now, more than ever, marketers need to carefully balance the complex array of competing forces which impinge on businesses.” ■

## FERTILISER MANUFACTURE

# Harder times ahead

It's no secret that the troubles at Triomf are symptomatic of fertiliser manufacturers' greater woes (*Business* March 7). Hit by three hard years of drought, massive agricultural debt and sharply falling demands for fertiliser, the industry is running at less than 50% of its 5,2 Mt a year production capacity.

The figures can be confusing in that fertiliser sales are measured by the plantfood value in nitrogen, phosphates and potassium (NPK), but the plantfood tonnages represent only some 27% of the total physical tonnage sold by fertiliser producers.

Last year national NPK sales fell by 3,3% to 653 064 t from the 1984 figure of 675 268 t.

“Although the latest sales are higher than the 1983 NPK sales of 610 943 t, they were still far below levels of 1982 and 1981 with sales of 796 941 t and 881 888 t respectively,” says a spokesman for the Fertiliser Society of SA (FSSA).

In the central Transvaal and Free State regions, which have traditionally been the mainstay markets for fertiliser in SA, the picture is even worse. Last year NPK sales at 411 942 t hit their lowest level in five years, and were even below the 417 752 t sold in 1983. The drop in sales from the levels of 1981 (672 516 t) and 1982 (577 568 t) are even more disturbing.

A breakdown of the national sales of the individual plantfood elements shows that nitrogen sales fell slightly last year from 1984's 385 767 t to 381 996 t, phosphate sales dropped sharply from 172 581 t to 156 576 t and potassium sales dropped slightly from 116 921 t to 114 492 t.

The industry's nitrogen requirements are locally produced by Sasol and AECI and competing manufacturers are virtually dependent on these sources for their ammonia feedstock. Triomf MD Philip Clarke tells the *FM* that his group is seeking government permission to import cheaper nitrogen, as local producers “get a very comfortable price in a structured market.”

But another industry source says ammonia imports were still “some R100/t dearer at



**Triomf ... looking abroad for savings**

about R530/t, until about a month ago,” when the rand recovered against the dollar. And there are no restrictions on unlimited ammonia imports, he adds. “Local ammonia prices are determined at six-monthly intervals and are now R420/t, against current landed prices of some R375/t,” he says.

Meanwhile, fertiliser manufacturers' profitability in the last year has also suffered from dearer imports of raw materials.

Potassium and sulphur imports last year both suffered from the effects of the weaker rand. Although potassium imports fell to 114 000 t from 1984's 220 000 t, and sulphur imports, used in the manufacture of phosphates, dropped from 430 000 t to 267 000 t, the costs did not reflect the decline.

“International sulphur prices moved from \$100/t in January 1983 to \$145/t last December, but in rand terms this meant an

increase from R111/t to R363/t. Over the same period, potassium prices moved from about \$65/t to around \$85/t, or from R83/t to about 212/t,” the FSSA spokesman tells the *FM*.

Locally, Sasol Fertiliser's (SF) entry to the field in January 1985 added to the struggling industry's problems. Although competitors in the overtraded market refuse to disclose actual manufacturing capacity, SF's entry boosted capacity “massively,” says the FSSA spokesman.

Backed by its giant parent, SF has the advantage of operating downstream and of utilising Sasol's excess ammonia to manufacture its nitrogen products, the costliest feedstock in fertiliser manufacture.

An SF spokesman tells the *FM* that November and December sales were very weak. But, depending on the rains, he sees the total market growing 3%-5% in 1986, restoring it to 1984 volumes.

“Last year we marginally increased market share in a smaller market. Total physical tonnage sales dropped to around 2,5 Mt, well below 1981's record 3,34 Mt. But, on the brighter side, it was better than 1983 sales of 2,2 Mt,” he says.

He adds that SF is concentrating on service to its clients. “We cover about 80%-85% of the total market and focus on establishing long-term relationships. Our soil and leaf analyses help farmers determine optimum production capacities.”

John Skeene, MD of Kynoch, says industry rationalisation will have to take place sooner or later — “but who would like to buy a fertiliser company now?” At the root of the uncertainty is the fact that it will take several good crop years before many farmers are restored to liquidity.

Skeene says 1986 sales prospects in northern maize-producing areas depend heavily on rainfall over the next 6-8 weeks. This will determine the current crop size and whether farmers will have the money to fertilise their spring plantings.

“We are now well into a critical period for the industry,” he says.

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FEATURE

# Tribal row hits factory

ZULU and Pondo rivalry is disrupting work at an AECI subsidiary

AECI Chlor-Alkali and Plastics, at Umbogintwini, south of Durban, is in its fifth day of disruption.

Zulu and Pondo factions have refused to work this week

AECI public relations officer Murray Joubert said another meeting was arranged with them

"They have not gone back to work

and we are trying to mediate."

He added that the company had managed to keep the plant going and production had not yet been affected

The problem began on Monday when Zulus, who make up the bulk of about 900 employees at the factory, refused to work in protest at the expected return of Pondo former workers

Joubert said the situation was sensitive. — Sapa

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## Firm dismisses 230 sympathy strikers

The Noristan group of pharmaceutical companies in Pretoria yesterday dismissed 230 workers who went on strike in solidarity with 60 workers fired earlier this week.

The 230 workers, who went on strike on Wednesday, represent the entire wage-earning staff of the company.

The Noristan technical director, Dr Fritz Snyckers, said the 230 failed to respond to a management ultimatum to return to work by 9 am yesterday to attend grievance hearings. By noon, no-one had arrived and the company decided to dismiss them.

The company said the 60 workers fired on Tuesday from its packaging division were responsible for irregularities in the labelling of medicine bottles.

The SA Chemical Workers Union (Sacwu) denied workers were sabotaging production lines and workers refused to sign a company undertaking to do their work properly.

A Sacwu spokesman, Mr Manem Samela, said last night talks were continuing with the company about the dismissals.

Dr Snyckers said Noristan remained prepared to discuss the possible re-employment of all workers.

"In the meantime we have taken the necessary steps to ensure that our products continue to be manufactured to our quality standards and delivered uninterruptedly to the market," he said.

# Pharmaceutical group fires 30 workers

183 P. DAY 14/3/86

THE Noristan pharmaceutical group, which fired 60 Pretoria workers on Tuesday for allegedly tampering with labels in the packaging section, yesterday dismissed a further 230 workers who ignored an ultimatum to return to work.

The SA Chemical Workers' Union

CLAIRE PICKARD-CAMBRIDGE

said Noristan did "not have proof that the workers sabotaged products" and the workers had struck to demand reinstatement of their colleagues.

A Noristan spokesman said the 60

workers were dismissed following their refusal to reaffirm their conditions of employment and to refrain from interfering with the packaging of products

The spokesman said the company was prepared to discuss re-employment of all the workers

## Zulu workers back at work

*CPA Zulu 18/3/86 183*  
DURBAN — The 900-  
strong Zulu workforce at  
AECI's Umbogintwini  
plant, who downed tools  
last week in protest  
against the expected re-  
turn of the Pondos, has  
returned to work

Strained relations be-  
tween the Zulus and the

Pondos on the factory  
floor follows recent  
bloody clashes between  
the two groups

The Zulus started  
trickling back to work on  
Thursday afternoon, but  
the Pondos workers have  
still not returned —  
Sapa

Courts?

STAR

# rt's petrol ruling: price war looms

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20/3/86

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By Jackie Urwin

A petrol price war could follow the Cape Town Supreme Court decision allowing Pick 'n Pay to sell discount fuel.

Members of the Motor Industries Federation are upset over the supermarket chain's redeemable petrol coupon system being allowed to continue, says Mr S Druckman, chairman of the Southern Transvaal division

The 4c-a-litre coupons are redeemable on purchases at Pick 'n Pay stores

"There could be reaction, with petrol stations making special offers to compete with the supermarket chain," says Mr Druckman

"It's early days I don't think this will develop at this stage People will lie low for a while There may be an appeal This is why I don't feel there will be a tremendous reaction right at the moment

But, he added, a battle "could easily happen in the future"

The MIF is bitterly opposed to the discounting of petrol and self-service garages

The managing director of the oil division of Shell, Mr John Drake, said the court decision could result in "retaliation from other sides"

But it would be up to individual dealers and the big pumpers of

petrol to decide if they were going to compete for sales This would depend on factors such as locations

"It depends on how effective the voucher scheme is It has had a lot of publicity, but it may not be effective," he said

He felt dealers would wait for a decision on any appeal by the Government

The Star's Political Staff report that existing legislation might be changed to prevent petrol coupon schemes

This was predicted by an Opposition spokesman today, but a Department of Mineral and Energy Affairs official said it could be considered "as a last resort"

The department is to study the court decision before deciding on an appeal

It objects to the discounting of petrol because of the effect it could have on petrol stations in certain areas and on work opportunities for pump attendants

Progressive Federal Party MP Mr Brian Goodall said today that it was a pity the Government could not accept that the public wanted price competition

# Jubilation as Pick 'n Pay beats Govt in petrol battle

By Jackie Unwin

Consumer groups and motorists have welcomed the Supreme Court ruling that Pick 'n Pay can continue with its petrol-coupon scheme

A jubilant Mr Raymond Ackerman, joint managing director of the supermarket chain, described it as a "victory for the man in the street and a blow against inflation"

Yesterday a Supreme Court order overturned a Government directive to oil companies to cut supplies to the supermarket chain after the introduction of a 4c redeemable coupon scheme by the chain. The coupon can be used to purchase any item, apart from petrol, at Pick 'n Pay stores

The Supreme Court in Cape Town ruled that the Minister of Mineral and Energy Affairs, Mr Danie Steyn, had acted beyond the scope of his powers in stopping petrol supplies to Pick 'n Pay

Mr Justice Rose-Innes ordered that the Ministerial directive of February 28 to three major oil companies be set aside immediately and ordered the Minister to pay costs

Counsel for the Minister gave notice of intention to appeal

Pick 'n Pay immediately began distributing its coupons at all its petrol stations

throughout the country

Mr Ackerman said "It is fantastic. It is victory for the consumer, who feels squeezed between big business and big government. In most Western nations, the consumer feels totally powerless. From this point of view, we are really thrilled"

"The move is also fighting inflation because petrol is one of the big determinants. Although we are not cutting prices at the pump, people will receive a discount on food, which will help people at a time when they desperately need it"

## CONGRATULATIONS

"From a personal point of view, I have been fighting like mad against monopolies, collusion and cartels for 20 years. In fact, it was my reason for going into retailing. I feel it is the vindication of years of fighting"

"The phone just hasn't stopped ringing and people have been pouring in with messages of congratulation"

Yesterday was a double celebration at the Boksburg hypermarket — which had been discounting petrol for 10 years before being stopped — for it also celebrated its 11th birthday. Some motorists received birthday cake as well as their 4c coupons when they pulled up at

the pumps

"It's the best birthday present we could have had," said general manager Mr Mike van de Merwe

Motorists at Boksburg yesterday were delighted. Comments were

"I'm very happy — this place is for the people and not for the Government," said Mr Frik Vivers

"It's beautiful. I'm delighted about it," commented Mr Tony Cloete of Benoni

"I am very glad I hope many more petrol stations do the same," said Mr Adam Esterhuizen of Impala Park

Mr Brian Goodall, PFP spokesman on mineral and energy affairs, said "It is a pity that Pick 'n Pay has had to resort, because of the law, to a system whereby people are given coupons rather than just being given a cash discount on their petrol"

Mrs Betty Hirzel, chairman of the Consumer Union, said "Anything towards the free market system and making competition work is for us"

Mrs Joy Hurwitz, president of the Housewives' League, said "I am pleased that Pick 'n Pay has won its case"

Mr Sarel Steyn, managing director of supplier Trek, said he was unable to comment at this stage as he had received no formal advice

STAIR

20/3/76

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# Ackerman to open more fuel pumps

CHRIS CAIRNCROSS

PICK 'n PAY has immediately re-launched its discount petrol coupon scheme after yesterday's landmark Supreme Court victory over government.

Pretoria had attempted to outlaw the practice by executive decree.

The mass retailer now plans to expand its chain of 12 petrol outlets, extending the coupon scheme to new outlets as well, delighted Pick 'n Pay chairman Raymond Ackerman told *Business Day* last night.

He said the group was also looking at the possibility of dealing with or helping other independent garage-owners to set up similar coupon schemes.

"There are quite a few imaginative garage-owners around the country who want to lower their margins and thus increase their volume of petrol sales.

"This judgment, if it is upheld, gives them the green light," Ackerman said.

This means the stage is set for the

## Pick 'n Pay

hypermarkets, supermarkets & repair stores

They tried to stop us helping you - so we took it to court WE WON..

# VICTORY FOR THE CONSUMER

indirect discounting of petrol to take place on a large scale.

"It is a real victory for the man-in-the-street," Ackerman declared.

Counsel for the Minister of Mineral and Energy Affairs, Danie Steyn, gave notice yesterday that an appeal would be lodged against the judgment handed

● To Page 2 ➔

# Judge sides with Ackerman

down in the Cape Town Supreme Court by Mr Justice Rose-Innes.

This has to be done within 14 days of receipt of the written judgment.

A spokesman for the Department of Mineral and Energy Affairs said yesterday he could not yet confirm whether an appeal would be lodged.

A decision would be taken only after the judgment had been carefully studied.

Legal opinion canvassed in Cape Town yesterday was that government had little chance of overturning the court's ruling.

Supposing this were the case, it was

suggested there were three possible scenarios government could adopt:

It could quietly accept defeat and let the coupon scheme continue and expand on a free-enterprise basis - as long as discounting did not take place at the pumps,

It could attempt to introduce amendments to the Petroleum Products Act to give the Minister the necessary powers outlaw the coupon scheme; or

It could scrap the Act entirely.

BDA/20/3/75

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2/7/75

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From Page 1



# Coupon petrol sales treble

CAPE TOWN — Petrol sales at Pick 'n Pay's 12 service stations throughout the country were up to three times higher than normal yesterday as the retail chain resumed its food coupon system

Mr Alan Gardiner, executive director of Pick 'n Pay, said that when the coupon system was first introduced, sales had trebled, compared with petrol sold at the normal regulated price

He said Pick 'n Pay had been approached by several independent garage owners asking if they could share in Pick 'n Pay's coupon system.

"We are considering this, and we have a long-standing intention to expand service stations to other centres, as well as opening garages on free-standing sites

## ESTABLISHED

"So there is a possibility there will be more Pick 'n Pay garages, but we are waiting until the coupon scheme is well established," he said

Mr George Beckman, national chairman of the South African Motor Traders' Association, said most members of his association felt the situation was an unfair trading practice which they could not accomplish themselves

He called on garage owners to act responsibly and not to start a price war with Pick 'n Pay by starting similar schemes

"We should wait for the Government to make its move," he said — Sapa

# Pick 'n Pay's sales of petrol in SA 'treble'

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CMT Trip 21/3/86

Staff Reporter

PETROL sales at Pick 'n Pay's 12 service stations country-wide were yesterday up to three times higher than normal as the retail chain resumed its food coupon system — with, however, mixed reaction from independent garage owners

Mr Alan Gardiner, executive director of Pick 'n Pay, said yesterday that when the coupon system was first introduced, sales had trebled compared with petrol sold at the normal price

Late yesterday after-

noon he said there were queues at every pump at the Brackenfell hypermarket service station

"We have a long-standing intention to expand service stations to other Pick 'n Pay centres, as well as opening garages on free-standing sites. So there is a possibility there will be more Pick 'n Pay garages, but we are waiting until the coupon scheme is well established," he said

Mr George Beckman, national chairman of the South African Motor Traders' Association, said most members of

his association felt the situation was an unfair trading practice. He called on garage owners to act responsibly and not to start a price war with Pick 'n Pay by starting similar schemes. "We should wait for the government to make its move," he said

A survey of independent garage owners showed that most people in the vicinity of the hypermarket were upset at what they called a "gimmick" on the part of Pick 'n Pay, while opinions in other areas varied

Mr Frank Weetman, owner of a Kuils River garage, said his profit margin was 5,2 cents. "How can I afford to give 4c away?" he asked

Mr H Osman, manager of a Mitchells Plain garage, said he felt it was unfair, as the small dealer could not join the bandwagon. "I can't offer anything to the community I serve, and they are losing out if they remain loyal to me," he said

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# BTR technology could be made available to SA

THE extensive experience gained by BTR in the North Sea and Gulf of Mexico oil and gas fields could be made available for the projected Mossel Bay development, says BTR SA chairman Peter Fatharly.

He says — in the company's last annual report before its merger with Dunlop — that the Mossel Bay offshore gas development, together with its associated onshore gas-processing requirements, could present BTR with an excellent opportunity to establish more of the BTR group's worldwide technology in SA.

The expertise gained from its engineering work and supply-base management in overseas oil and gas fields does not currently exist in Southern Africa, but it could be made available here.

"It may well lead to substantial new opportunities for us in future years", he adds.

The company is already making use of the BTR group's worldwide technology when appropriate local needs arise. Rubber & Wheel, a BTR

## MERVYN HARRIS

company in Krugersdorp, recently started the local manufacture of sorbothane products in substitution for components previously imported.

Sorbothane is a high-shock-absorbing material, developed in the UK, for which there appears to be good potential demand in the SA consumer, industrial and military markets.

Fatharly says the high level of activity in the mining industry last year boosted the company's order books for conveyor belting, hose and other rubber products.

Other market sectors were less satisfactory, with automotive performing very badly. However, Rubber & Wheel, Power Products, Rail Fasteners and Laursen Brothers performed creditably and export volumes increased.

The Sarmcol industrial dispute is thought to have reduced group profit before interest and tax by about R5m.

The disruptions at Sarmcol and

losses associated with Comet Electrical resulted in an extra-ordinary item of R4,1m, pushing down group profit from R5,6m to R1,9m last year.

However, a further reduction of about R4m in working capital, coupled with the benefits of the rationalisation programme completed during the year, improved the group's borrowing ratio, as a proportion of shareholders' funds, from 41,5% to 34,9%.

Fatharly says he will remain as chairman of the merged BTR Dunlop, with Clive Hooper — current MD of Dunlop SA — as MD of the whole operation.

Fatharly says shareholders who exchange their BTR SA shares for those offered by Dunlop will become shareholders in a company which, in gross assets, will rank close to the top 50 companies in SA.

BTR Dunlop will continue to have the commercial and technical support of BTR, which ranks as one of the top 10 companies on the London Stock Exchange.

**THE MINISTER OF MINERAL AND ENERGY AFFAIRS (Reply laid upon the Table with leave of House)**

so, (a) why, (b) what steps and (c) when?

- (1) Yes, the Department of Mineral and Energy Affairs exercises control over the export of polished diamonds but not over the export of unpolished diamonds. The SA Police are charged with the latter function.

The mechanism for control over exports of polished diamonds was established under the Diamond Cutting Act, 1979 and the function has since 1980 been exercised by the Diamond Cutting Board, which is under the control of the Minister of Mineral and Energy Affairs. Prior to that date the Police were also charged with this function.

The nature of the control exercised by the Diamond Cutting Board is threefold. *Firstly* the Board is in close contact with diamond cutters and other parties in the diamond industry and in view of its intimate knowledge of the industry and available information, for example cutters' purchases of rough diamonds, it checks that all polished diamonds intended for export are presented to the Board for inspection. *Secondly*, diamond parcels are subjected to a physical inspection. The diamonds are counted and weighted and checked to ensure that they are fully polished. *Thirdly*, the value of consignments are checked to ensure that the export value represents the fair market value of the diamonds.

My department unfortunately has no knowledge of the exact nature of the control exercised by the Police over the export of unpolished diamonds but I have been informed that consignments of unpolished diamonds are also inspected and can be referred to the Government Diamond Valuator if the Police are of the opinion that the consignment has been undervalued.

- (2) Yes, it definitely is my intention to take steps in regard to both the control which already falls under my department and the control measures which other Government departments are now charged with. These steps follow on certain recommendations by a Departmental Committee (known as the Van Wyk Committee) accepted by me. Control over the Republic's diamond industry, including control over exports of polished and unpolished diamonds, is currently divided between three Government departments, namely Finance, Police and Mineral and Energy Affairs.

There is however, agreement amongst these departments that such divided control is not satisfactory. There are in my opinion also too many Acts in terms of which control is exercised over our diamond industry. The Department of Mineral and Energy Affairs has therefore prepared legislation in terms of which State control over the diamond industry will be rationalised and all the functions in this regard placed under the control of the Department of Mineral and Energy Affairs. All the relevant Government departments have been consulted and they are all in agreement with the steps proposed. The necessary draft legislation will be introduced during this session of Parliament.

**Export of diamonds**

\*3. Mr L F STOFBERG asked the Minister of Finance †

- (1) Whether an investigation into the (a) quantity of diamonds exported and (b)(i) proceeds thereof and (ii) tax revenue received therefrom was ordered in his Department, if so,
- (2) whether he will lay a report on the inquiry upon the Table, if not, why not,
- (3) whether he will recommend that a select committee be appointed to go into this matter, if not, why not?

**THE DEPUTY MINISTER OF FINANCE**

- (1) No

- (2) Falls away

- (3) No. At this stage there is no justification for the appointment of a select committee. The Diamond Board, to be established in terms of draft legislation to be tabled during the current session, will carry out any investigations that may be deemed to be necessary.

**Mooi-Mgeni Government Water Scheme**

\*4. Mr R W HARDINGHAM asked the Minister of Water Affairs

- (1) Whether compensation payments for servitude rights have been finalised in regard to the owners of properties through which the Mooi-Mgeni Government Water Scheme passes, if so, when, if not, why not,

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

†THE MINISTER OF AGRICULTURE AND WATER SUPPLY (for the Minister of Water Affairs)

- (1) Yes. The initial offers of compensation for the servitude rights were made during the middle of 1985 and revised offers in certain cases were made during February/March 1986. Certain claims in respect of alleged damage caused by the contractor outside the servitude area have, however, as yet not been finalised. Although the Department of Water Affairs is not directly involved it is endeavouring to act as mediator between the owners and the contractor.

- (2) No

Fuel distribution companies' supply of petrol  
\*5. Mr D N MABECOMBS asked the Minister of Mineral and Energy Affairs.

- (1) Whether he or any official of his Department made any requests of or issued any instructions to any fuel distributing companies regarding the supply of petrol to a certain chain-store group, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what requests or instructions, (b) to which fuel distributing companies, (c) when, (d) why and (e) what is the name of the chain-store group,

- (2) whether the companies concerned complied with these requests or instructions, if not, what reasons did they give for failing to comply; if so, for what period will this request or instruction be in effect,

- (3) whether he will make a statement on the matter?

THE MINISTER OF MINERAL AND ENERGY AFFAIRS.

- (1) No, a general directive was issued to all oil companies distributing petrol:

- (a) that no petrol may be supplied to any retailer thereof in the event of such retailer offering petrol at discounts directly or indirectly to consumers,

- (b) to all fuel companies acting as petrol distributors,

- (c) on 28 February 1986 and again on 6 March 1986,

- (d) in order to ensure a stable petrol distribution network country-wide; to protect employment and the interests of the small businessman and to prevent vertical integration,

- (e) falls away.

(2) Yes, it should have been effective for an undetermined period.

(3) No. The hon member is, however, referred to my statement of 26 February 1986 when the decrease in fuel prices was announced which included an announcement in this regard

Mr D J N MALCOMMESS Mr Speaker, arising out of the answer of the hon the Minister, may I ask him whether, in view of the court ruling on this matter that has now taken place, he is prepared to let the matter rest there or whether he intends to take the matter further and appeal against the ruling, or alternatively, alter the legislation in order to bring about a situation where the members of the public have to pay more for their petrol?

†The MINISTER. Mr Speaker, in the first instance, we are not planning to appeal, secondly, we are not planning to alter the Act, and thirdly I want to mention that the judge's ruling is being studied and as soon as we have studied it in full, we shall decide on a plan of action

Mr H H SCHWARZ Mr Speaker, further arising out of the hon the Minister's reply, if in fact he is opposed to the concept of using coupons, has he not discussed this matter with the hon the Minister of Trade and Industry in view of the application of the Trade Practices Act?

†The MINISTER Mr Speaker, to the best of my knowledge the way in which the coupons were offered is not a contravention of the Trade Practices Act

Mr D J N MALCOMMESS Mr Speaker, further arising out of the hon the Minister's reply, may I ask the hon the Minister whether in view of the lower crude oil prices which we have all seen publicised in the Press today, he himself has any intention of reducing the petrol price in the near future? [Interjections]

†The MINISTER. Mr Speaker, I gladly reply to that question I think our Department and the Government have already proved that we immediately reduce the price

HOA

as soon as it is possible. We are busy investigating the whole matter and the moment it is possible to reduce the price, we shall not hesitate to do so

Q 25/3/86  
Mabopane: manoeuvres  
\*6 Mr Speaker SOAL asked the Minister of Defence

Whether any South African Defence Force personnel have been engaged in any manoeuvres or taken any action in Mabo-pane in 1986, if so, (a) on what dates, (b) why, (c) what was the nature of the manoeuvres or action and (d) what specified (i) personnel were involved and (ii) equipment was used in each case?

†The DEPUTY MINISTER OF DEFENCE

No, (a), (b), (c) and (d) fall away.

HAN SWARD 25/3/86 Q 25/3/86  
Malunga Park, Johannesburg: certain person  
\*7. Mr S S VAN DER MERWE asked the Minister of Law and Order

(1) Whether a certain person from Malunga Park in Gutuletu, whose name and particulars have been furnished to the South African Police for the purpose of the Minister's reply, was arrested or detained by the South African Police on or about 11 February 1986, if so, (a)(i) when, (ii) why, (iii) in terms of what statutory provisions and (iv) where was he held and (b) what (i) is the name and (ii) are the particulars of this person,

(2) whether this person has since been released, if not, why not, if so, when?

THE MINISTER OF LAW AND ORDER.

- (1) Yes
- (a) (i) 11 February 1986

(ii) Questioning and investigation

HOA

(iii) He was initially detained in terms of section 50 of the Criminal Procedure Act, 1977 (Act 51 of 1977) and from 12 February 1986 he is being detained in terms of section 29 of the Internal Security Act, 1982 (Act 74 of 1982)

(iv) Pollsmoor Prison

(b) (i) Mzwandile Mpangazata Mchiteka

(ii) It is not clear which particulars are being required

(2) No, since the investigation is not completed yet.

HAN SWARD 25/3/86  
Pretoria: persons arrested/detained  
\*8 Mr S S VAN DER MERWE asked the Minister of Law and Order

(1) Whether members of the Security Branch of the South African Police in De Aar arrested or detained any persons from Pretoria on or about 5 March 1986; if so, (a) how many and (b) why,

(2) whether these persons were travelling by car at the time, if so,

(3) whether any action was taken in respect of the car in which these persons were travelling, if so, (a) what action and (b) why,

(4) whether these persons have subsequently been released, if so, when,

(5) whether he has received any representations regarding these persons, if so, (a) from whom, (b) when and (c) what was the nature of (i) the representations and (ii) his response thereto?

†THE MINISTER OF LAW AND ORDER.

- (1) Yes

HOA

(a) 2 persons.

(b) One person for driving a motor vehicle without a driver's licence. A second person on an alleged charge of forgery of a driver's licence

(2) Yes

(3) Yes

(a) The car was taken into safe custody by the South African Police

(b) Because the driver had been arrested

(4) Yes, on 5 March 1986

(5) No (a) to (c) Fall away

†Mr S S VAN DER MERWE. Mr Speaker, arising out of the hon the Minister's reply, is it general practice for the Security Branch of the South African Police to concern themselves with people who drive without a driver's licence, and if not, why were these people stopped in the first place?

†The MINISTER. Mr Speaker, I am not personally aware of all the details of the incident, but any member of the Security Branch is also an ordinary member of the South African Police, with the normal authority that any member of the Police Force has to do his job as he may encounter it

Q 25/3/86  
99-year leasehold scheme  
\*9 Mrs H SUZMAN asked the Minister of Constitutional Development and Planning

(1) Whether the 99-year leasehold scheme is in operation in every Black township in the Republic; if not, (a) why not and (b) in respect of which townships is this scheme not applicable;

(2) in respect of what date is this information furnished?

HOA

# Oil prices drop as Opec fails to reach agreement

CHK Trans 25/3/86 183

LONDON — Crude oil traded at its cheapest levels in a decade yesterday as dealers responded decisively to Opec's failure at its meeting in Geneva to agree on a package to put the tottering world market back on its feet. Brent North Sea crude oil for June loading plummeted to \$11.75 a barrel on the European spot market, more than \$2 below Friday's United States close.

"There are no fundamentals now to keep the market up," said one London trader said.

"I expect it will keep going down, perhaps below \$10 a barrel."

The fresh fall in prices followed news that the 13 Opec ministers had ended nine days of often bitter wrangling without striking any agreement on how to shore up prices.

"An Opec official said the meeting had been adjourned until April 15, "to give delegations time to consult with their governments"

## Revenue

Sterling also suffered due to fears that weaker oil prices will further erode the revenue Britain reaps from its North Sea oilfields, shedding over two cents to \$1.49.

But Wall Street posted fresh gains as United States investors translated lower oil prices into hopes for healthier American economic growth and buoyant corporate profits.

The Dow Jones Industrial Average climbed around 12½ points to 1781.

A major oil company said in London yesterday that it had sold a cargo of July delivery Brent oil at \$11.40 a barrel, one of the lowest deals in over a decade.

"The market was weak anyway, and the news sent it down as expected," said one London-based trader.

"But he added that prices of North Sea Brent crude might find some support at \$12 a barrel from refiners seeking to buy cheap oil.

Crude oil prices in the United States fell as much as \$2 a barrel on the cash market, while a wave of panic selling pushed crude futures to

contract lows on the New York Mercantile Exchange.

"The market has apparently taken this conference to be a failure," said Mr William Randol, a United States oil market analyst with First Boston Corp.

"It needed to see an agreement on cutting production and did not see it."

Mr John Lichtblau of America's Petroleum Industry Research Foundation said without an Opec pact to cut output crude oil would probably stay under \$13 over the near term.

## Adjournment

Oil industry analysts in the Gulf said adjournment of the Opec conference without any concrete agreement was no great surprise and highlighted a lack of unity among the 13 members.

Most analysts say the chances are very slim of any agreement emerging from the next meeting starting on April 15.

"If they (the ministers) cannot achieve anything in nine days of talks, it seems unlikely that anything concrete will come from the next meeting in three weeks' time," one trader said.

"Some (Opec) members are poles apart, maybe too far for reconciliation, at least in the near term," said another — Sapa-Reuter

# Mossel Bay: winning tender this week?

25/3/86  
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THE announcement of the winning tender for the first phase of the R4bn Mossel Bay gasfield project may be made this week

Mineral and Energy Affairs Minister Danie Steyn and his Director-General Louw Alberts visited West Germany last week, apparently to discuss several last-minute issues

One of these may have concerned project financing connected with tenders for the construction of the offshore platforms for the gas project.

The two returned to Cape Town yesterday, but details of their visit were not revealed

**CHRIS CAIRNCROSS**

Late yesterday, a spokesman for the Department of Mineral and Energy Affairs said it was possible that a statement would be released today.

It seems clear the project is still to be given the go-ahead by government, if only for strategic reasons.

Government has not been persuaded to put the scheme on ice by the sharp and continued weakness in the price of crude oil on international markets

# Petrol coupon battle looms

Own Correspondent  
JOHANNESBURG. — South Africa's retailing giants are gearing themselves up for a petrol discount coupon war with Pick 'n Pay.

Retailers Clicks, Checkers and Dions yesterday confirmed that preliminary planning was under way with a view to launching similar coupon schemes to that of Pick 'n Pay at its 12 petrol outlets at the end of February.

OK Bazaars and Spar are also believed to have expressed interest.

Investigations into various petrol coupon schemes started as soon as Pick 'n Pay won its landmark Supreme Court action last week against the government's executive banning of the practice in terms of the Petroleum Products Act.

## Finalized

Independent garages also wanting to offer discount coupons soon contacted chairman Mr Raymond Ackerman

Mr Ackerman said his company was prepared to assist independent garages wanting to reduce profits and increase turnover. But he said Pick 'n Pay would wait for the matter to be finalized before taking negotiations any further

Meanwhile, dissatisfied garage owners near Pick 'n Pay's popular Boksburg filling station say the company's move to provide discount vouchers for supermarket products to people buying petrol is unfair to independent operators without a retailing empire to back them up

A spokesman for the Boksburg Pick 'n Pay said it would welcome competition from supermarket chains or independent operators.

## Enticements

Mr Tony Corrolo of Belaphil Motors said he had noticed a drop-off of about 1 000 litres a day in the past week.

He had introduced a 24-hour service to counter Pick 'n Pay competition, but would consider taking customer enticements further if the competition "prevents me from making a living".

A Motor Industries Federation spokesman, asked if Pick 'n Pay's move could set a precedent for new petrol marketing strategies, said an MIF committee was looking into the issue

Some garages on the Reef have introduced redeemable vouchers for workshop or garage services and for raffles

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one time 25/3/86



More discount coupons planned

25/3/86

# Retail giants gear up for petrol war

B. DAY

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CHRIS CAIRNCROSS  
and DIANNA GAMES

SOUTH AFRICA's retail giants are gearing up for a petrol discount coupon war.

Retailers Clicks, Checkers and Dion confirmed yesterday that preliminary planning was under way, with a view to launching coupon schemes similar to that spearheaded by Pick 'n Pay at its 12 petrol outlets at the end of February.

The OK Bazaars and Spar are also believed to have expressed interest.

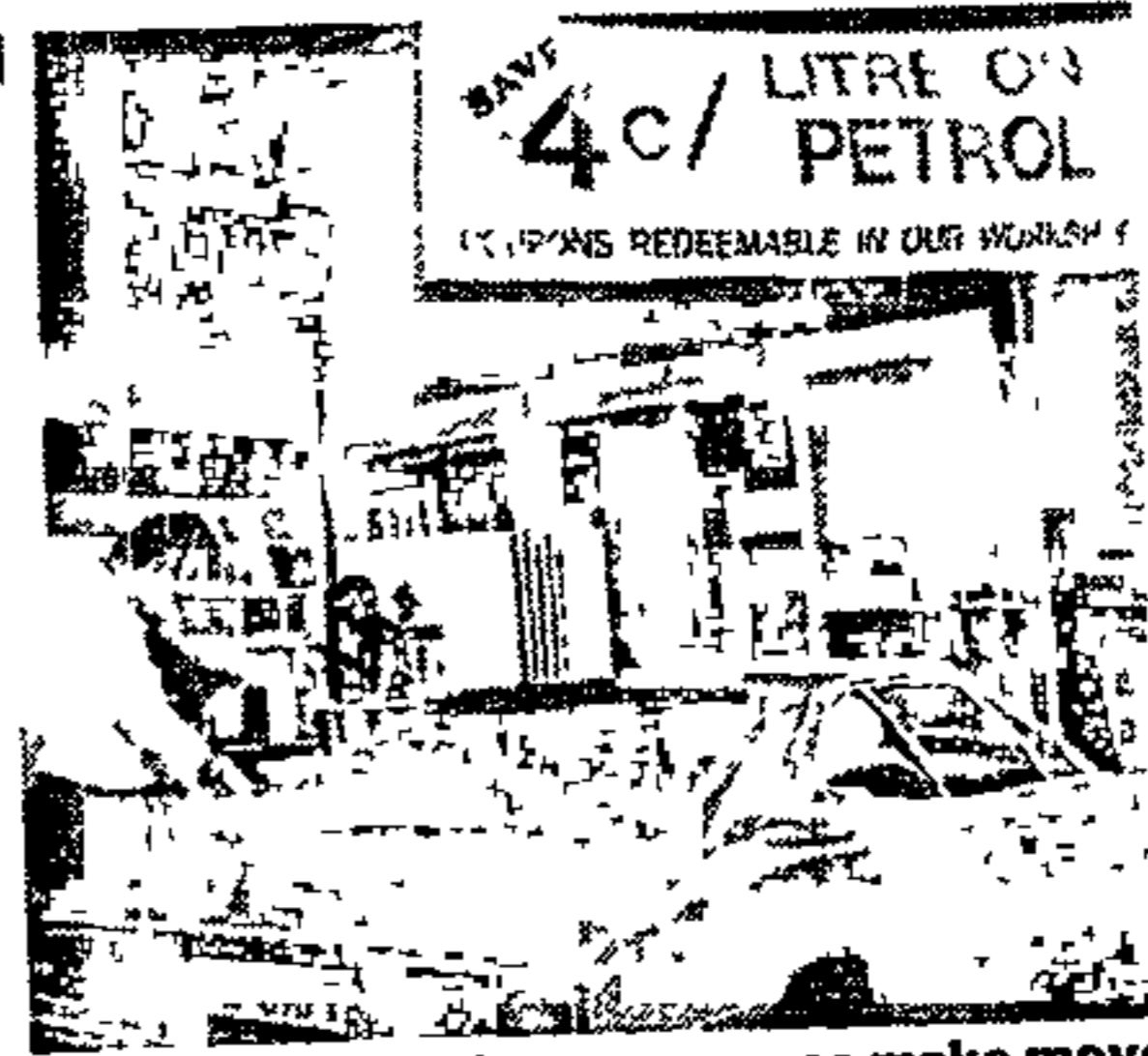
Investigations into various petrol coupon schemes started as soon as Pick 'n Pay won its landmark Supreme Court action in Cape Town last week against government's executive banning of the practice in terms of the Petroleum Products Act

Soon after the group's court victory, independent garages contacted chairman Raymond Ackerman, saying they too wanted to offer discount coupons

Ackerman said his company was prepared to assist independent garages that wanted to reduce profits and increase

But, he said, Pick 'n Pay would wait for the matter to be finalised before taking negotiations further.

Meanwhile, garage owners near the



PETROL discounting... garages make move

company's popular Boksburg filling station are dissatisfied

The garage is enjoying even greater patronage than before government's move to stop the group from discounting petrol, and nearby garages say they do not have the resources to compete

Most have been hard hit because of the discounting of petrol by the hypermarket over the years, and this became even more marked in the past week as sales trebled in the wake of the court victory.

A spokesman for the Boksburg hyper-

● To Page 2

## Petrol war hots up

25/3/86

B. DAY

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market said the company would welcome competition from both supermarket chains or independent operators.

One garage owner said the company's move to provide discount vouchers for supermarket products to those buying petrol was unfair to independent operators who did not have a retailing empire to back them.

A Motor Industries Federation (MIF)

spokesman, asked if the company's move could set a precedent for new petrol marketing strategies, said an MIF committee was looking into the issue and no comment could be made until it had met.

But the feeling seems to be one of "wait and see" while government considers whether it will appeal

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# AECI fuel plan to move ahead

STAR 183  
26/3/86

By Gareth Costa

The government has asked AECI to go ahead with the second phase evaluations of its proposed plans for a coal-based synthetic fuels plant, says chairman Mr Gavin Relly in the company's annual report

He said that even with the slump in oil prices, synthetic fuel options would remain attractive in the long-term because of their strategic nature, the volatility of the oil market and the potential for employment creation.

Mr Relly said that a study presented late last year to "the authorities" indicated that it was a viable option given favourable marketplace considerations. Last month, MD Mr Mike Saunder said that the project, at current prices, would cost about R2,5 billion in current money

Referring to the production of soda ash in Southern Africa, he said it would remain uncertain pending clarification of Government policy

Mr Relly said that the group was "collaborating" with Soda Ash Botswana, a wholly-owned subsidiary of BP Minerals International, in evaluating the feasibility of extracting soda ash

from Botswana deposits

He said that developments were under way to advance the group's ongoing intention of seeking new growth opportunities in the "speciality and high technology field"

"Significant success has been achieved in the development of cetane improvers and oil additives and potentially this could lead the group into an interesting new business field," Mr Relly said

He added that a new venture, "AECI Process Computing" had been established and was successfully marketing computer-based control systems using AECI developed technology

Mr Relly said that trading conditions were likely to remain difficult in most domestic sectors, but some improvement in volumes was expected

"With plant capacity utilisation during 1985 having been in the region of 75 percent, notwithstanding the much improved export performance, the Group remains well placed to cope with any increase in domestic demand

"Earnings for 1986 should therefore reflect the benefit of this growth if it materialises"

49 58 STAR

## drains its image

# Soekor steps up Mossel Bay gas search.

BUS DAY (183)  
26/3/86

SOEKOR has stepped up its exploration of the gas field off Mossel Bay with the addition of another rig

There are now three rigs in operation, MD Piet van Zyl told the Associated Scientific & Technical Societies in Johannesburg yesterday

So far Soekor has spent R600m on exploration "We have set about drilling for more gas and we now have reserves for about 23 years," he said

"I am confident we will discover more gas and that the life expectancy of the

LINDA ENSOR

whole project will far exceed what has been planned for"

The Mossel Bay fuel-from-gas project is to be commissioned at the end of 1990, with a target for minimum daily production of 4,5-million m<sup>3</sup>, yielding an estimated 26 000 to 27 000 barrels of fuel

The cost of producing a barrel of crude oil from North Sea gasfields was \$7, Van Zyl said, and it sold at \$12 a barrel. The break-even cost of Mossel Bay fuel had

been calculated at the marginally economic level of \$12 a barrel

It would, however, result in substantial foreign exchange savings, he said.

"In the end the local content (estimated at 60% to 70%) of these projects could be decided by our steel manufacturing capacity and the manpower in our heavy engineering industry"

SA fabricators would need the assistance of overseas companies in the manufacture of totally new products such as the jacket, modules and module-support frame and underwater pipelines

## COMPANIES

# AECI's planned synthetic fuel project advances

28/3/86 BU DAY 183

AECI's proposed plans for a major synthetic fuel project have been taken a step further with a request by the authorities for a more detailed second-phase evaluation of the project.

This is disclosed by chairman Gavin Relly who says in the company's annual report that all synthetic fuel options still appear attractive in the long term, despite plummeting oil prices.

"This is because of their strategic nature, the volatility of the oil market and their potential for job creation," he says

The feasibility study of a coal-based synthetic fuel plant was presented to the authorities late last year and indicated it to be a viable option given certain favourable marketplace considerations.

MD Mike Sander indicated last month that should the project be given the go-ahead, it would cost about R2,5bn at current prices.

Relly says prospects for the production of soda ash in southern Africa remain uncertain pending clarification of government policy.

AECI is collaborating with Soda Ash Botswana, a wholly-owned subsidiary of BP Minerals International, in evaluating the feasibility of extracting soda ash from deposits in Botswana.

Relly says significant success has been achieved in the development of octane improvers and oil additives. This has the potential to lead the group into an interesting new business field.

Other developments are under way to seek new growth opportunities in the speciality and high technology fields.

While trading conditions are likely to remain difficult in most domestic sectors, Relly expects some improvement

MERVYN HARRIS

in volumes, provided there are no disruptive labour problems in the group's factories or in the activities of its customers

With plant capacity utilisation at 75% last year despite the much improved export performance, the group remains well placed to cope with any increase in domestic demand.

Relly says earnings for 1986 should, therefore, reflect the benefit of some economic growth this year.

Group financing costs rose last year to R91m (R78m) in spite of the group's policy to cover forward part of its foreign currency loan liabilities on a managed basis.

Additional borrowings, plus the revaluation of foreign loans, pushed up the debt-equity ratio from 65% to 70% at end-December. Since the end of the year, the rand value of foreign loan liabilities has fallen sharply as the exchange rate has firmed.

The annual report shows explosives and chemicals still provided more than half (59%) of net trading income although the division provided only 29% of turnover.

Plastics, with 27% of turnover, contributed 15% to trading income, polymer derivatives contributed 11% to income on sales of 21%, while other trading activities produced 15% of income on 23% of group turnover.

The slide in group earnings since 1981 was stemmed last year with earnings up 3% to 74c. However, trading income as a percentage of turnover continued to decline, falling to 10,8% against almost 18% in 1980.

Return on shareholders' funds has also been on a downward slide, dropping to 13,9% last year. The return was almost double at 26,9% in 1980



STAR 27/3/86  
Project to R21.3m

Viability studies in the sea and special seismic surveys in the next phase of the Mossel Bay gas extraction and conversion project will cost R21,3 million this year according to Mr D.F. Vorster, chairman of the Central Energy Fund.

A progress statement on the part of the project on land would be issued in due course, he said — Political Staff

De Jonge diary read  
published in Holland

The Star's Foreign News Service

AMSTERDAM — Newspapers here have published parts of a diary said to have been written by 48-year-old Dutch anthropologist Mr Klaas de Jonge, who has been sheltering in the old Dutch Embassy offices in Pretoria for many months.

The extracts, part of which were also read out yesterday on the Socialist Broadcasting Corporation VARA, were sent to Mr de Jonge's relatives in Holland.

Mr de Jonge wrote that his morale was still undented "because I have the feeling I am supporting the good side".

He said although the South African Police used many tricks to put him under heavy mental pressure, he was never tortured during his 26-day detention in John Vorster Square security police headquarters in Johannesburg last year.

In extracts read out on a VARA programme, Mr de Jonge said the security policemen had put him under pressure by telling lies about the fate of his daughter Brigitte and his ex-wife Helene Pastoors.

Of his situation in the Embassy, he said: "To my great joy I keep an estimated 30 policemen busy on a round-the-clock scheme."

A police spokesman in Pretoria, Major Steve van Rooyen, today said: "The SAP deny anybody in detention is tortured in any way whatsoever — whether mental or physical."

Gas research  
to cost R21-m

Political Staff

CAPE TOWN — Viability studies in the sea and seismic surveys — the next phase of the Mossel Bay gas extraction and conversion project — will cost R21,3 million this year, says Mr D R Vorster, chairman of the Central Energy Fund.

Mr Vorster said several contractors had been invited to make offers for the concept design and the project management of the development at sea.

He said EMSO (Pty) Ltd, a member of the Murray and Roberts Group, had now been invited to open final negotiations with Soekor with a view to signing a contract.

It would take a year to collect data on design and the most economic development possibilities, he added.

# Truckmakers' anger grows

ADE's proposed price increases in what is a thoroughly depressed heavy vehicle market. If ADE continues to pass on such increases it cannot help recovery.

"As an industry we are in the unfortunate position of facing a monopoly. There is a dispute between us and ADE and a situation of extreme unhappiness but we have not reached the end of the road and have not yet exhausted all channels of communication."

A spokesman for ADE yesterday referred *Business Day* to a speech made last Friday by ADE managing director Hartmut Beckurts in which he said that "manufacturers have long since ceased to criticise ADE's engine prices" and that since 1980, ADE engine prices have

increased by only 68%.

With a new local content programme for heavy commercial vehicles about to be introduced by government, ADE's decision to increase prices comes at an exceptionally sensitive time for the industry

The slump in heavy commercial vehicle sales — January sales were the worst for 24 years — has resulted in heavy losses for most manufacturers. Intense competition in the marketplace has forced manufacturers to absorb cost increases and all say they are under-recovering costs

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# ADE price row boils

27/3/86  
TUESDAY  
A MAJOR confrontation over diesel engine price hikes is looming between heavy vehicle manufacturers and Atlantis Diesel Engines.

ADE notified manufacturers at a meeting on Tuesday that it would increase prices by 6% next month and a possible further 6% in the third-quarter of the year. ADE imposed a 9,75% increase in January.

Manufacturers dispute the increases, saying that they will be unable to pass on any further cost increases. They say that in an industry where all manufacturers

ALAN RUDDOCK

163 are making losses, ADE should shoulder its share of the burden and not pass off massive price increases on a captive market.

David Beck, head of the National Association of Automobile Manufacturers Association of SA (Naamsa) heavy commercial vehicle division, said yesterday that he was "extremely dissatisfied with

● To Page 2 →



# ADE price row boils

<sup>of THE</sup>  
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TUESDAY.  
ALAN RUDDOCK

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● To Page 2



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Printed by W. W. W. W. W.

# Truckmakers' anger grows

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The slump in heavy commercial vehicle sales - January sales were the worst for 24 years - has resulted in heavy losses for most manufacturers. Intense competition in the marketplace has forced manufacturers to absorb cost increases and all say they are under-recovering costs.

BUSINESS DAY

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WILKINSON  
SHEPHERD  
PUBLISHERS

CMT Times 31/3/86 (183)

## Gencor plan to make oil from torbanite

JOHANNESBURG — Gencor, the South African mining group, is examining the feasibility of a R1 000m project to extract petrol and diesel fuel from torbanite, an oil-bearing mineral resembling coal, found in various parts of South Africa.

According to Engineering News this has

been confirmed by Gencor, and "It has been decided to award a first-stage feasibility study to Process Plant (of South Africa) and Lurgi (of Germany)"

The plans for the project follow discussions between Gencor, Lurgi, various synthetic fuel concerns and the government's Central Energy Fund, says the newspaper

A sample pit will be sunk but the location is being kept secret, but Engineering News suggests that the site is possibly north of Evander, Transvaal.

Boreholes have been sunk to sample torbanite "somewhere in the Eastern Transvaal"

The ultimate cost of the project is put at between R500m and R1 000m — Sapa

Govt, business  
leaders talk  
over boycott

Own Correspondent

The consumer boycott, entering its second week, was discussed at a recent meeting between the Deputy Minister of Law and Order, Mr Adrian Vlok, and the Pretoria Business Community (PBC). It is understood that security measures were discussed at the meeting. Chairman of the PBC Mr Dan Rolt said he had been asked by Mr Vlok not to comment on the proceedings. The PBC, comprising various business organisations in Pretoria, was formed last year during the first consumer boycott.

Oil drilling rigs  
being repaired

The two Soekor drilling rigs extensively damaged by an "exceptionally severe" storm off Mossel Bay on Sunday should be repaired within a week, a spokesman for Soekor said today.

He said poor sea conditions were hampering repairs, but it appeared there had not been any major structural damage to the rigs.

The storm, associated with three low-pressure systems following in quick succession, hit Mossel Bay about noon.

"A wind velocity of 60 knots and wave heights of 18 to 30 metres were experienced," he said.

Extensive damage had been caused to anchor chains, guide cables, underwater blow-out prevention equipment controls and television cameras.

The rig closest to the shore, the Sedko K, sustained the least damage and has been sufficiently repaired to allow drilling to resume.

The rig furthest from the coast, the newly-arrived Nymphaea, and its sister-rig, Actina, "have been hardest hit and are temporarily out of action and undergoing repairs."

The Soekor spokesman said they hoped to have the two rigs operational within a week — Sapa



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# Deflationary hope seen in oil price

21/1/86 RUS DAY (S) (24) (183)

**THE** oil price decline should foster chances of continued deflationary global growth for at least the next two years.

While it is difficult to be optimistic about prospects for gold in a deflationary environment, deflation itself can be a disorderly process having a positive impact on hedge assets

This is the view of the directors of Investors Mutual Funds, management company of Sage Fund, in their annual review

They say although financial assets, as opposed to hedge assets, will probably continue to find favour with international investors, gold is likely to benefit — albeit erratically — from underlying structural imbalances

These arise notably from the US banking sector's exposure to com-

**MERVYN HARRIS**

modity-producing debtor nations and its own oil industry.

The directors say this should be a watershed year for SA. Political and economic developments could determine the fundamental nature and structure of the economy for the foreseeable future

A higher savings rate, development of the informal entrepreneurial sector and export programmes are positive strategies.

They will not in themselves ensure a self-sufficient economy without stable international relationships

The directors say the investment and economic environment suggests continued buoyancy on the JSE this year. However, they caution that an active and firm share

market does not in itself ensure or reflect increased economic investment or business confidence

"In a closed economy, beset by high inflation, a strong equity market can represent no more than divergent portfolio views and the ongoing transfer of the same underlying assets from one group of commercial savers to another

"Confidence is clearly the only key to initiating real fixed investment with its multiplier effects"

Last year, Sage Fund's annual income distribution increased to 43,4c a unit (41,6c), more than double the level of five years ago. The composite return (capital appreciation plus income) was 38,4%. Total assets rose to a peak of R237m (R171,8m)

Unit sales jumped 60% to R25,6m

TUESDAY, 11/16/65

# Oil-from-rock plan in pipeline

Business Day Reporter

**GENCOR is examining the feasibility of a R1bn project to extract petrol and diesel fuel from torbanite, an oil-bearing mineral resembling coal and found in various parts of South Africa.**

**The first-stage feasibility study has been awarded to local company, Process Plant, and Lurgi of Germany.**

**Plans for the project come after discussions between Gencor, Lurgi, various synthetic fuel concerns and government's Central Energy Fund.**

**A sample pit will be sunk — possibly north of Evander.**

By *Carell Costa*

Plans for three new strategic synthetic fuel plants are still going ahead in spite of the spectre of a \$5 a barrel crude oil price — which translates into the lowest rand price for the last five years — and a prospective price of not more than \$20 in the next five years

Dr Dirk Neethling, Chief Director of Energy says "We are still seriously taking note of the parameters with a view to going ahead. During the feasibility studies all the options and scenarios were spelt out, and the latest drop has not changed anything."

AECI MD Mr Mike Saunderson says "If government decides that the risk of our oil supply being cut-off is there it will take the decision to go-ahead, and then the projects will become instantly justifiable. Our industry can cope and the plants will provide many jobs in the different areas."

The Mossel Bay project is already underway, while the AECI project has just been given the green light for second phase studies of its oil-from-coal plant to be undertaken, and Gencor is due to release details of its plans to extract oil from torbanite. Total costs of the

# Private companies will need guarantees SA still pressing on with its synthetic fuel plants

plants are already forecast at more than R8 billion, with Mossel Bay about R5 billion, AECI roughly R2,5 billion and Gencor's R1 billion

But if private companies are to embark on these massive capital outlays, they will need some guarantees from government similar to those received by Sasol — and, as Mr Saunderson says "some soft loans"

These will be necessary because of the difficulty of making profits with the oil price as it is. Sasol gets paid in accordance with crude prices, and so will the others. The problem is that economists forecast that oil will not rise much higher than \$30 a barrel in the next ten years. Industry sources suggest that the cutoff price for synfuel plant profitability is R60 a barrel

If crude only rises to the forecast level of \$30 then the rand will have to fall below \$0,50 to make the plants feasible

The next question is where will the money for the plants come from. One merchant banker suggests that a large proportion will come from the Strategic Oil Fund (SOF), another portion from Gencor and AECI through right issues, thirdly from local finance and lastly through supplier credits

Just recently the petrol price was adjusted 10c/litre down, but the banker calculates that since the rand price of crude has fallen by two thirds to R25 a barrel at present, the landed cost portion of petrol has also fallen from about 51c to 40c, and therefore about R6 million a day is flowing into the SOF, even al-

lowing for leads and lags. He estimates that there is about R3-4 billion in the fund that could be used to subsidise the plants

Mr Robert Escort of UAL Merchant Bank said that the money would not be spent in large "dollops" for some years and so finance did not present that much of a problem

Others are more sceptical, saying that there are not sufficient funds in the country to cope and that even if there are the projects' profitabilities are at risk unless some strong guarantees by government to purchase total productions are given

Whatever the risks are, it seems that if government decides the risk of economic sanctions and oil embargoes is great then the projects will go-ahead.

Industry wants part of R3bn project

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# East Cape bid for Mossel Bay oil

INDUSTRY in the Eastern Cape is gearing up to head off a challenge from Reef-based companies for a major share of the R3bn Mossel Bay oil development

The decline of the motor industry in the region, and the steady exodus inland of

Industrial Staff

many other companies, has created huge unemployment and social problems in the Eastern Cape.

The Mossel Bay development and possible construction of SA's second nuclear power station in the region have led to muted optimism that some kind of recovery may be in sight.

But for this to be achieved, local companies must win a large slice of the cake when contracts go out to tender

As a first step, Eastern Cape companies are to take part in a major industrial exhibition in Port Elizabeth next month to show what they can offer the Mossel Bay oil industry.

Peter Sorrell, a main organiser of the exhibition, said "The oil-gas strike is the boost local industrialists have been waiting for.

"The local industrial sector is sitting on a potential gold mine in terms of oil industry contracts and sub-contracts. But firms must sell themselves into the picture, otherwise Reef companies will walk in under their noses."

## Pretoria shop boycott having limited effect

GERALD REILLY

THE black-consumer boycott in Pretoria continues to have a limited impact on trade volumes, according to businessmen.

OK Bazaars director Allan Fabig said trade had been affected adversely.

"It is certainly disturbing, especially as far as the OK is concerned, as we have sited our stores geographically to be accessible to all population groups. It is unlikely that suburban stores were affected to the same extent," Fabig added.

Pick 'n Pay regional director Nic Els said: "Since the boycott started last week, there have been noticeably fewer black shoppers."

## Zimbabwe hails SA students

HARARE — Zimbabwe's leading daily newspaper, *The Herald*, yesterday paid tribute to white South African students who held talks with the ANC

*The Herald*, controlled by the State-owned Mass Media Trust, said in an editorial "Growing concern for the suffering of blacks is encouraging, but it is particularly significant that at the forefront of enlightened thinking is a growing body of young whites ..

"Such is the hatred generated by the Botha regime's brutal fight to resist the irresistible — the surging tide of revulsion against apartheid — that sight is often lost of the many whites only too eager to embrace meaningful change," the paper said

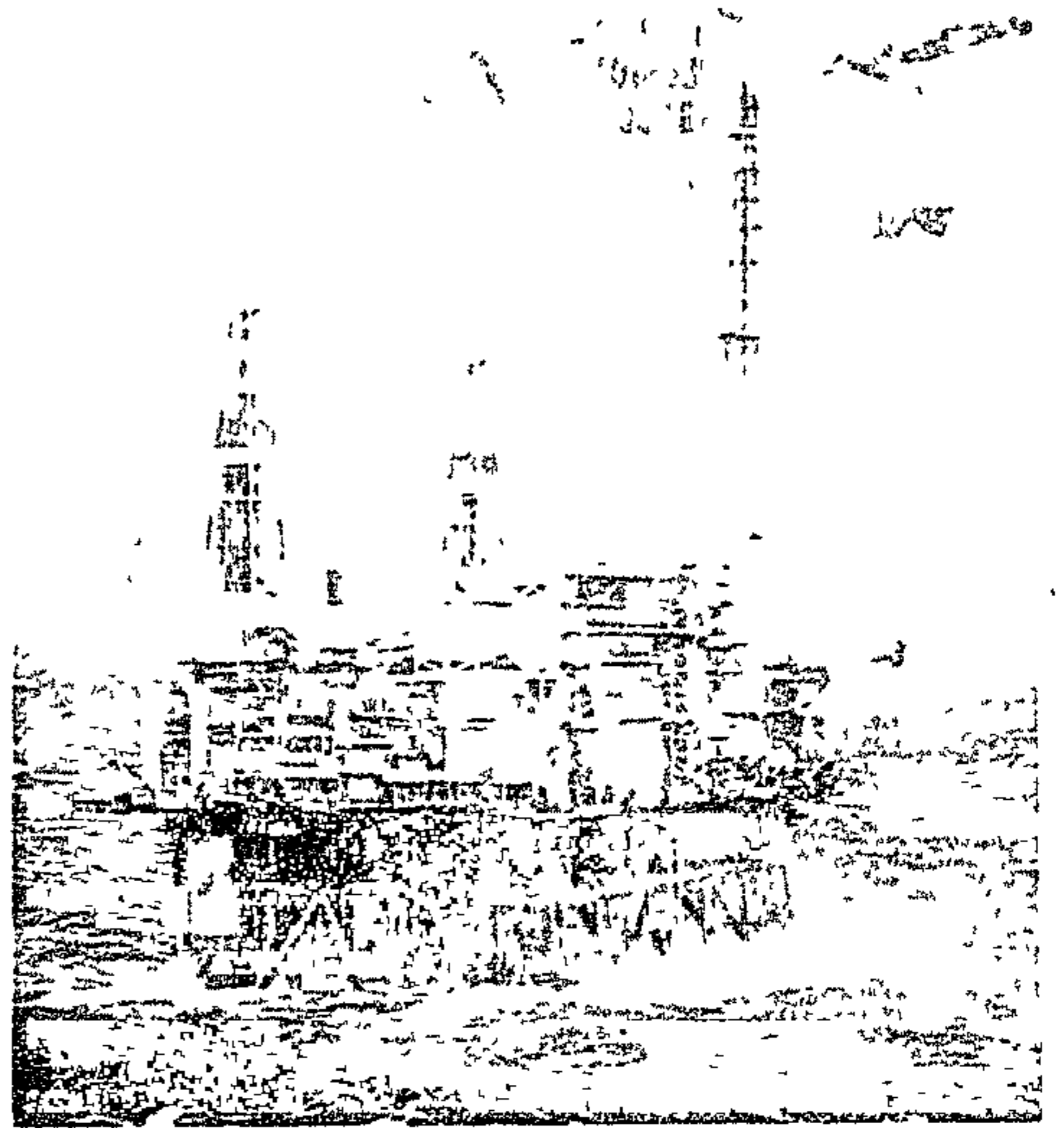
Leaders of the National Union of South African Students (Nusas) ended three days of talks with ANC officials in Harare on Tuesday. Both sides expressed opposition to apartheid — Sapa-AP.



A typical offshore production platform of the type used in the North Sea oil field. Similar platforms will be used offshore at Mossel Bay when the R5 billion project is in full swing.

# SA fuel projects hit by oil price slump

STAR  
183  
3/4/86



By Gareth Costa

South Africa will go ahead with ambitious multi-million-rand fuel generation projects to make the country strategically independent — even though these ventures have become uneconomic in the wake of the slump in world oil prices.

Huge subsidies from the Government and taxpayers will be necessary to bring three key projects to fruition — the synfuel plants being planned by AECI and Gencor, and the Mossel Bay offshore oil-from-gas scheme.

It is estimated that the three projects will cost more than

R8 000 million and produce fuel at about \$30 dollar a barrel (R60 at a rand/dollar exchange rate of 50c).

Oil is now trading on world markets at under \$10 and could fall to about \$5 before rising again to the region of \$18 by the end of the year.

But South Africa so fears the repercussions of an oil embargo that even at their cost the authorities appear to be still determined to press ahead with the projects.

Dr Dirk Neethling, chief director of Energy Affairs, said: "It is a strategic decision to ensure the country's energy self-sufficiency, and we are not going to abandon long-term projects.

"The plants are only due to come on stream in the 1990s, and by then the world could be out of the \$10 syndrome."

He added that the projects were initiated by the private sector, and the Government decision for the Gencor plants to go-ahead was a measure of its and the private sector's interest in synthetic fuel plants.

## Resources

A Gencor spokesman said that the group was preparing a "detailed sensitivity analysis" and that it was only changing its "methodology of sensitivity".

He said he believed its project would continue, since, at a cost of about R1 000 million, it was much smaller than the other two ventures and less of a strain on South Africa's capital resources.

Mr Mike Sander, managing director of AECI, said: "These are huge projects which we did not scream into. Oil will not bounce back to \$50, but we have taken into account all possibilities."

"The projects could go ahead at almost any level of oil price because, to some extent, it is a strategic decision — but, it requires Government support. We need the backing."

The Mossel Bay project has already been given the Government's go-ahead and is due to come on stream in the early 1990s.

● See Page 18

# Rigs damaged

BUWDA 3/4/83  
Industrial Staff

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SEVERE storms damaged Soekor's three oil drilling rigs off the Mossel Bay coast on Sunday.

Extensive damage was caused to anchor chains, guide cables, underwater blow-out prevention equipment, controls and television cameras. The estimated value of each of the rigs, which Soekor leases, is R80m.

The rig closest to shore, Sedko K, sustained the least damage and has been sufficiently repaired for drilling to resume. The newly arrived Nympha rig — furthest off-shore — was worst hit.

Oil drops back to \$10 a barrel

# Call to lower petrol price

CAP-TINTS 4/4/86

183

By GERALD REILLY

**JOHANNESBURG.** — Fuel experts have called on the government to drop the price of petrol by between five and 12c a litre before the end of the month.

Crude prices in world markets yesterday hovered around the \$10 a barrel level, and authoritative overseas opinion is they could go even lower in the weeks ahead.

Government sources pointed out the Cabinet's dilemma in deciding on the timing and extent of a price reduction is to make an assessment of how long current conditions will last.

## Calculations

The acting head of the Bureau for Economic Research (BER) at the University of Stellenbosch, Ockie Stuart, said his calculations indicated that a decrease of about 10c a litre was justified, if current crude prices and rand dollar exchange rate conditions remained fairly constant.

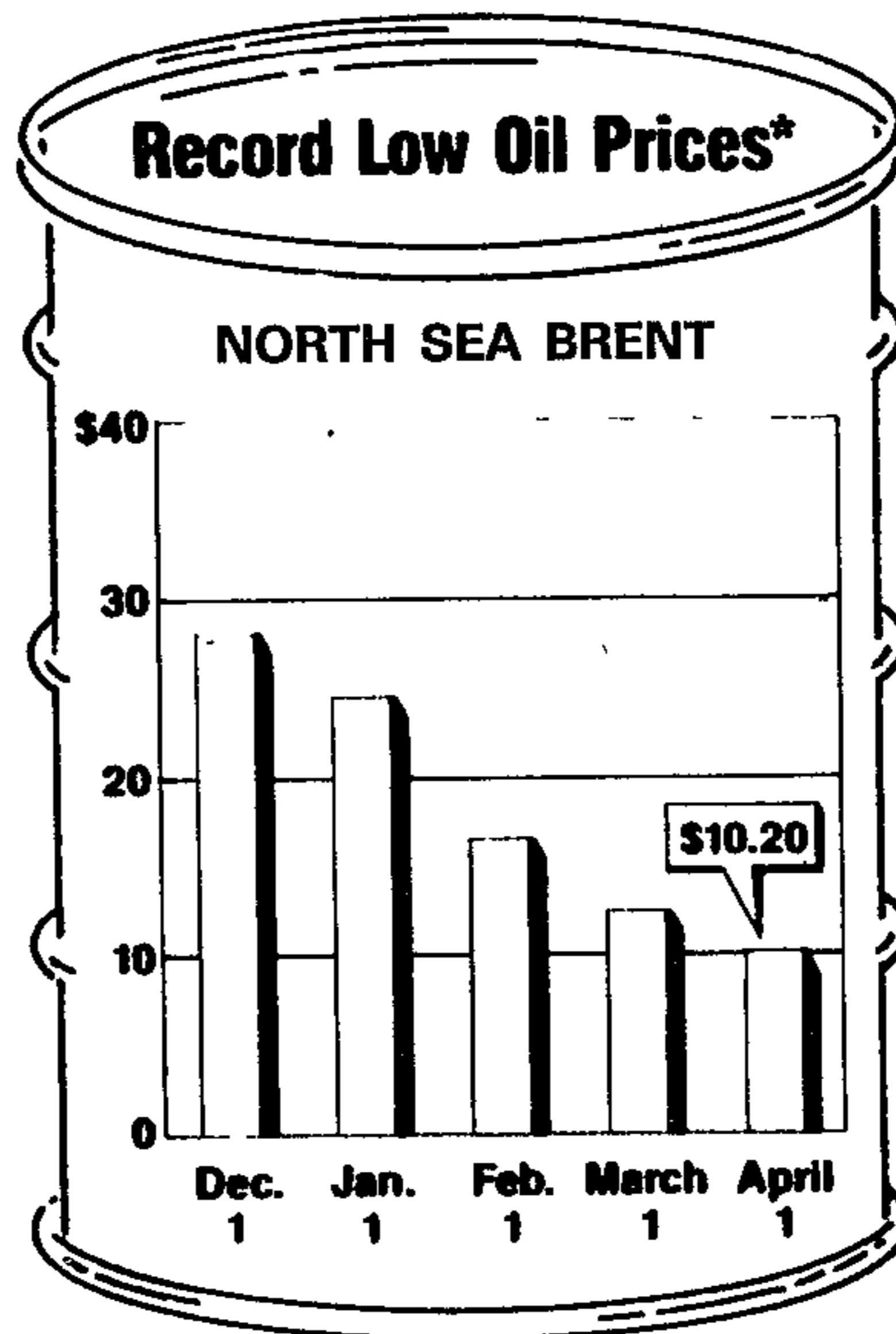
Even if the price of crude increased moderately, the justification would remain.

"Another substantial price cut would be of enormous benefit to the economy, and to the struggle against chronic inflation.

"A price cut would impact immediately on the Consumer Price Index, and substantially strengthen the ripple effects of the price cut in February on prices throughout the economy."

Meanwhile PFP energy spokesman, Brian Goodall, said authorities expected the crude price to stabilize at between \$10 and \$12 a barrel.

He expected a price



North Sea Brent oil, which is traded in the United States as well as Europe, has dropped back to \$10 a barrel yesterday.

reduction of at least 12c a litre to be announced before the end of April — provided there was no dramatic change in crude prices and the dollar value of the rand.

But, he added, even if the rand slipped from its present level there was enough flexibility to justify a lower price.

Oil companies approached would not speculate on the extent of a price cut but said

current conditions obviously made a price adjustment possible.

Analyst Alan Hill of Max Pollak and Freemantle said in assessing the decrease the Cabinet was likely to be conservative.

His guess would be five or six cents a litre.

"The situation is uncertain and volatile and the government is likely to maintain a safe reserve."

## Workers vow to continue with strike <sup>(83)</sup>

THE 250 workers employed by AECI paints in Alrode, near Alberton, yesterday expressed determination to go on with their three weeks long strike. *SOWETO*

At a meeting held at the African Reformed Church in Thokoza township near Katlehong yesterday, they sang, chanted slogans, waved placards and expressed their determination to hold on until

their demands were met

But they still have to appear at the Rand Supreme Court on Tuesday stating why they should not be evicted from the company's premises while they remain on strike. *4/4/86*

This is a sequel to an order by Mr Justice Leveson in the Rand Supreme Court on March 27, after the company applied for their eviction

# Strikers still out

(183) (182) SOWETAN  
THE stalemate at three chemical companies hit by strikes involving about 850 workers had not been resolved yesterday.

The 850 workers, mostly members of the SA Chemical Workers' Union (Sacwu), have been on strike since last month, demanding wide-ranging pay increases. The strike-hit companies are Noristan, Adcock Ingram and AE-CI's Alrode plant.

Sacwu spokesman Mr Michael Tsotsi told the *Sowetan* that his union was still engaged in talks with Noris-

and AE-CI managements, who recently dismissed 500 union members participating in a strike. 4/4/86  
Meanwhile the SA Black Municipal and Allied Workers' Union (Sabmawu) yesterday filed papers in the Rand Supreme Court seeking the reinstatement of its 400 members fired by the Soweto City Council. The hearing is set for next Tuesday.

Sabmawu is contesting the council's decision to fire 400 policemen who went on strike over pay last week.

Best DAY  
4/4/86

# Call for cut in petrol price

(183)

GERALD REILLY

FUEL experts have called on the Government to drop the price of petrol by between five and 12 cents a litre before the end of the month.

The prices of crude in world markets yesterday hovered around the \$10-a-barrel level, and authoritative overseas opinion is they could go even lower.

Government sources, however, said the Cabinet's problem lay in assessing how long current conditions will last.

Acting head of the economic research bureau at the University of Stellenbosch, Ockie Stuart, said his calculations indicated a decrease of about 10c a litre was justified if the current prices of crude and the rand/dollar exchange rate re-

mained fairly constant.

"Another substantial price cut would be of enormous benefit to the economy and to the struggle against chronic inflation."

"A price cut would impact immediately on the consumer price index and substantially strengthen the ripple effects of February's 10% cut."

Meanwhile PFP energy spokesman Brian Goodall said authorities expected the price of crude to stabilise at between

● To Page 2 →

# Call for Govt to cut petrol price

(183)

\$10 and \$12 a barrel.

At the current petrol price there was over-recovery which was being paid into the State fund, he said.

This would be taken into account when a price cut was calculated.

Goodall expected a price reduction of at least 12 cents a litre to be announced before the end of April — provided there was no dramatic change in crude prices and the dollar value of the rand.

But, he added, even if the rand slipped from its present level there was enough flexibility to justify a lower price.

Oil companies approached would not speculate on the extent of a price cut but said current conditions obviously made a price adjustment possible.

Analyst Alan Hill of Max Pollak and Freemantle said the Cabinet was likely to be conservative in assessing the decrease and estimated a five or six cent cut.

"The situation is uncertain and volatile and the Government is likely to maintain a safe reserve."

← ● From Page 1

# Higher vehicle sales expected

BEULAH BROWN

THE McCarthy Group, SA's largest motor vehicle distributor, expects industry sales to pick up in the second quarter of 1986, after a disastrous first quarter in which sales plunged dramatically.

The group will also open used car outlets in Bellville, Cape, and Pinetown, Natal, before mid-year to boost sales in this division.

The rise in sales is predicted by Theo Swart, MD of the group's country-wide motor operations. He forecasts second quarter (April to June) passenger car sales of more than 50,000 and commercial vehicle sales in excess of 25,000.

However, industry car sales for 1986 will be slightly down to 200,000 units from 1985's 204,322. Sales of commercial units should remain static, he said. Swart stressed that the McCarthy Group would at least maintain its market share during 1986.

First quarter sales did not pick up as expected after the Budget in March. As a result, sales of commercial and passenger vehicles will be much lower than had been predicted by the group.

Another reason put forward for the "appalling" first quarter sales was the possible pre-buying in October to December 1985, when buyers were facing severe price increases and the long-term effect of perks tax.

"On this score I can only hope that the Margo Commission findings will recommend that a substantial decrease in the scale of deemed values will apply," Swart said.

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BUD DAY

7/4/86

# Oil fall boosts AECI

WEDNESDAY 7/4/83  
MELBOURNE HARRIS 183

AECI shares are being recommended by stockbrokers Anderson, Wilson who say they offer good returns and steady growth.

Analyst Scott Hawker presumes that the share's recent sharp appreciation took note of the benefits arising from a falling oil price and rising rand

He forecasts earnings a share of 95c this year and says a small dividend improvement is possible — the dividend has remained unchanged at 55c for five years — largely because of the lack of capital expenditure, and a further improvement is likely next year

At 1 150c the share is on a prospective dividend yield of 5% on a 57c payout this year, and 5.2% on a 60c dividend next year.

Hawker says it is not yet clear whether the sales improvement of some consumer-orientated materials will continue and that the rise may have been a hand-to-mouth restocking which will not necessarily be extended

Lower world oil prices will mean lower production costs for international plastics and chemical producers. It may thus again become competitive to import these goods.

Conversely, a stronger rand will act against AECI's export business

Hawker says finance charges will be much less of a burden this year.



# FUEL PRICE may drop 10c soon

Oil Times 9/4/86  
183

Own Correspondent

**DURBAN.** — The price of petrol seems set to drop by a further 10 to 12 cents within the next week or two.

According to Mr Theuns Burger, a spokesman for the Department of Mineral and Energy Affairs, the likelihood of the price dropping is "excellent" and "very good indeed".

Although he could not say by how much the price would drop, or exactly when it could be expected, he did say the Director General of the Department had earlier been reported as saying the announcement would be made by the middle of this month.

Reacting to speculation that a drop of as much as 12 cents a litre was on the cards, Mr Burger declined to com-

ment but said "It will be meaningful, and I think anything over four cents a litre is meaningful".

But he said the administrative staff were still making calculations, and if a decrease were recommended, it would still have to be approved by the cabinet.

Several major oil companies acknowledged that they hoped a "substantial" drop was in the offing, but few would put a figure to their expectations.

A spokesman for Trek said he believed it was "unlikely" any decrease would be more than the one of eight and 10 cents a litre announced earli-

er this year.

Meanwhile, the international oil market continued to react yesterday to reports that Norwegian workers would bring Norwegian oil and gas production to a complete halt for months.

By mid-afternoon, North Sea crude prices were up nearly two dollars a barrel from Friday, with Britain's Brent blend for April loading quoted at 14,10 dollars compared with 12,20 dollars before the weekend.

Sapa-Reuter reports from Oslo that Mr Oddleiv Toennesen, president of the 670-strong Catering Employees' Association (CAF) which has been on strike since early Sunday, said "We are prepared for a long battle our members are prepared to stay out at least two months".

The strike by CAF was immediately followed by a lockout of all offshore workers by the Norwegian Offshore Employers' Association.

About 3 000 staff working on North Sea production platforms were flown back to the mainland on Sunday, leaving skeleton safety crews on board.

The removal of Norway's daily production of some 900 000 barrels of oil boosted spot crude prices as analysts saw it helping to balance out the glut on world markets.

Senior political sources in Oslo said the Conservative government was not unhappy about the dispute and would not intervene.

The price plummeted from 30 dollars a barrel last November to yesterday's levels, and although oil and gas exports represent 20 percent of Norway's state taxes, the sources said that if there was to be a strike, there could hardly be a better time

## SPCA to probe City pet shop

By CHRIS STEYN

THE SPCA is to investigate complaints from the public about alleged cruelty to animals at a Sea Point pet shop.

There were complaints that animals were in bad health and some even injured.

When a Cape Times reporter visited the shop in Regent Road yesterday, she was sold a hamster with a festering wound on its belly. The wound had maggots. The reporter paid R3,92 for the hamster.

She, and members of the public, also saw several other hamsters in a birdcage in used baby food bottles lying on their sides.

Others were kept in cages littered with newspapers and rotten vegetable leaves.

The owners of the shop, Mrs D P Schoeman, who initially hesitated to sell the hamster, poured some TCP from a bottle directly on to the wound and put the hamster into a small muesli-bar box.

When the Cape Times reporter returned to the shop with a photographer to confront Mrs Schoeman, she said that the hamster had been bitten in the morning and that she "just didn't see".

Mrs Schoeman said she had a letter from the SPCA saying that her shop was clean and her animals well fed. She declined to produce the letter.

The secretary of the SPCA Cape of Good Hope Branch, Mr Keith Goudie, said Mrs Schoeman had been in this shop for only the past two days and that the letter pertained to a visit by an SPCA official to her previous shop in St John's Road.

"That report was not for this particular place. I will send the chief inspector to the shop first thing in the morning," he said.

S.M.M. 10/9/86

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# Minister turns down petrol price petition

By Jackie Unwin

The Transvaal motorist will still have to subsidise the uneconomic railway passenger services through paying oil pipeline charges, Minister of Transport Mr Hendrik Schoeman said in response to the 79 000-signature "Jack and Jill" petrol petition

Automobile Association and Progressive Federal Party spokesmen say this is unfair to the inland motorist

In a letter to Mr Jack Huber, a pensioner who launched the petition calling for the massive profits from the oil pipeline to be used to reduce the petrol price, Mr Schoeman said this would mean a drop in the average retail price of fuel of only 1,6c a litre

"Although the saving for the fuel consumer will be minimal, such a concession will result in a considerable increase in the loss on passenger services which cannot be made good by tariffs and/or cross subsidisation"

Mr Schoeman wrote "In view of the contemplated deregulation of the transport market, it has become Transport Services' policy to move towards a tariff structure based on costs

"Such a policy will no doubt bring about a situ-

ation where abnormally high profits on pipeline traffic will be scaled down

"When this materialises, Transport Services will either have to increase passenger fares drastically to cover the cost or additional compensation for the losses sustained will have to be obtained from the Government or a third party"

Mr Schoeman said these aspects were being considered by the National Transport Study Group and recommendations were expected within a few months

Mrs Iona Reed of the AA's public affairs division said "It is unfair that any one sector, in this case the inland motorist or indeed SATS, should have to subsidise uneconomic socio-economic and political services which should in fact be for the account of the entire community through the broad tax base"

PFP spokesman on energy affairs Mr Brian Goodall said "The actual levy for transport costs for inland petrol is about six or seven cents. The Minister said in Parliament it costs about one cent a litre to transport fuel from the coast.

"The cost per kilometre for first class is approximately five times the cost for third class. The pipeline profit is not going to subsidise the lower income groups, but those travelling first class. That is where the loss is being incurred"

SPAK 11/4/85  
183

# Fuel price to go down

Political Correspondent

CAPE TOWN — The petrol price is to be cut again by up to 11 cents a litre from Monday, the Minister of Mineral and Energy Affairs, Mr Danie Steyn, announced today.

The move has been made possible by the collapse of the international price of crude oil on world markets. Also on Monday, petrol pumps are to revert to the full-litre pricing system, while the in-built contribution to the third party fund is to be adjusted, depending on type of fuel, from 2 cents to an average 2,6 cents a litre.

Mr Steyn said that the wholesale price of petrol for 98 octane fuel was to be reduced by 6 cents a litre while that of other grades was to come down by 9 cents a litre.

# Oil price cut

ARGUS  
11/4/86  
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## Up to 10c off a litre from Monday

By TOS WENTZEL, Political Correspondent

THE price of petrol will be cut by between 7c and 10c a litre from Monday, the Minister of Mineral and Energy Affairs, Mr Danie Steyn, announced today.

At the coast the price of 98 octane will drop by 7c a litre and 93 octane by 10c a litre

When the March 3 price cut is taken into account, the price of petrol has been reduced by about 20 percent so far this year

Household paraffin will go down by 4c a litre

### Pumps adjusted

Mr Steyn said the new reductions meant the temporary half-litre price system would be discontinued but prices would still be rounded to the nearest full cent.

Petrol pumps would be adjusted in the next few weeks

He said since the previous decrease, the crude oil price had again dropped and the landed cost of refined petroleum products had gone down.

The Government had decided these reductions should be passed on to consumers.

Because of the fluctuating exchange rate, prices had again been based on 47 US cents to the rand

The amount available for a price reduction was 14c but because of the uncertainty it had been decided to pass on only about 10c a litre to the consumer

### Further reductions

The rest would be used to buy more cheap crude oil to cushion possible price rises later

If there were a further drop in the crude oil price and if the rand stabilised at between 50 and 55 US cents, further price reductions could be considered.

The Minister called on all sectors of the economy to make a positive contribution towards lower prices so that inflation could be significantly reduced

The third party levy would be increased to 2,6c a litre on petrol.

● The Argus Financial Staff reports that prices of gas, paraffin, heavy oil and other products will also be cut by oil companies on Monday.

The latest cut in wholesale prices not regulated by the Government amounted to a reduction of between 25 and 30 percent since the start of the year, said Mr I J Sims, chairman of BP South Africa, in Cape Town today. Details of the new cuts

● Liquid petroleum gas 9,9c a litre (to 17,8c a kg)

- Heavy fuel oil by 4c a litre
- Bitumen by 4c a kg
- Jet fuel by 9,8c a litre
- Aviation gasoline by 12,9c a litre
- Power paraffin by 9,8c a litre
- Benzene by 13,3c a litre
- White spirit by 9,2c a litre

The components of the pump price of one litre of 93 octane petrol on the Reef are

- Landed cost 41,5c (at 47 US cents to the rand)
- Customs and excise 4,0c
- Equalisation fund 1,3c
- Fire protection 0,6c
- Synthetic fuel projects 3,725c
- Combating oil pollution 0,055c
- Administration of strategic stocks 0,220c
- National Road Fund 7c
- Third party 2,6c
- Transport costs to Reef 7,4c
- Rounding off for price purposes 0,5c
- Retail margin 5,2c
- General sales tax 8,9c — total price 83c

## PROUD MARIA, 9 AND HER BABY



Nine-year-old mother Maria Eliane Jesus Mascarenhas poses proudly with her daughter, Dianane, born 15 days ago. Maria, one of the world's youngest mothers, lives in a rural area of Brazil with a guardian, 62-year-old Maria Canuto. Although both are illiterate and have no permanent home, Maria has refused to put her perfectly formed and healthy daughter up for adoption. The father, aged 16, is hiding in the jungle to escape punishment.



### Inside today: Looking for a home

TWELVE pages of friendly faces await readers in The Argus as 150 animals waiting to be adopted parade in a special Pick-a-Pet supplement published today.

The animals are from welfare organisations' kennels in Cape Town bursting at the seams with unwanted, stray or maltreated pets.

Animal lovers looking for pets have the chance to pick a new addition to their families, while finding new homes and lives for these animals.

### Storm in a teacup

The Argus Foreign Service LONDON — Production of Metro cars was halted yesterday in a row over a worker who was back from a tea break five minutes late.

The man was told he would be suspended for two days because he had been disciplined once before four months ago.

His 600 workmates in the trim shop then announced that if he was not working until Monday neither would they.

And they walked out.



## Martin Locke axed from Prime Time

Staff Reporter MARTIN Locke has been axed as co-presenter of TV1's Prime

# THE UNIVERSAL FAVOURITE



# Petrol drop: City bus fares to be cut

CAPE TIMES 12/14/86 183

**CITY TRAMWAYS** has announced that it will drop its fares following the average 9,4 cents a litre cut in the petrol price announced by the Minister of Energy Affairs, Mr Danie Steyn, yesterday

Its lower clipcard fares will come into effect on Sunday, April 20

And the Opposition transport spokesman, Mr John Malcomess, called on the Minister Mr Hendrik Schoeman to cut transport tariffs

"If it is not done we must query the bona fides of the government in its fight against inflation"

However, a South African Transport Services spokesman said SATS would not be reducing road transport tariffs and fares as it had a budgeted deficit of R98-million for the current financial year and an accumulated one of R630m. The reduction might have effects on future price determinations, he said

## 'Considerable pressure'

OK Bazaars MD Mr Gordon Hood has announced that the chain will immediately reduce the price of frozen chickens from an average of R2,69 a kg to R1,99 a kg for at least the next week and will negotiate with suppliers of fruit, vegetables, meat and fish to reduce prices

The managing director of Checkers Mr Clive Weil said his company would "pass its petrol savings on to the consumer as soon as possible" and put "considerable pressure" on suppliers to do the same

Pick 'n Pay director Mr Alan Gardner said he and the chain's buyers around the country were working to reduce the prices on products across the board

In announcing the cut in the price of City Tramways clipcards the managing director, Mr Nic Cronje said yesterday it should be remembered that the last time the company adjusted its tariffs to take account of increased operating costs, excluding fuel-price increases, was in November 1984

Clipcards costing up to R5 will now cost 10c less per week (eg a R3,70 clipcard will now cost R3,60), those costing more than R5 and less than R10 will cost 30c less per week and clipcards costing more than R10 will cost 40c less per week

These announcements followed hard on the heels of appeals by both Mr Steyn and various consumer bodies and members of commerce and industry, for the price cut to be passed on in an effort to reduce inflation

Mr Steyn, who announced the cut — the second in a month, said yesterday that little had been done last time to bring down prices

The cut could have been 14c a litre he said, but because of the instability

of the crude oil price it was being pegged at about 10c

Putco, according to its public relations officer, Mr Pat Rogers would have to investigate whether it could pass on the increase to passengers

The cut was met with widespread enthusiasm by industry and commerce

The general view was it would stimulate the economy and contribute to reducing the inflation rate

Mr Brian Goodall, Opposition spokesman on energy welcomed the cut as it "could help to reduce inflation and little in this connection had been done in the budget"

The president of the South African Agricultural Union, Mr Kobus Jooste, said it would effectively save the agricultural sector about R109-million a year, and that the move could only benefit the country's sick economy

Mr Nico Vermeulen, director of the National Association of Automobile Manufacturers of South Africa, said the savings made possible by the reduction should translate into increasing disposable income and generally boost demand for goods and services

The chief executive of Assocom Mr Raymond Parsons said the intensity of competition would ensure that many businessmen would translate the cut into consumer benefits

The national president of The Housewives' League of South Africa, Mrs Joy Hurwitz, said "We now expect some reductions in commodities"

The assistant secretary of the Motor Industries Federation Mr Rod Hudson told the Cape Times that garages could now go back to selling at full litre price by Monday

The pump price of 98 octane will be reduced by six to seven cents a litre, and 93 and 87 octane by nine to 11 cents a litre

## Wholesale price

The variation is due to rounding off. The wholesale price of 98 octane will be cut by six cents and the other two octanes by nine cents

The pump price of diesel will be cut by 9,3 cents a litre and for marine, government, trade and industrial uses it will be cut by eight cents a litre

Agricultural diesel will be cut by 8,1 cents, public goods transport by 9,3 cents and bus transport by 8,3 cents

Household paraffin is to be cut by four cents a litre and industrial paraffin by eight cents — Staff Reporters, Political Staff and Sapa

14/1/83 BUS DAY 183

## Further drop in LPG price

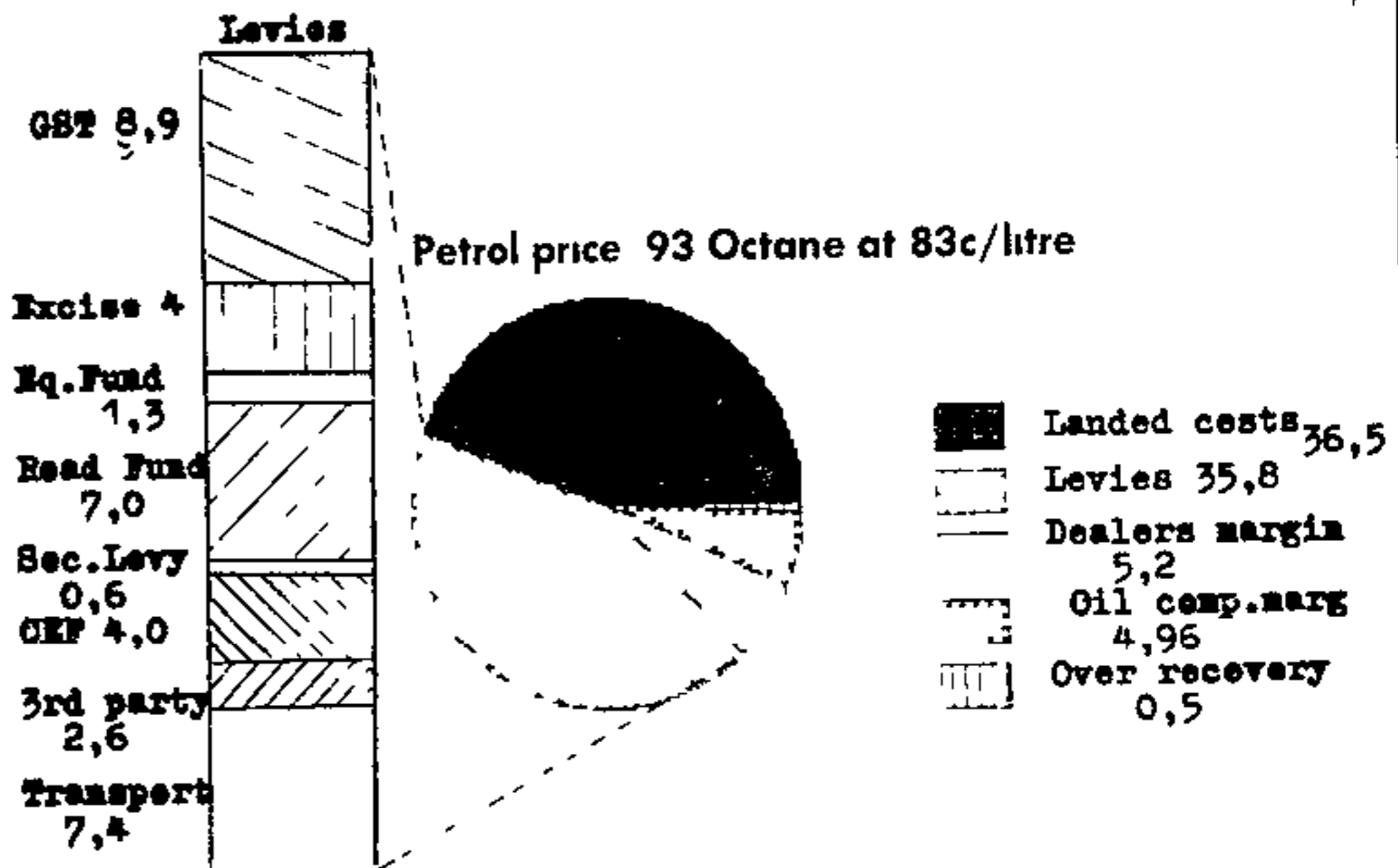
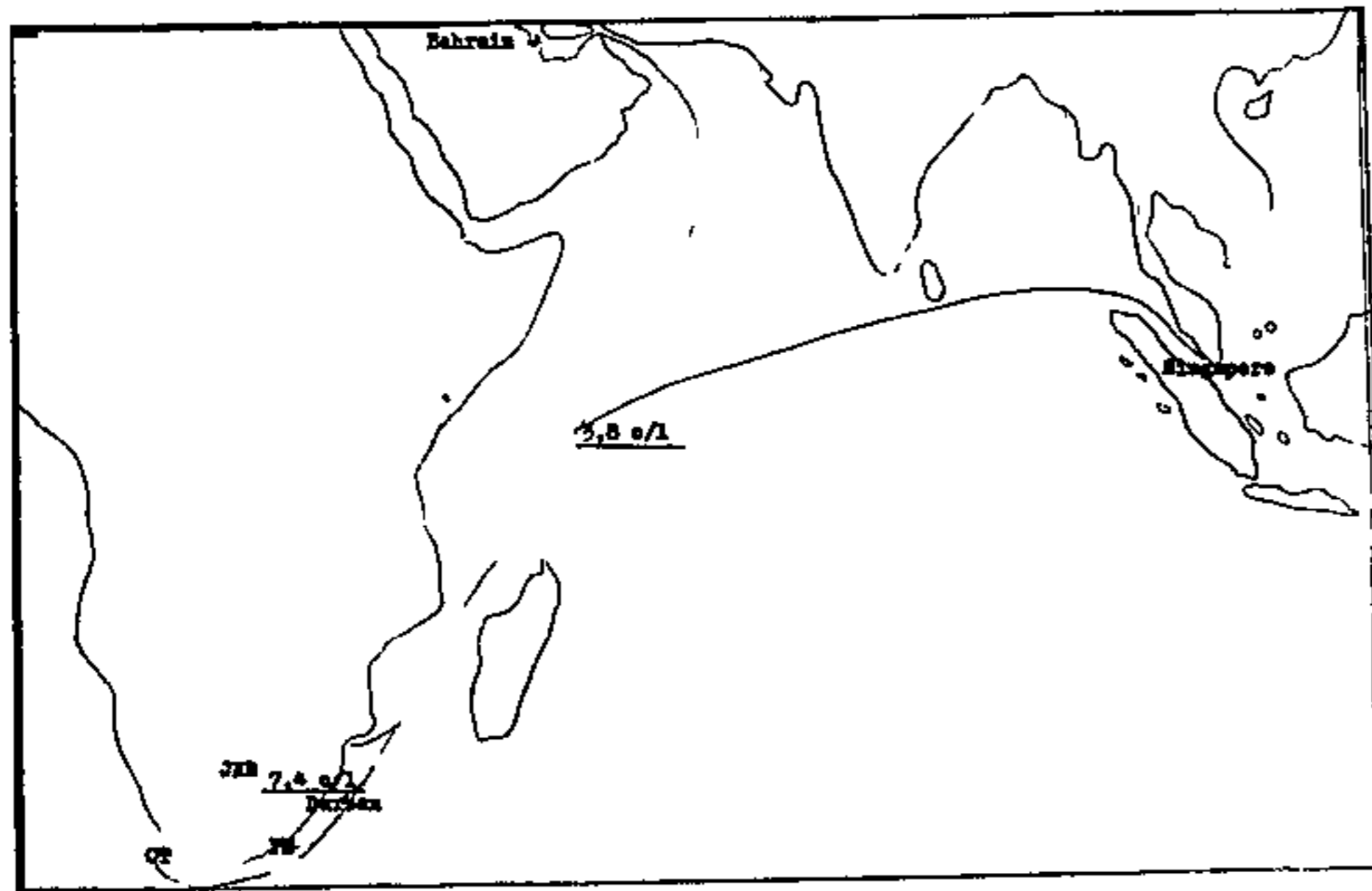
Own Correspondent

THE price of liquefied petroleum gas (LPG) has been reduced by another 18%.

This means that LPG has gone down by about 36% since the beginning of last month.

The latest reduction — a direct result of lower crude oil prices on the world market — was announced in Cape Town on Friday.

Easigas GM Peter Gray said: "The overall reduction of about 36% is good news for the consumer and we hope that improved conditions will cause the price of LPG to drop even further."



The March petrol price of 83 cents is made up largely of levies and landing costs. Bar chart shows how the 35,8c of the levy is arrived at

The graph shows the transport cost of 93 Octane. When it arrives in Johannesburg the price is almost double the shipping costs

By Gareth Costa

Contrary to the popular conception that the government, in cahoots with the oil companies and specifically Sasol, is "ripping off" the petrol consuming public, the price of fuel is in line with world prices, says an industry source

But, it does not appear to be so at first glance, when people see world crude prices plummeting and petrol remaining expensive

However, the price has been reduced twice recently, and it is not easy to adjust to the everyday or weekly fluctuations. But because between every adjustment the price is in an "over or under-recovery" period and consequently money is either put in or taken out of the "slate" to balance the price

The source said that recently the "over-recovery" has been running at about 13c a litre, but is now a mere 0,5c and around about November it was in an under-recovery of about 6c, while in November 1984 it was 19c in under-recovery. Over time the price is balanced, but there is always a surplus and it is now estimated to be about R200 million

The price of 93 octane petrol at any time comprises the international daily quoted petrol price, shipping at daily quoted rates to the port of entry, inland railage and fixed SA charges such as margins, excise and GST

When analysing the price it is

## Sasol not ripping off public, claims expert

# SA fuel price in line with world markets

STAR 183  
15/4/86

easy to see that just over half the price is in various forms of levies to government

GST tops the list with 8,9c, then comes transport, which is 7,4c for the PWV area, Customs and Excise 4c, National Road Fund 7c, Central Energy Fund (CEF) 6,6c, over-recovery 0,5c, Equalisation Fund 1,3c, security levy of 0,6c, and the landed cost of 41,5c, which includes the oil company margin of just less than 5c

The 6,6c CEF levy is again broken up into 3,725c for synthetic fuel projects, 0,055c for preventing oil pollution, 0,22c for administration of the synthetic projects and lastly 2,6c for third party

An example of how prices are calculated is given as follows

Say SA receives 25 percent of its crude from the Persian Gulf, and 75 percent from Indonesia

The prices received are then averaged to get a free on board price (FOB), and the crude is shipped. The FOB price is then converted at the applicable exchange rate and to it is added

the cost of shipping which is made up of the market rate, insurance, allowance for loss and landing costs

The rail costs are then added on for transport to various areas — these costs are actually more than the total costs of shipping from places as far away as Indonesia. The levy is presently 7,4c a litre in the Transvaal

All the various other fuel types, such as diesel and jet fuel, are calculated in a similar way and the distributors experience the same ups and downs of the price but are not so eager to reduce prices when they are falling

The equalisation fund levy, or as the industry calls it, the "skunk fund", is the premium which SA must pay "for its sins", because of the oil embargo imposed on it

The 1,3c quoted figure is however, a subsidised one, since not all the country's fuel is imported. Sasol receives part of the 1,3c, which it does not deserve because it does not pay a premium, and so it pays the money

back as a subsidy

In other words the levy is a balance between Sasol production prices and the imported prices

The retail dealer margin and the oil company margin are the only parts of the structure which can really be said to be controlled, but this does not mean they are supported

In 1927 a principle was laid down by government that stated that indigenous fuels must compete on both price and quality, and this still applies today

The 6,6c CEF levy is used to provide working capital for projects such as the Mossel Bay synthetic fuel plant and originally Sasol. The security levy is used to protect the various petrol installations

It is interesting to note how the 83c a litre SA price compares with European prices. At an exchange rate of 47,50 US cents as of March 25 this year, Denmark pays the equivalent of R1.52 a litre, Italy R1.90, Ireland R1.70, France R1.73 and Portugal R1.65

# Sacwu makes new move

THE SA Chemical Workers' Union has asked supermarket chains to remove Adcock Ingram products from their shelves. This is another bid by the union to force the company to resolve a labour dispute at its Industria plant.

Sacwu general secretary Mr Michael Tsotetsi said his union had sent telex messages to supermarket groups notifying

By LEN MASEKO

10/1/86  
SOWETO, A.P.  
them of the boycott of Adcock products

About 300 Sacwu members have been on strike over wage demands at Barlow Rand subsidiary (SASA)

Sacwu is distributing pamphlets calling for a boycott of the company's products throughout the country

Meanwhile metal

workers' unions representing about 450 000 workers were locked in wage negotiations with the employer body, the Steel and Engineering Federation of SA (Seifsa), in Alberton all day yesterday. Both parties are expected to issue a joint statement this morning. (183)

• About 50 striking workers at Unico Chemical were yesterday served with a court order barring them from entering the company's Johannesburg plant

• The black workforce at Rennie's Truck Hire downed tools this week, demanding wage increases. By yesterday, Rennie's management was still negotiating with a workers' liaison committee at the plant.

• About 250 workers at Omnia Fertilisers in Sasolburg are still on strike, demanding wage hikes. Talks between Sacwu, which represents the workers, and the management reached a stalemate last month



# Black really is beautiful

Financial Staff

The South African toiletries market is undergoing a profound change, becoming increasingly dominated by black purchasing power.

In 1975 only 40 percent of black households used deodorants — in 1985 usage of these products had increased to 87 percent. There is also a trend in some categories by blacks for more expensive brands which has led to a shift in the entire market structure.

A Market Research Africa survey shows that specific sectors of the market are recording astonishing growth. A particularly dramatic example comes from the hair care sector. Black expenditure here grew by 93 percent during 1985 to R35 million (excluding salon treatments).

In the conditioner category particularly, black volume growth of 39 percent was accompanied by a move to more expensive products, with a resultant tripling of market value.

With white/Asian/coloured expenditure growing at a more modest 22 percent, the black share of total hair care expenditure increased from 25 percent in 1984 to 34 percent in 1985, at the same time, the value of the total market (all race groups) grew by 39 percent compared with 1984.

In the deodorant category continuing black market growth has seen an increase in the share of the roll-on segment (which is 71 percent black) to 34 percent of the total category, with roll-on deodorants showing volume growth of 11 percent in only six months.

19486 BUS DAY 183  
**Date set for gas tenders**

**TENDERS** for the onshore part of the R4,5bn Mossel Bay gas project will be invited at the end of May when "terrain" investigations are expected to be completed, Mineral and Energy Affairs Minister Danie Steyn said in Cape Town yesterday.

This meant that the planning phase of this part of the project

would only be completed within a year, he said.

Steyn said that once the planning phase of the offshore part of the project was completed, the construction of the giant platforms would be centred mainly in Port Elizabeth.

BUS DAY  
22/4/85  
183

## Soekor's spending increases

CHRIS CAIRNCROSS

SOEKOR spent more than R121m on the search for oil last year, compared with R97m during 1984, according to the Department of Mineral and Energy Affairs' annual report.

This brings the total spent by Soekor and its subsidiary companies on this search to R652,6m since 1965.

Only R38,8m of this amount has been spent on land exploration.

Sub-lessees of Soekor have, up to now, spent about R80m on the oil search.

The report records that Soekor completed 17 boreholes offshore last year, bringing to 119 the number of holes drilled since the search was first started.

Of those completed last year — concentrated mainly in the Mossel Bay area, but also off Port Elizabeth and Plettenberg Bay — seven produced sufficient indications of oil or gas to justify production tests

FIN 181

## COUNTING FUEL COSTS

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Department of Mineral and Energy Affairs (DMEA) officials in Cape Town are burning the midnight oil calculating whether they can afford to make another fuel price cut.

"We cannot disclose details on the volume and value of SA's oil import bill, but I can say that the rand price of a barrel of oil dropped from around R73/barrel in the last quarter of 1985 to the current R20-R24," the DMEA's Theuns Burger tells the *FM*.

This represents a fall of about 70% over the four months, calling for fancy footwork from the DMEA.

Average landed crude prices moved from R33,09/barrel in 1981 to R40,11 in 1982, R34,89 in 1983 and R45,86 in 1984. But last year's quarterly average moved from R56,51 in the first quarter, to R57,45 in the second, R60,80 in the third and R73,80 in the fourth quarter. As late as January the price still stood at

R67,21.

Although the rand recently fell back from its 50c level, its recovery since last Friday means that conditions for another petrol price cut remain favourable. The March 3 petrol price reduction was based on a 47c rand value and world oil prices of some \$15-\$16/barrel, says Burger.

But the drop in the rand value of international oil prices is not necessarily reflected by a fall in SA's oil bill, says Burger. He cautions against comparative calculations.

"Other historical factors are also taken into consideration when determining local fuel prices. For example, SA buys a fair amount of its oil on bilateral term contracts. This means it takes a while before world spot market movements are reflected in our contract prices," he says.

Burger doubts that the current world oil glut will continue. His prediction: "In the longer run, oil prices will firm again."

# Petrol price cut delayed for too long

Own Correspondent

**DURBAN —** The Government has delayed too long in lowering the petrol price and giving the economy the shot in the arm it desperately needs

Professor Brian Kantor of the University of Cape Town said the authorities erred on the side of conservatism; there was an urgent need to take chances to stimulate the economy.

The landed price of oil in the country was between R20 and R24 a barrel, compared with a ceiling of R73 when world prices were at their highs and the rand at its lowest ebb

There was scope for a drop based on a reduction of 25 cents a litre in the landed price of oil.

Professor Kantor said a drop in short-term interest rates was imminent, and was sorely needed to stimulate demand for credit and boost the economy

It was unfortunate that changes in the building society business were taking place now. Bond rates were being kept unnaturally and unhealthily high because the societies were building up wealth before going to the market

CPG Times 23/4/86  
**26 factory workers strike**

183  
43  
Staff Reporter  
ABOUT 26 workers at a Stikland plastics factory went on strike yesterday in protest at the overnight arrest by police of a colleague who had ear-

lier been cleared by management of allegedly stealing oil

A spokesman for the factory, Paxit Pipekor, said that after day-long negotiations with union officials at the Bridge Road premises yesterday, management had agreed to union requests that a notice be issued to the effect that the employee had been cleared in an internal investigation

The spokesman said that negotiations, to resume today, still had to deal with union requests that management approach the police about the matter. He said management was willing to inform the police that it had no objections to charges being dropped

# Chloride's EL plant closing?

183  
DISPATCH  
24/4/86

**Dispatch Reporter**  
EAST LONDON — Chloride's East London plant will close at the end of this month unless practical alternatives can be found not to do so, the managing director of Chloride SA Ltd, Mr Keith Beaver, announced in a statement yesterday

The decision to close the plant follows a review of the company's manufacturing operations in South Africa during which plans were made to centre all battery production on the company's Benoni plant

Yesterday members of the company's head office in Johannesburg flew to East London to begin discussions with management and the South African Allied Workers' Union (Saawu) which represents the majority of workers at the East London plant

"Discussions have started with union representatives regarding the closure of Chloride's East London plant. If no practical alternatives

can be found, the plant will close on April 30," Mr Beaver said yesterday

If the plant does close 313 employees will be made redundant

The company's finance director in Johannesburg, Mr P. D. Redshaw, said here yesterday that until discussions were completed on April 30, production at the East London plant would be suspended to enable management to discuss alternatives with workers and any personal problems they might have

"Chloride's review is a direct result of the increasingly difficult market situation. New vehicle sales have been well below the volumes enjoyed over the past few years and there is little prospect of a meaningful improvement in the foreseeable future

"Inflation, high interest rates and the devaluation of the rand have all caused unprecedented increases in battery manufacturing costs," Mr Beaver said.

He added that a significant investment had been made in recent

years at the company's Benoni plant with further investment planned. The plant was more than capable of providing all of Chloride's current battery requirements. The plant also had the added advantage in that it was very close to the major market for batteries in the PWV and mining areas, thereby leading to savings in distribution costs

"Chloride has always been one of the leading battery companies in South Africa and we intend to keep it that way," Mr Beaver said.

"By responding vigorously to the changes in the market and concentrating all our production in Benoni, we aim to be the most efficient producer of high quality batteries in South Africa," he added.

The secretary of the East London branch of Saawu, Mr Boyce Melitafa, said discussions with Chloride management were continuing.

He said all workers had been told to go home yesterday but were assured by management that they would receive their full wages for April

DATE 7/17/83 281/18

# Strike at plastics factory resumed

By CHRIS BATEMAN

ABOUT 50 workers at a Stikland plastics factory resumed a strike yesterday as negotiations with the management about a colleague accused of theft reached stalemate.

After going on strike earlier in the week, the employees returned to work on Wednesday when management agreed to "assist" in the upcoming trial of the man, then held by police.

Negotiations are to resume today, with the union representing the workers now demanding that management ensures that charges against the man are dropped.

A company spokesman last night said this was impossible as only the police or the Attorney General could decide to drop charges.

The union is also de-

manding that workers be paid for the days they have been on strike. Management insists on "no work, no pay".

A spokesman for the union said the management of Paxit Pipekor in Bridge Road had reneged on promises to try to withdraw the case against the worker, Mr Jannie Witbooi.

Mr Witbooi was granted bail yesterday after appearing in Bellville Magistrate's Court. Bail was paid jointly by the company and a union shop steward.

On Tuesday management publicly displayed a notice saying the detained worker had been cleared by an internal investigation.

Management is considering declaring the workers' actions a "wild-cat strike" which does not conform to standard labour practices.



**W**HAT do a bloody mary, car tyres, fertiliser, bread, plastic bags and sheep-dip have in common?

The answer is Sentrachem, which produces the materials for all these products.

With such a diversified portfolio of interests, it is little wonder the company sometimes appears to be on a business see-saw. As some activities prosper, others struggle, and the company seems over-extended in some of the areas to which it is committed

This see-saw, and the uncertainty it brings with it, has been reflected in Sentrachem's share performance in the last five years. From an average 784c in 1981, the share fell progressively to 555c in 1982, 380c in 1983, 326c in 1984 and 239c last year.

It reached a low of 140c in November, but since then has evened out to the point that MD Dave Marlow offers guarded optimism on the company's future trading performance

Sentrachem operates in six main areas — industrial chemicals, plastics, mining chemicals, food-stuffs, rubber and agriculture

Of those, Marlow predicts growth in the first four, but continued problems in rubber and agriculture.

Sentrachem's rubber interest — and indeed the group's entire profitability — is centred on its Afprene synthetic rubber plant. Afprene's heavy losses have wiped out many of the gains elsewhere in Sentrachem.

**T**he project, which has already cost the company nearly R700m, continues to be a lossmaker and to operate well below capacity, and Marlow is loath to predict when it will finally start to pay its way.

"It would be irresponsible to project when Afprene will make a profit. Internal surveys show significant growth but I am not prepared to take a dip on when it will become profitable"

Afprene, for all practical purposes, is a project waiting for a market.

Says Marlow "The Afprene plants are running well so now it's a question of developing the markets. Substitution by a local product of traditional raw materials is

# Sentrachem

## is looking

## for profit

BWD DAY  
25/1/86

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□ MARLOW

DAVID FURLONGER/Industrial Editor

by the very nature of things a slow process."

While Afprene's export potential has been hurt by the recovery in the rand, this is offset somewhat by the cost-savings from the drop in world oil prices

Although some synthetic rubber is based on coal, much comes from petrol-based derivatives.

"A drop in the petrol price," says Marlow, "should have a long-term effect. Our cost of manufacturing depends on the world price of oil."

Sentrachem's other current problem child is agricultural fertilisers, where the market has de-

clined by more than 30% in three years. Main reasons are the drought and farmers' worsening financial position

**F**rom a peak of 3.5-million tons in 1982, consumption last year fell to 2.3-million tons. Sales this year are down even further. With five major manufacturers — Kynoch, Sasol, Triomf, Omnia and Sentrachem's own Fedmis — vying for a share of the shrinking market, there is enormous over-capacity

and this in turn has led to accusations of price wars among the five

"It's pretty rugged out there," says Marlow. "The industry generally is having a very difficult time and no fertiliser operation that is correctly costed is making a profit."

He sees little hope of improved market conditions

"The market has fallen to a new base and won't grow dramatically from the present level of consumption. Export markets have virtually disappeared because of new capacity overseas and lower world prices"

For Fedmis, with 27.5% of the fertiliser market, the situation has meant pulling in its horns and protecting market share. Production capacity has been cut and Marlow wants it to stay that way as long as the market is down.

"We are in a situation where 27.5% of the current market gives us optimum operating costs. We have mothballed plants and cut capacity. We see this as the optimum capacity at this stage. So we are doing all we can to defend that 27.5% market share and if we must compete on price to do so, we will. But we are not a price-setter."

Marlow is happier with Sentrachem's performance elsewhere.

The plastics division is looking to expand its interests in the expectation that it will match the

growth rate of the sector as a whole

"Fertilisers is not an area for investment but plastics is thus we will keep pace with growth in this market. We talk of doubling the rate of growth of GDP or better"

**S**entrachem's diversified interests in this sector range from crates to plastic bags to mining supplies, a growth area for plastics. According to Marlow, it is an area that requires constant technological development.

"You have to continue to spend money on development of new processes and products. You can't sit back on what you have, which means we are developing all the time."

The mining chemicals market is an important one for Sentrachem, and it is here that much of the group's R15m research and development bill is spent

Marlow says the company is working closely with the gold mining industry in the use of ion-exchange resins to knock out non-ore elements. He says the process is already used in the recovery of uranium and in treating industrial water but has not been used before in SA in goldmining.

With foodstuffs — "a speciality market but a growth one for us" — and industrial chemicals both profitable areas for Sentrachem, the group is stretched across a wide slice of the industrial spectrum. Marlow is unwilling for the group to stretch its resources any further

"We're not fundamentally looking for acquisitions. We won't expand from the base we already have"

He admits Sentrachem still has a long way to go before producing the results its shareholders expect — Central Chemical Investments, which holds 50%, is itself 50% held by Fedvolks, 20% by Gencor and 24% BP — or its R1.5bn turnover merits

"Our prime objective is to improve our balance sheet and recommence dividends

"Previously, the negative effect of Afprene outweighed our other profits. Last year we were successful in reversing that situation. Our job is to continue on that road as quickly as we can"

### SENTRACHEM HIGH/LOW SHARE PRICE

(cents)	1981	82	83	84	85
925					
685					
650					
485					
450					
315					
320					
300					
255					
160					

Source SENTRACHEM

### TOTAL TANGIBLE ASSETS

Rm	1981	82	83	84	85
675,8					
967,9					
1 171					
1 344,2					
1 387,4					

APR 26 1978

# Strikers at plastics factory back at work

By CHRIS BATEMAN 1P3 (129)

ABOUT 50 workers at a Stikland plastics factory returned to work yesterday, ending a week of sporadic strikes as management undertook to discuss and clarify internal crime investigation procedures

Yesterday's return follows the arrest by police on Monday of a worker in connection with the alleged theft of five litres of oil on company premises. An internal company investigation earlier cleared the man of the alleged theft because of "insufficient evidence".

Constant negotiations between the management of Paxit Pipekor and the Plastic and Allied Workers' Union resulted in a public admission by the company that the worker had been cleared and assisting in the paying of his bail in Bellville Magistrate's court on Thursday.

The workers first went out on strike on Tuesday, returning to work on Wednesday before downing tools again on Thursday.

A company spokesman said yesterday the company remained firm on not paying workers for days they were on strike, one of the subsequent demands made. He said no agreement had been reached on workers' demands that the charge of theft be withdrawn.

Number of Students	Country of Origin	University
8	Transkei	Cape Town
3	Bophuthatswana	Cape Town
1	South-West Africa	Cape Town
1	Zimbabwe	Cape Town
6	Lesotho	Cape Town
2	Botswana	Cape Town
2	Other African Countries	Cape Town
77	Transkei	Cape Town
6	Bophuthatswana	Natal
10	Venda	Natal
2	Ciskei	Natal
7	South-West Africa	Natal
1	Zimbabwe	Natal
1	Lesotho	Natal
3	Swaziland	Natal
4	Other African Countries	Natal
2	Other African Countries	Natal
1	Countries in Europe	Natal
5	Transkei	Natal
3	Bophuthatswana	OFS
1	Lesotho	OFS
9	Other African Countries	OFS
1	Transkei	OFS
2	Bophuthatswana	Port Elizabeth
1	Countries in Australasia and Oceania	Potchefstroom
1	Malawi	Potchefstroom
1	Transkei	Pretoria
1 501	Bophuthatswana	South Africa
1 218	Venda	South Africa
484	Ciskei	South Africa
371	South-West Africa	South Africa
344	Zimbabwe	South Africa
446	Lesotho	South Africa
61	Botswana	South Africa
34	Swaziland	South Africa
64	Zambia	South Africa
12	Other African Countries	South Africa
71	Countries in Europe	South Africa
5	Countries in Asia	South Africa
12	Countries in North America	South Africa
3	Countries in Australasia and Oceania	South Africa
1	Transkei	Stellenbosch
2	Bophuthatswana	Stellenbosch
1	South-West Africa	Stellenbosch
10	Transkei	Witwatersrand
6	Bophuthatswana	Witwatersrand
6	Venda	Witwatersrand
1	Ciskei	Witwatersrand
2	South-West Africa	Witwatersrand
12	Lesotho	Witwatersrand

HoA

Number of Students	Country of Origin	University
1	Botswana	Witwatersrand
9	Swaziland	Witwatersrand
18	Transkei	Rhodes
3	Bophuthatswana	Rhodes
6	Ciskei	Rhodes
1	South-West Africa	Rhodes
2	Lesotho	Rhodes

WEDNESDAY, 30 APRIL 1986

**THE MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT**

†Indicates translated version  
For written reply

*General Affairs*

Q 22 1489  
HANSAWED 30/4/86  
522 Dr W J SNYMAN asked the Minister of National Health and Population Development +

- (1) What total amount was spent by his Department on the purchase of (a) imported and (b) locally manufactured pharmaceutical goods in the latest specified financial year for which figures are available.
- (2) Whether his Department purchases such pharmaceutical goods on behalf of other State (a) departments and (b) agencies, if not, what procedure is followed in this connection, if so, (i) on behalf of which State (aa) departments and (bb) agencies and (ii) what contributions were involved in each category.
- (3) whether his Department sells such pharmaceutical goods, if so, (a) to whom, and (b) at what total amount, in respect of the above-mentioned financial year.
- (4) whether he will make a statement on the matter?

- (1) (a) and (b) The Department of National Health and Population Development does not purchase pharmaceutical goods directly from the manufacturers but is supplied in its needs from the medical stores depots of the Department of Defence (SA Medical Service) The total value of pharmaceutical goods supplied to the Department during the financial year 1985-1986 amounted to R33 million. No statistics are available as to the value of imported finished goods supplied but it is estimated that this would amount to approximately 15 to 20 per cent of the total. The balance would be locally manufactured pharmaceuticals although it must be mentioned that approximately 90 per cent of the active ingredients used in the local manufacture of pharmaceuticals is imported.
- (2) The department does not purchase pharmaceutical goods on behalf of any other state department or agency. The procedure followed in this connection is that pharmaceutical goods used in public health services, other than those of the provincial administrations, is presently purchased by the Department of Defence (SA Medical Services) on behalf of the authorities rendering health services in the public sector. The remainder of the question is accordingly not applicable.
- (3) No (a) and (b) Falls away

HoA

# Triomf reports R50m attributable loss

PRISCILLA WHYTE

TRIOMF Fertilizer has reported an attributable loss of R50,5m, equivalent to 180c a share for the six months to December

No comparative figures are given, because the results of the subsidiary Triomf Fertilizer (Richards Bay) were only consolidated from July 1985. Triomf ran up an attributable loss of R24,3m in the

18 months to June 1985. MD Phillip Clarke said at a Press conference yesterday that the group would produce a loss in the second-half of this financial year, but the loss would not be proportion-

ately as high as the first-half loss

For the six-months to December the trading loss amounted to R4,8m but interest and foreign exchange losses amounted to almost R45,7m. The \$59,4m foreign loan is fully covered, says Clarke, and "no repayments are due in the next four years"

Sales volumes in the local and export markets are expected to increase in the second half

*BUDDAY 1/5/86*

*183*

AREA A: Alberton, Bellville, Benoni, Boksburg, Brakpan, The Cape, Durban, Germiston, Inanda, Johannesburg, Kempton Park, Kimberley, Klerksdorp, Krugersdorp, Nigel, Pinetown, Pretoria, Randfontein, Roodepoort, Simonstown, Springs, and Wynberg, Municipal Area: Port Elizabeth;

AREA B in all other areas.

# Triomf Fertiliser takes a pounding

SPAR 1/5/86. 183

By Sven Lunsche

Triomf Fertiliser continued its downward trend when it reported an attributable earnings loss of R50,5 million, or 180 cents a share, for the six months ending December 1985

No comparative figures were given as the results of the subsidiary Triomf Fertiliser (Richards Bay) were only consolidated from July last year. It is clear that the company will be worse off than last year, as it ran up an attributable earnings loss of R24,3 million for the 18 months ending June 1985

Net trading losses amounted to a minimal R4,8 million, but interest and foreign exchange

losses totalled almost R46 million. However, Triomf MD Philip Clarke emphasised: "The \$59,4 million dollar loan is almost fully covered and no repayments are due in the next four years"

Total debt increased by 10 percent to more than R350 million, of which about R200 million is owed to Nedbank. But Nedbank seems to have retained confidence in Triomf, as R65 million preference shares are issued to the bank, terms and conditions are still being negotiated. This should alleviate high financing costs

A fierce price war followed by falling demand and inevitable over-capacity has taken a heavy toll of the fertiliser industry's resources

While Triomf increased its share of the R1 billion market to almost 25 percent, the expected 10 percent increase in the agricultural market did not materialise as the drought and withdrawal of government subsidies forced farmers to reduce input costs. In fact there was a decrease of three percent

On the international market, which makes up about 30 percent of Triomf's sales, fertiliser requirements also took a substantial dip and sent world commodity prices slumping. This forced the company's Richards Bay subsidiary to reduce production by almost 50 percent

Triomf's Richards Bay phosphoric acid plant should produce at almost full capacity by the beginning of May. "Losses are still expected for the second half of the year but they won't be proportionally as high as the first-half loss," Mr Clarke said

## More discount petrol outlets open in city

AR 6/15 2/15/86 AS  
Motoring Editor

MORE service stations in Cape Town are offering coupon-discounted petrol following the Supreme Court ruling which allowed Pick'n Pay to issue discount vouchers for fuel bought at its supermarkets.

One of the new competitors is a service station in Main Road, Sea Point, where motorists receive discounts of 12 cents for every litre of fuel bought.

The vouchers are redeemable at a chain of steakhouses, a Sea Point car wash or a silencer shop.

"Since I introduced the scheme on April 17, my petrol sales have soared 20 to 30 percent," owner Mr Harold Sirin said today.

"I think the Government will legislate to stop coupon discounts, but until they do, we carry on."

### HARD LOOK

Several filling stations in Mitchell's Plain are offering coupon discounted petrol, a service station in Woodstock plans to introduce the system this month and a number of other outlets are taking a hard look at it.

The fixed mark-up on fuel is about five cents a litre.

Coupon discounting usually involves a local tie-up and cross-discounting in a group of companies is the most beneficial system.

Oil companies are remaining neutral in the matter.

"As long as they break no laws, the outlets do what they like," a spokesman for a large oil company said.

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SAR  
6/5/86  
Apartheid  
sign action  
unsuccessful

The Industrial Court case in which white workers at the AECI plant near Newcastle in Natal are attempting to retain racially segregated facilities, was yesterday partly abandoned.

The all-white Mine Workers Union (MWU) has claimed the taking down of the "whites only" signs at the Chlor Alkali plant at Ballengeich in Natal was an unfair labour practice.

The MWU applied to the Industrial Court in terms of section 43 of the Labour Relations Act after a conciliation board failed to resolve the dispute. The court found it did not have jurisdiction to hear the section 43 application for interim relief.

The MWU is considering bringing another application later.

Mr Arrie Paulus, general secretary of MWU, yesterday said his union had taken up the fight on behalf of all white workers — Pretoria Bureau.

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Cape Times, Wednesday, May 7, 1986 11

# Trek Beleggings improves profits

JOHANNESBURG. — Trek Beleggings achieved a 16% improvement in profitability, in spite of the difficult economic climate which prevailed in 1985

Trek's chairman, Basil Landau, states in his latest report that group sales "increased to R675,1m from R472,3m in 1984.

"After tax profit increased by 16% from R24,4m to R28,3m"

Earnings a share increased from 120,6c to 139,7 cents

He states that the increased profitability in 1985 can be attributed to the first year's full benefit from the improved margins, as approved by government in 1984, while higher income from investments and an increased dividend from SA Lubricants Manufacturing further contributed to the increase in profits

In the year, which saw demand for petroleum products actually decline, Trek increased 1% in volume growth, result-

ing in a small market share improvement

Trek Petroleum, the petroleum marketing arm of the group, improved its market share in 1985

"Turnover increased from R452m to R600m," he said, "mainly due to price increases"

Trek opened 13 high potential service stations in the year, 10 of which replaced under-performing outlets

New in the group is Road Tech Binders,

which markets a range of bitumen and bitumen emulsion products

Trek Petroleum holds a 50% interest in Road Tech Binders

Although the demand for petroleum products declined in the first three months of 1986, Landau expects a "mild recovery" in product sales and a continued downward trend in world oil prices

An appreciating rand/dollar rate will enable Trek to balance its slate position — Sapa



**In better odour**

9/5/86 183  
Most manufacturers and retailers are quietly waiting on the sidelines for black consumer spending to take off when the recession ends and political uncertainty diminishes. However, at least one retail sector — personal toiletries — is already showing a marked escalation in sales to blacks.

Traditionally, the toiletries sector is the retailer's biggest headache (*Business March*

14) New products come onto the shelves daily and consumer preferences switch as rapidly.

However, it seems the headache could get worse. SA's personal toiletries market, according to Market Research Africa's (MRA) Household and Personal Purchasing Index (HPPI), is undergoing a radical change: it is becoming a black market.

"The trend for blacks to buy better quality, more expensive brands, has led to an ever-increasing share of total toiletries expenditure coming from the black sector," says MRA's Terry Weldon. "At the same time, black market growth has underpinned expansion of the total toiletries market."

The HPPI shows that despite the stagnation or decline in real terms of private consumption expenditure in most areas, black consumption of certain toiletries has shown "spectacular growth."

The most dramatic is in the hair care sector, where black expenditure grew by 93% in 1985 to R35m. "In the conditioner category particularly, black volume growth of 90% was accompanied by a movement towards more expensive products, with a resultant trebling of market value," says Weldon.

Black purchases of other hair products also showed big increases in both volume and value last year, while white, coloured and Asian expenditure grew by a more modest

22%. The black share of total hair care expenditure increased from 25% in 1984 to 34% in 1985, and the total value of the market increased by 39%, according to the HPPI.

Weldon believes that increases in black expenditure affect the entire market structure. He points out that in deodorants, where blacks account for 71% of sales of roll-ons, the segment's market share has increased to 34% of the total category. In fact, roll-on deodorants showed volume growth of 11% in just six months and contributed about half of the sector's total increase.

The view of some SA retailers in white areas is that black consumers will come to them when they are ready. Weldon, however, believes the different race groups show markedly different patterns of retail shopping behaviour.

One factor all race groups have in common, according to the HPPI, is a trend away from shopping at hyperstores and large supermarkets to smaller, more convenient outlets and regionally-based supermarket chains.

This factor escalates in importance in view of the constant consumer boycott threats. In the western Cape last year, the four major chains found that their share of the toilet soap market fell from 57% to 51%. Weldon sees this as a direct result of boycotts. ■

# SASOL — SHOWING THE WAY TO PRIVATISATION

The key factor in the privatisation of Sasol was the State's guarantee to potential investors that the company would be run on the principles of market-related pricing and equal treatment in relation to other petroleum and chemical industries.

This is the view of the senior general manager of Sasol Limited, Mr Andre du Toit.

He said that there were yardsticks by which the success of the privatisation could be measured. First, its initial share issue was substantially oversubscribed. Second, the profit growth targets set in the 1979 privatisation prospectus had been consistently exceeded.

Third, the takeover of the State's share in Sasol Two was also accomplished sooner than the earliest date envisaged in the 1979 prospectus and six years before the 1989 deadline.

For the Government, the privatisation of both Sasol One and Two also paid a substantial premium over the book value of the State's interest — its initial investment of R2,2 billion was sold for R2,8 billion in cash and 169 million shares in Sasol Limited with a current market value of more than R1 billion.

Mr du Toit said the State's assurances to private investors and the structure and track-record of Sasol had led to the successful privatisation.

The decision to privatise in 1979 was bolstered by the fact that Sasol was highly saleable — because of its proven profit record and strong

privatisation of State enterprises, long supported by the business community, is now Government policy. The successful privatisation of Sasol was outlined recently by Mr Andre du Toit, senior general manager of Sasol Limited, when he addressed a conference in Johannesburg on "Privatisation — Unburdening the State".

JANINE SIMON reports.

had been incorporated as a company with a profit motive and its management was, therefore, schooled in competition and profitability. The management team was thus in favour of privatising.

Because of the fuel pricing structure in South Africa, Sasol One had to directly compete with international prices. This, Mr du Toit said, convinced the State that privatisation would not lead to the exploitation of the consumer.

The public investor in Sasol One had a limited risk with regard to Sasol Two and Three as these two companies were isolated from Sasol Limited until they became wholly-owned subsidiaries.

## Incentives

Safeguards for the public investor were also built into the agreements regarding the future acquisition of Sasol Two and Three.

Equal treatment in many areas of interface with government were obvious — equal taxes, incentives, air and water pollution standards.

Mr du Toit said that a vital element was, however, also equal protection.

For successful privatisation, all members of the

basis to prevent problems with allocation of resources.

This was also important for the private-sector investor in newly privatised companies — who had to be assured that returns on investments would improve with time.

A second, equally important, aspect was that of maintaining an international or market-related pricing structure.

Any cost-plus or price-controlled industry would be difficult to privatise, Mr du Toit said.

The formula imposed on price-controlled industries in South Africa allowed them a 15 percent pre-tax, pre-interest return on depreciated assets.

There was no way a capital-intensive industry, operating under inflationary conditions, could afford tax and interest, generate sufficient cash for the replacement of plant and equipment if it was price-controlled. Then there was still the question of paying a reasonable return to its shareholders.

Mr du Toit said that substantial increases in the allowed return on investment would not solve the fundamental problem of cost-plus industries — the limited incentive

profitability. Even given a market-related pricing structure, he warned that it was extremely important that the rules of the game should not be changed while the game was in play.

For example, recent suggestions to turn Secunda into an "inland harbour" would eliminate the natural transport advantage of the indigenous industry. The ex-factory prices of indigenous fuels from Secunda would then have to be the same as the ex-refinery prices of coastal refineries — instead of indigenous fuels competing freely with crude oil-derived products on a delivered basis.

## Investment

This would lead to a non-optimal location of industries and increase the overall cost structure of the country as a whole. More seriously, it would jeopardise future privatisation efforts because it would move the goal posts by introducing a non-market-related pricing concept.

"The private-sector investor in State enterprises will, in general, not be enticed to invest by the prospect of a guaranteed return on investment associated with price-controlled or cost-plus industries. Such pricing structures are an impediment to privatisation.

"The private-sector investor — as demonstrated by the Sasol experience, wants to take risks and, consequently, also wants to be fully rewarded when markets turn in his favour. He will also turn away when we interfere with such market-related pricing structures," Mr du

ARGUS 12/18/86  
9 Shell garages  
sabotaged  
over SA links

ROTTERDAM — Saboteurs attacked nine Shell petrol stations in the Netherlands during the night in an apparent protest against the firm's commercial interests in South Africa, a Royal Dutch/Shell spokesman said today.

At one station a shop and office were gutted by fire. At others hoses were cut and sand or sugar poured into petrol tanks.

Literature believed to have been left by the attackers indicated they were anti-apartheid activists, the spokesman said.

The Anglo-Dutch company has been criticised by anti-apartheid groups in the United States and Western Europe over its South African operations, although the firm has denied the charge that it props up the apartheid system — Sapa-  
Reuter

African delegation held any talks with any leaders of foreign states on this occasion, if so, with the leaders of what states,

- (3) whether, on this occasion, he extended any invitations to any persons to visit the Republic, if so, (a) to whom and (b) what was the response?

†The STATE PRESIDENT.

- (1) (a) and (b) My wife, the Minister of Foreign Affairs and the Deputy Minister of Defence and of Law and Order, and their wives, as well as officials who are normally involved in an occasion of this nature

- (2) Yes It is public knowledge that President Machel of Mozambique and I held discussions However, I do not deem it in the interest of South Africa to announce the names of the other persons with whom I held discussions

- (3) (a) and (b) Yes. I invited Miss M Reagan, as well as other persons, to visit South Africa Likewise, I do not deem it in the interest of South Africa to announce the names of the other persons or any reaction to the invitations

Ministers

Non-White persons: inflammatory speeches

\*1 Mr L F STOFBERG asked the Minister of Law and Order †

- (1) Whether the South African Police recently received representations and/or complaints about non-White persons making inflammatory speeches directed against the White population group, if so,

- (2) whether he intends taking steps in this connection, if not, why not, if so, what steps,

- (3) whether he will make a statement on the matter?

HOA

The MINISTER OF LAW AND ORDER.

- (1) No, no specific complaint by members of the public in this regard has been laid at the South African Police Pro-nouncements of persons which may harm relations between race groups and which may constitute a transgression of the law, are normally investigated by the police

- (2) and (3) Fall away

Foreign loans

†The MINISTER OF FINANCE asked the Minister of Finance †

- (1) Whether, with reference to his reply to Question No 232 on 7 April 1986, the Republic has raised loans in the United States of America since the 1982-83 financial year at an interest rate that was on average between 4% and 5% higher than that at which German and Swiss loans were offered, if so, why,

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

†The MINISTER OF FINANCE

- (1) No, the State raised loans in other markets which were denominated in US dollars but no loan was raised in the United States of America since the 1982-83 financial year It should be noted that interest rates in the international markets are, for a variety of reasons, not directly comparable

- (2) No

\*3. Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs †

- (1) Whether, in view of decreasing oil prices, the State intends proceeding with the establishment of further synthetic fuel projects, if so, what further projects are being considered at present,

- (2) whether it is proposed to guarantee the profitability of such projects by means of subsidised prices and other concessions, if so, (a) what level of profitability is envisaged and (b) in what manner will the State ensure that these projects are cost-effective,

- (3) whether the Republic is at present experiencing a greater shortage of diesel oil than of other locally manufactured fuels, if so,

- (4) whether preference is given to projects directed mainly at diesel oil, if not, why not,

- (5) whether he or his Department has any knowledge of other countries which have (a) undertaken and (b) abandoned petrol-alcohol projects, if so, which countries in each case;

- (6) whether his Department has made a study of the results of these projects, if so, with what result?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS

- (1) Detailed design studies in respect of the Mossel Bay project are proceeding with In addition the AECI/Amcoal and Gencor forbanite project are being investigated

- (2) The Government follows a policy where incentives are offered, if required, in respect of fuel produced from domestic raw materials. In the case of Sasol the incentive amounted to 3,6c per litre which is, however, not granted at present The approach to be followed with the proposed schemes is currently being determined by the Central Energy Fund (Pty) Ltd in consultation with the interested parties

- (a) No decision regarding this has yet been taken

- (b) The Government envisages the creation of a climate wherein correct planning decisions may

HOA

be taken and optimal financial practices and management techniques may be followed

- (3) No, there is at present no shortage of diesel As a result of refinery processes which are aimed at satisfying the demand for diesel there is currently a slight over production of petrol

- (4) Yes, technologies aimed at a higher yield of diesel will receive preference.

- (5) (a) and (b) Brazil, USA, Canada, New Zealand, Australia, Germany, Sweden, Norway, France, the Philippines and other countries have alcohol/petrol projects and/or demonstration programmes in various stages of development The Department does not have knowledge of countries which have abandoned petrol/alcohol projects

- (6) Yes Although the RSA can learn from other countries' experience, each country has to consider its own unique circumstances when the desirability, or otherwise, of alcohol/petrol projects are evaluated

†The MINISTER OF DEFENCE †

- (1) Whether ex-Commodore Dieter Gerhardt had been convicted of any crime before he joined the South African Defence Force, if so, (a) of what crime and (b) what sentence was imposed upon him as a result,

- (2) whether this information was known to the South African Defence Force at the time of his appointment?

†The DEPUTY MINISTER OF DEFENCE:

- (1) Yes

- (a) Use of a vehicle without the

13/5/86  
About 1 000  
2150A  
chemical  
workers  
down tools 183

ALAN RUDDOCK

ALMOST half the 2 000 workers at two National Chemical Products (NCP) plants in Germiston and Chloorkop downed tools yesterday, but production at the plants was not affected because non-striking white employees took over the work, NCP MD John Job said yesterday.

Job said the strike followed a series of negotiations with the SA Chemical Workers Union (CWU) and was not unexpected.

Production at the plants would not be affected by the strike because of plans prepared some months ago whereby white employees would do the work of the strikers, Job said.

The dispute has been put before the Conciliation Board and a ruling was expected shortly, he said. Job was not prepared to reveal the substance of the dispute, other than saying it revolved around wages.

CWU officials were not clear of the progress of the strike at the two plants and said shop stewards had not been in touch with head office.

# Strike and go-slow at Sentrachem, Grootvlei

Representatives of the South African Chemical Workers' Union (Sacwu) and Sentrachem are due to meet today to try to end a two-day wage strike by about 3 000 workers at seven of the company's subsidiaries.

Workers went on strike on Monday after wage talks with management ran into dispute in March. They are demanding an across-the-board monthly increase of R250 on top of the present minimum of R450, Sacwu general secretary Mr Mike Tsotetsi said.

Sentrachem managing director Mr Dave Marlow could not be reached for comment early this morning.

Mr Tsotetsi said workers at some of the affected factories were sitting in and the company had threatened legal action to remove them. At other firms strikers who left company premises were locked out.

The affected factories are Karbochem in Newcastle and Sasolburg, National Chemical Products in Germiston and Kempton Park, Fedmis in Sasolburg and Agrihold in Pretoria.

● About 6 000 mineworkers have been refusing to work full shifts at Gencor's Grootvlei gold mine in Springs since Sunday in protest at the dismissal of two colleagues.

The National Union of Mineworkers (NUM) said the major reason for the short-shift strike was the handing over by mine security personnel of two workers to the police.

The workers were handed over for alleged intimidation of other workers following a total work stoppage at Grootvlei on May Day. The NUM knew that one worker had been charged with intimidation and fined R800.

A Gencor spokesman said negotiations with the NUM to solve the dispute were continuing.

# Strike at Sentrachem

A STRIKE by about 3 000 workers at seven Sentrachem group companies entered its second day yesterday — but management maintained that production has not been affected.

The Sentrachem companies affected are National Chemical Products in Germiston and Chloorkop, Fedmis in Sasolburg, Agrihold in Pretoria, Karbochem in Sasolburg and Newcastle, and Safri-pol in Sasolburg.

Sentrachem MD Dave Marlow said yesterday that about 75% of the workforce was on strike, but production was going ahead as normal. "One foresees this sort of eventuality and one equips oneself to deal with it," he said.

A spokesman for the SA Chemical

14/5/86 ALAN RUDDOCK

Workers Union said production at all seven plants was affected badly. "White workers are being used to scab at the plants — but at a price," he said.

Marlow said production would continue under present circumstances for as long as necessary.

Wage negotiations between the union and management have been under way since January. A conciliation board was constituted at the end of March but it failed to resolve the dispute, Marlow added.

A union spokesman said members were balloted after negotiations did not resolve the dispute, and most workers had voted for strike action.

# Clash of the titans

FIN MAIL 183 16/5/86

The Department of Trade and Industry (DTI) has been called in to arbitrate in a bitter price row between Triomf and Sasol in SA's struggling R1 billion a year fertiliser industry

With the world price of ammonia plummeting in the wake of the oil price fall, Triomf and 50% shareholder Nampo have asked government to scrap the 30% tariff protection and the 10% import surcharge on ammonia-based urea. Triomf has also asked government to investigate why local ammonia prices are so much higher than current world levels

Triomf, with an attributed loss of R50,5m in the six months to last December, would be in a position to use the cheaper urea imports to gain a profitable foothold in the R140m a year local market. AECI, with a 300 000 t a year production capacity, is the only local urea manufacturer

If government grants Triomf's request and scraps the duties, the industry fears a mortal price war which could leave only Sasol and AECI in the fertiliser field

"Margins have already been cut to the bone and not a single manufacturer is profitable," a Sasol spokesman tells the FM. "If government allows in cheap Eastern bloc urea, AECI could be forced to undercut the imports — leaving farmers to pick up the tab for unsold foreign supplies once again"

In the process, other manufacturers like Fedmis, Omnia and even Triomf itself could be driven to the wall, to the detriment of farmers, he says

The three South African fertiliser leaders — AECI, Fedmis and Triomf — each have roughly 24% of the market while Sasol controls about 18% and Omnia trails with 10%, says Triomf MD Philip Clarke. Although rationalisation has been discussed for years in an industry working at 40% capacity, nobody seems prepared to take the first step

Now Triomf's application has set red lights flashing in the industry, and Sasol, AECI, Omnia and Fedmis have all made submissions to government on the urea import issue

A DTI spokesman confirms that his department is investigating Triomf's request to scrap duties on urea imports "as a matter of urgency". This forms part of government's top-level investigation into ways of reducing farmers' input costs to help them overcome the massive R11,5 billion agricultural debt

While AECI currently sells urea at R425/t, some industry sources claim that bulk imports can now be landed at around R280/t

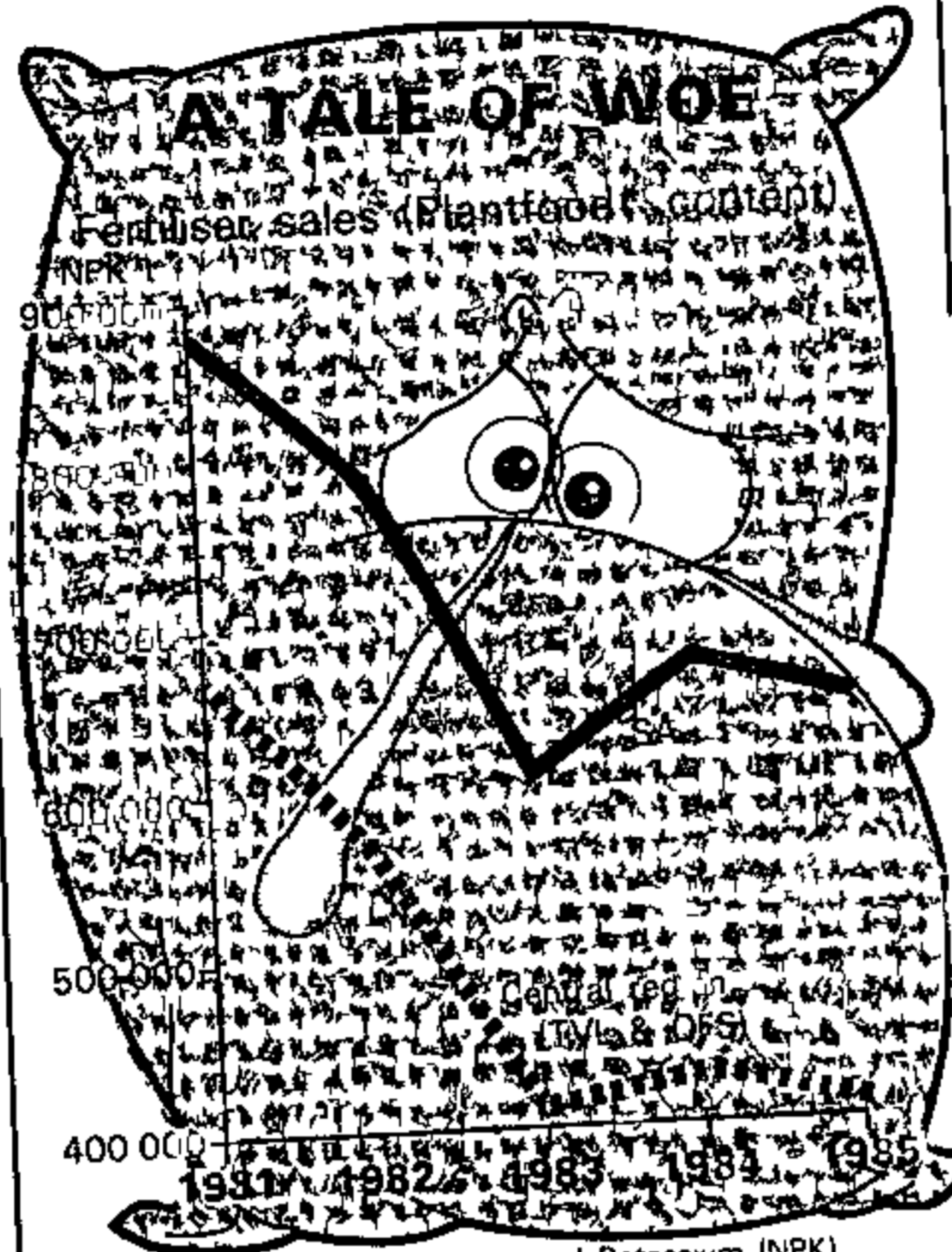
As far as ammonia is concerned, Sasol points out that there are no obstacles to free

imports. It says prices are contractually determined on a six-monthly basis and due reference is made to world price trends. "Anyone disliking our ammonia prices is free to import," the Sasol spokesman says

Sasol is the major ammonia supplier in the local market, although AECI seasonally supplies some 10%-15% of its ammonia produc-

Plant food sales in the major central market have fallen 39% in the last five years, and further market shrinkage is predicted for 1986 as farmers cut input costs. Total fertiliser sales have dropped to around 2,5 Mt a year against manufacturing capacity of about 5,2 Mt a year

In the process, fertiliser retail margins to farmers are being savagely slashed. And, meanwhile, Triomf and Nampo representatives are allegedly telling farmers to hold fire on urea and other ammonia-based purchases until government allows cheap Eastern bloc imports



\* Nitrogen Phosphates and Potassium (NPK) roughly 27% of total physical tonnage sales  
Source: Fertiliser Society of SA

tion to Triomf, Fedmis or Omnia. Ammonia prices on world markets have dropped to well below the current local price of about R410/t and an industry source says a more reasonable local price would be around R360/t

Ammonia is the major feedstock for nitrogen fertiliser manufacture in SA and comprises some 40% — or R400m — of total fertiliser costs, says Clarke. Urea — with a 46% ammonia content — makes up about 35% of these sales, worth around R140m a year

Clarke says local ammonia is priced well above world prices and that there is price collusion between local suppliers. He says the 40% duty on imported urea prevents farmers from reaping the benefits of falling fertiliser prices

The allegations on price collusion are strongly denied by Sasol. "New six-month contracts for deliveries from July 1 will soon be finalised with our major customers, AECI and Fedmis, and prices will definitely reflect lower world prices," says a Sasol source

He adds that Sasol's ammonia price before the international price slump, was about R150/t below the world price



# JSE asks Triomf to produce figures

STEPHEN ROGERS  
and HAMISH McINDOE

TRIOMF FERTILIZER, the beleaguered fertiliser giant, has been requested by the JSE to prove its solvency after running up a loss of R50,5m at the interim stage.

JSE president Tony Norton confirmed that it had been in contact with the fertiliser group

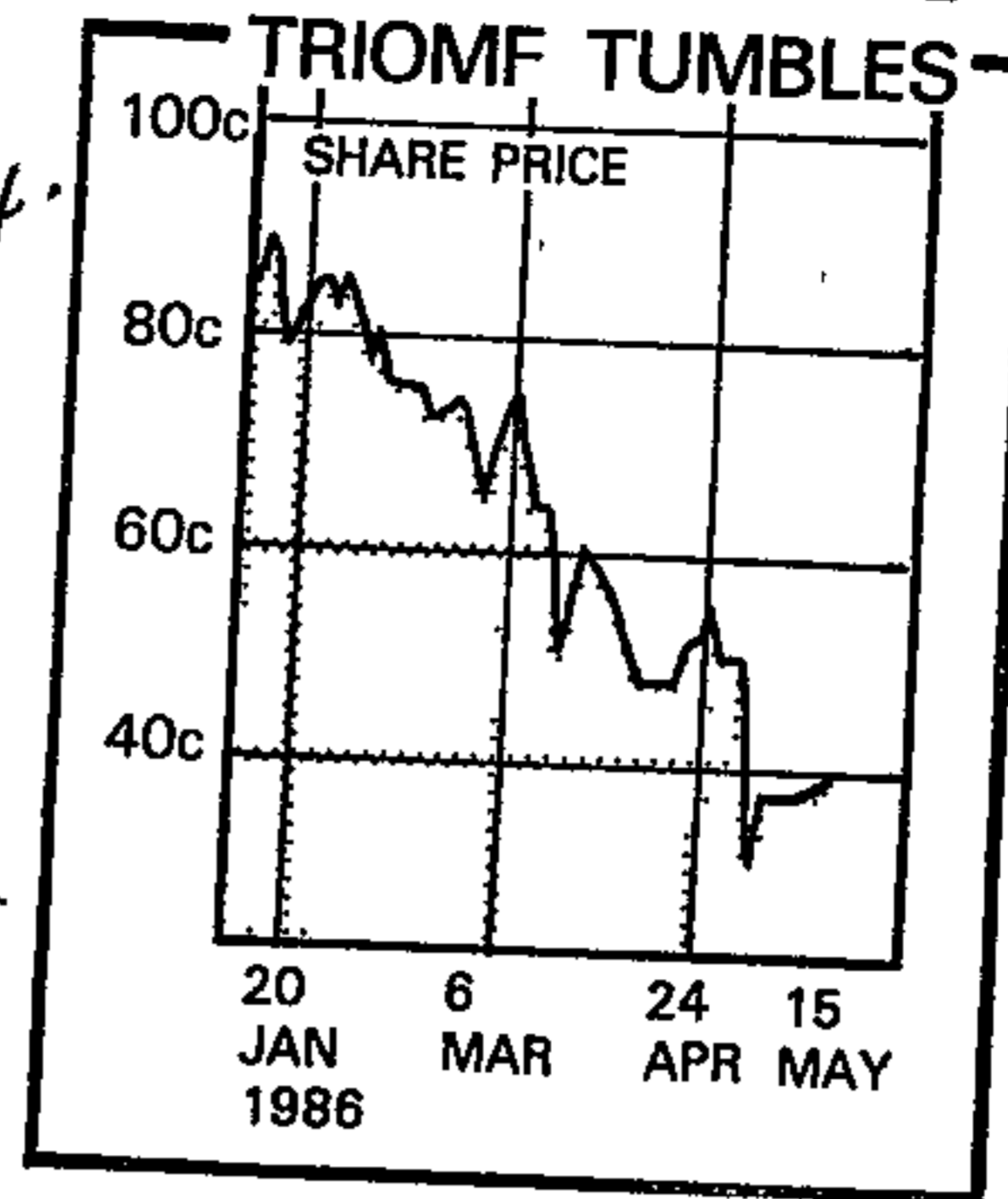
"After its heavy interim losses, set against shareholders' funds of only R49,5m (at 1985 year-end), we felt it necessary to write to the group requesting additional information to prove its solvency," he said

"It is normal procedure to make such enquiries and we would deal with any other company in a similar manner" he added

Triomf MD Phillip Clarke said that the group had not decided when to respond to the letter and what information they would provide to prove the group's solvency

However, he had no doubts about the group's ability to meet its debts.

"Our losses for the year, excluding foreign exchange losses (of R21m), are expected to amount to between R40m and R50m, which is more than covered by permanent capital of about R135m. There is no question of our solvency"



The amount of R135m includes the R85m preference shares issued to Nedbank. However, only R20m has as yet been issued but Clarke confirmed that the remaining R65m would be issued shortly, although no date was forthcoming

"Clearly there are differences over the classification of our preference shares, but we regard them as permanent capital," he added.

The 20-million preference shares were issued at a variable interest rate (16% at June, 1985) and half is redeemable in March 1988 and the remainder in March 1989

The group's high gearing (over 400% at 1985 year-end) and R300m debt exposure to Nedbank, are not its only problems.

After a period of relative stability the fertiliser industry appears to be engaged in another price war.

An industry source said discounts of up to 25% on published prices had been applied since the end of March

"It has always been a volatile industry, but the latest price war has thrown

● To Page 2 →

# Triomf asked for figures

the fertiliser market into a state of nervousness," Clarke said.

Triomf's problems have raised speculation that the pace of discounting will rise as industry heavyweights AECL and Sasol try to squeeze Triomf out of its 25% market share.

"It would not be detrimental to the interests of Sasol or AECL if we disappeared from the market," said Clarke.

Foskor is also believed to be interested in the group's Richards Bay operations which, although operating at full capacity, are still running at a loss.

With market speculation that Nedbank will make a statement on the restructuring of the Triomf group — to dispel investors' doubts which may affect the bank's imminent rights offer — the Richards Bay operations could be a candidate for disposal

● From Page 1

STAR 19/5/86

STAR 19/5/86

## Mediation fails in Noristan dispute

By Sheryl Rame

Mediation in the two-month-old labour dispute between the Noristan group and the South African Chemical Workers' Union (Sawu) has collapsed

The company said the mediator, Mr Charles Nupen, had asked the two parties to recommend an investigator to determine whether product sabotage had occurred at the Noristan factory near Pretoria

The sabotage issue was at the centre of the dispute between the company and the union. Allegations that workers had sabotaged pharmaceutical packages were made during wage negotiations two months ago. After strike action, 300 workers were dismissed

### RECOMMENDED

The company recommended Mr Aric Vogel-sang as investigator. Until recently Mr Vogel-sang, a qualified pharmacist, was deputy director of medicine control

The company said Sawu did not respond to its proposal. The union broke off mediation, saying there was no point in continuing in the light of Noristan's offer to re-employ only 130 workers

The union was not available for comment last night

# Swazis hold 17 ANC members after police raids

MBABANE — Informed police sources in Manzini said this weekend that 17 illegal immigrants to Swaziland, all said to be members of the African National Congress (ANC), were being held at Matsapha Central Prison pending their deportation

The 17 were in addition to 17 members of the African National Congress who had been flown out of the country to Zambia last week according to Swaziland's Commissioner of Police, Mr Sandile Mndimiso

### CORONATION

They were among scores of people arrested by security forces during a number of raids on townships in various areas in the country last month, prior to the coronation

Residents living in the sprawling housing estate Matsapha Flats, near Manzini, said truckloads of heavily

armed police carried out a raid on the flats on Friday afternoon

An eyewitness said police were "obviously acting on a tip-off". He said a man appeared with his hands in the air and was driven off in a police vehicle. Police also took away two South African-registered cars

The Matsapha Flats estate has been the scene of a number of violent incidents, many of them involving the ANC, over the past two years

Among the worst was the triple murder there three years ago of a Swazi pilot and two Swazi women by an intruder said to be a member of the ANC

Another incident was the car-bombing which killed a leading member of the ANC and his wife at Matsapha about eight years ago as they were driving away from their flat. — Sapa



1791

TUESDAY, 20 MAY 1986

1792

ment and (b) in respect of what date is this information furnished?

**THE MINISTER OF HEALTH SERVICES AND WELFARE** (for the Minister of Education and Culture)

(a) (i) and (ii) Such detailed statistics are normally not kept and are dependent on a variety of factors, for instance the choice of subjects by pupils for a particular year and the school timetable which is drawn up accordingly. While it can be argued that in a Latin class of 15 pupils the same number of vacancies exist, this would be a misrepresentation. Statistics regarding the exact number of pupils that can be accommodated in each class in each school are not kept and are therefore not readily available. The same applies to smaller primary schools where standards are grouped together. The planning is done according to local needs and vacancies which exist elsewhere do not influence the provision in local needs,

(b) falls away

For written reply

General Affairs

*Q. 1791*  
*20/5/86* *HWNSW*  
803 Mr R R HULL asked the Minister of Mineral and Energy Affairs

In respect of the latest specified date for which figures are available, (a) what was the landed cost in South Africa of crude oil in United States dollars per barrel, (b) what, in respect of 93-octane petrol, was this cost expressed in cents per litre at the pump and (c) what elements comprised the marketing margin in the latest petrol price composition?

**THE MINISTER OF MINERAL AND ENERGY AFFAIRS**

(a) USA \$ 14.01 per barrel for April 1986

H. 6A

1793

TUESDAY, 20 MAY 1986

1794

(2) whether staff of different race groups belong to the same staff association, if not, why not?

**THE DEPUTY MINISTER OF INFORMATION**

(See reply to Question No 839 in col 1802)

817 Mr M A TARR asked the Minister of Transport Affairs

(1) (a) What was the authorised staff establishment of the Department of Transport in the various grades of employment as at the latest specified date for which figures are available, (b) how many (i) Whites, (ii) Blacks, (iii) Coloureds and (iv) Indians were employed in each grade as at that date and (c) what is the policy of this Department regarding the promotion of Blacks, Coloureds and Indians to higher grades.

(2) whether staff of different race groups belong to the same staff association, if not, why not?

**THE MINISTER OF TRANSPORT AFFAIRS**

(See reply to Question No 839 in col 1802)

818 Mr M A TARR asked the Minister of Constitutional Development and Planning

(1) (a) What was the authorised staff establishment of his Department in the various grades of employment as at the latest specified date for which figures are available, (b) how many (i) Whites, (ii) Blacks, (iii) Coloureds and (iv) Indians were employed in each grade as at that date and (c) what is the policy of his Department regarding the promotion of Blacks, Coloureds and Indians to higher grades,

H. 6A

(2) whether staff of different race groups belong to the same staff association, if not, why not?

**THE MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING**

(See reply to Question No 839 in col 1802)

819 Mr M A TARR asked the Minister of Foreign Affairs

(1) (a) What was the authorised staff establishment of his Department in the various grades of employment as at the latest specified date for which figures are available, (b) how many (i) Whites, (ii) Blacks, (iii) Coloureds and (iv) Indians were employed in each grade as at that date and (c) what is the policy of his Department regarding the promotion of Blacks, Coloureds and Indians to higher grades,

(2) whether staff of different race groups belong to the same staff association, if not, why not?

**THE MINISTER OF FOREIGN AFFAIRS**

(See reply to Question No 839 in col 1802)

820 Mr M A TARR asked the Minister of National Education

(1) (a) What was the authorised staff establishment of his Department in the various grades of employment as at the latest specified date for which figures are available, (b) how many (i) Whites, (ii) Blacks, (iii) Coloureds and (iv) Indians were employed in each grade as at that date and (c) what is the policy of his Department regarding the promotion of Blacks, Coloureds and Indians to higher grades,

H. 6A

**THE STATE PRESIDENT**

(See reply to Question No 839 in col 1802)

814 Mr M A TARR asked the Deputy Minister of Information

(1) (a) What was the authorised staff establishment of the Bureau for Information in the various grades of employment as at the latest specified date for which figures are available, (b) how many (i) Whites, (ii) Blacks, (iii) Coloureds and (iv) Indians were employed in each grade as at that date and (c) what is the policy of the Bureau regarding the promotion of Blacks, Coloureds and Indians to higher grades,

*Staff establishment*  
*HWNSW*  
813 Mr M A TARR asked the State President

(1) (a) What was the authorised staff establishment of his Office in the various grades of employment as at the latest specified date for which figures are available, (b) how many (i) Whites, (ii) Blacks, (iii) Coloureds and (iv) Indians were employed in each grade as at that date and (c) what is the policy of his Office regarding the promotion of Blacks, Coloureds and Indians to higher grades,

(2) whether staff of different race groups belong to the same staff association, if not, why not?

*Q. 1792*  
*20/5/86* *HWNSW*  
803 Mr R R HULL asked the Minister of Mineral and Energy Affairs

In respect of the latest specified date for which figures are available, (a) what was the landed cost in South Africa of crude oil in United States dollars per barrel, (b) what, in respect of 93-octane petrol, was this cost expressed in cents per litre at the pump and (c) what elements comprised the marketing margin in the latest petrol price composition?

**THE MINISTER OF MINERAL AND ENERGY AFFAIRS**

(a) USA \$ 14.01 per barrel for April 1986

H. 6A

# Economics and politics are keys to local fuel industry

22/5/86 STAR

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By Kym Hamilton, Pretoria Bureau

The future of liquid fuels production in South Africa rests solely on economic and political factors, says Mr Jan Hoogendoorn, a Johannesburg energy consultant

Mr Hoogendoorn said that the international oil price, the rand exchange rate, the future inflation rate and need for increased independence — and not available local resources or technology — would determine the future of synthetic fuel production

With a high oil price and low rand value, the price to be paid for independence would be negligible. But a high rand value and low international oil price would cause a high premium and politicians would have to decide if such a high premium was justified, he warned

Mr Hoogendoorn told a conference in Pretoria on "Engineering, Keystone to the Development and Prosperity of Southern Africa" that the viability of a synfuels project depended on the cost of capital used, operating cost, cost of raw materials and the market value of the product

The price of oil on the international market fluctuated according to supply and demand and it was interesting to note that the South African pump price compared favourable with overseas countries

The South African producer of synthetic fuels had a right to expect to be paid the equivalent international price for his product, irrespective of the producer price

Mr Hoogendoorn added that synfuel plants were capital intensive and the cost of servicing the capital was the highest single item in the cost price calculation

With the first income expected only five to six years after the commitment to spend, it was obvious the interest burden should be minimised until a positive cash flow was reached

The Government could make a tremendous contribution by making available loans for which redemption and payment of accumulated interest became due only after successful commercial operation

● See Page 11.

# Oil search may extend to West Coast

STIK  
22/5/86

183

Own Correspondent

CAPE TOWN — The search for oil and gas might be extended to the West Coast where areas had been identified as warranting further investigation, the Minister of Mineral and Energy Affairs Mr Dame Steyn said this week

There were also other coastal areas which needed to be investigated, he told guests at the official naming of the tug Pentow Skua, which has a three-year contract with Soekor at the Mossel Bay drilling site

The move could mean better prospects for the people living on the West Coast, Mr Steyn said

He did not expand on where the areas were. Wherever possible, South African companies were given the opportunity to improve their lot in the search for oil off the coast, Mr Steyn said

Mr Steyn's wife, Hermana, officially named the Pentow Skua and the couple were then given a painting of the tug operating with a rig in the background

The Dutch built Pentow Skua, an anchor-handling and supply tug, was bought by Pentow Marine for R6 million

It serviced oil rigs in the North Sea for eight years



● LUYT

# Luyt launches a cash rescue bid for Triomf

23/5/86

BUS DAY

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LOUIS LUYT has launched a personal bid to rescue fertiliser giant Triomf from possible insolvency

An official announcement from Triomf says Luyt has provided "substantial additional financial support" to the company.

Informed sources close to Triomf say Luyt has pumped R30m of his personal funds into the ailing group.

According to the notice, Triomf's interim loss of R50,5m to December wiped out ordinary share capital of R49,5m. These shares have "no intrinsic book value in terms of the value of the company", says the notice.

Luyt and the National Maize Producers Organisation (Nampo) hold about 52% of Triomf's equity. Co-operatives have 16% and farmers and other investors the rest

The announcement is the result of a request from JSE president Tony Norton for proof of the company's solvency.

Yesterday Norton told *Business Day* that he was satisfied with the "commercial solvency of the group because of the preference share capital base".

PRISCILLA WHYTE

He added that the JSE had asked Triomf to state its financial position so that ordinary shareholders could be made aware of the realities of the situation "Our discussions have been fruitful and constructive"

Triomf MD Philip Clarke said total equity capital amounted to R144,5m and the losses to R50,5m and therefore there was no basis for questioning the solvency of the group

For the year to June 1985, the group had ordinary shareholders' funds of R49,5m, preference share capital of R20m and outside shareholders' interest of R10m, which meant that total shareholders' funds and outside shareholders' interest amounted to R79,5m

Clarke said that Nedbank would be taking up a further R65m in preference shares shortly. "It has been agreed upon in principle. The formalities are almost concluded"

The replacement value of fixed assets

● To Page 2



## Luyt in bid to save Triomf

is R100m higher than the book value of R318m

The official announcement advises shareholders to hold or purchase Triomf ordinary shares "on the basis of the future prospects of the company"

Foskor is believed to be interested in acquiring the group's Richard Bay operation which, although it is working at full capacity, is still running at a loss

The question is whether Triomf would sell Richards Bay to Foskor. Clarke said "inter-dependence makes interesting possibilities but no concrete proposals have been made"

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BUS DAY

● From Page 1

23/5/86

Yesterday Clarke was "optimistic about the strength of the local market" Triomf's association with organised agriculture through Nampo meant that its stake in the R1bn a year fertiliser market was growing

There has been speculation that one of the other fertiliser manufacturers would try to take over Triomf. However, as one analyst says "With the country currently capable of producing double the fertiliser demand, there is no need to buy out a struggling competitor"

23/5/86 STAR

183

# Luyt gambles R30-m on restoring faith in Triomf

By Peter Farley

The statement of faith in financially fragile fertilizer firm Triomf by founder Dr Louis Luyt should go some way to both repairing shareholder confidence and rebuffing criticism from the JSE

Not that the cash he is injecting — reportedly in the region of R30 million — will do more than scratch the surface of the huge debt mountain. But it will provide important working capital at a time when any operating profit is being swallowed by the seemingly insatiable demands of interest charges.

The position has come to a head in the past couple of weeks, after the group posted losses of R50 million for the six months to end—December — which wiped out ordinary shareholders' funds.

And, although Triomf has additional preference share capital of some R85 million, some critics suggest that this should not be regarded as permanent capital. Nevertheless, JSE president Mr Tony Norton has said that he is satisfied with the group's solvency position.

Much of the group's ability to extract itself from this position hinges on the ability to sell the Richards Bay plant at a realistic price. This would allow cash to be injected into the balance sheet and would free the Potchefstroom operation from much of the debt overhang which is absorbing any operating profits.

It is understood Foskor has examined the possibility of buying Richards Bay, but the asking price is a stumbling block. In

today's money, replacement cost would be close to R500 million, while a pure break-up value of the plant and equipment would raise in excess of R100 million.

Somewhere in the middle of those two valuations would therefore seem a likely striking price.

On the operating front Triomf is maintaining its market share of around 25 per cent — despite industry suggestions to the contrary — but a renewed price war over the past two months has seen the evaporation of a return to sensibility that looked possible at the end of last year.

Farmers, though in a slightly better position than a couple of years ago, are still not able to buy in the quantities that have become essential if their land is to have the necessary regeneration. The minimal use of fertilizer over the past few years has drained the land of much of its natural goodness and crop yields will only get worse unless the situation is remedied.

However, not even heavy price discounting in the market and extensive credit terms — led fiercely from the front by Sasol — seems able to generate any real volume growth in sales.

For the time being, however, Triomf has been given a breathing space by Dr Luyt. Last year when Nedbank agreed to convert some R65 million of the firm's debt into pref shares Dr Luyt was poised to inject fresh capital. Now that he has had to do so, in addition to the Nedbank accommodation, underlines the severity of the problems.

But it does not mean that it is time to give up hope.

Elders controls just under 20% of Elders - AP-LW

# All-out plastics export drive

28/5/80 (143)  
BUZ DM

MICK COLLINS

THE plastics industry is set for an all-out drive on world markets after the formation of the Association of Plastics Processors of SA (Appsa)

The new body, formed by combining the Plastic Converters' Association and the Plastic Manufacturers' Association, will operate under the umbrella of the Plastics Federation of SA

Bill Naude, executive director of the federation, says Appsa will seek an export commitment from individual manufacturers who are currently selling goods abroad.

"We are looking for a manufacturing strategy in the long-term. What is needed now is to export finished products to create more employment and a better return on capital."

Naude says there is potential for converters and spare capacity for manufacture. "Individual manufacturers have at present about 30% spare capacity and we are looking at the possible formation of a co-operative system, with a view to exporting bigger volumes."

As membership of Appsa now represents 71% of the total workforce in the plastics processing industry, Naude sees the possibility of negotiating labour agreements as well as guiding members in the labour relations field.

Naude says the formation of the new body will give the industry a stronger official voice in developing an effective relationship with government.

**AIRLINE MOVEMENTS**

...keep the problem local



29/5/86  
BUDDAY

~~SAA~~ 183

# Price flexibility wanted

CIVIL aviation officials want a restructuring of the aviation fuel price.

While welcoming recent major price reductions, some officials believe there is a need for greater flexibility in the price structure.

Unlike petrol, aviation fuel prices are not government-controlled. Like petrol, however, they are based on international crude oil prices and the landed cost of crude in South Africa.

The government's Commercial Aviation Advisory Committee is understood to be investigating prices.

Executive director of the Commercial Aviation Association Cor Beek wants particular attention paid to "tax-on-tax" — the pay-

DAVID FURLONGER

ment of GST on government levies within the price.

Prices of aviation gasoline (avgas) and turbine fuel (Jet A1) have come down twice this year — by about 12c/l and then a further 23c/l — as suppliers have benefited from the stronger rand and tumbling world oil prices.

According to Magnum Airlines MD Sandy Ord, pre-GST prices range from 55,2c (A1) and 65,8c (avgas) in Durban to 62,9c and 73,4c at Jan Smuts Airport.

Beek says prices are back to the levels of two years ago, but Ord would have liked to see them fall earlier.

"Our concern is that price

changes are held in line with overall car fuel prices. Aviation fuel is not a controlled commodity and so prices should fluctuate more freely. The price came down 23c/l recently. Producers held on to their over-recovery margins until the general fuel price decreased. They should have done it before."

According to Comair MD Pieter van Hoven "The aviation fuel price isn't controlled, but it is. Oil companies operate an unofficial 'slate'."

South African Airways (SAA) and other international airlines, which use up to 98% of SA's aviation fuel, operate a different price structure. The price is adapted monthly, based on latest landed costs, so there is no short-term price balancing.

# Govt petrol price 'notice'

*Opp 76/15  
29/5/86*

*183*

Own Correspondent

JOHANNESBURG — The government is poised to strike at petrol price discounters in a new bid to pull rebel retailers into line with its fixed-price policy

The Department of Mineral and Energy Affairs (DMEA) has sent a legal notice to about 8 000 service stations telling retailers to stick to official prices in the country's 30 petrol zones

The department's deputy director, Mr Theuns Burger, said the circular was an "early warning" to petrol retailers to stop discounting

"The only purpose of the notice is to fix the price of petrol," Mr Burger said "Previously there was an agreed price between the department, the MIF (Motor Industries Federation) and the oil wholesalers. Now there is a legally determined price"

## 'Self-service'

Industry watchers believe the move is the result of a Supreme Court ruling in March allowing Pick 'n Pay to continue its petrol coupon scheme

The MIF is worried that widespread discounting will lead to more self-service petrol stations

Mr John Malcomess, the PFP energy affairs spokesman, said the DMEA was not adhering to government's call for a freer market system

Mr Malcomess said he could understand why vested interests like the MIF wanted one price for petrol but he believed that the general interest of the consumer was paramount

Pick 'n Pay general manager Mr Richard Frieslich was "worried and confused" by the DMEA circular

"There was no mention of coupon schemes in the circular, so legally we are doing nothing wrong. But government is building up to something," he said

The supermarket's pump prices are the same as the DMEA's. But a coupon system offering a 4 cents a litre voucher — reclaimable on any Pick 'n Pay purchase — is offered at 13 petrol outlets

"Government must make the next move and we will fight any action against our coupon scheme," said Mr Frieslich

Garages told to stick to official price list

# Govt poised to hit back at petrol 'rebels'

BUS DAY

(183)  
29/5/86

GOVERNMENT is poised to strike at petrol price discounters in a new bid to pull rebel retailers into line with its fixed price policy.

The Department of Mineral and Energy Affairs (DMEA) has sent a legal notice to about 8 000 service stations telling retailers to stick to official prices in the country's 30 petrol zones

DMEA deputy-director Theuns Burger told *Business Day* the circular was an "early warning" to petrol retailers to stop discounting

"The only purpose of the notice is to fix the price of petrol," Burger said "Pre-

HAMISH McINDOE

viously there was an agreed price between the department, the MIF and the oil wholesalers. Now there is a legally determined price"

Industry watchers believe the move follows a Supreme Court ruling in March allowing Pick 'n Pay to resume its petrol coupon scheme

"Government could not simply let the matter rest in the face of its price maintenance policy," said Motor Industries Federation (MIF) executive director

Jannie van Huyssteen

He said Mineral and Energy Affairs Minister Danie Steyn may shortly revert to Section 2D of the Petroleum Products Amendment Bill — the so-called Pick 'n Pay amendment — and declare petrol coupons an undesirable trade practice

"If retailers don't comply, they could be prosecuted, but ultimately it will be a matter for the courts to decide," Van Huyssteen added

Pick 'n Pay GM Richard Frieslich was "worried and confused" by the DMEA circular

"There was no mention of coupon schemes in the circular, so legally we are doing nothing wrong. But government is building up to something," he said

Burger would not comment on Frieslich's assumption

While the supermarket chain's pump prices adheres to the DMEA's, a coupon system offering a 4c/litre voucher — reclaimable on any other Pick 'n Pay goods in stock — is offered at 13 petrol outlets

"Government must make the next move and we will fight any action against our coupon scheme," said Frieslich

The MIF is worried that widespread discounting will lead to more self-service petrol stations

Two statistics, according to MIF estimates, dominate the issue: the possible loss of 46 000 jobs and the cost of R1,2bn to convert the country's petrol pumps

Burger said the level of petrol price discounting was considerable, but declined to disclose numbers. Frieslich thought the figure was minimal

## MVA is covering all fallen insurers' claims

THE Motor Vehicle Assurance Fund (MVA) will cover all outstanding Third Party claims made by vehicle owners who took out insurance through AA Mutual insurance

A statement to this effect is to be released today by Transport Director-General Adriaan Eksteen

Eksteen told *Business Day* last night the MVA would also cover any claims arising from accidents occurring since it became known AA Mutual was in financial hot water

It could not be established yesterday whether this MVA cover would also extend to comprehensive insurance taken out through AA Mutual.

CHRIS CAIRNCROSS

Meanwhile, Finance Minister Barend du Plessis and Registrar of Financial Institutions Robert Burton indicated yesterday they were not prepared to respond to calls for an official statement concerning the affairs of AA Mutual or conditions affecting the rest of the short-term insurance industry

According to a spokesman for Du Plessis' department, anything said now could prejudice tomorrow's Supreme Court action dealing with the Registrar's applica-

● To Page 2 →

# Sentrachem pre-tax profit up by R49,3m

29/5/82. BUS DAY 1982

SENTRACHEM showed a R49,3m improvement in pre-tax profits in the nine months ended March 31 this year

Preliminary figures released yesterday show the diversified chemical manufacturer enjoyed a R14,9m profit, compared to a R34,4m loss in the corresponding period last year. Earnings of 14c a share compared with a loss of 22,3c

MD David Marlowe described the figures as "heartening". But he refused to forecast when the company would resume dividends. While the gearing ratio declined from 1,10 to 1,05, he said: "Once it goes below one and looks like continuing there, maybe that is the time to start thinking of dividends."

Marlowe said only two Sentrachem activities — fertilisers and rubber — continued to show losses. Group debts of

DAVID FURLONGER

R711,3m are almost entirely committed to the Afprene synthetic rubber project

According to Marlowe, the group's profits showed an ability to make up for losses on Afprene.

The depressed fertiliser market showed little prospect of early recovery, said Marlowe.

"The market position is as desperate as it has ever been. Discounts of over 30% are being offered and some suppliers are calling for payment only when the next crop comes in."

He said Sentrachem's fertiliser division, Fedmis, was determined to maintain its 27,5% share of the fertiliser market.

Capital expenditure for the nine months amounted to 24,3m, compared to R26,5m for the previous 12 months

BUS DAY - 30/5/86

183



# Chemicals: imports overshadow exports

## ASA spells out the benefits to clients

ANNABELLE GORDON

THE Airfreight Forwarders Association (AFA) controls ethics and keeps standards high among agents. But of the over 100 agents only a handful are members of the AFA

An international forwarder is important to the potential exporter who often has limited knowledge of the costing and marketing areas.

A competent forwarder has the expertise to enter an overseas market at marginal cost. Freight handling, internal transport and distribution play a major part in the final pricing of the product. Transport means can be used as a marketing tool depending on price, transit time, distance and product.

"Traffic is down. Twelve months ago it was poor, this year it is 40% down on those figures and next year looks worse," says AFA chairman Brooke Bussell.

"The import surcharge has made agents' credit situation worse than ever and as margins are incredibly narrow we are coming to a time when multinationals will get the market with just a few small specialists on the side.

The big companies can afford to carry their clients.

"Credit control is becoming a terrible hassle in this field."

ALTHOUGH chemical exports increased over the past year on the back of the low rand, there has as yet been no major volume increases in foreign sales in an industry that also feels the pinch of a shrinking economy

SA exports and re-exports of chemicals last year totalled R987,7m — 33% up on the R742,7m earned in 1984. A spokesman for the Department of Trade and Industries says these exports grew at a compound rate of 14,5% a year since 1960 — when they stood at R33,4 m

And first quarter exports in 1986 was also 29% up on 1985, says a spokesman for Customs and Excise — R262,9m in 1986 against R201,9m in 1985

But this comforting — if unrealistic — picture fades into relative obscurity when compared with the import of chemically-related products. These stood at almost R1,8bn in 1984 and jumped to nearly R2,4bn in 1985. And import statistics for the first quarter this year and last show the same picture — R516,4m in 1985 and R645,1m this year

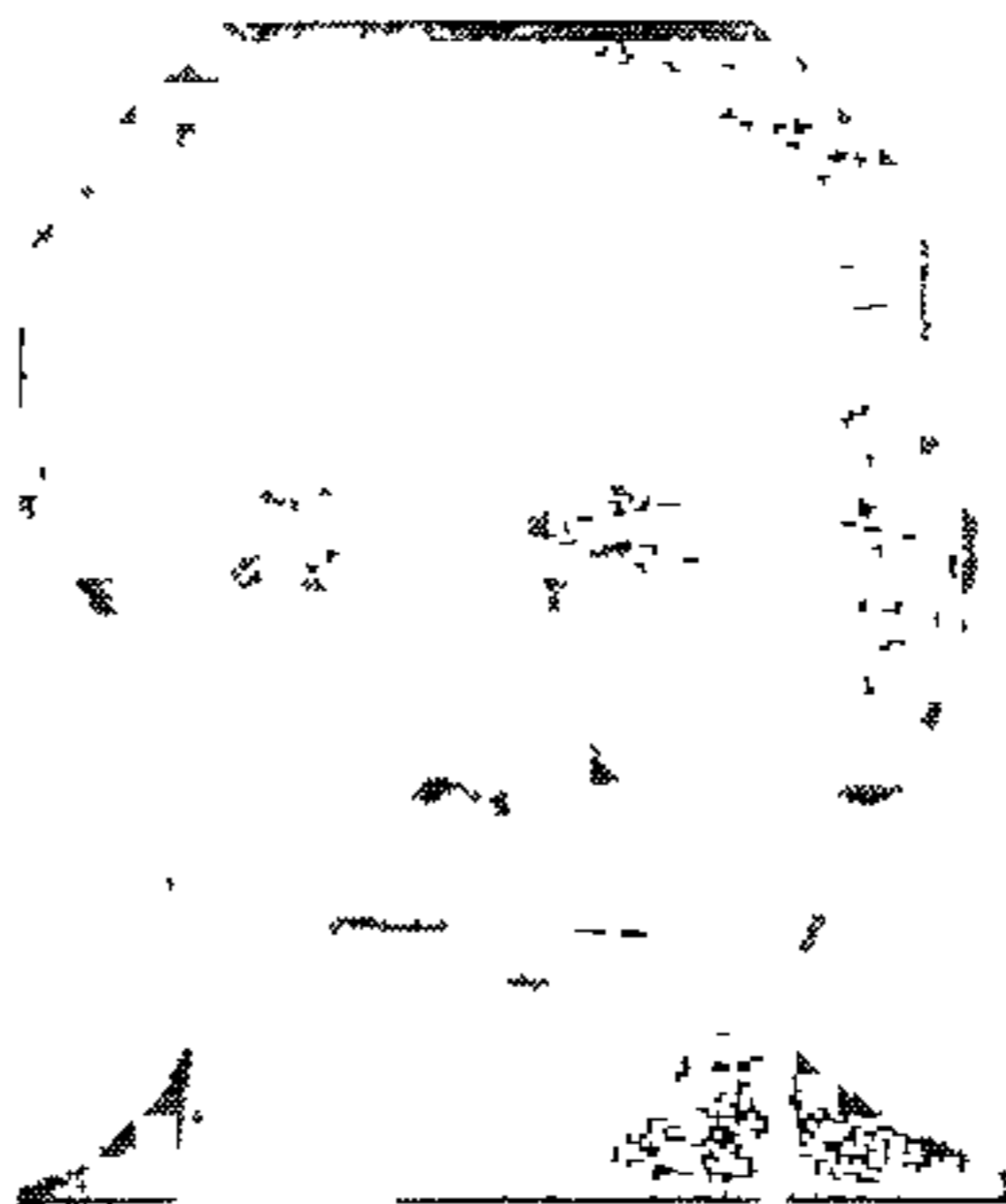
"What we really need is a properly managed, long-term industrial development strategy with an export focus, jointly devised by government and the manufacturing sector. We must look at the strong points of our economy — cheap coal and electricity, multitudes of minerals — and then devise a 20-year, labour-intensive growth plan for the economy," says AECI group MD Mike Sander

He says, by way of example, that the products of a coal-based chemical industry and the added value of a ferro-alloy industry, if developed further, could go a long way towards achieving the export potential of the economy

Existing idle industry capacity of up to 50% could be utilised in an export drive, but this cannot be achieved overnight and would require a sustained long-term effort on the part of industry to secure a reliable position in an already overtraded export market

"But we need to follow the exam-

ARNOLD VAN HUYSTEEN



□ SANDER 20-year plan needed

ple of the Japanese, the South Koreans and the Taiwanese, who created powerful industrial bases — in accordance with well thought out, long-term development policies — from where they launched their export thrusts into foreign markets. The Japanese Ministry of International Trade and Industry (MITI) is an example of the secure, long-term 'partnership' between government and industry that we need here," says Sander

The proposal requires long-term government support for local investment, in order to provide the confidence in the local base, from which marginal export trading can be launched. "I do not believe in state subsidised exports, but in tax relief. Protection against dumping and distressed international prices would also give industry the encouragement that they will not be left in the lurch when the tide turns," adds Sander

Chairman of the Committee of Enquiry into Export Incentives Basie Kleu says his committee is still investigating the whole issue, but invites interested parties to submit their views for consideration. "Government will be selective in applying any stimulatory measures to promote exports — the game must be worth the candle," he says

Meanwhile, AECI is leading the export pack with chemical exports valued at R233m in 1985, followed by Sasolchem with R139m and Sentrachem with about R106m. AECI has been steadily exporting 40 000 tons of PVC a year at an average \$500/t to 39 countries and is a major exporter in this field

Sander says he expects low oil prices to continue for some years into the future. This could create a situation "where demand catches up with supply in the world markets and commodity prices recover to more realistic levels"

The medium-term outlook for commodities like plastics, chemicals, ammonia, ethylene and methanol are therefore not as bleak as they have been

Sasolchem GM Andre Bedeker foresees lower export prices for some products, due to the oil price crash, although roughly half of Sasolchem's export products are not sensitive to oil prices

"We expect a slight fall in gross export receipts in 1986/87. Apart from this, our product spread over various markets gives us a secure base against market fluctuations, while the general outlook remains fairly favourable. We aim to increase production in some areas to meet demand," he says

Bedeker says exports provide roughly one-third of Sasolchem's gross income from chemical sales, while surplus capacity on the local market is increasingly utilised for additional exports. This contrasts with AECI, where exports provide only about 10% of total turnover at this stage

Triomf Fertiliser is also active in the export field, although its 400 000 tons a year Richards Bay phosphoric acid plant is not breaking even

"The export market is scraping the bottom due to overcapacity, while we also suffer from Foskor's high phosphate rock prices, SA Transport Services' high freight charges from Phalaborwa and the exorbitant costs of imported sulphur, which now costs \$135/t FOB Vancouver," says Triomf GM of purchasing Bill Sampson

# Ackerman ready for fuel fight

HAMISH McINDOE

PICK 'N PAY chairman Raymond Ackerman has reacted angrily to speculation that government is set to break the supermarket chain's coupon-linked petrol discounting operation.

"We will counter any action against us," he said yesterday.

Department of Mineral and Energy Affairs (DMEA) deputy director Theuns Burger confirmed that government might still do legal battle with Pick 'n Pay.

A Cape Town Supreme Court ruling in March allowed Pick 'n Pay to resume its petrol coupon scheme

Industry watchers believe government will fight to see the coupon system declared undesirable

Burger said the DMEA had no plans to introduce further amendments to the Petroleum Products Act. "Existing legislation is sufficiently encompassing," he said

30/5/86 TUESDAY

# Troubled oil pours heat on coal price

THE price of SA coal exports, already badly pressurised by oversupply and sanctions drives, is being further hammered by the weak oil price. In addition, SA's reputation for providing cheap coal, so vital to bargaining power, is in danger of being eroded.

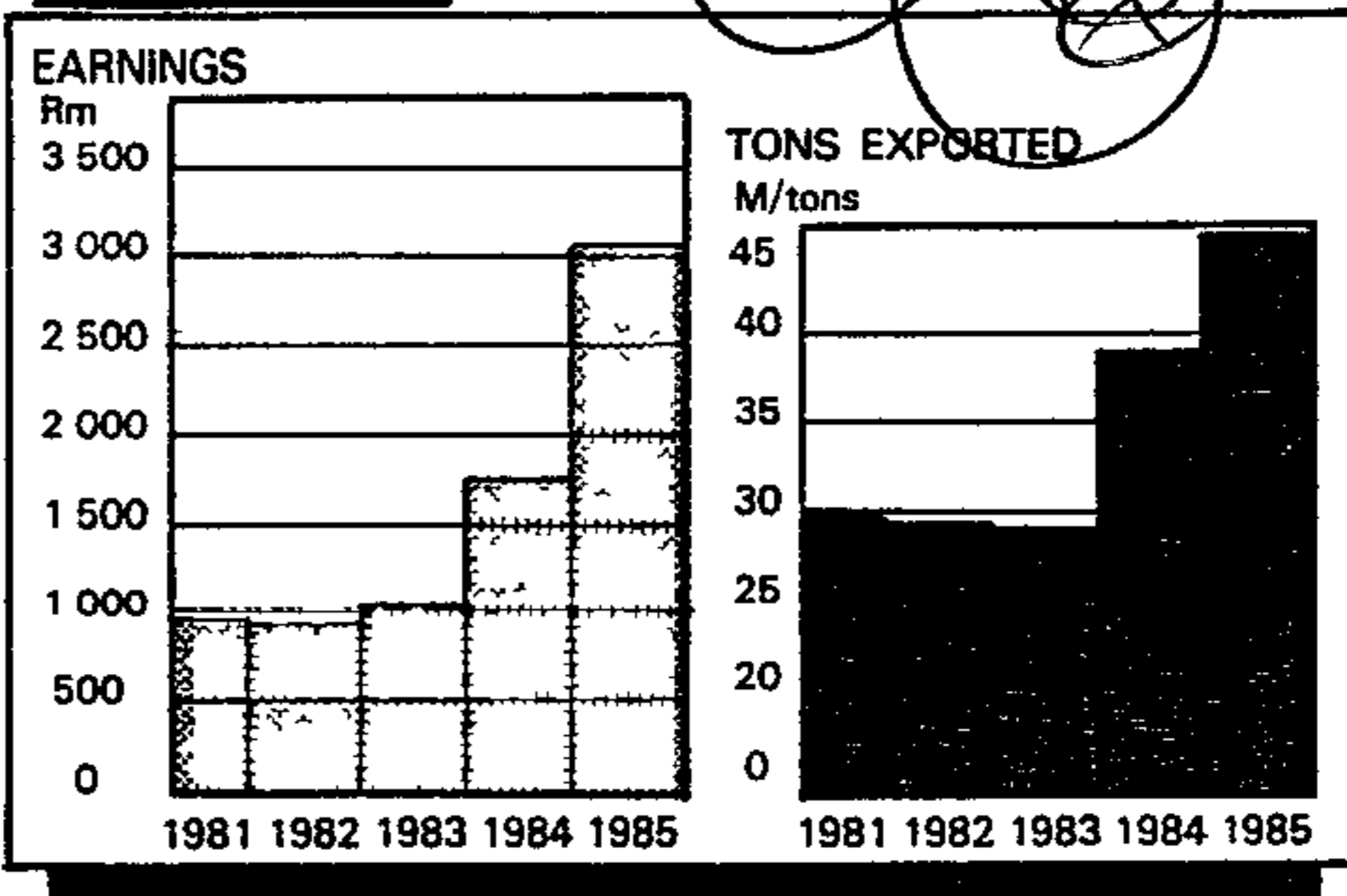
Since oil fell to \$13,50 a barrel two months ago, coal producers have had to face more fierce bargaining on the international market. Last year's FOB price of steam coal was \$30/t to \$34/t. This year the price is said to have slipped as low as \$24/t FOB and, once landed in Rotterdam, it is trading for \$12 less than a year ago.

## Worst year

Producers have already geared up to facing their worst year ever in 1986. But up until last year, when total exports rose to around 44-million tons and earned R3bn in foreign exchange, SA coal exporters could hardly put a foot wrong.

Since 1973, export sales have increased by nearly 2 000%, making SA the world's leading exporter of steam coal. This is largely due to the inception of the Richards Bay Coal Terminal (RBCT) and the marketing efforts of the major coal mining houses: Amcoal, Witbank Collieries, Trans Natal, and their agent, the Transvaal Coal Own-

## COAL EXPORTS



## HELGA ST BLAIZE-MOLONY

ers' Association (TCOA).

Until recently, producers expected nothing but growth in sales. Projections for the next 10 years provided for exports of up to 71 Mt in 1995, and full government export allocations in use by the year 2000.

However, when SA's political problems began to attract world attention two years ago, its edge on the international coal market took a turn for the worse.

## Threat

Political hostility has turned into a useful bargaining stick for buyers, says SA Shipping Brokers director Peter Sowerby. They have been able to use the recently imposed French and Danish bans on SA coal to threaten SA suppliers and demand lower prices. In addition, buyers have argued that SA supplies are no longer so reliable owing to increased labour disputes on the mines.

As there is an oversupply of coal on the market and a decline in energy consumption worldwide, buyers are in an unprecedented position of advantage. Thus, competition is fierce particularly between SA, Australia and Poland, the leaders of the trade.

"The decline in the oil price is an added negative factor for coal which always follows fuel in price. But it is unlikely oil will maintain its present low, so it should not prove a threat to coal

in the longterm," Sowerby believes.

He warns however, that SA's ability to handle lower prices may be eroded if volumes are not at least maintained and if contract negotiations are delayed, as they have been for most of this year.

The bulk of coal exports goes through the RBCT, a throughput-orientated terminal, thus the greater the tonnage exported the cheaper the rand per ton cost. Likewise, the railways are also prepared for 44-million tons and railage rates are set for major increases this year.

Sowerby expects exports to show not growth, but a decline this year of 3-million tons. And, unless the market place changes radically or government introduces meaningful reforms, SA will have problems maintaining its market share. For this reason, it is essential to producers during negotiations that they can afford low coal prices.

Reasons TCOA MD Les Weiss: "Unless political reforms are implemented, our exports cannot grow. Government must understand this."

MOSSEL BAY

## Still in question

The Mossel Bay oil-from-gas project, long seen as a surefire stimulant to the depressed Cape economy and the national engineering industry, is evidently not as cut and dried as many have assumed

While government appears to be determined to go ahead, it has left itself room to manoeuvre. Planning already carried out could still be put on ice at any time in the next year.

This has been made clear by Mineral and Energy Affairs Director-General Louw Alberts. He tells the *FM* "We are still busy with the planning studies. The price of crude may fall through the bottom and we are not ultimately committed to the project."

His assurance comes after renewed questioning of the economic feasibility of the R4,8 billion project. In view of low world oil prices, some engineers believe the money would be better spent on a new fuel-from-coal project.

Alberts says, however "There is little reason to believe that oil prices in 1991 (when Mossel Bay is slated to come on stream) will be as low as they are now. The chances are still quite reasonable that Mossel Bay will go ahead."

"I would venture that the cost of a coal-based plant would be broadly similar. One must also look at the longer term picture — the gas can't be used for anything else."

"We are as interested in making the right decision as anyone, and a major factor in the decision must be security of supply."

A process engineer, who asks not be named, says "The decision on Mossel Bay has been political all along. No one appears to have looked properly at the economic aspects."

### Big saving

Current plans are for Mossel Bay to produce 25 000 BPD. However, says consultant Jan Hoogendoorn, an equivalent coal-based synfuel plant would cost about R3,4 billion, with a further R400m for the supply coal mine — a R1 billion saving.

Hoogendoorn asks whether the project will be as much of a stimulant for the economy as has been claimed. He stresses that he is not opposed to the project in principle, but he would like to be sure of the benefits from the additional cost.

The gas deposits discovered so far are insignificant in terms of SA's total energy resources. They correspond in energy content to some 88 Mt of coal. SA's economically recoverable coal deposits stand at 58 400 Mt, and coal production in 1984 was only some 200 Mt.

Claims that 70%-80% of Mossel Bay's

construction and fabrication work could be done locally have been questioned. "This is a pipe dream. It will be a tremendous achievement if 50% of the work can be done locally," says one engineer.

However, the consensus is that about 60% is closer to the mark.

In addition, analysts feel that, at most, 1 000 permanent jobs will be created. A coal-based plant and the mine would employ many more people.

In the meantime, a decision has yet to be taken on which liquefaction process is to be used. This decision cannot be delayed for much longer than a month, says Alberts, "otherwise the on-shore development will start to lag."



31/5/86 183

# Govt to stop fuel coupon discounts

By Sue Leeman,  
Pretoria Bureau

The Government is to publish a proclamation on Monday banning the coupon discount schemes offered by a growing number of petrol outlets, *The Star* has learnt from industry sources

It is understood that a prohibition on the practice of giving motorists discount coupons for other commodities — a way of discounting petrol — will be published by Minister of Min

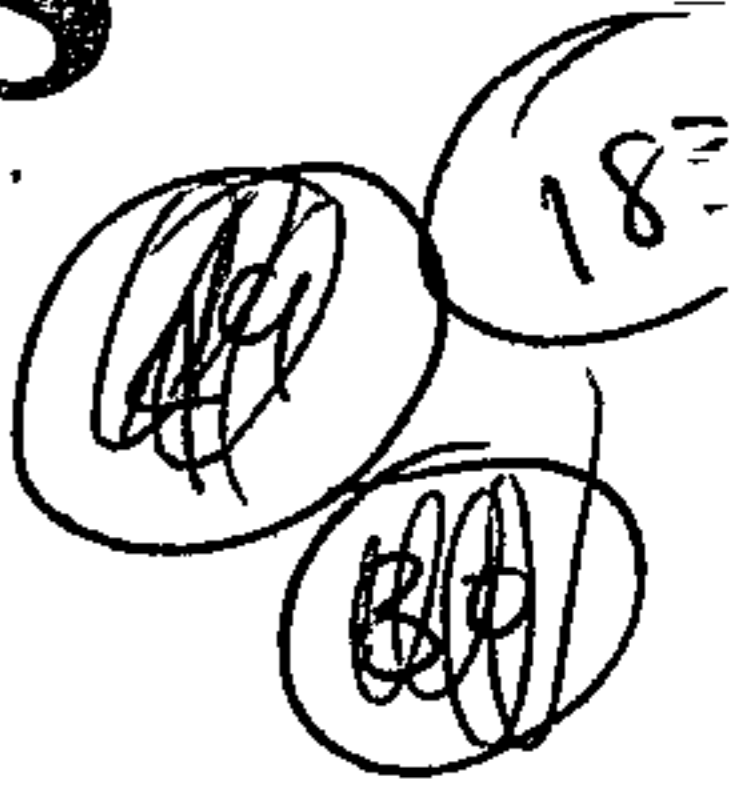
● To Page 2, Col 3 ■

**Special Gazette enforces fixed prices for fuel**

# Government bans petrol discounts

STAR

2/6/86



By Sue Leeman, Pretoria Bureau

A special Government Gazette today will ban all petrol coupon discount schemes.

They are being run by Pick 'n Pay garages and a growing number of other outlets.

A Department of Mineral and Energy Affairs spokesman, Mr Theuns Burger, said today the proclamation was wide-ranging and would end the practice of giving motorists discount coupons for other commodities — a roundabout way of discounting petrol.

The move constitutes another round in the battle between the Government and the growing band of petrol discounters — the most prominent being Pick 'n Pay.

## Discount on goods

Since the Government stopped the chain-store's direct petrol discounting to self-service customers at its Boksburg Hypermarket earlier this year — bringing in the so-called "Pick 'n Pay Act" — the chain has found another method of giving customers discounts. Anyone who buys petrol at Pick 'n Pay garages receives coupons which entitle them to discounts on items bought at Pick 'n Pay supermarkets.

In March the Government tried to strangle this scheme by prohibiting oil companies from supplying the chain — but Pick 'n Pay had the ruling set aside in court.

Since then, one petrol outlet in Johannesburg and three in Pretoria have started similar schemes — and Checkers and OK Bazaars indicated they might follow suit.

## No free holidays

But the authorities, known to be opposed to such practices, and the oil companies are also understood to be against deregulation of the price.

Mr Burger said that in terms of today's notice — made in terms of section 2 (1) (d) of the Petroleum Products Act — no person entitled to sell petrol can:

- Supply or offer petrol other than by way of sale for a wholly monetary consideration and at the prescribed price.

- Offer as a condition of, or as a result of, any sale of petrol any benefit to the consumer.

The word "benefit" has a very wide definition in terms of the proclamation.

The ban will probably stop all discounting schemes, including those which offer motorists "lucky-draw" prizes or free holidays.

By Jackie Unwin  
There is growing anger at the Government action in outlawing petrol discount schemes

Pick 'n Pay is testing the law by continuing to issue its 4c redeemable coupons with every litre it sells.

A special Government Gazette has banned coupon-linked petrol discounting schemes

Mr Richard Frieslich, general manager of Pick 'n Pay auto outlets, said today: "If there is a glimmer of hope we will try to continue our discount scheme."

Mr John Drake, managing director of the Oil Division of Shell, said: "We are waiting for legal opinion on this matter. In the interim, we will continue to supply all Shell dealers."

## Pick 'n Pay <sup>STAR</sup> testing law <sup>2/16/85</sup> on discount <sup>(3)</sup> petrol ban <sup>(183)</sup>

Consumer Union chairman, Mrs Betty Hirzel, described the action as high-handed.

Mrs Lyn Morris, president of the Housewives' League, said she could not reconcile the banning of coupon discount schemes with new legislation with regard to the Competition Board.

The Automobile Association

repeated its view that the free enterprise system should be permitted, allowing market forces to set the pump price

The Department of Mineral and Energy Affairs was investigating the restructuring of the petrol price. Any ban on discounting should have been delayed pending its findings

Mr Brian Goodall, PFP spokesman on mineral and energy affairs, said

"It is regrettable that the Government is taking steps to prevent the consumer from enjoying cheaper petrol

"It is ironic that in a period when inflation has reached an all-time high in SA the Government acts against those who wish to reduce prices"

# PETROL COUPONS BANNED

ARGUS 2/6/86 (13) (21)

## The Argus Correspondent

PRETORIA. — A special Government Gazette today will clamp an outright ban on all petrol coupon discount schemes.

But Pick'n Pay, who run the most prominent of the schemes, intend to contest the ban.

The notice comes after the Government tried, and failed, to have the schemes banned in the Supreme Court in March.

Discount petrol schemes are being run by an increasing number of petrol outlets

A spokesman for the Department of Mineral and Energy Affairs, Mr Theuns Burger, today said the proclamation was wide-ranging and would stamp out the practice of giving motorists discount coupons for other commodities — a round-about way of discounting

Mr Richard Frieslich, general manager of Pick'n Pay auto centres, said they had not yet seen the Gazette

However, he said "The Government has played this close to the chest. We don't see how they could take any action against us whatever happens today we will contest it"

## Another method

Since the Government stopped the store's direct petrol discounting to self-service customers at its Boksburg Hypermarket this year — bringing in the so-called "Pick'n Pay Act" — the chain has found another method of providing discounts for customers

People who buy petrol at Pick'n Pay garages receive coupons which entitle them to discounts on items bought at the chain's supermarkets

The Government tried in March to strangle this scheme by prohibiting oil companies from supplying the chain — but Pick'n Pay had the ruling set aside in the Cape Town Supreme Court

## Opposed

Since then one petrol outlet in central Johannesburg and three in Pretoria have started similar schemes — and Checkers and OK Bazaars indicated they might follow suit

The authorities favour uniform price-fixing and the oil companies are also understood to be against deregulation of the price

The spokesman for the Department of Mineral and Energy Affairs said in terms of today's notice, made in terms of Section 2(1)(d) of the Petroleum Products Act, no person entitled to sell petrol could

- Supply or offer petrol other than by way of sale "for a wholly monetary consideration and at the prescribed price", or

- Offer as a condition of or as a result of any sale of petrol any benefit to the consumer

The term "benefit" has a wide definition in terms of the proclamation

Pick'n Pay chief Mr Raymond Ackermann said the clampdown was the "worst thing which could happen to the consumer, who is facing rising prices everywhere".

The ban will probably stop all discounting schemes, including those which offer motorists "lucky draw" prizes or free holidays for patronising certain garages

- The board of Pick'n Pay is meeting in Cape Town today and intends to discuss the contents of the Gazette

Can. Trib. 3/6/66

ASSOCOM

## slams regulated petrol price

ASSOCOM believes that market related forces should determine prices and strategies in regard to the sale of fuel, a spokesman said yesterday

The organization was reacting to a notice in the Government Gazette yesterday banning all sale of petrol coupons

Pick n Pay has been enabled to sell discount petrol by issuing purchasers with coupons which can be used towards the price of other goods

The statement issued by Assocom said it reiterated its commitment to free enterprise with a minimum of control

It "would accordingly question the broad terms of the prohibition which not only controls the price but outlaws hitherto legitimate marketing devices"

News 3/6/86

# Petrol price increase may now be 'inevitable'

281 183

The Argus Correspondent

PRETORIA. — A petrol price increase is looming following yesterday's slump in the rand to below 42 US cents

A Department of Mineral and Energy Affairs spokesman said today the drop in the value of the rand was "certainly worrying", pointing out that the present petrol price was based on a rand worth 47 US cents

Although a price increase was not being planned "in the near future," the spokesman said the situation was being monitored daily and if the rand did not strengthen "we'll have to bow to the inevitable"

When the rand dipped to 44 US cents following the SADF raids into Zimbabwe, Botswana and Zambia, Mineral and Energy Director-General Dr Louw Alberts said that at that level "we are only just coping"

## Fuel war

The Pick'n Pay group's petrol outlets continued their coupon sales scheme today as both sides in the "fuel war" appeared to be adopting a wait-and-see attitude

Consumer anger at the Government moves to stop the 4c a litre "discount" coupon system is growing with a number of organisations expressing opposition to the ban

In spite of the ban, published in the Government Gazette yesterday, Pick'n Pay petrol outlets would continue to offer coupons to motorists today, said Mr Richard Frieslich, general manager of the group's auto outlets

He said they had not been able to get a copy of the gazette, nor had they been informed of the move by the Department of Mineral and Energy Affairs or the oil companies supplying their outlets

Mr John Drake, managing director of the Oil Division of Shell, said "We are waiting for legal opinion on this matter. In the interim, we will continue to supply all Shell dealers"

While Pick'n Pay executives continue a series of meetings in Cape Town to discuss their po-

sition, the Department of Mineral and Energy Affairs seems unlikely to act immediately if the coupon systems are not stopped

Rather they appear to be giving all the outlets who started such schemes time to wind them up, before considering which of a wide range of options they should bring against continuing ban busters

Consumer groups are outraged by the ban

Consumer Union chairman, Mrs Betty Hirzel, described the action as "high handed"

The Automobile Association expressed concern at the ban and repeated its view that the free enterprise system should be permitted to operate, thereby allowing market forces to set the pump price

# Dogs used to disperse pickets

POLICE yesterday dispersed scores of Sentrachem workers who were picketing outside the company's head office in Johannesburg.

The placard-carrying workers had gathered round Sentrachem's Anderson Street headquarters at noon to protest against management's refusal to grant them a R250 across-the-board pay increase.

Two strikers sustained dog-bite wounds as a contingent of police dispersed the demonstrating group.

About 3 000 members of the SA Chemical Workers' Union have been on a wage strike at seven Sentrachem subsidiaries since early May. Talks between the union and management reached a stalemate on May 14.

• About 400 Diepmeadow Town Council workers, who went on strike over wage demands, returned to work yesterday after the council offered them a 14 percent increase.

• Foschini has agreed to a request from the Commercial, Catering and Allied Workers' Union of South Africa

(Cawusa) to refer the dispute about retrenchments to mediation.

Meanwhile, according to Cawusa's Mr Kaizer Thibedi, about 13 union members have been arrested while picketing outside Foschini stores in the Transvaal since last week.

• The United Metal Mining and Allied Workers' Union of South Africa (Ummawusa) has reported that about 500 union members were involved in wage strikes at Benoni's Chloride and MacSteel Service in Wadeville.

Ummawusa members at these plants demand a

183  
504277W  
4/6/85  
By LEN MASEKO

minimum wage of R3,50 an hour

At Alrode plant about 500 Ummawusa members have been "sleeping in" in protest at the company's refusal to grant them a minimum wage of R3,50 an hour

## Dispute

Another metal union, the Metal and Allied Workers' Union (Mawu), is locked in a wage dispute with GEC management, whose plants were hit by strikes a fortnight ago

Also involved in a

wage dispute with GEC is the Electrical and Allied Trades Union, which has members at the company's Knights plant

• Mawu members at Barlow Rand Manufacturing in Alrode have been unyielding in their demands for an hourly wage hike of R1,50. Their week-old strike revolved around a set of demands, which include transport and food allowances

• The membership row between two newspaper unions continued at Perskor and Sherman Sales in Johannesburg yesterday

The unions involved are the Media Workers' Association of South Africa (Mwasa) and the South African Typographical Union (Satu). At the centre of the row is the accusation that some managements were forcing Mwasa members to join Satu

A membership ballot was scheduled to have been held at Sherman yesterday, but by last night the three parties had not met for the showdown

A Sherman spokesman yesterday denied that workers at the company were forced to join Satu

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solation on the stroke of  
included 82mm at Wyn-  
berg, 72mm at Newlands

Newlands, hampered  
morning rush-hour traf-

ers had to work on the  
moves dreamed up by Yugg  
noon, a Port Captain's  
office spokesman said call

Cape Times 4/6/86

# Chain to continue banned petrol scheme

Staff Reporter

PICK 'N PAY garages countrywide will continue their discount petrol scheme in defiance of a government ban on all petrol discounts

Mr Alan Gardiner, Pick and Pay executive director, said yesterday that the discount scheme would continue. The company was consulting lawyers on the ban and may seek the advice of senior counsel

Mr Gardiner said there had been a huge consumer "uproar" condemning the ban

"The government has really put its foot in it this time

"The government has upset so many ordinary South Africans with this

ridiculous and pathetic action that it really is a great shame," Mr Gardiner added

Pick 'n Pay started discounting petrol in November last year when under its self-service scheme motorists paid four cents less than the standard price on a litre of petrol

The government then prohibited this but Mr Raymond Ackerman said he would defy this ban. A government directive was then sent to petrol companies in March this year, to stop them selling petrol to outlets not selling at the prescribed price

Pick 'n Pay continued discounting petrol until its tanks ran dry

Another scheme was started in March when motorists received a four-cent coupon for every litre of petrol bought. These were redeemable on goods bought at Pick 'n Pay

Petrol deliveries to the food-chain's garages were once again stopped by suppliers in March

Pick 'n Pay then sought an urgent Supreme Court interdict in the same month to set aside the government notice which prevented oil companies from supplying petrol to outlets selling petrol at a discount.

The company won a court victory in March which enabled it to immediately reinstate the petrol-coupon scheme

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# Petrol set to rise again

A PETROL price increase within the next two weeks threatens unless there is a spectacular improvement in the rand's dollar value

PFP energy spokesman Brian Goodall says a situation has developed in which, under current price-formula conditions, another fuel-price rise could be unavoidable

Much would depend on the extent of under-recovery by oil companies in recent weeks, the state of the Equalisation Fund, and whether government is prepared to reduce pipeline charges and forsake some of its tax revenue from fuel

Goodall says there is little likelihood that the price of crude on world markets will fall to an extent

where it could compensate for the higher costs of oil imports

The crude price seems to have stabilised at about \$18 a barrel, and there is little hope of relief from another decline on world markets

Mineral and Energy Affairs spokesman Theuns Burger says oil companies are currently under-recovering. The department is watching the performance of the rand anxiously, and the next two weeks would be critical as far as price decisions are concerned.

The price has been cut twice this year: on March 3 from R1,02/1 for 93-octane on the Witwatersrand to 92c, and from 92c to 83c on April 14

GERALD REILLY

# Union: No bid to talk 3M out of SA

CLAIRE PICKARD-CAMBRIDGE  
THE Commercial, Catering and Allied Workers' Union (Ccawusa) has rejected claims that it had tried to persuade US firm 3M to close its SA operation.

Ccawusa member Joseph Mokoena said he had been invited to the US by the Oil, Atomic and Chemical Workers' Union, which was organised at the 3M company in New Jersey

"I told people Ccawusa had not yet adopted a clear position on disinvestment and would discuss it at its conference in July"

3M said from the US it was not considering a pullout

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# Pick 'n Pay to seek court ruling

PICK 'n Pay plans an urgent application for a Supreme Court hearing in Cape Town to have government's ban earlier this week on all forms of petrol discounting declared invalid.

Pick 'n Pay will be seeking re-confirmation of the legality of its coupon-linked petrol discount scheme, after a Supreme Court ruling in March allowed the supermarket chain to continue offering coupons.

Lawyers for Pick 'n Pay yesterday studied the special Government Ga-

zette for the first time since its issue on Monday.

A legal expert said the courts had over-riding power to determine whether an administrative edict was fairly applied. "They will be asked to judge the validity of the delegated legislation," he said.

Pick 'n Pay is continuing with the issuing of petrol coupons at its 13 outlets

HAMISH MENDOE

183 215

ARGUS 5/6/86

CITY/NATIONAL

# Petrol discount ban: Pick'n Pay steers for court

The Argus Correspondent  
JOHANNESBURG. —

Pick'n Pay is to go to the Supreme Court for the second time in a bid to prevent the banning of its discount petrol coupon scheme.

Mr Alan Gardiner, company director, said "We believe the regulations in the special Government Gazette issued this week banning our scheme are invalid

"On that basis we are going to take the matter to the Supreme Court

"It would be reasonable in the meantime if we were allowed to continue with our voucher scheme

"I am sure that the Department of Mineral and Energy Affairs will allow us at least time to test the validity of the scheme in the Supreme Court."

He said the case should come to court within a few days

A spokesman for the Department of Mineral and Energy Affairs, Mr Theuns Burger, said "It has been reported by the media that Pick'n Pay is to institute legal proceedings, but we have no official knowledge of that

"It is Pick'n Pay's prerogative to do so and we will have to take it from there"

The question of allowing the chain to continue the coupon scheme "depends on how soon legal proceedings are instituted and on the type of proceedings — whether an interdict from the judge is requested"

He added "Time is running out If the company does not institute legal proceedings soon then the department will take action I cannot comment on the type of action We have various options

## Second time

"If Pick'n Pay does not take action today and still carries on with its petrol-coupon activities, then it will be quite clear it is flouting the law"

If legal proceedings are instituted it will be the second time this year the company has sought an interdict against the Government

The first time was when a court set aside a ministerial directive to oil companies to stop supplying petrol to discount outlets

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# Petrol coupon controversy heading for courts again

By ANDRE KOOPMAN

THE discount petrol coupon controversy will be taken up in the Supreme Court for the second time this year in an ongoing fuel battle between Pick 'n Pay and the government.

An executive director of Pick 'n Pay, Mr Alan Gardiner, yesterday said the food chain had decided to seek an urgent interdict in the Supreme Court to set aside a government notice effectively prohibiting petrol coupon discount schemes.

Mr Gardiner, who described the move as "ridiculous and pathetic", said the chain believed the regulations to be "invalid".

He said it would be "reasonable" for the company's garages to continue selling petrol in the meantime.

## May prejudice legal action

The director-general of the Department of Mineral and Energy Affairs, Dr Louw Alberts, yesterday said he was not prepared to comment since this might prejudice any legal action.

If the matter comes to court it will be the second time this year that Pick 'n Pay has sought an interdict against the government.

The Minister of Mineral and Energy Affairs, Mr Danie Steyn, issued a directive in March this year forbidding the supply of petrol to outlets which sold petrol "other than against a monetary consideration".

At the time Pick 'n Pay had been issuing 4c coupons for every litre of petrol bought. These were redeemable on goods bought at Pick 'n Pay stores.

The chain then sought, and was granted, an interdict setting this aside when the judge ruled that the minister had acted "beyond his powers".

## Fix the price of petrol

At the end of last month the minister once again gazetted an order in terms of which petrol could not be sold by outlets "other than by way of sale for a wholly monetary consideration and at the price so prescribed" or "give or offer any benefit to the consumer".

A spokesman for the Department of Mineral and Energy Affairs said at the time that the only purpose of the directive was to "fix the price of petrol".

The latest ministerial order is the third attempt by the department to stop discounts on petrol.

In November last year the minister prohibited Pick 'n Pay from selling petrol at 4c less than the standard price. The company initially defied this order and said it would continue selling petrol until "its tanks run dry".

# Pick 'n Pay to test new petrol ban in court

STAR

5/6/86

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By Jackie Unwin

Pick 'n Pay is going to court for the second time to contest the banning of its discount petrol coupon scheme

Director Mr Alan Gardiner said "We believe the regulations in the Special Government Gazette this week banning our scheme are invalid. On that basis we are going to take the matter to the Supreme Court"

"It would be reasonable, in the meantime, if we were allowed to continue with our voucher scheme. I am

sure that the Department of Mineral and Energy Affairs will allow us at least time to test the validity of the scheme in court"

A spokesman for the Department of Mineral and Energy Affairs, Mr Theuns Burger, said "It has been reported by the media that Pick 'n Pay is going to institute legal proceedings, but we have no official knowledge of that. It is Pick 'n Pay's prerogative to do so, and we will have to take it from there"

He said that whether the chain would be allowed to continue with the coupon scheme "depends on how soon legal proceedings are instituted and on the type of proceedings — whether an interdict is requested"

"Time is running out. If the company does not institute legal proceedings soon then the department will take action. I cannot comment on the type of action. We have various options"

"If Pick 'n Pay does not take action, and still carries on with its petrol coupon activities, then it will be quite clear it is flouting the law"

If legal proceedings are instituted it will be the second time this year that the company has sought an interdict

The first was when it had set aside a directive from Minister of Mineral and Energy Affairs Mr Dame Steyn to oil companies to stop supplying the chain with petrol

# Petrol ban challenge in court today

Pick 'n Pay is to contest the banning of its petrol coupon discount scheme in the Cape Town Supreme Court this afternoon

A Special Government Gazette on Monday banned on all petrol coupon discount schemes

The chain store is continuing to distribute its 4c coupons for every litre of petrol bought at its service stations. The coupons are redeemable on goods in its stores

Pick 'n Pay director Mr Alan Gardiner said yesterday "We believe the ban is not valid"

Pick 'n Pay sent a telex to the department yesterday advising it of the intention to take legal proceedings

FUN MAIL 6/6/86

PETROL DISCOUNTS 183

### Back into battle

While SA's 60-odd petrol discounters smart under this week's ban on price-cutting, reaction from elsewhere has been loud and furious (see page 35)

Pick 'n Pay (P'n P), which won a Supreme Court action to maintain the right

to dish out 4c/litre discount coupons redeemable in its shops, will be the hardest hit

The group increased pump sales from less than 3 M/a month to about 7 M/a month at its 12 petrol outlets since the court ruling "And we're still making more profit on petrol sales than we did previously," says P'n P's Alan Gardner

Meanwhile, P'n P continues with the coupon scheme while it awaits legal advice

The Department of Mineral and Energy Affairs (DMEA) says it has been carefully monitoring the situation since the court ruling, and "in the interests of wholesalers and small businesses it decided to stop the practice"

DMEA deputy director Theuns Burger says he hopes all retailers will comply with the new law "The DMEA saw the coupon scheme was creating problems for smaller retailers, which employ around 45 000 people The discounting scheme was found to conflict with government's policy to promote small business"

Burger says discounting also distorted the market for wholesalers because those which supplied discounters were increasing market share at the expense of those which did not "This could cause a full price war at wholesale level, and reduce the viability of certain oil companies in SA," he says

He points out that the ban is restricted to "the present," and he says the DMEA constantly studies price control and petrol pricing with a view to making appropriate changes

Nevertheless, the action has been slammed by many consumer organisations, including Assocom It says market-related forces should determine prices and strategies in the sale of fuel Also, it questions the broad terms of the prohibition which not only control price but also outlaw previously legitimate marketing devices ■

# Four cents trebled Pick 'n Pay's fuel sales

## WEEKLY MAIL REPORTER

PICK 'N PAY'S profits on petrol have soared since it started discount sales, executive director Alan Gardiner said yesterday

"Garages are allowed a profit of 5.2c a litre. We offered a 4c discount coupon, dropping our fuel profit to 1.2c a litre. But our sales increased more than three-fold, and we are actually making more profit than we did when we sold at the higher price," he said.

Pick 'n Pay is preparing to seek an urgent Supreme Court interdict to set aside a recently-published government notice which prohibits petrol coupon schemes.

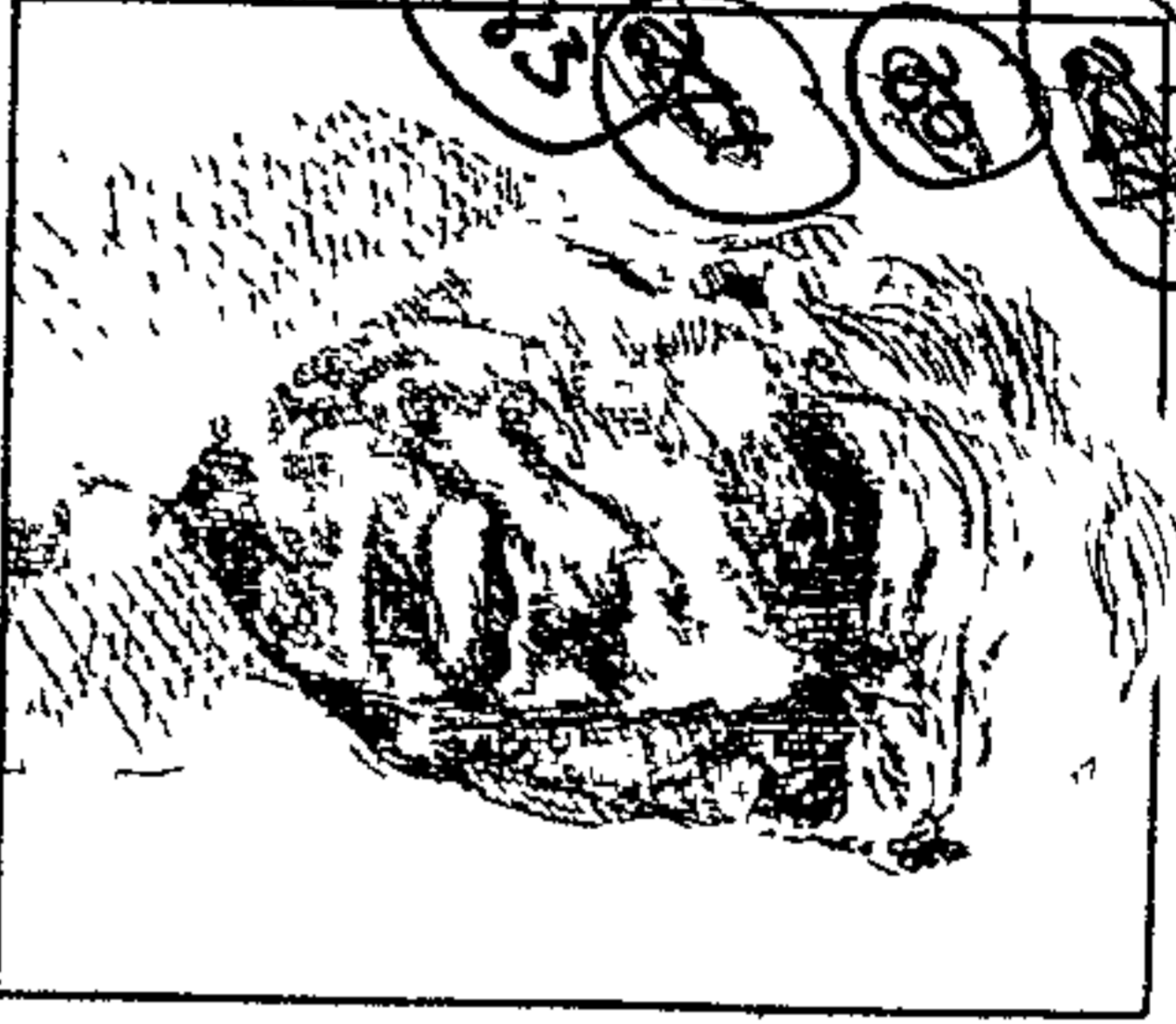
Gardiner said they would seek the interdict within a few days, probably at the beginning of the week.

There were huge vested interests behind the ban on discounting fuel, he said.

The Motor Industries Federation, representing some 4 000 garages, was in the pro-regulation camp, the oil companies were in the pro-regulation camp and they had persuaded the government to join the same camp.

Gardiner said that if the company lost the fight in court it would not give up, but would look at other ways of keeping the petrol price down.

"I cannot comment on these options at this stage because I don't want to



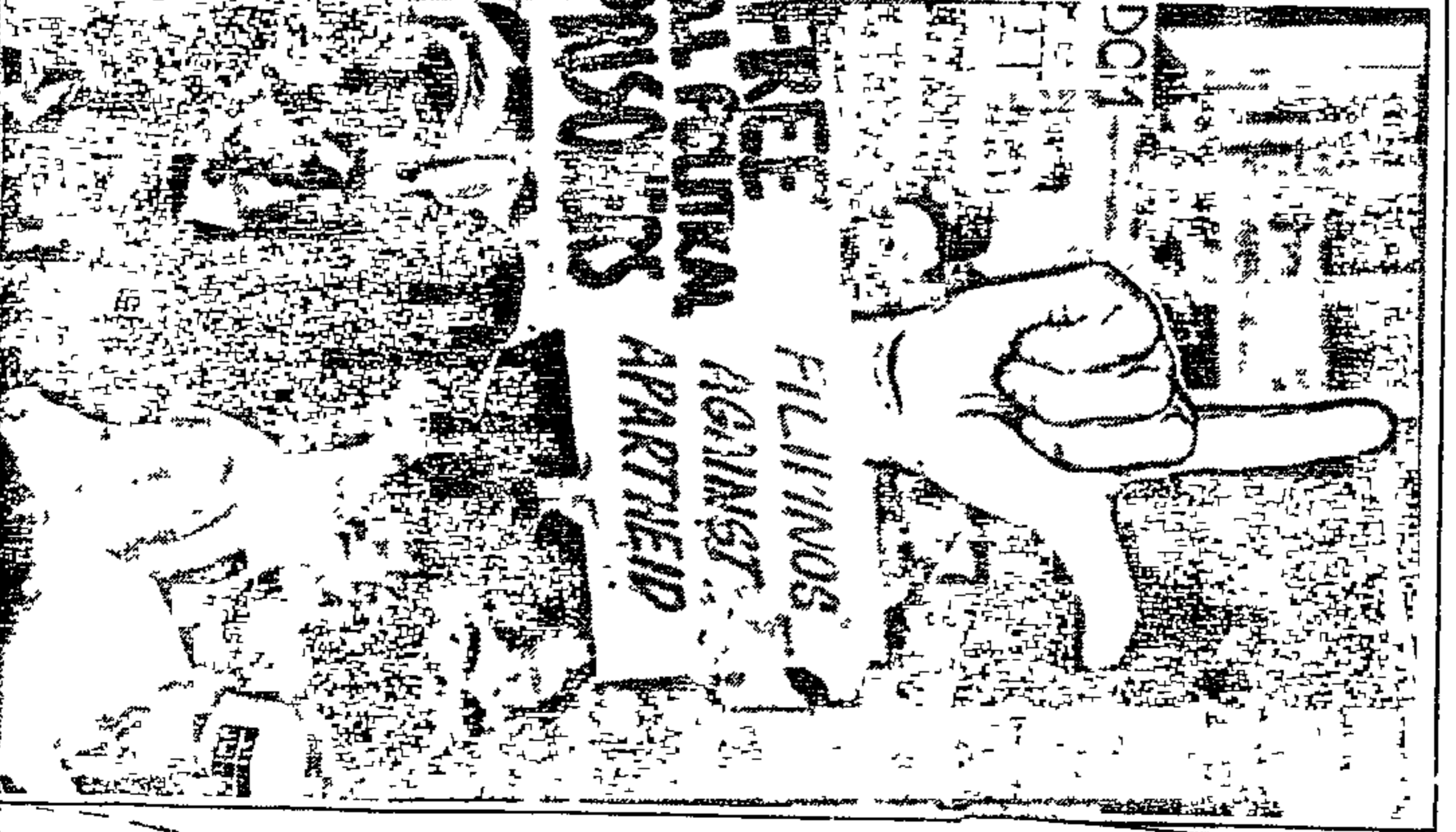
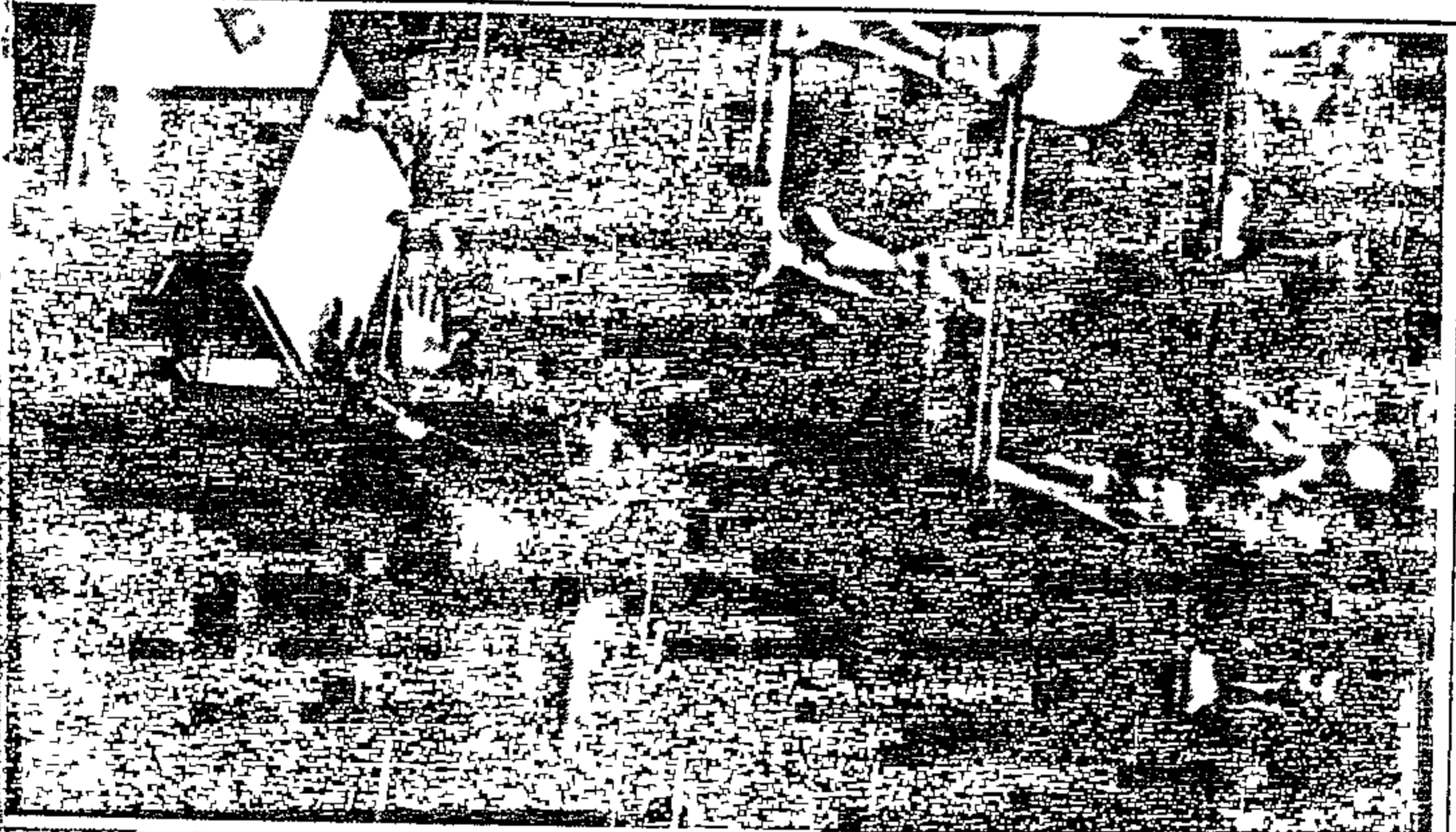
Raymond Ackerman

compromise us, but we will continue the fight, we will not give up," Gardiner said.

This is the company's second legal battle with the government this year over discount petrol.

After Minister of Mineral and Energy Danie Steyn directed in March that suppliers might not sell petrol "other than against a monetary consideration", Pick 'n Pay was granted a Supreme Court interdict setting the order aside. The court found the minister had acted outside his powers.

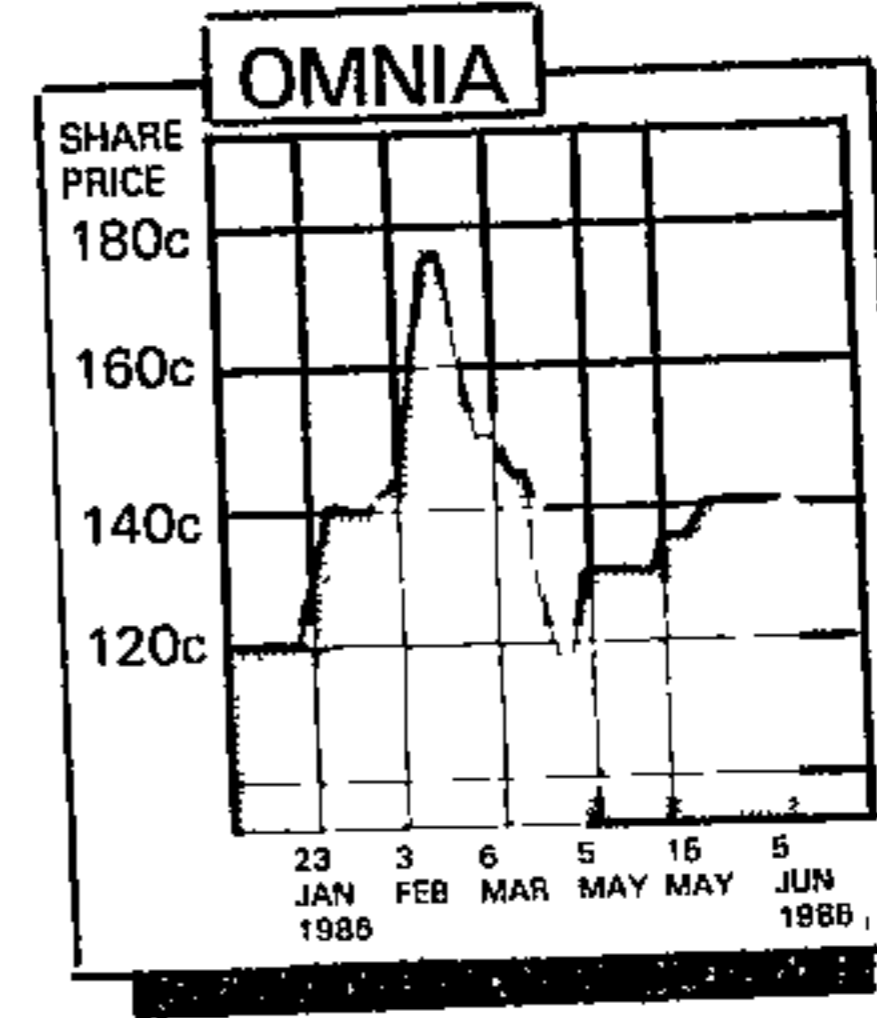
Notice of the latest prohibition was published at the end of last month.





# Omnia boss slates current fertiliser war

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OMNIA FERTILISER chairman Joachim Winkler has come out strongly against the present price war in the fertiliser industry.

In Omnia's annual report, Winkler says the war might continue until "further heavy losses convince competitors it is not price-cutting, but product quality and service orientation that improves their market position"

Omnia is not directly involved in the urea tariff dispute, as it is more dependent on ammonia. But industrial sources believe that the scrapping of these tariffs will intensify the present price war.

However, Winkler says that after having rationalised the group's activities, it will be able to withstand such a price war.

This rationalisation involved re-trenchment of staff and the reor-

STEPHEN ROGERS

ganisation of certain industrial processes. Benefits are expected to flow through in the current year.

A spokesman for the group said it was expecting to return to bottom-line profitability in the second half of the current year.

Omnia's improved results last year were largely due to a tax credit, which reversed a loss at the pre-tax level into a profit at the attributable level. With assessed losses and investment allowances from previous years, the group is not expected to pay tax for a number of years, which should help the bottom line.

However, it is unlikely that ordinary dividend payments will be resumed this year (last paid in 1983).

Interest on the cumulative redeemable preference shares

(R750 000) was deferred last year, and it is estimated Omnia will have to pay out at least R1,5m this year before it can consider an ordinary dividend.

The balance sheet has weakened with the historic gearing ratio rising to a high 144% (115%) — this figure including the convertible preference shares as shareholders' funds.

This resulted in a 15% increase in interest charges to R15,6m (R13,5m) in a period of falling rates, and interest cover declining to a critical 0,59 (0,67).

The share has risen from this year's low of just under 120c — after publication of year-end results — to its current 140c.

While the fertiliser industry remains depressed and uncertainty continues over the outcome of the price war, the share is best avoided.

6/6/86 FINMAIL

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# A look into obscurity

After years of powerful growth, Sasol's revenues could be due for a bruising. Most investment analysts agree with that. But there is less agreement on the implications for the synfuel and chemical giant's dividends or its share price, divergent views on these points have made Sasol one of the JSE's more contentious stocks.

Contradictions and uncertainties abound in any discussion of Sasol. That alone makes this year look different from the previous years since the listing in 1979. Ever since Sasol moved onto the JSE in the largest privatisation of a State-owned enterprise yet seen in SA, it has reported powerful earnings and dividend growth (see table), building up a consistent track record.

Against this record, the share has often been something of a disappointment. Although the price firmed steadily since early 1984, when the rand started plunging, Sasol's yield has always lagged other blue chips like Pick 'n Pay or Liberty. Late last year,

**Despite the consistently good earnings and dividend record since the listing in 1979, and generally favourable reports from stockbrokers' analysts this year, sentiment on Sasol has turned cautious.**

after the rand plunged in the wake of the emergency, Sasol's price soared, then, soon after peaking at 910c, it launched into a four-month slide to 625c that wiped R1,6 billion from the peak market capitalisation of R5,1 billion.

The shake-out was fuelled by the firming rand and crumbling international oil price — the worst possible combination for Sasol, as the price it receives for petrochemical products from its synfuel plants is based on the rand equivalent of international petrol prices. The rand price of oil, the variable most crucial to operating profits, had fallen from about R80 a barrel last October to only R26-R30 a barrel. Even when compared with the first half of 1985, when prices were R50-R60 a barrel, there has been a drop of some 50% (see graph).

While most stockbrokers' reports on Sasol remain bullish on fundamentals, their reassuring recommendations have been overshadowed by more bearish sentiment. The rand's decline over the past fortnight has not injected market support and the

share continues to drift around 685c.

Bullish analysts point to a number of factors — fat in the financial accounts, the strengthening balance sheet and improving efficiencies — which, they say, should ensure that earnings and dividends are protected over the next 12-18 months.

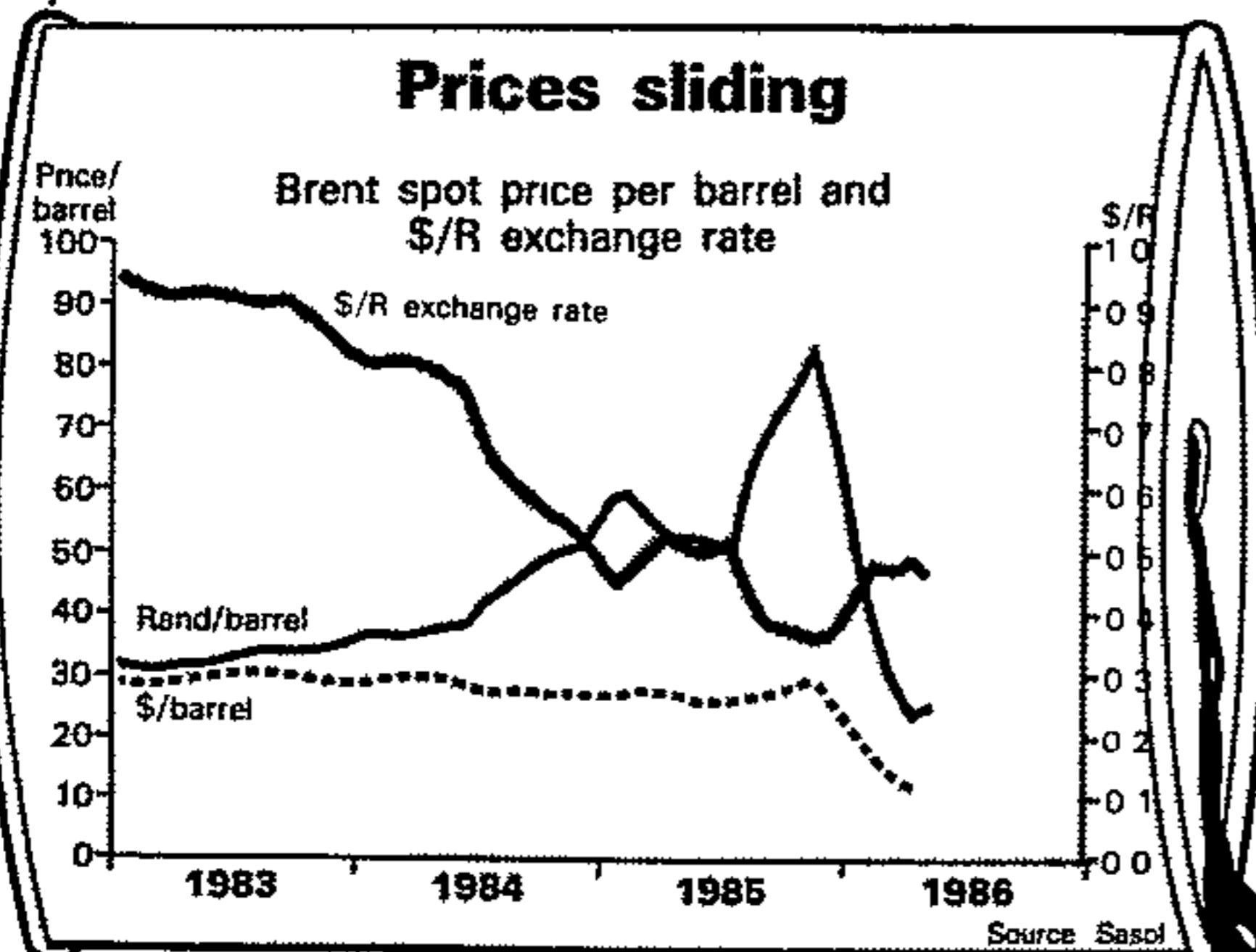
Certainly, Sasol has salted away much of its recent bonanza profits, 50%-held Sasol 3, after declaring a nine-times covered dividend of R50m in 1985, declared no dividend at the end-December interim, when its after-tax profits were R204m. The interim also saw the creation of a R50m profit equalisation reserve and it would not be surprising if another R50m is added in the second half.

Accounting policies have long been conservative. Despite abolition of tax incentives,

Raymond Pretorius



**GM Du Toit ... juggling the variables**



Sasol has adhered to LIFO stock valuation. By reverting to FIFO, it could immediately tap the LIFO reserve of some R300m, or, by reducing stocks, it could draw on part of this reserve, and take, say, R50m.

Also, interest payments, which absorbed R307m in 1985 and a net R95,2m at the interim, are falling. GM André du Toit says that even on the present outlook, interest-bearing debt (currently R1,1 billion) could possibly be fully repaid by the end of 1988.

Restoration of the 4,5c/l levy withdrawn from the petrol price formula from January 1985 could provide some compensation for the fall in the rand oil price. But this is another point of difference between analysts. Ed Hern, whose analyst Manny Pohl produced a bullish report (recommending a buy at 740c), is confident the levy will be restored.

A notable contrarian is Alan Hill of Max Pollak & Freemantle. He has followed Sasol for years, in a report put out on February 12, he became guarded on the share. He sees rand oil prices remaining weak at least until mid-1987. While improved results are still likely for the year to end-June 1986, Sasol must be expected to be a relatively weak performer in this period, he says.

"Furthermore, should the rand oil price remain below R40 a barrel for any prolonged period, Sasol will struggle to sustain a satisfactory earnings growth pattern, unless there is a revision of government's fuel pricing formula." Hill stresses the dividend is highly sensitive to the rand/dollar exchange rate.

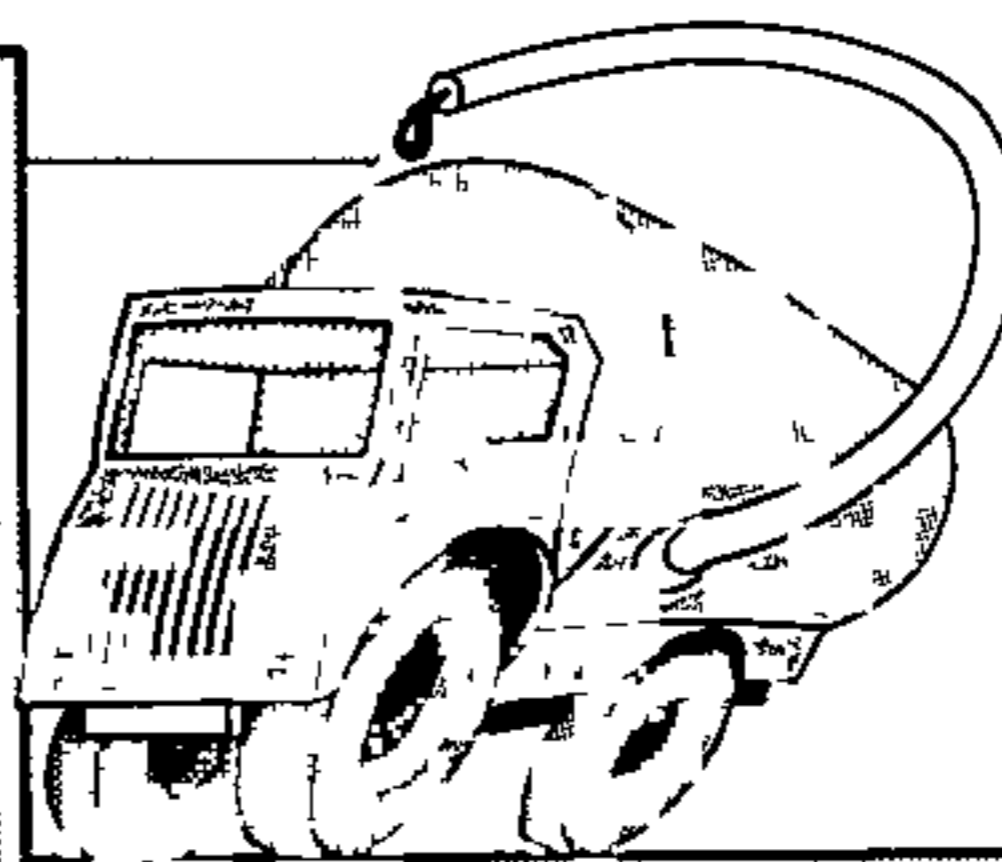
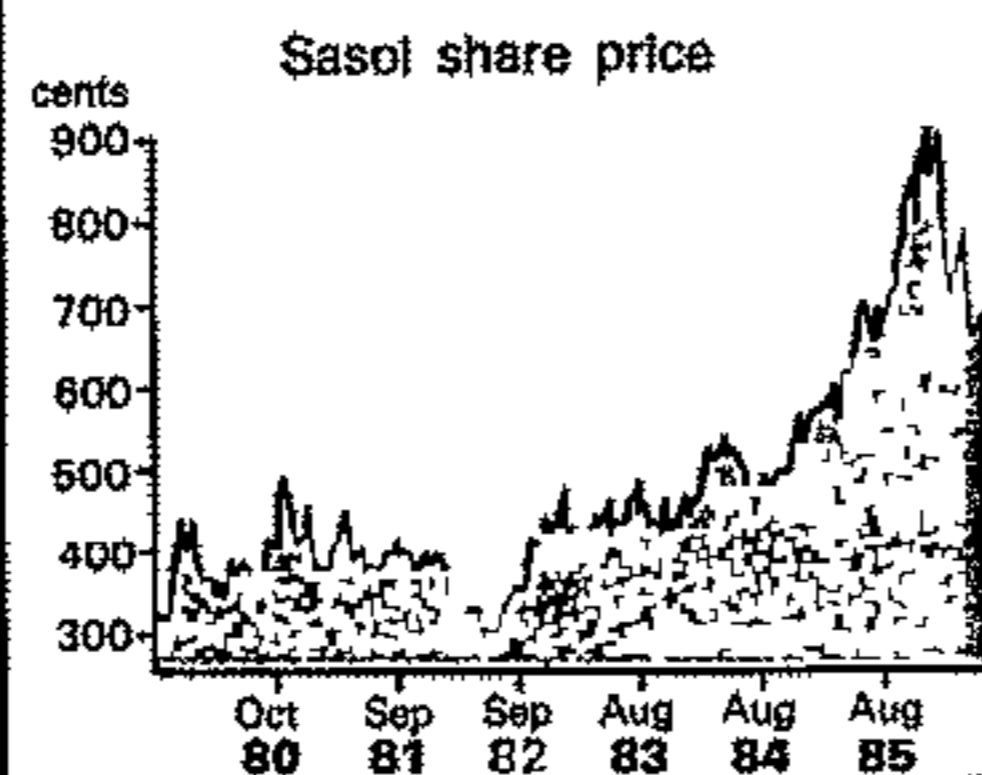
"A reduction of R20 a barrel in the price received on coal-based fuel can reduce the group's annual turnover and profit by at least R800m, about half of this being attributable to the quoted company. No company can absorb a sustained setback of this magnitude and maintain its level of profits."

While conceding that there is scope for a gradual improvement in the dollar oil price, Hill believes it is wrong to assume future rand depreciation will be as steep as the 30% a year average of 1984-1985. He is saying that it can no longer be assumed that Sasol will maintain powerful long-term growth, it will have to adapt to a more sustainable growth rate.

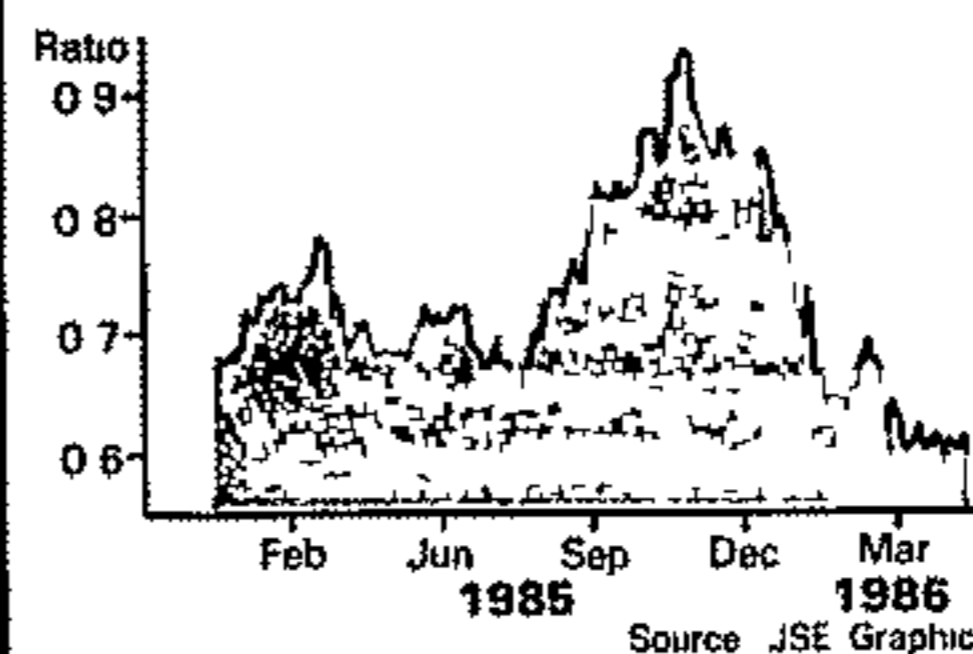
Some believe restoration of the 4,5c/l levy probable, which would help Sasol significantly. According to the official announcement, the rebate was only suspended — there is an agreement with government on the possible circumstances for its restoration, and there are arguments that such circumstances now exist. Moreover, Sasol's listing prospectus stated there may not be any differential in the treatment given to different organisations in the oil and chemical sector.

Here, too, Hill is not so sure. He feels that government never foresaw Sasol generating the massive profits of recent years, and could be reluctant to subsidise a profitable producer whose synfuel plants are fully on stream, especially in view of the rural-based political

## Seeking support



Sasol versus industrial index



threat now emerging from the Right. In any event, he says, "the 4,5c/l levy is small fry when compared with the recent setback." Of course, a sustained firming of the oil price, or weakening of the rand, as started happening in the past few days, might change these equations, but the outlook for both is opaque.

A key question regarding both Sasol and the energy scene is whether government will change the rules applied to local sources of fuel. The whole scenario is sensitive to key variables such as the international oil price, exchange rates, available synfuel technologies, and the approach finally adopted on the Mossel Bay project. Government is apparently reassessing a number of positions, including those on Mossel Bay and the petrol pricing formula, and some far-reaching decisions could be taken in the next few months.

Apart from the new uncertainties about the ground rules, a basic difficulty with Sasol, and a reason why viewpoints differ, is that production volumes (and hence the breakdown of contributors to group profits) are confidential. There should, for example, be help this year from the refining operations, as the reduction in domestic petrol price is stimulating petrol sales volumes. However, margins are considerably thinner on refining than on synfuel plants. Refining is a major contributor to Sasol's R3,6 billion-odd turnover, but a much smaller contributor to profits.

Much the same applies to other operations, such as production of chemicals and the new downstream activities, including fertiliser (probably in a loss, like other producers) and explosives, which will make a contribution later this year. All these help the cost structure — but the synfuel plants are crucial to earnings.

Two other controversial issues are the timing of Sasol Ltd's acquisition of the 50% not already owned in Sasol 3, and whether it will fund this with a rights issue. At the Sasol 2

takeover, 1986 was given as the earliest date for consolidation of Sasol 3, and some commentators, including Ed Hern, argue the deal will go through this year. The Hern report put the purchase price at R750m, partly funded by a R500m rights issue.

This could quickly give Sasol's profits a massive boost. It does not even equity-account Sasol 3's income, which alone would make earnings far higher. But there appears little urgency for the takeover, the 1983 rights

document put the deadline at 1992, six years off. In fact, conditions could be more propitious in a year or two given that the balance sheet should be ungeared by the end of 1988, Sasol could then finance the deal from internal resources and borrowings and avoid another rights issue.

This would make sense. A rights issue is among the last things needed if the share rating is to be improved. Already, Sasol's huge issued capital of 562,5m shares can be a considerable depressant on the price.

Institutional investors have hefty holdings. Old Mutual, for example, has 5,5% or 30,7m shares, Anglo 2,1% or 12m, JCI about 3,1% or 17,3m, GFSA about 3,5% or 20m, and Sanlam could have around 7% or nearly 40m. All they need do is lighten holdings when sentiment and the price become vulnerable, aside from that, they may not be too keen on adding to portfolios at present.

However, a rights issue cannot be ruled out. There could yet be an announcement after year-end results are published in about July. Analysts attach different implications to this. A rights issue could be seen either as confirming signs of strain on the balance sheet, and that Sasol wants to acquire Sasol 3 soon, or that government wants money.

There's been nothing in the accounts to justify misgivings and it's just possible there never will be. The 1986 year results will certainly be good. Notably, though, even when the oil price looked firmer last week, and the rand fell below US42c on Monday, Sasol's share price languished below 700c. As long as the energy picture remains obscure, and there are expectations of another large rights issue, sentiment will remain cautious. The share is unlikely to regain much strength in the short term. *Andrew McNulty*

## SASOL'S GROWTH

Year to June 30	1980	1981	1982	1983	1984	1985
Earnings (c)	32.4	44.4	53.2	61.9	73.3	89.1
Change (%)		37	19.8	16.4	18.4	21.6
Dividend (c)	15.5	20	24	28	33	39
Change (%)		29	20	16.7	17.9	18.2
Net worth (c)	177.1	202.6	228.5	262.4	368.1	418.3
Change (%)		14.4	12.8	14.8	40.3	13.6

6/6/86

**In the bag?**

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Manufacturers of woven polypropylene bags are waiting in the wings for word that the Jute Control Board is to be privatised. Thereafter, they hope to step in and capture the agricultural bag market worth an estimated R25m a year.

The importation of jute bags, used extensively in the maize, wheat, rye and sorghum industries, has been vested in the Jute Controller in Pretoria since World War 2.

Controller Don Vermeulen admits the Board is a "prime candidate for privatisation." In line with government's general policy of handing over specific public functions to the private sector, he confirms that the privatisation of the board is being investigated.

A final decision has not been taken, but he says the intention is to complete the probe into the handover as speedily as possible.

Bag manufacturers in the private sector,

Financial Mail June 6 1986

however, believe privatisation is imminent. They have already produced a 70 kg non-slip woven polypropylene bag which the Maize Board is now testing.

At least two manufacturers, Consol and Romatex, are geared for production. Romatex moved out of the jute bag market in 1979 in favour of polypropylene bags and a Consol subsidiary, Paktex, has established a plant specifically for non-slip bags at its factory near Ladysmith.

Maize Board GM Hennie Nel says testing of the non-slip polypropylene bag should be completed by the end of the year. Early field results, he says, look encouraging.

"It could be," he says, "that the old jute bag will be phased out in favour of locally-made polypropylene bags, but the final decision rests with the board, its customers and the central government."

Nel says moving to a locally produced bag makes sense — if only in terms of import replacement and the consequent savings in foreign exchange.

The Maize Board's recent movement towards the bulk handling of maize has reduced its bag requirements, but in years of bumper crops there have been upwards of 30m new jute bags in circulation.

An added inducement towards switching to a local source is that the jute bag supply from Bangladesh is tenuous — to say the least.

## THE VITAL VIEWPOINT

# US action could hit oil project

*BUS DAY*  
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*183*

HAMISH McINDOE

LATEST US sanctions proposals against South Africa could severely hinder foreign oil company involvement in the R5bn Mossel Bay oil-from-gas project, according to political and oil industry observers.

Jointly sponsored by Democrat senator Edward Kennedy and congressman William Grey, the five-track congressional bill introduced in Congress late last month includes a ban on new US investment in SA.

Department of Mineral and Energy Affairs deputy-director Theuns Burger admitted such a ban could well have a serious impact on the project.

US oil companies Mobil and Caltex would be barred from offering technology and expertise in the development of Mossel Bay if President Reagan adopted the congressional bill's new investment ban.

"Mobil technology has been mentioned as a possible route in the liquefaction process at Mossel Bay," Burger said.

Three non-oil US companies have already been strongly urged to withdraw from the Mossel Bay project by the American Committee on Africa.

Soekor declined to comment on how government's open invitation to foreign oil companies to help develop Mossel Bay had been affected by latest sanction moves in the US. "We are not involved in the negotiations," a Soekor spokesman said.

THE Automobile Association (AA) yesterday met Department of Mineral and Energy Affairs' (DMEA) director-general Louw Alberts for a confidential briefing on government's reasons for banning petrol discounts early this week

The move is part of government's efforts to give the industry, outside oil companies, a firmer grasp of its reasons for outlawing petrol discounts

The AA maintains the discount ban should have been delayed while the DMEA's investigation into restructuring of the petrol price is under way

Oil industry observers have criticised government's failure to explain fully its motives behind the discount ban

An oil industry source said "The public believes it was movement without method"

But he said government had to weigh difficult proposals on allowing the consumer cheaper petrol against

- Securing the supply of crude oil imports to wholesalers,
- Protecting small retailers and thousands of industry jobs,

# AA told why govt bans cheap petrol

HAMISH McINDOE

Saving about R800m in foreign exchange by avoiding widespread conversion to self-service petrol pumps

He said sustained cutting of the retailer's 5,2c/l fixed profit margin could force oil wholesalers to subsidise franchise service stations

About 40% of the country's petrol outlets are owned by oil companies

And he said "Government may be forced to increase the wholesalers' profit margin by raising petrol prices

# Petrol coupons

still go on <sup>24/7</sup> <sup>30</sup> <sup>183</sup>

Pick 'n Pay was yesterday granted permission to continue with its petrol discount coupon scheme until Wednesday

The chain store was to contest last week's banning of its coupon scheme in the Cape Town Supreme Court yesterday afternoon, but instead met the Government's legal advisers

Pick 'n Pay director Mr Alan Gardiner said it was agreed to re-schedule the case for Wednesday "This will give both parties the opportunity to prepare their cases more fully and allow the Government sufficient time to reply to our affidavit," he said.

# Pick 'n Pay goes to court again

*Cape Times 7/6/86*

Supreme Court Reporter PICK 'N PAY has taken the Minister of Mineral and Energy Affairs to court again, alleging that the minister has exceeded his power by forbidding petrol sellers to offer "any benefit" to buyers

The hearing has been postponed by agreement until Wednesday to allow the minister time to file answering affidavits, but Pick 'n Pay's case is set out in papers already before the court

An affidavit from director Mr Hugh Herman sets out the history of the chain store's battle to maintain a scheme in terms of which people buying petrol receive coupons discounting Pick 'n Pay goods other than petrol

A crisis was reached when petrol supplies to Pick 'n Pay were cut off after a letter from the minister forbade the supply of petrol to outlets where "any refund or any other consideration" was offered to consumers

Pick 'n Pay took the minister to court on March 6 and on March 19 the court ruled that the section of the Petroleum Products Act relied on by the minister did not give him the power to act as he had done

On June 2 the minister published a notice in terms of another section of the Act, forbidding petrol sellers from offering "any benefit" to buyers

Pick 'n Pay argues that while the minister is empowered to regulate business practices which he thinks are "calculated to influence" the price of petrol, this does not empower him to forbid their coupon scheme which, they contend, has no bearing on the price of petrol

Mr Justice H Berman presided Mr S Aaron, SC, with Mr L Weinkove and instructed by Sonnenberg, Hoffmann and Galombik, appeared for Pick 'n Pay Mr P B Hodes, SC, with Mr D van Reenen and instructed by the State Attorney's Office appeared for the minister



By Janp Baekkoel

United States sponsored sanctions against South Africa could delay — but not stop — the R5 000 million Mossel Bay oil-from-gas project which will come into operation early next decade say experts involved in the planning

They warn that delays caused by sanctions prohibiting exports of technology by oil giants like Mobil and Caltex could somewhat delay the project

If the proven Mobil oil-from-coal technology

used by New Zealand is not available to the Mossel Bay planners they can resort to a number of other processes converting gas to liquid fuel, including the indigenous Fischer-Tropsch process as amended by Sasol

The American sanctions proposals are jointly sponsored by Democratic Senator Edward Kennedy and Congressman William Grey in a Bill introduced in Congress at the end of May. It seeks to ban new American investment here

Meanwhile, in the House of Assembly yesterday reports Sapa, it was stated that in the two years from March 1984 to February 1986 South Africa had the highest fuel price increase among 12 major Western nations

Mr John Malcomms (PFP Port Elizabeth Central) said in the House during the debate on the Mineral and Energy Affairs allocation in the Budget he was not satisfied officials monitoring the fuel price were always aware of the Government's stated commitment to free enterprise

"They should be closely watched by the Minister (Mr Danie Steyn) and by Parliament, he said

Calling for strong private enterprise representation on the Strategic Fuel Fund, he noted that in 1985 fuel pipelines made a profit of 76 percent on turnover. This was a further tax on the petrol price and was used to subsidise losses on the railway passenger services

This and other taxes on fuel had a "massive effect on inflation", Mr Malcomms said

Between March 1984 and February 1986 the fuel price in South Africa rose by 40 percent

**MURDER**

New Zealand had the next highest increase (27 per cent) while in the US the price had declined by nine percent

He described the filling station Rationalisation Plan which limits the number of fuel retail outlets, as being "very nice for vested interests but murder for the free market system"

On the proposed Mossel Bay fuel project, he wanted to know what had happened since last year when tenders were called for and received

It was known that the State wanted to have private enterprise. If they had not accepted, "one must ask why"

If the Government proceeded with the project, at what price per barrel of crude imports would it become viable?

The project was important to Port Elizabeth, he said, noting that 1 800 men would be employed in the fabrication of offshore facilities which could not be made in Mossel Bay — Sapa



Mr Gordon Waddell, chairman of JCI, (right) with the honorary secretary of the Hospice Association, Mrs Shirley Henen and Mr Stan Henen chairman of the association

**A gift to ease suffering of the terminally ill**

By Joe Openshaw, Medical Reporter

About 2 500 terminally ill people and their families will need medically directed and nurse-co-ordinated services this year

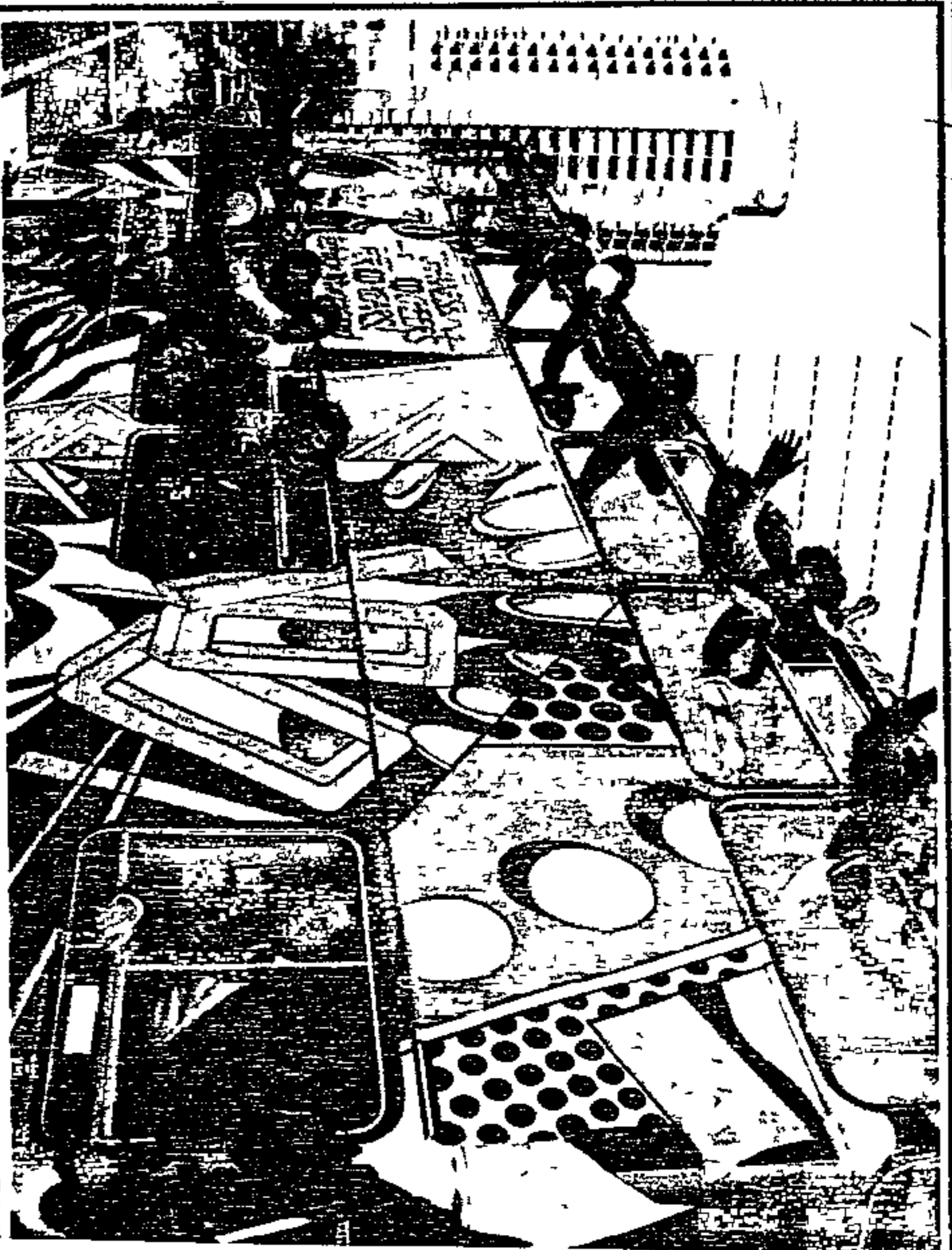
The chairman of the Hospice Association of the Witwatersrand Mr Stan Henen, said in Johannesburg yesterday

He was speaking at a ceremony at the Hospice inpatient centre in Houghton at which a cheque of R400 000 from Johannesburg Consolidated Investment (JCI) was handed to Mr Henen for expanding existing facilities at the centre

The service is on the basis of need only — not ability to pay — without regard for race, religion, colour or creed

Initially we thought the inpatient centre at Houghton — able to accommodate five or six patients — would meet the needs of the community and serve for the next five years," said Mr Henen

"The R400 000 will be the initial outlay of capital towards extending our inpatient facilities and a day-care centre and a further R1.2 million will have to be raised before work can be started on this new development," said Mr Henen



**Bright buses are just the ticket, says I**

Two gaily coloured buses will be brightening up Johannesburg streets for the next four months, thanks to the ingenuity of a group of students

To promote the Witwatersrand Technikon's involvement in the city's centenary, graphic design students have spruced up two municipal buses with bright, colourful artwork

They were presented outside the Civic Centre by the Mayor Professor Harold Rudolph

**Mellet impressed by regard for media**

By David Braun, Political Correspondent

CAPE TOWN — Mr Leon Mellet, Internal media director for the Bureau for Information, and Mr Andries Oberholzer, chief director of liaison, returned this week from a two-week tour to study information systems in the US and in Israel

Mr Mellet's overall impression was that South Africa could profit from the experience in both Israel and the US. He was struck by the huge importance attached to the media by the governments of both countries. The White House was particularly professional in this regard, with a large staff available to deal with enquiries day and night

The State Department's media liaison staff tried to answer a flood of questions and prepared for the daily briefings. A third point which struck Mr Mellet, he said, was that in an era of modern technology and rapid communications via satellite, censorship was not very effective

It might be possible to control the dissemination of news in a particular country, he said, but there was nothing a government could do about what was being distributed elsewhere in the world



THE DEPARTMENT

CAPE TOWN 10/6/66  
Crisis plea  
to bosses

Labour Reporter

THE South African Chemical Workers' Union (SACWU) has appealed to employers not to penalize workers who fail to come to work during the current crisis in the townships

A spokesperson for the union said bosses at factories organized by SACWU had responded "very positively" to calls to let workers from the Nyanga area go home early yesterday

"We hope all employers will act reasonably towards workers"

He appealed to other trade unions and democratic organizations to negotiate with employers in an attempt to persuade them not to take disciplinary steps against such workers

An organizer for the Chemical Workers' Industrial Union (CWIU) said management had been "sympathetic" towards union members who had difficulty coming to work

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- (xvii) South African Library,  
 (xviii) The State Library,  
 (xix) Grocott & Sherry,  
 (xx) Seymour & Van Biljon,  
 (xxi) F, T and R Printers,  
 (xxii) Heer Printers,  
 (xxiii) University of Stellenbosch  
**Post and Telecommunications**

1085 Mr P G SOAL asked the Minister of Communications

(a) How many annual reports were produced by the Department of Posts and Telecommunications during the latest specified period of 12 months for which information is available, (b) in respect of what bodies were these reports produced, (c) what was the cost of producing each such report and (d) who did the printing of each report?

The MINISTER OF COMMUNICATIONS

(a) One, during the 12 months that ended on 31 May 1986

(b) The Annual Report of the Department of Posts and Telecommunications

(c) R21 705

(d) The Department's own printing works

**Annual reports**

1087 Mr P G SOAL asked the Minister of Education and Development Aid

(a) How many annual reports were produced by the Department of Education and Training during the latest specified period of 12 months for which information is available, (b) in respect of what bodies were these reports produced, (c) what was

the cost of producing each such report and (d) who did the printing of each report?

**The MINISTER OF EDUCATION AND DEVELOPMENT AID**

(a) One

(b) The Department of Education and Training

(c) A final statement has not yet been received from the Government Printer

(d) Cape and Transvaal Printers for the Government Printer, Pretoria

TUESDAY, 10 JUNE 1986

†Indicates translated version

For oral reply

General Affairs

†Mr SPEAKER It has come to my notice that Questions Nos 7, 21 and 22 for oral reply today, deal with Crossroads and the KTC squatter camp

As the matter became *sub judice* after the Supreme Court had granted an interdict in respect of the KTC squatter camp, these three questions cannot be put

Mr G B D McINTOSH Mr Speaker, in view of the fact that the interdict has clearly been ignored, both yesterday and today, do you not believe that as a matter of urgent public importance these questions should be answered, particularly taking into account the non-observance of that interdict yesterday, and evidently this morning as well?

Mr SPEAKER Order! I want to tell the hon member for Pietermaritzburg-North that two wrongs do not make a right. We have to abide by the interdict granted by the Supreme Court

Kabokweni magistrate's court  
 \*1 Mr P G SOAL asked the Minister of Law and Order

(1) With reference to his reply to Question No 13 on 6 May 1986, (a) who (i) was the head and (ii) were the other members of the panel investigating the incident at the Kabokweni magistrate's court near White River in the Eastern Transvaal on or about 11 March 1986 and (b) what was the nature of the investigation.

(2) whether this investigation has been completed, if not, when is it anticipated that it will be completed, if so, when.

(3) whether the investigating panel has reported its findings, if not, when is it anticipated that a report will be available, if so, (a) when and (b) what were the (i) findings and (ii) recommendations.

(4) whether any action has been taken as a result of this investigation, if so, what action.

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

†The MINISTER OF LAW AND ORDER.

(1) (a) (i) and (ii) Major General A J Wandrag, the Divisional Commissioner, other commissioned officers and members of the Force

(b) To investigate the events on 11 March 1986 at the Kabokweni magistrate's court and the circumstances leading thereto, with specific reference to the actions of the South African Police

(2) Yes, on 21 April 1986, after which a comprehensive report was prepared, which was submitted to me on 15 May 1986

(3) Yes

(a) 15 May 1986

(b) (i) and (ii) Since the inquest has not been completed yet, I do not deem it in the interest of the administration of justice to make known the findings and recommendations of the investigation

(4) I refer the hon member to my answer in paragraph (3)(b)(i) and (ii)

(5) No

**Petrol prices**

\*2 Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs †

Whether the revenue earned by the Republic from exports of minerals, fuel, lubricants and related products to member countries of the Organisation for Economic Co-operation and Development was set off at the latest fixing of petrol prices, if so, (a) in what manner and (b) on what date were these petrol prices announced, if not, (i) what total amount did these exports come to over the latest specified period of 12 months for which figures are available and (ii) in what manner did his Department set off this amount?

†The MINISTER OF MINERAL AND ENERGY AFFAIRS

No. The rest of the question falls away

\*3 Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs †

(1) Whether the Republic supported minerals, fuel lubricants and related products to the amount of approximately two milliard dollars to member countries of the Organisation for Economic Co-operation and Development over the past two years; if so,

(2) Whether he will furnish particulars of these exports, if not, why not, if so,

- what products do these exports comprise,
- (3) whether his Department exercises any control over the export prices of such products, if so, what is the nature of such control, if not, why not?

**†THE MINISTER OF MINERAL AND ENERGY AFFAIRS**

- (1) The export value of products to member countries of the Organisation for Economic Co-operation and Development over the past two years amounted to well in excess of two milliard dollars
- (2) No At this stage the identification of these commodities is not in the national interest
- (3) Prices are not controlled

**Code of conduct**

\*4 Mr L F STOFBERG asked the Minister of Trade and Industry †

- (1) Whether he has been informed that member countries of the Organisation for Economic Co-operation and Development have prescribed a code of conduct for multinational undertakings, if so,
- (2) whether he has the text of this code of conduct, if so, what is the purport of the main articles of the code of conduct,
- (3) whether he will prescribe a similar code of conduct for multinational companies operating in the Republic, if not, why not,
- (4) whether he will make a statement on the matter?

**The MINISTER OF TRADE AND INDUSTRY**

- (1) No The Republic of South Africa is not a member of the Organisation for

Hoa

Economic Co-operation and Development and information on the Organisation's activities is not furnished by it to the South African Government

- (2) Falls away
- (3) No Multinational companies which operate in South Africa are subject to laws, rules and regulations of the country

\*5 Mr R M BURROWS asked the Minister of Law and Order

- (1) Whether any members of the South African Police took any action in or in the vicinity of the Wynberg Senior Secondary School on 22 May 1986, if so, (a) how many such members were deployed, (b) what was the nature of the operation in which they were involved, (c) what was the rank of the person who was in charge of such members and (d) what specified equipment did the police have on this occasion,
- (2) whether any members of the South African Police were at any stage involved in the alleged whipping of pupils at this high school (a) outside and (b) on school property, if so, (i) why, (ii) what is the rank of the person who gave the order in this regard, (iii) how many pupils were injured as a result and (iv) what was the nature of their injuries,
- (3) whether the pupils concerned were given warning to disperse before members of the South African police took action, if not why not, if so, (a) what warning were they given, (b) how was the warning broadcast and (c) what was the response of the pupils to this warning,
- (4) Whether any educational personnel attempted to intercede between the

police and the pupils, if so, (a) in what manner, (b) what were the circumstances surrounding the intercession and (c) what was the response of the police to these attempts,

- (5) whether any policemen (a) entered any houses near the school and (b) took any action against any persons present in these houses, if so, (i) what were the circumstances surrounding these incidents in each case, (ii) why, (iii) (aa) in terms of what statutory provision and (bb) on whose instructions did they enter these houses and (iv) (aa) what specified action did they take and (bb) with what result?

**†THE MINISTER OF LAW AND ORDER**

- (1) Yes
- (a) 65 members
- (b) To maintain law and order
- (c) A Colonel of the South African Police
- (d) A variety of weapons which were adequate to meet the given situation
- (2) (a) No
- (1) to (iv) Fall away
- (b) Yes
- (i) To disperse pupils who were holding an illegal gathering and who acted notoriously
- (ii) A Lieutenant of the South African Police
- (iii) and (iv) The South African Police is not aware of any injuries which the pupils sustained

(a) To leave the schoolgrounds peacefully within 30 minutes, or else the police would act against them

- (b) Orally by the headmaster
- (c) As the police was at that stage not on the schoolgrounds, it is not known how the pupils reacted to the warning
- (4) Yes
- (a) The headmaster undertook to warn the pupils himself to disperse
- (b) I refer the hon member to my answer in paragraph (3)(c)
- (c) The police left the schoolgrounds in order to give the headmaster the opportunity to warn the pupils himself
- (5) (a) and (b) No
- (1) to (iv) Fall away

Mr R M BURROWS Mr Speaker, arising from the hon the Minister's reply can he inform us as to whether the Police entered the school grounds at the request of the principal?

The MINISTER. Mr Speaker, I do not know; I do not have the information readily available

\*6 Mr E K MODOOROFF asked the Minister of Agricultural Economics

Whether any requests have been received for the export of any agricultural products from South Africa to the Soviet Union following the recent nuclear power plant disaster at Chernobyl, if so, (a) when, (b) from whom, (c) what products are involved and (d) what was the response thereto?

Hoa

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SA pipeline  
prices top  
the total cost

30/11/83  
183

Pretoria Bureau

Many inland consumers of petrol and diesel carry pipeline transportation costs that considerably exceed the total cost of such transportation

Mr H S Mabin, former executive director of Assocom, said this at an energy conference in Pretoria today

There had been growing criticism of the Government for charging inland motorists what were considered unreasonable sums for the use of the pipeline, he said

As long ago as 1945 the Board of Trade and Industries had recommended that railway tariffs be made to conform to the actual cost of the service

"In 1978 the board remarked that the implementation of this recommendation in the case of pipeline tariffs would itself reduce geographical selling price differentials in oil fuels to virtually insignificant proportions

"To the best of my knowledge, organised commerce endorses these sentiments"

Mr Mabin believed price control on petrol could have the effect of raising prices rather than lowering them

"The overall cost of energy might well be influenced by two existing controls that to some extent limit the application of market forces and factors to energy supply — price controls over important energy supplies and export controls"

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183 (244)  
BODAY (183) (244)  
11/18/86

# Govt wants to settle petrol war

Business Day Reporter

GOVERNMENT wants the petrol war with Pick 'n Pay finally settled today when the two sides cross legal swords for the second time in less than three months in the Cape Town Supreme Court.

Meanwhile, the Department of Mineral and Energy Affairs (DMEA) has agreed not to take action against the supermarket chain's coupon linked petrol discounting operation pending the hearing

A spokesman for the State Attorney's office in Cape Town said Senior Advoca-

cate Peter Hodes — acting on behalf of the DMEA — would present a strong case for judgment to be delivered today.

He said Pick 'n Pay was asking the court to set aside Section 2 (B) of the special *Government Gazette* of June 2 as *ultra vires* on grounds that DMEA Minister Danie Steyn acted beyond his powers

The section states retailers shall not "give or offer any benefit to any consumer on petrol sales"

## Discount petrol battle continues

CAPE TOWN — Pick 'n Pay yesterday resumed its legal battle with the Government over its petrol coupon discount scheme in the Cape Town Supreme Court

On June 2 the Minister of Mineral and Energy Affairs, Mr Danie Steyn, banned discount schemes in terms of the Petroleum Products Act of 1977

The Act allows the Minister to regulate or prohibit any "business practice, method of trading, agreement, arrangement or understanding" which he believes may influence the sale or selling price of petrol at any outlet, either directly or indirectly

Pick 'n Pay Retailers (Pty) Ltd are seeking an order setting aside the ban

Mr S Aaron SC, for Pick 'n Pay, argued that Mr Steyn had used the powers conferred on him by the

Act for a purpose for which they were not intended

"It is submitted that, once a price has been prescribed and customers are required to pay that price, the need to regulate falls away. No business practice, method of trading, etc, can any longer influence the price," Mr Aaron said in his written argument

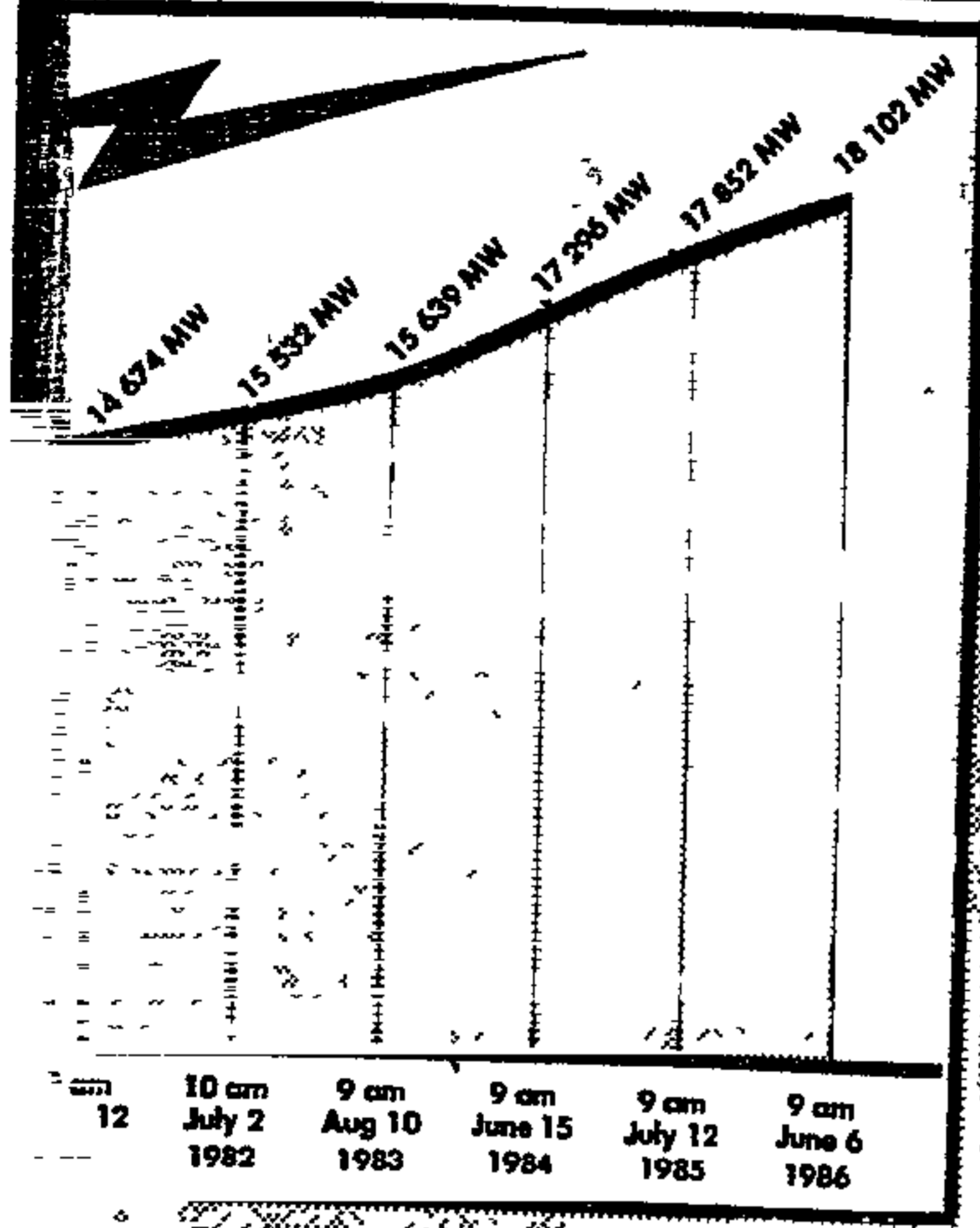
In a replying affidavit, Mr Steyn said resale price maintenance had been permitted to continue in the case of petrol "inter alia, for strategic reasons" details of which could not be divulged

"In my view, the purchase of petrol and the receipt of a benefit having a commercial value as a result of, or in connection with, such purchase must not be perceived as two unconnected transactions but as one"

Judgment will be given on Tuesday — Sapa

Star 12/6/86

183



in South Africa reach a new record on Escom's national grid. An 9 am when peak industrial demand coincided with high domestic good indication of growth in the Gross Domestic Product because of depression we may have negative growth figures," he said

### Sasol chief warns on oil glut effects

By Kym Hamilton, Pretoria Bureau

Interest and enthusiasm for synthetic fuels has disappeared resulting in the cancellation of projects which could lead to loss of expertise gained over the past 10 years, Sasol executive director, Mr P Kruger has warned.

Speaking at a conference in Pretoria yesterday on the future of South African energy, Mr Kruger said the major factors causing the lack of interest were the oil glut and low prices.

The oil price has always been subject to some degree of turbulence and it was only during a time of rapid oil price rises that synfuel projects were considered a viable alternative, he said

#### SECOND CRISIS

A period of stability followed after World War 2 until the 1973 oil crisis. This was again followed by a period of stability until the second oil crisis leading to eventual collapse of the price

The second oil crisis caused the price to rocket to an unprecedented US\$40 a barrel. During the following few years, it slowly descended to \$28 a barrel. The price then collapsed, dropping to below \$10 a barrel, and improving again to \$15. Oil prices should rise in the early 1990s, rekindling the interest in synthetic fuels, he said

In the interim, the industry should concentrate on improving present operations and exploiting processing improvements for the next generation of synfuel plants.

Given today's market trends, a Sasol 2 plant including the associated mine infrastructure would cost about R9 600 million. At the present inflation rate, this could escalate to a final cost of more than R15 billion in six years, he warned

# Grand plan to develop N-power

By Sue Leeman, Pretoria Bureau

South Africa should be planning to launch a major nuclear programme by the turn of the century when a second nuclear power station in the Western Cape will become viable according to the executive chairman of the Atomic Energy Corporation, Dr J W L de Villiers

Addressing delegates at a conference on South Africa's future energy needs in Pretoria this week he sketched an ambitious scenario involving expenditure of R250 000 million between the years 2000 and 2035 and the switch-on of the country's first breeder reactor by the year 2025

Dr de Villiers said South Africa did not have adequate energy reserves and would have to look for alternatives

#### REQUIREMENTS FOR ELECTRICITY

At first glance the country's coal reserves looked set to last for another 300 years. "However this is a fallacious assumption for, if a growth rate of 5 percent in electricity consumption is assumed for the next five decades, it can be shown that our total extractable coal reserves would be committed to electricity production alone by the year 2035"

Dr de Villiers said the country's uranium reserves, if used in the present thermal reactors of the Koeberg type, were equivalent only to some 15 000 million tons of coal, and thus could postpone for only a few years the date when all reserves were committed to electricity generation

"However, if used in fast breeder reactors, our uranium reserves will be equivalent to some 900 000 million tons of coal, allowing enough time for the development of new energy systems such as fusion, or perhaps alternative renewable resources which could also be used for electricity production"

Dr de Villiers said it was important to time the development of the country's nuclear programme so that available uranium resources were used to the maximum.

"A delay in initiating a local nuclear industry will strain local coal reserves and eventually precipitate a too rapid transition from coal to nuclear power"

Dr de Villiers charted his programme for the industry, saying it could be launched in the year 2000. No more coal stations would be built after 2080

#### POLLUTION

"Initially, nuclear reactors will become economic at coastal areas far removed from cheap sources of coal in the Eastern Transvaal

"As coal becomes scarcer and more expensive, and as pollution and water supply become more problematic, nuclear power will become more attractive

"Studies have shown that a second nuclear power station will become viable in the Western Cape by the year 2000"

Because local uranium would be limited, he added, nuclear generation would have to be by way of breeder reactors.



# P 'n P resumes discount battle

PICK 'N PAY yesterday resumed its legal battle with government in the Cape Town Supreme Court over its petrol coupon discount schemes

On June 2 Mineral and Energy Affairs Minister Danie Steyn banned discount schemes in terms of the Petroleum Products Act of 1977

The Act allows the minister to regulate or prohibit any "business practice, method of trading, agreement, arrangement or understanding," which he believes may influence the sale or selling price of petrol at any outlet, either directly or indirectly

Pick 'n Pay Retailers (Pty) Ltd seeks an order setting aside the ban

S Aaron, SC, for Pick 'n Pay, said Steyn had used the powers conferred on him by the Act for a purpose for which they were not intended

He contended that the minister had wrongly interpreted the relevant section and had failed to appreciate correctly the nature of the discretion conferred on him by the Act.

"It is submitted that once a price has been prescribed and customers are required to pay that price, the need to regulate falls away — no

business practice, method of trading, etc, can any longer 'influence' the price," Aaron said in his written argument

In a replying affidavit Steyn said resale-price maintenance had been permitted to continue in the case of petrol, "inter alia, for strategic reasons", details of which could not be divulged.

"This situation has pertained until today and strategic reasons are

equally relevant today, if not more so, inter alia, because of increased international hostility towards the government of SA which manifests itself in boycotts and embargoes in respect of the importation of crude oil from which petrol is derived . . ."

"In my view the purchase of petrol and the receipt of a benefit having a commercial value as a result of, or in connection with, such purchase must not be perceived as two unconnected transactions but as one." — Sapa



St Leger... planning ahead always vital

UNLESS SA contractors start trying to gain the necessary expertise to handle major construction projects, the fruits will continue to be

spoiled by foreign companies. This is the view of Sasol technology GM Piet Naude. Overseas contractors, he says, are usually accustomed to working abroad. And, more importantly, they are more in tune with the demands of massive modern technology projects, are more reliable and better qualified to handle the work required. With the Mossel Bay gas project

# Contractors need to gain more expertise

HELGA ST BLAIZE-MOLONY

possibly looming and future syn-fuels projects being planned, Naude stresses, "Planning for these projects is of the utmost importance. It contributes towards the success or failure of a project."

Central Energy Fund project director and former Murray and Roberts engineering division director Bob St Leger agrees with Naude. He says determined planning for the Mossel Bay gas project is underway and cost-benefit relationships are being studied, too.

"There is no doubt we would like to see a high SA content taking place on this project. There would be massive advantages to the country."

"Apart from the technology transfer we would hope to achieve, hard-hit industries and regional areas could benefit enormously." Expertise for the project can be found, St Leger adds. "But, yes, planning has to be accomplished properly. Companies will have to start facing up to the needs of a particular project now."

Naude points out that despite the financial drawbacks of using overseas firms "the local content in Sasol 2 was the most trouble in the end." During its design and construction, only 45% of the materials needed came from SA and only two construction contracts were awarded to SA firms.

He says allowance was made for local suppliers' technical limitations. The real problem lay in the timing of the manufacture and supply of goods. Contractors are unreliable, they suffer from a lack of skill or confidence and they often seem unwilling to meet new technical demands, says St Leger.

Naude believes that unless things change substantially SA cannot expect to increase its content in any future project of this magnitude. "There is not enough attention to detail and labour is not competent, so the failure rests with management," Naude concludes.

But if local firms anticipate the need for additional technological skills, if they prepare in time and provide the necessary training for staff, St Leger reckons SA firms could compete.

TRIOMF

13/6/86  
183 FIN MAIL

## Looking to exports

Financially troubled Triomf Fertilizer is fighting back. In an effort to increase cash flow, the company has stepped up production at its Richards Bay phosphoric acid plant



Triomf's acid plant... going for exports

and is going for increased exports — despite poor world markets and low prices

The 400 000 t/year phosphoric acid plant was brought up to full production on March 1 after running at half capacity since mid-1985. And the diammonium phosphate (DAP) granulation plant, mothballed for a year, was re-opened on June 1. This plant also has a capacity of 400 000 t/year, and about 80% of production is destined for export.

"This will increase plant utilisation considerably and help improve profitability at Richards Bay," says Triomf GM, purchasing, Bill Sampson.

Current export capacity, he says, is worth some R250m a year at the current rand exchange rate, but the problem is that phosphoric acid exports entail an operating loss because of low prices in the main export markets — Europe, Japan, Brazil and Turkey. And there's little chance of an improvement in the short term.

The answer, as far as Triomf is concerned, lies in reducing input costs. Triomf will thus approach Foskor to seek a cut in the price of a major input, phosphate rock, and Sats has been asked to reduce freight charges to help ensure the profitability of the Richards Bay plant.

Although these might seem odd tactics in a free-market economy, there's some basis for Sampson's call. He says Foskor's annual sale of 1 Mt of phosphate to Triomf earns about R45m a year, which would be lost if the plant was forced to close.

Similarly, Sats's new Swaziland line carries the raw material to Triomf and the line's profitability could be at risk. "In fact, Sats earns some R20m-R25m a year from operations to the Richards Bay plant, which would be lost if it closed. We are now negotiating with Sats to see if we can come to an equitable arrangement satisfying both parties," says Sampson.

"SA needs the dollars we earn from exports, and the 800 blacks and 230 whites employed at the plant make a valuable contribution to the economy. Foskor and Sats take too large a bite of our input costs and they should assist the total operation to ev-

eryone's benefit," says Sampson.

But no one, least of all creditor Nedbank, is banking on a successful outcome.

Meanwhile, suggestions that Triomf should overcome its debt problem by re-establishing its links with AECI are discounted by AECI.

"We have no intention of linking up again with Triomf. We are happy on our own," Chris von Solms, chairman of AECI Explosives and Chemicals, says in response to a question from the *FM*.

Until early 1984, AECI and Triomf were linked in an ammonia supply agreement, with Triomf acting as fertiliser retailer for both groups. After the split, Kynoch, which made a "small profit" last year, was recreated as AECI's fertiliser affiliate. Having established a reasonable market share on its own, Kynoch is evidently not interested in a re-marriage. ■

FIN MAIL 13/6/86 (183)  
SENTRACHEM STRIKE (183)

## A chemical reaction

The wage strike at seven Sentrachem plants by some 3 000 members of the SA Chemical Workers' Union (Sacwu) seems set to become a long and bitter fight.

The strike started on May 12 after conciliation meetings failed to break a deadlock over Sacwu's demand for minimum increases ranging from R200 to R250 a month. More than three weeks on, there is no sign of a weakening of resolve on either side.

Management claims production has been maintained — and even improved — with the help of casual labour; and, stating firmly that it has no intention of dismissing the strikers, shows every indication of holding out for as long as is necessary to break the strike. The union, on the other hand, says the

workers are prepared for a drawn-out power struggle

Sentrachem subsidiaries affected by the strike are Agrihold in Silverton, the Sasolburg and Newcastle plants of Karbochem, Fedms and Safripol in Sasolburg, and National Chemical Products (NCP) plants in Germiston and Kempton Park.

The wage negotiations that gave rise to the strike are the third to be held between Sentrachem and Sacwu since the union was first granted recognition by the group in 1984. In

that time, according to Sacwu national organiser Manene Samela, one of the union's major aims has been to move towards closing the gap between wages paid by the group's various subsidiaries. This is much the same tactic it adopted and succeeded with at several AECI plants where it is recognised.

In contrast to its openness with the press on its financial affairs, Sentrachem is saying very little about the strike. MD Dave Marlow is not prepared to divulge what the group's final offer was, nor to discuss whe-

some older, more established unions with mainly white members, to pay heavy duty drivers R980 a month and that black workers in the equivalent Peromnes category are now being offered only R850 a month. Aside from stating that the group's policy is to pay the rate for the job, no matter what a workers' background is, Marlow refuses to comment.

This is not the first time that a union has alleged that Sentrachem practices discrimination. Last year a dispute arose at the Karbochem plant in Newcastle when Sacwu claimed 87 workers had been retrenched for racial reasons. Dispute procedures came to an abrupt halt when the Minister of Manpower refused to appoint a conciliation board. But the Natal Provincial Division of the Supreme Court recently reviewed that decision and ruled that a board should be convened. Marlow will not comment on the matter.

The strike continues

# AECI looks set to give shareholders a surprise

183 STAR 14/6/86

By Gareth Costa

AECI could well produce earnings that are better than those that have appeared in the past few years, as trading volumes have picked up and the interest burden has been reduced

AECI's MD, Mr Mike Sander, told *The Star* before yesterday's annual meeting that stockbroker estimates of earnings of 95c for the year "will do for now, but we did not budget for an optimistic view of the future"

Shareholders could look forward to a possible increase in dividend at the interim after five years of the same payout of 55c

However, gearing is at 70 percent, and Mr Sander said he would like to see it lower, but it would be reduced in a controlled way without upsetting the company's competitiveness or by passing up opportunities

He said that the fertiliser arm was still making money (much to most analysts disbelief) but is satisfied that it is a well-managed company with high productivity

The explosive plant reshuffling and the movement of these closer to the mines is well advanced, and Mr Sander believes the strategy is a good one and that the customers are happy with the decentralisation "The explosives market is pretty mature. The growth is there, but it is not gigantic"

In the company's annual report it was said that negotiations were taking place with BP Minerals to evaluate the extraction of soda ash in Botswana

However, Mr Sander said that progress had been slow and there was nothing new to report.

The second phase of the synfuel project is still going ahead, but no decision has been made yet on how the project will be financed or what technology will be used. This may be decided in the near future, and possibly in the first quarter of 1987

Talking on the future of the SA economy, Mr Sander says "A view is that we need to have a growth rate in excess of five percent to solve the problems of the local economy, but it will

not grow this fast by trading in the internal market alone

"If we want a sustained growth rate, not one that is artificially stimulated, then we must maximise exports."

Mr Sander said that to fully utilise the benefits of exporting, there had to be co-operation between all the parts of the chain of an industry, right from the raw material supplier all the way down stream to the final product manufacturer. The market should be analysed and a slot found where the exporter can take advantage of his competitive base

AECI has an import-export ratio of two to one — exports of about R230 million or about 10 percent of turnover in 1985 — but this does not seem to have contributed much to earnings, even with the weak rand. Last year a mere 2c a share improvement to 74c was recorded

Mr Sander defends this past performance by saying that over the past five years volumes of trade have declined with the high inflationary environment, and that it was "remarkable" for the company to have maintained market share throughout this time

"Productivity has improved, and when we have an upturn we will be well placed to take advantage"



Mike Sander five percent growth needed.

# Triomf's MD grabs R3-m Hanhill plant

183  
15/6/86 S. TIMES

PART of the Roodepoort explosives plant used by the liquidated Hanhill Industries subsidiary National Process Industries went under the hammer this week, and the man who closed the deal with a R3-million bid was Triomf managing director Philip Clarke.

By Kerry Clarke

Although Mr Clarke did the bidding, the plant was bought by Phoenix Management, a company owned by the Hill family, which was a major shareholder of the liquidated Hanhill chemical group which was de-listed on the Johannesburg Stock Exchange last year.

According to a spokesman for auctioneer Africor, Mr Clarke's major competitor in the bidding was a member of the Hahn family — the other major shareholder in the Hanhill Group.

## No Interest

However, Dr Max Hahn says the party bidding against Phoenix was Dantex Investment Holdings, a company which supported Dr Hahn's company Danahan in its unsuccessful compromise offer to Hanhill shareholders last year. Dr Hahn says he holds no interest in Dantex, but he has dealt with the company through his directorship of National Explosives. He says Dantex is one of National Explosives most important customer.

Dr Hahn says Dantex stopped bidding on the NPI plant when the price became unrealistic. He claims the plant was sold for more than its replacement value.

Phoenix director Andrew Bassil says the NPI plant was not bought for the use of Phoenix, which is merely a shell company, but was purchased on behalf of a third party, which he declined to name.

The NPI explosives plant has up to now been used by National Explosives, whose holding company NPI Holdings, another member of the Hanhill group, has been in liquidation for two years.

A Hanhill group liquidator says an application for the liquidation of National Explosives and NPI associate company Strataloc has been launched and papers are before court. The application is being opposed.

Mr Bassil says "National Explosives used to belong to Mr Hill, and obviously he would be interested in getting it back. He may do so eventually, but the situation is far from finalised."

## Lengthy

Mr Hill is not in a position to bid directly for the company, as his personal estate has been sequestered.

A liquidator of the Hanhill Group says the process of liquidation has been unusually lengthy because there have been three successive offers of compromise which have been frustrated by one side, or the other.

He says that is why the liquidators have come to a decision that the only way to resolve the issue is to sell the assets and liquidate the companies down the line. He says there is nothing stopping another offer of compromise being made at this stage, but says such an offer is unlikely to be successful.

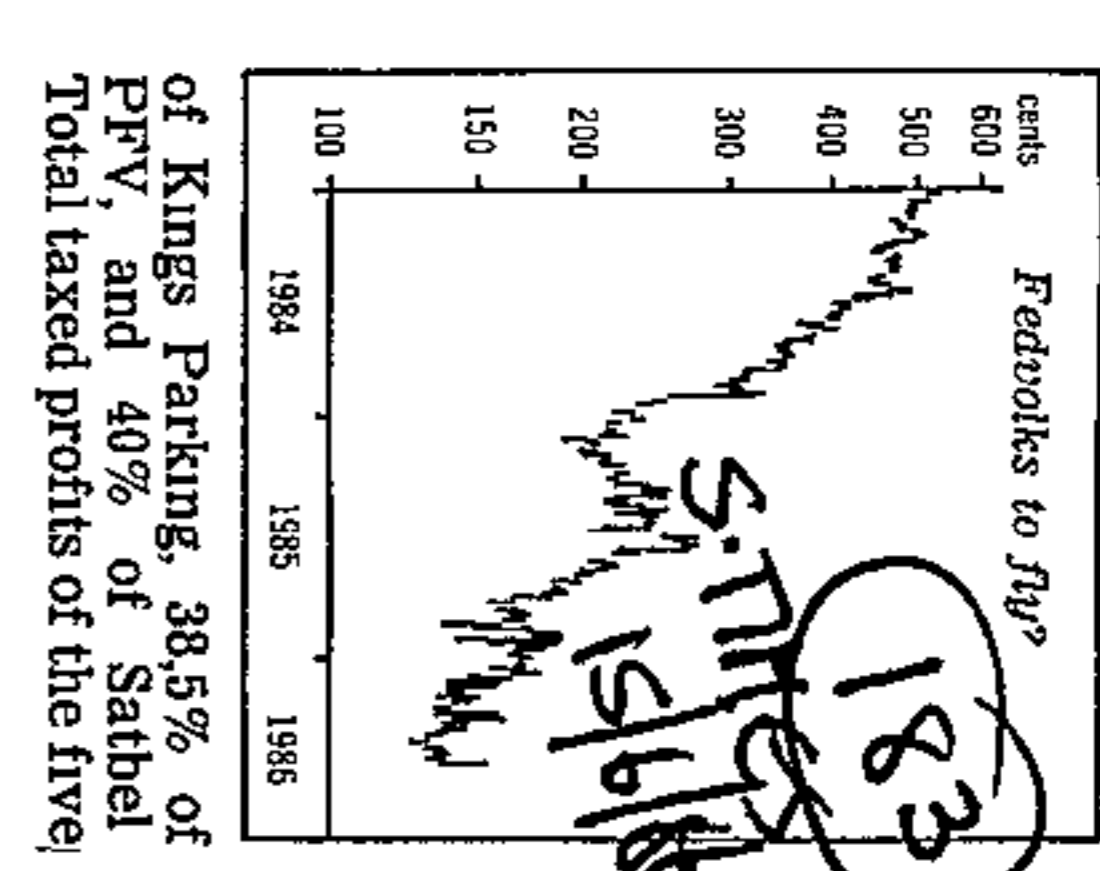
# Fedvolks looks to a long-awaited revival

STAND by for better than expected results from Federale Volksbelegungs tomorrow.

Not only have Fedfood and SA Drugists performed well, but Sentrachem is back in the black and the services division is steaming full speed, ahead of Firestone, as always, is profitable.

In addition, interest rates have fallen, the rights issue has reduced debt and last year's horrendous forex losses will not recur.

Of course, Federale sustained a R7.4-million loss in the six months to September, and Tek, Fedmech and Continental China are still making losses — so don't expect a large profit for the year — just an encouraging change of direction in the second half.



The services division — comprising important stakes in Avis, Fedics, Kings Parking, Price Forbess Federale Volkskas and Satbel — contributed R8.7-million to Federale's bottom line in the year to March. That was an increase of 15%.

Federale wholly owns Avis, has 50% of Fedics, 85%

of Kings Parking, 38.5% of PFV, and 40% of Satbel. Total taxed profits of the five

came to R20.2-million. Combined turnover was more than R1 000-million.

Looking at the parts of the little-known services division, its head, Peet van der Walt, admits Satbel is vulnerable to M-Net and TV4, both of which will offer feature films.

But he is not unduly worried, as he reckons Ster-Kinor's 16-35 target market "likes to go out" to movies.

And the big screen with blockbuster will always be a match for the tube. The success or otherwise of Ster-Kin-

ekor will be determined by product.

Meanwhile, movies have gone multiracial, expanding their audience and M-Net and TV4 will be looking to buy product — hopefully from Satbel's production company under Edgar Bold.

Satbel is ungearing and has millions in urban properties waiting to be unlocked and redeployed.

## MUSCLE

Kings Parking felt the downturn, but now it is moving into toll road administration, prospects are bright.

Each of the five companies is a leader in its market place. Were this division listed, there is little doubt it would be worth 10 times earnings — that's R87-million of value largely unappreciated in Federale.

Applying an earnings multiple of 11.3, halfway between the industrial average and that of Adcock, I have estimated the worth of SA Drugists to be R180-million.

Federale's stake in Fedfood is worth R108.3-million at the current market price. These three assets alone, plus the R104-million in cash coming in from the rights issue, account for R479-million of value in FVB.

One cannot come close to an estimate of the worth of other important divisions, such as Tek, Fedmech, Firestone and even lossmaker Continental China, but it is clear that the underlying assets, less all debt, are worth a lot more than Federale's present market capitalisation of R177.8-million.

The share price should improve, but there is a great deal of sense in further asset realisations.

Management of SA Drugists is dead keen to get a separate listing ahead of what it sees as a great run ahead. But head office is not selling its best assets.

The head of the services division, Peet van der Walt, reckons it will also not soon be listed. Already there are

big minorities in each of the holdings, except Avis. Federale has under-performed the market badly for more than 20 years and has been written off by most investors as a "dog". It trades at a 46% discount to conservative estimates after the rights issue. This sort of discount is a good guide to value.

Like those of SA Drugists and Fedfood before them, the latest results from the services division are a timely reminder of underlying quality in FVB.

Now that Sentrachem is profitable, Fedmech and Continental China are improving and FVB has been rationalised and recapitalised, the long-awaited revival appears under way, and the shares will probably not stay under R2 for much long.

1983  
**June 16  
a paid  
holiday**

TWO unions have successfully negotiated June 16 to be a paid holiday with three companies on the Reef.

Coca-Cola Bottling Company in Johannesburg and Boksburg, and Davis Gelatine in Krugersdorp have agreed to the day being a paid holiday for their employees after negotiations with the Food and Beverage Workers' Union

Colgate - Palmolive has become one of the first American companies based in South Africa to grant its factory workers a paid June 16 holiday. This follows an agreement between the company and the Chemical Workers' Industrial Union

Colgate also pioneered an agreement with the union to have May 1 regarded as a paid public holiday

The FBWU general secretary, Mr Leonard Sikhakhane, said "This is a major breakthrough in the present South African situation. These companies have taken the right step timeously"



Case Title (25)  
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248

# Petrol sales: Store loses court action

Supreme Court Reporter

THE Supreme Court "hoisted Pick 'n Pay by its own petard" yesterday, quoting the chain's own advertising campaign in ruling that its petrol sales coupon scheme did influence the price of petrol.

Pick 'n Pay had applied for a court order against the Minister of Mineral and Energy Affairs, arguing that he had exceeded his powers by forbidding petrol sellers to offer "any benefit" to buyers.

Pick 'n Pay argued that while the minister was empowered to regulate business practices he thought would influence the price of petrol, he had exceeded his powers because their coupon scheme had no bearing on the petrol price.

Dismissing the application, with costs, Mr Justice H Berman said the truth of the matter was that the coupon scheme was "primarily calculated and intended to influence the volume of sales". At the same time it was an exercise in public relations.

The judge said the consumer who bought petrol under Pick 'n Pay's coupon scheme did not pay the fixed price of petrol and separately

obtain goods at a discount.

"Rather, to use the minister's language, his pecuniary position has been diminished by the fixed price of the petrol he has purchased less the monetary value of the benefit he received.

"To go further and hoist Pick 'n Pay by its own petard by way of reference to the eye-catching statement in its own advertising campaign, the customer saves 4 cents on every litre, the obvious connotation being that the customer is paying 4 cents less per litre at the Pick 'n Pay outlet."

## Appeal

Finding that the consumer therefore paid less than the prescribed price of petrol at Pick 'n Pay outlets, Mr Justice Berman ruled that their coupon scheme did affect the price of petrol.

He granted Pick 'n Pay leave to appeal to the Appellate Division on the grounds that another court might come to a different decision.

Mr S Aaron, SC, with Mr L Weinkove and instructed by Sonnenberg Hoffman and Galombik, appeared for Pick 'n Pay. Mr P B Hodes, SC, with Mr D van Reenen and instructed by the State Attorney's Office, appeared for the minister.

P 'n P is  
hoist by  
its own  
petard

Own Correspondent

A SUPREME COURT judge "hoist Pick 'n Pay by its own petard" yesterday, quoting the chain's advertising campaign in ruling that its petrol-sales-coupon scheme did influence the price of petrol.

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# Pick 'n Pay shelves coupon fuel plan

PICK 'N PAY service stations would, for the time being, not issue coupons to motorists filling up with petrol, joint MD Hugh Herman said yesterday.

He said this would be the policy while Pick 'n Pay was appealing against the Supreme Court's decision upholding the Department of Mineral and Energy Affairs ban on giving free incentives to consumers

Sapa Reports that the Artisan Staff

SUSAN VAN ZYL

Association has said in a statement government was stifling the "spirit of the so-called free enterprise system" by prohibiting Pick 'n Pay from selling petrol at discount prices

"This smacks of price maintenance and cannot be condoned," the statement said

"Prohibiting Pick 'n Pay and, for that matter, any other outlet from

(30) (183)  
Bulawa 19/6/86  
selling petrol at a reduced price to the hard-hit motorist is not in the interest of the consumer, and is not in the spirit of the so-called free enterprise system and cannot be accepted by members of this union."

The union congratulated Pick 'n Pay chief Raymond Ackerman "for the courageous stand he is taking on this matter and expresses the hope that he will be successful in his endeavours to sell petrol at a price which is to the benefit of the consumer".

WEDNESDAY 19/6/86

# Anger over govt funding

note of the inequities of some of the fuel levies raised for purposes unrelated to transport

PFP energy spokesman Brian Goodall said the CEF was made up of profits from government interests in Sasol and from a petrol levy

"There is no quarrel with government using its Sasol profits for whatever reason it might have, but it should leave the petrol levy, raised for specific purposes, entirely alone. This is a messy and bad principle the government is introducing. Money is being raised for one purpose and being used for another."

CEF funds are invested with the Public Investment Commissioners (PIC), mainly in public sector debt and with the Corporation for Public Deposits, a subsidiary of the Reserve Bank

Although the precise terms of the agreement between these two are not known, it is believed the CEF funds, which are intended for energy development, will not be a grant, but rather a loan which will have to be repaid by the Treasury as and when required by the CEF for Mossel Bay development

← From Page 1

Alberts said the millions to be taken from the CEF to finance government's strategy to stimulate the economy would not be allowed to prejudice development of the Mossel Bay oil-from-gas project

The CEF would still have several billion rands which would provide adequate funds for the development of the project

The project cost was obviously a variable but it could be between R4bn and R5bn. "The time scale for completion is elastic and will depend on the technology chosen and the logistics," Alberts said

An oil industry source said the CEF gained revenue continuously through a levy of 4c on each litre of petrol sold and that Sasol was still repaying loans

Up to June 30 last year, Sasol had repaid R2,6bn in loans, interest and dividends. Sasol Ltd still owed the fund about R1,5bn and Sasol Three reputedly several billion rands.

But he said it was not known how much money was in the CEF, nor how much it earned each year from levies

<sup>Bus Day</sup>  
P n P  
20/5/80  
petrol  
sales drop

**PETER WALLINGTON**  
PETROL sales at Pick 'n Pay outlets around the country dropped markedly yesterday, a day after the supermarket chain was forced to stop its coupon scheme

Richard Freshich, GM of Pick 'n Pay service stations, said sales had "dropped markedly" although sales on Wednesday had been higher than usual as customers filled up for the last time under the coupon scheme

In the 12 weeks Pick 'n Pay issued coupons giving a 4c/l coupon redeemable in its supermarkets, its petrol turnover trebled over the same period last year.

**Needs surgery**

The story carries similarities to last year's Louis Luyt/Nampo deal. The JSE wanted an offer made to minorities of Lanchem, Triomf's holding company, on the grounds that a change of control had occurred. The combative Luyt got his way, and no offer was made when the JSE relisted Lanchem's shares.

This time round, the JSE was worried about Triomf's solvency. But a whispered word from Luyt persuaded it to drop its qualms. "We wanted the marketplace to be on notice," explains president Tony Norton, "all we can do is warn people to deal with caution." The JSE's warning is a touch belated, with the share price having dropped already from 120c to 35c in the last 12 months. Neither have Triomf's solvency problems been visibly overcome, although of course it continues to pay its bills and enjoy financial support.

The fertiliser industry is operating at 40% of capacity. But Triomf owes R350m debt, made a net loss of R75,8m in the 1985 calendar year, and has no ordinary share capital. The six-month loss to end-December was R50,4m, the operating loss R4,6m. The calendar year's first-half fertiliser sales are usually worse than in the second half. Lower

sales, and the fact that overcapacity suggests that Triomf is pushing its market share (among other things, with patriotic appeals to farmers to support the Boere company) at the expense of margins, means the operating loss may rise further at the end-June year-end.

Debt has not shrunk, and the interest bill in the financial year's second half looks unlikely to fall sharply on the first half. The second-half total loss could thus equal the first-half's R30m (excluding R21m for foreign exchange), leading to a possible total loss of R80m for the year. Next year's flow of red ink should be less, but Triomf is not budgeted to return to the black.

What is being done? Luyt is personally to provide financial support for Triomf, and a figure of R30m has been bandied about. But this pledge remains vague at best, as Luyt will not divulge details. Nedbank is also to convert R65m of debt into redeemable prefs. According to the annual report, published last December, the conversion was to have been done shortly. It has yet to take place, but Nedbank senior GM Chris Liebenberg assures me there is no question of the bank reneging. "All we were doing was arguing about terms and conditions," Liebenberg says, "it took much longer than anticipated."

Not that the conversion will do much. "The new pref capital amounts to little more than one year's interest," a broker notes. "Whether you are servicing debt or preference shares makes no difference. You've still got to pay the interest. It's a crying shame for Nedbank shareholders that Nedbank has waited so long to clear up this problem."

So Triomf needs to contemplate asset sales. The millstone here is Richards Bay. Full production was attained in March, but on facts available the plant still looks unlikely to make an operating profit. The amount of money Nedbank gets, if Richards Bay is sold, will crucially determine its possible loss on Triomf.

Liebenberg notes that the Richards Bay plant has an approximate replacement value of R500m, but will not mention a possible sales figure. But, he notes, "from all the reports, the plant is in excellent condition, well maintained and highly efficient." Liebenberg suggests that an overseas buyer could be found, and that the plant could be dismantled and shipped abroad. He will not mention names of any prospective buyers.

That leaves the Potchefstroom factory, which makes fertiliser for the local market. No figures are published to indicate its profitability, and AECI or Sasol might want to buy it. But Triomf's present price discounting and drive for market share could rest on the premise that size would make it a major force in any market rationalisation. If Triomf merges or competes profitably, Nedbank will be able to cut its vulnerability to losses. If Nedbank delays in finding a solution, its bad debt exposure to Triomf will rise above R350m, as Triomf gobbles up more capital and borrowings.

Christopher Marchand

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F.I.N.M. (183) 20/6/86

**Sunpak brightens**

Cape-based packaging minnow Sunpak is beginning to look like one of the brighter prospects on the DCM. When it was listed in March, Sunpak's management predicted after-tax profits would be R2,1m for the year to end-August, double the previous year's profit. MD Tubby Gericke has indicated that even that projection was conservative. Third-quarter trading figures, he says, are materially ahead of budget, "and I am now confident that our after-tax projection will be exceeded by 20%."

Sunpak specialises in polystyrene foam sheeting and disposable trays for the food market. The company had record sales in April, says Gericke, owing largely to SA's exceptional apple crop. "Our current order book exceeds plant capacity and we've recently been awarded a R1,5m export order from Chile," he adds.

In this company's favour is its high standard of financial reporting. At the time of its listing, Sunpak was able to provide sponsoring brokers with audited interim results within two weeks of its reporting period. It has now decided to produce quarterly reports for its shareholders — an unusual step for a listed company. Sound communication, analysts have learnt, usually indicates operating efficiently at all levels. A good example of a company which, through its high level of communication, gave early indication of its trading strength is Hudaco. An example of the opposite is Scope.

Neville Glaser

**Communications awards**

The importance of financial reporting was emphasised this week when the Investment Analysts Society (IAS) handed out acco-

lades to a number of companies for their standard of reporting and investor communications.

At this presentation, the first held by the IAS, the emphasis was on the quality of reporting, rather than simply disclosure.

Speaking at the IAS's gala banquet, chairman Winston Floquet argued that companies must move progressively ahead of the introduction of new accounting standards, rather than wait until forced to do so through legislative change.

"Superior financial communication is not a static concept and management must always look forward, anticipating the needs of the investing community, rather than backwards to the minimum legal requirements," Floquet said.

Professional analysts, he said, know when companies are being deliberately vague, when their discussion of problem areas is incomplete or even omitted entirely, when management is attempting to sugarcoat something, or when essential data is tucked away in note 56 to the accounts. "Analysts hate nothing more than nasty surprises," Floquet stressed.

Anglo Alpha (which has for some years been highly rated in the FM's accounts awards) won the IAS's overall award. Section winners were, gold mines West Deep Levels, other mining Palabora and Anglovaal, general finance or property Barclays National Bank, consumer industrials Premier Group, other industrials Anglo Alpha. The award for the best presentation to the IAS went to Amcoal, the best chairman's statement award went to the Reserve Bank and Gencor won the most improved reporting and communication award.

**Springs Dagga glows**

Springs Dagga shares recovered sharply from their low of 105c reached on June 13, and jumped 16% to 122c earlier this week. The reason is renewed market interest following another outbreak of speculation on the proposed merger with Consolidated Modder. That merger is definitely on, confirms Loucas Pouroulis, whose Golden Dumps group manages both Modder and Springs Dagga.

He says plans are awaiting approval from government and an announcement should be made by about September. He refuses to give details on the structure of the merger ahead of this date. Pouroulis says mining from Springs Dagga is due to start next month, with the ore either treated at Modder or stockpiled pending the completion of Springs Dagga's treatment plant by the end of the year.

Some JSE mining analysts are not convinced the merger would necessarily be in the best interests of the shareholders of the highly successful Modder. However, Golden Dumps has been the most successful of the independent mining groups to date and that track record counts for a lot in the market.

A complication in the proposals could be the fact that Springs Dagga is controlled by a foreign company, Cobra Emeralds, which is a Canadian company listed on the London Stock Exchange. When Springs Dagga was listed on the JSE last December, Cobra had 51% while Golden Dumps had 1,8%, the Egoli group 27,2% and the public 20%. Egoli is understood to have sold off a large chunk of its shareholding since that time. Pouroulis is sole shareholder in Golden Dumps and has a 12,3% stake in Cobra.

Brendan Ryan

By Ruth Golemba

**SOUTH Africa's cosmetics industry is booming because of the high cost of imported products.**

Although ingredients for certain products are still being imported, all major cosmetic companies have increased domestic manufacture and packaging to counter high import duties.

Kemtrade, which distributes cosmetics, toiletries and pharmaceutical sundries, has cut its imports by nearly half.

Managing director Maurice Gav-shon says prices of high-quality goods have been kept down by importing most raw materials and

# SA cosmetics creams it

22/1/85. NMC 5  
1983

completing manufacture in SA. "Although prices of imports have increased by about 25% in the past year, we are now able to supply the finished product at last year's price and in some cases at less

## Booming

"In some ranges we are making the complete product — providing a better and cheaper equivalent to imports"

Cosmetics house Avroy Shial says business is booming. Its sales are 43% up on last year's. General manager Jack Noble attributes the

increase in his business to the high cost of competitors' imported products

"We use 96% local content in our products and all the manufacturing and packaging is done here

"We are way above our targets — and the low rand is working for us by making our exports cheap. We export to Australia and Britain."

Justine, which imports its ingredients but packs them, says the high cost of imported made-up cosmetics has given it an edge on foreign competitors

But Justine director Tim Devine says the industry has been hit by

price rises in SA.

"Even though we are manufacturers we have to contend with import duties on raw materials. The cost of packaging — although we use only SA products — has increased in the past few years. Things are not all that rosy for the industry."

An international company, Estee Lauder, makes much of its cosmetics in SA

A company spokesman says all the ingredients are imported.

"We have increased prices only slightly in recent months as local manufacturing and packaging have

shielded us from the low rand.

"We have stringent quality controls and the SA product is the same as anywhere in the world."

John Holland, marketing manager for the House of Galia which imports French and Swiss cosmetics and perfumes, says: "We avoided large price increases by heavy imports last year. But to maintain our prices we will have to look at SA production"

A spokesman for African Sales Corporation, which imports French fragrances and cosmetics, says his firm does little packaging.

"But we have had to cut our margins to keep prices down. Because we deal in a market for luxury goods, there is not enough demand to justify a large manufacturing facility in SA."



STAR.

# Dramatic rise in lead content of petrol

24/6/86  
18.3  
~~18.3~~

By Jaap Boekkooi

Petrol manufacturers have been putting more lead into high-octane brands over a two-year period despite Government attempts to reduce the petrol lead content which can contribute to brain damage in children

This has been found in a two-year study by a team from the Atmospheric Science Division of the National Physics Research Laboratory of the CSIR

## DRAMATIC INCREASE

Results from the survey of 600 petrol samples from all population centres between 1983 and 1985 showed that, in eight major brands, the lead content of premium petrols had increased dramatically, sometimes coming close to double the 1983 content

But in no case, the sci-

entists found, was there any violation of the maximum lead content of 0,836 g a litre set by the Government and reduced to 0,6 g/l this year.

The lead in premium petrols, which was often as low as 0,3 g/l in 1983, rose to almost 0,6 g/l in one brand sampled in Johannesburg. In coastal cities, lead levels in some brands rose from 0,6 g/l to 0,8 g/l

Sasol had the lowest lead content in premium petrols on the Highveld while Esso was found to have the highest both at the coast and on the Highveld

The team quoted the results of a 1984 study by Stellenbosch University researchers which indicated that lead in petrol would expose people such as marathon runners, motor mechanics and urban dwellers to higher blood lead levels

26/6/86 WEDNESDAY  
AA calls on govt to look at levies

# Fuel price 'must be reconsidered'

THE FUEL price structure must be urgently reconsidered and unfair components removed, Automobile Association president Peter Good said in Johannesburg yesterday.

He told the AA's annual meeting that pipeline charges and the imposition of GST on government levies within the price of fuel should be reappraised.

The price of a litre of fuel is made up of several components, including landed cost from overseas, wholesale and retail profit margins, and a series of government taxes in the form of levies.

GST is imposed on top of all that, leading to the accusation that motorists are paying tax-on-tax.

Among government-imposed levies is a pipeline charge. Based on the cost of pumping fuel from the coast to the Witwatersrand and other inland centres —

DAVID FURLONGER

even though much of SA's fuel is produced inland by Sasol — the levy helps pay other transport costs.

Good said "The cost structure of a litre of fuel must receive urgent attention. The individual components should be carefully examined with a view to removing the element of tax-on-tax and the cross-subsidisation of uneconomic rail passenger services through the exorbitant levy on the pipeline charges."

He also criticised government's refusal to sanction petrol discounting.

Commenting on Pick 'n Pay's court battles with government, he said. "Recent actions brought in the Supreme Court regarding the discounting of petrol has highlighted the need to permit the free enterprise system to operate through all petrol retailers."

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# Pharmaceutical firms latest to be affected

By Sheryl Rame

Pharmaceutical companies on the East Rand are the latest businesses to be hit by strikes by black workers protesting at the detention of trade unionists under emergency regulations

Two units of the Twins pharmaceutical and toiletries group reported strikes in Wadeville and Isando yesterday. Both units are organised by the Chemical Workers' Industrial Union (CWIU).

Seven officials of the

26/1/80 STRIKE  
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CWIU were detained at the start of the state of emergency. Some trade union officials were released yesterday, but it is not known at this stage whether officials of the CWIU were among them.

Roche Products in Isando was also affected by industrial action yesterday, according to workers who contacted *The Star*.

The company could not be contacted for comment at the time of going to press.

26/6/86 - BUSDAY -  
DET plans to prevent disruption

## School opening delay

THE Department of Education and Training (DET) has postponed the re-opening of black schools for two weeks so that it can finalise an action plan to prevent further disruptions

Black pupils are now expected to report to school on July 14 instead of July 1

This would give DET officials time to plan the smoother running of schools, said DET director-general Braam Fourie

He said there would be special arrangements, like afternoon sessions and weekend tuition sessions to enable pupils to catch up on classwork lost over this period

THELMA TUCH

The DET yesterday declined to comment on its plans to restore order at boycott-hit black schools

Educational unrest has continued this year as black schools countrywide have been hit by stayaways in protest against numerous issues, including the detention of colleagues and teachers

Internal disruptions of normal school routines have also become daily occurrences at many schools

Teachers are still expected to report for duty on July 1, said Fourie

This does not apply to technical colleges, schools concerned with special education, teaching colleges and home-lands schools

# NTEED PRICES

## Motsuenyane for Barlows

THE president of the National African Chamber of Commerce, Dr Sam Motsuenyane, has been appointed to the board of Barlow Rand

Motsuenyane, 59, is a director of the Urban Foundation, and Hill Samuel - Sapa

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BUSDAY  
Colgate  
26/6/86  
agrees to  
pay rise

CLAIRE PICKARD-CAMBRIDGE

COLGATE-PALMOLIVE has signed an agreement with the Chemical Workers' Industrial Union (CWIU) that puts it among the top-paying companies in SA

Industrial relations manager Leon Garish said yesterday workers would receive a 17% across-the-board increase, bringing the minimum monthly wage to R683,84. The agreement affects about 350 workers at its Boksburg plant

The company again agreed to give May 1 and June 16 as paid holidays next year

Garish said negotiations had continued normally despite the recent detention of some CWIU leaders

PE may  
debate  
role in  
SA oil

By DENISE BOUTALL

THE Port Elizabeth City Council is expected to debate later this month its involvement in efforts to promote the city's role in the construction of the Mossel Bay off-shore oil platform

The urgent need for the city's industries to prepare themselves well in advance to tender for any of the contracts on the project has been highlighted by the visit of the Deputy City Engineer, Mr Angus Fraser, to North Sea oil installation in Scotland

Today Mr Charles Garai, chairman of the City Council's working group which was set up earlier this year to find ways and means of the promoting Port Elizabeth, confirmed that the committee met yesterday and discussed the possible role of the council with regard to efforts to ensure that some of the work comes to the city

He refused to disclose the contents of the committee's recommendation which will be considered by the council's Policy and Resources Committee on July 15

Asked which companies could consider tendering for work on the platform, Mr Fraser said the platform would require all the services that would normally be needed on a large building and a large ship

In addition, facilities would be needed to train people for the work on the rig and in safety procedures

# Strikes threaten drug production

PRODUCTION of life-sustaining drugs has been threatened by strikes over the detention of trade unionists, according to a warning issued to government by 14 major pharmaceutical companies

All 14 East Rand companies were hit by a two-day sit-in strike last week by members of the SA Chemical Workers' Union (Sacwu) who demanded the release of a union leader and detained members.

Roche Products personnel services manager Jan Smit said four employer representatives had met Manpower Director-General Piet van der Merwe on Thursday to discuss the matter.

"We told him of our concern over the effect of current detentions on labour relations in general, and the way it affected us in the workplace

"Our basic concern is that most companies are pharmaceutical producers of life-sustaining drugs which people cannot do without," Smit said

Several employers told *Business Day* another danger posed by the strikes was that pharmaceutical companies could be closed by the Medicines Control Council if they employed unskilled temporary labour

CLAIRE PICKARD-CAMBRIDGE

The 14 companies include Twins Pharmaceutical Holdings, Roche Products, Beecham SA, Richardson-Vicks, Scherag Ltd, Wyeth Ltd and Smith, Kline and French

They join a growing number of employers who have asked government to charge or release detained leaders as rapidly as possible

The strikers returned to work last Friday and a joint group of employers met with Sacwu representatives to inform them of their meetings with government

Smit said the meeting with Van der Merwe had been "very constructive" and that Van der Merwe would act as go-between between employers and Law and Order Minister Louis le Grange

The meeting had been arranged after the 14 employers telexed Minister of Manpower Pietie du Plessis, Minister of Health Dr Wilhe van Niekerk and Minister of Law and Order Louis Le Grange last Wednesday

Smit said no further meetings with

● To Page 2

## Drug production threatened

government had been arranged and employers were waiting to see what would happen

□ Kahn & Kahn Plastics in Isando was also affected by a stoppage last week in which worker demands included the release of detained unionists

□ About 250 workers have been on strike at Cheesebrough-Ponds in Wadeville since last Thursday. Management declined to disclose the cause of the strike,

but Chemical Workers' Industrial Union's (CWIU) Chris Bonner said workers were demanding the dismissal of a supervisor who allegedly assaulted a worker

□ About 4 000 workers at seven Sentra-chem plants in the Transvaal, Free State and Natal have entered their seventh week of strike action over wages

# Chemical Services set to oil industry's path

3/7/86 (183) STAR

By Stan Kennedy

AECI's Fuel & Feedstocks Project has, for many years, been developing new synthetic fuel plants and has recognised that South Africa is still totally dependent on imported additives for lubricants

Chemical Resources, formed in May 1985, had a turnover in its first year of just under R10 million, and the company hopes to double it in the current financial year. Research and development costs are high at about 25 percent of turnover

Chemical Resources was formed to develop, manufacture, market and service a range of speciality chemicals for fuels in the automotive, lubricant, mining and industrial sectors

MD of the company Dr Peter Gubb says "About five years ago, our research team developed a range of ignition improvers for methanol, many of which are now patented worldwide"

"From this technology base, commercial opportunities outside the synfuels area were developed, particularly cetane improvers, which improve combustion of standard diesel fuels

"In addition to crude oil-based fuels, the country produces coal-based gasoline and diesel, which require a number of imported additives. We are now actively developing new products for locally produced fuels and these will save

the country millions of rands a year in foreign exchange"

The additive business, however, is dominated by a few of the world's biggest oil companies and it is difficult to get approval to use local additives. One has to do research and development (R & D) work for years and spend millions of rands on approval testing before making a sale, he says

The new company is well into this, having expanded its laboratories and pilot plants. It has taken over two chemical plants at Modderfontein and plans to demolish another near Durban for the production of the range of additives"



Peter Gubb

While too small for AECI's commodity chemicals, the production facilities are ideal for speciality chemicals which are produced in lower volumes and are of higher added value

What is exciting about the new business is that AECI has never, until now, created a brand new company for commercialising its own basic research work

"That's actually what has happened. AECI has given us an enormous amount of support and has

literally said "get on and do it"

"The feeling among the staff is unbelievable — it's terrific. All of us are so motivated by the challenges. It's like running one's own business. AECI has given us a lot of flexibility"

Dr Gubb, a biochemist, says despite intense competition from some of the world's biggest producers, the company is exporting its diesel additives

Other products have great export potential and it has major contracts locally

"We are busy diversifying into other markets. Up to now, South Africa has not aggressively developed speciality chemicals because it has actually been too easy to import them — the excuse being that the local market is too small to justify their manufacture

"But there are some world-scale industries here, such as the fuel, paper and pulp, fertiliser and mining

"With good R & D focusing in the right niches and, of course, marketing, we can definitely stimulate the local manufacture of speciality chemicals," he says

Dr Gubb, has been with AECI for 15 years. After gaining a Ph D degree and an MBA at Cape Town University, he joined AECI, where he later ran the animal feeds division for five years and then moved to head office as purchasing manager

# TEST OF STRENGTH

THE wage strike at seven Sentrachem subsidiaries is still on — with management and 3 000 strikers seemingly involved in a test of strength.

Negotiations between the company and the workers' representatives, the SA Chemical Workers' Union (Sacwu), reached deadlock in mid-May. The black workforce at Sentrachem began their strike on May 12. Mediation has also

## BY LEN MASEKO

failed to resolve the dispute, which centres on workers' demands for a pay rise of R250 across-the-board and an end to race discrimination in wage levels at the company.

A spokesman for Sacwu said the strikes were resolute in their

wage demands, adding that the company could afford the increases. He said the increases, if implemented, could bring black workers' pay scales on a par with those of their white counterparts at Sentrachem.

The company has indicated that, despite the two-month-old strike, it has set several production records by using temporary labour. In future, however, staff would be reduced "but not necessarily by means of dismissals," the company has stated.

The Engineering and Allied Workers' Union (Eawu) has been granted recognition at Delfos Atlas Copco in Benoni.

The package includes plant-level wage agreements as well as agreement on retrenchment procedures. Eawu has a 90 per cent representation at the company

The package includes an improved retrenchment package for its members at Knorr Bremse of SA in Kempton Park

The package includes a four weeks' severance pay. Twenty-six Mawu members were recently retrenched by the company on a "last-in-first-to-go" basis.



# Strike threat to supply of drugs

Own Correspondent  
JOHANNESBURG. — The production of life-sustaining drugs has been threatened by strikes aimed against the detention of trade unionists, according to a warning issued to the government by 14 major pharmaceutical companies

All 14 East Rand companies were hit by a two-day sit-in strike last week by members of the SA Chemical Workers' Union (Sacwu) who demanded the release of a union leader and other members

The personnel services manager for Roche Products, Mr Jan Smit, said four employer representatives last week met the Director-General of Manpower, Mr Piet van der Merwe, to discuss the matter

"We told him of our concern over the effect of current detentions on labour relations in general, and the way it affected us in the workplace. Our basic concern is that most companies are pharmaceutical pro-

ducers of life-sustaining drugs," Mr Smit said.

Several employers said a further danger posed by the strikes was that pharmaceutical companies could be closed down by the Medicines Control Council if they employed unskilled temporary labour.

The 14 companies include Twins Pharmaceutical Holdings, Roche Products, Beecham SA, Richardson-Vicks, Scherag Ltd, Wyeth Ltd and Smith, Kline and French

Workers returned to work last Friday and a joint group of employers have met Sacwu representatives to inform them of their meetings with the government.

## Telex

Mr Smit said the meeting with Mr Van der Merwe had been "very constructive" and that Mr Van der Merwe would be acting as a go-between between employers and the Minister

for Law and Order, Mr Louis le Grange

The meeting had been arranged after the 14 employers telexed the Minister of Manpower, Mr Pietie du Plessis, the Minister of Health, Dr Willie van Niekerk, and Mr Le Grange last Wednesday

● Kahn and Kahn Plastics in Isando, near Johannesburg, was also affected by a stoppage last week in which worker demands included the release of detained unionists

● About 250 workers have been on strike at Cheesebrough-Ponds in Wadeville, Germiston, since last Thursday. Management declined to disclose the cause of the strike. A comment by the Chemical Workers' Industrial Union (CWIU) cannot be quoted in terms of the emergency rules

● About 4 000 workers at seven Sentrachem plants in the Transvaal, Free State and Natal have entered their seventh week of strike over wages



**Van der Merwe Vance**

absorbs more money to fund its massive price discounting in an apparent attempt to capture more market share. So the pressure is growing on Nedbank to find an answer.

According to industry sources, last Tuesday a bidder initiated discussions with Nedbank and Old Mutual on the possible purchase of Triomf. If our informant is correct, an overseas consortium is interested in buying Triomf (debt and all) at a knock-down price. Payment in financial rands would substantially reduce the cost to an overseas buyer. AECI sold its 49% stake in Triomf to Louis Luyt Holdings in 1983 for a reputed R38m. However, MD Anton van der Merwe Vance denies that an offer is on the table. "I've never even heard of a contemplated offer," he says. Adds Triomf MD Philip Clarke, "There's certainly been no approach made to us."

Indeed, it is hard to envisage the attraction of Triomf for an overseas buyer. However cheap the rand price, an investment in Triomf is hardly worthwhile if profit cannot be earned. On present trends, SA's overtraded and loss-making fertiliser market and Triomf's debt mountain make profit an unlikely prospect.

Can Triomf be turned around? The Richards Bay plant now operates at full capacity, but still appears unprofitable at present world phosphoric acid prices. If Triomf is correct when it claims to have increased market share, this is likely to have been bought at the cost of margins. Price discounting is much heavier this year than last, and, apparently led by Triomf, has intensified in recent weeks.

Measured on a short-term (and probably unrealistic) basis, market share may indeed have been bought with the aim of proving the group is a going concern, but how will Triomf fund discounting? Sources say that fertiliser is being offered on extended payment terms. Losses, both for Triomf and other producers, will surely be compounded in the process.

Higher losses at Triomf in turn give Nedbank the unenviable choice of having to decide whether to further increase support for Triomf. With Nedbank's exposure possibly rising, any deal which involves a buy-out of Triomf by a foreign company and a standing surety of debt would prove a godsend to the bank. Nedbank has apparently asked UAL to investigate alternatives affecting Triomf, and it has been suggested that talks could take place with another fertiliser major, possibly AECI or Sasol. But why a foreign purchaser should want to buy Triomf remains to be seen.

*Christopher Marchand*

**F IN MAIL 4/7/86**  
**TRIOMF/NEDBANK**  
**Offer coming?**  
Now that its R345m rights money is in place, could Nedbank be on the way to solving its biggest remaining problem Triomf? Nedbank's lending to Triomf is probably around R350m, and likely to be growing, as Triomf

# Women workers win major benefits

Significant gains have recently been made for women working in the chemical industry

The Chemical Workers Industrial Union reports that the fight for maternity rights in the industry to improve the situation of women workers is beginning to show welcome results

The union recently concluded two agreements with companies in which women workers will be protected from discriminatory practices

At Rolfes Ltd in Elandsfontein women workers have won the right to fully paid maternity leave for six months, and the company agreed to pay the balance of Unemployment Insurance Fund maternity benefits for the entire six-month period

At Recycling Plastics women have also been granted six months' maternity leave, one month of which is to be paid at full wages

In addition, workers also won the right to return to their jobs after maternity leave. They will be entitled to ante-natal and post-natal checks and will also be protected in future from victimisation for being pregnant

Workers at the two factories have also been granted wage increases.

At Rolfes workers won a 70c increase bringing the minimum wage to R3,35 an hour. The shift allowance was doubled to 20c an hour

"Rolfes is also the fifth company where June 16 has been declared a paid public holiday and the 15th company where the union has won May Day as a holiday," said the union.

At Recycling Plastics workers were granted an increase of 45c across-the-board which brings the minimum wage to R2,15 an hour.

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FULLY PAID

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# Sasol pay talks run into dispute

By Mike Siluma

Wage talks between Sasol and 14 700 of its employees have run into dispute after two months of negotiation, the Chemical Workers' Industrial Union (CWIU) said yesterday.

The union's general secretary, Mr Rod Crompton, said Sasol had declared a dispute at Secunda after the union rejected the company's offer of a minimum wage of R216 a month for 8 700 miners.

## 'UNILATERAL ATTEMPT'

The union wanted a new minimum of R312. Another point of dispute, said Mr Crompton, was the union's demand for a reduction of the working week for underground miners from, in some cases, 51 hours. The company had rejected this demand.

He accused Sasol of trying to introduce the new hours of work unilaterally while the union was

trying to resolve the dispute through agreed procedures. This, he said, had caused stoppages in some sections.

At the nearby Sasol 2 and 3 plants, CWIU had declared a dispute with the company to back a demand for a minimum wage of R615 a month, as opposed to Sasol's R450-a-month offer.

"Refinery workers are the highest paid workers in the Western democracies. In South Africa they are far behind," Mr Crompton said.

He added that all meetings of the Congress of South African Trade Unions (Cosatu) had been banned at Secunda and that CWIU officials were being harassed. He also accused Sasol of taking maximum advantage of the state of emergency.

Sasol's media manager, Mr Jan Krynauw, said it was premature to comment on the wage negotiations. He denied Sasol the harassment claims or that Sasol was taking advantage of the emergency.

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# Sentrachem aims to make shift smoothly

IT WILL remain extremely difficult to justify major investments with medium- to long-term paybacks under current conditions of uncertain interest and exchange rates, and the progressive reduction of protection against imports, says Sentrachem chairman C J F Human.

He notes in his annual review that the termination of import control on plastics is expected this year.

Sentrachem's divisions aim to achieve as smooth a transition as possible to the new situation of modest duty protection.

"It is encouraging to note that the Board of Trade and Industry is now engaged in a programme of strengthening its staff position as recommended in the report of the Van der Horst Committee.

"This will enable it to better discharge the important new functions which have been earmarked for it in various official pronouncements," says Human.

"We also look forward with keen interest to the outcome of the current investigation into export incentives by the Kleu Committee as well as the practical implementation of the White Paper on industrial development strategy."

MERVYN HARRIS

Human says optimisation of cash generation as well as capital employed will remain a priority during the coming year with a view to further strengthening the group balance sheet.

A continuation of the current low level of international oil prices will make a number of the group's products and their derivatives more competitive as against substitutes.

This could lead to higher consumption levels over the medium term.

Sentrachem made a welcome return to profitability last financial year but Human reiterates that the group has not yet reached the point where a resumption of dividends can be recommended.

Losses on rubber operations remained substantial, but were lower than budgeted because of lower interest rates and success in the fields of process efficiencies and marketing.

Fertiliser had another trying period. However, Sentrachem has cut the losses that were being incurred by reducing the scale of its operations.

All the other divisions achieved significant increases in profits

Nedbank could face a loss of R150-m

# Triomf ready to lock up fertiliser plant

STAR  
11/7/85  
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By Peter Farley,  
Investment Editor

Triomf is poised to close its massive fertiliser plant at Richards Bay after three weeks of negotiations have failed to produce any support for the troubled export operation. This could cost more than 1 000 jobs and lose backers Nedbank R150 million.

Sources close to the company say the Richards Bay operation will be placed in liquidation soon — after existing commitments have been met and raw material stocks used up.

The closure could result in Triomf's bankers, Nedbank, having to write off as much as R150 million in loans to the company.

It is expected to be followed by a major restructuring of Triomf, which will then be left with only the Potchefstroom factory servicing the local fertilizer market.

With negotiations between Triomf, Nedbank and Government agencies still not formally concluded, representatives of none of the parties concerned will comment on the situation.

In the six months to December, Triomf lost more than R50 million — with interest on the firm's R300 million borrowings of some R45 million dwarfing losses of R5 million at operating level.

**End of dream**

The decision to close Richards Bay — expected to be finalised this weekend — ends a dream of founder Dr Louis Luyt for the company to play a major role in the international fertiliser market.

The plant is running at 100 percent capacity with a turnover in excess of R100 million and contracts with customers in Japan, Brazil and Turkey for phosphoric acid.

Sources close to Triomf say inflexible pricing of major input costs by parastatals, principally the Railways and Foskor, and the refusal of the Government to offer the project any support means closure is the only choice.

The world fertiliser market is suffering under international over-capacity and consequently depressed prices — even in rand terms.

Events came to a head yesterday when Nedbank stopped a Triomf cheque to one of the firm's suppliers — at Triomf's request — believed to be in excess of R6 million.

For some time Triomf has been a major shadow overhanging Nedbank but with only the export operation going under and Nedbank recently strengthened by a R350 million rights issue, the potential write-offs should not strain the bank to its limits.

Nevertheless, the closure will be a major blow at a time when South African industry sorely needs all the export earnings it can get.

Details of deal expected within next few days

# Nedbank in move over Triomf debt

11/3/86 BUS DAY

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NEDBANK is negotiating with the Triomf board for the total reconstruction of the beleaguered fertilizer giant. This emerged late yesterday after Nedbank had stopped a large payment at Triomf's request.

The blocked payment was described by a Nedbank official as not unusual. But it brought to a head the long-simmering problems attending Triomf and doubts about its solvency.

Nedbank's exposure to Triomf is believed to be in the order of R300m.

Nedbank MD Gerry Muller said last night "The present negotiations do not mean foreclosure. Provision has been made in our new raising of R345m capital to cope adequately with the restructuring that will have to be made and to make Triomf a viable operation."

**GERALD PROSALENDIS**  
Economics Editor

He said there was only one large item on which payment was stopped yesterday, but it was possible other transactions had been delayed by telegraphic transfer or other means.

Muller hoped to be in a position by Sunday night or Monday to be able to make an announcement over the conclusion of negotiations with Triomf.

The Triomf problem has been hanging over Nedbank for months and has been seen as the final hurdle in the way of restoring investor confidence.

In its interim report for the six months to March, Nedbank allowed for a specific provision — against known bad debts on which a loss was expected to arise — of R138,7m.

Its general provision — to cover potential losses not specifically identified — was set at R258,5m after the transfer of R144m from distributable reserves and R10m to Nedfin from the same source. This made a total provision for bad debts of R397,2m.

However, at the time observers pointed out that if one took into account that the R144m from distributable reserves was a taxed figure, as was the R10m transferred to Nedfin, this would be equivalent to a general provision of about R425m and a total pre-tax provision of about R560m.

Taken together with the R345m rights issue, this makes for an amount which is considerable in anyone's books.

In the interim report to December, Triomf declared a loss of R50,5m, which wiped out shareholders' funds of R49,5m.

**Activities:** Diversified consumer group with large food interests Also owns 36% of SA Brews, 29,5% of CNA/Gallo, 50,1% of Twins Propan, 100% of Pretoria Wholesale Druggists, 43,3% of Ovenstone Investments

**Control:** The controlling shareholding is held by a consortium comprising Anglo American, JCI and Liberty Life Investment Trust

**Chairman:** A H Bloom, deputy chairman P Wrighton

**Capital structure:** 56,7 m ord of 50c each, 6,8 m pref ord of 50c, 621 100 5,5% cum prefs of R2, 227 140 'A' share purchase prefs of 50c, and 36 000 'B' share purchase prefs of 50c each

**Share market:** Price 2 150c Yields 4% on dividend, 7,5% on earnings, PE ratio, 13,3, cover, 1,9 12-month high, 2 300c, low, 1 400c

**Financial. Year to March 31**

	'83	'84	'85	'86
Debt				
Short-term (Rm)	109 7	77,8	118,6	67 1
Long-term (Rm)	1 620	2 759	300,2	309,5
Debt equity ratio	0,85	0,28	0,29	0,24
Shareholders' interest	0,40	0,66	0,66	0,69
Int & leasing cover	3,1	2,6	1,7	1,8
Debt cover	0 34	0,38	0,24	0,31

**Performance**

	'83	'84	'85	'86
Return on cap (%)	15 8	9 3	8 0	7 7
Turnover (Rm)	1 756	2 049	2 311	2 445
Pre-int profit (Rm)	126,9	177,2	174,7	175,9
Pre-int margin (%)	6,9	6,7	5,8	5,5
Earnings (c)	206,5	214,4	146,2	162,2
Dividends (c)	66,0	86,0	86,0	86 0
Net worth (c)	1 044	2 082	2 217	2 219

ed trading profits from R88,8m to R91,3m but margins slipped from 5,3% to 5,1%, without support from some food interests that showed recovery, and from some of the non-food interests in Premfood, the figures might have looked a lot worse

Bleeding has continued in the agribusiness, animal feeds, farming and processing division Its turnover showed growth last year, but trading profit plunged to R1,9m, down from the year-ago R8,6m and R19,7m in 1984 These figures offer disturbing evidence of the losses being suffered in poultry, as all other areas of the division appear to have improved profitability

The poultry business' main problem was that the market price was only 3% ahead of the previous year's average realisation We are also told that continuous labour problems caused the killing age of birds to increase,

resulting in greater mortalities and poorer feed-conversion ratios Because of raw materials price increases, and uncertain selling prices, no forecast is offered, but technical results have shown a marked improvement and the division is expected "to substantially improve on its past year's performance" Management has yet to turn this loss-maker around perhaps it should take the loss and get out

Conditions remained difficult in the large milling, baking, distribution and industrial feeding division, although trading profit rose by R6,1m The South African wheaten products market shrank by 1,8% in the year to March, but the maize milling market expanded, showing strong recovery from September 1985

Even so, the maize industry continues to face overcapacity and price competition A 25% increase in the cost of maize to millers has been announced for this year, brought about mainly by a reduction in the Maize Board's storage subsidy and losses on exports, and will result in the consumer price rising an average of 19% The forecast is "Another difficult year of lower volumes and margins in the maize milling industry"

Owing largely to the two-year rationalisation, now complete, the baking division had its best profits ever and expects results to improve But there are uncertainties unrest seriously affected the division, which has 45 bakeries, apart from losing many vehicles, its customer trade was hampered by riot damage

Edible oils and derivatives was another division where margins buckled, slipping from 11,5% to 7,3%, and trading profit fell R3,5m Crude vegetable oil had to be imported to supplement drought-devastated local crops, and raw material costs were boosted by the low rand and the 10% import surcharge Oil volumes contracted and, while margarine tonnages rose, margins on margarine were eroded by price cutting Reasonable profit growth is expected, "provided market instability resulting from the battle for market share in oil and margarine does not decimate margins"

Premfood's "other activities," which includes Hampo systems and Benny Goldberg's liquor stores, boosted trading profit by R3,1m and improved margins from 7,4% to

10,1% But here, too, forecasts are difficult, given Benny Goldberg's potential exposure to unrest

Among the subsidiaries and associates, SA Brews has again produced solid results and strengthened investors' confidence that it will avoid an earnings slide CNA Gallo, after its defensive change in accounting policy, expects improved profits this year, and Twins Propan forecasts higher profits Pretoria Wholesale Druggists is to be listed via Gresham Industries, of which Premier is currently acquiring control Ovenstone also lifted profits

Premier received the cash from its R102,4m rights issue of preferred ordinaries in late December, only three months from year-end, this and, particularly, lower interest rates, should curb the interest bill, which absorbed R75,3m last year and has been a considerable strain on cash flow Premfood has already absorbed part of the cash injection and by year-end total borrowings were down by R42,3m, which raises the question whether the rights issue was large enough

Apart from Premfood, which is benefiting from rationalisation and the working capital management programme, the group now holds a number of quality investments and also enjoys a conservative balance sheet A sustained restoration of profits in the poultry business, or its disposa., is what Premier needs now to secure its position as an attractive investment

*Andrew McNulty*

SENTRACHEM

**Flat returns**

**Activities.** Chemicals manufacturer with interests in agricultural chemicals, fertiliser, plastics industrial chemicals synthetic rubber food-stuffs and mining chemicals

**Control:** Central Chemical Investment (Pty) CCI holds 50% Fedvolks holds 50% of CCI, Gencor holds 20% and BP 24%

**Chairman:** C J H Human, managing director D J Marlow

**Capital structure** 89,5m ord of R1 each and 50m variable rate red cum prefs of 1c each Market capitalisation R146m

**Share market:** Price 163c Yields 8 6% on earnings, PE ratio, 11,6 12-month high 270c, low, 140c

**Financial Year to March 31**

	'83	'84	'85	†'86
Debt				
Short-term (Rm)	57 7	83 3	86 1	162 6
Long-term (Rm)	381 3	518,6	594 4	548,6
Debt equity ratio	1 26	1 55	1 97	1 88
Shareholders' interest	0 34	0 31	0 29	0 41
Int & leasing cover	2 9	1 20	0 70	1 19
Debt cover	0 21	0,08	0 08	0,09

**Performance**

	'83	'84	'85	'86
Turnover (Rm)	700	723	811	775
Pre-int profit (Rm)	107	113	85	92
Pre-int margin (%)	14,5	15 6	10 4	11 8
Earnings (c)	56,6	21 4	(27 3)	14 0
Dividends (c)	18	18	—	—
Net worth (c)	426	464	400	408

\* Year to June 30 † 9 month trading period

### PREMIER'S DIVISIONS

	1985		1986	
	Turnover	Trading profit	Turnover	Trading profit
	R000 s	R000's	R000 s	R000 s
Milling, baking, distribution and industrial feeding	877 593	53 603	955 952	59 675
Agribusiness, animal feeds, farming and processing	522 698	8 634	544 215	1 941
Edible oils and derivatives	143 492	16 451	177 985	12 907
Music, books and consumer goods	292 523	19 679	309 244	19 200
Pharmaceuticals	144 432	14 287	170 387	12 238
Fishing, Construction and property developments	197 698*	11 937*	161 427	12 425
Other activities and holding company	130 729	10 088	125 399	16 759
	2 309 165	134 679	2 444 609	135 145

(\*These figures reflect a 13-month trading period)





## REMINDER

### TO ALL ALFA OWNERS.

#### BRIAN PORTER REMAINS THE ALFA AGENT.

Brian Porter have Alfa service facilities in Paarden Eiland as well as in the Northern and Southern Suburbs. Mr Colin Atkin our Service and Parts Manager will be happy to help you with any enquiries.



8 ★

# Request to stop 'one large' payment

# Nedbank in talks on Triomf debt

*Call Tom 11/7/86 183*

By GERALD PROSALENDIS

JOHANNESBURG — Nedbank is negotiating with the Triomf board for the reconstruction of the beleaguered fertilizer giant. This emerged last night after Nedbank yesterday stopped "one large" payment at Triomf's request.

The stopping of payment was described by a Nedbank official as "not unusual" but it brought to a head the long simmering problems which have attended Triomf and doubts about its solvency.

Nedbank's exposure to Triomf is believed to be in the order of R300m.

Nedbank MD Gerry Muller said last night "The present negotiations do not mean foreclosure. Provision has been made in our new raising of R345m capital to cope adequately with the restructuring that will have to be made and to make Triomf a viable operation."

He said there was only one large item on which payment was stopped yesterday, but it was possible other transactions were delayed by telegraphic transfer or



Louis Luyt

other means. Muller hopes to be in a position by Sunday night or Monday to be able to make an announcement concerning the conclusion of the negotiations between the bank and Triomf.

The Triomf problem has been hanging over Nedbank for months and has been seen as the final hurdle to restoring investor confidence.

In its interim report for the six months ending March 31, Nedbank allowed for a specific provision, against known bad debts on which a loss is expected to arise, of R138,7m.

Its general provision,

to cover potential losses was set at R258,5m after the transfer of R144m from distributable reserves and R10m to Nedfin from the same source. This made a total provision for bad debts of R397,2m.

However, at the time observers pointed out that if one took into account that the R144m from distributable reserves was a taxed figure, as was the R10m transferred to Nedfin, this would be equivalent to a general provision of about R425m and a total pre-tax provision of about R560m. Taken together with the R345m rights issue, this makes for an amount which is considerable in anyone's books.

In the interim report to December Triomf declared a loss of R50,5m which wiped out shareholders' funds of R49,5m.

In May this year, Louis Luyt announced that he had launched a personal bid — reputedly set at about R30m — to rescue the company from insolvency, after a request by JSE president Tony Norton for proof of the company's solvency.

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# Sunrise finance

## Nedbank will be controlling shareholder after major restructuring

# Triomf back to its roots

By Peter Farley  
Investment Editor

Triomf will place its Richards Bay fertilizer plant in provisional liquidation early next week and at the same time will announce a major restructuring that could see Nedbank become the controlling shareholder in the listed company.

MD Mr Philip Clarke, though unwilling to comment on the restructuring, said yesterday that the firm had no option but to close down Richards Bay after the government and certain parastatal organisations had refused to help in alleviating the operation's problems.

Nevertheless, Mr Clarke was exceptionally optimistic that what remains of Triomf — basically the Potchefstroom factory — will be in a strong position to make profits in the future.

It is understood that although some R150 million will have to be written-off through the closure of Richards Bay — with about two thirds down to Nedbank and the balance to founder Dr Louis Luyt — the bulk of the balance of the group's debt will be converted by Nedbank into equity.

### Price increases

With Potchefstroom running at about 70 percent of capacity, equating to around 25 percent of the country's fertilizer market, and much of the debt due to move off the balance sheet, profits should begin to flow again.

Mr Clarke says that the final price increases passed on to Triomf by both Sats and Foskor — in the latter's case the

the past 10 years — meant that the operation never really stood a chance of being viable.

He said that with falling world prices for phosphoric acid, most of Triomf's international suppliers were able to negotiate lower input prices from raw material suppliers, but in their case Foskor proved inflexible.

And the loss of Triomf as a customer — which was taking about 40 percent of Foskor's low grade rock — could mean a major postponement to Foskor's plans for privatisation.

### Bent over backwards

Nevertheless, it remains a mystery as to why the government did not intervene to prevent the collapse of both an important employer and, more significantly, a major foreign currency earner.

In the past the government has bent over backwards to support many less viable projects, such as Sentrachem's Afrprene plant and others, because they were deemed to be in the national interest.

With the potential for sanctions looming larger every day, one would have thought Triomf would have joined the list, as the country needs every dollar it can lay its hands on.

Mr Clarke pays the highest compliments to Nedbank, who, he said, during a difficult few weeks of negotiations made every effort to try and keep Richards Bay alive as an ongoing operation.

On another front, within the past few weeks Triomf came close to finalising a deal with an

the state of the international market and the local political scene eventually scuppered that proposal at the last minute.

Richards Bay was commissioned in 1977 and was hailed as a revolutionary step in the local — and international — fertilizer markets.

It went through major peaks and troughs, which saw it almost totally mothballed at the beginning of last year and then re-opened as a producer of phosphoric acid at the beginning of 1986.

The closure, apart from having the immediate effect of costing some 1 200 jobs, is expected to have severe knock-on effects in the Richards Bay area, with employment suffering in the railways, shipping and general industrial sectors.

Triomf's shares and those of holding company Lanchem were both suspended on the JSE yesterday, while Nedbank perked up a little towards the end of the session to close at 615c after briefly touching 605c at the opening.

### Final analysis

The two shares should both be re-listed early next week, as soon as the formal statement about the restructuring is announced.

In the final analysis the resolution of the situation — though not necessarily one which either party wanted — should be beneficial to both organisations.

Not that Nedbank will want to be a major shareholder in Triomf for any length of time, but it gives Triomf the necessary financial restructur-

## Gloom descends on the Bay

DURBAN — The town of Richards Bay was gloomy yesterday following news that one of its "Big five" plants is to close.

Businessmen in the area warned that such a move would be devastating, not only for commerce and industry in Richards Bay itself, but also for that in nearby Empangeni. The immediate past president

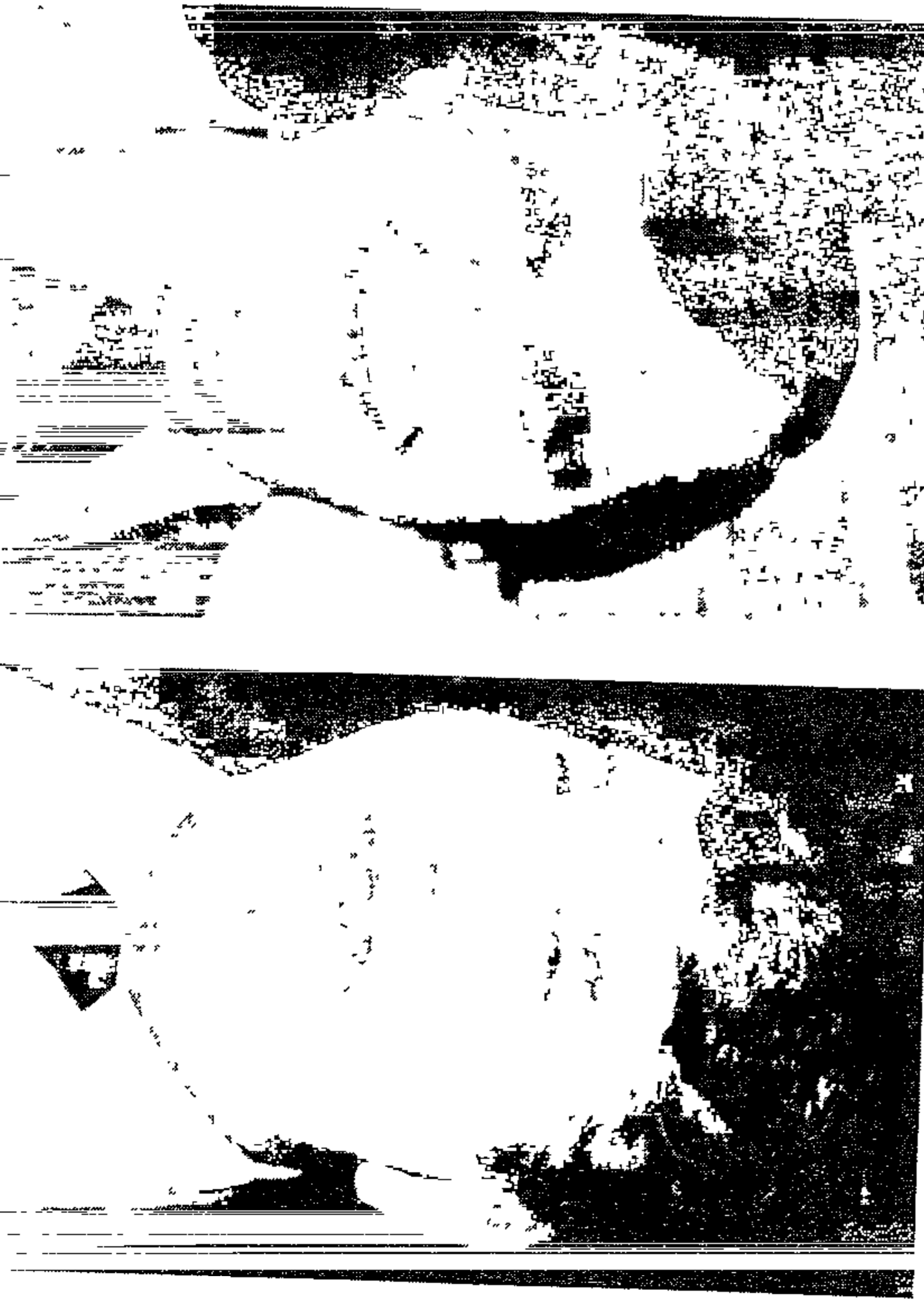
of the Zululand Chamber of Commerce, Mr Mike Patterson, said a withdrawal by Triomf, which employs about 1 100 people in Richards Bay, would seriously affect virtually every facet of economic activity in the town.

The major blow would be dealt to local suppliers, but repercussions would also be felt in the residential and industrial

property markets.

Mr Patterson said a closure would come as a great disappointment to those who had contributed to Richards Bay's rapid rise to being "one of the major growth centres in South Africa."

Unemployment was already high, and Richards Bay would not be able to absorb all the people who could be laid off — Sapa.



# Sunrise finance

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Mr Clarke says that the annual price increases passed on to Triomf by both Sabs and Foskor — in the latter's case the price of rock skyrocketed from R11 a tonne to R45 a tonne in

the past 10 years — meant that the operation never really stood a chance of being viable.

He said that with falling world prices for phosphoric acid most of Triomf's international suppliers were able to negotiate lower input prices from raw material suppliers, but in their case Foskor proved inflexible.

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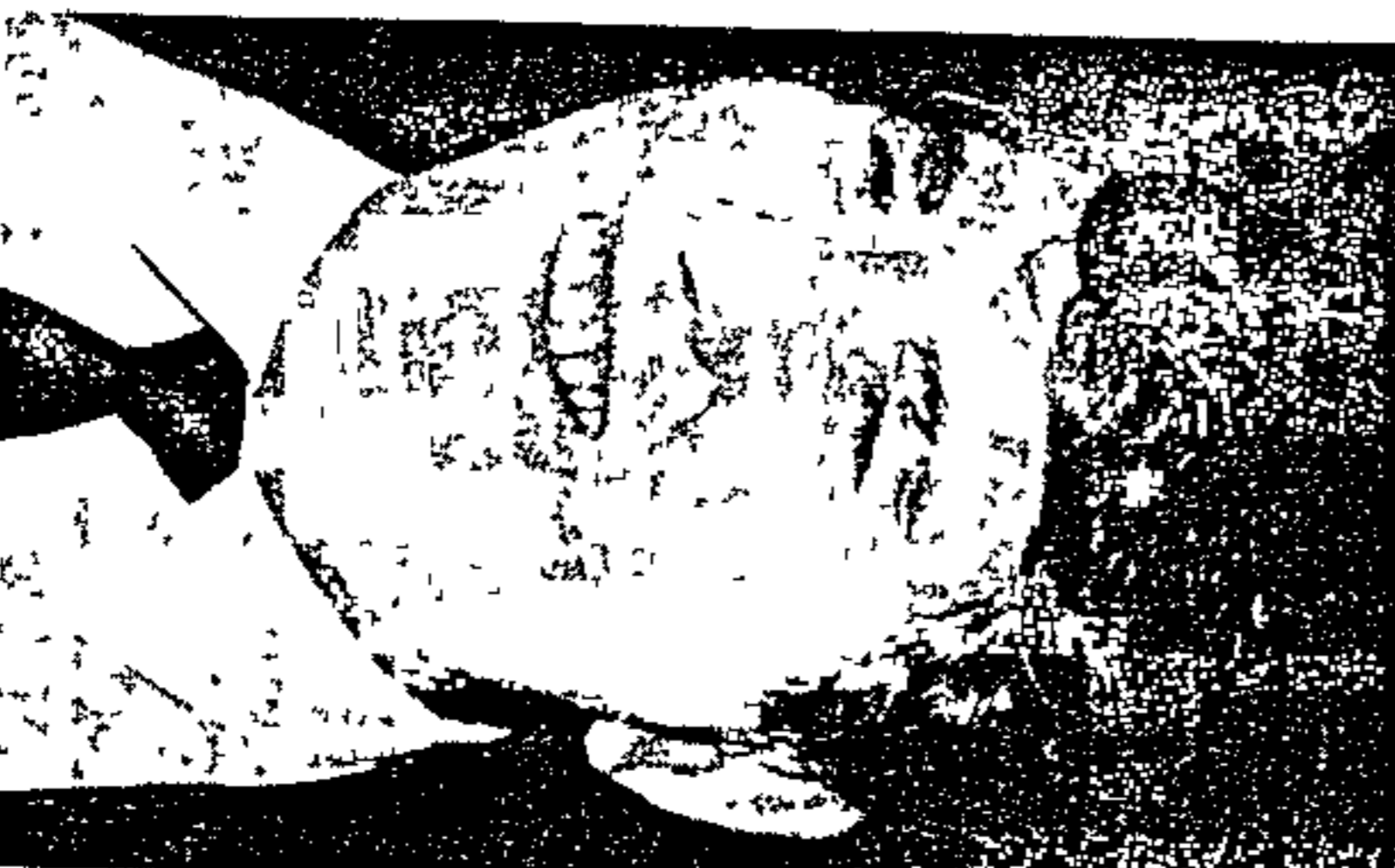
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The major blow would be dealt to local suppliers, but repercussions would also be felt in the residential and industrial property markets.



Phillip Clarke, a fresh start



Dr Louis Luyt, still smiling

12/7/88 S.M.K.

## Paint prices likely to go up

The cost of paint has risen about 68 percent during the past two years because of the rand/dollar situation and is likely to rise by between 20 and 30 percent more during the next 12 months

Mr Billy Hart, marketing manager of AECI paint, said "It is a frightening figure"

He said more than 50 percent of raw materials involved in paint manufacture were imported

183

SIR

## BP silent on soda ash project

BP Southern Africa has declined to comment on speculation that it is going ahead with its proposed R200 million soda ash project in Botswana

12/7/86 (5) (12) (183)  
A BP spokesman confirmed in Cape Town yesterday that an application had been lodged for an extension of the existing prospecting licence over 2 000 square kilometres of the resource area in the Makga-Dikgadi depression, sabc radio news reports

BP has already completed a feasibility study on a 1000 square kilometre area in the north-east of the depression — Sapa

# SHOOTING STAR LUYT'S GIANT FACING CASH CRISIS

By DAVID SOUTHEY

TRIOMF — the fertiliser giant that turned flamboyant Louis Luyt into a sensational shooting star of the industrial world — may be on the ropes

At Triomf's own request, its shares were suspended on the JSE on Friday

Yesterday it became clear that the company's major asset — one of the world's biggest phosphoric acid plants, at Richards Bay — will be mothballed

The rump of the company, the fertiliser plant in Potchefstroom, will be placed under the control of Triomf's major creditor, Nedbank

## 'Agreements'

Late this week Nedbank once again became the focus of attention as a result of its links with Triomf. The bank is owed more than R300-million by the troubled company

But Nedbank group chief executive Gerry Muller gave an assurance to the Sunday Times that, "provided agreements are concluded this weekend", Triomf will be recapitalised by way of a conversion of debt into equity and preference shares, and that it will continue most of its operations

Triomf stopped payment

## Nedbank bids to bail Triomf out of the fertiliser by debt takeover

of a bill — believed to be for R6-million — to one of its suppliers on Thursday

Then came a report that Triomf was about to close its giant phosphoric acid plant at Richards Bay

This followed weeks of speculation that Triomf had negotiated the sale of its Richards Bay subsidiary company and its phosacid plant

## Negotiations

Mr Muller says negotiations for the sale of the plant are under way "with various interested people"

Nampo owns about 25 percent of Triomf's shares. The Luyt family is believed to hold a similar stake. Kroonstad Wes Co-op has a smaller holding

The restructuring could mean that Nedbank will effectively be left with a ma-

jority shareholding in Triomf

Mr Muller says the R345-million of new capital raised from a Nedbank rights issue last month will be "quite adequate for the purpose"

In addition, Nedbank has made specific provision for known bad debts of R138,7-million and a general provision of R258,5-million for possible losses

## Spurned

But a major question mark still hangs over the Richards Bay phosphoric acid plant into which the company has sunk millions of rands

Fertiliser experts say there is little likelihood of any SA manufacturer being interested in it — except at scrap value

State-owned Foskor,

which supplies the Richards Bay plant with raw materials, has long spurned Triomf's overtures. The phosacid world market is glutted, so a foreign buyer for the Natal factory would be hard to come by — even at the current low value of the rand against overseas currencies.

Speculation, therefore, is that Nedbank might be forced to write off R150-million to R200-million of debt on the Richards Bay plant and convert another R80 million of debt in order to ensure the viability of what's left of Triomf

## Discounts

That would leave Triomf's granulation plant (essentially a giant mixer of nitrates, phosphates and potassium) at Potchefstroom as its major asset

The company would be forced to buy all its raw materials from competitors and would presumably concentrate its business on the marketing and distribution of the end product

In a desperate bid to grab market share in a rapidly shrinking fertiliser market in recent months, Triomf is said to have sold at discounts of up to 40 percent. Fertiliser men say there is no way any manufacturer can continue operating at such prices

1257189

(83)

SUN TINES

By Kerry Clarke

**SHELL** South Africa derived 75% of its R3-billion turnover from its oil division last year, but the greatest growth came from the small business portfolio.

The portfolio is expanding so fast that its net income now rivals that of chemicals — the third-largest division in the group.

Gross annual proceeds from the combined portfolio were more than R170-million in 1985, and capital expenditure totalled about R45-million — 52% of the year's total Acquisitions included Valvoline, Cadac and a large forest in Natal.

The portfolio includes companies manufacturing and supplying candles, liquid petroleum gas, lubricants and gas appliances, as well as forests

### Re-refiner

Price's Candles, SA's largest candle-maker, is in the portfolio. It makes 1.5-million white household candles every day. About 25 000 tons of candles — about 40% of SA's consumption — roll off the production line every year.

Cera Oil, Shell's re-refining subsidiary, achieved turnover of more

# Small business boosts Shell SA

than R20-million last year. Sales rose by 2% in spite of a 10% drop in industry sales from 1984. Marketing of Cera's products, previously confined to the Transvaal, will be extended nationally.

### Promotion

Shell bought the SA operation of Valvoline oil from its US parent and in six months sales volumes have grown by 20%. In the previous few years, the company had been losing market share. Shell says revitalised management and a promotion campaign arrested the trend.

Easigas, which markets Shell's liquid petroleum gas, supplies mainly the black market. The company has more than 50 000 cash-and-carry customers and holds 20% of the packed LPG market.

Cadac, the major manufacturer and supplier of leisure and domestic gas appliances in SA, has an annual turnover of more than R20-million.

It is the only manufacturer in Africa of the Primus stove. It makes 3 300 of them daily.

Shell has been involved in extensive plantations in Brazil, New Zealand and Chile, and SA was identified as an ideal country in which to expand forestry operations.

Shell bought Loring Rattray, a company owning 4 000 hectares of forest land at Kwambonambi, Natal. Most of the plantations are eucalyptus.

Shell says new technologies, which will improve the yield of timber, are being applied to re-forestation. Indications are that output a hectare will more than double.

The coal division was another strong performer — it achieved record export volumes. It accounted for 14% of annual turnover.

The oil division increased market share in a depressed market. Three price increases in 1985 resulted in a

cumulative 80% rise in the price of petrol, causing negative growth for the industry.

Shell's oil division is planning significant capital expenditure for the next five years to improve refinery product yields and reduce crude throughput. Substantial investment will also be made in upgrading service stations.

### Youngest

The metal division, the youngest of the group's operating divisions, is not yet producing income. It is involved in exploration, project evaluation and mine development. With the completion of its major project, the zinc and lead Pering mine, the division will contribute to corporate income for the first time in 1986.

The chemical division, operating in depressed conditions, experienced a decline in trading volumes, but proceeds increased by 25%.

# Triomf solution on the cards

199 407  
170 216 12  
Economics Reporter

NEDBANK and Triomf, still locked in negotiations over the failing fertiliser giant's financial restructuring yesterday afternoon, appeared headed towards an agreement that would give Nedbank a large equity share in Triomf's profitable Potchefstroom factory.

Nedbank MD Gerry Muller said yesterday the two parties were continuing discussions that would finalise details of the restructuring. Announcement of the settlement was expected late yesterday evening, after this edition went to Press.

A Triomf spokesman would not comment on progress of the negotiations.

Triomf confirmed on Friday it would be forced to liquidate its fertiliser plant in Richards Bay sometime this week. The plant has been operating near full capacity, but profits have been wiped out by weak international fertiliser prices



...sure: The Craft Group was one of many organisations who have gone out of their way to do something to help the needy.

# Pretoria-Jo'burg bus fares go up

**Pretoria Correspondent**

Bus fares on the multiracial Pretoria-Johannesburg route will be increased by between 5,2 and 9,9 percent from July 21.

A new pupil coupon of R1,25 a trip (any distance) will be introduced at the same time, with buses on a new timetable taking school children as far as Roper Street

Mr L K Fitzroy, traffic manager of Putco Operating (Pty) Ltd yesterday said this would particularly be of convenience to pupils of many schools

Cash fares between Pretoria and Johannesburg will be raised

by 5,2 percent from R3,80 to R4 a ticket, with five-day season tickets going up by 7,4 percent from R27 to R29

Passengers travelling from Valhalla and Clubview will be hardest hit, being charged the Pretoria-Johannesburg tariff if going to Johannesburg and the Randjesfontein-Pretoria tariff if going to Pretoria in future

The new cash tariffs (with five-day season tickets in brackets) are Pretoria to Valhalla, Clubview, Rooihuiskraal and Randjesfontein - R2,10 (R19,00), Pretoria to Halfway House - R2,40 (R22,00); Pretoria to Wynberg -

R3,50 (R24,50), Pretoria to Johannesburg - R4,00 (R29,00), Randjesfontein to Johannesburg - R2,80 (R24,50); Halfway House to Johannesburg - R2,40 (R22,00), and Wynberg to Johannesburg - R2,10 (R19,00).

Mr Fitzroy said buses would, from July 21, only run from Mondays to Fridays and there would be no service on public holidays

The new timetable for buses departing from Johannesburg will be as follows 5 50 am (to Roper Street in Pretoria), 2 pm (via Hillbrow), 2 15 pm (via Wits to Randjesfontein only), and 5 pm (via Hillbrow)

Buses from Pretoria will depart as follows 6 20 am 2 pm (from Roper Street, leaving the Pretorius Street terminus at about 2 15 pm), and 5 pm

In addition a bus will leave Randjesfontein at 6 35 am, travelling to Johannesburg via Wits

ower Main Reef Rd. 618-2187.  
ce George Ave. 55 6249

# Nedbank takes 75% stake in Triomf

183  
15/7/86  
CAP TIMES

**Own Correspondents**  
JOHANNESBURG — Refusal by Nedbank to honour cheques and demands by creditors for repayment of debt, both totalling R29m, caused the cash crunch that forced the fertilizer giant Triomf to apply for provisional liquidation of its Richards Bay plant yesterday

The application, brought ex parte by Triomf director Laurence Pereira, was granted by Justice R J Goldstone in the Rand Supreme Court with a return date of September 16

David Rennie of Syfret's Trust, Ben de Wet of Kaap-Vaal Trust and Billy van de Merwe of Hofmeyer Van De Merwe have been appointed joint provisional liquidators, a Nedbank spokesman said last night

Nedbank chairman Owen Horwood said yes-

terday that the bank would hold 75,1% of the restructured Triomf, which would consist of only the Potchefstroom plant

The existing shareholders, Triomf, the National Maize Producers Organisation (Nampo) and the public will retain an interest of 24,9%. The bank's 75,1% share in a restructured Triomf means it has gained full control of the company

Prior to this, Louis Luyt and Nampo held about 52% of Triomf's equity. Co-operatives had 16% and farmers and other investors the rest

"This is obviously not an investment Nedbank were looking for. It is safe to surmise that Nedbank want to remain bankers and therefore the present arrangement is only temporary," said a source close to the bank

According to the court document Nedbank stopped payment on July 11 of cheques to suppliers totalling R9m. In addition Nedbank refused to offer any further financing

## Concerned

"Nedbank were obviously extremely concerned about Triomf's trading position, par-

ticularly because it did not look as though the company would pull out of its present nosedive," says a banker

In the court papers Triomf cited demands from other creditors for immediate repayment of debt totalling R20m following "the negative publicity the applicant enjoyed in the press in the last few days"

The Richard's Bay plant had sustained operating losses totalling R54,7m for the eleven months ended May, and Triomf projected a further loss in June of at least R2,5m. Total accumulated loss was R117,5m which had effectively wiped out the subsidiary's capital base

Triomf said its operating position had weakened because of higher input prices, the decline of the rand and lower selling prices in overseas markets

It also blamed Foskor, the IDC controlled rock phosphate supplier, for "high and unrealistic prices" charged for phosphate concentrate, an important input to fertilizer production, as well as the railways for "unrealistic" charges for transport of the phosphate concentrate between Phalaborwa and Richards Bay

## Assets

In addition, the subsidiary sustained expenses of R18,5m due to fluctuations in the exchange rate and R22,4m from interest charges on its R160,9m debt

However, from the court record it appears the Triomf Richards Bay plant was not technically insolvent, with net worth of R56,9m at book value

Total assets are R343,9m and liabilities R287m. This points to the importance of the creditors' and Nedbank's demands in forcing the liquidation

It is at present uncertain how much the subsidiary could raise on realization

Fixed assets are valued at R263,5m but it is unlikely given that the fertiliser industry is operating at below 50% capacity, that Triomf could raise as much as half of book value from a sale of

plant and equipment

However, most of its current assets of R79,3m should be readily sold at close to book value

In the court papers the subsidiary said it was under pressure from local utilities and its 1 000 employees concerned about payments

Bankers believe Nedbank will carry the restructured company and sell off the shares once it is viable

Says a banker "Nedbank could not afford to hold on to the Potchefstroom plant for too long as it would impair its capital base — capital would not be available for expansion of normal banking operations"

But a Nedbank spokesman said "The manner in which the restructuring is done will determine whether it will impair the bank's capital base or not. It could be structured in a manner whereby the capital impairment would be more or less the same as the existing requirement for the facilities presently extended"

Following the suspension of Triomf and parent Landchem shares, JSE President Tony Norton said last night that "an announcement is expected any day now and thereafter trading will be resumed"

Yesterday Nampo chairman Hennie de Jager criticised the government for failing to intervene to save the Triomf Richards Bay plant

He said internal cost pressures had killed off "this large processor of raw materials for export"

This unco-operative attitude was to be regretted because of the hundreds of jobs lost with the closing of the plant "at a time when government is spending millions in an effort to create work opportunities"

He said speculation of the the future of the Potchefstroom fertilizer factory had ended. It would now fulfil all orders and would be expanded to hold its market share

Nampo's involvement with Triomf would continue and with the active entry of a new partner (Nedbank) the Potchefstroom factory financial stability was assured

# Sentrachem achieves 300% turnaround

STAR 15/7/86 183

By Michael Menof

By tightening its belt Sentrachem returned to modest profitability in the shortened nine-month year to end March 1986

Despite borrowings in excess of R500 million (giving a 108 percent debt to equity ratio) and the loss-making Karbochem yoke, earnings attributable to ordinary shareholders amounted to R12,49 million, a swing of 300 percent against the previous year's R24,43 million loss

For the second year running with borrowings still too high there were no dividends

Sentrachem has now reached an interesting stage of development

Between the years 1980 and 1983 the group rode the crest of the wave

## PROFITS SWALLOWED

But an ambitious venture into rubber found the group saddled with enormous debt caused by Karbochem's Afprene requiring a substantial investment in plant

The rubber investment produced start-up costs with losses that swallowed up profits made by the agricultural, industrial, chemical and plastics activities. Drought and recession further aggravated the position

Chairman Dr C J F Human reports that the rubber operation is still making big losses — estimated at around R15 million for the nine months before interest and tax, compared with R27 million for the 1985 year

## MASSIVE DEBT

Despite the fertiliser activities being hit by a depressed market and



Dr C J F Human

In the United States, the profit trend, debt history and net worth are the factors that help determine a share's rating

When interest rates got out of hand in the 1980s, most companies with high borrowings should have opted to stop dividends and use surplus funds to reduce debt

Sentrachem is in the Federale Volksbelegging stable, a group criticised for having put together a mixed bag of incompatible investments that lack direction

At present Federale is shedding cumbersome investments, but what next for Sentrachem?

## INDUSTRIAL GIANT

With a turnover of around R1 billion, and products that could become vital should sanctions arise, it deserves more respect

In the Sanlam group is Sankorp, the up-and-coming industrial giant. It has the funds and muscle to develop Sentrachem to a far greater extent than Federale Volksbelegging could

Sankorp could easily cope with Sentrachem's R500 million debt in much the same way they did when they bailed out Kirsh

Suddenly the ailing Afprene plant begins to

Company	1985	1984	1983	1982	1981	1980
EF	1000	6,2	13,9	1150	750	86
TALERS & WHOLESALERS	100	3,5	13,4	135	85	23200
IN	810	1,8	4,0	950	525	1500
AI	420	1,7	1,7	280	3000	800
RS	225	5,3	11,6	340	150	300
RS CD	11000	4,1	7,7	11500	7800	300
IE	13500	9,6	10,9	73	45	2300
INI	18500	4,8	18,7	22000	17000	1000
RS	600	4,4	8,0	635	290	1000
TS OPT	335	2,5	3,5	375	100	10600
13,7%CD	90,0%	15,2	90,0	83,0	100	10600
CN	305	6,7	6,7	345	160	6300
IN	220	2,4	6,5	220	150	6300
K	570	7,7	16,2	630	465	450
AZ	510	7,7	16,2	630	465	450
AM	180	30	1,2	700	450	900
IE	675	1,2	1,2	740	50	900
RE	148	8	1,2	740	50	900

Nedbank to hold 75% of equity

R29m cash

squeeze

sank Triomf

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REFUSAL by Nedbank to honour cheques, and demands by creditors, for repayment of debt totalling R29m, caused the crunch that forced fertiliser giant Triomf to apply for provisional liquidation of its Richards Bay plant yesterday.

The application, brought by Triomf director Laurence Pereira *ex parte*, was granted by Mr Justice R J Goldstone in the Rand Supreme Court with a return date of September 16

David Rennie, of Syfret's Trust; Ben de Wet, of Kaap-Vaal Trust, and Billy van de Merwe, of Hofmeyer van de Merwe, have been appointed joint provisional

Business Day Reporters

Liquidators, a Nedbank spokesman said last night

Nedbank chairman Owen Horwood said yesterday that the bank would hold 75,1% of the equity of the restructured Triomf, which would consist of only the Potchefstroom plant

The balance of the shares will be held by existing shareholders, the National Maize Producers' Organisation (Nampo) and the public.

Prior to this, Louis Luyt and Nampo held about 52% of Triomf's equity. Co-operatives had 16% and farmers and other investors the rest

"This is obviously not an investment Nedbank was looking for," said a source close to the bank

According to the court document, Nedbank stopped payment on July 11 of cheques totalling R9m to suppliers. In addition, Nedbank refused to offer any further financing

"Nedbank was obviously extremely concerned about Triomf's trading position, particularly because it did not look as though the company would pull out of its present nosedive," says a banker

In the court papers Triomf cited demands by other creditors for immediate repayment of debt totalling R20m after "the negative publicity the applicant enjoyed in the Press in the last few days"

The Richards Bay plant had sustained operating losses totalling R54,7m for the 11 months ended May, and Triomf pro-

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BUS DAY

# R29m cash squeeze scuppered Triomf

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jected a further loss in June of at least R2,5m. Total accumulated loss was R117,5m which had effectively wiped out the subsidiary's capital base

Triomf said its operating position had weakened because of higher input prices, the decline of the rand and lower selling prices in overseas markets.

It also blamed Foskor, the IDC-controlled rock phosphate supplier, for "high and unrealistic prices" charged for phosphate concentrate, an important input to fertiliser production, as well as the railways for "unrealistic" charges for transport of the phosphate concentrate between Phalaborwa and Richards Bay

In addition, the subsidiary sustained expenses of R18,5m due to fluctuations in the exchange rate and R22,4m from interest charges on its R160,9m debt

However, from the court record it appears the Triomf's Richards Bay plant was not technically insolvent, with net worth of R56,9m at book value. Total assets are R343,9m and liabilities R287m. It is at present uncertain how much the subsidiary could raise if liquidated. Fixed assets are valued at R263,5m but it is unlikely, given that the fertiliser industry is operating at below 50% capacity, that Triomf could raise as much as half of book value from a sale of plant and equipment

However, most of its current assets of R79,3m should be readily sold at close to book value

In the court papers the subsidiary said it was under pressure from local utilities and its 1 000 employees about receiving payments

Bankers believe Nedbank will carry the restructured company and sell off the shares once it is viable

Says a banker "Nedbank could not afford to hold onto the Potchefstroom

plant for too long as it would impair its capital base — capital would not be available for expansion of normal banking operations"

But says a Nedbank spokesman "The manner in which the restructuring is done determine whether it will impair the bank's capital base or not. It could be structured in a manner whereby the capital impairment would be more or less the same as the existing requirement for the facilities presently extended"

After suspension of Triomf and parent Landchem shares, JSE President Tony Norton said last night that "an announcement is expected any day now and thereafter trading in the shares will be resumed"

Yesterday Nampo chairman Henne de Jager criticised government for failing to intervene to save the Triomf Richards Bay plant

He said internal cost pressures had killed off "this large processor of raw materials for export. The government did not see its way clear to assist the plant to continue producing"

This unco-operative attitude was to be regretted because of the hundreds of jobs lost with the closing of the plant "at a time when government is spending millions in an effort to create work opportunities"

He said speculation on the the future of the Potchefstroom fertiliser factory had ended. It would now fulfil all orders and would be expanded to hold its market share. Nampo's involvement with Triomf would continue and with the active entry of a new partner (Nedbank) the Potchefstroom factory's financial stability was assured

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# Plastic is set for major upswing

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THE swing to plastic is definitely on. All projections show that plastic packaging is shooting ahead of packaging made from paper and board, that glass has slowly overtaken metal, and that the only permanent growth in packaging demand must mirror the urbanisation of SA's black population.

Plastic packaging took off in 1975 and glass overtook metal in 1984.

Decoration of packs — the labels or design — is also heading for change, believes Interpak MD Allen Thompson.

Although his company's fortunes are in part reliant on two huge gravure label printers which run almost continuously, Thompson sees the trend to plastic being followed by a move away from traditional printed paper labels to plasticised and "shrunk" tubular labels. These are already visible on the 2l Coca-Cola bottles.

He also believes there will be increasing numbers of shrink-wrapped and printed six-packs not only of beer, but of other food products, too.

"The fortunes of the packaging business are inextricably linked to those of the food industry that is where growth lies," he says. "And most growth in that area must stem from the increasing urbanisation of blacks. There can be little growth in the traditional white markets."

Even Metal Box is planning for the plastic can — it has a plastic body and a traditional top. Cans are 70% of food and beverage packaging and Metal Box is not going to give that up, whatever it has to 'can' in. The company already has samples of plastic cans produced in its plants overseas.

Alastair Lang, head of Metal Box's food and beverage packaging division, believes plastics are taking growth business but not the existing business. "The

swing to plastics is often held up by problems in recycling," he explained.

Says Packaging Council's Owen Bruyns "The can has been around longer than the steam engine," he reminds us "Change it may, but only when something better is produced. Better or cheaper material has not yet been found."

According to Lang, the jury is out deciding which way things will go, "but plastics will be a real force within 10 years."

"There is a move from cans in the US. This has been attributed mostly to a swing from alcoholic drinks (beer) to soft drinks, which are more usually packaged in plastic. This swing is 5% and considering the zero population growth in the US, it is a dramatic figure."

Lang believes the swing to plastic is more at the expense of glass than cans. "Cans are holding their own," he says. "They can easily be recycled, but not reused."

Business and Marketing Intelligence packaging researcher Stephen Harrod finds the plastic can would not yet be cost effective in SA. He also believes blacks would not react favourably to buying their drinks in plastic containers.

"Blacks do not like plastic bottles for soft drinks, otherwise the Metal Box PET 2l Coke bottle would sweep the board," he says. "It would be an enormous production run, something very rare nowadays."

Harrod believes that although South African packaging will follow progress in the West, the market will absorb some techniques which would not make it overseas. "This is because 80% of the consumers have low incomes, low standards of living, and are relatively badly educated," he says.

Economics Reporter

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EVERYONE saw it coming. After a roller-coaster year for Triomf Fertilizers — and for its shareholders, suppliers and creditors — it was, in the end, a matter of time before the inevitable restructuring was finalised on Sunday night. Not even Louis Luyt, a survivor of other disasters, could prevent it.

The SA fertiliser industry has been hobbling for years. Five consecutive dry summers have weakened demand by farmers, but industry capacity grew, nonetheless — most dramatically with the entry of Sasol in 1984.

Production has slipped to between 40% and 50% of the industry's 5-million-ton total capacity, though utilisation at plants still active is said to approach an average of 70%.

At the same time, the five major players — Triomf, AFECI and Fedmus with 24% market share each, Sasol with 18% and Omnia with 10% — have struggled to retain business with a series of price cuts. As a result, industry sources said, no one was

# Triomf falls victim to drought and oversupply

making money. The industry was ripe for rationalisation.

Triomf looked for salvation to export markets, sending phosphoric acid from its Richards Bay plant to Brazil, Europe, Turkey, Japan and Asia. But international prices dropped to \$240 a ton in December from \$310 a year earlier, and rising input costs meant Triomf was selling at a price below its production costs.

In the last 11 months, crippled by foreign currency fluctuations and interest charges on its R160m debt, Richards Bay lost R54,7m. Rescue efforts in the last year were frequent and

unsuccessful. A sale of equity to the National Maize Producers' Organisation (Nampo) in June last year brought a much-needed infusion of capital. Nampo just three months before yielding to Triomf founder and major shareholder Luyt in March.

Luyt contributed R30m of his own money in May, and creditor Nedbank converted R85m of debt into redeemable preference shares. Still, Triomf was left with debt of R250m, on which it paid interest of R25m in the last six months of 1985. Triomf now will liquidate the Richards Bay facility.

After five years of crippling drought, which cut farmers' demand for fertiliser, Triomf has plunged into its worst crisis — and one that not even the Luyt, survivor of many crises, has been able to avert.

● LUYT

That it opened nine years ago. The plant employs 1 000 and has been operating at near capacity, but at least 60% of that production went to money-losing export markets.

That leaves Triomf — and Nedbank — with the plant at Potchefstroom.

Potchefstroom was the company's first plant, built in 1966. Capacity utilisation has improved to 75% in March from 60% a year ago, and it is said to be profitable — though a company spokesman would not confirm this. All of Potchefstroom's output is for local markets.

FARM

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Opposition companies predict grim future

# Little effect on industry after Triomf liquidation

THE liquidation of Triomf's fertiliser plant at Richards Bay will have little effect on the ailing domestic fertiliser industry, executives of opposition companies said yesterday

More than 60% of Richards Bay's production had been for export markets, with only special chemicals sold in SA. Consequently, said an industry executive, "there will be virtually no impact on local production"

Fertiliser producers may continue to feel the effects of industry-wide discounting that has cut wholesale prices by as much as 32% off book prices

Active SA fertiliser plants are currently operating at about 70% of capacity, industry sources said. When idle capacity is included, the utilisation figure drops to between 40% and 50%

Executives said much of the industry's health would depend on how Nedbank runs Potchefstroom plant that it has, in effect, taken over from Triomf

"I get the feeling that if they can operate Potchefstroom without

### Economics Reporter

major debt, surely it can become a viable proposition," a competitor said

Foskor MD John Stanbury yesterday criticised Triomf's claim in court papers filed on Monday that its "high and unrealistic" prices for phosphate rock had been a major factor pushing the Richards Bay plant into liquidation

"Foskor is not to blame. Richards Bay was geared to the export market, and with the total oversupply in world markets they found themselves in a very tough position," he said

He added that the phosphate rock supplied to local customers, including Triomf, at R45 per ton was far cheaper than rock obtained in import markets. In addition, he said, Foskor sold the rock for less in SA than it could in export markets

Industry sources confirmed that Foskor's overseas prices were about 50% higher than local prices. They agreed, too, that imports of the input cost at least twice the price charged by Foskor, because of the weak rand and additional freight expenses

Triomf MD Richard Clarke was not

available for comment yesterday. A Triomf spokesman declined to comment on the company's statement concerning Foskor

Prices for phosphate rock charged by Foskor have risen relatively slowly in the last decade — from R21 per ton in 1979 to R30 in 1982 to R45 this year. Stanbury said prices had dropped by 35% in real terms since 1975

He said Triomf had committed to purchase 1.2-million tons of the rock in foreign markets after a similar dispute on pricing two years ago

"Triomf indicated that they could obtain the product more cheaply by importing," he said. "As it transpired, Richards Bay continued to buy from us. If we were unrealistically priced, I doubt if they would have done this"

In the court papers, Triomf also criticised SA Transport Services' freight charges. A source close to the liquidation negotiations said the company had reported that it received no discount for transport of phosphate rock, even though most of its output was destined for export

Triomf and Sats executives were not available for comment yesterday



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# Financial rand purchase of Triomf to be allowed — Stals

DIRECTOR-GENERAL of Finance, Chris Stals, said yesterday a foreign company could purchase Triomf's Richards Bay plant through the financial rand

This arrangement could make the unprofitable facility a bargain for overseas investors

A transaction at the financial rand rate would be allowed, as long as the investor were to make an equity investment to keep the plant operating, Stals said. In addition, dividends would also be freely transferable through the commercial rand”, he said

“It would be a welcome development if someone kept the plant going, because of the number of people employed in the organisation,” Stals said. The Richards Bay plant employs 1 100

Announcement of this policy should be welcomed by Nedbank and provisional liquidators trying to sell the plant.

Sources close to the Triomf restructuring said yesterday both Nedbank and the liquidators had received several queries from interested foreign investors.

One source said offers included some for plant equipment alone, and others for the entire continuing operation. As yet no

## Economics Reporters

money had been put on the table, he said.

He also reported “there were overseas parties interested in Richards Bay before the liquidation”

In financial rand terms, the Richards Bay plant could now be an attractive investment for a foreign company. If liquidators sold the plant for R57m — its net worth according to court documents — an American company would pay just \$11m at current exchange rates. The same company would be able to repatri-

ate any profits at the more favourable commercial rand rate

Yesterday, the three liquidators for Nedbank visited the Richards Bay facility for the first time since the provisional liquidation was announced. One source said they hoped to identify the quantity of sulphur and phosphate stocks on hand. The plant will operate until these stocks were processed into fertiliser, the source said.

One of the liquidators, Billy van der Merwe of Hofmeyer Van Der Merwe, said last night a value for the plant would be established today. Auditors must as-

sess the actual market value of the stock and fixed assets — which, together with the subsidiary's investments, have a book value of R343,9m

It is understood that Nedbank, which will own a 75,1% share of the restructured Triomf, will make changes in the company's board of directors.

This will take place when the restructuring has been formally completed. It is not known what role, if any, Triomf founder Louis Luyt will play in the new company. Luyt, through a spokesman, declined requests for interviews yesterday

# Financial rand purchase of Triomf to be allowed — Stals

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Economics Reporters

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# Triomf may run on skeleton staff

By Rodney Hayter

TRIOMF, Richards Bay's phosphoric acid fertiliser plant, is expected to re-trench its 850 shop floor workforce tomorrow and re-employ a skeleton staff, informed sources said yesterday

The plant, which was placed under provisional liquidation by a Johannesburg court last Friday, is expected to continue production with a reduced staff until the end of September, the sources said

Triomf (Richards Bay), originally part of the giant Louis Luyt empire, refused to make any comment as did the local town clerk, Mr Theo Tolmay, and the newly appointed liquidators

A Triomf (Richards Bay) spokesman said questions submitted in writing would only be answered by telex in due course

A white artisan said he had been told by a shop ste-

ward yesterday that selected workers would be re-engaged on a monthly basis and a new contract effective from Saturday

He said they had been told all staff would receive their last salaries tomorrow, but those earning in excess of R2 000 a month would have to submit claims to the liquidators for the excess and for overtime

A black Chemical Workers' Union member said members had been told at a late afternoon meeting that the entire black workforce of 631 would be paid off tomorrow and 331 would be re-engaged under a new contract

Last night many of the workers and their wives were shattered and resentful

Most of the company workforce are housed in

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TURN TO PAGE 2

THE MAIL & MERCURY

High input costs at Triomf scare off potential buyers

# Little hope of foreign takeover at Richards Bay

By Peter Farley

Speculation that a foreign company may be interested in purchasing all, or part, of Triomf's Richards Bay plant remains exceptionally remote, after a succession of negotiations with potential buyers failed to come to any conclusion in recent months.

And, while the South African political situation has been a major stumbling block, sources close to Triomf emphasise that the inflexible pricing of the factory's main input costs also deterred any real interest.

Any foreign buyer would be able to pick up Richards Bay for next to nothing, particularly if it had to pay only the R57 million net worth figure used in the application for liquidation earlier this year.

At current financial rand rates, this would mean that an American buyer would only have to come up with \$11 million or a British buyer less than £9 million.

However, sources close to the company say that the factory's break-up value is closer to R120 million — or almost \$50 million at the commercial

rand rate. And if the plant were to be built at today's prices the sources estimate that it would cost over R400 million.

Nevertheless, while the purchase price may look exceptionally attractive, the cost of operating the plant will not change, unless both Foskor and the Railways are prepared to negotiate rates more appropriate to the final selling price of the fertilizer/phosphoric acid that is being exported.

In the past 10 years, since Richards Bay was commissioned in 1977, Foskor has increased the price of the rock it sells to Triomf from R11 a tonne to R45 a tonne.

With Triomf taking some 1,2 million tonnes a year from the parastatal, this means that Foskor will be losing some R54 million in sales this year. It is not business that will easily be replaced by exports, given the low quality rock sold in the local market and the huge overhang of a much higher quality product in international markets.

If some formula could have been worked out that allowed both Foskor and Triomf to make a profit, with input costs fluctuating accordingly, it would undoubtedly have proven the best scenario for all concerned. That such an agreement could not be concluded, suggests an intransigence that ignores commercial realities and which would become a problem for whoever owned the plant.

Further complicating the equation is the possibility that Foskor was to be among the first of the parastatals to be privatised. It already has substantial stockpiles that need financing and were continuing to grow before the liquidation of Richards Bay.

Now those problems become even more acute and Government will probably have to look elsewhere for candidates to offer to the private sector.

But the question remains: Why was Government not prepared to give Triomf some leeway that would have kept the plant afloat, particularly when it has bent over backwards to support many other

less viable projects?

One hesitates to say that the Triomf camp was not as well connected politically as other organisations, particularly with the powerful farming lobby — Nampo is a major shareholder in Triomf — and the combined weight of Nedbank and Old Mutual holding vested interests.

That the local fertiliser market is overtraded goes without saying. But if government now sees its role as standing on the sidelines and allowing market forces to sort out the situation, maybe some earlier intervention would have been more appropriate.

Both Sasol and AECI produce fertiliser as byproducts of other activities, the former in the chemical business and the latter through its explosive plants. Both have far more control over their own input costs.

Nevertheless, it will now be interesting to see if Government is prepared to lift the 30 percent duty on imported nitrogen that would enable Triomf — and other independents — to buy their nitrogen overseas, rather than from the same principals who are also their competitors in the fertiliser market.



Louis Luyt

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Mercury: 18/07/86

# Cosatu 'will not stand test of time'

**African Affairs Correspondent**

THE Congress of South African Trade Unions (Cosatu) would not stand the test of time because the vast majority of black workers favoured the free enterprise system, Chief Mangosuthu Buthelezi said in Durban yesterday

Addressing a seminar on trade unions, the KwaZulu Chief Minister said black workers who rejected the capitalist free enterprise system now did so because they had not gained entry into it

Those who were abandoning non violent, democratic opposition were doing so because they did not see democracy working in their favour, he said

Chief Buthelezi said blacks were not inherently inclined to socialism or

communism anywhere in Africa

He said the existing economic interdependence between black and white was a reality and that interdependence took place within an existing free enterprise framework

Chief Buthelezi said that Cosatu would yet find that it could only maintain its position by remaining allied to political organisations which used violent intimidation to safeguard their positions

'Cosatu is a creation of the vacuum which the lack of progress towards reform has created,' he said

'Cosatu is a misplaced reaction to the slow pace of reform. The United Workers' Union of South Africa (Uwusa) is an antidote to this misplaced energy'

At the same seminar, Mr

Robbie Botha, president of the Trade Union Council of South Africa (Tucsa), emphasised that if the trade union movement were pulled in the direction of mass politics, South Africa faced a future of industrial unrest

Mr Botha said the only people who would benefit in such a situation would be 'radical politicians and powermongers'

He said the politicising of trade unions would mean a greater rate of inflation and unemployment than existed at present

Mr Botha said the distinction between traditional trade unions and political parties should remain and not become blurred

He said rhetoric by trade union leaders about burning passes and demands for one man, one vote were only effective in a mass rally scenario

'We must choose conciliation and not confrontation', he said

NEWS  
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## Water Board to assist Triomf

Mercury: 18/07/86

JOHANNESBURG—The Mhlatuze Water Board has taken note of the difficulties being experienced by one of its major sea outfall line participants, Triomf Fertiliser

The chairman of the board, Mr DV Harris, said the board was distressed by this situation for various reasons not only the potential loss of revenue to the Mhlatuze Water Board, but the loss of employment opportunities might bring serious hardship to the local community

The board will endeavour to assist the liquidator in all ways to keep Triomf operational. It has therefore resolved that, subject to certain conditions to be discussed with the liquidators, it will not discontinue the provision of services at present

The provisional liquidators of Triomf (Richards Bay) said they had been in touch with several parties and hoped to find a purchaser for the business as a going concern, one of the joint liquidators said in a statement

The liquidators said the company would run 'on a reduced scale' probably until September 15

Working capital and sup

plies have been arranged to enable the factory to operate until that date

A Mercury reporter writes that the Chemical Workers Industrial Union said 'Apartheid's mismanagement of South Africa's resources and economy, and mismanagement of Triomf Fertiliser Richards Bay, were the causes behind the collapse of the company'

According to a CWIU statement, the mismanagement of the country's resources and economy created conditions within which even a properly managed fertiliser factory would have had difficulty surviving

The CWIU statement points out that both the major new entrants to the fertiliser industry, AECI and Sasol, have entered the field through the apartheid economy — (Sapa)

### Campaign

**Mercury Correspondent**

MEDIC Alert has begun a campaign to attract sponsors for people who wish to donate organs after death but cannot afford the organisation's R15 membership fee

### Supported

The director of the Centre for Applied Social Sciences at the University of Natal in Durban, Prof Lawrence Schlemmer, told delegates there might be a very large potential market for a trade union movement similar to the recently-formed Uwusa

Prof Schlemmer said a policy which supported job creation and economic growth, such as that which Uwusa enunciated, was likely to be well supported

He said surveys he had conducted showed that blacks were solidly behind a reduction in unemployment and his research had also suggested that a majority were opposed to disinvestment but supported qualified investment from abroad

Prof Schlemmer said his findings indicated that the use of the strike weapon was viewed with great reluctance by the majority of black workers

He predicted a measure of increased conflict within the industrial labour force as a result of the emergence of Uwusa and Cosatu

Prof Schlemmer said, however, that as a democrat he was in favour of a situation which allowed more radical and more moderate viewpoints to develop fully

18/7/86 Bus Day

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# Triomf plant to remain in business until mid-September

TRIONF's Richards Bay fertiliser plant, placed in provisional liquidation on Monday, will continue to operate on a reduced scale until as late as September 15. But nearly 400 workers will be retrenched.

Provisional liquidators said yesterday arrangements had been made to operate the plant for up to two months, or until a buyer could be found. Financial details were not released. One of the liquidators, David Rennie of Syfret's Trust, said it could take as long as two weeks to resolve the subsidiary's

financial position and approximate market value.

The September 15 cut-off date appears to reflect the level of phosphate rock and sulphur stocks available for fertiliser production or contracted for delivery. Liquidators said working capital had been arranged to enable continued operation of the plant.

They would not disclose the source of the working capital. The Richards Bay subsidiary had a negative net working capital last Friday of R46.8m, according to court papers.

### Economics Reporter

Groups that supply working capital in the next two months will take priority over creditors owed money before the liquidation and will be the first paid from any proceeds of a sale or liquidation of assets.

Technically, all of the 852 employees at Richards Bay were thrown out of work with the order for provisional liquidation. About 466 workers would be rehired according to seniority in each depart-

ment, liquidators said. About 331 of 633 black workers, and 135 of 219 white workers would be rehired.

Those rehired would be paid the same salary and receive the same benefits in effect at the date of provisional liquidation.

Retrenched workers would be paid wages up to the lesser of R2 000 or two months' salary. In addition, they would receive any leave pay due up to the lesser of R1 000 or three weeks' salary. Any pay due above the maximum pay-

ments, and any separation pay, would be treated as a claim on the subsidiary's assets with the same priority as trade suppliers.

Retrenched workers occupying company housing would be allowed to stay in their homes rentfree until September 30. Thereafter they would be required to pay a negotiated market rent.

Liquidators said their firms had agreed to pay medical insurance premiums for June and July. The pension fund was not controlled by the liquidators.



# Fedvolks' Sentrachem 187/183 stake sold for R38m

FEDERALE Volksbeleggings (Fedvolks) has sold its 25% stake in Sentrachem to Sanlam Investment Corporation (Sankorp) for R38m cash

Fedvolks' MD Johan Moolman confirmed the sale was in line with the group's policy of reducing its asset base and orienting the diversified conglomerate towards consumer markets

Fedvolks disposed of its Sentrachem stake through selling its 50% holding in Central Chemical Investments (CCI), which in turn owns 50% of Sentrachem. The balance of CCI's equity is held by BP, Gencor and IDC

Sankorp will pay 170c/share for Fedvolks' 22,3-million Sentrachem shares

At the date of the transaction on July 1, Sentrachem's share price stood at 150c.

However, speculation in the market has since pushed it as high as 190c

An initial payment of 120c/share (R26,9m) is to be made immediately while the residual 50c/share (R11,1m) will be paid in June 1990, subject to the

STEPHEN ROGERS

achievement of certain undisclosed after tax profits being achieved by Sentrachem in the 1989 and 1990 financial year

The initial payment of R26,9m will be used to reduce Fedvolks' debt

If the transaction been effective for the year to March 1986, it is estimated that the loss-a-share would have fallen to 6,1c against the reported 8c

Moolman confirmed that further sales were likely to take place as the group continued to streamline its activities

Next division to be hived off is probably the building materials and ceramics division, which reported increased losses of R5,2m (RR4,8m) last year

Fedvolks shares were the subject of intense trading yesterday, with 250 000 changing hands in 54 deals and the share moved up 10c to close at 170c

The proceeds of the sale are expected to help the group achieve its aim of returning to profitability in the current year



By Glenda Spiro

**386 lose jobs at Richards Bay**

Half the staff of Triomf's Richards Bay plant will be retrenched, the provisional liquidators of the insolvent fertiliser company said yesterday.

They said the company would operate on a reduced scale until September 15.

Of the 852 employees, 386 have lost their jobs.

Wages due to retrenched workers will be paid out today,

provided the amount does not exceed R2 000 or two months' service, whichever is less. Half of owed leave pay, not exceeding R1 000, will also be paid.

The liquidators said retrenched staff should be given preference for re-employment if a purchaser is found who wishes to increase the staff complement.

Realising the effect on the Richards Bay area and the implication of closing the factory, the provisional liquidators said they had been in touch with several parties in an effort to find a purchaser.

The liquidation would be best served by the continued operation of the company on a reduced scale for a short period,

probably until September 15, the announcement said.

All parties supplying the company during this period and since Monday become administration creditors and will be paid out of the proceeds of the realisation of assets.

This will be before the parties owed money before the liquidation.

# Government is unlikely to bail out Triomf plant

By Bruce Cameron  
Political Correspondent

CAPE TOWN — The Government is highly unlikely to bail out the Triomf factory at Richards Bay where more than 1 000 people face unemployment.

A spokesman for the Department of Trade and Industry said yesterday that there were a number of reasons why the Government could not intervene to save the factory.

The first was that the main product of the factory — phosphoric acid — was "totally oversupplied" on the international market.

"It would not be a viable venture for the Government to invest taxpayers money for reasons of saving jobs or earning foreign exchange.

## Intervened

"It does not seem to be the best way to spend taxpayers' money."

Secondly if the Government intervened to save one company it would also have assist its competitors.

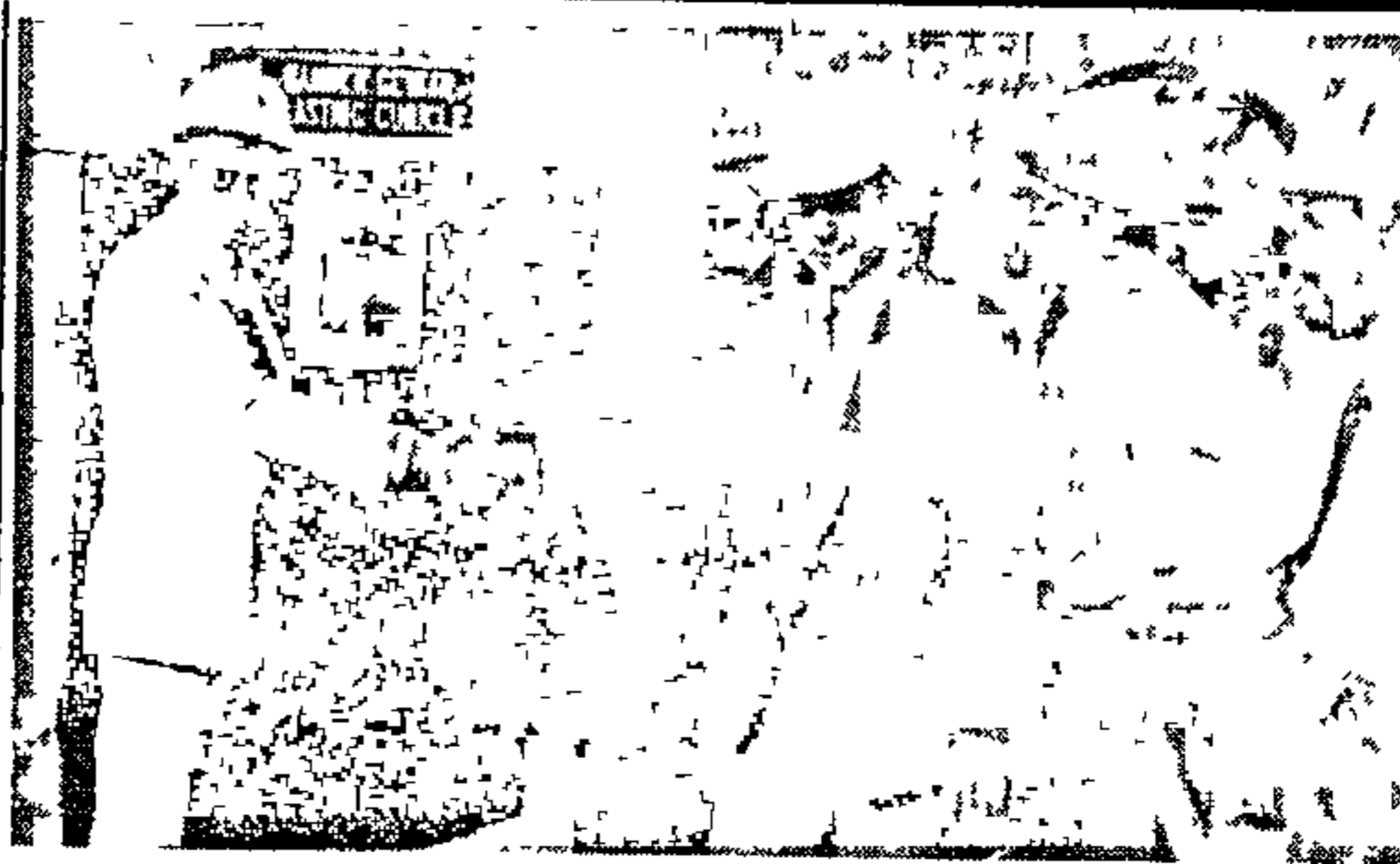
The spokesman said the government was committed to free enterprise.

He pointed out that the Richards Bay plant had been receiving substantial decentralisation benefits.

## Official request

He rejected criticism by Nampo, a major shareholder in Triomf, that the Government's attitude was unco-operative, particularly as it was spending millions elsewhere creating jobs.

No official request had been received for the Government to assist.



Mr Nap Meyer, Anglo American Corporation regional manager, OFS North, congratulates Mr Jim Porter, section manager, Western Holdings, on the successful progress in sinking Western Holdings No 1b shaft. Looking on is Mr Louis Van Niekerk, site manager and master sinker at Shaft Sinkers.

Sinking started in March and is expected to be completed in November next year. Work has already reached 103 m below the collar. Seven stations will be excavated and the total depth of the shaft will be 560 m.

# De Kock 'not sanguine' as prospects of real economic growth slip

## Financial Staff

Real growth in the South African economy this year is not expected to match the monetary authority's earlier estimate of three percent and is more likely to be somewhere between 1,5 percent and two percent.

The Governor of the Reserve Bank, Dr Gerhard de Kock, said yesterday the reason was that the upswing to develop a significant momentum in the first half of the year failed to materialise.

He said the rate of increase in the growth of the broad money supply (M3) remained well below the target range of 16 to 20 percent.

The provisional estimate for M3, seasonally adjusted, for May 1986 had been revised upwards from R73,9 billion to almost R75 billion, giving a 10,71 increase over the 12 months.

The provisional estimate for June at R72,3 billion was an increase of 9,27 percent over the 12 months and Dr de Kock said the provisional estimate had to be compared with the lower limit of the target "tunnel" for

June of almost R77,6 billion.

Taken with other statistics, such as the demand for bank credit, retail and wholesale sales and fixed investment, the money supply figures point to an economy that is crippled by uncertainty. Dr de Kock said it was not a sound position and he was not "sanguine".

The statistics opened the way for more steps to be taken to encourage growth. They also confirmed the need for the more expansionary policy stance adopted by the Treasury and the Reserve Bank over the past year.

However, on the positive side, the statistics indicated that demand inflation had been eliminated and credit creation was no longer a problem. They also helped the country to maintain a large surplus on the current account of the balance of payments.

On the negative side, they reflected the sluggishness in real capital outlays, consumption, production and economic activity, in general.

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# WEEKEND Argus

# Triomf plant a snip for foreign buyer

*W/C ARGUS  
183 19/7/86*

From PETER FARLEY

**JOHANNESBURG** — Speculation that a foreign company may be interested in purchasing all, or part, of Triomf's Richards Bay plant remains exceptionally remote, after a succession of negotiations with potential buyers failed to come to any conclusion in recent months.

And, while the South African political situation has been a major stumbling block, sources close to Triomf emphasise that the inflexible pricing of the factory's main input costs also deterred any real interest.

Any foreign buyer would be able to pick up Richards Bay for next to nothing, particularly if it had to pay only the R57 million net worth figure used in the application for liquidation earlier this year.

At current financial rand rates, this would mean that an American buyer would only have to come up with R11 million or a British buyer less than R19 million.

However, sources close to the company say that the factory's break-up value is closer to R120 million — or almost R50 million at the commercial rand rate. And if the plant were to be built at today's prices the sources estimate that it would cost over R400 million.

Nevertheless, while the purchase price may look exceptionally attractive, the cost of operating the plant will not

change, unless both Foskor and the Railways are prepared to negotiate rates more appropriate to the final selling price of the fertilizer-phosphoric acid that is being exported.

In the past 10 years, since Richards Bay was commissioned in 1977, Foskor has increased the price of the rock it sells to Triomf from R11 a ton to R45 a ton.

With Triomf taking some 1,2 million ton a year from the parastatal, this means that Foskor will be losing some R54 million in sales this year. It is not business that will easily be replaced by exports, given the low quality rock sold in the local market and the huge overhang of a much higher quality product in international markets.

If some formula could have been worked out that allowed both Foskor and Triomf to make a profit, with input costs fluctuating accordingly, it would undoubtedly have proven the best scenario for all concerned. That such an agreement could not be concluded, suggests an intransigence that ignores commercial realities and which would become a problem for whoever owned the plant.

Further complicating the equation is the possibility that Foskor was to be among the first of the parastatals to be privatised. It already has substantial stockpiles that need fi-

nancing and were continuing to grow before the liquidation of Richards Bay.

Now those problems become even more acute and the Government will probably have to look elsewhere for candidates to offer to the private sector.

But the question remains: Why was the Government not prepared to give Triomf some leeway that would have kept the plant afloat, particularly when it has bent over backwards to support many other less viable projects?

That the local fertiliser market is overtraded goes without saying. But if the Government now sees its role as standing on the sidelines and allowing market forces to sort out the situation, maybe some earlier intervention would have been more appropriate.

Both Sasol and AECI produce fertiliser as byproducts of other activities, the former in the chemical business and the latter through its explosive plants. Both have far more control over their own input costs.

Nevertheless, it will now be interesting to see if the Government is prepared to lift the 30 percent duty on imported nitrogen that would enable Triomf — and other independents — to buy their nitrogen overseas, rather than from the same principals who are also their competitors in the fertiliser market.

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# Sunrise finance

By Peter Farley

Foskor has hit back at criticism that its pricing policies were a major contributor to the demise of Triomf's Richards Bay operation and company executives suggest, rather, that its rock is not only of the second highest quality in the world but half the in-plant price of potential overseas suppliers to Richards Bay.

Foskor general manager, marketing, Mr Nico Knipscheer said that although the price of

## Foskor spokesman rebuts criticism on cost of phosphate rock

its rock had risen to a current R45 a tonne, this was up from R21 in 1977 — when Richards Bay opened — and was now equivalent to R19,21 a tonne at constant 1977 prices, discounting inflation over the same period.

Reacting to comment that Foskor would lose heavily through the demise of Richards

Bay, Mr Knipscheer said that in the year to June 30, 1986, the mine produced 2,8 million tonnes of phosphate rock, of which almost 1 million was the slightly higher grade for direct exports.

Of the 1,8 million tonnes balance, 1,3 million was sold for the use of fertilizer production in

SA and 650 000 tonnes to those making phosphoric acid for export. The latter figure is slightly higher as it includes some supplies from Foskor's stockpile.

Mr Knipscheer also said that reports of Foskor's stockpile — and suggestions that it would grow — were inaccurate. He said that the current

stockpile is about 900 000 tonnes, or some 200 000 tonnes over the prudent level of three months' production.

With Richards Bay now closing, Foskor could reduce its production of the lower grade rock and increasing the output of the higher grade rock, for which it has more export demand than it

can meet at current prices

Reinforcing the argument that Foskor's pricing had little to do with the problems at Richards Bay, Mr Knipscheer said that although it took one tonne of sulphur and three tonnes of phosphate rock to make a tonne of phosphoric acid, the cost of the sulphur input was currently

around R380, while that of the three tonnes of rock was only about R225 — including railage to Richards Bay.

He argued, therefore, that if any input cost was to blame for the problems at the export production plant it would have been the rising price of sulphur, caused by the depreciating rand.

Nevertheless, he said that with Richards Bay now unlikely to remain a customer — he saw little potential in the plant for any buyer, either here or overseas — Foskor would immediately benefit by being able to plan forward production more effectively.

He pointed out that in the past 10 years the annual demands of Richards Bay had fluctuated between a peak of 959 000 and 382 000 tonnes.

# Sunrise finance

## Foskor spokesman rebuts criticism on cost of phosphate rock

By Peter Farley

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# Sparkling half year at Chemsve

By Peter Farley

Specialised chemical supplier Chemical Services has turned in a sparkling performance in the half year to end-June, with a more than 50 percent rise in net profits, on the back of a 34 percent increase in turnover.

Management of the AECI subsidiary attribute the success to increased market share and improved efficiencies, although they do not expect the second six months to show a similar advance.

Net income in the period under review jumped to R4,1 million from R2,6 million, equivalent to 68,4c a share from 45,4c. Nevertheless, the forecast for the full year is

for earnings to rise only to 150c, from 115c in the preceding 12 months.

That would mean a rise for the full year of 30 percent, against the 51 percent achieved in the first six months.

The interim dividend has been raised by a more cautious figure, possibly reflecting uncertainty about the second half, to 25c from 20c. This has pushed cover at the half-way stage up to 2,7 times from 2,3.

Nevertheless, the results will please most shareholders, who have pushed the share price up to the 1 200c mark in recent months from 700c at the beginning of the year and only 450c at the start of 1985.

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STAR

19/3/86

## Sanctions fear blocks Richards Bay sale

# Saudi buyer backs off at last minute

20/7/86  
SUNDAY TIMES  
183

A SWISS-owned, Rotterdam-based engineering consultancy has backed off buying Triomf's Richards Bay plant on behalf of a Saudi-Arabian family because of increasing sanctions pressure on South Africa.

George Roberts, managing director of Industrial Plant & Machinery Distributors, an appraisal and auctioneering business, says the Arab buyer wanted to buy the plant as a going concern.

A figure of about \$30-million (R79-million) had been discussed

The plant is believed to be valued as a going concern at about R170-million

### Foskor denial

Mr Roberts began talks with the Saudis in June and earlier this week he still thought there was a chance of the deal going through

However, on Thursday evening the decision to terminate negotiations was made

Mr Roberts is now negotiating with an Israeli firm which could be interested in arranging for a consortium to buy the plant

Foskor managing director John Stanbury denies that his organisation is interested in the plant

Foskor supplied the Richards Bay

By Kerry Clarke

factory with between 200 000 and 300 000 tons of rock phosphate annually Mr Stanbury says the closure will not cause undue disruptions to SA's rock-phosphate industry Foskor's supply to Richards Bay accounted for no more than 10% of its annual sales.

### Business alarm

The largest sulphuric and phosphoric acid producing plant in the southern hemisphere had been running at a net loss for several years In the year to June the loss is believed to have been less than R10-million

The prospect of one of Zululand's seven major industries closing has alarmed business and local authorities

But the factory has been given a reprieve by the liquidators who will keep it running until September 15 on reduced staff

The news editor of the Zululand Observer, Sue du Preez, says workers made jobless and businesses affected by the loss of contracts and customers will be helped

Mrs du Preez says the Richards Bay Town Council will not suspend electri-

city and water supplies to the plant.

Small Business Development Corporation spokesman Tony Kedzierski has promised assistance through the SBDC's emergency fund to small businesses The SBDC will also help to find employment for retrenched workers

The Empangeni and Richards Bay Sakekamers, the Zululand Chamber of Commerce and the Chamber of Industries have all called on members to give preference to retrenched employees.

Richards Bay Sakekamer chairman, Rita Kruger, says they will call on Natal employers not to advertise their vacancies nationally.

### Written off

The ripple effect on businesses of the closure has caused concern Loss of spending power will adversely affect the Zululand economy Credits held by workers at furniture, clothing and other stores might have to be written off

The prospect of 200 houses in the white areas, and even more in the black areas, standing unoccupied is worrying building societies and other mortgage lenders.

Triomf made extensive use of one line of the marine effluent disposal system and it is expected that its financial commitment to the Umhlatuzi Water Board is substantial

copy 10/25 22/7/86  
Sasol  
wage  
dispute  
continues

Labour Reporter

SASOL and the Chemical Workers' Industrial Union (CWIU) have failed to reach agreement on pay increases for workers at the two Sasol refineries at Secunda after almost a month of negotiations, according to a management spokesman

The two parties went into dispute earlier this month when they were unable to close the gap between the union's demand for a minimum wage of R615 a month and management's offer of R450 a month

Although the union subsequently reduced its demand to R535 and Sasol raised its offer by R20 a month, a R65 difference still remains between the final figures

According to Sasol, the CWIU has referred the dispute to the conciliation board but will present Sasol's final wage offer to its members before the end of the month to obtain a mandate for further action



cap. Lewis  
Sasol 23/7/86  
miners in  
illegal strike

Labour Reporter

AN estimated 3 000 of the 8 000 workers at three of Sasol's Secunda collieries began an illegal strike on Sunday evening to protest against management's proposed annual wage increase, according to a Sasol spokesman.

Sasol and worker representatives have been conducting talks "continuously" since the strike began and by yesterday morning only 800 workers at one mine were still refusing to work.

Although Sasol's offer of a minimum wage of R223 a month is thought to be the main cause of the action, workers have also expressed dissatisfaction in other areas, the spokesman said.

The workers, represented by the Chemical Workers' Industrial Union (CWIU), are demanding a minimum wage of R312 a month.

According to the spokesman, management has agreed to discuss worker demands with the union and worker representatives as soon as the strike is called off.

Sasol is also involved in a dispute with the CWIU, over a minimum wage for workers at its refineries.

The CWIU is a Cosatu affiliate and may not be quoted in the Western Cape.

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# AECI interim share earnings up 36%

JOHANNESBURG — AECI's group interim results for the half year ended June 30, reflect turnover up 21% to R1 308m, net trading income up 33% to R141m, earnings an ordinary

share up 36% to 45c The interim ordinary dividend increased by 1c to 25c a share

Exports increased from R97m to R108m

The volume of domestic sales for the first six months showed some improvement relative to the corresponding period in 1984, with the increase being more noticeable in the second quarter

### Growth

Demand from export related sectors such as the mining industry was sustained at a high level, while some domestic markets recorded meaningful growth

Elsewhere, however, the depressed level of consumer spending was reflected in a further decline in volume

Rapid cost escalation in raw materials, particularly those imported, was only partially recovered in selling prices

However, margins improved slightly from the low levels experienced in the first half of 1985, in response to higher plant loadings and continued success in containing operating costs

Profitability for the remainder of the year will depend on a number of factors, notably stability in the value of the rand and the absence of serious industrial unrest

Subject to these factors, and given reasonable rains in the summer rainfall area, earnings for the second half year should exceed those of the first six months — Sapa

## INVESTMENT DIAMONDS

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# 4 000 out at Sasol

ABOUT 4 000 workers have been involved in work stoppages at Sasol plants in Secunda since last Thursday

By LEN MASEKO

A Chemical Workers' Industrial Union (CWIU) secretary, Ms Chris Bonner, told the *Sowetan* yesterday that six Sasol plants had been affected by the wage strikes. CWIU members at four Sasol collieries demand wage increases of 35 percent a shift, and those at Sasol 2 and 3 demand R160 across-the-board.

Workers at three collieries have since returned to work while workers at one coal mine are continuing with their strike, the official said.

Management has offered R95 across-the-board and between 14 and 22 percent a shift on the mines.

Talks between the union and management have reached a stalemate.

The union has applied to the Minister of Manpower to set up a Conciliation Board to solve the dispute.

A Sasol spokesman yesterday confirmed the work stoppages at its mines, but said only three collieries had been affected by "the illegal strikes". About 3 000 out of a total of 8 000 black workers were involved in the stoppages.

The wage strikes were illegal as the

30-day period for the setting up of a Conciliation Board had not expired, the spokesman said.

However, indications last night were that the striking workforce would return to work. CWIU officials are due to meet management today.

- The 280 black workers fired by Twins-Propan Pharmaceutical management a week ago, has since been reinstated. This follows negotiations between management and the CWIU.

- Scores of workers at Embassy Luggage in Johannesburg were involved in a half-day work stoppage yesterday. The stoppage was in support of their union's demand for 12½ percent increases in the leather industry.

The increases were supposed to have been implemented on July 1, but most employers indicated to the Transvaal Leather and Allied Trades Industrial Union that they were waiting for the wage hikes to be gazetted before implementing them.

About 3 000 workers have been involved in a series of wage strikes since last week, mainly in the Johannesburg area.

*Sowetan 23/7/8*

# AECI sheds its staid image with 36% lift in net income

23/7/86 SPM 183

By Peter Farley  
Investment Editor

AECI went some way to shedding the investment community's tag of being one of the stockmarket's more predictable equities in the six months to end-June, with a 36 percent lift in net income

And, more importantly, it brought a five year spell of maintained dividends to an end, with a one cent hike in the interim payment to shareholders to 25c a share

In the words of one director "We had become the best fixed-interest investment in the country"

But that should be all behind the explosives and chemicals giant now, and, though management is cautious about future forecasts, it seems likely that attributable income could rise to more than R150 million for the full year after R114 million last year and R70 million in the first six months

New MD Mr Mike Sander, yet to have a full year in the hot

seat, is naturally reticent to stick his neck out at this stage

But improvements in the key plastics and explosives divisions should ensure a maintenance of this upwards trend for the rest of the year

In the six months under review turnover leapt by 21 percent to R1,3 billion. But of more significance was the 33 percent improvement at the operating level

And that latter gain showed that not only are margins beginning to improve in certain areas, but that the group is coming to terms with raw material input prices that were imposed after the sharp fall in the rand last year

Another factor, says Mr Sander, is that the weak rand has caused lower finished product

import in many areas and allowed AECI to benefit from the sale of raw materials to local manufacturers

The dividend increase is possibly smaller than many investors might have expected, but, says financial director Mr George Thomas, the dividend has been maintained at the expense of cover in the past couple of years and this must be rebuilt before shareholders can benefit from the full extent of earnings growth

At both the halfway stage and for the full 12 months last year cover had dwindled to around 1,4. For the six months under review it has risen to 1,8 and will probably continue to harden until around the twice covered level

Nevertheless, there are many heartening signs which could see the earnings pattern maintained in the immediate future

Exports are playing an increasingly important role in the company's life, with sales in the half year up to R108 million,

from R97 million, and the profit contribution from those sales even more important

On the local front there is every indication that low-cost housing could provide an important outlet for many of the group's products, while executive director Mr Chris von Solms said there had been signs of a revival in the firm's automotive related business in the past few weeks

There are, of course, many uncertainties. The state of the rand against foreign currencies and the local labour situation are two of the most important variables

While management has no control over the former, the extensive work put in on the latter front appears to be bearing fruit with the incidence of strikes relative to the rest of the industry falling quickly

The stronger operating position has also aided the balance sheet, with gearing down to 61 percent from almost 70 percent at the year-end and lower interest rates accelerating the slide in finance charges

The JSE has anticipated much of the improvement, with the share price appreciating from a low late last year of around 700c to just about the 1 200c mark in recent weeks

Though the dividend has not been increased by much at the halfway stage, the possibility of a bigger lift at the end of the year should not be ruled out

There still might be some upside potential left



Mike Sander

# AECI rises above 23/7/86 BUNDAY 183 five-year plateau

AECI has moved off a five-year plateau by raising the interim dividend by 1c to 25c a share in the wake of a sharp improvement in earnings for the half year to end June

The 36% increase in attributable income from R51m to R70m reflects a small across-the-board improvement in volumes traded, with the increase being more noticeable in the second quarter



MD Mike Sander said "We are now seeing some of the benefits of our hard work over the past few difficult years with improved productivity getting through to the bottom line"

He is hopeful earnings for the second half of the year will exceed those of the first six months

The rise of 21% in turnover from R1 081m to R1 308m includes exports of R108m (R97m) The increase came as demand from export-related sectors, such as the mining industry, was sustained at a high level while some domestic markets recorded meaningful growth

Rapid cost escalation in raw materials, particularly those imported, was only partially recovered in selling prices However, margins improved slightly from the low levels experienced a year ago, pushing up trading income by 33% from R106m to R141m

The reduction in financing costs from R40m to R37m reflects not only the fall in domestic interest rates, but lower levels of borrowing with gearing down to 61% (68%)

Profit before tax consequently jumped from R66m to R104m, but taxation more than doubled to R39 (R18m),

MERVYN HARRIS

leaving after-tax profit of R65m (R48m) Investment income, which includes a share of after-tax income of associated companies and dividends from foreign subsidiaries, rose from R5m to R7m

This left net income of R72m (R53m) With preference and outside shareholders taking an unchanged R2m, earnings a share increased from 33c to 45c a share

Sander described the improved results as pleasing after five years of slack demand, rising inflation, weak markets and increasing finance costs "No matter how fast we ran, we seemed to be standing still," he said

Plants have been running reasonably well, despite some hiccups, with better utilisation and tight cost controls Greater attention was being devoted to manpower and the group was now having a more business-like relationship with unions

Weak areas were automotive and construction, although automotive was a touch better while the agricultural sector continued to be hit by problems of oversupply

Profitability for the rest of the year will notably depend on stability in the value of the rand, the absence of serious industrial unrest and reasonable rains in the summer rainfall area

Shareholders can, however, look forward to an increase in total dividends, although the need to raise dividend cover from the low level of 1,3 could limit the increase

The market seems to have anticipated the better results and the shares moved ahead yesterday, rising 25c to a new 12-month peak of R12,50

25/7/86  
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## Explosive effect

For a capital-intensive business, volumes are the key to profit growth. The six months to end-June did not produce wildly exciting market growth, yet the 2% volume increase was enough to boost EPS 36% to 45c (33c). Most encouraging for investors is that for the first time in five years the dividend has been increased. Declining profits have seen cover chopped to 1,3 over the past two years. Unsurprisingly, the increase in interim payment to 25c (24c) is nominal.

Prospects for the rest of the year are promising. "Earnings for the second half-year should exceed those of the first six months," say management, provided the rand and labour situation remain stable. So full-year earnings should be at least 90c. As the bulk of earnings traditionally falls into the second half, 100c may be more realistic.

As a result of better volumes, margins improved to 10,8% (9,8%). MD Mike Sander says the plants ran reasonably well, with capacity utilisation in the plastics, chlor-alkali, paints and fibre divisions close on 100%. In other areas, utilisation was steady at 70%.

Demand was particularly strong in the

export-orientated mining and pulp and paper markets. However, given the low rand value, export growth of 11% to R108m disappointed. Notes Sander: "Generally, we held market share with gains in certain areas." The more positive effect of the weaker rand was felt in the fall of imports, particularly in the electrical cable and footwear markets.



**AECI's Sander ... only the odd hiccup**

The automotive and construction markets remained weak and are showing no signs of improvement. Agricultural business is still overtraded. Triomf's Richards Bay plant was not a factor in the local market. Natural market forces are expected to dictate what rationalisation is still necessary. Despite the weakness of some markets, financial director George Thomas says all divisions are operating profitably.

No information is forthcoming on the earnings contribution of the explosives division. However, there is no reason for it to have slowed down. At this stage, Sasol has made no impact on AECI's market.

At end-December, gearing climbed to its highest level in years, but has been cut back sharply to a "more comfortable" 61%. It should remain around this level for the rest of the year with no major capital expenditure planned, other than completing the explosives project. With the benefit of lower interest rates, second-half finance charges should continue to fall. No major shocks should come from forex losses either — 90% of

foreign borrowings have been covered forward.

On the feasibility of the coal-based synfuel project, Sander says "we are no further back, nor nearer." No clear indication is expected until early next year.

The market clearly had expected better results, but these figures may be above expectations. Earlier this month, the share price hovered around the 1 100c level, but recent gains have pushed it to a new high of 1 250c. Thomas concedes that dividend cover has dropped too low, so there is little hope of a much higher final dividend. Yield is now in line with the chemical sector's 4,5% and the share looks fairly priced.

Patric Ho

### AECI TAKES OFF

Six months to	Jun 30 '85	Dec 31 '85	Jun 30 '86
Turnover (Rm)	1 081	1 259	1 308
Net trading income (Rm)	106	147	141
Financing costs (Rm)	40	51	37
Attributable income (Rm)	51	63	70
Earnings (c)	33	41	45
Dividend (c)	24	31	25

# AECI on way to shedding stodgy image

By Kerry Clarke

AECI's share price hit R13 for the first time

this week in the wake of improved interim results that managing director Mike Sander says should help relieve the group of its title as a boring performer.

This is the second boost the share price has received in a year — it moved from about R7,50 to R9,50 last November on the announcement of the Government go-ahead for AECI's proposed R2-billion synfuel project.

AECI is engaged in second-phase studies for its oil-from-coal plant and is working on the engineering design. The second phase has been under way for nine months and will take another nine to complete.

## Finance costs

Since last December the share price has alternated between R10 and R12, with no impetus provided by unexciting 1985 results — a 3% rise in earnings and the maintenance of the dividend at 55c for the fifth successive year.

The 36% increase in earnings for the six months to June and the 1c lift in dividend can be attributed to improved volumes and lower finance costs. Debt equity fell from 70% at the yearend to 61% at the end of June. Interest charges also dropped.

## Exports

AECI executive director George Thomas says the group was not comfortable at 70% debt equity.

Mr Sander says demand from export sectors was sustained at a reasonably good level in the past six months, but the automotive and construction-related industries did not show signs of strengthening.

He says too much capacity is chasing too small a market

in the agricultural sector.

The weaker rand worked in AECI's favour by helping to keep out imports SA industries, such as electrical cable and footwear, that use AECI products have benefited from lower imports and are ordering more raw materials.

SA Nylon Spinners also benefited from the weak rand — imports have been kept out and there is now a huge shortage of fabrics.

AECI's exports totalled R108-million and accounted for 8% of turnover in the six months to June. Value of exports rose by 11% compared with the first half of 1985, but volume growth was only 5%.

## Margins up

The group was unable to recover all raw-material price increases. Nevertheless, margins improved as greater capacity use and improved efficiencies were achieved.

The rand's stability, absence of serious industrial unrest and reasonable summer rains will determine AECI's second-half performance. But it looks to be on line for earnings of nearly 100c a share for the year. Mr Sander says the group traditionally has a slightly better second half than first.

Dividend cover of 1,3 was maintained in 1984 and 1985 and rose to 1,8 in the six months to June — a level last seen in 1982. Apart from the maintained figure in 1985, cover has dropped every year since 1980 when it was 2,2.

Mr Thomas says "We were getting the title of the best fixed-interest stock in the market, but it is necessary for us to start building up our cover."

He says a two times dividend cover is the target.

Earnings of 100c a share and cover of 1,8 suggest a dividend of 56c, but shareholders should get a bit more than that.

# MANUFACTURING-CHEMICALS & PRODUCTS

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# Medicine prices 'manipulated'

**Financial Staff**  
DURBAN — Medicine prices are rising constantly and a pharmacist claims underhand tactics and excessive promotion by manufacturers are the chief contributors to inflated medicine prices.

The Government also takes its slice through GST at point of sale and import duties on raw materials along the way.

Backhanders to doctors to use certain brands, subtle "reward psychology" used on general practitioners and pharmacists by manufacturers' representatives, combined with advertising costs, are adding 25 percent to the ever-increasing prices charged for medicines, says the Johannesburg pharmacist, who asked to remain anonymous for professional reasons.

A spokesman for the 50-member Pharmaceutical and Chemical Manufacturers' Association denies the allegations and says the industry is "cost-containment conscious".

Says the pharmacist: "A GP friend of mine has showed me several hundred rands' worth of exotic liquor he has been given by visiting pharmaceutical reps."

"He is just one ordinary doctor. Multiply that out over all the thousands of GPs in the country — many of whom must be treated in the same way — and you can see what sort of contribution this could make to medicine prices, which we are told will soar 50 percent this year."

In addition to alleged kick-backs to doctors to use their

## Manufacturers accused of offering kick-backs

drugs — cases of which are being investigated by the SA Medical and Dental Council — the pharmacist claims the overseas principals of some local producers increase the prices they charge their local subsidiaries for raw materials as a way of getting money out of the country.

They portend that the ingredients can be obtained only overseas — even though they may be far cheaper locally — and they push the prices up several-fold — which has a massive inflationary effect on medicines.

### No-claim bonus

The pharmacist charges also that medical aid schemes benefit manufacturers by "anaesthetising" patients against the direct full effect of price increases — not only for medicines, but also for doctor's consultations.

"We need a no-claim bonus scheme on medical aid schemes. There are people who run to the doctor for a prescription every time they sneeze, and it's not doing the societies or the economy as a whole any good."

He says the 17,5 percent mark-up of drug wholesalers and the between 10 and 50 percent added on by pharmacists

are not excessive given the overheads.

"Among the main culprits are doctors and private hospitals who obtain their supplies direct from the manufacturer, and prescribe them at the retail price, or higher.

"In some instances, the medical aid societies are regarded as a fair game while they provide protection from undue resistance from patients."

A Durban medical aid society official has payment figures for medicines prescribed for members which point to about a 27 percent increase in prices between the second quarter last year and the same period in 1986.

The gulf between 1986 and that period two years ago is 73 percent.

In the second quarter of 1984, about 770 members cost the society R44 561, between March and June this year 935 members cost it R93 901. The figures do not take account of percentage levies charged to members, which also increased proportionately.

The pharmacist emphasises he considers not all manufacturers act improperly.

"At heart, they are probably an ethical bunch, but they are wary of losing market share and of sacrificing their vested inter-

ests, and they will go a long way in protecting themselves, including violating their code of conduct.

Last November, the manufacturers were successful in having the Supreme Court prohibit pharmacists from substituting brand medicines prescribed by doctors with generics — a move which was estimated could have brought savings of nearly half in the cost of medicines.

The Pharmaceutical and Chemical Manufacturers' Association spokesman says although a pharmacist has a better knowledge of drugs than a doctor, he is unacquainted with patients' histories.

### Liability

At the same time, no authority exists to legally determine that an unnamed concoction has the same formula as a branded product.

"Who would bear liability in the event of a generic variety having adverse effects that would have been avoided if the doctors' prescription had been abided by?"

He defends price rises in medicines on the basis of the widened exchange differential between the rand and other currencies, which has a multiplier effect on the imported cost of raw materials.

He disputes the suggestion that multi-national manufacturers connive to push prices higher, and use foreign supplies to export currency from the country.

# Govt rules out aid to Triomf

SMC 13/11/85  
By Bruce Cameron

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DURBAN — The Government has given a final thumbs down to assistance for the Triomf plant in Richards Bay

The refusal to bail out the fertiliser factory was given to representatives of the town at a lengthy meeting in Durban on Monday by the Minister of Trade and Industries, Dr Dawie de Villiers

The meeting was organised by Natal leader of the National Party, Mr Stoffel Botha

In an interview Dr de Villiers said the

Government had carefully considered the situation, and it had been thoroughly investigated by the Industrial Development Corporation

Any agreement to save the plant would mean tremendous cost to the taxpayer

The Government remained committed to the development of Richards Bay as it did to other growth points

Dr de Villiers said there was nothing the Government could offer to save jobs

But the Government sympathised with Triomf employees, as it did with the many other people who had lost jobs recently

# Premier's Gresham acquires PWD for R32-m

By Reg Rumney

Premier Milling-owned Gresham has acquired pharmaceuticals distributor Pretoria Wholesale Druggists for R32 million in a restructuring that attempts to kill two birds with one stone

The one bird was more of an albatross — the old Gresham's debt curse, while the other is the merging of the group's wholesaling interests

Announcing the move Premier executives, after recently acquiring control of Gresham

from the Herber family, said that while it was satisfied the existing Gresham operations were intrinsically sound, the company had to be rid of its debt burden

Debt has been reduced from around R11 million to R2 million and gearing is a manageable 35 percent Premier has sold wholly-owned PWD to Gresham for R32 million in exchange for 49,2 million shares

Premier has already made a standby offer to Gresham minorities of 65c cash for their or-

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SMR 13/8/86  
shares, and is now offering Gresham minorities 2-for-one ordinaries at 65c each, half the ruling price of 170c

This should raise around R1,2 million

Shareholders, if Premier's forecasting is correct, will see dividends from Gresham for the first time since 1982

Gresham expects to pay not less than 3c a share for the nine months to next March


The expanded Gresham forecasts earnings of not less than 10,5c (14c annualised)

This gives, on a current share price, adjusted for the 2-for-1 rights offer, of R1,00, a PE ratio of around 7.1

Gresham's provisional results for 1986 record an estimated loss of R4,3 million, or 258c a share But Premier said it knew the magnitude of these losses at the time it acquired full control.

PWD itself has been hampered by "a number of bad-debt write-offs occasioned by the severity of the economic recession Full provision has, however, been made for these.

# 'Few jobs in oil drilling for PE soon'

14/8/86 eye pod  
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By DENISE BOUTALL  
ENGINEERING companies and chemicals suppliers in Port Elizabeth stood to gain once the proposed exploratory drilling for oil started in the Colchester area next year, but there would be no immediate major employment opportunities

This was said by Mr Andre Els, a director of a city company which supplies the drilling industry.

A Johannesburg group which owns the prospecting concession in an area of more than 20 000 square kilometres hopes to start exploratory drilling in March, 1987.

Mr Els said staff employed on a rig, including manager, geologists and "roughnecks" would number about 35

The proposed drilling will be undertaken once a second phase of seismic surveys have been completed in the area

After analysing existing data on the area using the latest techniques the group's consultants have concluded that the area could hold reserves of up to 90 million barrels of oil

The first oil found on land in South Africa was discovered on the farm Ingleside near Colchester in 1970 Oil exploration in the Algoa Basin and centred around the area between Coega and Nanaga was carried out between 1967 and 1976

The 1970 find was made a depth of about 2 400 metres At the time of the announcement Soekor

said that on account of unfavourable formation factors it was unlikely that the borehole would be a commercial producer

The Algoa Basin extends from Glenconnor in the west to Grahamstown

University of Port Elizabeth geologist Dr Russell Shone said today

he expected the renewed search would target on stratigraphic traps

Most of the world biggest oil fields were not based on stratigraphic traps, which were difficult to identify, but on structural traps which usually entailed some kind of doming of the strata

# Dunlop strike conciliation

STRIKE 1980  
1980  
A conciliation board will meet today to consider a dispute between Dunlop Industrial Products and about 500 Chemical Workers' Industrial Union (CWIU) members on strike for more than two weeks

The workers say they were locked out of the company's Benoni premises on Friday but a Dunlop spokesman said as further discussion was declined before the conciliation board met there was no point in workers remaining in the factory.

It would reopen tomorrow.

The union wants a new minimum hourly wage of R3,10 (up from R2,43) and better maternity, leave and shift allowances

● The CWIU says a strike by about 170 members at Mobil (the company says 120) in Benoni, Isando and Langlaagte is still on

Work was stopped on Wednesday to protest at the dismissal of an Isando shop steward

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19/8/80 183 BUDAY.

# De Beers shares active as market awaits results

BRIAN ZLOTNICK  
Investment Editor

WITH investor interest yesterday heightened ahead of De Beers' results, the share moved up in early trading against the initial overall softer market trend to puncture the R34 level

Investor confidence about the interim results, which are expected to be unveiled today, grew steadily as the day progressed and the share closed 85c higher at a new peak of R34,50

In the wake of the strong first half CSO sales of \$1,214bn — a jump of 45% on 1985's first half — an overall May 7,5% dollar price increase for rough diamonds and the progressively weakening rand, analysts have sharpened their pencils in expectation of a big jump in profits

Measured in dollar terms, CSO — the marketing arm of De Beers — first-half sales were still a far cry from their 1980 peak, but in rand terms were at a record R2,71bn — 62% up on the comparable period for last year

Moreover, demand has now broadened into the full spectrum of gems, including the more profitable, better-quality and better-colour stones

Furthermore, according to chairman Julian Ogilvie Thompson "there has been a small reduction in our stocks and a welcome reduction in De Beers' bor-

rowings"

The interest bill (in dollar terms) is thus expected to be lighter

Other positive factors are investment income should be lifted by higher dividend receipts (mainly from Anglo), and a boost from the fall in its diamond stockpile, while the weak rand and improved volume sales send profits soaring

Indeed, some analysts have pencilled in for the full year record earnings of 250c, excluding share of retained profits of associated companies, and a return to record dividends of 75c a share last achieved in 1980

They suggest an interim dividend of the order of 20c, up a third, and earnings of about 90c (53,6c) a share

Attention will once again focus on the key diamond account margin — diamond account profits as a percentage of CSO sales — which in recent years has shown a pattern that reflects a marked improvement

While the interim margin is expected to widen further, it is likely, as is normal, to be well-down on the previous year's second half

Unknown factors may yet play havoc with the margin and distort the true,

underlying trend

Certainly there seems to be no reason for De Beers' dramatic profit recovery that gained momentum in the second half of 1985 — after about four and a half years of trauma — suddenly to grind to a nasty halt

So analysts are looking farther down the line at the next two years for significant profit and dividend growth

Given that the share has more than trebled over the past year and has outperformed the all-gold index by more than 100% over the same period, investors understandably are a shade queasy about the stock's ability to scale new heights

The low prospective dividend yield of about 2,2% at R34,50 also frays the nerve ends

However, there is still no shortage of analysts who say that De Beers' share price still has a full head of steam waiting to be let off

They view the rand-hedge stock as an ideal vehicle for investment in a company whose fundamental market is dollar-based and going well

Growth prospects have now become the overriding concern for the investor in De Beers shares, rather than a paltry dividend yield

FIN MULLER  
NEDBANK/TRIOMF

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22/8/86  
**In to stay**

No further announcement has yet been made about the restructuring of Triomf to allow Nedbank to take its promised 75% interest Nedbank CE Gerry Muller now says details

may be released later this week, and he denies latest rumours that Nedbank plans to take 100% of Triomf "The percentages remain unchanged," he says This seems to leave Nedbank as a committed owner of Triomf, which will remain roughly in its present form barring the Richards Bay imbroglio

Rumours have also persisted that Nedbank is looking at selling the Triomf plant at Potchefstroom, but this looks improbable at present It seems a deal would be dependent on Nedbank getting a sufficiently good price and bids are unlikely to be attractive given the parlous conditions in the fertiliser indus-

try The problem is that the longer Nedbank holds back, the lower potential bids may fall

Another concern is that Nedbank, now ensconced as the operator of a major fertiliser company, will have to succeed in ending Triomf's losses if the bank is to curb its exposure to the mounting bad debts

It is a fair bet price discounting has ensured continuing heavy losses for Triomf and, if the situation continues, much of the funds raised by Nedbank's R345m rights issue could ultimately go to writing off the Triomf debt Muller does not deny that the price cutting is continuing He says "We are not on a price cutting tack, but we must preserve our market share — we don't want to lose considerably on turnover We intend



**Nedbank's Muller . . . staying in the fertiliser business**

to stay in the business "

Triomf of course is not alone in its discounting Fedmis chairman Gerhard Basson says Fedmis, too, will maintain its market share. He agrees that penetration has fallen considerably and that discounts being offered could be as high as 35% "Everyone has had a go at price cutting," he says He emphasises that Fedmis will not need to be bailed out "We have strict internal controls and are operating within these limits," he says Even so, if the battle for market share continues, it will weaken all fertiliser producers and be a drain on their shareholders (but not the farmers)

Pat Kenney

26/8/83 BMDM

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Industrial Staff

# Generic drug ban is slated

THE provision by pharmacists of generic alternatives to increasingly costly medicines could help crippled medical aid schemes, says Allied Pharmaceuticals chairman Carl Schnell.

Reacting to reports that medical aid schemes were losing millions, Schnell criticised legislation prohibiting the replacement of prescribed drugs with generic or copy-cat substitutes

Generic substitutes were considerably cheaper than brand-name drugs and manufacturers had repeatedly pointed to the potential savings to patients of allowing pharmacists to substitute them for prescribed drugs.

Schnell said "In First World countries like the US, generic substitutions are

legal and prevalent So why not here? If the pharmacists were allowed to stock generics, they could offer medical aid schemes enormous benefits.

"We are in the ludicrous situation of trying to supply First World medicine in Third World circumstances"

Allied MD Graham Clark said although generic drugs were available at provincial hospitals, the man-in-the-street paid increasing medical aid premiums to counteract rising medical aid costs.

IPA Investment (Pty) Ltd

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CALG Times (183)

27/8/86

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## Mediator for paint dispute

### Labour Reporter

A 'MEDIATOR' is to be appointed to try to resolve the dispute between the Chemical Workers' Union and Vadek paint manufacturers over the refusal of management to dismiss a supervisor who persuaded workers to leave the union.

The dispute was declared a month ago. The union is threatening to call a legal strike unless a mediator can resolve the issue.

Factory manager Mr Manfred Rusch said yesterday that the supervisor had been "counselled on his actions which are contrary to the policy of the company".

But a union spokesman, Mr Fizakele Mahlutshana, said workers felt "very strongly" the man should be dismissed.

The two parties have agreed to approach the Legal Resources Centre to try to break the deadlock.

FLN MML

EXPLOSIVES

29/8/86  
**Blow-up ahead?**

Not content to remain simply a supplier of ammonia to the industry, Sasol set up an explosives division in 1984 — and sent shockwaves through the industry.

Now it has started to manufacture ammonium nitrate-based emulite cartridges with which it hopes to displace the more dangerous product based on nitroglycerine

Sasol has just commissioned the largest plant in the world for manufacture of small-diameter cartridges, creating 550 new jobs at a cost of R70m.

The new development conforms with Sasol's policy of creating a better balance between up- and downstream activities by using by-products of its oil-from-coal operations

The new explosive, which competes with AECI's water-gel products, will have its widest application in the mining and civil engineering industries. It is already being used in Sasol's own collieries

Sasol claims that, unlike any other explosive, its Emulan can be pumped into wet holes — at the rapid rate of 700 kg a minute.

Explosives GM De Wet Deetlefs says ammonium nitrate has considerable advantages over traditional dynamite and gelignite.

"It is a user-friendly product," he avers.

"While nitroglycerine causes severe discomfort and headaches, emulite contains no toxic substances. It can also be used in temperatures varying from  $-20^{\circ}\text{C}$  to  $60^{\circ}\text{C}$

"It's also safe to handle, as it is insensitive to accidental initiation through impact and burns only with great difficulty," he adds

Sasol admits there's no prospect of overtaking AECI's pre-eminent position in the industry, but, judged on sales from its pilot plant and its own feasibility studies, officials believe they have judged their market correctly

AECI's Murray Joubert says the undoubted trend away from nitroglycerine points to a promising market for ammonium nitrate. And Sasol's heavy production of by-product ammonia should give it increasing advantages over its long-established competitor

This is an important reason why AECI is pressing for government support, through soft loans, import parity pricing changes or tax breaks, to build its own synthetic fuel plant

Meanwhile, AECI underplays the threat posed by Sasol, and Sasol is reluctant to call itself an AECI rival. But the way the market reads it, the real fight is only just beginning ■

F. W. M. M. L.

TRIOMF/NEDBANK

## Nedbank has it

At last the terms of Nedbank's takeover of Triomf have been announced. Share capital is to be trebled from R21m to R62m and 84,5m shares are to be issued to Nedbank at 50c each (nominal value), giving Nedbank a 75,1% stake. The consideration of R42m will be offset against Triomf's debt to Nedbank.

This debt is R85m (excluding R85m already converted into pref shares). The further conversion will cut it to R40m-R50m, which Nedbank senior GM Chris Liebenberg says "can be comfortably serviced by Triomf's anticipated performance". Of course, when Nedbank's equity will be serviced is another matter.

With share capital increased to about R160m, Triomf will write off its R81m investment in Richards Bay, in provisional liquidation. This, together with accumulated losses, will again cut deeply into capital.

Minorities must wonder where this leaves them. The price of 50c is higher than the pre-suspension 38c. Liebenberg states it is to their advantage to have debt converted into capital, but there will be no offer to minorities.

So a rough calculation is that the public will own about 14% of Triomf, Lanchem about 11% and Nedbank 75%.

This deal puts Nedbank firmly in the driving seat. Triomf will be a subsidiary (although unlikely to be consolidated). Nedbank now has a smaller debt exposure and a large investment. It can sell or run the Potchefstroom plant, as it wishes. A CE will be appointed (see page 36), but little can be done to improve a company when the industry seems determined on a cut-price battle where the best that can be hoped for is a pyrrhic victory.

Pat Kenney

# Chemical workers strike at glass factory

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29/8/86. ST/MC.  
The Chemical Workers' Industrial Union (CWIU) called a strike at the Pilkington Glass factory in Olifantsfontein last night after a wage dispute with management.

Union official Mr Masinda Mavhivha said "We are in dispute with management over a proposed increase in wages. We asked for a R350 across-the-board increase which management refused to grant. The management can afford to meet the increase."

Mr Mavhivha said management had come up

with a set of wage increases for the nine different grades of workers which was unacceptable to the union.

"Management proposed a R68.25 for the lowest grade and a R267 increase for the highest grade.

"We maintain that no one should get less than a R250 increase," said Mr Mavhivha.

A company spokesman said the strike was a breach of existing recognition agreements and procedures, but the company was still available for discussions with the union.

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# Egoli seeks Eastern Cape oil

By Don Robertson

**DRILLING** for oil east of Port Elizabeth may start early next year.

Egoli Consolidated Mines, major holder of the oil rights in the 20 000km<sup>2</sup> area, and associated companies plan to run another set of seismic tests in November or December.

Confirmation of oil in a part of this area is expected by January if results are encouraging, drilling could start shortly afterwards, says Jack Higgs, Egoli group geologist.

"We have localised our area of interest and our technical consultants have indicated structures that could contain oil at a depth of about

3 000m. We hope these structures are linked to others and are looking at the possibility of reserves of about 100-million barrels."

Hydrocarbons were identified in the area by Soekor in the 1960s. Because of the low temperatures, it is unlikely that they have been converted to gas, says Mr Higgs.

Soekor drilled 19 holes, three of which showed traces of oil. Egoli has obtained Soekor's seismic tapes which it is reprocessing.

"We are arranging for seismic

lines to be run in an area of 200km<sup>2</sup> and have negotiated for the import of drilling rigs."

Energy Resources & Mining Corporation has a 50% share in the rights to the area, Egoli holding 20% and associates Carrig Diamonds and Waverley Gold Mines 10% each.

Energy Resources is in turn owned 20% by Egoli, 10% each by Carrig and Waverley, 50% by J&M Investments and 10% by Tanks Oil & Petroleum — both subsidiaries of Egoli.

Exploration costs are estimated at R10-million.

3/9/86  
Breda 183

## Offers for Triomf in pipeline

**Economics Reporter**

WITH the deadline for the provisional liquidation of Triomf's Richards Bay fertiliser plant less than two weeks away, there are several offers in the pipeline, sources say.

A senior official at Nedbank, which now owns 75,1% of Triomf, said yesterday he had been told the provisional liquidators were negotiating with several parties. He said he did not know whether the negotiations involved only the sale of Richards Bay or the disposal of the entire company.

One of the liquidators, David Rennie of Syfret's Trust, said yesterday the description of negotiations was "not inaccurate", but would not give more details.

Rennie and the other liquidators, Ben de Wet of Kaap-Vaal Trust and Billy van de Merwe of Hofmeyer van de Merwe, will meet on Friday prior to visiting the Richards Bay site next week.

The company's plant has been operating at reduced capacity to run down existing inventories and meet contracted deliveries.

CAL Times 5/9/86

# Supervisor suspended

Labour Reporter

A SUPERVISOR at the Vadek paint factory in Epping, who allegedly persuaded employees to resign from the Chemical Workers' Union (CWU), has been suspended from taking disciplinary decisions for one year

The suspension is part of the agreement reached this week between management and the union which ends a month-long dispute over the actions of the supervisor

Employees at the factory had threatened to strike unless the supervisor was dismissed and the compromise was reached only after a mediator, Mr William Kerfoot of the Legal Resources Centre, was appointed to try and resolve the issue

Vadek factory manager, Mr Manfred Rusch, said yesterday that the supervisor, whom he declined to name, had issued an apology "for any misunderstanding" caused by his actions which he believed "erroneously" to be in the interests of the company

A union spokesman said yesterday that employees had accepted the conditions of the agreement

FIN MAIL 5/17/86

AGROCHEMICALS

183

### Bugs in the system

Agriculture's tale of woe — drought, debt and spiralling production costs — is mirrored by the R375m-R400m a year agrochemical industry where volume sales have slumped some 20% in the last two years

And if the weak rand had not been pushing up nominal sales values, turnover figures would have reflected a similar drop

#### Less cash

Farmers are often caught in a Catch 22 situation Explains Bayer Group director responsible for the agrochemical division, Werner Lenssen "With less cash or credit

available after the drought, they cannot afford to buy sufficient weed and insect killer Accordingly, their crops suffer and there's even less cash for future purchases"

Lenssen says maize is the main problem area, but sales to the cattle industry are also declining The sheep sector remains "reasonably good"

Herbicides, fungicides, insecticides and other crop chemicals make up about 80% of total industry sales, while the livestock industry provides the balance of agrochemical sales However, stock numbers are also steadily declining and veterinary sales are falling in sympathy

"The reduction of the national herd by some 2m head means we have a smaller veterinary market and the drought reduced

tick infestations, cutting sales even further," says Jerry Maritz, executive director of the Agricultural and Veterinary Chemicals Association

#### Some light

But, fortunately for the industry, there are still some areas with "normal" sales patterns One of them is the western Cape where deciduous fruit, citrus and cotton producers provide some light in the gloom for fungicide and insecticide sales

However, as farmers have drastically cut pest control measures, the industry has been left with unsold stock that can already meet next season's expected demand Inevitably, high interest rates are also biting, says Maritz ■



8/9/16 BUDDY

# Poor rand performance helps local cosmetics

RAPID growth in the past five years has seen Avroy Shlain Cosmetics top R18m in turnover, making it the third or fourth biggest cosmetics company in the country, according to the company's own market research. A finalist in the SA Non Listed Company Award, sponsored jointly by Business Day, Arthur Andersen & Co and Wits Business School, the Shlain group has been able to benefit from the decline of the rand because it manufactures locally.

**CHRISTINE KOENDERMAN**

advantage over multinational companies as they don't pay royalties to anyone. "We don't submit profits to anybody. And because of the currency situation, it is not easy for the SA division of a multinational to provide adequate profits now," he said.

"A few years ago, if the local subsidiary made a profit of R4m, that would be worth \$5m. Today, because of tough economic conditions that subsidiary may be making only R2m in profit, which translates to about \$700 000."

"We don't have that problem because we are a SA business and we deal in rands and cents. That also means our prices are lower. International cosmetics have become very expensive due to the rand dollar exchange rate and that has obviously pushed some clients our way."

Cosmetics is an intensely competitive market. More than 100 companies are fighting for the R300m-plus spent annually on beauty products. Shlain reckons he has a 6% share of the SA market.

But he is expecting a boost from two major contracts in the pipeline. Apart from the core business of

skin care and cosmetics, the group now includes an independent 'colour co-ordination' business which has provided a new growth impetus. The company, called Classic Creations, is headed by Annetjie van Rooyen.

"As a service to clients buying make up we colour code them to ensure they buy the colours that suit them," says Shlain. We train our consultants to apply the colour co-ordination concept when making sales.

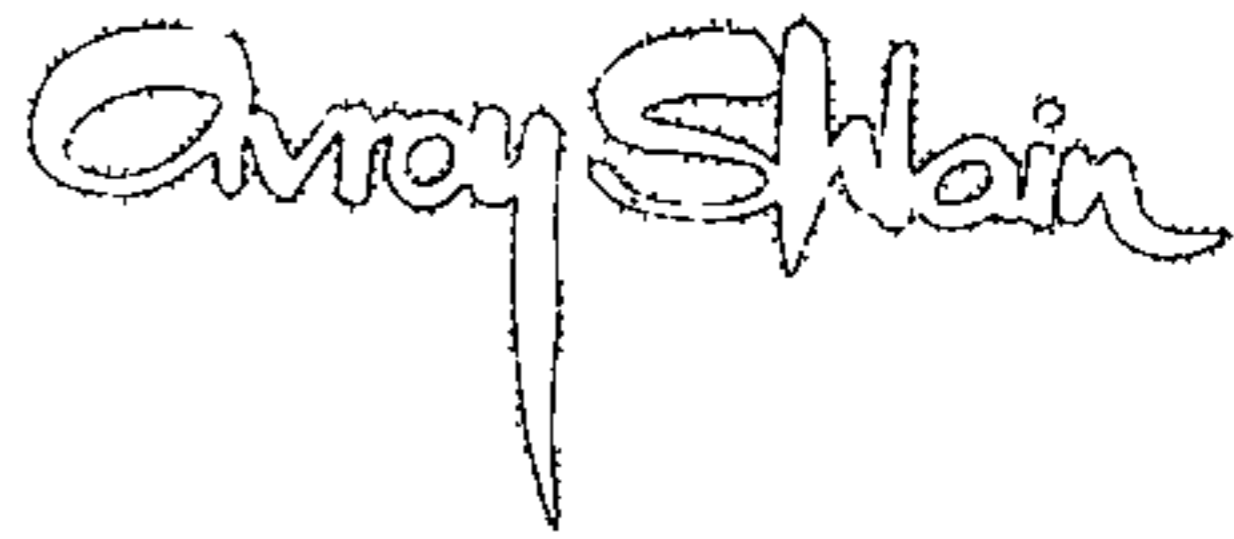
**Exports taking off**  
"Since we started training our girls in colour co-ordination, our make up sales have grown. It is a promotional exercise and it's free to the client."

With exports starting to take off, the manufacturing division operating under the name La Beau Femme is also developing fast.

In addition there is a contract packaging division which creates and packs products for other companies.

Despite conditions, good companies will succeed under any conditions, Shlain says.

"This year we are marketing a lot more aggressively than before but with more control. Profits are almost R1m up on last year because of the controls."



**A Business Day Corporate Survey**

**Edited by MELANIE SERGEANT**

## Success due to team spirit

STEADY, consistent service has, for financial director Brian Aslett, been the critical element in Avroy Shlain Cosmetics success.

A chartered accountant, Aslett has been with the company for four and a half years, during which time the company has more than tripled its turnover.

He admits that 1985 was a tough year because of the collapse of the rand.

"Team spirit pulled us through and laid the foundation for the success we are experiencing in 1986," he says. "With the decline in the value of the

rand we reviewed our operation and reduced our imports as much as possible. We also reduced items manufactured overseas to make up pencils for which there are no manufacturing facilities in SA. Everything else is made here."

British born Aslett qualified as a chartered accountant in England.

In 1982, he joined Avroy Shlain Cosmetics as finance manager with the portfolio of accounting, computing, administration and personnel. He was made a director of the company in 1983 and recently became a shareholder.

### Companies are dying

"The unfavourable rate of exchange is having a devastating effect on some cosmetics companies," says MD Avroy Shlain. "As far as I know, none of the international companies have pulled out of the country for political reasons."

"But some major companies have moved out for financial reasons, and others are dying. We are scoring because 98% of what we sell is produced here. About 85% of our raw-materials budget is spent in this country."

"Our forex bill is not high, and we have the benefit of limited imports," he said.

Shlain believes he has a distinct

## Putting a new face on exports

THE cosmetics business is almost totally based on imports of ingredients, for local compounding, or (more commonly) finished products.

The exception is Avroy Shlain Cosmetics.

"We were the first, and as far as I know the only cosmetics company to export," says export manager Gerd Niske.

"Eight or nine years ago the company sent a representative to Australia."

"He reviewed the situation there and contacted a number of people, with whom we subsequently negotiated, and appointed a sales manager. That man is still running Avroy Shlain Cosmetics in Australia."

Sales are not substantial — about R100 000 or less than 1% of the company's total turnover — but orders are now coming in from Scandinavian countries, West Germany, Greece, the UK and Spain.

The turnaround started last year when Avroy Shlain bought another small company called La Beau Femme because "it had some interesting patents and trademarks, and good export potential."

The owner of the company was Niske who joined the Shlain organisation to take over the export operation.



□ THE Avroy Shlain headquarters, with 4 000m<sup>2</sup> of floor space, half of it taken up by the spacious factory behind the administration block. There is a research and development laboratory, a quality control lab, facilities for warehousing, despatching and marketing. Warehousing exists in Durban, Cape Town, Bloemfontein and Kimberley.

We are selling its products locally through our organisation," says Shlain.

"We have dabbled in the international market for a long time but have never had a manager."

"Now exports are going great guns. We have also appointed an organisation in England to market our products there. We have got a lot of contracts and have received many inquiries and I am expecting big orders soon."

A new push is also planned into the Australian operation, which has had its ups and downs and is currently not doing too well.

## A fresh complexion on local content

A HIGH degree of local content in Avroy Shlain cosmetics products is achieved by limiting imports to biological serums from Switzerland and some specialised glass products from elsewhere in Europe.

Alcohol, non active ingredients and plastic packaging are among items produced locally.

"We use locally produced containers almost entirely," says Shlain.

He adds "We preach that what we sell is in the container — not the container itself. Women like the products to look good and attractive, but one can go to extremes."

Shlain, a corporate member of Beauty Without Cruelty, says "No animal is destroyed for us and no animal is used to test our serums."

### Animal products

Derivatives of animal products are used but they are not slaughtered for that purpose.

"Our people will go to the abattoirs in Switzerland and buy spleens," says Shlain. They process them in laboratories and produce a serum for us."

Development and manufacture of the serum is the one thing that it is not economical to do here.

Cream based on that serum is produced here and some of it is exported. Total output of biological products is now R4m a year.

"We have an almost zero allergy rate," he says.

There is no such thing as a non allergic product. But if you use well refined, well controlled raw materials that have been thoroughly checked you know that the product is going to be pretty safe."

## Now business must make up for not flying

"ALL I ever wanted to do was fly aeroplanes," says Avroy Shlain wistfully.

Today, he's a high flyer of another kind.

Shlain was born in Johannesburg in 1938. The youngest of the family, he was always something of a rebel. He remembers his years at Parktown Boys High as a nightmare. "Then my parents wanted me to become a pharmacist, and I loathed that too," he says.



Because he couldn't get into the SA Air Force, he went to England and signed up with the Royal Air Force. There, eye trouble grounded him.

His ambition to fly was only realised later when he learned to fly on a private pilot's licence.

"I flew myself around for years, but finally gave up at my wife's request," he says.

Now Shlain flies radio-controlled aircraft. "I simply love flying," he admits a little sheepishly.

On his return to SA he moved into selling Venetian blinds after a spell "fiddling around" in films.

Selling, he discovered, was his forte. "I did so well I could spend most of the week fishing," he chuckles.

Some years and several jobs later, including a spell as Coty MD in Australia, he and his wife Beryl, launched Avroy Shlain Cosmetics and have seen it grow to one of the biggest cosmetics companies in SA.

# Talks on grievances of Renak workers

Labour Reporter

THE MANAGEMENT of the Plessey-owned Renak electronics factory in Diep River has agreed to discuss worker grievances with members of the Electrical and Allied Workers' Trades Union today following a walk-out by 40 union members yesterday

Workers said they downed tools because management was employing UCT students as "scab" labour during an overtime ban

They arrived at work yesterday to find the company had introduced new security measures, including time-sheets, passes and armed security personnel. Many workers said they felt they were being "watched" so they could not discuss union matters

The union is in dispute with management over wage increases and the two parties will go to mediation today

At a meeting of workers from three Plessey subsidiaries last night, Renak workers decided to return to work today, but to reconsider their position if management refused to end the employment of "scabs" and to withdraw the new security measures

Renak's general manager, Mr Viv James, refused to comment on yesterday's walk-out



Dr Herbert Eisner, a British expert on mine disasters, with Mr Cyril Ramaphosa of the National Union of Mineworkers

# Gencor bars UK expert from killer Kinross mine

## Miners' union wants to sue polyurethane supplier

The National Union of Mineworkers is on the trail of an American company believed to have supplied polyurethane to the Kinross mine, the union's general secretary, Mr Cyril Ramaphosa, said yesterday

Mr Ramaphosa said legal action would follow the inquiry into the disaster and investigations were being made about the American firm, Mobay

The union hoped to bring a lawsuit against Mobay if it was involved in supplying the foam

"We believe Mobay came to South Africa several years ago and may have a subsidiary here," Mr Ramaphosa said

Under American law the company could be held responsible for the deaths of the miners, he said

It was inconceivable that South African mines did not know about the danger of polyurethane, a British fire and explosives expert said at a Press conference in Johannesburg yesterday

The substance claimed the lives of scores of miners in the Kinross disaster last week

Dr Herbert Eisner, who was with the Explosion Flame Laboratory of the British Health and Safety executive, one of the biggest such laboratories in Europe, before his retirement in 1981, said

"The mines would have known about it, even without any official notification"

Polyurethane has been outlawed in British mines since 1968, he said

Dr Eisner, in South Africa at the request of the National Union of Mineworkers (NUM), has been refused access to the site of the Kinross disaster

This negates the mine management agreement, NUM's attorney Mr Clive Thompson said at the conference

### Refusal

NUM general secretary Mr Cyril Ramaphosa said Foreign Minister Mr Pik Botha, State President Mr P W Botha and the Chamber of Mines had invited "any international expert in mines" to conduct an inspection of the mine where 177 men were killed in a fire last week

"Dr Eisner arrived today and Gencor said they were not prepared to allow anyone to visit the underground works of the place of the accident," Mr Ramaphosa said

Their refusal indicates they have something to hide"

Dr Eisner is to be joined by two more experts from Sweden and Germany

But the department of Home Affairs "apparently does not want to give a visa" to the Swede, Dr Peter Westerholm, said Mr Ramaphosa

Mr Thompson said he was still negotiating with Gencor attorneys for the men to visit the site of the disaster

Dr Eisner will be in South Africa for a week, he said

### 'Figures misleading'

South Africa's much-vaunted mine-safety figures paled when the statistics were examined more closely British mine disaster expert Dr Herbert Eisner said yesterday

The claim that South Africa's mines were among the world's safest was usually based on a blanket fatality rate that included all mine personnel — even people like hostel managers

When the figure was broken down into surface and underground workers a different picture emerged he said

Eight times as many workers died underground in South African coal mines than in those in the United Kingdom, it was revealed from figures released a few years ago

Dr Eisner, who conducted an investigation of the Hlobane coal mine disaster in 1983, pointed out that the gold mine fatality rate was significantly higher than the coal mine rate "although we have nothing similar in the UK with which to compare"

# Offers in wind for Triomf plant

10/9/88 <sup>BUY OFF</sup> STEPHEN ROGERS 183

A DECISION on the future of Triomf's beleaguered Richards Bay plant is likely to be taken this week

It is believed that liquidators, appointed after the fertiliser plant was forced into provisional liquidation in July, will meet tomorrow at the plant

A statement outlining its future will be released before the weekend, says a source

Return date of the provisional liquidation is September 16

Nedbank CE Gerry Muller said yesterday he believed liquidators had received an overseas offer for the plant. Another offer is believed likely

This is presumably from a prospective Israeli buyer mentioned previously. No details have been disclosed

Monetary authorities have indicated a foreign buyer would be able to buy the plant in financial rands

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FEELING

DCA

Impressive...  
...hope it will look more

# Bid to end wage row

THE Chemical Workers' Industrial Union at Sasol Two and Three has been given the go-ahead to conduct a strike ballot in a bid to resolve a wage dispute there.

These Sasol workers took the stand on Tuesday night at Secunda, where they also formally rejected management's 25 percent wage offer. Management and the union have deadlocked on workers' demands of 34 percent (bottom grade) and 12 percent (top grade).

Sasol will again be the subject of another wage dispute at a conciliation board meeting today, this time involving about 9 000 workers at the company's mines.

- CWIU members were involved in a one-day work stoppage at Paragon Rubber on Tuesday they were protesting against management's refusal to pay wages to a detained worker.

- The Food and Allied Workers' Union and Table Top management this week reached a stalemate over the dismissal of 72 workers at the company's Olifantsfontein plant.

The 72 workers were fired last month after participating in a work stoppage in sympathy with a detained colleague.

- About 350 African Miners and Allied Workers' Union members who have been involved in a "sit-in" strike at D and FH in Johannesburg since last Thursday, have resolved to return to work today.

BUSINESS DAY, Thursday, September 11 1986

Isacor boss: Development drive has cut costs

# Big capex injection for steel

MICK COLLINS

TO KEEP pace with increasing technological demands and minimise production costs, primary-steel producers had committed R760m to capital expenditure, Isacor chairman Floris Kotzee said yesterday.

Opening the SA Institute of Steel Construction conference in Johannesburg, he said it had been possible, through the development campaign, to limit price increases to a level well below increases in the average producer-price index.

"The two major steel producers, Isacor and Highveld, operated at 83% of capacity last year, in spite of a lagging economy. They have a combined capacity of 7.1-million tons a year, and excess capacity is utilised to export value-added products to 78 countries."

high-rise buildings, Kotzee said the industry would launch a drive to persuade developers to move away from reinforced concrete.

EVICTIIONS are being carried out daily in the Vaal, particularly in cases where people owe the council about R1 200 on rent.

## 18 Vaal families go as eviction campaign hot up

Between Tuesday and yesterday 18 families were evicted from their homes in the area.

# Transport a victim of Govt brake

CHRIS CAIRNCROSS

AN IMPORTANT victim of this year's aborted second session of Parliament is the deregulatory package promised by government for public transport.

A White Paper response to the wide-ranging National Transport Policy Study (NTPS) investigation, whose report and recommendations were submitted to government earlier this year, was originally scheduled for release during the session.

This delay puts paid to promises made by Transport Minister Hendrik Schoeman that the deregulatory process would gather momentum this year with the definite phasing out of the road permit system.

Government continues delaying important decisions to the economy's detriment. The fact that on this issue it has allowed momentum to fade also engenders concern that many NTPS proposals will be stillborn.

A month ago several other families were evicted in Sharpeville, Boipatong, Zamdela and Bophelong.

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East Rand workers show solidarity

CWIU members stage demos

183  
12/9/86  
[scribble]

DEMONSTRATIONS and work stoppages called by the Chemical Workers' Industrial Union (CWIU) took place yesterday at several factories on the East Rand - in solidarity with the Dunlop strikers, whose dispute is in its fifth week

Workers at Boksburg-based Reef Chemicals stopped work for three hours in an industrial action that was marked by various degrees of militancy at other factories in the area

A CWIU official was unable to comment on the response to the action She said "It's still too early to tell"

A strike ballot is expected to be taken by 3 400 CWIU members at Sasol 2 and Sasol 3 at Secunda some time next week after the union's rejection on Wednesday of management's final offer of a R95 a month increase

A Sasol spokesman declined to comment on the possible strike action He said "We are anxious to avoid any disruptions and hope the matter will be resolved amicably"

The outcome of yesterday's Conciliation Board talks with Sasol management appeared to make little headway in resolving another pay dispute involving 5 500 CWIU members at Secunda Col-

HAMISH McINDOE

lieries A CWIU spokesman said talks had not "officially deadlocked" and expected fresh negotiations to begin in about 10 days time

□ The Commercial Catering and Allied Workers' Union accepted on Wednesday Foschini's offer for an R85 a month across-the-board increase for all permanent black staff Part-time staff will receive two-thirds of that amount

Foschini management is expected to respond shortly to the union's demand for May Day and June 16 to be declared public holidays

□ Paper, Wood and Allied Workers' Union general secretary Jeremy Baskin said more than 80 workers at Springs-based Amalgamated Plastic Industries returned to work yesterday after a three-day sit-in at the plant

He said workers suspended their strike after management agreed to withdraw retrenchment notices and resume negotiations with the union

□ About 95% of the day-shift employees at the Beatrix gold mine - on strike since Monday - returned to work yesterday after a 50% turnout for the night shift on Wednesday, a Gencor spokesman said yesterday

[scribble]

# Nedbank battling to get its management into Triomf

By Peter Farley

Investment Editor

Nedbank appears to be heading into more troubled waters through its inability to come to grips with problem child Triomf

Although the fertilizer firm's provisionally liquidated Richards Bay operation is about to be given a stay of execution, it is the rest of the business that is now threatening to create problems

At a special general meeting held at Triomf yesterday shareholders formally approved the issue of 84 million new Triomf shares to Nedbank in order for the bank to achieve its 75 per cent stake in the company. This was paid for through the conversion of debt, an as yet unquantified amount, but does not

include some 85 million in preference shares that Triomf issued to the bank last year.

However, one wonders just how much debt could be converted to justify 75 percent of the company. The shares, optically, can be worth only around 10c each. This would mean that Nedbank could only have converted less than R10 million of its outstanding debt.

It was estimated earlier this year that Nedbank's exposure at Triomf was close to R350 million. At least a third of this will be written off when Richards Bay is finally liquidated. The balance still leaves the Potchefstroom operation with an unenviable gearing position. But now, concern is mounting over Nedbank's inability to get

its own management into the company. At yesterday's meeting chairman-elect Mr Frans Davin was able to attend only in the capacity as a proxy-holder on behalf of the bank. Nedbank's Mr Chris Leibenberg was in the same position.

And, even more surprisingly, the subject of management changes at Triomf was not even discussed.

It is understood, however, that the crux of the issue is a private dispute between Dr Louis Luyt and Nedbank that will have to be resolved before Nedbank can proceed with its takeover of Triomf.

The whole affair is turning into a complete shambles, with every chance that key members of Triomf's senior management could well be moving off once

Nedbank finally gets its own people into the company.

The Potchefstroom factory is currently running at full capacity as the fertilizer market generally gears itself up for the peak demand season from the farming community.

However, with competition in the marketplace still intense there is unlikely to much in the way of profits available for any of the competitors. In its favour, however, Triomf does own probably the most efficient of the fertilizer factories in the country.

Clearly, however, there are still a great many problems to be overcome before Nedbank can realistically expect have the company firmly in its grip. The next few weeks are going to be crucial.

STX

16/9/86

R3



Bank policy and not upon fluctuations in the price of gold on world markets. While gold trades above \$400, the Reserve Bank is assured of a steady flow of

Bank commentators' description as being supportive of the rand but that is hardly accurate. Because the Reserve Bank receives the dollars which

mand with supply because of internal commitments due in term

Liquidators say buyers are still in wings

Buy Date 16/9/86 200 183

# Reprieve for Triomf plant

TRIOMF'S hobbled fertiliser plant at Richards Bay — the fate of which was to have been determined by today — has been given an 11th-hour reprieve by provisional liquidators and major shareholder Nedbank

Liquidators said they would extend its operation by at least six weeks, to October 31, to allow more time to secure offers for the operation

They said at the weekend the plant would continue to run on a reduced scale — as it has since it was placed in provisional liquidation on July 14

## Economics Reporter

Witwatersrand Supreme Court has been asked to postpone the return date until November 4

Nedbank senior GM Chris Liebenberg said serious buyers were negotiating with liquidators. He did not say whether they had proposed purchases of the plant as a going concern nor whether they intended simply to buy the fixed assets

Liebenberg said Nedbank, which owns 75,1% of Triomf as a result of the fertiliser giant's forced debt restructuring two months ago, had decided that "of all the alternatives at the moment that it was cheapest to keep the plant open until the end of October"

Sources involved in liquidation negotiations would not say whether the plant had been operating with a positive cash flow since it reduced operations and laid off nearly 400 workers two months ago

Syfrets Trust's David Rennie, one of three provisional liquidators, said the plant was "doing okay" on a cash basis — largely because it was, as a result of the liquidation status, unencumbered by non-cash expenses like depreciation. Rennie would not say whether this meant that it was generating cash

Liquidators said orders have been received for all the plant's production until October 31 and all fertiliser made since the liquidation order had already been sold

In its court application for provisional liquidation, two months ago, Triomf said the plant lost R54,7m in the 11 months to May



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## University of the Witwatersrand INAUGURAL LECTURE

Professor G Karpilovsky

Professor of Mathematics will deliver his Inaugural Lecture in the Dorothy Susskind Auditorium, John Moffat Building on Tuesday 16th September 1986 at 17h30

The title of his address will be "REPRESENTATIONS OF GROUPS"

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MEMBERS OF THE PUBLIC ARE MOST WELCOME

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# Liquidation of Triomf fertiliser plant is postponed

A number of overseas and local parties indicated they were interested in buying Triomf Fertiliser's Richards Bay plant after it was placed under provisional liquidation by the Rand Supreme Court

The Richards Bay plant of the fertiliser giant was placed under provisional liquidation on July 14 this year

The return date was yesterday, but Triomf applied for a postponement to give provisional liquidators an opportunity to study the offers and accept one.

The parties interested in making offers to acquire the plant also needed more time, Triomf's attorney Mr L F Pereira said in an affidavit

They needed to complete in-depth investigations into the plant and its viability. They would also have to get permission from the South African authorities, like the Reserve Bank, to buy the plant and arrange for the transfer of large sums of money

Due to the size of the plant, a thorough investigation would take some time. It had, for example, fixed assets of R263 million

The provisional liquidators would then have to study all the offers carefully.

Mr Justice J C Kriegler postponed the return date of the provisional liquidation to November 4 this year

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Mr Justice J C Kriegler postponed the return date of the provisional liquidation to November 4 this year.

THE Rand Supreme Court yesterday postponed the return date of the provisional liquidation for Triomf's Richards Bay fertiliser plant to November 4, clearing the way for extended operation of the plant until at least October 31.

In an application requesting the postponement, provisional liquidators for the plant said more time was needed to allow "a number of local and overseas parties" to investigate the operation and make formal offers, and for liquidators to study any offers that were made.

The application revealed that sales turnover from Richards Bay from July 14 — the date the plant filed for liquidation — to October 31 would total R63,9m. This figure

# Court postpones date for order on Triomf

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BUS DAY 17/9/86  
Economics Reporter

was substantially higher than the R27m in sales for the 11 months ended May 31 that the plant reported in the original liquidation application.

Neither Billy van de Merwe of Hofmeyer van de Merwe, one of the three provisional liquidators, nor Laurence Pereira, attorney for the liquidators, could explain yesterday why the more recent sales figure was so much higher than the figure released earlier.

Liquidators earlier said they were reducing output at the plant and retrenching employees, so it seems unlikely that Richards Bay could actually produce higher revenues than before the liquidation.

The liquidators said in the court statement that they were operating the plant "at least on a break-even basis, and are not trading at a loss".

They said a sale of the plant as a going concern would realise "substantially more" than if it were mothballed or sold piecemeal.

# Survey shows oil town's air bad for lungs

The Argus Correspondent

AKS 18/9/86

PRETORIA — Heavy air pollution in Sasolburg has been found by researchers to adversely affect the lung functions of children there

These conclusions were published in the latest issue of the South African Medical Journal. The research team was headed by Professor A M Coetzee of the University of Pretoria

According to the article, excessive air pollution by industries in Sasolburg was suspected of affecting the residents' health in general and the respiratory system in particular

The three-week investigation undertaken in May 1984 involved children from primary schools in Sasolburg and the neighbouring towns of Parys, Heilbron and Frankfort. The last three towns were chosen as control areas because of their negligible air-pollution levels

Although Professor Coetzee and his team found no important differences in the incidents of respiratory illnesses, they did detect a significant difference in the lung functions of Sasolburg children.

## SMOKING HABITS

This trend seemed to be unaffected by families' smoking habits

Sasolburg, near Vereeniging, is a major industrial centre, particularly regarding chemical and oil-from-coal processes

Questionnaires were sent to 674 children in Sasolburg and 332 children in the other three towns

Replies showed there was no substantial difference in the incidence of respiratory diseases

However, the study showed that the breathing functions of the Sasolburg scholars was worse than those in the neighbouring rural towns

Researchers also pointed out that air pollution was of a similar intensity in the whole PWV area and that further in-depth study into the problem was a priority

A Sasol spokesman said South Africa's environmental standards compared with the best in the world, and Sasol complied with these

"Sasol has spent millions of rands on environmental protection processes — both for air and water resources

"For example, R150-m has been spent on the installation of hydrogen sulphide recovery plants at Secunda to remove the so-called rotten-egg smell," said the spokesman

pended for three years.

CAC Trials 24/9/86

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## No wages for ex-detainee

JOHANNESBURG. — The Council of Unions of SA has expressed its "utter disgust" at multinational company Roche Products for refusing to pay the wages of an employee recently released from emergency detention.

Roche personnel services manager Mr Jan Smit said: "This is a question between Mr Andrew Morifi and ourselves. We have told Cusa that our policy is one of no work, no pay."

Reports by Staff Reporters, Own Correspondents and Sapa

5/18/15  
24/1/15

# 22 injured as boiler explodes

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East Rand Bureau

Twenty-two people were injured, three seriously, when a boiler exploded at the Protectolne Coatings factory in Benoni at 8 am today

A spokesman for the Benoni Ambulance Department said the boiler was blown through a wall to another factory, Alan Gillat.

The three seriously injured workers suffered head injuries. The others were treated for shock and cuts and bruises.

They were taken to the Boksburg-Benoni Hospital.

A police spokesman said it was not yet known what had caused the explosion, but foul play was not suspected.

Cont-7413 24/9/80

# 60 employees down tools

183  
Labour Reporter

SIXTY employees at the Amalgamated Chemists' Association (ACA) plant in Milnerton downed tools yesterday morning to protest against management's refusal to grant the Chemical Workers' Industrial Union (CWIU) access to the shop floor.

The employees sat on the tarmac just inside the factory gates blocking

the company's delivery trucks. They returned to work at 3pm after management agreed to negotiate access with the union, a CWIU spokesman said.

Management could not be reached for comment yesterday.

The CWIU claims to represent 85 of the 113 employees at the pharmaceuticals factory.



## ACA fires 52 employees in dispute with union

Labour Reporter

THE Amalgamated Chemists' Association (ACA) has fired 52 employees who downed tools on Tuesday morning after a dispute over the company's refusal to grant their union access to the shop floor

Although the employees returned to work at 3pm, they later occupied the company's administration building, claiming management had sent away the bus which usually takes them home

The workers left the building when the police arrived and warned them that they were trespassing

According to a spokesman for the Chemical and Allied Workers Industrial Union (CWIU), the employees went back to work after management agreed to negotiate access with the union, and threatened to dismiss employees who did not return before

3 30

"Management agreed to hold the bus back until the negotiations were complete so we could report back to our members," he said "We were talking to management and things were progressing very positively when we heard the bus had left with only the workers who were not involved in the stoppage"

When angry union members occupied the administration building and demanded transport home, they were fired

The union said the company yesterday refused the employees' offer to return to work

Police confirmed yesterday that police "requested employees of ACA to leave the premises or face charges of trespassing"

Management was not available for comment yesterday

22 injured  
in boiler explosion  
25/9/86. 183

East Rand Bureau

Twenty-two people were injured, three seriously, when a 3 m high boiler exploded at a rubber processing factory in Benoni yesterday.

Damage of about R100 000 was caused when the lid of the boiler flew through the wall of the Protectoline Coating factory and hit another wall outside.

Workers were hit by flying debris.

Factory manager, Mr Albertus Booyens, sustained head and back injuries when part of a wall fell on him. Two other workers had head injuries.

The three are in a satisfactory condition in the Boksburg-Benoni Hospital.

The other injured were discharged yesterday after being treated for shock and minor injuries.

The owner of the building, Mr John Small, said it was believed a faulty valve had caused the accident.

# Fuel, vehicle licence fees set to rise

25/9/86 BUW DAJ

DAVID FURLONGER

MOTORISTS face increased vehicle licence fees and petrol prices to pay for recommendations in a Transport White Paper being studied by government.

Transport director-general Adriaan Eksteen told an "Outlook for Trucks" conference in Johannesburg yesterday the recommendations would cost motorists R253m a year

And he said it was now accepted existing transport policies ran contrary to national economic policy

The cumbersome road freight permit policy cost the country more than R60m a year, while distorted tariff systems resulted in expensive and uneconomic

transport

The major recommendations were

- An end to internal cross-subsidisation between SA Transport Services (Sats) activities, whereby uneconomic services are subsidised by money-making ones,
- Sats should be compensated openly for the financial burden of uneconomic services, by way of direct subsidisation,
- Uneconomic services should be paid for by whoever needed them — in the case of urban transport, by Regional Service Councils,

Fares and freight rates should become market-related,

Provincial traffic ordinances be rationalised into a single National Road Traffic Act

Eksteen said the direct cost of those changes must be borne by road-users

He said "The Department of Transport has calculated that an additional R253m must be recovered annually from road-users. This can be achieved by increasing the licence fee for all vehicle classes as well as the levy on diesel fuel now going towards the National Road Fund"

PRICE MOVES AT A GLANCE

# R2m plea against Triomf withdrawn <sup>11/01/78</sup> 193

A RAND Supreme Court application by the Sentrale Kunmis Korporasie (Eindoms) Beperk, seeking payment of R2 258 778 from Triomf Kunmis Beperk, was withdrawn from the court roll yesterday.

It was apparent from court papers that the amount requested from

~~LIAM EGAN~~ LIAM EGAN

Triomf was related to a dishonoured cheque paid to the corporation on September 1, this year. It was also apparent that Louis Luyt, as the director of the corporation, was nominated to bring the application.

# US giant sells its SA stake

BAXTER-TRAVENOL, giant American pharmaceutical conglomerate, has announced the sale of its 40% stake in its SA subsidiary, a Washington research group said yesterday.

Travenol sold its interest in Sabax-Keagrams, a pharmaceutical company that employs 886, to another SA company, according to Alison Cooper, an analyst at the Investor Responsibility Research Centre (IRRC).

The US company also sold its small, wholly owned AHSC unit, she said. Details of the sales, including the names of the buyers, were not available.

Baxter-Travenol's announcement brings to 20 the number of US corporations that have disinvested from SA operations so far this year.

Cooper said Procter and Gamble, a consumer goods conglomerate, had announced it would sell its Richardson-Vicks SA subsidiary.

Procter and Gamble acquired the local unit as part of its takeover last year of Richardson-Vicks in the US.

OMNIA

(183) FURNHAM 3/10/86

### Fair-weather stock

While Omnia has cut its mid-year losses to R3,3m (R5,3m), climatic conditions over the next few weeks should determine whether it will see any profits this year

As the summer planting season approaches, a good rainfall is critical to farmer confidence, and demand for fertiliser. A reasonable season could see Omnia swing sharply into profits which, if last year's second-half performance is matched, could be around R2m.

But the risks are harrowing, a fact mir-

FINANCIAL MAIL OCTOBER 3 1986

rored in the recent free-fall in Omnia's share price to 50c. Agricultural confidence has seldom been lower, depressed now by four drought-stricken years, massive co-op debt, and the uncertainty of a new maize pricing policy. The new pricing policy, which allows prices to be determined by demand and supply, means, in effect, that the better the crops this year, the less the farmers will be paid for them.

An Omnia spokesman contends, though, that neither debt nor the new pricing policy is likely to deter farmers from planting. The co-ops cannot pull the plug on farmers without losing more money, he says, and the uncertainty about the market price for farm products will induce the farmer to grow crops this year to test price levels against those received under price controls.

If market prices prove disappointing, he says farmers may respond next season —

### OMNIA'S RED INK

Six months to.	Jun 30 '85	Dec 31 '85	Jun 30 '86
Turnover (Rm)	61,8	94,1	56,7
Pre-interest profit (Rm)	0,20	9,31	0,46
Attributable profit (loss) (Rm)	(5,3)	5,8	(3,3)

with potentially dire effects for the fertiliser industry. For the current year, though, the main factors affecting farming profits, and Omnia's prosperity, appear to be related to the weather.

The farming division has shown reasonable profits, says Omnia's management, but while the fertiliser market was reasonably stable in the first quarter of the year, price discounting intensified after April. An important factor in the industry's future well-being is the extent to which Nedbank will help Triomf to regain its position in the local market.

While Omnia represents a very troubled industry, its share is trading at a very low level. It could therefore pay investors to take careful note of rainfall patterns during this summer.

Neville Glaser

THE National Maize Producers Organisation (Nampo) said yesterday it would not take up its option to buy a major interest in troubled fertiliser manufacturer Triomf

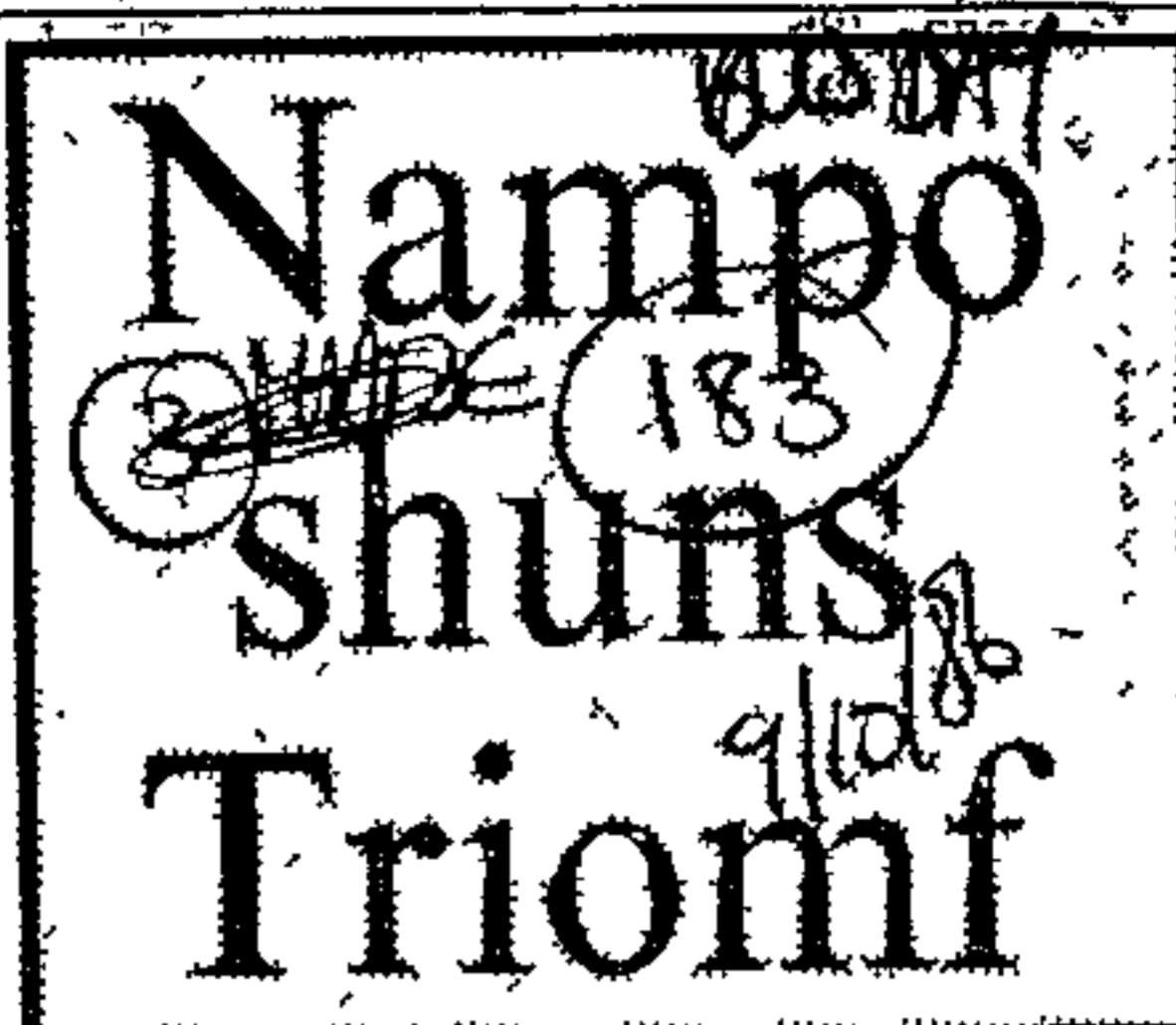
In addition, Louis Luyt, founder and vice-chairman of Triomf, and chairman Henne de Jager, have resigned from the company's board

Nedbank said the board had been reconstituted, leaving former Old Mutual MD Frans Davin as executive chairman

De Jager, also chairman of Nampo, said the growers' organisation had decided to withdraw from Triomf after "intensive discussions with Nedbank" Neither De Jager nor Nedbank senior GM Chris Liebenberg would reveal the nature of the discussions

Nampo became involved in Triomf in June — before the company was restructured by Nedbank — with a view to obtaining control within five years However, De Jager said yesterday Nampo would not be able to achieve this goal, since Nedbank now held 75,1% of company's shares

In terms of its original agreement, Nampo acquired 50% of Maizechem, a newly-formed company in which the Louis Luyt Group (LLG) — controlled by Triomf's founder and former chairman



— would hold the remaining 50% Maizechem held 80% of Lanchem which, in turn, controlled 51% of Triomf shares

But July's restructuring by Nedbank left Lanchem with just a quarter of its original interest in Triomf. Nampo's share, in turn, was reduced to about 5%

As a result of yesterday's agreement, ownership of Nampo's shares will revert to LLG

De Jager said yesterday Nampo had acquired the shares in Maizechem, but had never paid for them "In the meantime, things went wrong," he said, referring to the chain of events two months

● To Page 2 →

## Nampo shuns Triomf offer

ago that led to Nedbank's take-over and the placement of Triomf's Richards Bay operation into provisional liquidation.

Nampo's withdrawal means its marketing agreement with Triomf will be cancelled. De Jager would not provide details of the agreement, calling it a "private" transaction.

Davin, however, said the marketing pact was "a very vague agreement" committing Nampo only to support Triomf products through its membership of farmers.

"What happened in practice was that

Triomf sold where it could, and farmers bought where the discount was greatest," Davin said.

Other industry executives said the dissolution of the agreement probably would have little effect on the pattern of fertiliser sales to farming customers. "At the end of the day, Nampo members are still free to buy where they want," said an executive at a competing manufacturer.

← ● From Page 1

# Triomf sets sights on relisting 12/10/86 Bleed R3

TRIOMF FERTILISER, suspended three months ago at the time of its financial restructuring, now hopes to have its shares relisted on the JSE by year's end.

Nedbank senior GM Chris Liebenberg said Triomf would apply for the relisting after it had completed the audited statements of financial condition for the fiscal year ended September 30

Economics Reporter

"It has always been a quoted company," Liebenberg said "There's no reason for us to delist the company and buy out minority shareholders."

JSE president Tony Norton said Triomf "must prove to us that we're not trading in a damaged company."



# Uphill battle ahead for Triomf

15/10/80 By Peter Farley *SMR*

Nedbank's plans to re-list Triomf will come as a dubious privilege to shareholders left hanging on after the debacle of the past year or so

Many must have been secretly hoping that the fertilizer firm's new owners would be making them an offer they could not refuse in a move to remove the company from the public eye

There is, of course, massive potential for a recovery in the firm's fortunes, but two major developments are going to leave Nedbank badly placed to restore the company to its former glory

The most important factor will probably prove to be Nampo's withdrawal from the shareholding agreement which tied the maize producers closely to Triomf's future fortunes and effectively gave the company a marketing edge over its competitors

The second challenge is going to be the re-motivation of Triomf's now depleted management, particularly in the wake of the departure of founder Dr Louis Luyt

In addition, the incumbent MD Mr Phillip Clarke has given notice that he will only be remaining with the company for a short handover period Thus Triomf will

183  
be left with former Old Mutual supremo Mr Frans Davin as chairman who, while well respected in business circles, will have a major challenge on his hands

The Richards Bay saga has yet to be sorted out and, though interest has been expressed by overseas buyers — because of their ability to provide the necessary raw materials — the situation has yet to be resolved

The Potchefstroom factory is going great guns and is profitable, but it remains to be seen whether the balance sheet restructuring will allow any of these benefits to flow through to the bottom line

# Shell openly slams apartheid in SA

LONDON — The world's second biggest company, Royal Dutch/Shell, has joined the international chorus of criticism against the apartheid policies of SA

The blunt condemnation of the Pretoria Government, contained in a letter from the group's senior MD Lo van Wachem to senior Shell executives around the world, marks a rare foray into the political arena for the international oil firm

The letter spells out Shell's goal of unravelling apartheid through peaceful evolution and urges fostering change by consensus to avert "the human tragedy that seems to be developing"

Shell, the world's second biggest company by turnover after the US oil firm Exxon, reaped net

profits of just over £3 billion (about R10 billion) last year, though analysts say only about 1% came from its SA operations

Van Wachem urged Pretoria "to release all political prisoners, to end the ban on political organizations, to stop detentions without trial and to begin the process of negotiation about the future with representatives of all South Africans"

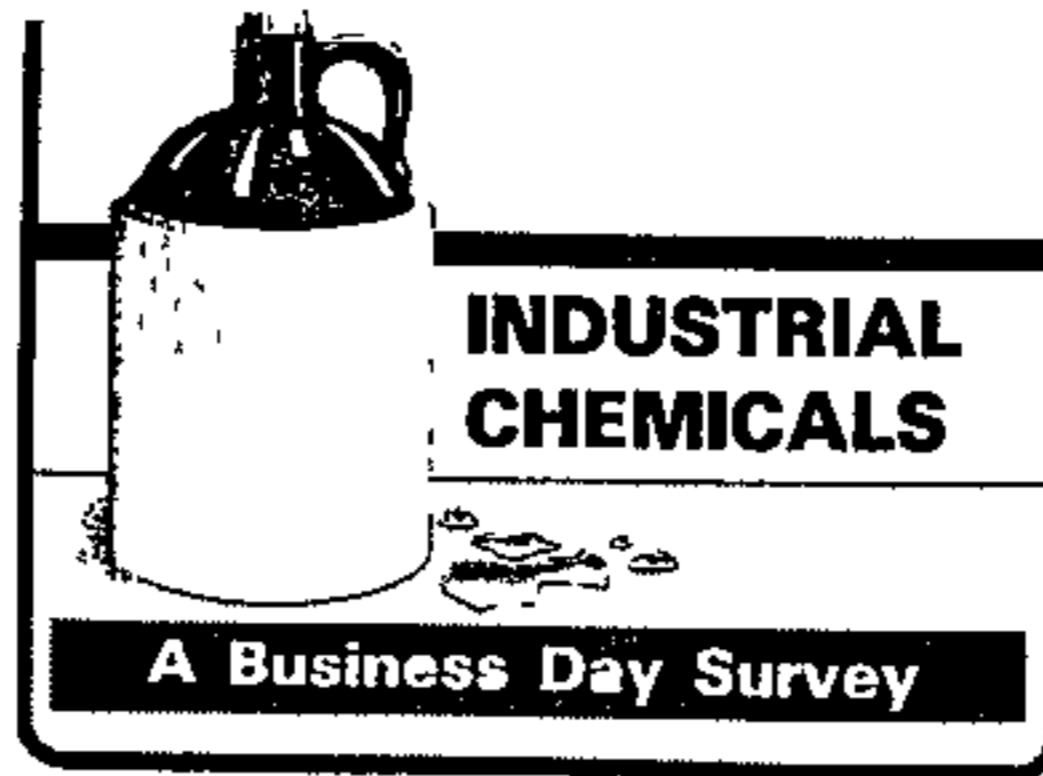
But the unusually frank four-page letter is equally aimed at defending Shell's decision to remain in SA and at rebutting accusations that the company is strengthening Pretoria's arm by supplying oil for its police and army

"We have many times stated that no Shell Group company out-

side SA is supplying crude oil to anyone in South Africa," van Wachem said, adding that Shell was just one of eight companies supplying oil products in SA

"Some of those attacking apartheid have decided to attack Shell companies around the world as part of their campaign. In doing so, they are repeatedly using false or misleading information and making unfounded allegations," he said

Van Wachem wrote that Shell and other foreign-owned businesses would do better to stay in SA where they were playing an important role in encouraging change and could help to prepare black South Africans for when apartheid ended — Sapa-Reuter



## Sasol finds rewards in exports

A MAJOR export drive enabled Sasol to increase chemical sales by 19% during the 1986 financial year to a record R473m.

Exports rose 40% to R140m, to make up nearly one-third of total sales.

Sasol, with its coal-based technology, has exported chemicals since 1954, when it sold tar acids. Two years later it began exporting high-melting-point paraffin waxes, still the mainstay of its export business.

The company is presently expanding production to meet growing international demand for hard waxes. A sixth fixed-bed Fischer-Tropsch reactor being built at Sasol 1 will increase production of speciality waxes by 30%. However, it faces growing competition on export markets from such products as polyethylene, other waxes and microcrystalline waxes derived from crude oil.

Sasol's oxidised waxes compete with natural waxes like carnauba — from palm tree leaves — and waxes from East German lignite.

Sasolchem MD Andre Bedeker says the advent of Sasol 2 and 3 has boosted export volumes over several years and enabled the company to enter international markets with other products like acetone and MEK (methyl ethyl ketone). Acetone is used overseas as feedstock in the manufacture of methyl methacrylate, which is then polymerised to form perspex. The weak rand has helped make these exports more competitive.

Sasolchem's main product — in terms of both volume and turnover — is ethylene. The chief building-block of the petrochemical industry, it is used mainly in production of polyethylenes, PVC and chlorocarbons like aerosol propellants and dry cleaning solvent.

Another product group, tar acids, includes creosote. Coal tar is used to impregnate cellulose fibre pipes.

# Higher wages for Ciba-Geigy workers

The Chemical Workers' Industrial Union (CWIU) has signed a new wage agreement which will raise the minimum wage for workers at Ciba-Geigy to R4,10 an hour.

The union said in a statement yesterday that 200 workers employed by the Isando-based Swiss firm stood to gain from the agreement, which brings the average monthly salary to R710

The CWIU, which is in the middle of several wage talks, said it was trying to achieve

an hourly minimum wage ranging above R4  
● Wage talks between the National Union of Mineworkers (NUM) and the Chamber of Mines, affecting more than 320 000 black mineworkers, continue today, following a meeting on Monday

The union is due to hold a strike ballot this week after a deadlock was reached at mediation last week

The NUM was demanding an across-the-board increase of 26 percent

# Drivers' wages: BPSA speaks out

*Cape Times 25/1/86*  
*(83)*

BP Southern Africa (BPSA) yesterday said that while many truck drivers were still badly paid, "large numbers" received pay and worked under conditions of the highest standards

The company, which employs 240 bulk-vehicle drivers, was responding to a recent Cape Times article which quoted a report saying minimum wages for most truck drivers were below starvation level.

Mr Ian Sims, BPSA chairman, said in the statement: "While I have no doubt that many truck drivers are paid below the Supplemented Living Level (SLL), there are a large number of others whose pay and work conditions meet the highest standards and this equally needs to be highlighted."

BPSA drivers' average remuneration was R968,47 a month, including the proportionate value of a 13th cheque bonus. The minimum wage for truck drivers was R758,31.

He said this was significantly more than the R560,39 a month SLL calculated by Unisa for Pretoria, which was the highest SLL for any centre where BPSA operated. The Cape Town SLL is R419,25.

BPSA's minimum remuneration for all workers was R620,33 a month, Mr Sims said.

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*Cape Times 25/1/86*  
*(83) (67) 388*

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(182)

# Top firms belong to the ER fraternity

**HISTORICALLY** the East Rand has always been the site of major pharmaceutical companies operating in SA

UK company Boots's SA subsidiary has been in Isando since 1945 and lists closeness to the airport and a good transport infrastructure as site advantages.

Boots, renowned for its insulin and Brulin products, has switched mainly to tender business in SA from its import-export side

"Business does not drop off in a recession in this field, but does not boom in good times either," says Boots MD Peter Fry. "In bad times, anti-depressants, tranquilisers and sleeping tablets take off, however"

Another East Rand-based pharmaceutical group, Scherag, moved to Isando in 1968 when it expanded because land prices were good, it was necessary to be nearer the airport and it was close to Tembisa, from which labour could be drawn

"All our raw materials are delivered by air," says personnel manager N van Rensburg. The company was the first to sell the cancer-fighting drug, Interferon.

Other big pharmaceutical firms represented on the East Rand include Wellcome, Beechams, Lilly, Upjohn and Bayer

Ethyl and methylated spirits suppliers Natal Cane By-Products, which claims 40% of the national market share in this field, has operated an Alrode depot since 1979 with 20 staff members.

Transvaal branch manager Burger Pretorius says industry trends have been reasonable this year, compared with budget turnover "Some industries have done remarkably well — like printing and packaging — but there has been a downturn in the liquor industry and on the cosmetics side"

He says there's a general feeling, however, that there will be an up-

*MANY major firms are represented on the East Rand, and they have some good reasons for basing themselves there . . .*

swing next year.

Pretorius lists good access to the N3 and R26 as distinct East Rand siting advantages, and says the depot is central to the firm's Witwatersrand customers

### Political uncertainty

Main products manufactured by Natal Cane are various grades of ethyl alcohol, including a potable grade sold to liquor companies (raw materials are molasses; the alcohol comes from fermentation and distillation).

The company also supplies industrial alcohol to the pharmaceutical

and cosmetics industries, and makes various grades of methylated spirits used for paints, printing and packaging

Ethers for medical, pharmaceutical and commercial use are also made, as is vinegar

Corobrik's Brian Waberski describes 1986 as "a very trying year. Demand has been extremely soft, resulting from a lack of confidence in the marketplace.

"The building industry is depressed because people are not prepared to make fixed investments in times of political uncertainty."

He says Corobrik has had to trim business in accordance with demand, borne out by the fact that factories are only running at 55% capacity

"There has been great pressure on margins," he says. For the new year, he sees a slight growth in real terms of about 2.5% to 3%, which could mean a gross increase in unit sales of about 15% on

1986 sales.

"There are still six months until the end of the financial year. We have seen lower interest and mortgage rates, and the rand turned to be more favourable. There has been a good increase in the gold price, which seems to be stabilising at current levels, and this will bring back the confidence factor — notwithstanding the fact there is a housing shortage so something has to be done to provide housing."

Waberski predicts the 1987/88 year might continue on the same level, with an upswing from about the second quarter of 1987 continuing for 18-24 months.

"Corobrik views the years ahead positively. A bright future could see us, in time, getting back to full production"

Corobrik's Germiston factory is part of its greater Transvaal operation and strategically located to serve the East Rand market area.

# Early pharmaceutical firms trekked east

HISTORICAL reasons for the pharmaceutical industry's siting on the East Rand were good transport infrastructure, proximity to Jan Smuts Airport and the cheap land available, according to a straw poll of company spokesmen.

Boots CE Peter Fry says that when the company moved there 12 years ago, it was a popular site for pharmaceutical companies, although the newer trend is towards Halfway House

Boots' SA subsidiary is part of the worldwide organisation founded by Jesse Boots in Nottingham, in the UK, 100 years ago and which now, globally, employs 68 000 people, with annual turnover of £2,1bn

## Skilled staff

In SA, the East Rand site is convenient to the airport and city. Because of the nature of the items manufactured, transport is not a big problem and it is not essential to be on the main railway or transport lines, Fry says.

Boots SA employs 135 people in sales, marketing and distribution and 90% of staff is skilled in some way or the other. Ninety-four percent of products are produced locally.

As pharmaceuticals are not labour-intensive, certain types of machinery are used and staff must be skilled, Fry says.

The company specialises in prescription and non-prescription health-care products like tablets, ointments, liquids and creams

Production flagship is the prescription drug Brufen (an anti-arth-

ritic/painkiller)

More commonly-known brand names manufactured by Boots include Strepsils, Cream E45 — a doctor-recommended ointment for dry skin conditions — and Nurofen, which Fry describes as the biggest news in non-prescription analgesics

Other products include artificial sweetener Sweetex, Mylol (a mosquito repellent), Mycota (an anti-fungal agent), and deodorant Fem-fresh

Currently the consumer business is split between food/general wholesale 53%, and pharmacy/drug wholesale 47%

Original Boots discoveries in the pharmaceutical field are anti-inflammatories Brufen and Froben, with Boots Ibuprofen 200mg being rescheduled to non-prescription status and marketed as Nurofen.

Boots also manufactures and distributes prescription pharmaceuticals that compete in the anti-depressant (Prothiaden) and the analgesic markets

In 1986 Boots started clinical trials in SA on its newer pharmaceutical research compounds, and the company has announced its latest acquisition from Du Pont of prescription pharmaceuticals, including an anti-coagulant, an analgesic, and a product for the treatment of narcotic depression.

Budgeted sales for 1986 are conservatively estimated to be R13,6m and represent a 53% growth over 1985. About 40% of this growth relates to Boots' own products.

The SA subsidiary started out in 1945 with the establishment of an insulin production unit. The company developed gradually, record-

ing sales levels of R330 000 in 1972, and R6m 10 years later

Last year R2m was invested to cope with current growth trends

The building of a new warehouse in Johannesburg and the revamping and extension of the production facility capable of handling creams, ointments and liquids as well as tablet and powder manufacture, has placed Boots SA in a strong position to consider new business opportunities

Tim Meakin, Squibb Laboratories MD, also lists East Rand advantages as airport proximity and the cheap land at the time of the company's move in the early 1960s

This meant Squibb — part of the US-based Squibb Corporation and founded in 1856 — moved to a complex that was better organised than previous premises, and there was the added advantage of a nearby pool of future employees

## 80% made locally

Squibb manufactures commercial and prescribed products, as well as animal health products and wound appliances.

Over 80% of the company's pharmaceuticals sold in SA are manufactured locally

More than half of Squibb's business involves heart drugs like Capoten — and demand for this is growing fast, says Meakin. Demand for antibiotic Cefril is growing by 30% a year, he says.

A big part of Squibb's business — more than 30% — is supplying hospitals with drugs. Squibb turnover is around R18m/year, and the company ranks about 21 among ethical drug companies, Meakin says.



# Chemical production up — but not at full tilt

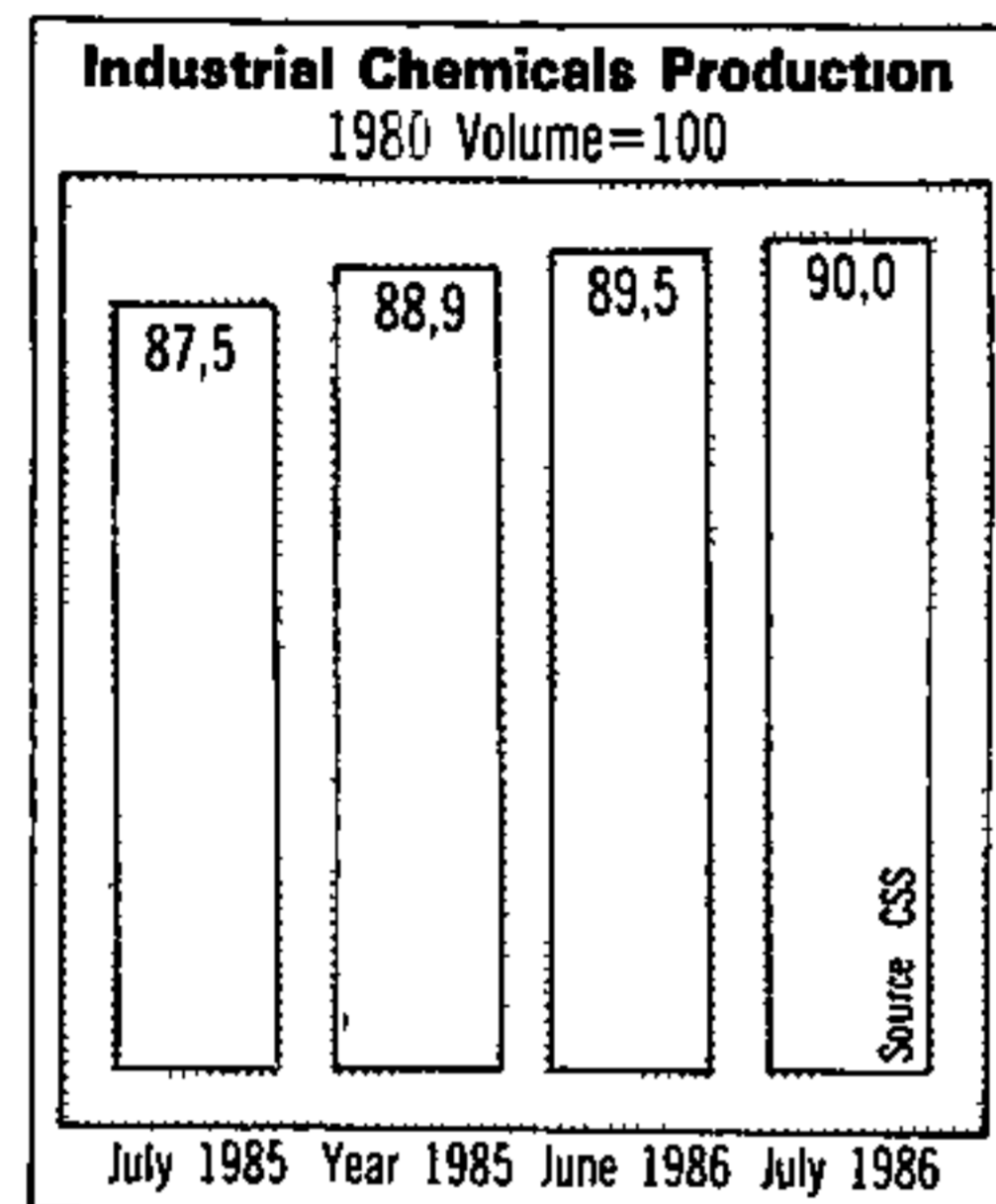
PRODUCTION of industrial chemicals is improving slowly but still lags behind the levels of previous years.

On the basis of 1980 volume production being equal to 100, production in July this year — the last month for which official figures are available — was 90. This was a slight improvement on June's 89,5 and the 87,5 of July 1985, but well down on production six years ago.

Seasonally adjusted, the July 1986 figure translates to 87,5, down from June's 90,2 but still better than the 84,9 of July 1985.

Figures from Stellenbosch University's Bureau for Economic Research (BER) show that in the broader sphere of chemicals and chemical products, volume production in the second quarter of 1986 was 99,1 — a sharp rise on the first quarter level of 92.

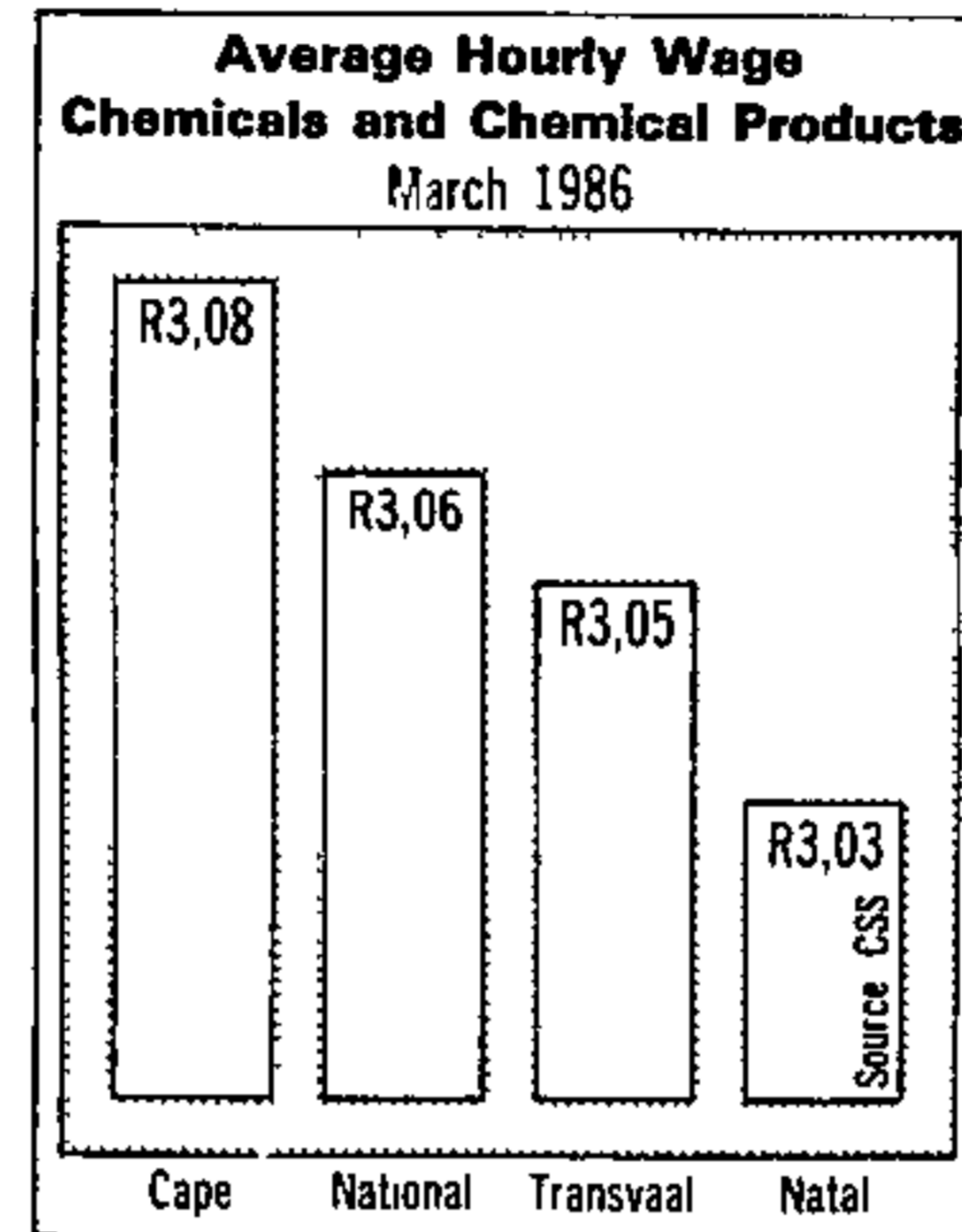
On the same basis of 1980 being equal to 100, employment in these industries stood at 94,9 at the end of the second quarter. However, companies said there was a sharp fall in



employment levels during the third quarter.

After the first quarter of 1986, the industry was working at only 80% of potential, well below full production capacity levels. The BER found only 27% of companies in this field were working at full capacity during the third quarter.

Wage increases in the chemicals and chemical products sector continue to fall behind inflation. The



average pay increase between March 1985 and March this year was 14%.

Biggest increases were in the Cape, where the average was 16%. Transvaal employers gave 14,25% and Natal 13,5%.

The national average hourly rate at the end of March was R3,06. The Cape was the best payer — at R3,18 — followed by the Transvaal's R3,05 and Natal's R3,03.

## 'Made in SA' is Chemplast aim

THE fluorocarbon division (PTFE) of Chemplast Marc Etter attributes 50% of its real growth to making products locally which had been supplied previously from overseas sources.

Chemplast has placed a major emphasis on convincing users of PTFE components that processing-technology and equipment is available locally to produce virtually anything made currently by the company's overseas counterparts.

It claims to produce at its factory in Elandsfontein mouldings as large and as complex as anywhere in the world.

It has machining facilities ca-

pable of providing a finished component to the same high standard as those obtained overseas.

Chemplast has embarked on an import-substitution programme to provide time-saving, reduced inventories, and elimination of import duties and freight charges incurred on the importation of finished components.

It also claims to provide the local user with an identical product at a significantly cheaper price.

Chemplast's success rate has been such that many of its customers with overseas affiliates are buying the company's com-

ponents for export to their associate companies overseas.

The development and sales management team of Chemplast Marc Etter are confident that the potential for future development in this area is so great that they have adopted a policy of examining the viability of local production for any product which can be allied to their current activities, in either material or market areas — as long as it uses equipment or expertise available within the company.

Industries in which significant inroads have been made in this regard are electronic components, telecommunications, laboratory equipment and packaging

THE industrial chemicals industry could have predicted six months ago that the economy and industry were heading for a recovery, says Chris Orpen, head of Sentrachem's chemicals and plastics divisions.

Orpen says chemical manufacturers know traditionally which way industry is heading.

"Industrial chemicals go into everything, so we're pretty early in the manufacturing chain. If industry picks up, we know about it early."

"You can get a picture up to six months before the statistics tell you the economy is picking up. In the first six months of this year, consumption has been much better than we anticipated. We could see an increase as early as February/March."

Evidence of this is that in the first six months of this year Sentrachem sales of industrial chemicals rose 12% in volume terms compared to the corresponding 1985 period.

The company's 1986 annual report says of the industrial chemicals division: "Demand for our broad range of organic and inorganic chemicals has been very strong. New production records are continually being set."

"Market development efforts over a wide front, including specialty chemicals, activated carbon, ion exchange resins and water treatment products in general, have produced excellent results."

The report predicts these high levels of demand will continue during the 1986-87 year.

Orpen says most Sentrachem plants are working at close to capacity. Where local demand is limited, production is bolstered by export orders.

"We still have surplus capacity and are exporting a lot. Most plants are working at full-bore and we have a couple working full-out even without exports."

Industrial chemicals are, in Orpen's words, "the lubricant of industry." As

## Hoechst brings in Europe's best

THROUGH its German parent, Hoechst (SA) has access to much of the latest technology from Europe.

Since commissioning its polyvinyl acetate (PVA) plant in 1957, the company has been a familiar presence in the industrial chemicals field.

This move towards local manufacture continued later, with production of high-purity phosphoric acids at SA's only such plant at Chamdor, near Krugersdorp.

Bulk process chemicals, both locally manufactured and imported, are sup-

## Harbingers of changing fortunes in the economy

such, they find their way into most areas of mining and manufacture — and the household.

Sentrachem is a major producer of the alcohol in cane spirit, vodka and gin. This is one area, however, where demand has slackened recently as township violence has reduced consumption.

Derivatives from this alcohol include paint solvents, printing inks, resins and mining chemicals.

Other areas where Sentrachem is heavily involved include ion exchange resins for water purification and activated carbon for gold recovery and specialty chemicals for a wide range of industries.

Management will shortly decide whether to go ahead with construction of a R100m chlor-alkali plant at Chloorkop.

Says Orpen: "We are producing 30 000 tons of chlorine a year and buy in additional quantities to supply our share of the market. The new plant will result in closure of two old plants, replace purchased end-product and provide for future growth."

Despite the tight conditions of recent years, Orpen believes chemical manufacturers have weathered the recession well.

"The big boys have survived the last few years well, although some small producers have had a hard time."

He points out, however, that industrial chemicals manufacture is not an area that encourages people to rush in.

pled for most industrial processes by Hoechst's industrial chemicals division.

The textile, leather, oil and mining industries use many of the company's surfactants and auxiliaries. The resins and pigments division supplies the paint, adhesive and printing ink industries from its Durban resins plant.

The dyes division, which recently began production of custom-blended shades at Hoechst's Mobeni plant, near Durban, is a major supplier to the clothing and fashion industries.

Business Day

31 October 1986

## Turnover up 50%

**CEMENTATION** Chemicals has achieved a 50% increase in turnover this year in industrial chemical sales.

Divisional director Des Louw attributes this partly to regular large contracts awarded to the company.

He says "We have a long-term contract to supply the total requirements of disinfectants, detergents, electrical cleaners, cleaning solvents, de-greasers, deodorisers and sanitisers to a major mining house."

A division of Cementation (Africa Contracts), the company has been trading for 20 years, starting with its well-known electrical cleaner FO 128 — specified in Escom, Sasol and some mining contracts.

Louw says "Our product range consists of more than 100 tried and tested chemical products used by a wide range of mining and industrial companies."

The company also specialises in formulating products for customers' specific requirements.

Louw says "For example, we were approached by a major canning manufacturer which had picked up a resistant type of fungus in the cleaning tanks

"We formulated a product which has a biocidal efficiency as well as detergent properties, and achieved a 99% kill count in five minutes

"This product, Biocide, is now being used by all the company's local plants and is being exported to the UK."

Cementation Chemicals also formulated Soldet, a solvent detergent for general cleaning purposes specifically for the canning manufacturers' plants.

Another recent formulation by the company is FO 446, a floor-cleaner and emulsifiable de-greaser, which is successfully being used in many municipal bus shelters, manufacturing premises and in mines

## Ventquip fights off noxious emissions

**JOHANNESBURG**-based Ventquip has designed, installed and successfully commissioned numerous extraction systems specifically for hazardous and aggressive chemical gases.

The system most recently designed is for the extraction of sulphuric acid fumes from a metal-pickling plant. The aggressive fumes were responsible for serious corrosion of the surrounding metal building structure.

Prior to the installation of the sulphuric-acid extraction system, a substantial contract was successfully executed for the purification of gasses emitted from a fertiliser plant at Secunda.

The design priority consideration in this instance was for personnel safety. Substantial commercial benefits, far in excess of those initially predicted, have been realised. These benefits include a 60% maintenance-cost saving in compressor filtration and components, electrical contactor life extension and electronic component life expectancy.

The indirect benefits are the increased productivity of personnel. The increased morale is the result of the improved working environment, free of acid fumes and cooler.

# OFS plant commissioned

PROTEA Chemicals Services has commissioned SA's only calcium acetate plant at Bethlehem in the Free State.

MD Henk Egberink said the plant would initially produce about 1 300 tons of calcium acetate a year and should be able to cater for the whole of the SA market in its second year of operation.

He said "With the completion of this project we will be locally manufacturing a product that was previously imported.

"It is estimated this move will save the country in the region of R5m a year in foreign exchange."

Calcium acetate is one of the major additives for bread-making. Egberink said "Worth about

31/10/86  
183 BUS DAY  
Industrial Reporter

R750m a year, bread baking is an important part of the country's food industry and the additives market alone is estimated to be worth R44m a year.

"Calcium acetate has been our company's most successful product and is regarded as the most effective rope inhibitor — it prevents bread forming rope or strings."

Egberink said since bread was a low-cost industry, the Bethlehem factory was ideal for production and distribution.

The company is a division of Protea Chemicals which recently announced its intention to seek a listing on the Johannesburg Stock Exchange.

# AECI sees demand for sulphuric acid rising

IF you want to see how the economy is doing, look at sales of sulphuric acid, says AECI director Mike Lancaster.

It is a vital ingredient in industrial activity, itself an indicator of growth, Lancaster says.

"The economy can be gauged by sulphuric acid sales. It's been quiet but now it's picking up a little. The market has been very unexciting in the last few years, but this year there is some rise in demand."

Chemical production at AECI Explosives & Chemicals is concerned chiefly with primary chemicals and derivatives which go to make up the "block" chemicals that find their way into industry.

Industries that have shown most increased demand for AECI products in recent years include primary ex-

porters such as pulp and paper producers, who have made a determined assault on foreign markets.

"Base metals have also done well over the last couple of years but that's moderating now," says Lancaster.

Two areas causing AECI slight headaches at the moment are ammonia and resins.

Plant problems are making it difficult to keep up with demand for ammonia, and there are plans to build a new resins plant at Modderfontein.

Lancaster is cagey on the question of imports and exports, although he admits the high cost of production locally makes it uneconomic to achieve major export orders.

"When we do export, it's at a slight profit. Most exports are to our neighbours, but some go further."

Several key raw materials must be

imported and Lancaster is confident supplies will continue — in part because there is world over-supply and also because AECI is a respected customer.

There is optimism, too, in AECI's Chlor-Alkali division. Director Malcolm Weir says there are plans to expand production at the Coalplex plant to keep up with demand.

"In this division, we're talking chlorine and caustic soda, also dry-cleaning solvents and hydrochloric acid. Business is doing very well in terms of demand. Local caustic soda production, in fact, is insufficient for local demand and 15 000t-20 000t will be imported this year."

"We need to upgrade the Coalplex plant and I expect that to be sanctioned by the end of the year," says Weir.

## Shortage causes problems

ANY decision to press ahead with new synthetic fuel projects could be crippled by a shortage of chemical engineers.

SA Institute of Chemical Engineers president Andre Engelbrecht says the professional brain-drain has left SA dangerously short of engineers.

Many of the immigrants who came to SA during the chemical industry boom of the Sixties and Seventies are returning home.

Local graduates, emerging from universities with degrees accepted internationally, are increasingly taking their qualifications overseas.

Other engineers, deterred by the lack of new investment in the 1980s, have moved into other industries such as mining.

Engelbrecht says "If there is any upturn in growth, or if any of the synfuel projects come to pass, we could have a serious shortage."

"It would absorb chemical engineers like a sponge."

Engelbrecht says overseas recruitment of engineers has almost dried up. Universities, which once produced

only 50 graduates a year, are now churning out 150, but he believes "it may have reached its peak and is going down again."

The SA chemicals industry is developing few of its own technologies.

He says "If technology is commercially available, it is quicker and cheaper to buy from overseas."

"SA's economic needs for chemical products parallel those overseas, and usually lags behind."

"So technologies we need to develop on our products with are already there."

Local research

Most local research is related to synthetic fuels. The Council for Scientific and Industrial Research (CSIR), AECI, Sasol and several universities are all seeking new catalysts for synfuel, while work is also being done on gas synthesis and fermentation.

Other major research areas include mineral processing and beneficiation, water purification, and spontaneous combustion of discarded coal.

## Minister to open chemical exhibition

THE 1986 Chemex/Filtex exhibition and conference, showcase of the chemical industry, takes place next week at the Crown Mines National Exhibition Centre, Johannesburg.

Trade and Industry Minister Dawie de Villiers will open the five-day event, which starts on November 3.

The event is actually two-in-one — Chemex, which deals with the chemicals industry; and Filtex, covering filtration, effluent control and water pollution.

The Chemex conference on Monday and Tuesday will discuss internal and external factors with a strong influence on the SA chemical industry.

Sentrachem director Johann van der Walt will discuss planning for growth in a low-growth economy, chemical industry training officer Ray Corbett will look at manpower and education within the industry, and Shell's oil division head John Drake will examine the future for oil and its effect on the chemical industry.

At the joint official opening of Chemex/Filtex, CSIR deputy president Brian Clark and Sasol executive director Paul Kruger will talk on technology transfer.

Chemex exhibition organisers say emphasis will be on technology for metallurgical extraction, as well as display products, services and processes for application in agriculture, mining, chemical manufacturing and processing, and manufacturing industries.

Sentrachem's Van der Walt says the chemical industry must re-assess the way it operates. He adds: "It is necessary to re-evaluate job structures from shop floor right through management."

## Machinery is vital missing link

BETWEEN design and production, someone has to provide the plant and materials that manufacture industrial chemicals.

It can take years to design and assemble a full-scale chemical plant.

During the industry's major growth phase, there was often need for companies that could provide used machinery and equipment at short notice to add to existing capa-

city. Companies like Industrial Plant and Machinery Distributors have catered to that particular need.

A division, Industrial and Process Plant, deals specifically with the chemical and allied industries in design, assembling and commissioning processing plants using either new or used equipment.

## Big turn-out expected at Paris exhibition

MORE than 50 000 visitors are expected to attend the International Exhibition of Chemical Engineering Processes and Equipment — Interchime — in Paris from December 8-13.

A three-day conference accompany-

ing the exhibition will concentrate on three topics: Chemistry and new materials, Chemical engineering and new techniques, Today's materials in chemical engineering. Details from Ruth van der Heyden, telephone (011) 331-9252.

## Expandite makes a wide range of products

ISANDO-BASED Expandite was the first adhesive and sealant manufacturer to be awarded a certificate to be placed on the List of Manufacturers of Assessed Capabilities, issued by the SABS.

This approval applies to all products manufactured at both of the company's plants.

Expandite is one of the major SA manufacturers of sealants and adhesives for almost any construction or industrial requirement, says MD Philipp Kumberley.

The firm is a wholly owned subsidiary of the international Burmah Group.

## Expandite makes a wide range of products

Burmah's recent disposal of its unprofitable activities in oil and gas exploration and production allows the group to concentrate its resources on Castrol and its specialty chemicals division.

That division comprises four areas of business: adhesives and sealants, printing inks, coatings, and water-managed chemicals.

Expandite produces a range of high-quality specialist adhesives for the printing and packaging industries, used on such applications as glass bottle labeling, bookbinding, label-stock manufacturing and a variety of sealing and closing applications. Many of the products are exported.

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# Huge medicine racket a threat to public health

## Mercury Correspondent

CAPE TOWN—An investigation has uncovered a highly organised pharmaceuticals theft racket that poses a serious public health risk to millions of South Africans

A Pharmaceutical Manufacturers' Association (PMA) probe has revealed that huge quantities of scheduled medicines — said to run into millions of rands in South Africa's R800-million a year pharmaceuticals market — are being stolen within the provincial tender system

The investigation, conducted by industry private detectives, further revealed that these products were being recirculated into the retail pharmaceutical market at what one source called 'huge profits'

The massive scale of the

theft also led investigators to conclude that a 'highly organised network' was involved and that that the scam has been in operation for a number of years

The vice-president of the PMA, Mr Donald Bodley, confirmed last night that his association had requested an urgent meeting to discuss the situation with the Minister of National Health and Population Development, Dr Willie van Niekerk

Industry and Government sources pointed out that the racket posed a potentially serious public health threat for a number of reasons

## Misleading

Stolen medicines may be repackaged incorrectly, resulting in containers having misleading information

The strong likelihood that contraband products are kept under adverse storage conditions

Scheduled substances were frequently being traded without any of the standard controls normally governing the sale of such substances

A top Government source disclosed that neither the Government nor the pharmaceuticals industry knew at this stage who is responsible

The Director of Pharmaceutical Planning in the Department of Health, Mr PF Retief, estimated that provinces and the State tendered for about R150-R180 million worth of pharmaceuticals a year

# Medicine thefts pose health risk

*Cape Times 4/11/83*

By ANTHONY JOHNSON  
Political Correspondent

AN industry-sponsored investigation has uncovered a huge, highly-organized pharmaceutical theft racket that may pose a massive public health risk.

An ongoing Pharmaceutical Manufacturers' Association (PMA) probe has shown that huge quantities of scheduled medicines are being stolen from within the provincial tender system.

The investigation, conducted by the industry's private detectives, revealed that these products were being re-circulated into the retail pharmaceutical market.

The massive scale of the theft also led investigators to conclude that a "highly-organized

network" was involved and that that the scam has been in operation "for a number of years".

The vice-president of the PMA, Mr Donald Bodley, confirmed last night that his association had requested an urgent meeting with the Minister of National and Population Development, Dr Willie van Niekerk.

Mr Bodley also disclosed that the PMA, the narcotics branch of the SAP and the Medicines Control Council were all tackling facets of the problem.

Industry and government sources yesterday said the racket posed a potentially seri-

To Page 2

From Page 1

## Huge medicine scam

*Cape Times 4/11/83*

ous public health threat because

- Stolen medicines may be repackaged incorrectly, resulting in containers having misleading information about either dose strengths or even actual medicine types
- Contraband products may be kept under adverse storage conditions, which could have adverse affects on the quality and stability of products
- Scheduled substances were frequently being traded without any of the standard controls.

A top government source yesterday disclosed that neither the government nor the pharmaceuticals industry knew at this stage "who is responsible for all the stealing, but we do know that it runs into millions of rands"

The Director of Pharmaceutical Planning in the Department of Health, Mr P F Retief, estimated that provinces and the State tendered for about between R150 and R180 million worth of pharmaceuticals each year

One government source said the Department of Health had also launched its own probe. This had resulted in its investigators being threatened.

5/11/86 BUDDAY

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BUSH

PLASCON-EVANS Paints (Plevans) has regained its sheen, with September year-end earnings up more than 42% to 53,5c (37,6c) a share.

The final dividend has been raised to 18c (10c), making total distribution 25c (15c)

The firmer sales trend, which was evident at the interim stage, continued in the second half of the year.

Sales increased by 33,6% to R352,1m (R263,6m), but 15% of

## Plascon regains sheen

LIZ ROUSE

that rise was due to inclusion of the hardware distribution group Genor Investments.

This became a wholly-owned subsidiary in October 1985.

Operating margins improved, thanks to rationalisation of unprofitable product lines, greater

plant efficiency and strict cost controls.

Pre-interest operating profit — up 40,2% at R29,6m (R21,1m) — as a percentage of sales, rose to 8,4% (8%)

Interest charges increased to R4,2m (R3,5m) and a higher tax rate pushed tax to R12,3m

(R7,5m).

But Plevans scored a profit of R1,7m (R460 000) from investments

Plevans has restored its image after 1985's plummet in earnings. But the group's earnings are well below 1984's 62,8c, when a dividend total of 28c was paid

At the current market price of about 450c, earnings yield is 11,9% and dividend yield 5,5%.

The shares should have some run on the results

Cape Times  
Friday, November 6 1988

# Drug firms, officials in urgent meeting

By ANTHONY JOHNSON  
Political Correspondent

AN urgently convened meeting between the government and pharmaceutical manufacturers takes place in Pretoria today to discuss the huge medicine theft racket within the provincial tender system

The meeting comes in the wake of disclosures this week in the Cape Times that an industry-sponsored probe has uncovered a "highly organized network" responsible for multi-million-rand thefts in South Africa's R800-million-a-year pharmaceutical market.

The Minister of National Health and Population Development, Dr Willie van Niekerk, will meet the vice-president of the Pharmaceuticals Manufacturers' Association, Mr Donald Bodley, and other members of the industry, a spokesman for the department confirmed yesterday

Responding to earlier reports on medicine thefts, the department said in a statement yesterday that it was aware of the "irregularities" and re-

garded the matter "in a very serious light".

The department said the SA Police and the Registrar of Medicines were investigating "apparent irregularities" involving medicines sold to the public sector through the provincial tender system which have appeared in retail pharmacies

The department has already sent out letters to doctors and pharmacists asking them to report any irregularities in pharmaceutical products to the Registrar of Medicines

An investigation by pharmaceuticals industry detectives found that stolen products were being recirculated "at great profit" into the retail market in a manner that could pose a serious health risk.

A government source said yesterday "There are huge depots in most of the major centres and the State is buying so much that it is difficult to estimate how much of the stuff is disappearing

"But this sort of thing has been going on for so long now that the government is determined to stop it"



By Udo Rypstra

FOREIGN and SA investors are still interested in buying Triomf Fertilizer's Richards Bay phosphoric-acid plant as a going concern. But negotiations are said to be complex and will take some time to accomplish.

As a result, an application for winding up of the company's Richards Bay phosphoric-acid plant has been postponed until January 20

# Triomf phosacid plant wanted

183 Sun Times  
2/11/75

The company will carry on production and keep its staff until the end of this month at least.

Triomf has sold an estimated R64-million worth of phosphoric acid since provisional liquidation.

An application for an extension of the rule nisi, granted on July 14 this year, was brought by Triomf direc-

tor and attorney Laurence F Pereira, of Hofmeyr, Van der Merwe Inc, this week. It was granted by Mr Justice Harzenberg in the Rand Supreme Court.

The postponement also has the blessing of Barand Gert Steyn de Wet, a judicial manager, who supported Mr Pereira's application.

According to court documents, several SA and foreign investors are negotiating with Mr de Wet and other provisional liquidators. The prospective buyers need additional time to complete their inquiries, viability studies and "negotiations for the purchase" of Triomf.

According to Mr Pereira, the latest valuation of Triomf's fixed assets is R263-million, but R254-million, or nearly 95% of liabilities, is owed to Nedbank, Foskor, SA Transport Services and the Industrial Development Corporation, which will have to decide on a compromise offer, if any. Any deal would have to be sanctioned by the Supreme Court.

Total liabilities are about R270-million.

The names of the would-be buyers have not yet been disclosed.

# Medicine prices likely to <sup>12/11/86</sup> push up medical aid fees <sup>(183)</sup>

**Dispatch Correspondent**  
**DURBAN** — Rocketing medicine costs are the main factor which will force most medical aid societies to raise members' subscriptions by an average of 15 per cent early next year

This is the opinion of Mr Tony Leveton, spokesman for the Representative Association of Medical Aid Schemes (Rams)

The increases he expects in January or shortly afterwards will come on top of subscription increases this year of up to 40 per cent

Mr Leveton said yesterday that by making inquiries at pharmaceutical companies — all of which had been "cagey" — he had est-

lished that medicine price increases of between 30 per cent and 35 per cent were being budgeted for

"I think I'm pretty right," he said

"I've no idea why the increases should be so high. We're supposed to be finished with rand-

dollar variance effects and inflation

"But all the drug companies are budgeting for substantial increases"

Private hospital ward charges would also rise by 12 per cent at the beginning of next year. Dentists and physiotherapists would also receive an increase

TEAROOM, RESTAURANT AND CATERING TRADE, WITWATERSRAND

Parties Employer Organisation: Tearoom, Restaurant Proprietors' and Caterers' Association  
 Trade Unions: Witwatersrand Tearoom, Restaurant and Catering Trade Employees' Union;

Area Magisterial Districts of Krugersdorp\*, Randfontein\*, Koster\*, Roodoport, Westonaria\*, Johannesburg, Alberton, Germiston, Boksburg\*, Benoni, Brakpan\*, Heidelberg\* (Tvl), Springs, Delmas, Kempton Park\* and Randburg\*.

Footnotes

1. Hours of work — Sundays and Public Holidays are regarded as normal working days with normal wage rates applying.

2. Overtime — The 22 hours are in addition to the stipulated hours overtime the various categories of workers may work.

3. Annual leave — 1) Workers in establishments which neither trade nor work on Public Holidays, Sundays and after 2 o'clock on a Saturday are entitled to 18 days annual leave  
 2) All other workers, 24 days

# Anti-SA boycott hits cosmetics firm

SPM 13/11/80

The Star Bureau

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WASHINGTON — A black American boycott of a cosmetics house has been broadened by campaign leaders into a "no buy" action until the firm severs its ties with South Africa.

Behind the growing consumer boycott is anti-apartheid activist and presidential hopeful, the Rev Jesse Jackson, and other black leaders. The target of their action is Revlon Group Inc.

Mr Jackson's black organisation and other groups called for a boycott of the cosmetic house's products on October 18 after comments by a Revlon executive, Mr Irving Bottner, outraged the black business community.

Mr Bottner, who has since apologised, told *Newsweek* magazine that black-owned hair-care companies would dwindle because of weak consumer support and would lose their markets to white-owned enterprises.

Mr Jackson and aides fly to Revlon's headquarters in New York today for talks. But Mr Jackson said the boycott would not be lifted until Revlon cut ties with South Africa.

# Police to probe multi-million hospital pilfering claim

The Argus Correspondent

JOHANNESBURG — Police investigations have been ordered of disclosures that racketeers have created a multimillion-rand business out of pilfering in State hospitals

The Pharmaceutical Manufacturers' Association (PMA), which confirmed the probe, estimates that prescription medicines worth more than R20 million a year have been looted from supplies distributed within the network of hospitals run by the Transvaal Provincial Administration.

The Minister of National Health, Dr Willie van Niekerk, has expressed alarm at the gigantic scale of pilfering, believed to have been groomed into a sophisticated operation and run by gangland syndicates, according to Mr Peter Fry, an executive member of the PMA

## Pain-killers

He said Dr van Niekerk had ordered a full-scale investigation following behind-the-scenes talks with the police, investigators from the Department of Health, the PMA, the Transvaal Provincial Administration and the Medicines Control Council

The racketeers have concentrated on the 20 most popular brands of medical tablets intended for use as pain-killers or in the treatment of ailments from arthritis to heart diseases

According to sources in the PMA, the racket swings into operation as soon as bulk supplies arrive at the Transvaal provincial hospitals' central warehouse at Auckland Park in Johannesburg

The pilfering starts when containers are distributed to hospitals and the tablets emptied into huge hoppers, from which individual doses are drawn for patients in various wards or sent to outside clinics

## Refilled

"Hospital employees hired by the racketeers have found it a simple process to steal sackloads of tablets from the hoppers with little chance of detection," said Mr Fry, executive chairman of the Boots pharmaceutical company

"Other hospital employees are hired to steal the original labelled containers after they have been emptied

"Once the loot has been delivered to the racketeers, the containers are refilled with the stolen tablets, resealed and sold at cut prices on the private market.

"The profits, even at cut prices, have been staggering

"But the racketeers have made a few slips and left a trail of vital clues behind" A full dossier has gone to the CID at John Vorster Square and arrests are inevitable"

TRIOMF'S capital reconstruction has rescued the fertiliser manufacturer from the brink of insolvency, but it is unlikely to give much comfort to shareholders in the near future.

The reconstruction — including capitalisation of R42,2m owing to Nedbank and conversion of R7m of a R10m loan from Santam Bank into preference shares — has reduced the debt:equity ratio from 240% at the end of the 1985 year to 89% at June this year.

However, executive chairman Fred Davin, in the annual report, has given no indication of when the fertiliser giant will return to bottomline profitability.

He says merely that the group is budgeting for an operating profit in the current year — an improvement on last

# Little comfort for shareholders

19/11/86

BUSDAY

183

STEPHEN ROGERS

year's loss of R7,7m.

But he adds that a pre-tax loss (unquantified) is anticipated after interest charges.

Perhaps at this stage the Johannesburg Stock Exchange may consider lifting the suspension on the share, a move that would give shareholders the choice of either going along for the ride or baling out.

'Economics major factor'

# Kodak closes the shutters on SA sales

HAMISH McINDOE

US MULTINATIONAL Eastman Kodak is to pull out of SA and none of its foreign operations will be allowed to sell their products here.

The move will hit professional photographers and health services the hardest. Newspapers using the Kodak-owned Atex system do not expect to be severely hampered.

No timetable has been fixed for the withdrawal, which will cost about 500 jobs and involve the closure of five marketing branches around the country.

Kodak CE Colb Chandler said in Rochester, New York: "The economics of the situation are a major factor in our decision to withdraw

"Our SA business has been affected negatively by the weakness of the economy. We also have no doubt the system of apartheid has played a major role in the economy's under-performance"

He said Kodak's hopes that reform would lead to the end of apartheid were not justified and added: "We must now make the business decision to withdraw."

Kodak agreed in June not to supply Pretoria as part of a \$8m municipal contract to sell high speed copying equipment to New York.

SA Institute of Photographers past president Mike Reed said Kodak was the biggest supplier of X-rays in Southern Africa and loss of Kodak equipment to professional photographers would be "a wrench".

He said Kodak stock was widely used for film-making and for video and sound

material of broadcasting standard. He said "It's a major shock"

A film laboratory, that did not wish to be named, dismissed suggestions it would not be able to buy supplies of positive material abroad

And an Atex spokesman made it clear the company would abide fully by Kodak's decision to withdraw. He said "This means that after April 30, no Atex products — hardware or software — will be sold in SA"

Slating US sanctions as "childishly illogical", SA Associated Newspapers (SAAN) MD Stephen Mulholland said last night "We will find ways to continue to produce our newspapers without any disruption

"Sanctions are aimed at damaging that element in SA society which has been campaigning against apartheid for decades at risk and cost to itself."

SAAN deputy MD Roy Paulson said the April embargo deadline would allow SAAN to build up its existing R500 000 stock of spares

Atex systems are also used by Argus and Nasionale Pers publications

News of Kodak's proposed disinvestment was leaked to *Business Day* late Tuesday night Kodak (SA) MD Dick Ferris would not comment on the move and the company closed its Johannesburg office early yesterday afternoon.

● Comment: Page 8.

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MINISTERS from SA and the TBVC states will meet in Pretoria today to advance multilateral cooperation in Southern Africa, a spokesman for the Secretariat for Multilateral Cooperation in Southern Africa said yesterday.

The 39 Ministers will include Bophuthatswana Foreign Affairs Minister M Molathwa, who will chair the meeting. The SA delegation will be led by Constitutional Development and Planning Minister Chris Heunis.

Other SA ministers will also attend, including Foreign Minister Pik Botha. Delegations from the other states will be led by their Foreign Ministers — they are C P Songca of Transkei, E R B Nesengani from Venda and B N Pityi of the Ciskei.

A number of multilateral agreements will be signed including establishment of the secretar-

# Ministers to meet on agreements

20/11/86  
WED DAY  
GERALD REILLY

that as a fully-fledged international institution. Other agreements include a convention on extradition and a number of bilateral agreements on unemployment insurance funds. In terms of this agreement, SA citizens employed in TBVC states would be recognised as contributors to the unemployment funds.

Politics, the spokesman said, played no part in the deliberations of the council. Socio-economic development was the overriding aim.

## SA's capital, expertise not 'unlimited'

THE self-governing territories would remain net recipients or importers of development capital and expertise for the foreseeable future, Development Aid director-general G van de Wall said in Pretoria yesterday.

De Wall told self-governing territories and TBVC government officials that development resources available to government, especially capital and expertise, were not unlimited and would probably become even scarcer because of exter-

nal economic and political pressures.

Cabinet hoped to establish a more objective basis for rendering budgetary assistance to the self-governing territories. Capital and expertise were scarce resources, particularly in the developing territories, where the shortage was acute.

Van de Wall said his department had accepted the responsibility to stand by the territories to see they got a reasonable share of SA's skilled manpower resources.

## Fine job as SA Druggists sales rise 27%

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THE SA Druggists (SAD) group of companies announced yesterday an overall sales improvement of 27%, with the group's after-tax profits for the six months ended September 1986 amounting to R10m.

This compares well with the R6,3m for the corresponding six months of the previous year.

Brian O'Donnell, MD of SAD, said the key success factor was an excellent per-

MICK COLLINS

formance by all of the operating divisions.

Increased productivity through expense control, a degree of rationalisation, as well as lower interest rates had contributed materially to the results.

International sales of products from the biotechnology, fine chemical and pharmaceutical divisions had improved

despite the difficult conditions that prevailed.

Although the pharmaceutical marketplace is expected to become more competitive in the immediate future, it is felt that SAD with its voluntary chain of 550 Link pharmacies, is in a strong position to meet this challenge.

It is expected that the successful half-year performance will be maintained for the balance of the financial year.

BUDAY 25/11/86 (183)



# Caution urged over foreign materials

**WHILE** many sectors of the plastics industry will welcome the lifting of import controls, Plastics Federation of SA executive director, Bill Naude, urges caution on local manufacturers when opting for foreign materials

"There are a number of factors to be taken into account. We know the industry, which was previously clamouring for imports, is now viewing the situation with a certain amount of caution

"With foreign material there is always a certain amount of price fluctuation. The local converter must watch the rand/dollar exchange rates, ruling world prices and the domestic price in the country of origin

"Cognisance must also be taken of transport costs, along with finance charges."

Naude says SA is in the unique position of

MICK COLLINS

being able to observe what happens when various sectors of the industry have been freed from import control

"It has been an enlightening experience. Fluctuation has not been half as bad as expected. Our industry has retained a certain stability. I don't think we will see an adverse effect."

The Plastics Industry Committee has been active all along and has negotiated every step of the way with government

"The remaining controls on PVC and polyethylenes will be lifted on December 31

"We, in fact, asked government earlier this year to retain import control for polyethylenes, which was due to be lifted in July. Our major motivation was concern about the

impact it would have on local market stability

Naude says the industry learned from the exercise, and that there had not been a rush to import.

"There are obviously advantages in having local supplies."

"While it is a good thing from the converter's point of view to have an alternative source of supply, there can be some difficulties in that supplies are coming from 12 000km away.

"Most converters are importing only when they cannot obtain local supplies."

The current prices of local raw material are between 5% and 10% below what it would cost to land imports.

"Local suppliers will not have to do much matching to retain current levels of business."

## From humble beginnings to modern factory

Industrial Staff

**FROM** its humble beginnings in a Randfontein tin shanty, Alan Nicoll Limited has come a long way

The company now boasts a modern factory complex manufacturing a wide variety of products, from high-density polyethylene (HDPE) and polypropylene (PP).

Nicoll worked for 22 years on the gold mines before venturing out on his own. During this time he was involved in the development of a specialised roof sup-

port system using grout packs

Initially Nicoll was designing and marketing grout packs for other manufacturers, but in 1976 he formed his own company to enhance this business

However, the system had a number of drawbacks, not least of which was transporting the timber down the mines

In 1979, Tommy Rogers, who studied civil engineering, joined Nicoll and together they developed and patented a collapsible shuttering known as the RSS (Roof Support System)

Not only did the RSS eliminate the timber problem, it also had tremendous cost and production benefit for the mines. Up to this time the netting used in the operation was bought in from other manufacturers

The next logical step was to produce the netting on site. In 1983, a net-making machine was imported from Japan which enabled the company to offer continuity of service to the mines at a better price

"We found we could go even one step further," says Nicoll

"We bought our first extrusion pipe for HDPE monofilaments and PP tapes from Italy in 1981

"These provided us with monofilament for the netting and tape for our circular woven fabric"

Within six months the demand for the HDPE monofilament - produced in deniers in the range of 150 to 1 200 - exceeded capacity and a second line was installed last year

Demand from the mines increased so much the company bought a second netting machine



# Govt data casts warm glow over the industry

PRODUCTION of plastic goods is one of the bright spots in South Africa's manufacturing sector, Government figures show.

Production in July this year was 18% higher than six years ago — a performance matched only by manufacturers of beverages and of paper and paper products.

On the index basis that 1980 production volumes equal 100, manufacture of plastic products in July reached 118.4 compared with 117.2 in June, 113.4 in May and 123.6 in July 1985. The overall index figure for 1985 was 123.9, the best figure in any manufacturing sector.

Employment and production capacity utilisation is, however, down — the result of increased capacity, productivity improvements and greater efficiency.

According to Stellenbosch University's Bureau for Economic Research (BER), manufacturers of plastic products

ducts operated at 77.5% of capacity in the first quarter of this year, compared with 78.3% in the corresponding 1985 quarter and 86.4% in 1984.

In the third quarter of this year, only 1% of companies were operating at full capacity.

The industry employed approximately 22 700 workers at the end of June this year, compared with 23 700 in 1985 and 26 000 in 1984.

Those workers still employed, however, have enjoyed one of the highest average pay increases of any industry.

Government statistics include the plastics industry in a general group with chemical, petroleum, coal and rubber products.

This group increased average wages by 14% between March 1985 and March this year — from R2,69 an hour to R3,06. The next biggest increase was the 13.5% average awarded in the food, tobacco and beverages industries.

## Rigid chief set on breaking even

IAN WILLIS sticks by predictions that Kohler Rigid Plastics will break even this year after recording R6,5m losses last year.

As CE of the Kohler group, Willis is responsible for plastics conversion companies at opposite ends of the performance range — Rigid Plastics with its losses, and Kohler Flexible Packaging with its steady profits. Willis's expectation of improvement at Rigid Plastics stems from a policy of re-positioning the company within the market. It will concentrate on those areas with most growth potential.

"It's a niche strategy. We'll move into specific niches to achieve growth. We will position ourselves in specific technological areas of industry."

Such a policy does not mean closure of plant and operations that don't fit into those niches, adds Willis. "It is developmental. Any new investments will be in specific areas, but we mark time on old ones. We will live out time on existing plant and not renew it when it becomes redundant."

There is no such problem with Flexible Packaging. Kohler is the market leader and "will continue to grow and attack", says Willis.

An important future flexible market in which Kohler aims to be first is that of controlled atmospheric packaging (CAP). Enormous losses are suffered throughout the world in fresh fruit, milk, vegetables and other non-durables that go rotten before they reach retailers or customers.

CAP, by forcing out the bacteria

We won't be leaving, says Van Leer

MICK COLLINS

MASSIVE restructuring and merging by one of the giants in the plastics industry has prompted many to ask if Van Leer is about to quit SA.

"I can assure you this is not the case," says MD René Faber. "I have been asked many times whether our reorganisation over the past six months is part of a plan to disinvest in SA."

"If Van Leer had a secret plan to break off ties with SA we would certainly not have taken on API and we would not have merged the foam styrene business with Sumpak."

"We would hate to see the foam styrene business go for cash."

Looking back at the activities of the group during the first six months of the year, it can be seen that three steps were taken to consolidate and secure its local operations.

"The first step was selling our building division to Kwikot. Although this move could be misrepresented, the decision to sell was purely a consequence of worldwide refocusing in the Van Leer group on its core packaging facilities."

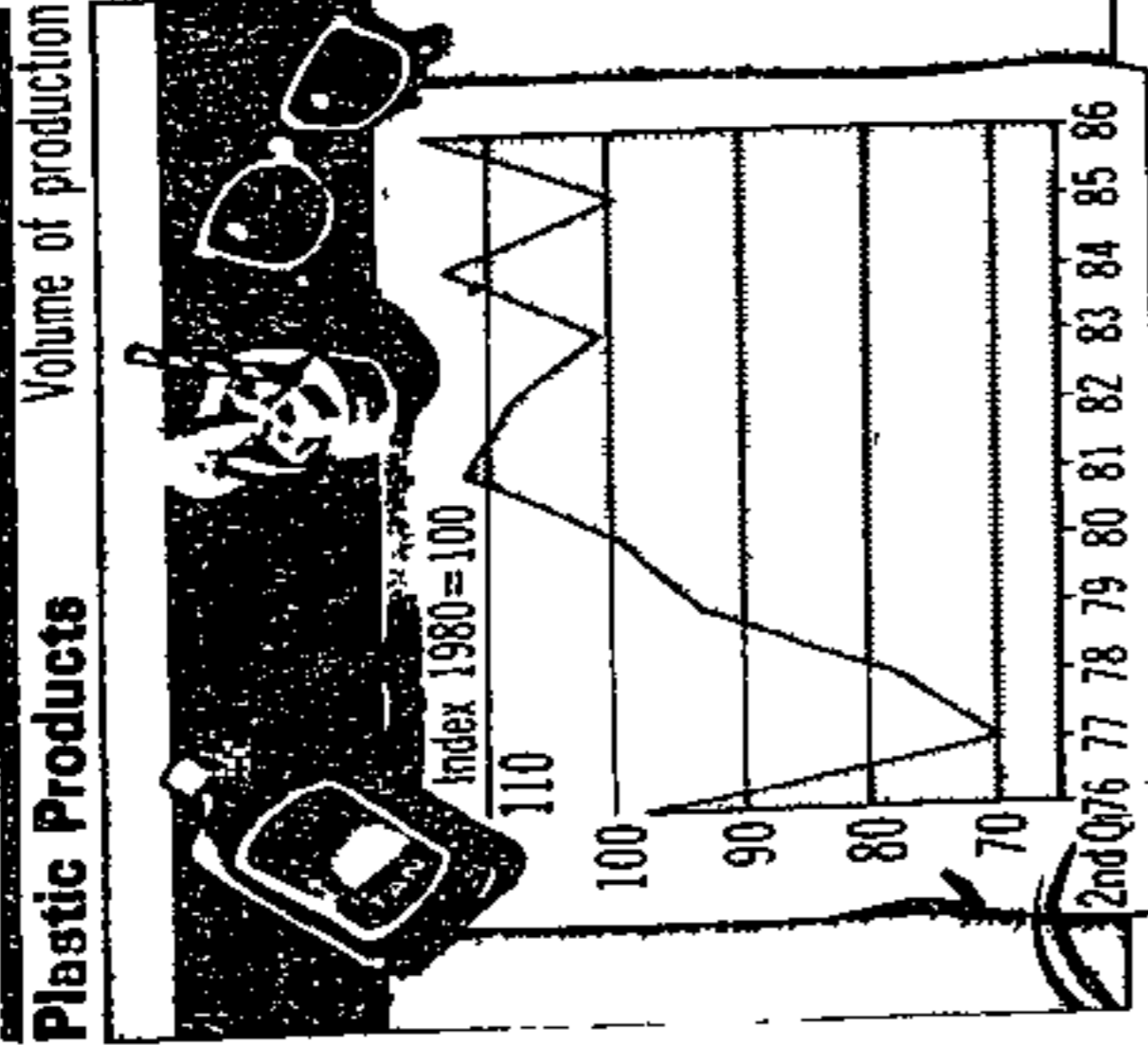
Also, in June the company acquired full control of the plastic sack and film activities of API. It also bought out Nampak's 48% shareholding and looked to new partner Illman Plastics to take up a minority share.

Unlike the joint venture with Nampak, Van Leer will be fully responsible for API and the company will be managed as another division.

"The third step involved our foam styrene operation," says Faber. The merger of Sumpak and the foam styrene business has created a strong company with excellent prospects.

"We now own 25% of Sumpak and will have an important say in how the company is managed."

"I am optimistic that these reorganisation steps will strengthen Van Leer's position in SA," Faber said.



The Cape remains the best payer, according to government figures. Average wages in the province rose 16% last year to R3,18 an hour. Transvaal wages rose 14.25% to R3,05, and those in Natal by 13.5% to R3,03.

POLYMER importers hope relaxation of import controls will allow them to increase their share of the SA market.

Up to now, says Chemimp's Ivor Williams, importers have been largely restricted to providing specialised polymer grades and making up shortfalls where local producers cannot meet market needs.

"As an importer and agent, we are restricted by monopolies and protection. It is difficult to get import permits for goods made here. It is unsatisfactory and unpredictable, but government is phasing out these measures."

He adds that even with the falling away of the import permit system, 20% import duties still make it an expensive business for companies like Chemimp.

"Polypropylene locally is 1% to 2% cheaper than ours with the 20% import duty. But there are areas where converters will pay."

"Our plastics division is about two years-old. In two years' time, I would would like to see it provide 30% to 40% indent basis of company income, from 8% at the moment."

## Hope of relaxed import controls

Chemimp is the SA-owned subsidiary of a Dutch chemicals company. Its three divisions — plastics and coatings, speciality chemicals, and food division — all import raw materials for industrial products.

Williams, manager of the polymers and coating division, says most of the chemicals are from the Netherlands, with others from West Germany.

He says while SA polymer technology has progressed well, there is not the volume demand for specialised polymers.

"There are lots of technical aspects where we are better in injection

## Safripol to up output

and Hoechst have different responsibilities in their polymer operation. Sentrachem, with 50% plus one share in Safripol, effectively controls manufacture. Hoechst, meanwhile, has 51% and control of Plastomark, the marketing arm.

"Hoechst wanted to retain ownership of its trademarks. We agreed it was sensible and we wanted to control the manufacture," says Orpen.

Much of Safripol's technology and production techniques originate from Hoechst's West German parent Safripol. It plays an important role in modifying those techniques to local needs.

"There is considerable technical input from South Africa, more from the application end," says Orpen. "We are continually developing and modifying to meet the needs of customers."

Despite increasing demand, Orpen says Safripol is not tempted to diversify into other polymers.

It has already pulled out of its joint PVC operation with AECI. Of the low-density market, he says: "It would be senseless for us to go into competition when AECI is in the situation with lots of spare capacity."

## Wide range in Prima toyland

A FAIRY tale come true. That is about the only way to describe the showroom of SA's largest toy manufacturer.

A visit to Prima Toys takes one back to the days when names like Matchbox, Playmobile, Frisbee and Care Bears were a common part of one's vocabulary.

These are just some of the company's massive range of products including virtually every type of toy except those made of wood.

Major product ranges, among them dolls, balls, balloons, wheeled toys and push toys, are manufactured at four different factories.

About half of these are made of plastic, with hostalen high density polyethylene (HDPE) representing about 60% of content. Many of the world's leading brand name toys are imported or manufactured under licence to some of the biggest toy companies, including Hasbro.

Bradley. The company's plastic division produces by far the largest number of product lines.

moulding — for instance, ESCR, or environmental stress crack resistance.

"We are strong in mining for specialised pressure pipe, and plastic fuel tanks for the Audi and Golf. We also supply thermoplastic for sections for the Mercedes bumper.

Williams is confident there is scope for major increases in local consumption of plastics — and therefore polymers.

He quotes figures showing SA has 17,5kg annual per capita consumption of plastics, compared with West Germany's 111kg, UK's 46kg, the US's 86kg, and Australia's 53kg.

"We are a long way behind. If we start to catch up, demand will be enormous compared with what it is now."



BOY

25/11/86

## Mega: good market for Sentrachem

AS one of SA's biggest converters, Mega Plastics offers a profitable market for the high-density polyethylene of its parent company, Sentrachem.

And profitable it is. According to MD Ralph Oxenham, industry — and Mega Plastics' — sales have risen 14% in volume terms over the last year. "There is enormous growth, and signs are that it is continuing," he says.

Sentrachem does not have a captive market in Mega, however, as the company uses a wide range of high- and low-density polyethylenes.

It is a policy that has enabled the company to weather the economic storm better than some others. Like other converters, it went through a rough patch some years ago, but a rationalisation of certain activities has pulled it safely through.

"We cover such a wide spectrum of products, that while some may go through a bad patch, others are doing well," says Oxenham.

Mega's conversion activities include plastic crates, pipe, film, speciality mouldings, mining, plastic

furniture and even dairy containers, including products like yoghurt cartons.

The buoyancy of the mining industry is particularly felt by converters.

"Mining has held up well and we are doing a lot of business for that industry. There has also been growth in chemicals and edible oils. On the other hand, the agriculture industry is faring badly, which has affected us, and we are behind in demand for plastic bottles and crates. The bottling industry is not doing at all well. We are behind in soft-drinks this year because of unrest in various townships."

On balance, though, the company is doing "very well."

Oxenham says growth is due to increased applications rather than increased demand from existing products.

"It's not as if the industries we're supplying have grown so much," he says, "but there has been much more substitution. A lot of user areas have converted to plastics. There is steady erosion in the use of other materials because of the convenience of plastics."

One area where Oxenham is not happy with future prospects is in the export field.

"We are at a cost disadvantage in this country with raw materials, because producers fix import parity-related prices."

He would welcome a swing from volume-related import controls to duty-related controls. He rejects the notion that such a move would lead to wild price fluctuations because of changing world prices and the volatility of the rand against foreign currencies.

"I don't see a huge swing in prices. Local prices are already import parity-related. As for rand fluctuations, you can buy forward, so you can avoid risk."

Oxenham says converters would prefer to use local raw materials, "but not if they're going to pay a premium for these." He adds that if local producers of polyethylene and PVC force up prices, converters will not hesitate in opting for imports.

That applies even to Mega, despite its relationship with Sentrachem.

## Call for improved polymer testing in SA

TOO little is being done in SA to adequately test imported polymers, says JJ Lloyd Instruments MD Peter O'Hare.

He says local companies have traditionally relied on European and US companies to carry out research and development of new polymer products.

While modification work may later be done in SA to adapt products to local conditions, the need for modification is not always immediately apparent.

O'Hare says many products require consumer exposure before problems become clear.

"Examples include paint with an advertised 10-year life cycle, that lasts 18 months in SA, plastic guttering that may last up to 15 years in a European environment, lasts a year in SA's, cars with dashboards that warp in two to six months — all typical of European- or US-developed polymers that are unsuitable until modified to suit SA's climate."

O'Hare is critical of some companies' attitude to quality control and development.

"Quality control is seen by most small-to-medium companies as an unnecessary expenditure. Similarly, local development is considered by most to be only applicable to the large multinationals."

As part of this problem, he says companies try to cut costs by offering inadequate staff training.

"Despite the efforts of the Plastics Federation to improve basic skills at the operator level, there continues to be a shortage of even machine-minders. It's too easy for management to make a short-term saving by not training employees properly."

JJ Lloyd recently established a laboratory for potential customers to learn what kind of equipment they need to test their polymers.

"The range of equipment extends from sample preparation apparatus, through accelerated ageing, to heating, freezing, ozone bombardment into static tensile compression, flexural testing and dynamic testing. There is even an analytical division specialising in chemistry and molecular composition of polymers."

# Finished plastics goods enjoy a healthy demand

REPORTS indicate that demand for finished plastics goods is healthy, with demand exceeding supply in some sectors

Polymer suppliers confirm this trend and expect the position to continue at least until the end of this calendar year

Natural chairman of the Association of Plastic Processors (Appsa) Barry Stewart says the industry has recorded minimal growth over the past three years

"Over-capacity has caused margins to decline in a very competitive market. As can well be imagined, it took both ingenuity and courage to survive under such difficulties

"However, the industry reacted positively by improving both efficiencies and productivity. Today we see a lean and hungry industry geared to meet the future with confidence

The historical seasonal trend in demand, he says, was more evident earlier this year than was the case in the past

"This could be construed as a sign of improved things to come, the upturn in consumer demand could well prove to be a major shot in the arm as far as the packaging sector is concerned

"In all probability, import control will be relaxed on high and low density polyethylene as well as PVC early in the new year

Controls on polystyrene and polypropylene have 'come off' during this year but Stewart says it is difficult to predict whether this action will have any effect on pricing of the local product

"Obviously it will be in the interests of local polymer suppliers to meet competition from overseas producers. Many varied factors influence costs of the imported polymers, the main ones being current rate of exchange and price fluctuations

"It is noted that if these remain at present levels an adjustment downwards could be made to the price when import control is lifted but this would only be minor

He says most converters will continue to support local polymer suppliers even at a small premium

Consistency of quality and availability of back-up service is considered of importance

"With possible problems arising in world supply markets and with sanctions now a reality, it would be well for converters to support the SA monomer and polymer industries to the hilt

"This would ensure steady internal growth and volume support will ensure that local costs are not brought under pressure"

This action, Stewart says, would result in minimal reliance on imported raw materials, with a saving in foreign exchange a further advantage

"To achieve this end, local polymerists must remain competitive against world market prices

"While a deterioration in the rand value effectively protects the local polymer industry, local polymer producers should be aware of the dangers of over-pricing their product against competitive alternative products

"I have every faith in the future of the plastics industry in SA. We are fortunate to have energetic and far-sighted executives in the monomer, polymer and converting sectors of our industry who all respect and comprehend the other's contribution to ensure a healthy future

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LOW-DENSITY polyethylene (LDPE), a prime raw material of plastic converters, is on its way out. Its successor, linear low-density polyethylene (LLDPE), will overtake it within 10 years

According to AECI's polyethylene marketing manager, Terry Bates, LLDPE will disappear from the scene early next century

LLDPE already has nearly 30% of the SA polyethylene market, a penetration second only to that held by the material in the US

"A lot of that is due to the innovation of our converters," says Bates

"The SA low-density market is very progressive"

The new product is still in its early stages. Although tougher and thinner, it currently lacks the clarity of LDPE and is unsuitable for certain processes, including extrusion coating

Another drawback is the cost of adapting existing machinery to handle the new material

Nevertheless, LLDPE use is growing steadily

"LLDPE is on a growth curve. By the early 1990s, LDPE and LLDPE will be used on a 50/50 basis worldwide

"LLDPE will become the dominant one thereafter. I would expect the old one could eventually disappear early next century," says Bates

AECI has already planned for the new material to take over. Although it built only one LLDPE reactor, all downstream activities are designed to ensure a healthy future

## LLDPE set for first place in a decade

LINEAR low-density polyethylene is seen as the material of the future, and the low density polyethylene, presently used, may well be phased out by the turn of the century, experts say

for two As and when a second reactor is needed, everything else will be ready

The existing LLDPE plant in Sasolburg has a potential capacity of 100 000 tons/year

AECI MD Mike Sander said recently "All we would have to do to double this is to drop in another reactor

"The whole of the rest of the plant - including raw materials handling, purification, compression and the catalyst-application processes upstream of the single, existing reactor; and the blending, packaging and warehousing facilities downstream of this reactor - have been built to the specifications of the maximum, 200 000 tons-a-year rating"

AECI's present combined capacity for LDPE and LLDPE is about 175 000 tons

Existing demand is PLASTICS machinery suppliers experienced a mini boom early in 1984, when the rest of SA was in a recession

Halogen Distributors MD and past president of the Plastics Federation of SA, Roger Cockram, says "The boom would probably have lasted longer if the value of the rand had not dropped so far and increased the cost of plastics machinery fourfold

"This, coupled with the removal of an investment allowance for income tax purposes, led to a conservative approach among plastics manufacturers

"They stopped buying new machinery and extended the life of their existing plant or purchased second-hand machines. They also rationalised production to enable them to proceed with expansion programmes"

The situation now, Cockram says, is that many manufacturers have outdated equipment which does not offer the economies of reduced scrap rates, savings in energy consumption, and raw materials and labour efficiencies

"The increased sales of polymers indicates an upturn is on its way in the plastics industry," he says

"If manufacturers are to benefit, bought out Sentrachem's share in the plant. It is very modest and below what would be needed to re-invest"

"It's improved but it could be better. We will have to work very hard to maintain our present position. A lot of key raw material prices are escalating quicker than inflation

"We've come through a period of considerable world over-supply. The whole of Europe has gone through a process of trying to rationalise. Europe is still in an over-supply situation, but it appears demand there is picking up and that could lead to improved prices. No one's really made a profit for years"

Despite this, AECI is preparing to proceed with expansion of the Coalplex plant by year-end. Prime aim is to satisfy local demand for coproduced caustic soda

"We're expecting approval to proceed by year-end. Then there is a lead time of 18 months to bring it into full operation," says Weir

Of the existing 135 000 tons/year PVC capacity, 102 000 tons satisfies local demand and the balance is exported

Electromagnetic controls optimise efficiency by rationalising mould usage. This includes immediate fault diagnosis in a breakdown, which in turn eliminates the need for skills in operation and maintenance

Hydraulic systems are being designed to ensure a reduction in maintenance, increased time between oil changes, greater accuracy in temperature control - which results in improved moulding accuracy - less scrap and better performance with less power requirements

"The Dusseldorf show displayed ideas which, apparently impractical a few years ago, have been refined and are applicable to modern plants," Cockram says

"Although completely flexible manufacturing systems (FMS) are not yet with us, SA should be taking steps in that direction

"This is where European and US manufacturers are heading, as FMS offer substantial economy and production efficiency. Rationalisation of materials handling and optimisation of mould design are also receiving attention

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## Colour match time cut

A R250 000 investment in colour-matching technology is paying handsome dividends for Plastic Pigment Suppliers (PPS)

The company, a subsidiary of Meico Mining Suppliers, supplies colourants and additives to the plastics industry

The new technology, said to be the most advanced in the world, has helped PPS double its volume turnover in the past year

Plastic is a colourless raw material, and colour must be added by converters

Pigments used for the manufacture of the end-colour have to conform to requirements of toxicity, light-fastness, heat-stability and polymer-compatibility

For example, pigments for food approval are much more expensive than others. Thus, by obtaining the basic requirements from the converters, the most cost-effective solution is obtained

Before PPS invested in its new computer system, it could manage only two or three colour matches a day. From every 100 matches requested, the company would get business from only 20 or 30.

GM Larry Lane says: "The process was a hit-and-miss affair, with a good deal of educated guess-work involved."

The average turnaround time for colour-match and colourant supply has been cut to one or two days.

MD Dave Jooste says the colour sector of the plastic industry is service-oriented. Although human resources are its most important investment, the purchase of high-tech computers has introduced a new level of efficiency and service.

The system takes 10-20 seconds to scan a customer's sample of cloth, paper, plastic or cardboard and to answer with a "colour recipe" for reproducing the desired colour in plastic.



LARRY LANE and MD DAVE JOOSTE, right, with their PPS computer system.

Not all first attempts are successful, but the computer, at an average 2-3 attempts per colour, is considerably more efficient than humans, who generally need 10-15 attempts. Because colours can look different in varying light, the computer gives three readouts for each of its matching attempts: daylight, tungsten and cool-white fluorescent.

## Steam savings

Industrial Staff

ONE of SA's largest producers of polystyrene, Styrochem, has reported considerable steam savings since the introduction of a self-tuning control system at its Germiston plant.

Steam consumption at the company's exothermic batch reactor - the most critical stage of polystyrene production - has dropped by some 25%. The "exact" card is integrated into the company's Foxboro Spec200 control system.

According to the company's chemical engineer, changing conditions within the reactor during each production cycle, and the time-dependent variables involved, made satisfactory steam control using traditional PID methods virtually impossible.

Apart from reducing steam consumption, and costs, the introduction of self-tuning control has also reduced valve maintenance costs, as these no longer cycle continuously.

Operator training has been simplified, and the combined cost savings paid for the system within three months.

Styrochem, part of Sentrachem, produces about 14 000 tons of polystyrene products a year.

## Small boom in the recession

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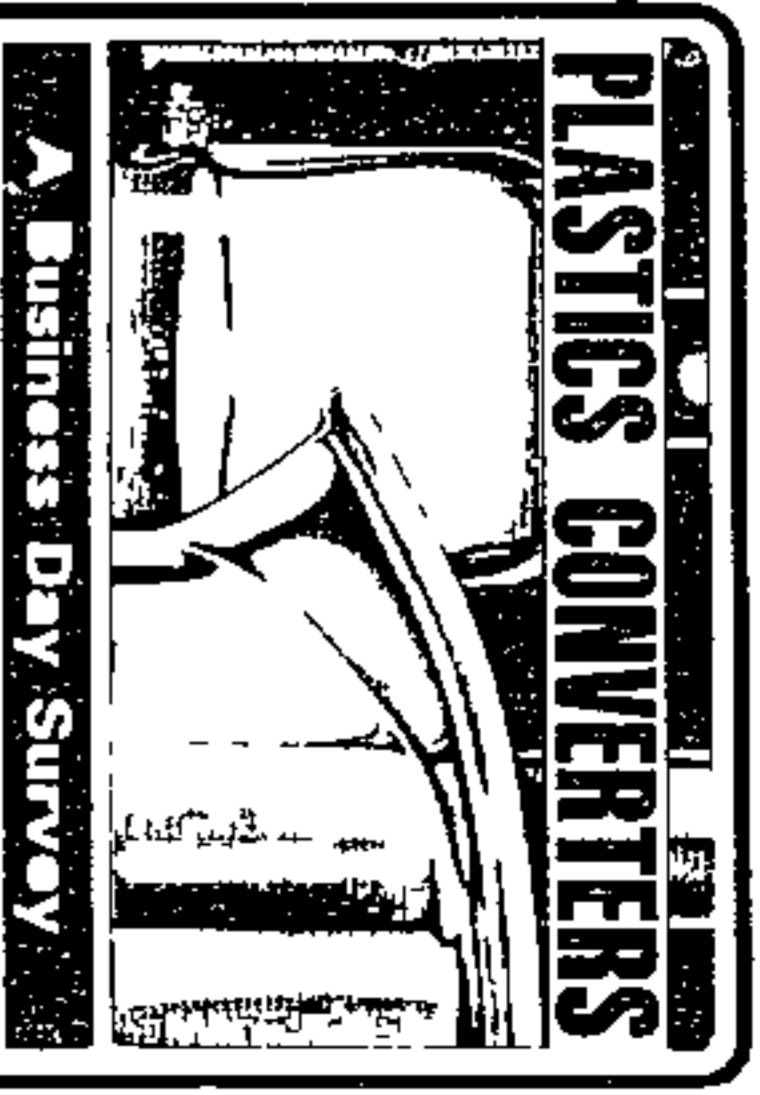
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## Hi-tech with a light touch

IN the hi-tech world of packaging, plastic is playing an increasingly important role — especially in the handling and transportation of food and other products.

The lightness and toughness of today's plastic crates — and the way in which they can be manufactured to integrate with modern automated production lines — are among their greatest attributes.

Typical of this new generation of plastic containers are a crate and a tray designed to serve two key segments of the food industry.

### Bread tray

One is a bread tray, developed specifically for the baking industry, the other a milk crate designed for the dairy industry.

Both are the result of the design and manufacturing efforts of the plastics and tube division of the Metal Closures group.

"The new bread tray has been designed to keep pace with the automated, computerised packaging age," says the division's director, Ryno Venter.

The light, hard-wearing tray is manufactured from high-density polyethylene (HDPE) and already one of the country's biggest bakeries is using it on automated production lines.

The adaptability of plastics is again illustrated in the new dairy crate, designed to take a wide variety of milk pack configurations.

Sturdier and easier to handle than existing dairy crates, it can be integrated into crate-handling systems, allowing operators to incorporate it in stages.

### Automatic filling

"It's suited for automatic filling and stacking systems," says Venter.

"It's probably the most versatile crate in the business."

Another example of how plastic spells versatility is the company's "combine crate" — so called because it can carry either two or three-litre plastic beverage bottles.

This crate is intended to hold eight two-litre bottles, but designed in such a way that should three-litre bottles come into use, it can be adapted to carry six of these.

## AECI Converters to be ready in early '87

NEW company AECI Converters will open for business early next year

The result of a merger between Vynide, Duropenta and Sterkolite, the new protégé will manufacture PVC-based products

It came into being in January when George Thomas — chairman of the three original companies — decided their interests were close enough to operate as a single unit

"There is a certain amount of synergy, all are in the plastics industry and operating in the same markets, although products differ," says MD Ted Maybery, who has spent this year overseeing the merger

The new company will officially start trading in January.

"We work by market sector — fashion, industrial, building and construction, and speciality markets," he says.

"Automotive is not only a market sector but also a division within the company."

With its parent company, AECI, the country's only producer of PVC, AECI Converters will start from a sound base.

"The period we are entering in SA is different to the past. Strength is required

"Being technologically powerful is the key to survival and profit," says Maybery

## PFSA: representing all interests in the field

MICK COLLINS

FOUNDED in 1975, the Plastics Federation of SA (PFSA) is the one body representing the interests of all in the plastics field.

Manufacturers of plastic products, suppliers of plastic resins, auxiliary materials, machinery and moulds are all an integral part of the federation.

A PFSA spokesman said "Plastics products are found in almost every segment of both industrial and personal activity.

"In 1985 the total SA market for these products exceeded R1,6bn and the industry provided employment for about 35 000 people.

"The PFSA's mission is to promote the responsible advancement and prosperity of a competitive industry."

Constituent organisations of the PFSA are: AECI Chlor-Alkali and Plastics Limited (AECI), Association of Plastics Processors of SA (APPSA), Plastics Institute of Southern Africa (PISA), Sasol-Chem Limited, Sentrachem Limited, SA Machinery Suppliers Association for the Plastics, Printing and Allied Industries (Samplas), and the SA Polymer Importers Association (Sapia).

### Objectives

- Objectives of the Plastics Federation of SA are
- To co-ordinate the views and actions of the various sectors of the plastics industry as represented by the constituent members.
- To build a membership that fully represents the plastics industry of SA;
- To provide a forum to address specific problems;
- To enhance the image of the plastics industry;
- To encourage the growth of the SA plastics industry;
- To raise the technical competence of the industry;
- To provide, promote and co-ordinate

IN 1985 the total SA plastics market exceeded R1,6bn and the industry provided employment for about 35 000 people.

The PFSA promotes the responsible advancement and prosperity of this industry.

- specific training and education for the industry;
- To liaise with government and local authorities;
- To create an awareness of career opportunities;
- To collect and disseminate meaningful statistics and information;
- To place plastics in the correct perspective with regard to environmental issues;
- To raise funds to achieve these objectives

Policy matters are determined by the Federal Council, representing member associations.

Policy decisions of this council are implemented by the management committee, assisted by a professional staff. Other committees co-ordinate federation and industry activities in the relevant areas.

International liaison is maintained by the federation through the International Plastics Association Directors.

This body represents 52 associations world-wide.

The PFSA also organises an annual competition to encourage the industry to strive for excellence in design.

The major area of federation activity is in its training programme.

PFSA offers courses from machine operator to supervisory level. Seminars to provide people outside the industry with an "introduction to Plastics" are offered regularly at all major centres.

183 BUSDAY 25/11/86

# Polymeric materials offer great solutions



MANY engineers continue to view engineering plastics as suitable for undemanding applications such as children's toys, gardening tools or office equipment only.

They are perhaps unaware of the outstanding properties polymeric materials offer as bearings and brushes, and find it difficult to select the right material for different uses

Vescoplastics MD Alain Leger has developed and perfected Vesconite, which combines the load-bearing capacity of white metal with the long-life characteristics of polyamide-type plastics

Leger, who for the past 20 years has been studying the friction and wear characteristics of metal and plastics in bearing applications, says the material has gained international recognition as a replacement for traditional bearing metals

## Heavy duty

"Polymeric materials are used for heavy duty bearing applications such as ship propellers, steel rolling mills and locomotive axles," says Leger.

"They endure high loads at surface speeds of 300rpm, operate in temperatures from minus 200° C to more than 250° C, and are resistant to many corrosive chemicals."

The cheap and nasty image of engineering plastics is largely false, as high-performance polymers are quoted in three or even four figures a kilogram.

"I sympathise with engineers who have to keep up with the many new materials coming on to the market

"Although no exact figures are available for SA, in the UK some 60 types of polymer-based dry bearing materials are sold"

These are derived from a handful of basic polymers, but are converted into a wide range of products with largely dif-

## Imports can disappoint

FROM the middle of 1984 import control on polypropylene was relaxed and converters found themselves able to import polymer for a substantial portion of their requirements

After years of having to buy from the sole local supplier, many manufacturers greeted this new-found freedom with feelings varying from relief to ecstasy.

At long last buyers could select from grades offered by suppliers worldwide — prices would be lower and quality at least as good, if not better.

Two years on, how do the realities match the theory?

Generally speaking, imports were not superior to local products. In many cases quality varied from that of the

MICK COLLINS

fering properties by means of fillers and different fabrication methods.

Despite the difficulties of selecting the most suitable material from the wide range available, engineers stand to benefit considerably from the use of engineering plastics, particularly as polymers perform exceptionally well in conditions where metals fail.

Some polymers, such as Vesconite, have good tribological properties in rubbing contact with metal and are ideal for bearing applications where a film of lubricant cannot be maintained.

Applications include

- Conditions of high loads, often combined with a relatively low speed oscillating motion,
- The presence of high temperatures, vacuums and chemicals, which are unsuitable for metals;
- Where lubricants cannot be allowed, as they would stain or contaminate the products handled;
- The use of water as a cooling/lubricating medium;
- Conditions where lubricated maintenance is impractical

## Minimise wear

Engineering plastics also tend to minimise wear under dirty conditions.

While some polymers are appropriate for bearing applications where a film of lubricant cannot be maintained, it must be noted their performance can be greatly enhanced by conventional mineral or synthetic oil, even only in trace quantities, acting as effective boundary lubricants

"Selecting the right material for a new application is often difficult, even fraught with risk. Specifications provide only an overview of the behaviour of materials performing in the most favourable conditions," Leger says.

original samples submitted.

When the suppliers were called in, the technical back up was limited, or in the case of many agents, non-existent

Soon local manufacturers realised how quickly the overseas market situation could change, with the resultant effect that producers all over the world look after their own markets first

Not only this, but currency fluctuations became a nightmare

On paper some savings were achieved. But when one considers the cost of manpower invested, problems experienced and the necessity of higher stock levels carried to avoid idle machine time, this begins to look doubtful

# Converters, suppliers split on controls issue

PLASTICS converters and raw materials suppliers are divided on the effect of abandoning volume-based import controls.

AECI officials believe converters will face a pricing "merry-go-round" with the lifting of controls

Converters themselves, and officials of the Plastics Federation, believe such concern is exaggerated

AECI says existing import controls on low-density polyethylene have protected local industry from a volatile combination of changing world prices and the fluctuating rand-dollar exchange rate

Polyethylene marketing manager Terry Bates says: "The 20% import duty is under revision and import control is scheduled to come off at the end of the year"

He says that while controls have been in place, AECI has been able to price its products for three months at a time

"If controls go, we will be in the

same position as every producer in the world. And even if world prices are constant, changes in the rand-dollar exchange rate will change the whole picture. SA polyethylene will become part of the international scene. And worldwide it has been volatile for some years"

Malcolm Weir, director of the group's polyethylene and PVC operations, says "We've seen overseas prices move 35% in eight months"

AECI is also discussing with the Board of Trade and Industry implications of plans to remove controls on imports of PVC, which enjoys a 25% import duty.

"There is a fear that once controls are removed, SA will become a dumping target, and adequate protection against dumping needs to be installed"

PVC marketing manager Kim Fraser says a combination of increased world prices and the declining value of the rand against

the dollar would have meant a 173% price increase for SA converters since mid-1982 — had they been thrown to the mercies of world prices

Instead AECI raised its list prices by 10% in the 1985-86 year, and 7% the previous year

Board of Trade chairman Lawrence McCrystal confirms change is on the way

"The question of removing controls on polymers is under formal investigation by the board. The import volume controls policy will be substituted by tariffs"

Mega Plastics MD Ralph Oxenham welcomes the swing from volume-related import controls to duty-related controls. He rejects the notion that such a move would lead to wild price fluctuations

"Local prices are already import parity-related. As for rand fluctuations, you can buy forward, so you can get out of the risk"

## SA industry thrives: but has long way to go

THE SA plastics industry is thriving and is one sector that has seen little slowdown in spite of recessionary trading conditions.

The 510 000 tons of polymers which will be converted this year, both locally-made and foreign, will be bought into the converting industry at a cost of R950m or R1 900/ton.

Says executive director of the Plastics Federation of SA, Bill Naude "Of this grand total 470 000 tons will be virgin polymers and about 40 000 tons will be recycled material.

"In respect of sales of finished and semi-finished products the industry will turnover in excess of R2 000m."

Employment in the industry is currently at the 30 000 level, which is slightly down on the 1983 total of 35 000.

MICK COLLINS

"The plastics industry is not really labour intensive. We are more of a hi-tech industry. That is the nature of the business in SA.

"Plastics, in terms of annual per capita consumption is low at 18kg a head. We are in a Third World situation in this respect.

"In Australia, which has a similar market and a similar climate, annual consumption is 53kg per capita. In Japan the figure is 68kg while the US can boast a figure of 86kg."

Naude says these figures are also typical in Western Europe where the figure is in the high 70's

"In West Germany, which has an annual per capita consumption of 110 kg, this market situation is reflected

"The Germans are in the unique

position of being able to export a lot of converted product."

While confessing that the industry in SA is still in its infancy, Naude says there is vast potential

"But while we may have tremendous potential, we still have a long way to go"

### Brush-up challenge

THE plain brush, manufactured from sophisticated engineering plastics, is successfully challenging the traditional metal ball and roller bearings on performance, life, maintenance and cost.

So says Vescoplastics MD, Alana Leger "I can see plastic bushes making inroads in the anti-friction bearings market at an increasing rate, possibly replacing bearings at a rate of 15% to 20% in five years' time," he says.

Research leads to lined pipes

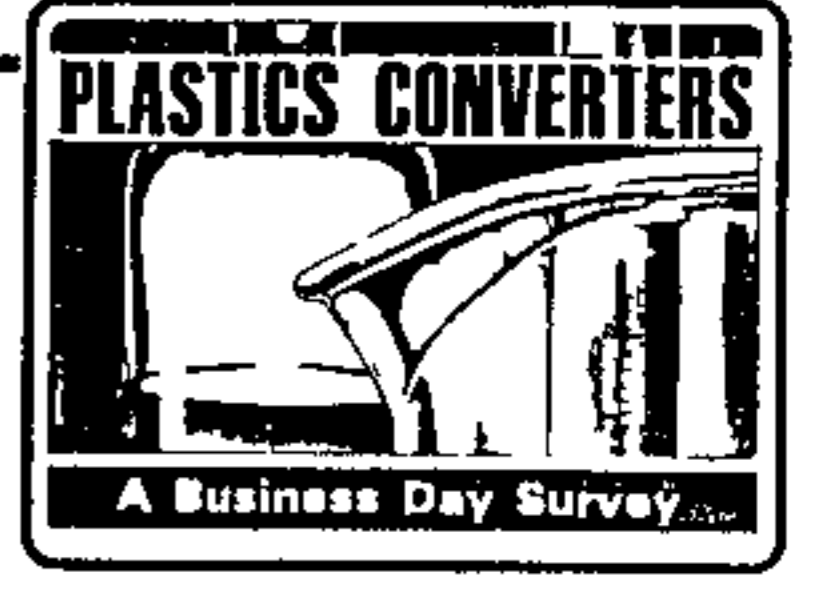
A LOCAL research programme has led to the introduction of a new range of PVC-lined steel pipes, which combine the corrosion resistance and flow benefits of plastic, with the strength of steel

Manufacturer Illman Plastics hopes the pipes will find a ready market in the mining industry, where corrosive water is a common problem

Says a company spokesman "Its introduction follows a study which showed that a PVC-lined steel pipe could be manufactured cheaper than its galvanised equivalent."

The company has also successfully begun manufacture of a new range of pre-insulated steel pipes, designed to eliminate the costly and time-consuming practice of insulating pipes underground

(183) BUDDAY 25/11/86



# Polymeric materials offer great solutions



VESCOPLASTICS, Virginia, is believed to have SA's largest machine shop devoted exclusively to making engineering plastics components

MANY engineers continue to view engineering plastics as suitable for undemanding applications such as children's toys, gardening tools or office equipment only

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### MICK COLLINS

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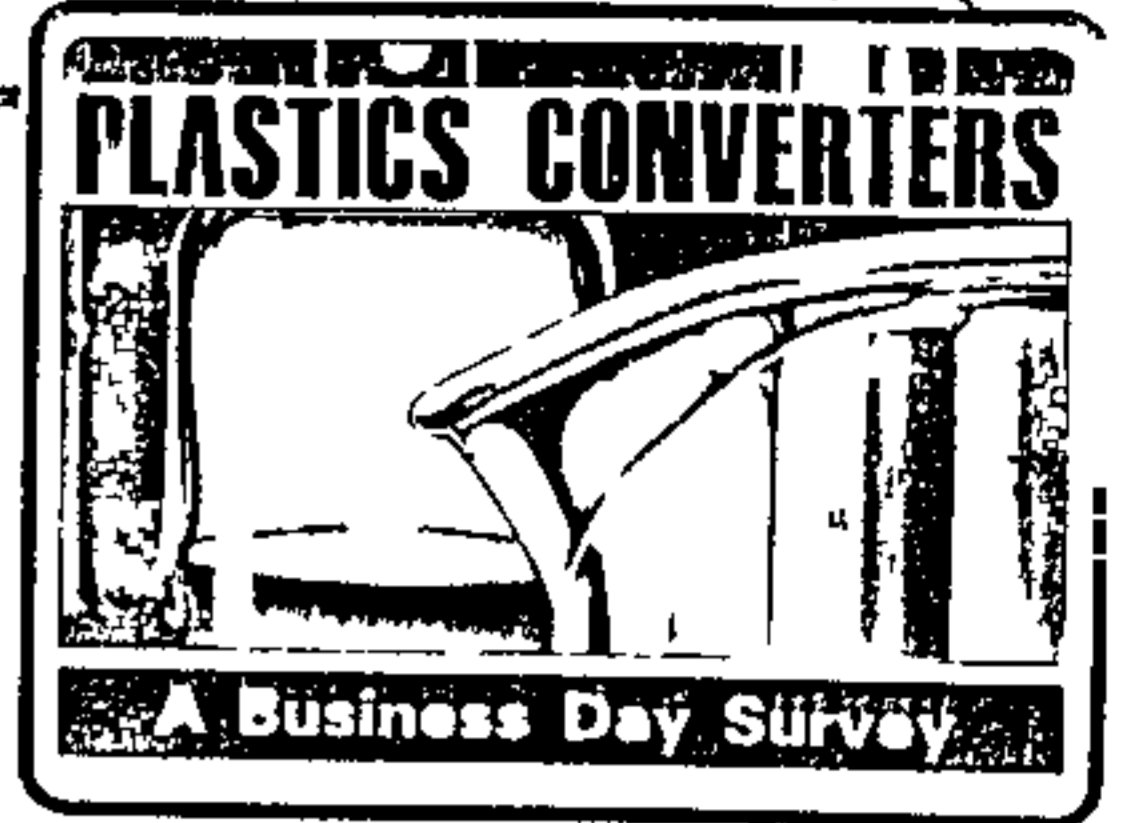
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# OUR

BUSINESS 25/11/83 (183)

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# Caution urged over foreign materials



WHILE many sectors of the plastics industry will welcome the lifting of import controls, Plastics Federation of SA executive director, Bill Naude, urges caution on local manufacturers when opting for foreign materials.

"There are a number of factors to be taken into account. We know the industry, which was previously clamouring for imports, is now viewing the situation with a certain amount of caution.

"With foreign material there is always a certain amount of price fluctuation. The local converter must watch the rand/dollar exchange rates, ruling world prices and the domestic price in the country of origin.

"Cognisance must also be taken of transport costs, along with finance charges."

Naude says SA is in the unique position of

MICK COLLINS

being able to observe what happens when various sectors of the industry have been freed from import control.

"It has been an enlightening experience. Fluctuation has not been half as bad as expected. Our industry has retained a certain stability. I don't think we will see an adverse effect."

The Plastics Industry Committee has been active all along and has negotiated every step of the way with government.

"The remaining controls on PVC and polyethylenes will be lifted on December 31."

"We, in fact, asked government earlier this year to retain import control for polyethylenes, which was due to be lifted in July. Our major motivation was concern about the

impact it would have on local market stability.

Naude says the industry learned from the exercise, and that there had not been a rush to import.

"There are obviously advantages in having local supplies."

"While it is a good thing from the converter's point of view to have an alternative source of supply, there can be some difficulties in that supplies are coming from 12 000km away."

"Most converters are importing only when they cannot obtain local supplies."

The current prices of local raw material are between 5% and 10% below what it would cost to land imports.

"Local suppliers will not have to do much matching to retain current levels of business."

## From humble beginnings to modern factory

Industrial Staff

FROM its humble beginnings in a Randfontein tin shanty, Alan Nicoll Limited has come a long way.

The company now boasts a modern factory complex manufacturing a wide variety of products, from high-density polyethylene (HDPE) and polypropylene (PP).

Nicoll worked for 22 years on the gold mines before venturing out on his own. During this time he was involved in the development of a specialised roof support system using grout packs.

port system using grout packs.

Initially Nicoll was designing and marketing grout packs for other manufacturers, but in 1976 he formed his own company to enhance this business.

However, the system had a number of drawbacks, not least of which was transporting the timber down the mines.

In 1979, Tommy Rogers, who studied civil engineering, joined Nicoll and together they developed and patented a collapsible shuttering known as the RSS (Roof Support System).

Not only did the RSS eliminate the timber problem, it also had tremendous cost and production benefit for the mines. Up to this time the netting used in the operation was bought in from other manufacturers.

The next logical step was to produce the netting on site. In 1983, a net-making machine was imported from Japan which enabled the company to offer continuity of service to the mines at a better price.

"We found we could go even one step further," says Nicoll.

"We bought our first extrusion pipe for HDPE monofilaments and PP tapes from Italy in 1983."

"These provided us with monofilament for the netting and tape for our circular woven fabric."

Within six months the demand for the HDPE monofilament — produced in demers in the range of 150 to 1 200 — exceeded capacity and a second line was installed last year.

Demand from the mines increased so much the company bought a second netting machine.

A WORLD FULL OF OPPORTUNITIES

X



27/11/86  
FALS DM  
(183)

# Manufacturer defends skin lighteners after banning bid

SKIN lighteners are manufactured in SA in accordance with strict health regulations, says a large manufacturer in the R25m-a-year industry.

This comes after the Black Consumer Association and the SA Retail Pharmacists' Association called for a ban on skin lighteners

It also follows a study published in a US medical journal this year which showed the irreversible skin disease ochronosis — a coarsening of the skin resulting in coalescent papules — was widespread among SA blacks who used skin lighteners

The study found that up to 30% of outpatients in a dermatology department for blacks at Pretoria Hospital requested treatment for ochronosis, after using skin lighteners containing

NORMAN SHEPHERD

hydroquinone for an average of three years.

But Twins Products GM Ian Ellis said: Twins' studies showed fewer users of skin lighteners were being treated for ochronosis since the law limited hydroquinone content to 2%.

He said the figures published in the US journal went back about three years — when the skin-bleaching hydroquinone agent made up 6% or 7% of many products.

Ellis said problems arose when people used lighteners with strange substances or used too much. To combat this, the industry had embarked on a campaign to educate users

# Sentrachem

BUDDA

## does well

183  
27/11/86

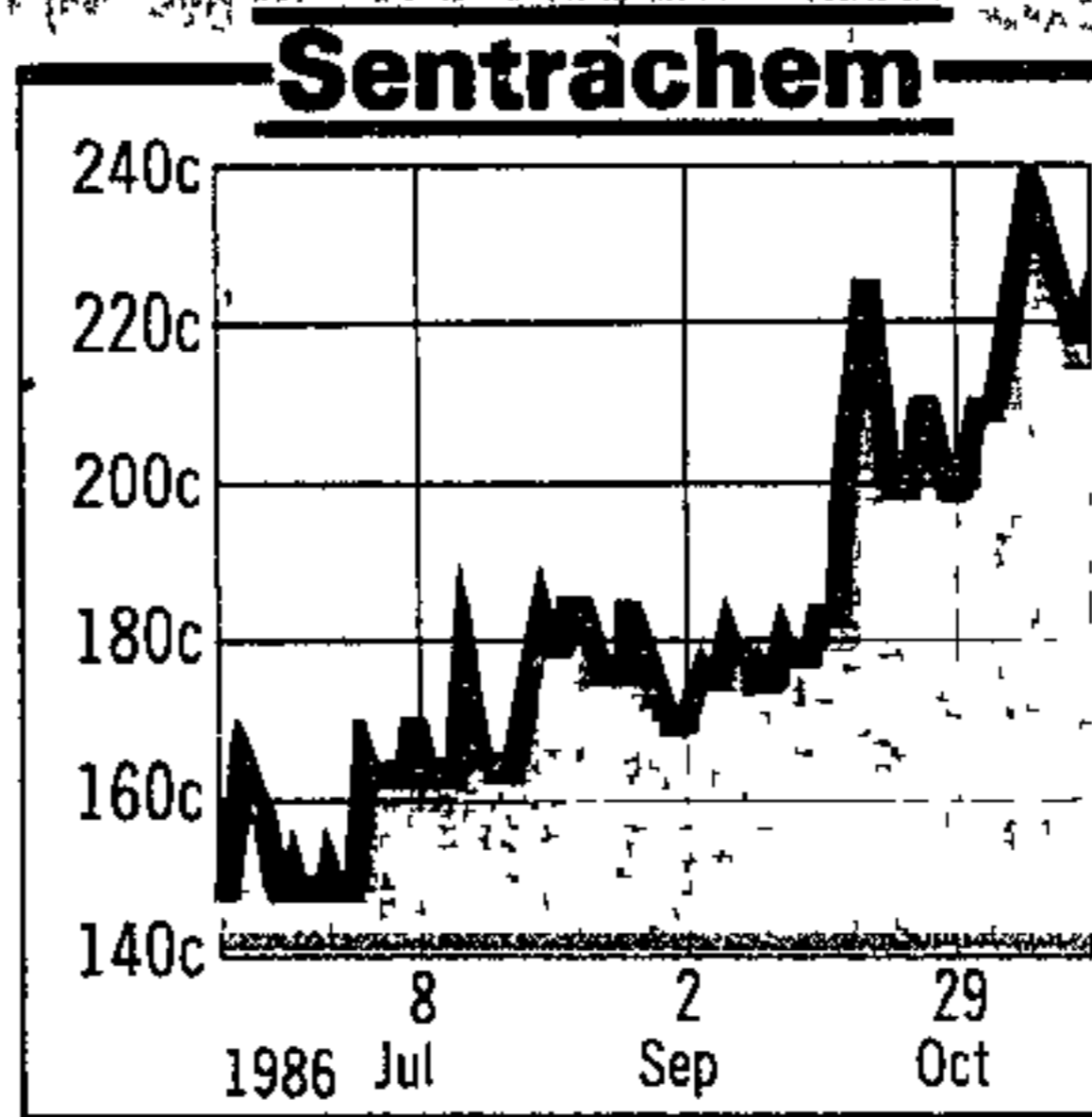
DAVID FURLONGER  
Industrial Editor

REDUCED finance charges and an improved performance by its Afprene synthetic rubber operation helped Sentrachem achieve a R13,9m turnaround in pre-tax income in the six months to September 30

From a loss of R4,1m in the corresponding 1985 period, and R8,2m income in the year to March 31, the interim report shows the diversified chemicals manufacturer enjoyed a pre-tax income of R9,8m

Turnover rose to R624m from R531m last year, and operating income was 24% better at R30,4m. Earnings a share were 14,2c compared to the previous year's interim loss of 2,6c a share.

MD David Marlowe warned, however, shareholders should not expect a dividend at the end of the financial year



He had said previously dividends were likely to be reintroduced once the debt-capital ratio fell below 1,0.

The ratio was now 1,05 — down from 1,08 on March 31 this year.

Finance charges in the first six months fell from R59m to R45m — the result of sharply reduced interest rates, said financial director Robin Morris, who said 90% of the group's debt was interest-rate sensitive.

Enzymes SA takes  
over where Novo  
Industries left off

4/12/86 Industrial Staff

A LOCAL company, Enzymes SA, has been formed as a result of the management buyout of Danish subsidiary Novo Industries' enzymes division

The company was launched on December 1 with a buyout of stock from Novo in SA after its parent announced the enzymes division had to be ditched under Danish sanctions law

Former Novo enzymes division manager Rodney Blower is MD and Jan van Aswegen technical director.

Sales of enzymes (used in making detergents) made up about 10% of Novo's turnover. The rest came from pharmaceutical products — such as antibiotics and insulins — which are exempt from the sanctions law.

The SA firm was launched with stock worth about R3m

FIN MAIL

5/12/80  
SWEETENING THE PILL

183

Local South African drug companies — particularly the big three, Noristan Group, SA Druggists and Adcock-Ingram — stand to benefit handsomely from multinational disinvestment.

The international companies, and US subsidiaries in particular, are under severe pressure to pull out. But most of their brands on the local market will almost certainly continue to be made here under licence

The rush began last October when US giant Baxter-Travenol sold 40% of its share in Sabax-Keargrams to Adcock-Ingram for R22m. At that price it was considered a steal.

If multinationals follow Kodak and withdraw all their products from SA, it could be more of a problem. But Adcock MD Norman Nossel sees this as unlikely

As he says: "No morality could be claimed if medicines were no longer available to the 70% of the population that the protagonists of disinvestment claim to be

helping

"It's a very competitive market and most decisions to disinvest tend to be made for financial reasons"

SA Druggists deputy MD Antony Karis points out that medical products have been excluded from sanctions so far. For example, even Danish-owned Nova has been allowed to continue operations in SA. All the same, Karis says that although opinions differ, the general view is that disinvestment will be extensive, leaving local companies with a great opportunity to pick up contracts

Noristan would also be in a strong position to benefit from foreign pull-outs, although MD Hugo Snyckers agrees that disinvestment will be bad for the country in the long term

This year Noristan's turnover increased considerably — from R31,8m to R37,2m. Operating profits rose from R3,9m to R5,3m and net profit from R268 000 to R1,4m

5/12/86  
SENTRACHEM FINANCIAL  
**Looking stronger** 183

Sentrachem's steady recovery continued in the six months to end-September. But prospects for a dividend payment in the 1987 financial year look slim — and that must be the key factor needed to get the share price moving again.

At 235c, against the low of 145c earlier this year, the share price still stands 46% below net worth of 438c. The problem is that too many other companies are announcing good dividend increases for Sentrachem to be considered attractive as an asset buy just yet.

The group is still grappling with its major loss-makers, fertiliser company Fedmis and, particularly, synthetic rubber producer, Afprene. Afprene is said to be getting better, but clearly remains a large drain on profits, and prospects are awful in the fertiliser market. These will ensure that overall profits and return on capital stay well below potential for some time. Still, the stage where reassessments should be made may be drawing closer.

For a number of reasons, profitability has

been improving throughout all divisions benefited from cost reductions, overall capacity utilisation increased, and market demand has improved markedly in the chemicals and plastics divisions. In these, says MD Dave Marlow, sales volumes have been consistently up on last year, with plastics sales showing real growth of 15%. "Markets are quite buoyant," he adds. "We are not at all negative on the economy in our areas."

The result was that not only did turnover show a healthy advance of 16%, but group profit margins improved and operating income was ahead by 24%. With further help from an 18% decline in net financing costs to R25m (R30,4m), derived from lower rates, the attributable figure for the six months swung from the previous loss of R2,3m to earnings of R12,7m.

Over recent years, the group has placed greater emphasis on exports. The significance is not spelt out, as management has adopted a policy of making no comment at all on international trade. (A disturbing feature of this is that the blinds are at the same time being drawn on other aspects, such as the performance of Afprene, which have nothing to do with sanctions fears. One hopes this new coyness will not be taken to unnecessary lengths.)

What can be assumed is that expansion of exports helps compensate for increases in costs of raw material imports. These were obviously made more expensive by the fall of the rand. Marlow says that in net terms the strengthening of the rand since its low before mid-year was slightly positive for the group, mainly because policy is to cover forward on exports.

Gross borrowings now stand at R747,9m and the net figure is R522,5m after the subtraction of cash holdings of R225,4m. Financial director Robin Morris says that substantial debt repayments will be made in June and December next year. Repayments will be funded from cash, retained earnings and new borrowings.

Net borrowings are forecast to remain around R470m - R480m for the next four to five years. This will leave the interest bill largely determined by interest rates, with most of the borrowings linked to prime. Gearing will be steadily wound down as retained earnings increase, so provided that profitability keeps improving, a diminishing proportion of profits should be absorbed by interest payments in future.

The sanctions scenario and the enhanced interest in locally made products may have fundamentally strengthened Sentrachem's position, as this should hasten the decline of Afprene's losses.

For the current year, the normal seasonality of the earnings pattern indicates better profits in the second half. Good rains so far this season also bode well for the full year's results, which look capable of reaching some R28m at attributable level. These prospects could lead to a favourable rerating of the share during the first half of 1987.

Andrew McNulty

By Dave Edwards

**PHARMACEUTICAL**  
gladiator Adcock-Ingram is looking to continued growth in 1987.

Executive chairman Norman Nossel says in the report for the year to September that he expects good results in 1987 in spite of the uncertain economic and political climate.

In the past year Adcock acquired the remaining 40% of Sabax, which makes and markets a diversified range of therapeutic medical-care products.

Sabax is now a fully owned subsidiary of Adcock.

Mr Nossel expects Sabax to have a beneficial effect on the group's earnings. Adcock should maintain a growth rate in accordance with long-term strategic objectives, which are:

- Earnings increasing by at least 4% more than the rate of inflation.

- To expand the base through growth and acquisitions.

Tax took a much bigger portion of profits in the past

# Adcock out to beat inflation

year than before, increasing by 42% to R12.5-million

As a result the increase in group income was reduced to 23%. With outside shareholders taking a greater share of profits, ordinary shareholders were left with R11-million, or 585c a share — up 17% from last year's 501c.

Mr Nossel says the nine-week strike at the company's plant in March this year was satisfactorily resolved "through constructive discussions conducted in a cordial manner".

"Continual interaction and constructive meetings held with the shop stewards and workers had made the sociological environment in the company an important part of the culture of the workers."

ASB  
183  
SUNTIME  
7/12/85

# Work stoppages over Bonner

*Cape Times 10/12/86*

Own Correspondent

JOHANNESBURG — Several companies in the chemical industry are considering interceding with the government to reverse its decision to deport the Chemical Workers' Industrial Union (CWIU) Transvaal branch secretary, Mrs Chris Bonner.

This follows CWIU-organized protest stoppages lasting from two hours to the whole morning yesterday at a number of Transvaal plants.

Shop stewards approached management to take action regarding the "attack" on the union

Police began searching for Mrs Bonner on Monday morning to serve her with a deportation order, but by yesterday afternoon had not found her.

The union said 11 companies had been affected by the action. All those that could be reached and who would comment confirmed the claims.

Mr Tim Young of Cheseborough Ponds' praised Mrs Bonner's abilities as a unionist.

## Govt's academic boycott

A spokesman for Ciba Geigy said: "We are going to discuss it with the other companies involved to decide whether or not to take joint action."

A Mobil spokesman said Mrs Bonner's deportation had nothing to do with the company.

Reckitt & Coleman described the issue as a very sensitive one and, along with a number of other companies, declined to comment.

Meanwhile Sapa reports that the president of the Association for Sociology in Southern Africa, Mr Jeff Lever, said in Cape Town yesterday that the government had unilaterally imposed its own form of academic boycott by deporting University of the Witwatersrand academic Professor Phil Bonner

He said Prof Bonner's work "stands head and shoulders above that of the majority of scholars working in similar fields in South Africa, whether or not they carry South African passports"

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# Industry to mediate for Bonner

CHEMICAL industry leaders are negotiating with the government to prevent the deportation of Chemical Workers' Industrial Union (CWIU) official Chris Bonner

At the same time, a delegation from the University of the Witwatersrand has called on the Home Affairs Department to appeal against the deportation of Bonner's estranged husband, Wits history professor Phil Bonner. Both are scheduled to be deported on Monday.

The chemical industry has been hit by strike action in the past three days by more than 6 000 workers, demanding that employers intercede to prevent Chris Bonner's deportation. Work stoppages began on the east Rand on Tuesday and had spread throughout the country by yesterday.

Industry spokesmen have refused to comment on negotiations, indicating that any comment might sink their talks with government officials, but all have spoken highly of Bonner as a trade unionist.

The Transvaal branch secretary of the CWIU, she disappeared on Monday, shortly after her husband was served with a deportation order and detained at John Vorster Square, pending his expulsion. Home Affairs Minister Stoffel Botha has turned down an application for his release.

But a university delegation, led by vice-principal Robert Charleton, returned from Pretoria yesterday

believing there might be some chance of success in the university's appeal against Prof Bonner's deportation.

"The minister refused to see them, but they were very cordially received by government officials," a university representative said afterwards, "and they felt there may be a ray of hope."

The university is also considering court action to stop his deportation. Bonner, an associate professor of history at Wits, has been a South African resident for the past 15 years.

Two National Union of Mine-workers officials, Carletonville regional chairman M Phato and senior shop steward M Manyosi, both in detention under emergency regulations since June, were served with similar deportation orders on Wednesday. Both men are Transkei citizens and will be "deported" to the homeland.

Officials of the Congress of SA Trade Unions said this week they see the deportation orders of the three union officials as part of a generalised state assault on the trade union movement and also follow threats some months ago from Botha to expel "foreign elements" in the unions.

But observers can find no clear indication why the state has acted against Prof Bonner, an academic who has not been active either politically or in trade unions for some time.

After coming to South Africa in 1971 to continue research on Swazi

history (the subject of his PhD), he was drawn into the Industrial Aid Society with other academics and students in 1975, taking part in worker education. He was subsequently active in worker education projects with Fosatu.

By this time his wife, Chris, a remedial teacher, had become involved in worker literacy and went on to join CWIU.

Bonner himself, however, was gradually cutting back his active involvement in trade unions, and by the time Cosatu was founded last year he had cut all formal union ties.

But his deportation order was signed on November 8, the same date as those of the unionists due for deportation — an apparent indication that his expulsion was similarly motivated.

The Bonners have been living apart for five years.

"Possibly (the state's) information is very out of date," suggests Metal and Allied Workers Union's Bernie Fanaroff, a friend of Prof Bonner's who joined the union movement at about the same time.

Even if this is correct, the state has, in recent years, concentrated much of its energies on "populist" leaders within the union movement, rather than on "workerists" in the unions — and Prof Bonner would certainly be defined as being among the latter group — Agenda Press Service.



75% stake to change hands

# Nedbank and AECI in deal over Triomf

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BUSDPM 17/12/81

**NEDBANK is to sell its 75% stake in Triomf to one of the fertiliser giant's main competitors, AECI.**

AECI will take over the ordinary and preferred share capital of Triomf held by Nedbank.

No selling price, as yet, has been mentioned and, with the share still suspended, it may be difficult to put a value on the company.

However, industrial sources have suggested the Potchefstroom factory which — with the liquidation of Richards Bay — now comprises the bulk of Triomf may command as low a price as R60m. The plant is believed to have a replacement value of about R100m

The sale is not expected to have a material effect on earnings or net asset value of AECI or of the Nedbank group.

Triomf's shares — which were due to be reinstated today — will remain suspended until the negotiations between the two groups have been finalised.

**STEPHEN ROGERS**

The acquisition of Triomf makes good sense for AECI since its fertiliser arm operated in partnership with Triomf until 1984

It is believed the combined operations will give AECI a market share in excess of 40%, making it the market leader in the fertiliser industry.

Nedbank will be glad to get rid of what has become a millstone of doubtful debt around its neck

However, a question mark remains over the Potchefstroom factory. Although capacity utilisation has improved this year from 60% to 75%, price discounting in the fertiliser market may result in the plant incurring large losses this year.

With production in the fertiliser industry now at about 50% of the market's 5-million-ton capacity, it is likely AECI will rationalise its combined operations.

# AECI is poised to take over embattled Triomf

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By Gareth Costa

AECI is poised to take over embattled fertilizer outfit Triomf from Nedbank, as negotiations take place between the bank and AECI for the sale of Nedbank's 75 percent stake

The move makes a lot of sense for the industry as a whole, as spokesmen have been saying for some time that rationalisation is needed to avert another crippling price war

In addition, the sale should be an enormous fillip for Nedbank, with investment support likely to be given a much-needed psychological boost now that the proverbial millstone is being removed

No price has been mentioned for the takeover of Triomf by AECI's fertilizer division Kynoch and executive director Mr Chris von Solms declined to comment other than to confirm that negotiations are underway

Also, no details are being revealed as to whether there will be much in the way of rationalisation between Triomf and Kynoch. The latter was relaunched two years ago when AECI split with Triomf after a 12-year partnership in the fertilizer industry

From 1971 to 1984 AECI held 49 percent of Triomf. After the split, Triomf was left with the Potchefstroom factory and the export operation at Richards Bay — the two most modern plants in the country — while AECI took back the antiquated operations at Chloorkop and Somerset West

These latter two plants are located alongside explosives factories and can operate reason-

ably well because of the proximity to raw materials that are a by-product of explosives production. However, soaring rail tariffs have pressured these older, less-efficient plants because of the vast distance from Foskor's mining operations in Phalaborwa

The inclusion of the Potchefstroom operation in the Kynoch stable, and with it a combined 50 percent plus of the local market, should open the way for both more orderly marketing and improved profitability

## BOWING OUT

Triomf's 123 million issued shares have a net asset value of about 37c a share, and the takeover will include the acquisition of the ordinary and preferred share capital currently held by Nedbank

Presumably the deal will also include an offer to minorities, and could see the Luyt family finally bow out of the company. Dr Louis Luyt founded some 20 years ago

The main asset of Triomf is its Potchefstroom plant, reported to be running at around break-even at about 75 percent capacity. The Richards Bay plant is now in provisional liquidation, and Nedbank management reports that negotiations are taking place for the sale of the plant

Triomf shares were due to be re-listed on the JSE today after a lengthy suspension, but an extension has been granted until negotiations are completed. In fact, more raw materials have been ordered from Foskor to keep the plant running until a buyer can be found

Triomf's fortunes have been given a lift in the last few months with the good rains across the country. Analysts report that the balance sheet is looking relatively healthy — after enormous write-offs — although gearing is still high

One disturbing factor is the R79 million of term preference share capital, which one analyst feels should be termed debt and not equity. If this were the case, Triomf would have negative shareholders' funds, with the ordinary share capital of R61 million and non-distributable reserves of R34 million being completely wiped out by the accumulated deficit of R128 million

However, Triomf director Chris Liebenberg says that ultimately the shares are redeemable, but the money has been committed for a number of years before it is repayable, and it is on this basis that it is considered equity

Analysts add that the ingredient for success still missing is a determined and innovative marketing campaign to replace that of founder Dr Louis Luyt

Prior to the AECI deal analysts were forecasting a re-listing price of about 38c, the trading level prior to suspension, while one even rated the shares as high as 55c

However, the strength of AECI backing, along with improvements in the industry due to the rationalisation, could mean that Triomf gets a favourable market reception when it returns to the boards

19/12/86

FIN MAIL

NEDBANK/TRIOMF/AECI

# Easing the burden

Nedbank could be close to ridding itself of the Triomf albatross. A deal with Triomf's old partner, AECI, has long been an obvious solution, and this week it was announced that negotiations have reached an advanced stage for the acquisition by AECI of Nedbank's ordinary and preference shares in Triomf.

Nedbank senior GM Chris Liebenberg says the negotiations have only been in progress for "the last few days". He suggests that "the terms we are talking about are in the ball park area where both parties will be happy."

AECI spokesman, financial director George Thomas, is more evasive, saying "it is inappropriate to make any comment at this stage." Liebenberg adds that the announcement was only made because Nedbank wants to further extend the already protracted suspension of Triomf's shares.

Analysts and industry sources agree that AECI must be getting Triomf at a bargain price. Other fertiliser producers have emphasised that the industry remains depressed by weak demand and large over-capacity, estimated at some 40%-50%, despite closures and rationalisations. Total losses in 1986 are expected to easily exceed last year's figure, which was put at upwards of R100m.

Triomf's Richards Bay operation was placed in provisional liquidation earlier this year. The main remaining asset is the Potchefstroom plant, whose current replacement cost an industry source estimates at R80m. Others think this too low, though the book value of Triomf's total assets are only R72m, but a buyer of Triomf would also acquire R81m in accumulated losses.

Nedbank stands to gain in several ways, not least by enjoying a powerful boost to investor sentiment on its share price.

The group obviously never wanted to be in the fertiliser business. It was forced into taking control of Triomf when the problems at Triomf Fertilizer (Richards Bay) (TFRB) clearly became insoluble. TFRB had to be put into provisional liquidation, this being seen as a prerequisite for the sale of the rest of Triomf.

Nedbank's greatest potential bad debt exposure is to TFRB. A claim for R200m has been made to the TFRB liquidators, according to Nedbank CE Gerry Muller, and the exposure to the Potchefstroom plant is another R170m. So most of the R248m which Nedbank has provided against its Triomf exposure is for TFRB. This presumably would not be affected by the sale of the rest of Triomf.

There are other advantages for Nedbank. Most fertiliser industry sources thought the bank would have difficulty turning Triomf

around and there was a danger of increasing losses calling for additional finance. This possibility will be eliminated if Triomf is sold and the loans of R55m may also be guaranteed or taken over by AECI, a highly rated borrower.

Benefits for AECI are less evident. One objective may be to buy market share — AECI and Triomf have some 24% each. It could also have in mind further rationalisation, which most senior executives in the industry believe is essential if the fertiliser producers are to see a return to reasonable profitability. Also, Triomf had requested the scrapping of tariff protection on ammonia-based urea, which only AECI produces locally. As an AECI subsidiary, Triomf won't seek actions against AECI's interest.

It is uncertain whether the price war which shredded the profits of all fertiliser companies is over. Even if Triomf is incorporated into AECI, there is still main competitor, Sasol.

Conditions in the fertiliser market are still worrying. Though rains have been good so far this season, farmers are heavily in debt.

Already Nedbank is looking a lot healthier than it was in May, when the full extent of the financial and management problems became known. When CE-designate Piet Liebenberg assumes office in February, bringing a needed injection of senior management, he could find a group which has gone a long way towards recovery. Agreement with AECI should clear a major hurdle still remaining. And, even those who did not suspect AECI could be a buyer now say "they are the only ones who could take Triomf over."

Pat Kenney

## THE JSE

### Best of 1986

SA's economic and political traumas were ignored as the JSE romped to record highs in 1986. During the year the JSE Actuaries All Market index rose by no less than 50% to 1 914. Much of the excitement was focused on the mining sector, and the All Gold index gained 63% against the Industrial index's advance of some 32%. Ironically, of the top 20 performing counters in our table, only two are gold-related counters.

Again this year, the really big money was to be made in selected financial/industrials — those "special situation" stocks that get carried along by deals, takeovers and reconstructions. Indeed, the performance roster suggests 1986 could be called the year of the

investment entrepreneur. It was not always the skilful manager, but the astute investment banker who attracted the highest premiums. Men like Arnie Witkin, Ronnie Price and Mannie Simchowitz came into their own — gaining much support from bullish market conditions.

In some cases, such as Malbak, W & A and Mathieson and Ashley, price gains were linked to radically changed perceptions of the fundamentals. But a number have been riding at least partly on speculative consider-

### JSE TOP PERFORMERS

Name	Price (c) Dec 15	Gain Cents	%
Eureka	1 450	1 305	900,0
Math Ash	360	310	620,0
N Bernica	1 200	1 010	531,6
Gant s	250	210	525,0
Eurefin	650	525	420,0
W & A	1 400	1 120	400,0
Amic Opt	725	575	383,3
Inv Club	330	255	340,0
Rale	70	54	337,5
Fintech	1 115	850	320,8
Waicor	725	550	314,3
Elcentr	170	128	304,8
H J Cable	335	243	264,1
E Dagga Opt	1 100	790	254,8
Tarry	1 500	1 075	252,9
SA Wool	2 600	1 850	246,7
Channel	24	17	242,9
Rd Lease	770	540	234,8
Malbak	730	505	224,4
Gant s 12,5% CP	225	155	221,4

ations — and, perhaps, wishful thinking. Dividend yields are generally low or non-existent, reflecting the high expectations.

Top performer **Eureka**, which appreciated more than 900%, was acquired by Price a few years back when it consisted of little more than a pile of cash. He injected properties and trading assets into the shell, and later floated off leasing subsidiary, **Eurefin**. Eureka's price began picking up steadily, and in mid-1986 accelerated explosively when computer firm **Computermatic** was listed via a Eurefin rights issue. Analysts perceived that the formerly amorphous Eureka was acquiring a high-growth profile.

Eurefin, which holds a stake in **Computermatic**, a pile of cash and various other trading companies, followed Eureka upwards, and over the year recorded the fifth biggest price gain. Another company in our roster, **H & J Cables** gained recently from links with Eureka. In fundamental terms, H & J Cables did nothing to justify a major rerating of its shares, both its profits and its reporting standards offered no encouragement. But the cable company received

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# Farm-Ag firmly back in the black

FARM-AG is firmly back in the black after its heavy losses last year.

Earnings of 85c a share for the current year are forecast by analyst Howard Mountain of stockbrokers Simpson, Frater, Stein and Strong, who believes earnings of 105c are easily obtainable in the next financial year

The benefits of the recent rights issue will be reflected in

expanded, modernised production facilities he says

"But the broader product range of agrichemicals will be felt only in the financial year beginning March 1987"

The outlook for the group's products is favourable given reasonable climatic conditions and a continuing weakness of the rand, says Mr Mountain

If the rand remains below 50 US cents there will be signifi-

cant import replacement possibilities and scope for export to neighbouring states.

In spite of sanctions, he believes Farm-Ag should be successful in finding supply routes to export markets, given its highly competitive price structure

Finally, the analyst forecasts a resumption of dividends next year with a 40c payout, rising to 52c in 1987-88 Tom Hood

# Plastics, resins value could soar

WEDNESDAY Industrial Staff  
THE value of resins and plastics manufactured in SA could soar from R8m to R25m by importation of technology and signing of new licensing agreements, says British Industrial Plastics SA (Bipsa) MD Ken McDonald.

The important thing is that these new products would be made entirely from local raw materials, which is vital at the present time," says McDonald, who has just returned from a business trip to Eastern and Western Europe.

He says the trend overseas is away from development of new raw materials. "Instead, companies are concentrating on processing co-polymers in a variety of ways and are producing startling results."

# Despite everything Triomf has no choice but to sell

22/12/86. 183  
SPM

Triomf has featured prominently during the past year, especially after the closure of its Richards Bay factory and total losses of R115 million

Major creditors Nedbank and to a lesser extent Santambank were forced into a rescue operation, necessitating a reconstruction of the balance sheet at end June, 1986. It's a moot point whether this revised position will enable the group to build on profitably in the future, as operating losses after interest are still forecast

Small wonder then that major shareholder Nedbank is having talks with AECI to offload its shareholding to a strong competitor. There is little doubt that Triomf is still in intensive care.

The major creditors are to be praised for opting for a reconstruction rather than a liquidation. Nevertheless, the ordinary shares are worth nothing while the preference shares par value has started eroding.

Just how did the company reach this unfortunate position?

During the past year the group suffered from the substantial depreciation of the rand, which increased the cost of sulphur imports.

In spite of the weak rand, exports through the Richards Bay factory were made at uneconomical prices to a saturated world market. Ultimately the financial drain on the company caused the Richards Bay factory to be placed in provisional liquidation, causing an R80 million extraordinary write-off.

The Potchefstroom fertiliser factory also operated under extreme pressure, aggravated by drought in the main maize and wheat-growing areas, says executive chairman Mr F J Davin.

Rising farming community indebtedness (and its limited purchasing power), depreciation of the rand, high costs of borrowings and, most important, increased competition proved too much for the group to bear.

A fertilizer price war resulted in competitors granting bigger and bigger discounts which spelled chaos for Triomf.

The 1986 income statement reflected operating losses of R7,7 million before finance charges (R23,7 million), abnormal losses R2,7 million and the R80,6 million extraordinary losses, a total loss of R114,7 million for the year (1985 loss R21 million).

On September 15 1986 Nedbank was forced to capitalise its R42,23 million loan, making it a 75,1 percent ordinary shareholder in Triomf. The board of directors was also reconstituted.

Another major blow was the cancellation of the marketing agreement between Triomf and Nampo. This could have dire consequences as without the support of Nampo members, the group is going to battle to regain market share.

Santambank also agreed to convert R7 million of its R10 million loan owing into redeemable preference shares.

The reconstructed balance sheet at June 30 1986, now reflects total shareholders' funds of only R53,4 million, comprising ordinary share capital R61,4 mil-



lion, preference share capital R86,8 million, non-distributable reserves arising from fixed assets (buildings and plant) being revalued at R34 million, less the R128,9 million accumulated total losses to date.

Long and short-term borrowings total R47,6 million, giving a debt to equity ratio of 89 percent. The working capital position shows current assets R61,5 million less current liabilities of R32,9 million, giving a positive R28,6 million.

Mr Davin feels that the high level of gearing will be further reduced as the company returns to profitability and positive cash flow. However, this appears to be wishful thinking as profitability depends heavily on climate conditions improving, particularly in the western regions of the summer rainfall area where the bulk of Triomf's products are sold.

But if excessive discounting of products continues in the early part of the new financial year carries then a dark cloud will continue to hang over Triomf.

## RAW MATERIALS

The current year's financial budget shows an operating profit before interest but a loss after interest. This is a sorry state as the budgets assume normal weather conditions; fixed selling prices to ensure a reasonable return on capital, reduction in operating expenses without affecting the quality of products or service to customers; and a reasonable production and finished stock levels.

The group has also negotiated for the long-term supply of certain raw materials essential to uninterrupted production.

While Mr Davin acknowledges that the budgeted near-breakeven position may not appear to be all that promising, it nevertheless represents a substantial improvement on the previous year.

It is now obvious that problems still prevail at Triomf, and it's no surprise that talks are taking place with major competitor AECI.

It makes good sense for AECI to take over Triomf with its existing infrastructure, customers and a more than useful R43 million tax loss. Based on the reconstructed June balance sheet with fixed assets revalued and assuming no subsequent loss the 123 million ordinary shares of 50 cents each are worth nothing while 40 percent has been knocked off the R86,8 million preference shares and perhaps more.

Successful AECI has the muscle to acquire Triomf at a substantial discount which will cost Nedbank R60 to R70 million in investment write-offs. This will relieve Nedbank of a massive headache for funding their losses, enabling it to devote its attentions to banking.

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# Sentrachem swings into the black <sup>(183)</sup> but still no dividend <sup>STAR 27/11/86</sup>

By Sven Lunsche

Sentrachem swung solidly into the black in the six months to end-September, with attributable earnings of R12,7 million — despite continuing disastrous results in the group's fertilizer division.

However, the group will again not declare an interim dividend, and it says shareholders expect a final dividend for the year to March 1987

The debt situation "has not yet improved to the extent that a recommencement of dividends can be justified," said MD David Marlowe

The group last paid a dividend in financial 1983/4.

"We will seriously consider paying a dividend once the gearing drops below 100 percent," Mr Marlowe added. The debt equity ratio has improved slightly, from 1,081 in March to 1,051 at the end of the interim period

The group's finance charges have also benefited as a result of the reduction in interest rates

"Ninety percent of our debt is interest rate-sensitive, so that our repayments fell as the rates dropped," said financial director Robin Morris

The return to profitability is largely due to the reduction of losses at rubber operation Afprene, and although Mr Marlowe declined to give details he said that Afprene, while still in the red, had shown dramatic improvements

"There is a greater acceptance of locally manufactured prod-



David Marlowe

ucts, and we could easily supply South Africa with all the rubber needed in case of sanctions," Mr Marlowe said

He referred to the Sentrachem's major problem area, fertilizer company Fedmus "There was a further decline in demand and severe price cutting throughout the industry

"Production is heading below two million tons a year in 1986, compared to five million tons a few years ago"

"While we slightly increased our market share to 30 percent, we, and for that matter the industry as a whole, did not earn enough to even pay interest on debt"

Mr Marlowe estimated that total debt for the industry at between R100 million and R200 million and capacity down by about

50 percent compared with that of two years ago

"If the situation is to be saved the producers will either have to sit down together and reach some kind of agreement on production and pricing, or one or two companies will have to close down. It is an option we are certainly keeping open," Mr Marlowe said

The group's major contributor to profits was the industrial chemicals and plastics division, despite the lifting of import restrictions in the latter area.

"Most of our plants are running at full capacity, and there is real growth in most of the markets for our products. The plastics division was 15 percent

up, and the speciality division showed a 30 percent growth rate, largely as a result of improved demand from the mining industry," Mr Marlowe said

While refusing to give detailed information on Sentrachem's international operations, Mr Marlowe said that the stronger rand had reduced the import bill to such an extent, that it outweighed the losses on exports

Referring to Sankorp's recent takeover of Fedvolks 25 percent stake in the group, Mr Marlowe said that Sankorp certainly provided better financial support, "as Fedvolks were largely trying to get their own house in order"

The share price is currently trading at 220c, after 240c a couple of weeks ago, but has steadily climbed from a shade under 150c at the beginning of the year

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# Nedbank wriggles out of Triomf

Business Times Reporter

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SUNTIMES  
28/12/86

**NEDBANK** hopes to have the Triomf milestone off its neck early in the new year, says the bank's managing director, Anton van der Merwe Vance.

Nedbank, which is owed more than R300-million by Triomf, has put the fertiliser firm's Richards Bay phosphoric acid plant into provisional liquidation and is negotiating the sale of its other interests to AECI.

Mr Van der Merwe Vance and a Nedbank team were locked in negotiations with an AECI team, led by director Chris von Solms, until Christmas Eve.

The parties had hoped to reach agreement by Wednesday, but because so many people are away the negotiators doubt that will clinch anything before the first few days of January.

Mr Van der Merwe Vance says there is no possibility that the Triomf issue will drag on for as long as another six months.

"We have several parties interested in the Richards Bay plant and we cannot give them forever to make up their minds. They have a lot of homework to do, however, so it is bound to take time."

The extent of Nedbank's loss on its Triomf exposure depends entirely on what bidders for the Richards Bay plant and AECI are prepared to pay.

The Richards Bay plant continues to operate largely for the benefit of prospective buyers. Several interested groups have visited the

operation. Most are from abroad. The plant is more interesting for foreign buyers because they will be able to invest at a 50% discount through financial rands.

The Richards Bay plant would be profitable were it not for debt costs. There has been an international glut of phosphoric acid, leading to low world prices. The fallen rand gave Triomf some compensation, but it was offset to a large extent by the high cost of imported sulphur.

Triomf also complains about the cost of phosphoric rock supplied by Foskor. Foskor has been cited as a likely buyer of the plant. It could add more value to rock that would otherwise be exported raw.

## Stopped

If AECI acquires Triomf's fertiliser interests at Potchefstroom, it would gain more than 40% and perhaps as much as 50% of the SA market. Its only large competitor would be Fedmls, which belongs to Sentrachem. AECI and Triomf have collaborated in fertiliser before.

The Competition Board once stopped a proposed deal between Triomf and Fedmls, but is expected to give the go-ahead to AECI because of the huge oversupply in the fertiliser market and because of Triomf's financial straits.

The word from Nedbank is that provisions already made — more than R300-million — will cover all losses. Large loans will have to be written off. But if proper prices can be realised, there could be write-backs.



# US oil corp to quit SA

Cape Times 31/12/80

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From SIMON BARBER

**WASHINGTON.** — Exxon, the world's largest corporation, announced yesterday that it has sold its two marketing concerns in South Africa with assets valued at about \$7 million (about R15 million) to a local trust set up to benefit employees and outside social programmes.

The oil giant's former subsidiaries, Esso South Africa (Pty) Ltd and Esso Chemical (Pty) Ltd, both based in Sandton, employ just over 200 people, and are tiny by comparison with the SA operations of such other US oil companies as Mobil and Caltex.

"The deterioration of the SA economic and business climate caused by the continuing internal and external constraints has affected our business and our potential for growth," the president of Exxon, Mr Lawrence Rawl, said.

The executive chairman of Shell South Africa, Mr John Wilson, said trans-nationals could not be replaced by merely buying out their assets.

Their contribution was not only capital but the most modern technology, business systems and world-class management and management philosophies.

Mr Wilson said the tragedy of trans-national withdrawals was that no positive changes would occur on the domestic political scene as a result of the action.

The subsidiaries' assets are to be placed in a trust fund whose trustees will have had no prior business or financial ties with either Exxon or its affiliates, according to a company spokeswoman, Miss Juliet McGhie.

Earnings from the trust will be used to pay back Exxon, support social programmes and continue the subsidiaries' operations. Remaining profits will be shared among employees.

Neither Exxon nor the former affiliates will have any say in the trust's management, and there is no repurchase agreement. Use of the Esso brand name will be phased out "within a few months".

The company decided to set up the trust after attempts to sell the subsidiaries to local buyers failed.

□ In Cape Town the head of public relations for Caltex, Mr Keith Bewick, said that with the number of US companies that had already pulled out of South Africa, pressure to disinvest would be stronger on those companies still here.

"However, Caltex's position remains unchanged — we will be staying in South Africa," he said.

The head of public affairs for Mobil, Mr Pat O'Malley, said he did not believe there would be increased pressure and said Mobil would be staying in South Africa.

A spokesman for BP

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said his company had made it clear in its November social report that it was staying in SA.  
About 65 firms, nearly all from the US, have pulled out of SA this year, citing falling business and dissatisfaction with the pace of change in the country's racial policies.  
The companies include General Motors and IBM — respectively the first- and fifth-largest US companies — as well as Coca-Cola, General Electric, CBS, GTE, Procter and Gamble, and Eastman Kodak.  
Major British bank Barclays and Canadian shoe company Bata also announced last month that they would sell their SA units.

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MANUFACTURING — CHEMICALS AND PRODUCTS  
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# Three AECI plastic firms come together

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By Don Robertson

AECI has set up a R200-million-a-year plastic company by pulling together three formerly independent subsidiaries.

AECI Converters brings together Vynide, Duropenta and Sterkolite at a cost of 500 jobs.

The rationalisation in October last year was undertaken partly because of the poor economic climate.

The managing director of AECI Converters, Ted Maybery, who came in from Duropenta, says the three companies all convert PVC products.

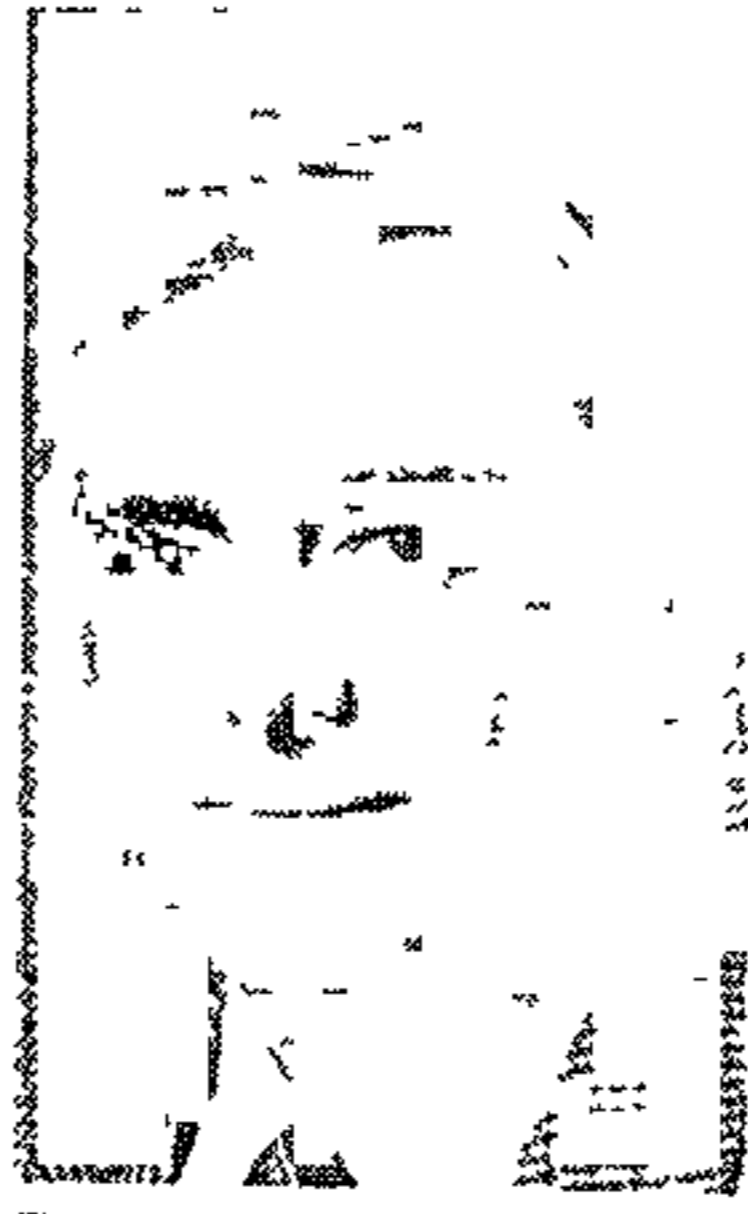
## Saving

The decision to combine them will make reporting to the board easier and will help iron out the cyclical nature of some of their activities, particularly in the agricultural and motor industries.

The company employs 2 300 people and is looking for turnover this year of R200-million, making it one of the largest plastic converters in SA.

The saving to AECI in personnel costs alone must be close to R5-million a year. The net effect of the change has not been calculated, but it is significant for the top listed company.

AECI Converters serves the automotive, fashion, industrial, building, construction, agricultural and speciality plastics markets and high on its list of priorities is the expansion of these activi-



Ted Maybery .. looking for R200-million turnover

ties and of the product range. Products include PVC piping in various diameters, gutters and fascia boards, vinyl protective clothing, plastic garden chairs, vinyl car trim, printed vinyl film, PVC foil for furniture and ventilation ducting. AECI Converters claims 40% of this market.

## Warning

Mr Maybery warns that growth in the next few years will be difficult to achieve and a three-year profit programme has been developed. Short-term growth will be achieved by improving margins and cutting costs.

In 1986, Vynide — the only calenderer of PVC in SA — produced a "creditable performance", helped by protection against imports.

Sterkolite, however, suffered substantial losses because of its involvement in the agricultural and motor industries.

Duropenta, "broke about

even", but suffered as a result of the 50% overcapacity in the plastic pipe-making industry.

Mr Maybery says the company will produce new products which will be developed in SA with foreign technological assistance.

The company is investigating the possibility of expanding exports, but this will be possible only if the raw material is SA-based. Last year combined raw material purchases were about R100-million, of which half came from SA.

The company has lost a large part of its exports to America because of sanctions. A R2-million development to produce a million garden chairs annually is operating at only 10% of capacity.

The company hopes to export Vynide technology, which includes a special technique in PVC dip coating and multi-ply lamination technology which is used in the awning market.

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22/1/87  
stoppage  
CWIU  
calls off  
stoppage

By Mike Siluma

About 100 members of the Chemical Workers' Industrial Union (CWIU) returned to work at Ciba Geigy, Kempton Park, yesterday after stopping work on Monday, a spokesman for the company said.

The stoppage was in protest against the retrenchment of eight CWIU members

● Another retrenchment dispute, this time between the Food and Allied Workers' Union (Fawu) and Dairy Maid, continued in Cape Town yesterday.

The dispute centres on a management decision to retrench 150 ice-cream vendors and its alleged refusal to negotiate with the union

● The results of a strike ballot among about 1 200 Paper, Wood and Allied Workers' Union (Pwawu) at six Mondi Board Mills in the Transvaal, Natal and the Cape would only be known tomorrow, a union spokesman said. The workers are locked in a pay dispute with Mondi management

● Unknown people stole vital union documents on Wednesday night from the central Johannesburg offices of the Black Allied Construction Workers' Union, a union spokesman said

The documents included the mailing list and financial and membership records

**CHEMICAL** giant AECI will pay R58,5m cash for the fixed assets and business of Triomf Fertilizer in Potchefstroom. In addition, AECI will also buy for cash its stocks as at January 31 1987.

At the date of the last balance sheet in June 1986, stocks on hand were valued at R30,8m. But they have probably changed since then.

This deal is somewhat different from that announced last December when UAL and Barclays Merchant Bank stated that negotiations were at an advanced stage for AECI to acquire the Triomf ordinary and preference shares held by Nedbank.

# AECI, Triomf in R58,5m deal

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BUDAY

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HAROLD FRIDJHON

Possibly one reason for the change is that it eliminates any question of claims by minority shareholders, who will be left with nothing other than to ratify the sale of the assets, a move which the Competition Board does not consider against the

● To Page 2



# AECI in R58,5m Triomf deal

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● From Page 1

public interest  
The two merchant banks, in a joint announcement today, state that when the agreement is implemented Triomf's only assets will be cash and, in terms of the JSE's regulations, will become a cash shell. Unless the company acquires viable assets, its listing will be terminated.

After Triomf's preference capital amounting to R85m has been repaid — mostly to Nedbank — Triomf will be a cashless shell, with an intangible asset, an assessed tax loss of about R43,3m as at last June. The suspension of the shares on the JSE will, however, be continued.

Assuming that the sale eventually realises about R90m, Nedbank will recover the larger part of its overdraft and pref-

erence capital — but it will lose the R42,2m loan which has been converted into equity. In the last balance sheet, for the year to September 1986, chairman Owen Horwood said that the bank had provided R248m against its exposure to the Triomf group.

The other major Triomf debts involve Nedbank's exposure to the Richards Bay company at present in provisional liquidation. Last night Nedbank said negotiations were in progress for disposing of this asset and a statement on the outcome of these negotiations would be made in due course.

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COMPANIES

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23/1/87

# AECI to acquire Triomf's assets

JOHANNESBURG — AECI is to acquire the assets and business of Triomf's Potchefstroom factory rather than its share capital as originally negotiated

On December 15 last year UAL Merchant Bank and Barclays Merchant Bank announced that negotiations had reached an advanced stage for the acquisition by AECI of the ordinary and preference share capital of Triomf held by Nedbank Group

AECI has now decided to acquire the assets of Triomf rather than the share capital, and will acquire these and business owned and conducted from Triomf's Potchefstroom fertilizer factory for R58,5-million cash. The stock as at January 31 this year will be purchased by AECI at agreed prices and will also be paid for in cash

The agreement provides for the name of Triomf to be changed on fulfillment of the conditions. The Competitions Board has agreed to the transaction

After implementation of the agreement the assets of Triomf will comprise only cash and, in terms of the requirements of the Johannesburg Stock Exchange relating to listed companies, Triomf will be deemed to have become a cash shell, and will be subject to the normal JSE requirements

Triomf will then have a period of six months in which to acquire viable assets which must conform to the JSE listing requirement, failing which the Triomf listing will be terminated. Triomf's net assets on implementation of the agreement will be materially less than the redemption value of Triomf's present share capital and accordingly the ordinary share will have no net asset value. — Sapa

Wage strike  
at factory  
enters  
its fifth day

Labour Reporter

THE strike by more than 1 200 workers at the Unilever plant at Maydon Wharf in Durban continues into its fifth day today with still no prospect of an end in sight.

The workers are demanding a salary increase of 39%, according to a spokesman for the company.

The Chemical Workers' Industrial Union said in a statement that the workers were striking as a result of company proposals which the union said would cut employee standards, and also to management's attempts to enforce a compulsory overtime agreement.

'Workers are demanding wage increases at least in line with the inflation rate and the scrapping of the overtime agreement'

A Unilever spokesman told the Mercury that 'for years the company's wage levels had been high enough to ensure a stable, trainable workforce

'Understandably, the union's opening demand for a 39% wage increase met with a cautious counter-proposal

'It should be noted that the union informed the company that the present work stoppage was brought about by warnings issued to 11 employees who breached an agreement about a shorter working week

'The legitimacy of the agreement is unquestionable. It was concluded with full participation by all affected workers through elected representatives

'In spite of the management's continued efforts to find a solution and its willingness to negotiate with the union, it has made little progress and the workers are on strike illegally,' he said



# Ink factory workers go on strike

Mercury Reporter

ABOUT 130 workers at the Coates Brothers printing ink factory in Isipingo near Durban began a strike at lunchtime yesterday following a 91% ballot in favour.

The strike arises from a dispute over wages and working conditions between the 'Chemical Workers' Industrial Union (CWIU) and Coates Brothers, a wholly owned subsidiary of Coates Brothers (U.K.).

A union spokesman said the union was demanding two increases amounting to a wage of R32 a week. The company is offering an increase amounting to R26 a week and has refused the union's settlement offer of R29.

It is understood that a director from the Cape Town office, Mr Ted Williams, is being called in to assist local management.

Coates Brothers general manager Mr Dennis Jordan, said he had no comment to make at this stage.

# Australian ban on drugs made in S A

183 29/1/87 N/W

## Mercury Correspondent

MELBOURNE—In a surprise move with what seem to be political overtones, the Australian Government has debarred doctors from issuing prescriptions of 33 generic drugs used to treat patients with heart disease, diabetes, psychoses and hypertension — all of which are made under licence in South Africa

Yesterday the Minister for Health, Dr Neil Blewett, rejected allegations of double standards and also defended a decision not to withdraw the offending drugs from the market

He said advice from the Australian Drug Evaluation Committee (ADEC) was that doctors should not begin treating new patients with the drugs, although patients already on them could continue to do so

'There are no double standards in this matter,' said Dr Blewett

'This is the first time in this country's history that we have had this problem'

He said the Department of Health had recently investigated more than 100

drugs after anonymous complaints about products emanating from a supposed South African laboratory, Gestalt (Pty) Ltd

All the products are made by either Protea Pharmaceuticals or Alphapharm and include tranquillisers, antibiotics and painkillers

## 'S A backers'

But the managing director of one of the five companies in the Protea Pharmaceuticals (SA) group, Mr Richard Bird, denied any link between the group and Protea Pharmaceuticals (Australia)

'I'm not 100% certain of my facts, but I think the Australian firm had some South African backers. It definitely has nothing to do with us,' he said

And attempts to track down either Gestalt (Pty) Ltd or Alphapharm met with no success, with members of the South African pharmaceutical industry saying they were not aware of the existence of the companies

Dr Blewett said the products had been under in-

vestigation for the past two years, with Australian analysts concerned that data from South African tests on the drugs had proved unreliable

'It's not a question that we've had reports coming in from doctors of problems with these drugs, or of complaints from patients, but we ourselves have discovered that data supplied over the past nine years to the Australian Government was under questions,' said Dr Blewett

'The basis under which the drugs were originally approved needs to be looked at again, and it needs to be looked at thoroughly'

He said the Government's decision was completely in agreement with the best independent medical and pharmaceutical advice on offer

'I have accepted completely the recommendations made to me, so somehow I think suggestions that the Government is using a double standard policy here is wrong on both counts,' Dr Blewett said

MELBOURNE — The Australian government has banned doctors from issuing prescriptions of 33 generic drugs made under licence in SA and used to treat patients with heart disease, diabetes, psychoses and hypertension

Yesterday Australian Health Minister Dr Neil Blewett said advice from the Australian Drug Evaluation Committee (ADEC) was that doctors should not begin treating new patients with the drugs, but patients already on them could continue using them

He said the Department of Health had recently investigated more than 100 drugs after anonymous complaints about products emanating from a Pretoria-based SA laboratory indicated that data requirements vital for registration as a generic were in doubt

All the products, which include tranquilisers, antibiotics and painkillers, are made by either two Australian companies, Protea Pharmaceuticals or Alphapharm, and tested in SA

Blewett said the products had been under investigation for two years, as Australian analysts were concerned that data from the tests in SA on the drugs had proved unreliable

"It's not a question that we've had reports coming in from doctors of prob-

# Australia bans SA-tested drugs

MARSHALL WILSON

lems with these drugs, and its not a problem of patients getting adverse drug reactions, but we ourselves have discovered that data supplied over the last nine years to government was under question," said Blewett

Blewett said an Australian representative had visited the SA factory in February 1985, but could not determine the extent of the alleged error in the laboratory's work.

He admitted the laboratory had been making the drugs for other firms around the world and there had been no reason to doubt the authority of the tests

But evidence presented to him last September "was sufficiently disturbing" for the immediate appointment of a committee of pharmacology experts to look at the firm's work

The government's move has brought strong reaction from both brand name and generic drug manufacturers locked in a struggle for domination of the A\$1,400m-a-year retail pharmaceutical market

5/Day  
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TRIOMF/AECI/NEDBANK

# AECI takes the assets

FIM 30/1/87 (183)

The deal has been done and AECI now owns Triomf's Potchefstroom plant, its stock and the Triomf trademark. Though this was seen as an albatross around Nedbank's neck after it took 75% control, AECI's share price has increased from R14 to R16,50c since an-

tors instead of five. The deal is not expected to have much effect on prices. Any improvement in this area will result from the fact that the industry has already lost so much money that the producers will eventually be forced by commercial considerations to re-

ratified at a general meeting. With Nedbank holding about 77%, there is little doubt that the sale will be ratified. He maintains that liquidation is not considered at present and considerable sorting out is required as the enterprise was sold as a going concern. Whatever is sorted out, ordinary shareholders in Triomf will not be getting anything — so the minorities are the real losers in the episode.

Pat Kenney



Triomf's Davin ... left with an aircraft hanger

nouncement of talks on the sale.

AECI management believes it has a good deal. The price put on the plant is R59m, but the stock, valued at R35m in June, is still being assessed. Executive director Chris von Solms points out that to build the plant now would cost substantially more than AECI paid and "we shall be keeping it for the purpose it was designed for as we have faith in agriculture."

### Plant rationalisation

The intention is to rationalise and incorporate the plant into AECI fertiliser division, Kynoch, extending that operation and its marketing. "We want a bigger stake in the agricultural market and don't have a manufacturing base in the western part of the country. This is our opportunity to obtain it," says Von Solms.

With no plans to close the plant the oversupply in the fertiliser industry will continue, but Von Solms sees this as "temporary and we are not worrying about the short term. We should break even at Potchefstroom. Triomf had other problems."

Payment will be in cash and Von Solms dismisses the financing as "not such a massive amount. It will go into our normal bank financing packages" (The long-term liabilities at end-1985 were R535m).

Other producers say that rationalisation was needed, but the only real impact for the industry is that there are now four competi-

store price stability.

Though investors seem to have put their seal of approval on the deal as far as AECI is concerned, Nedbank's share price has not yet responded positively. The bank clearly had no wish to be in the fertiliser business in the first place. Any cash received for its Triomf liabilities must be welcome, but there still seems some doubt about the extent of the Nedbank exposure.

CE Gerry Muller told us in August that the total amount of the bank's commitment to Triomf was R170m and that a R200m claim has been put in for Triomf Richards Bay, the provisionally liquidated subsidiary. Total specific provisions are R248m, deducting the realisation on Potch (R59m) and the amount expected to be received for stocks (about R30m), this leaves Nedbank's total exposure at R281m. On that basis, only R33m has to be realised from Triomf Richards Bay and the Triomf debt will be totally provided for.

According to executive chairman Frans Davin, Triomf will be left with an aircraft hanger at Lanseria. The announcement states that "Triomf's net asset value on implementation of the agreement will be materially less than the redemption value of Triomf's preference share capital." As Nedbank has both preference and ordinary shares, it is clear that it will make a loss on the asset sale.

Davin says the next step is to have the deal

HUDACO FIM 30/1/87 (183)

## Bearing up

It is no mean achievement for a company when its share price appreciates by almost 120% in a year. When attributable profit growth of a similar magnitude accompanies that share's appreciation, there is double cause for celebration.

Hudaco Industries, the engineering group listed in November 1985 following a management buyout, has rewarded the faith of investors who pushed the share to a 25 p e, the second highest in the engineering sector, with a 138% increase in attributable earnings and a 96% increase in earnings a share for the year to end-November. The p e now sinks to a more mundane 13 and the dividend yield to 3,5%, and the share is poised to continue its upward trend, as management expects good earnings growth again in 1987.

### HUDACO BOUNDS ON

Year to November 30 ..	1985	1986
Turnover (Rm)	120,3	155
Pre-tax profit (Rm)	7,0	18,3
Attributable earnings (Rm)	3,6	8,6
Earnings (c)	22,6	44,2
Dividends (c)	n/a	20

The strong growth up to now has come principally from efficiency improvements. MD Bruce McInnes and his management team have restructured and rationalised the group, evident in the operating margin which improved from 7,9% in 1985 to 10,5% in 1986. The group also turned financing costs of R2,5m into financing revenue of R58 000, thanks to surging cash — some R24m cash flow originated from operations during the year and at year-end net cash deposits totalled R12,5m. Long and medium-term loans dropped from R8m to R4m, and short-term borrowings were eliminated.

In 1986 Hudaco spent R7m on acquisitions in the transmission sector and on acquiring Reunert's minority interest in Power

# Probe into firm's medicine analysis

W/10/2/11/57  
Mercury Correspondent

(183)

JOHANNESBURG—A committee of inquiry into data provided by a South African laboratory responsible for the testing of 33 drugs which doctors in Australia have been banned from dispensing, has been set up in South Africa by the Medicines Control Council (MCC)

MCC head Prof Peter Folb said there may be an overlap of the drugs on the South African market

If the committee, which was handling the case as a matter of urgency, discovered any flaw in the data pertaining to the drugs, South Africa would have to take the same ac-

tion, he said yesterday

A spokesman for the laboratory, Gestalt, said they were standing by their results but could not comment further

The products, which include tranquillisers, antibiotics and painkillers, have been under investigation for two years, according to Australian Health Minister Dr Neil Blewett

Prof Folb said all data received from Gestalt would be reviewed, but he added that data from all such testing was always thoroughly reviewed in the first instance

Gestalt tests the drugs on contract for two large Australian drug companies

Memorandum  
tions on May 6, the PFP said in a statement  
yesterday

*CHY Times 2/2/87 183*  
**Sasol 'delight' at US move**

JOHANNESBURG — South Africa's petrol-from-coal company Sasol "is delighted" at being removed from the list of South African parastatal organizations subject to sanctions by the United States, a company spokesman said last night

# Chemserve looks for 20c a share more

SIT 8/2/87

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By Don Robertson

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**CHEMICAL Services, the specialty chemical group in the AECI fold, has produced a record profit in its 40th year and is looking for another increase in earnings in 1987.**

An acquisition being negotiated is expected to contribute an additional 20c a share to earnings and Chemserve intends to continue its aggressive raids on other companies in its field.

In the year to December last turnover rose by 32% to R158,9-million from R120,5-million to produce a 29% increase in operating income of R18,1-million against R14,1-million

## Gearing falls

Margins dipped to 11,3% from 11,6%, largely because of higher input costs and stiffer competition, a factor which managing director Peter Francois says will continue.

Finance charges were lower at R2,7-million against R2,9-million, helped by lower interest rates and a sharp reduction in gearing to 32% of shareholders funds from 65% previously.

Mr Francois says finance costs would have been lower, but the reduction in borrowings came only in the last quarter of the year after negotiation of improved credit terms from foreign suppliers and better capital management.

After an increase in the contribution from associates, attributable profits were 51% higher at R9,8-million compared with R6,5-million in 1985, equivalent to earnings of 166 5c a share against 115,2c.

An increased final dividend of 37,5c has been declared compared with 30c previously, rais-

ing the total to 62,5c from 50c. The dividend is covered 2,7 times compared with 2,3.

The preliminary report says the 16 subsidiary and associated companies of the diversified chemical group improved their performance, sales volume of manufactured goods and traded goods showing a modest advance.

## UK firm

However, the directors say there were substantial increases in raw material costs, although rises in operating costs and overheads were well maintained.

The major acquisition being concluded is the purchase of Allied Colloids, subsidiary of Allied Colloids of the UK. The price will be settled by the issue of 225 000 shares, but Mr Francois believes the acquisition will add about 20c a share to earnings. Allied Colloids' activities complement those of Chemserve.

## Outlook

The directors say the outlook for the current year is no more clear than in was for 1986. Although there is evidence of an economic upswing, its duration and degree will be tempered by high inflation, the absence of foreign capital, the adverse effects of trade sanctions and continued political uncertainty.

However, steps have been taken to ensure supply routes for raw materials and a continuation of technological links.

Mr Francois is reluctant to put a number on the increase in earnings in the current year, save to say they will improve.

Chemserve shares have appreciated by 277% since 1965. At 1 700c, they are on 10,2 times earnings and yield 3,6%, suggesting they could go higher.

25% higher dividend paid <sup>cont. trans 9/2/8.2</sup> (183)

# Chemical Services earnings soar 44%

JOHANNESBURG — A 51% leap in net attributable income, and a 44% increase in earnings a share from which a 25% higher total dividend is being paid are features of a year — to end-December — which the directors of Chemical Services describe as an “outstanding success”

A 32% increase in turnover to R159m (1985 R120,6m) produced a 29% improvement in net trading income to R18,2m (R14,1m) and a 38% increase in net pre-tax income to R15,5m (R11,2m).

### Dividend

Earnings a share emerged at 166,2c (115,2c) from which an increased final dividend of 37,5c was possible to give a total of 62,5c (50c), covered 2,7 times (2,3)

Financing costs of R2,7m (R2,9m) were swollen by foreign exchange losses of R624 000 (R247 000)

The directors say that all subsidiary and associated companies improved their performance

“The sales volume of manufactured goods as well as traded goods showed an increase

“Substantial increases in raw mate-

rial costs were again experienced, but escalations of operating costs and overheads were well contained

“Trading margins remained under pressure and, in spite of cost controls and productivity improvement, were lower than in 1985”

### Financing costs

“However, the pre-tax profit ratio showed a 0,4% improvement due to the decline in financing costs partly because of falling interest rates but also as a result of much-improved asset management”

Firm control of working capital and constraints on capital spending “resulted in total borrowings decreasing to 32% of shareholders’ equity (65%)”

Agreement was also reached with the Allied Colloids Group PLC of the UK to buy their local subsidiary, Allied Colloids (SA) — Sapa

The directors comment “The acquisition of this speciality company, with a range of products very complementary to that of Chemical Service, is expected to significantly improve the quality and extent of the group’s earnings”

*[The following table is a highly degraded and mirrored image of a financial statement. The text is illegible due to heavy noise and scanning artifacts. It appears to be a multi-column table with various rows of data.]*



# 44% Chemserve leap exceeds expectations

**CHEMICAL SERVICES' 44% leap in earnings to 166,2c (115,2c) a share for the year to end December 1986 exceeds most analysts expectations.**

The fine performance comes in the wake of success in all sectors of its diversified activities and the company expects 1987 earnings to show further improvement

A final dividend of 37,5c/share boosts the total payout for the year by 25% to 62,5c (50c) a share

Cover was raised from 2,3 to 2,7 times and there was a slight increase in the number of shares in issue.

Improved trading conditions enabled the group to lift turnover 32% to R158,9m (R120,5m), while trading income was up 29% to R18,1m (R14m)

As the group is in speciality rather than commodity chemicals, its margins tend to be good but trading margins came under pressure and were fractionally lower than in 1985

Financing costs were slightly lower at R2,7m (R2,9m) despite an increase in foreign exchange losses to R624 000 (R247 000).

Pre-tax income was 38% higher at R15,4m (R11,2m).

An increase in share of income of associates to R2m (R1,5m) partly offset a big jump in the tax bill to lift attributable income 51% to R9,8m (R6,5m).

The purchase from January 1 of Allied

MERVYN HARRIS

Colloids (SA) from its UK parent is to be financed by the issue of new shares

The acquisition of this specialty company, whose range of products complement those of Chemical Services, would have lifted Chemserve's earnings by a further 10% had it been effective last year

Borrowings decreased to 32% of shareholders' equity against 65% in the previous year, as a result of tight control over working capital and constraints on capital expenditure

The balance sheet is therefore strong and shows a pleasing improvement in all key ratios

Financial director Lex van Vught says steps have already been taken to ensure that supply routes are kept open and negotiations to maintain and enhance technology links continue in the face of the threat of sanctions

Chemserve is more people- and application technology-oriented than other chemical companies, such as its parent AECI and Sentrachem, which are more capital-intensive

The share price has almost doubled over the past year to its present peak of R17

The confident mood of the company, bolstered by its new acquisition, could give further impetus to the price

## Drivetech talks may affect price

Business Day Reporter

**DRIVETECH** has announced that it is involved in negotiations which could materially affect the price of its shares.

The company, listed last year in the JSE's Development Capital Market, gave no additional information but said it would make a further announcement as soon as possible.

Shareholders have in the meantime been advised to exercise caution in dealing in their shares.

The shares, issued at an offer price of 75c, languished around 85c until 10 days ago, when they spurted to 115c.

The price firmed a further 10c early last week and then gained 30c on the announcement of the negotiations on Friday, to close at a peak of 155c.

## Chemical staff threaten strike

By Susan Fleming

About 700 members of the Chemical Workers' Industrial Union (CWIU) are threatening to down tools at Fedmis Phalaborwa unless management stops alleged racial discrimination, a union official said last night.

A local organiser for the CWIU, Mr David Nkoana, said about 700 workers voted yesterday in favour of a legal strike at the Sentrachem subsidiary.

Mr Nkoana said blacks had been doing the same jobs as whites, but for lower wages.

"While whites are being trained for positions, black workers are asked to fill these positions. When they have finished training the black workers have to step down," he said.

"We demand that the black workers be allowed to keep their positions," he said.

A spokesman for Sentrachem refused to comment on whether he had been approached by the union about discrimination or a possible strike.

PROTEA CHEMICALS LISTING

# Protests over allocations

FM 13/2/87  
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The basis of allocation for the Protea Chemicals (Prochem) closed-end offer — which appeared to favour the smaller investor — has come under fire from shareholders whose shares were held in nominee companies. The JSE is now reconsidering its attitude to closed-end offers and Malbak, which still owns 88% of Prochem, may also be rethinking its position.

The controversy arose because Prochem was wholly owned by Malbak, and JSE regulations require that a subsidiary be listed by way of a rights issue. The theory is that shareholders own a percentage of the subsidiary via the parent company and should be given the opportunity to retain their pro rata ownership of the subsidiary.

In the recent cases of Cashbuild, MedClinic and Prochem, firstly Kirsh, then Rembrandt and finally Malbak obtained dispensations from this JSE requirement, having closed-end offers instead. In these offers shareholders are not granted rights to take up, but must apply for shares in the same way as a public offer. As in the case of a public offer, the company allocates shares according to a formula, taking into account the size of the application as well as the shareholding in the parent.

With Cashbuild, complaints were centred on what was regarded as inequitable treatment in original allocations to shareholders in the Kirsh companies. Shareholders were also unhappy that applications in nominee names were treated as single applications.

This happened again with Prochem. A shareholder holding 500 shares in Malbak who applied for 500 shares received 500 shares. If his application was part of a nominee company's application for, say, 100 000 shares, the total amount to be allocated to the nominee was only 4 770 shares, and the individual shareholder's portion 24 shares. Banks, stockbrokers and all others who have nominee companies have effectively had to make a second allocation among their nominee applicants.

The reason given for not using the lists of applicants usually attached to the nominee application is that nominee companies are subject to abuse, and that there has been a mushrooming of such companies. Telephone calls to brokers and banks, however, indicate that many small investors who used nominee companies feel aggrieved.

Malbak's stated aim in its method of allocation — to favour the small investor — has not entirely been achieved. Applications in individual names have been favoured over those using nominees, instead of favouring small shareholders above large holders.

But who is responsible for allocations in

closed-end offers? Though many have blamed the listings department of the JSE, its job is to follow the policy of the committee. JSE president Tony Norton says that "the JSE does not determine allocation of sales. The final decision lies with the board. The JSE seeks to influence decisions to improve them, which it did with success, but in the end it must abide by the right and duty of the company to allocate shares as it sees fit."

Norton says that "a straight rights issue would have given rise to an unrealistic number of fractions and small holdings so the JSE gave the normal dispensation of a closed offer. The cost of generating rights is not proportionate to the return."

Some shareholders feel that in the case of a rights issue certain shareholders could lose by the JSE's attitude of non-interference. In the Prochem case, critics are arguing that shareholders of the same categories of shares have been treated differently, which is inequitable. Norton remains firm that "the JSE acted in good faith and correctly and any discontent about the basis of allocation must be taken up with the board."

Malbak financial director Peter Benning-

field claims the company has mostly received "accolades" from shareholders satisfied with the basis of allocation. "We have always been sensitive to our shareholders and we like to keep on as firm a footing as we can," he says. He and chairman Grant Thomas have asked dissatisfied shareholders to contact them.

Pat Kenney



Malbak's Thomas ... most are satisfied

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officer

## Dow Chemicals to disinvest

By PHILLIP VAN NIEKERK

DOW Chemicals — the American giant which acquired notoriety during the Sixties for manufacturing napalm used in the Vietnam war — is set to disinvest from South Africa

A representative of the company this week refused to comment on the pending pull-out, but reliable sources said one unit of the local operation would be transferred to local management and one unit would be sold to outside buyers

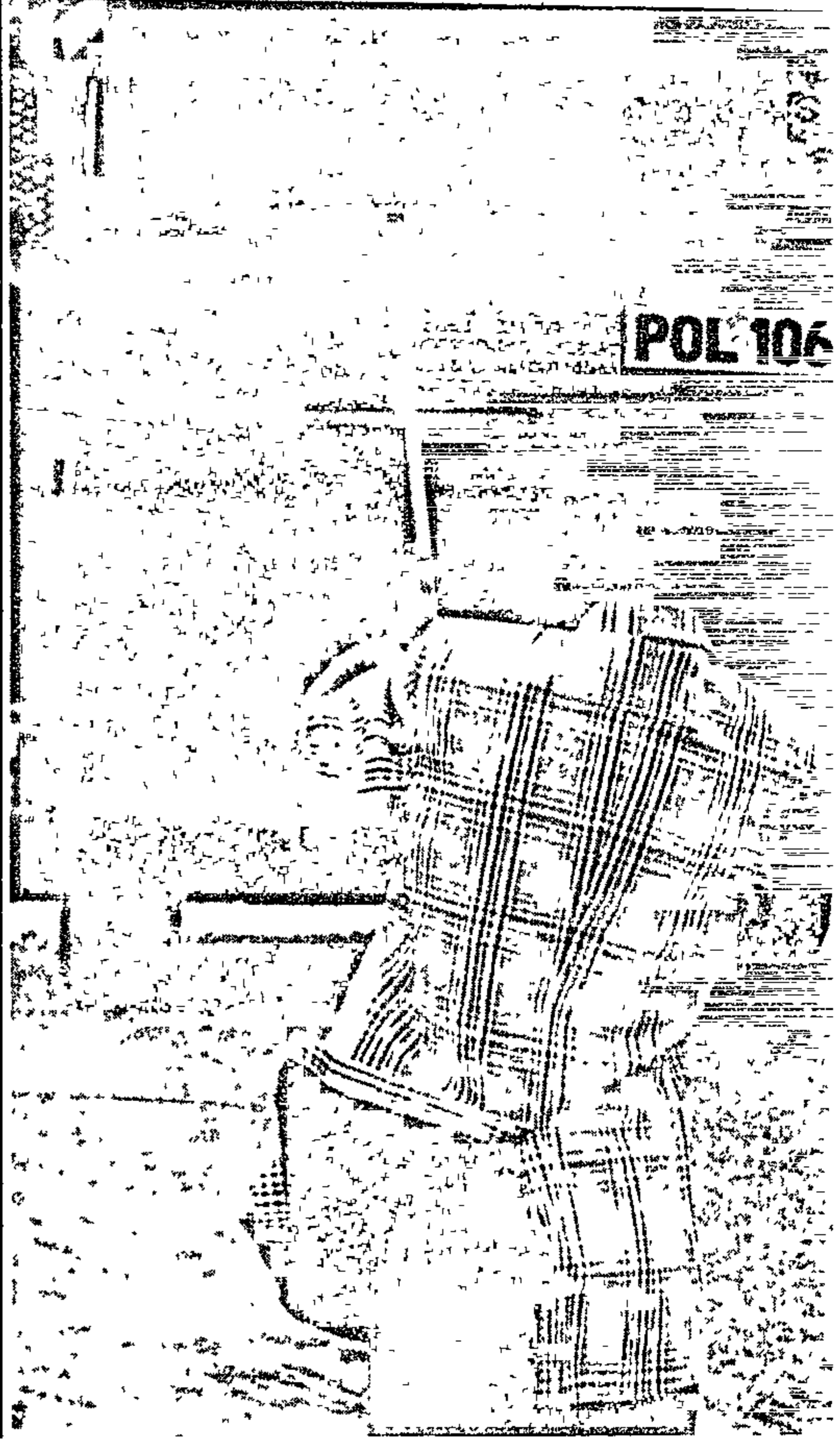
Dow is one of the largest chemical companies in the world, but its local operation — which manufactures agricultural and industrial chemicals as well as pharmaceuticals — is relatively small

In 1983 the company employed 200 workers and had investment in South Africa valued at \$32-million (about R60-million at current exchange rates)

Dow is the fourth American company to disinvestment from South Africa since the beginning of the year. The news of its pending departure is the third report in the past week of a foreign multinational leaving the country, following the announced withdrawals of Canadian companies Moore, which manufactures business forms, and Falconbridge, 49 percent owner of Western Platinum

Ken Mason, director of the American Chamber of Commerce in South Africa, said yesterday that investment in South Africa by US companies had declined from \$2,8-billion (about R5,4-billion) in 1983 to \$1,3-billion (about R2,5-billion) in 1987.

W/12/87  
13/2-19/2/87



# Dow Chemicals to sell to Premier

DOW CHEMICALS is to sell its R140m-a-year SA pharmaceutical operation — Mer-National — to Premier Milling's Twins Pharmaceutical Holdings. Poor SA business conditions and pressure from US anti-apartheid lobbyists prompted the country's largest producer

of analgesics to quit.

The company's American chairman, Paul Orrefice, said Dow regretted the need to sell the plant, which registered \$60m in sales last year.

● To Page 2

16/2/87  
B/Day

## Dow 'wanted to stay to promote change'

The switch in control to Premier puts Dow into the already massive Anglo American/JCI/SAB/Edgars/OK Bazaars/Amalgamated Retail stable.

Mer-National has an annual turnover of between R22m and R25m. Its biggest product is the locally developed Syndol, an analgesic which recorded R11m in sales last year.

Orrefice said he wished Dow could have remained as part of the process for change in a "white-led nation".

Dow employs about 200 people in SA, about 125 of whom worked for Mer-National.

About 75 employees, most of whom work in sales, would remain on Dow's payroll, said the SA company. A Sunday newspaper reported that there were to be no retrenchments for a year without a payout under an agreed severance package.

● From Page 1

16/2/87  
B/Day

## Dow Chemicals 'selling reluctantly'

JOHANNESBURG — Dow Chemicals says it is "reluctantly" selling its R140-million-a-year South African pharmaceutical operation "because of poor SA business conditions and US pressure from anti-apartheid lobbyists".

Reacting to the announcement from the Dow Chemicals American chairman, Mr Paul Orefice, the managing director of the Port Elizabeth-based pharmaceutical manufacturer, Lennon Ltd, Mr Clive Stanton, said many similar disinvestments in the industry were expected this year.

"The Dow Chemicals disinvestment doesn't affect us," Mr Stanton said today.

"We're going to see a lot of disinvestment in our industry and I believe the competition will remain, as it has in the past — and we'll continue to meet this competition," he added.

The switch in control of Dow Chemicals' SA subsidiary to Premier Milling will put Dow into the already massive Anglo-American/JCI/SA Breweries/Edgars/OK Bazaars/Amalgamated Retail stable. — Sapa-AP

183



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£ Post 1/6/87

CMT Times 16/2/87  
183 209

# Kemtrade earnings surge

**JOHANNESBURG.** — The addition of budget-priced cosmetics to its product range helped Kemtrade Holdings, the pharmaceutical sundries distributor listed on the Johannesburg Stock Exchange last October, to turn in a strong performance for the year and comfortably beat its earnings forecast

For the 12 months to December 31, Kemtrade reports an attributable income of R758 000, which is 55% ahead of the 1985 figure and well ahead of the R685 000 forecast in the listing prospectus.

This is equivalent to earnings of 7,3c a share (4,9c). Because of the issue of an additional 2m Kemtrade shares prior to the listing, the increase at the earnings per share level is slightly lower, at 49%

The company has declared a final dividend of 0,6c a share, making the total distribution for the year 2,1c a share. The final dividend covers the nine-week period from when the company was listed to its year end and is 20% higher than was forecast in the prospectus

Kemtrade's turnover rose by 32,6% in the year under review compared with 6,8% the previous year and operating income rose to R1,3m (R1m). Net finance costs declined from R45 000 to R33 000 and, in spite of a 50% tax rate, taxed income rose by 30,7% to R639 000 (R489 000).

An associated company, which owns the trademarks of the Mary King and Three Flowers budget cosmetic ranges as well as the Anneline Kriel range of perfumery — all produced in SA — contributed income of R119 000 during the period, bringing Kemtrade's attributable income to R758 000.

MD Maurice Gavshon said: "The addition of the budget cosmetics range to our product range was particularly successful and contributed materially to profits." — Financial Staff and Sapa

POSITION

**AECI**

1600c  
1500c  
1400c  
1300c  
1200c  
1100c

1986 1987  
Jul 4 Aug 21 Oct 8 Nov 25 Jan 15 Feb 17

**AECI boosts earnings 53%**

*18/2/87*  
*B/O Day*

MERVYN HARRIS and  
PETER STACEY

AECI'S 53.5% jump in earnings to 113c (74c) a share for the year to December was at the top end of analysts' expectations

A final dividend of 35c boosted total distribution by 5c to 60c a share, with cover raised from 1.3 to 1.9 times

Analysts say AECI's current share

● To Page 2 → *183*

**AECI earnings rise 53%**

*18/2/87*  
*B/O Day*

price of R16 is discounting earnings of 150c and dividends of 75c a share in 1987. Dividend growth is expected to advance more rapidly this year as the company's debt is reduced and there is no need to restore cover further.

The better-than-expected results came in the wake of higher domestic volumes and strict control over fixed operating costs and overheads.

Turnover climbed 20% to R2,82bn (R2,34bn) as domestic sales volumes rose 4%, with substantial increases in chemicals, plastics and fibres. Sectors more closely associated with consumer demand showed little, if any, growth.

MD Mike Sander says plants worked flat out to meet the higher level of demand, with the Coalplex plant, for example, operating at 102% of design capacity.

Export sales improved marginally to R236m (R233m), despite the higher domestic off-take which reduced the availability of products for sale internationally.

However, Sander says better prices and a general hardening of overseas commodity markets resulted in the best price levels in the past five years.

*From Page 1*

The benefits of high trading volumes and cost control are reflected in the 31% leap in net trading income to R332m (R253m)

Financing costs fell to R69m (R91m) because of favourable movements in interest and foreign exchange rates and in improved cash flow.

Attributable income increased from R114m to R175m

Sander says the possible effect of international boycotts are difficult to assess, but that a variety of positive indicators suggests moderate economic growth in 1987

He says that in an international market, with a great number of sources of supply, AECI "gets good marks" for reliability of supply and stable pricing policy and that customers have been "very loyal and supportive" At this stage there is no reason for concern, although contingency planning is in hand.

Sander, commenting on the possibility of a synfuels plant for AECI, says: "We are working on it" At this stage AECI is some months away from any decision on involvement in such a project, he adds

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SENTRACHEM

# Out of the trough?

F/M 20/2/87 (183)

*As we come to the end of a decade, we in the Sentrachem group see the problems of the Seventies being transformed into the opportunities of the Eighties. Just as the investments of the Fifties heralded the golden age of growth in the Sixties, we believe that the government spending on infrastructural development, which strained this country's financial resources in the Seventies, has laid the foundation for unprecedented growth in the Eighties — Sentrachem's 1979 annual report.*

Like other companies in the chemical sector, Sentrachem entered the Eighties with high hopes. Most producers had enjoyed years of good profits and they foresaw a decade of robust growth and ambitious investment in new capacity, much of it aimed at import substitution. Within a few years, profits of virtually the entire industry were stagnating or falling — even the giant AECI maintained its dividend for five years. But for Sentrachem, the Eighties became a nightmare.

In 1979 the group announced it was to build a coal-based synthetic rubber plant at

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**The Eighties became a traumatic decade for Sentrachem. But like others in the chemical sector, profits are recovering thanks to improved efficiencies and better sales volumes.**

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Newcastle for an escalated cost originally estimated at R350m. By the time the plant was commissioned in 1983, the cost was R429m. Worse still, the plant made massive losses — a figure of R50m was rumoured for last year — and has yet to make a profit. This and the drought, the economic slowdown, government's move away from import controls, foreign exchange losses and ballooning interest charges all helped to push Sentrachem into a R24,4m loss in 1985.

The group is clawing its way back. While still a long way from the R50,1m earned in 1983, attributable earnings are back in the black and analysts expect further improvement when results for the year to end-March are released. The share, after falling last May to a low of 145c, climbed since October

to a high of 320c in January, before retreating to the current 295c.

In some respects, results were expected to improve for the same reasons that AECI was expected to come out with good figures this week (see *Fox*). For one thing, traumas of recent years have forced chemical companies to concentrate on improving efficiencies and restructuring assets. Companies have been left leaner, poised to benefit quickly from better volumes and higher capacity utilisation.

For many there would have been little shortage of opportunities for rationalisation. During much of the Seventies, the emphasis in the industry was on expansion. In 1980, when world oil prices seemed set to keep spiralling, forecasts were made that the industry could see real annual growth in the next 10 years averaging 5%. Concerns were related mainly to creation of production capacity to meet market demand and to fulfil import substitution plans. Apart from the rubber project, in 1980 Sentrachem sanctioned 10 major capital projects, for a total cost estimated at R134m.

While these have generally come to fru-

ition, the investment momentum has wound down. In better years, there was talk of a R600m ammonia plant, or an ethanol plant to produce liquid fuels from agricultural products. Today, says MD Dave Marlow, the group is no longer keen on making large investments to produce high-volume, low-margin commodity chemicals. Where several years ago a payback period of seven years was considered acceptable on a new project, today paybacks of two to three years are wanted.

"We plan to move towards higher margin products," says Marlow. "We will still make investments, but they are likely to be relatively small projects. We've been looking at all possibilities, and there are some very promising ones." He adds that the parent, Sankorp, has been supportive in this.

Meanwhile, product ranges have been broadened where possible. In the metallurgical field, for example, combinations of flotation chemicals and ion exchange resins are tailored for specific applications. Also, Marlow notes that trading is a fast-growing activity for the group. For management purposes, the group has been broken into small business units, with incentives aimed at profitability. Consistency of product quality became a key consideration.

Some capital expansions have in fact gone ahead, including several at plastics producer, Safrapol, owned jointly with Hoechst. But on the whole, the opportunities are not nearly as extensive as was once thought. Owing partly to government's move away from import controls towards limited tariff protection, remaining prospects for import substitution

projects — on an economic basis — now appear limited, despite the lower rand.

Even existing assets were shrunk down. The 40% interest in PVC producer Coalplex — originally a R94m investment — was sold to AECI, which now owns 100%, and, in response to overcapacity averaging some 40% in the fertiliser industry, fertiliser subsidiary Fedmis mothballed one of its Sasolburg plants.

That some success was achieved with efforts to make operations more efficient has been shown in the

latest results. Despite continued large losses in the rubber division trading margins widened in the six months to end-September, and the attributable figure swung from the previous loss of R2,3m to earnings of R12,7m.

Clearly the big swing factor from here on will be the Asprene synthetic rubber plant. Problems that caused its losses included cost overruns, decisions to extend the product range and to build a plant to make a raw material, calcium carbide (all increasing the capital base), rubber consumption in SA failed to grow at the forecast rate, and consumers were slow to switch from natural to synthetic rubber. There was much talk in the market of quality problems, but Marlow denies this was a factor.

But there were more encouraging developments over recent months. Marlow says progress was made with increasing market penetration of synthetic rubber, which has climbed to about 55% (still well below overseas figures of 75%). Sanctions fears have also made customers more interested in local supplies. "We have made tremendous strides with operating efficiencies at the plant," says Marlow. "We expect Asprene will break even at trading level in the relatively short term."

Fedmis is another lossmaker at present, but here too profit breakeven is a short-term target. Easing of price discounting in the fertiliser market should result from AECI's purchase of Triomf. Little if any appreciable growth is projected for industry fertiliser sales over the next few years, but profits may be helped by better efficiencies and a softening in raw material prices.

More positive areas include sales of non-fertiliser products to agriculture, industrial chemicals and plastics. Safrapol produces high density polyethylene and polypropylene, more than 50% of its output is used in the packaging industry, and Marlow notes that because of cost advantages plastic's share of the packaging market has increased relative to other materials. Sentrachem's sales of plastics have, therefore, responded relatively quickly to the pickup in consumer expenditure that started in the third quarter of 1986.

Marlow adds that good improvements



**Sentrachem's Marlow**  
... efficiency

were seen in sales of mining supplies, and demand for mining chemicals — a relatively small division in the group — remained buoyant. More importantly, growth was achieved in the foodstuffs division, where, for example, market penetration of yeast is about 45% against 20% a couple of years ago, thanks largely to technology improvements.

Debt remains a worrying aspect of Sentrachem, and little relief is in sight other than lower interest rates. The group is working on a major refinancing scheme,

which will involve substantial repayments when borrowings fall due under the Asprene suspensive sale liabilities in June. Effectively, total repayments will amount to nearly R900m, derived from cash holdings of about R230m, new borrowings of about R360m, and R260m held by the lessor trust established as part of the original financial arrangements for Asprene.

Financial director Robin Morris says that debt equity should not be affected by the refinancing, which amounts to a substitution of funding sources. The intention is to raise new borrowings as medium-term loans, at interest rates close to prime. "Continuing cash inflow should actually reduce the gearing from the level of 1,06 at September 30," he says.

By March 1987, debt fixed capital is expected to drop below 100% — the point where dividends will again be considered. The group gearing target of 60% is predicted to be reached in 1991. A factor helping liquidity at present is declining capital expenditure, which is running around R40m-R50m a year at present. Spending is likely to remain modest unless any large new projects go ahead.

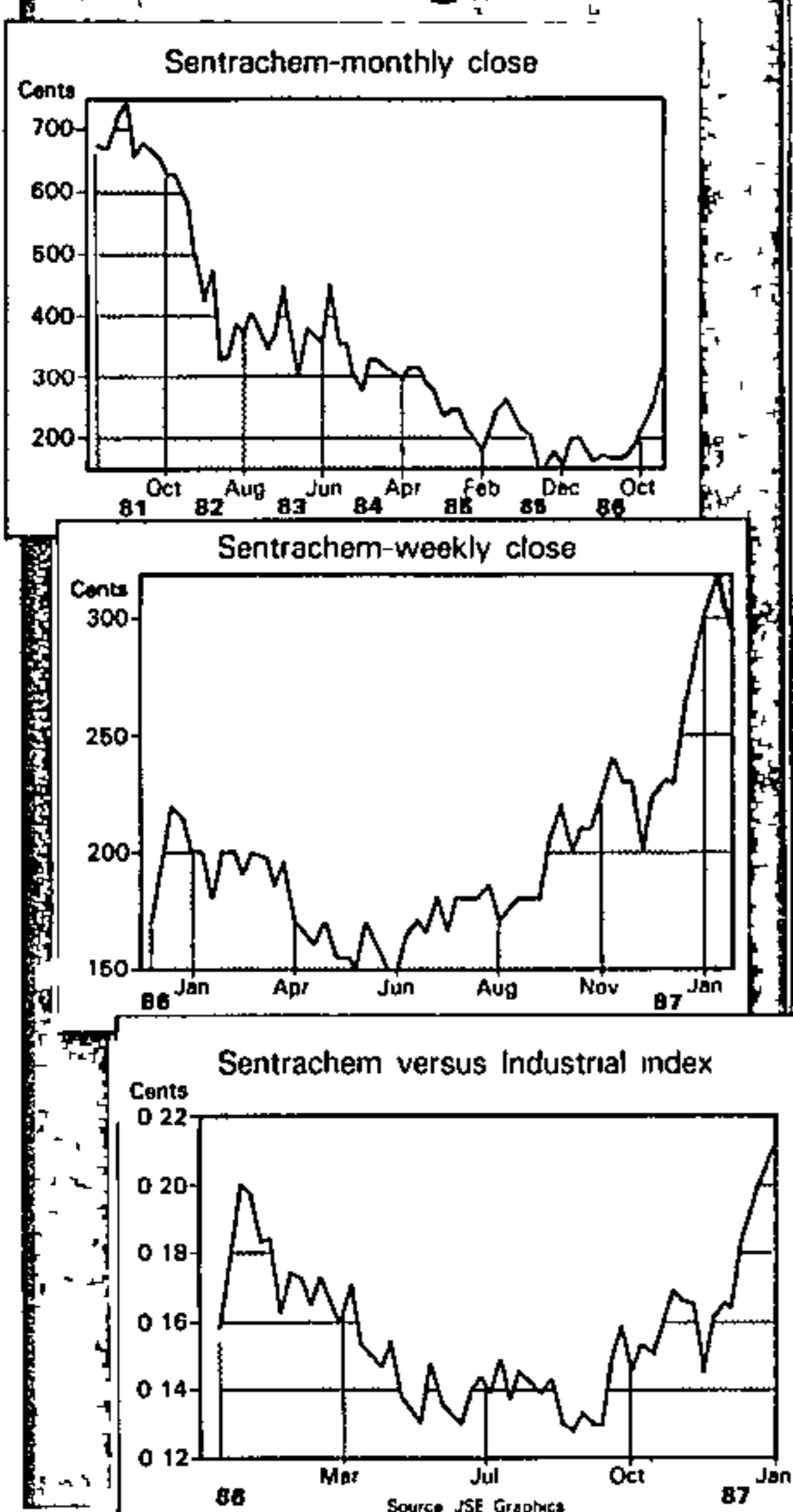
As the share price shows, enough has changed in Sentrachem to bring market analysts sniffing around, if somewhat cautiously for the moment. Says one: "We list the share as speculative because we are not entirely relaxed about management. Another concern for the investor is the large level of debt. Where will the company be if interest rates start moving back towards 20% in a year or two? But provided one accepts it as speculative, the share is probably a buy now." Another says: "Cash flow is strong and the rubber division is steadily improving. If you believe the turnaround is there, then we don't think the share is all that expensive now."

Much of the immediate recovery prospects may already be in the price. Return on assets will not look attractive for some time. But at 295c, the share is still at a discount of more than 30% to net worth, which had climbed by end-September to 438c a share.

Further confirmation of rising profitability would enhance the more bullish prospects.

Andrew McNulty

## Bouncing back



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# SA buyout as Foster Wheeler disinvests

ALAN SENDZUL

US CHEMICAL engineering firm Foster Wheeler Energy Corporation said yesterday its British affiliate company had disinvested from SA through a local management buyout.

The new company will be known as Foster Wheeler SA (FWSA) and the deal, which passed control of the UK-owned subsidiary into SA hands, was entirely funded by local money.

Foster Wheeler's annual turnover is estimated at R50m. It has a staff of 300, all whom will retain their jobs.

The firm's main asset — because of the nature of its business — is expertise. Contracting work covers oil refineries, petrochemical plants, pharmaceutical factories and other capital intense production plants.

FWSA said it would continue to honour existing contracts and preliminary design work on the Mossel Bay project will be unaffected by the change.

The new directors, all SA residents, are Bill Howe, Horst Filip and Brian Wedgwood, who will act as managing director.

In terms of the buyout, the sale, which is still subject to the approval of the SA authorities, cannot be quantified. It also prevents the foreign sellers from buying into the company at a later date.

No JSE listing is envisaged.

# Advancement of all, on merit and without discrimination

ARBUS 8/3/87 (83)

AECI has a different approach to equal opportunity. In addition to overall company policy, it has identified some key areas for special projects. The company's MD, Mr Mike Sander, has also set clear objectives for advancing all employees on merit and without discrimination. SHERYL RAINE reports from Johannesburg

**A**ECI, with a workforce of 27 800, has squared up to the task of black advancement and is beginning to spawn some interesting success stories

"We are not just trying to get a number of black managers into top level jobs," says group personnel manager Mr Bokkie Botha. "We are approaching black advancement on a broad front moving people up the line."

"We have an element of affirmative action. Our companies do set targets. These started off being very specific and at the time they were set we knew they were probably going to be unachievable."

"The big difficulty came when the economic recession set in and black advancement programmes became more difficult to implement with staff freezes. People became more specific about what could be realistically achieved. Targets are now firm but reviewable within the various companies."

"The most important achievements in black advancement at AECI have occurred in specific problem areas in particular plants. Although theorists say you must not adopt the project type of action, I believe you must focus on specific needs."

"One of our success stories is the Modderfontein detonator factory. It has



Mr M A (Mike) Sander has set clear objectives

been an expensive but worthwhile project."

About three years ago, at this explosives production unit with a staff of about 1 100, it was found that most of the foremen were busy "pushing paper" and not managing production or people.

A new staff position was created — that of production supervisor. The job was carefully specified and demanded not only certain abilities but human qualities as well. The 800 applicants for the jobs were put through a rigorous selection procedure which included tests, role plays and structured interviews.

In the end, 14 jobs were offered and the candidates subjected to nine months' intensive training.

Areas tackled during training included resources management, an achievement motivation course, communications, management techniques and a one-month stint in the plant itself, doing the most menial tasks.

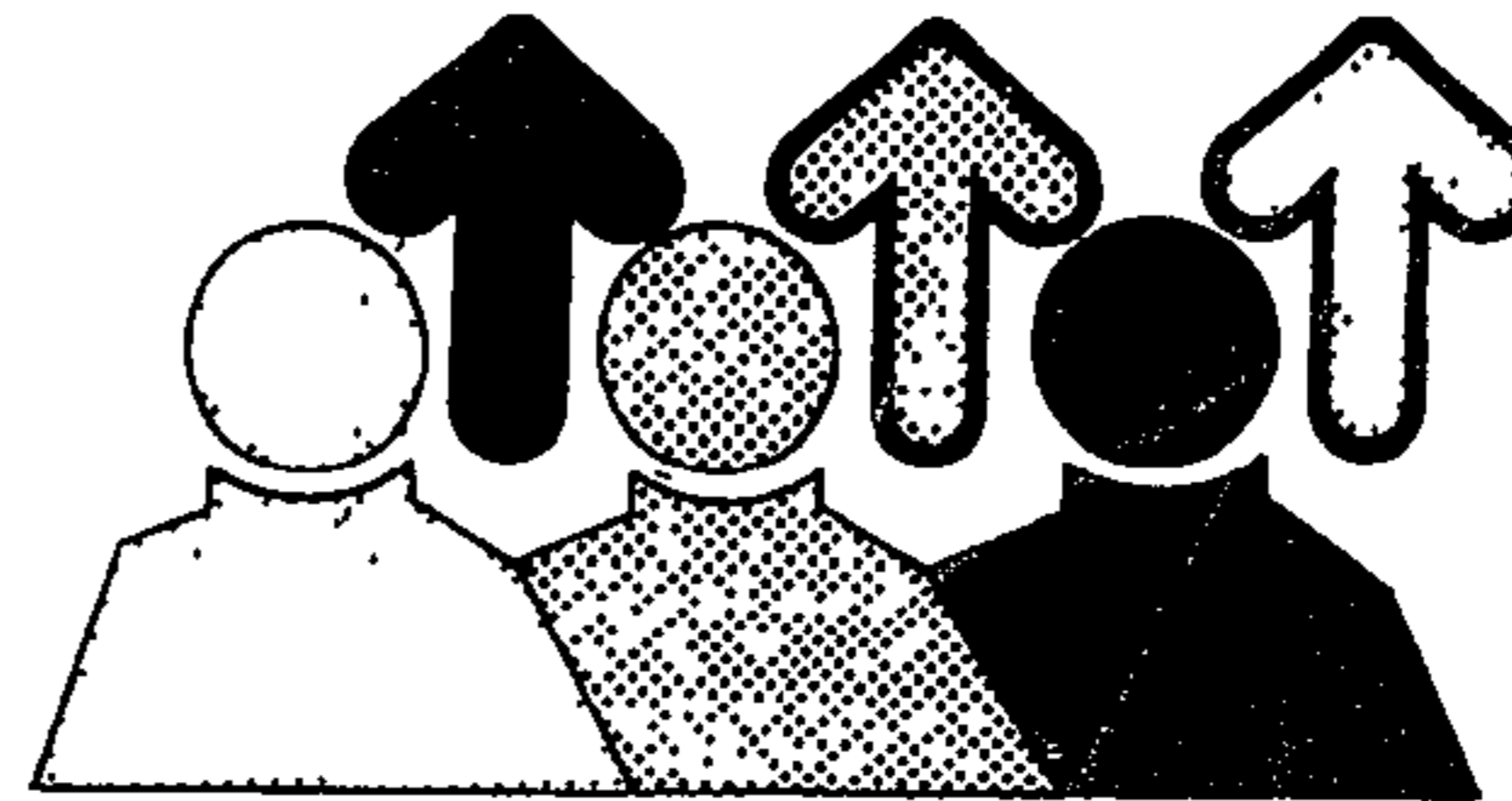
At the end of the training programme all were appointed and placed in the plant for 18 to 24 months before being appointed to run their own section.

The results of the training programme have been highly encouraging. But there have been some indications of a white backlash as some employees feel their jobs threatened by black trainees.

There are other things happening throughout AECI which were not happening 20 years ago — like the black manager in the Chlor Alkali plastics division who is in daily contact with officials and shop stewards of a right-wing white trade union. There is also the case of black industrial relations officers who sit on disciplinary inquiry committees, where necessary, to consider infringements by white staff.

"We have no imposed monitoring groups for black advancement in the group,

## Building for Tomorrow — Part 4



## Equal opportunity aims

AECI has set out its equal opportunity objectives:

- Advancing all employees by providing a satisfactory work environment with diverse and challenging career opportunities at all levels, on merit and without discrimination
  - Active participation in improving the quality of life in South African society by fostering education and training for all races.
  - Playing a positive and constructive role in helping to bring about meaningful and peaceful change in South Africa
- To attain these objectives AECI will, among other things:
- Eliminate all discrimination based on race, colour, creed or sex from all aspects of employment practices
  - Eliminate segregation of the races in all eating, comfort and work facilities
  - Set up training and development programmes to allow all employees equal opportunities for further advancement based on merit.
  - Ensure an annual audit of progress in the implementation of this policy and communicate the results to its employees
- All AECI Group employees are expected to support and promote the equal opportunity policy.

but the executive committee is kept informed and we have a personnel policy development group which, by consensus, establishes guidelines to be used by each company," says Mr Botha. "Each company now is

encouraged to establish its own monitoring groups and appoint people responsible for black advancement. Different companies have gone about it in different ways and we believe that is right. "As regards white back-

lash, we have tried coercive and soft tactics. We have told people that they must not put themselves into situations where racial conflicts arise. We have used racial conflict as grounds for dismissal. The message is clear.

"A lot can be said for environmental preparation. The Bob Tusenius course, involving weekend seminars at hotels away for multiracial groups of about 20, is one which we use. It involves role reversals and generally sensitising people to racial issues."

"It is an expensive business but big companies are looking for the answer and there are no easy solutions."

In addition, AECI has a vigorous quality-of-life programme with a focus on black communities as well as a comprehensive bursary scheme.

"We have recently started to publicise these things to help change attitudes of our staff," says Mr Botha.

"White employees can see we are focusing on the needs of the black community. The programme is highly biased towards education and community development as well as manpower development. For instance we could sponsor a man wishing to get a technical diploma even though his job does not require that qualification."

What about mistakes?

"We have had programmes which were expensive and wasted money but I believe there is some positive element in every venture even if it's just the valuable experience one gains."

FRANS DAVIN

## Man for a crisis

① FIM 6/3/87 (183)

Probably the greatest compliment a man can have is to be called back from retirement to tackle an extremely difficult task. So it was in September 1986 that Frans Davin (62) was asked by Jan van der Horst — chairman of Old Mutual — to help sort out Triomf.

"The fertiliser industry had been going through very difficult times, with consumption down a third in just two years," says Davin. "Last year suppliers were running at half capacity, and a price war had developed." Triomf had major problems: the balance sheet was weak, it had lost all its capital, and its customers were uncertain about future supplies. "My task was to stop the price war, to continue to sell in an extremely difficult and competitive market, and to retain the staff."

Triomf's subsidiary at Richards Bay had been put into provisional liquidation during July, and in December three major customers, representing 25% of sales, cancelled their contracts, and Triomf lost more staff.

Clearly, Davin had to make a quick decision before losses began escalating sharply. Rationalisation had to come, and the fixed assets of Triomf in Potchefstroom were sold to AECI for R58,5m, plus another R36,6m for stocks and stores. AECI will collect on behalf of Triomf their outstanding debts of approximately R20m.

If this is approved by the shareholders at a general meeting in April, "we will sit with approximately R50m in cash," says Davin, "a new name, and about four staff, while Nedbank will hold virtually all the preference shares and 77% of the ordinary shares."

So, for Davin, it's another mission accomplished.

It was the third time Van der Horst had invited him into business. The first time had been in 1948, when Davin was asked to join Imperial Cold Storage (ICS) as a statistician. Davin earned a B Comm at Stellenbosch, where he had taken the unusual step, under advice from his mentor, Professor Faantje Pretorius, to 'ry for three majors instead of aiming for distinctions in two. Davin passed in 1945 with statistics, economics and accountancy.

His first job was with the university. "Actually, I was the very first employee of what has now become the Bureau for Economic Research at Stellenbosch." His salary then was £200 per year. Within the following two years he had had six jobs — a period out of keeping with a man of such drive and foresight. But, says Davin, "nowhere did I meet a challenge."

Then came his job at ICS, where he developed his skills as a trouble-shooter. "For the first time I had a real challenge," he says.



Davin ... fewer mistakes than most

After 21 years he had a brief spell at Nestlé in Johannesburg as GM, "which was a frustrating experience. It was controlled from Switzerland and there was little autonomy."

Then Van der Horst made his second invitation, in 1970, asking Davin to join Old Mutual as GM of its Industrial and Development Company (OMID). Investments had always interested him, and it meant going back to the Cape. And though it was for a substantially lower salary, Davin "saw the future possibilities."

Initially he invested in small companies without taking control. But, being minority shareholders, "we lost on a number of occasions because the management didn't take our advice." Yet taking control would have been contrary to Old Mutual's philosophy. In the end, OMID went into voluntary liquidation with Old Mutual making a substantial capital profit.

Old Mutual has, of course, taken control on occasion. Nedbank last year was a case in point, and so was Rennie's. "Taking control of Rennie's was on my recommendation," says Davin. "It was the only way we could buy into a good deal." It was later merged with Safmarine — part of an overall investment strategy that proved highly rewarding.

In 1979 Davin became joint MD of Old Mutual with Dick Lloyd; he was the market man, and Lloyd the actuary. In 1982 Davin became sole MD. That year he also became chairman of the Life Offices' Association. He retired officially in 1985.

Davin is a fair-minded, pragmatic man. He accepts that everyone makes mistakes. Although he can't recall any really major errors on his part, an "interesting" one he remembers was during his time at the SA Medical Council at the start of his career. "I was young and aggressive, and I threatened to remove a number of doctors from the register because they hadn't paid their subscriptions." It was only the following day that he realised that in fact their subs had been paid.

A reply to one of his apologies said that the lesson to be learned was that man was not infallible. It was something that Davin took with him all through his career.

His aim was always to achieve maximum interaction and standing, "and you must never be shy of doing a job." Davin must have been considerably influenced by Van der Horst over the years. The men certainly developed common ground — they are both extremely good leaders, fair, prefer to work in a team, and have initiative and drive. "Also in later years," says Davin, "I found you could always approach Dr Van der Horst and even agree to disagree if that was the case. There were no hard feelings."

He has the same management style. Old Mutual is a fantastic organisation, he says, and has room for anyone with the drive to make progress. He says the greatest challenge in such a large organisation is to lead a group of very able people and to keep them motivated. And with over 3 000 salesmen, it's a major task always to prove you're successful.

During his fascinating career he has accumulated a string of directorships. At one time or another he was on the boards of Durban Hotels, National Finance Corporation, Volkskas, SA Breweries, Small Business Development Corporation, and Lydenburg Platinum (chairman).

His current main directorships, however, are Armscor, Rand Mines, Mutual & Federal, Bloemfontein Board of Executors & Trust (chairman), Safren, Stellenbosch Farmers' Winery (chairman), and, of course, Old Mutual.

Davin is a devout Christian, having attended his local Dutch Reformed church all his life. It has clearly been a source of strength to him, as has his marriage. He was born on September 30 1925 and grew up on a farm in the Bultfontein district, which he still sees as home. He married on December 23 1950 to Helena Marais. "I'm fortunate in having an appreciative and very understanding wife. I have had a lot of support. It is very important in marriage that when you are in the wrong you must be prepared to admit it."

# Wine industry talks turn sour

CAPE TOWN — The wine industry has declared a dispute in its wage negotiations with workers, manpower director at Stellenbosch Farmers' Winery Piet Rossouw has said.

Workers went on strike on Tuesday and Wednesday after negotiations between their union and the industry's employers' association broke down. However, they returned to work on Friday.

B/DAY 9/3/87 (183)  
Rossouw said negotiations between the employers' association — representing wine producers such as Gilbeys, Oude Meester, Douglas Green, SFW and Union Wines — and the union representing about 6 000 workers, faltered after the union rejected an increase of 17% on minimum wages

The union wanted an across-the-board increase of R35. — Sapa.

R4bn is on offer from CEF

# Pullout firms spurn Mossel Bay tenders

B/Dew

10/3/87

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(S)

DISINVESTING chemical engineering companies are turning down the chance to profit from the next stage of the Mossel Bay offshore oil development.

Industry sources say at least three foreign companies have turned down offers from the Central Energy Fund (CEF) to apply for future tenders.

If final go-ahead for the project is given, the CEF is expected to provide about R4bn over the next four years for the first stage.

There has been speculation that with 70% local content the remaining 30% does not make it profitable enough for foreign companies.

One company, however, says that having joined the disinvestment bandwagon, foreign firms cannot be seen becoming involved again in SA.

Foster Wheeler, a British affiliate of the American chemical engineering firm, announced last month it had sold its SA operation to a local management consortium.

The company recently completed a

DAVID FURLONGER  
Industrial Editor

study commissioned by the CEF while Foster Wheeler was still foreign-owned.

Tim Evans, company secretary of Foster Wheeler in the UK, said yesterday. "We recently received a telex asking us if we were interested in future work in connection with the Mossel Bay project.

"As part of the requirement, we were expected to form a joint venture with a South African operating company. Since we've just left the country, it was hardly the time to do so.

"The 70% local content requirement didn't come into it."

Two American companies, Bechtel and Kellogg, are also understood to have turned down work at Mossel Bay. Officials of the two companies could not be reached for comment.

Meanwhile, Engineering Management Offshore Services (EMSO) MD Steve Hrabar insisted yesterday that 70% local content was achievable.

Mobil Oil has tackled its management development programme as scientifically as if it were planning a new oil refinery. Companies planning equal job opportunity programmes would do well to emulate Mobil's approach. In the final part of her series, SHERYL RAINE reports

ARL 6/15  
183 (2/1/87) 10/3/87

# Developing SA norms and equal opportunity

**M**OBIL Oil, which has about 3 000 employees of all races, has a highly structured and holistic approach to equal opportunity and its programmes are as scientific as possible

"In 1972 the company was restructured so that theoretically a black labourer could become chairman," explains Mr Mel Palmer, a civil engineer who speaks Xhosa and who is an assistant to the chairman in charge of management development

"In retrospect, the biggest difference between our policy then and that adapted now, is that we treated everyone equally then and now we ensure that everyone has equal opportunity. There is a fundamental difference between the two. When you treat people equally you make no differentiation between them and take no cognisance of their different backgrounds"

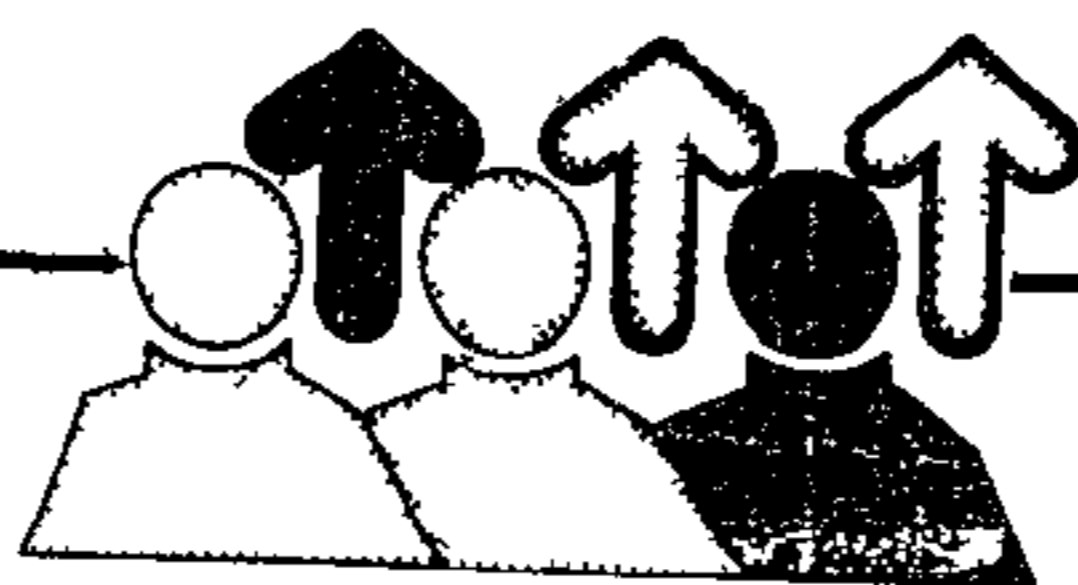
Today Mobil believes in equal opportunity with unequal effort on the part of the company. Today the company does not hire skills. It hires people with specific attributes to suit the jobs it has clearly defined and then trains them in the skills needed

"People from disadvantaged backgrounds, white or black, need additional effort on the part of the company to ensure that they have truly equal opportunity," says Mr Palmer

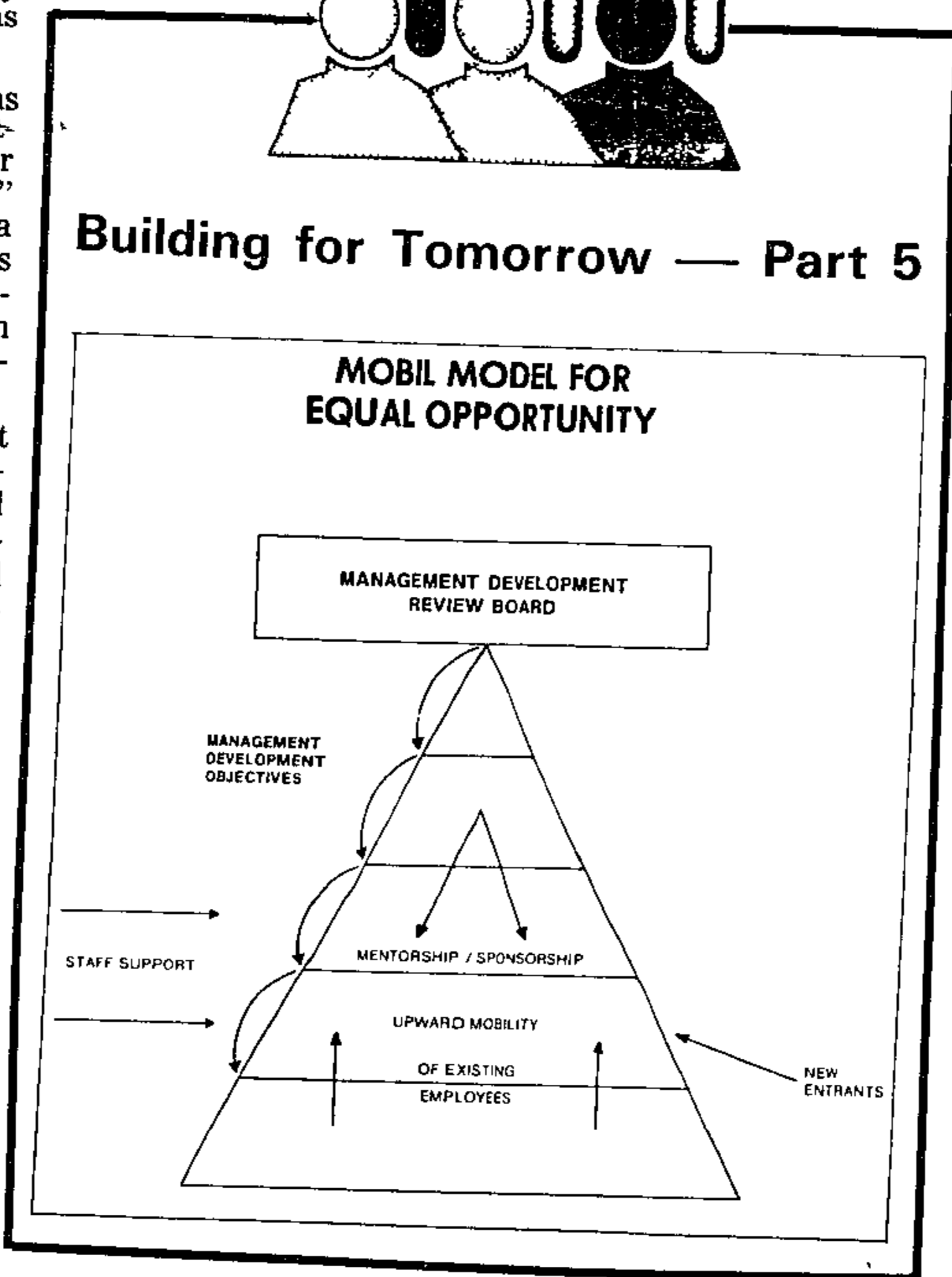
"Our prime objective is to get people of all races into senior management and to do this we have a comprehensive management development programme

While the emphasis may be on getting black people into the company there is no neglect of other groups

"We examined Mobil and found that 91 percent of our upper-middle management structure was white, three percent Asian, two percent black and four percent coloured. We were



## Building for Tomorrow — Part 5



unhappy about that and decided to change it. Crucial areas that needed addressing were identified, including

Company policy and environment

"One has to ensure that there is no overt discrimination. One can accept that because company policy is based on Western norms it automatically discriminates against those who do not subscribe to those norms. It will take many years for these policies to become totally South African to accommodate all people"

### Conflict between cultural values and Western norms

Poor understanding of the free enterprise system which impacts deeply on black employees coming into the company

Effects of education and socialisation on cognitive development

"People are innately identical but their educational, social, cultural experiences make them what they are"

Conflict between cultural values and the Western business value system

"There is a powerful example of what I'm talking about. Mobil was involved

in building a refinery in Saudi Arabia. Safety is very important in such operations and the company erected safety signs. The next thing we knew we had a strike on our hands

"Workers said safety was Allah's business and had nothing to do with Mobil Oil. What we had was a severe clash of values. This example points to a lot of other areas where values clash

"We need to identify where these clashes take place and adapt the organisation to allow people to develop what will become South African norms

"If businesses don't do that and if they prescribe just Western norms, they cannot survive. These norms have to evolve with all cultures contributing"

Socialisation of employees within the company

"Mobil has its own culture and to advance, employees must be assimilated into the corporation. It is a high-tech business which strives for excellence. Standards are high and discipline a priority. Neither standards nor discipline can be diluted due to the potentially dangerous products Mobil handles

"Training and management standards are important

and there is enormous investment in training

"There is no quick fix. Our objective is to ensure that there is an adequate supply of suitable competent candidates and representatives of all South African population groups to meet the needs of the company," says Mr Palmer

"We have set realistic targets in conjunction with the managers who must meet them in the various departments"

### The most advanced learning methods to develop abilities

Mobil believes that the keys to success include line management acceptance and implementation of the management development programme and constant monitoring by the company's review board which is made up of the chairman, two deputy chairmen and Mr Palmer

Employees develop in line positions and there is no diminishing of jobs to accommodate trainees

Training is scientific, structured and a full training-needs analysis is done for every individual. Theory is taught in such a way that it is integrated into performance on the job

"This is time consuming but it works," says Palmer

The company devotes considerable time, effort and application of the most advanced learning methods to develop an employee's ability to think

"Through detailed assessments and interviews we can identify cognitive deficiencies, get the employee to recognise them and improve"

Strict objectives are set by and for trainees who continue learning on the job. There is considerable emphasis on formal mentorship, feedback and rewarding the success of trainees as well as mentors

Another vital element in Mobil's total approach is a data bank of more than 420 identified potential achievers within the organisation. Their details are recorded on computer, possible career paths plotted and training strategies mapped with consultation

"Roughly one third of these achievers are not white. There is no appointment made in Mobil today that does not come through this system and it ensures that no one is overlooked"



CAPC 7/1/86 10/21

# Trek boosts distributable income 25%

JOHANNESBURG — Trek Beleggings has maintained its record profit growth in 1986 — boosting distributable income by 25% with the help of a tax break which more than compensated for a drop in operating income

A final dividend of 63c (55c) is to be paid

Published yesterday, the results for the year show sales down bt R18,7m to R656,4m and operating income down R8,6m to R28,5m

The directors said this was the result of an almost static inland demand and the decrease in the price of petroleum products

It also reflected the combined impact of higher marketing costs and fixed marketing margins on operating income

## Interest rates

Investment income fell significantly following the decline in interest rates

Attributable income from associated companies was slightly improved

Tax dropped from an effective R27,2m to R8,5m, which included a tax credit of R7,5m from a stock loss (for tax purposes only) of R15m

The loss resulted from a decline in the posted prices of refined and crude product, boosting distributable income for the year to R35,4m (R28,3m)

Directors note that, faced with a static market and fixed marketing margins, Trek may have difficulty in improving its financial performance this year

The directors also say they are still considering how best to invest the company's surplus funds

Until a suitably attractive opportunity has been found, the funds will be put into preference shares on a short-term basis — Sapa



# 700 strikers back at work

SME  
11/2/87

183

About 700 members of the Chemical Workers' Industrial Union (CWIU) employed by the Mining Industrial Rubber Company will return to work today after a three-week wage strike.

They have gained wage increases of between 31 and 54 percent and the recognition of May 1 and June 16 as paid holidays.

● Metal industry annual wage talks have been adjourned to April 2. About 350 000 employees are affected.

183

Bj Day 12/3/87

# Hoechst sells Cassella-Med

GERMAN-CONTROLLED chemicals group Hoechst SA has sold its Cassella-Med pharmaceuticals operation to a South African company for an undisclosed sum

DAVID FURLONGER

East London-based Pharmador has bought rights to all Cassella-Med's products and brand names. These include such well-known brands as Fibre Trim, Yogurtrim, Histalix, Cold Stop, Tensolve, Cough Med, Vita Fiber and Fat Off

ment Director Volker Schmidt said the group simply wanted to concentrate on developing its traditional business, such as plastics, synthetic fibres, chemicals, plant protection and ethical pharmaceuticals

Pharmador MD Pierre Greyvensteyn said "We are delighted with the acquisition. Cassella-Med's products will complement our own range. The acquisition makes very good business sense to us"

Hoechst SA stressed yesterday the sale should not be seen as a disinvest-

# City manufacturer's multi-million deal

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## *Spin-offs for other Border companies*

Business Editor

**EAST LONDON** — An East London pharmaceutical manufacturer is set for a major expansion of its business with a "multi-million" rands purchase of a range of pharmaceutical and slimming aid products.

The Hoechst group has sold all the products and brand names of its Cassella-Med division to Pharmador, a long-established East London company which was taken over eight years ago by the Greyvenstein family and which employs about 300 people, most of them in East London

Pharmador's executive director, Mr Eric Otte, said yesterday that manufacture of the new products, including well-known pharmaceutical preparations and slimming aids, would be relocated to its East London factory which had recently been modernised

The managing director of Pharmador, Mr Pierre Greyvenstein, said the acquisition made "good business sense" as the pharmacy-only products would complement his company's range and the slimming aids franchise would help consolidate a growth area in major retail food outlets

A director of Hoechst South Africa, Mr V L Schmidt, said the group had decided to dispose of its self-medication interests to concentrate on the development of its traditional business, such as plastics, synthetic fibres, chemicals, plant protection and ethical pharmaceuticals

Mr Otte said the purchase of the new product ranges involved a "multi-million" deal with Hoechst

He said the new factory — built in the shell of Pharmador's Chiselhurst building as part of a re-organisation of the company which cost millions of rands — already had the infrastructure and facilities to cope with the increase in manufacturing

Pharmador's marketing director, Mr Bryan Watson, said the acquisition was expected to increase his company's turnover by 50 per cent in the medium term

The dairy products used in certain of the slimming lines could offer contract manufacturing opportunities for other companies in the Border area, he said

183 P/M 13/3/87

CHEMICAL SERVICES

# Right chemistry

**Activities:** Group of companies supplying a diverse range of speciality chemicals, chemical raw materials and related services

**Control:** AECI controls 57%

**Chairman:** A B Nieuwoudt, managing director P T Francois

**Capital structure:** 6m ords of R1 each Market capitalisation R114,7m

**Share market:** Price 1 912c Yields 3,3% on dividend, 8,7% on earnings, PE ratio, 11,5, cover, 2,7 1986-1987 high, 1 950c, low, 1 110c Trading volume last quarter, 47 000 shares

**Financial:** Year to December 31

	'85	'86
Debt		
Short-term (Rm)	10,1	3,0
Long-term (Rm)	11,8	10,1
Debt equity ratio	0,58	0,27
Shareholders interest	0,47	0,56
Int & leasing cover	4,2	5,7
Debt cover	0,33	0,71

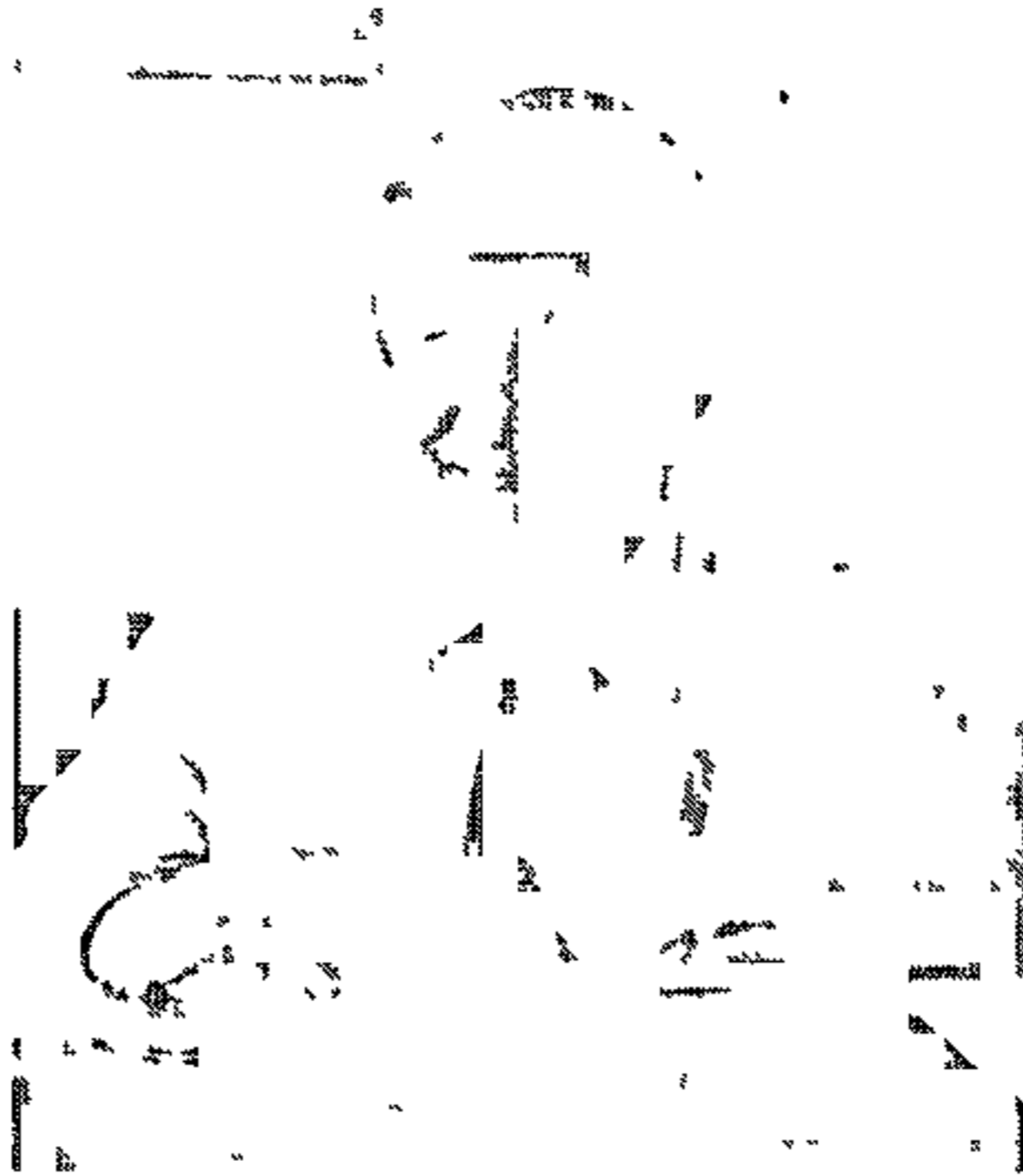
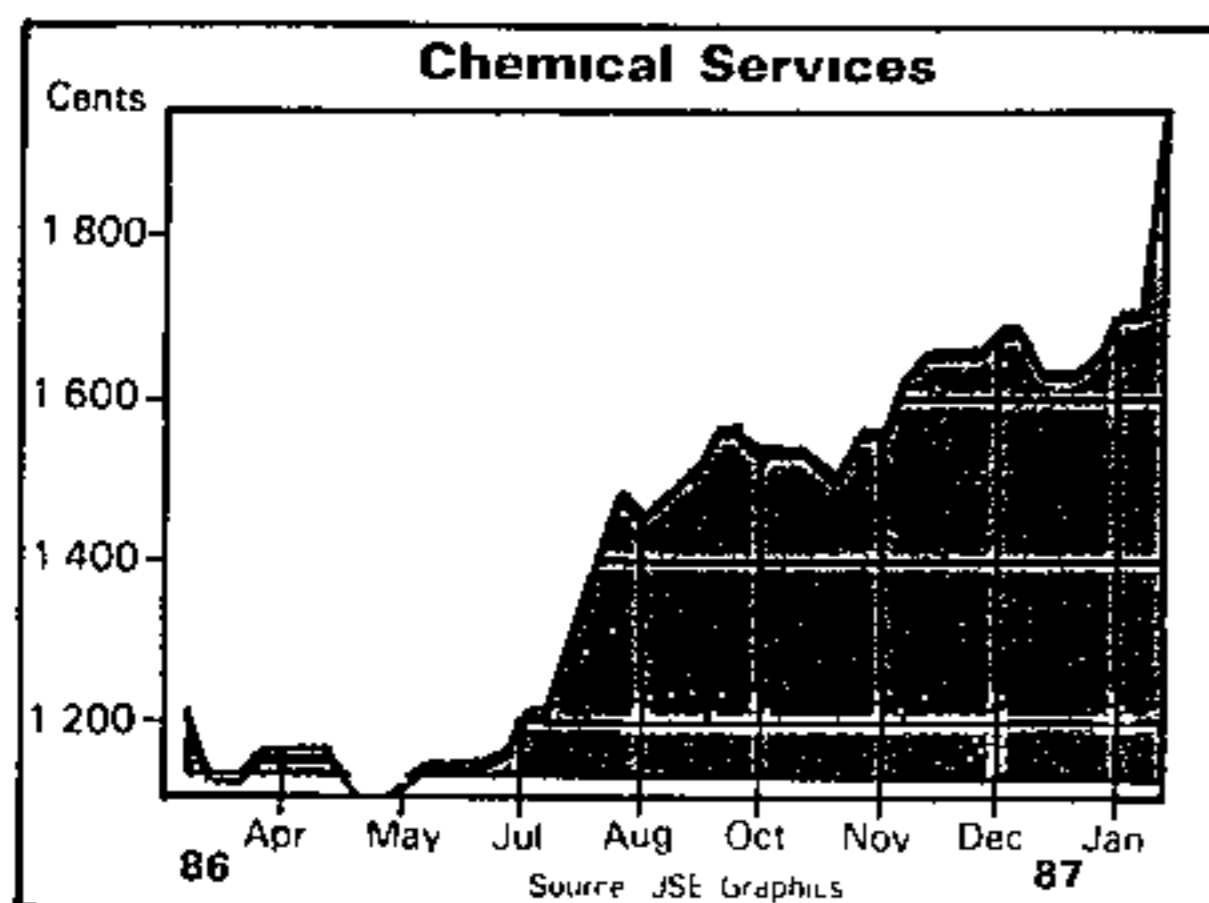
**Performance**

	'85	'86
Return on cap (%)	18,2	20,1
Turnover (Rm)	120,6	159,0
Pre-int profit (Rm)	14,5	18,4
Pre-int margin (%)	12,0	11,5
Taxed profit (Rm)	5,5	7,9
Earnings (c)	115,2	166,2
Dividends (c)	50,0	62,5
Net worth (c)	669,8	835,9

With a dividend of 62,5c this year, Chemical Services (Chemserve) has at last broken from a stagnant five-year period when its payout was frozen at 50c. With profits now steadily increasing, the share was due for the rerating which saw its price move up 76% in the past year.

Earnings rose 44% despite higher raw material costs and pressure on operating margins, which deteriorated slightly from 11,7% to 11,4%. Worst hit by cost increases and lower margins was Chemserve Steinhall, producer and marketer of guar gum products.

Two other subsidiaries felt the impact of anti-South African sentiment, with Apecochem losing its licence to manufacture for a Swedish company, while the trading and agency division of Chemserve Technical Pro-



**Chemserve's Francois ... aggressively acquisitive**

ducts "lost a number of representations and also came under pressure owing to the strong European currencies," according to MD Peter Francois.

Operating and overhead costs were contained with tighter controls, and finance charges fell R388 000, partly because of lower interest rates, but also because of the reduction in debt, especially short-term.

With lower borrowings, debt equity as well as debt cover have improved sharply, while forex losses are steadily being worked out of the group's system. Some R624 000 was written off last year, making the total to date R1,5m, with another R727 000 to be written off over two years.

In the current year, Chemserve claims already to be seeing the benefit of restructuring in Chemserve Food Sciences and the water treatment divisions of Chemserve Systems, though Francois points out that the food division will need "to show improved gross margins if it is to produce satisfactory results."

There should also be benefits for the group from the impending commissioning of a plant to produce Betaseal. The product, used in direct glazing in the automotive industry, is presently imported.

Growth could be generated externally as well. According to Francois, "Chemserve is aggressively on the acquisition trail, but there are no particular plans at present. We mean to stick to our own area of expertise. The acquisition of Allied Colloids (which Chemserve bought from its UK parent late last year) should add about 10% to earnings and the cost is 225 000 shares." This places the deal on a 23% earnings yield, which seems a bargain. We understand that the

shares have already been sold to major shareholder AECI at a price ruling in December.

If Chemserve can continue striking such good deals, and provided the core business continues to grow at the current pace, shares in this solid performer should continue to rise.

Pat Kenney

E W TARRY

## Expansion phase

**Activities:** Distributes tools, equipment and machinery to the industrial, mining and automotive markets. Has dealership for Delta Motor Corporation and Isuzu commercial vehicles.

**Control:** 74% held by Hunts. Ultimate control held by W & A.

**Chairman:** M Simchowitz, managing director B Joffe

**Capital structure:** 2,2m ords of 25 pence Market capitalisation R51,2m

**Share market:** Price 2 325c Yields 3% on dividend, 9,1% on earnings, PE ratio, 10,96, cover, 3,0 1986-1987 high, 2 650c, low, 500c

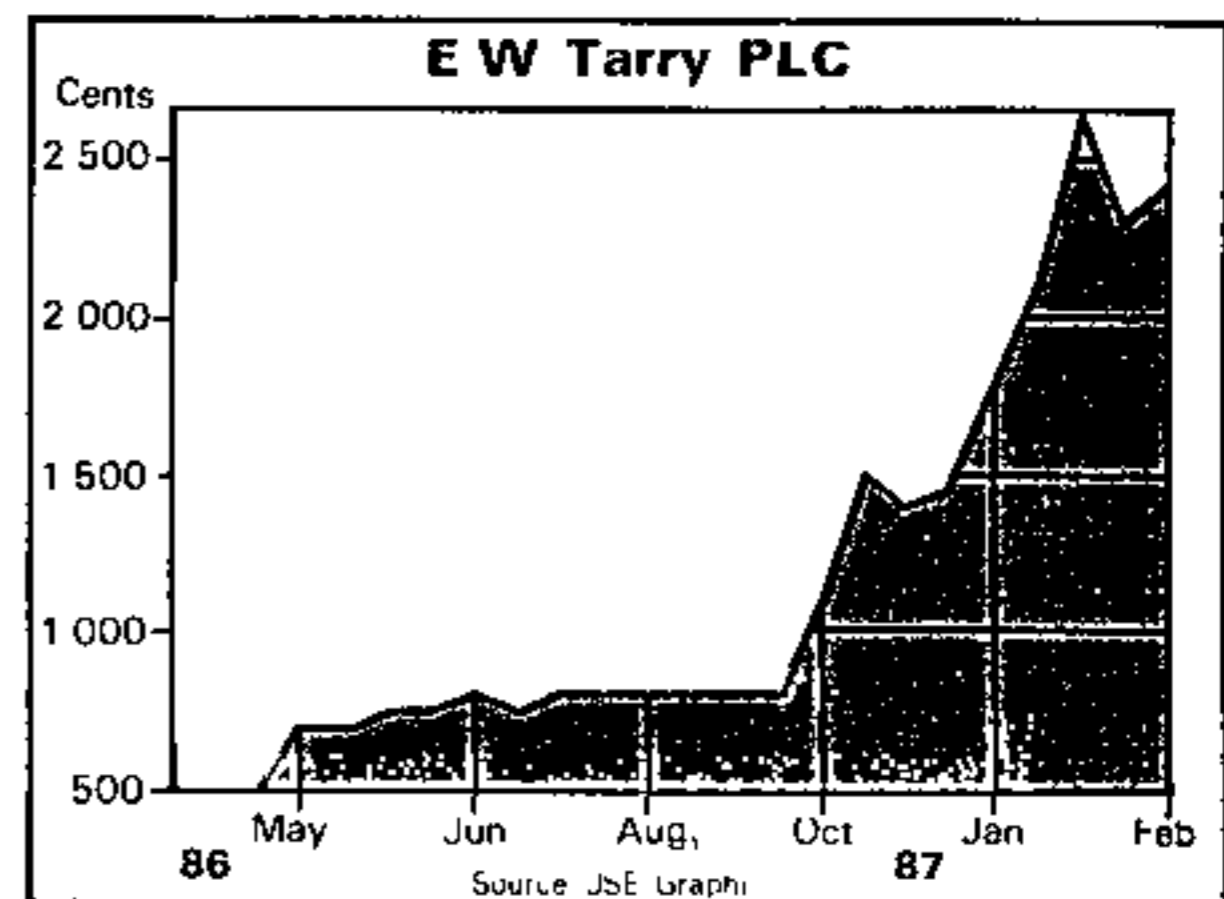
**Financial:** Year to December 31

	'85	'86
Debt		
Short-term (Rm)	—	—
Long-term (Rm)	3,7	6,5
Debt equity ratio	0,17	0,27
Shareholders interest	0,52	0,53
Int & leasing cover	2,1	2,6
Debt cover	0,89	0,85

**Performance**

	'85	'86
Return on cap (%)	11,1	14,2
Turnover (Rm)	68,1	170,5
Pre-int profit (Rm)	4,5	6,3
Pre-int margin (%)	6,7	3,7
Taxed profit (Rm)	2,5	4,7
Earnings (c)	114,1	212,0
Dividends (c)	35	70
Net worth (c)	962	1 065

E W Tarry's sharp improvement since the reconstruction of the Hunts group, and after MD Brian Joffe took over the executive reins, has been sufficiently covered in the



# I'll fight to the end to get my Richards Bay cash — Luyt

183 SIT 15/3/87

**AN angry Louis Luyt has vowed to continue his fight against Nedbank over the sale of the Triomf Richards Bay (TRB) plant**

After Mr Justice O'Donovan dismissed with costs his attempt to have the R79,5-million offer by Indian Ocean Fertiliser set aside, Mr Luyt said it was only the first round

## Goodwill

Mr Justice O'Donovan refused Mr Luyt leave to appeal against the judgment

Mr Luyt said "I will fight to the end I have instructed my legal team to petition the Judge-President"

The fight between Mr Luyt and Nedbank, his long-time supporter, has amazed the business world Nedbank lent more than half its capital and reserves to Triomf

Counsel for the liquidators of TRB said Mr Luyt had implied fraud against Nedbank and asked the judge for a ruling Mr Justice O'Donovan said he would not comment on the validity of the claim, but his view on it could be inferred from his judgment in favour of the liquidators

Nedbank seeks to sell Triomf's Richards Bay phosphoric acid plant and its

**By Ruth Golembó**

stocks for R79,5-million The plant and other assets are valued at R25-million Mr Luyt argues that because the sale is at R79,5-million, the buyers are paying R54,5-million for the shares He says the assessed loss is worth millions

Nedbank contends the excess of the price over asset value is goodwill being paid because the plant is a going concern

The creditors, mainly Nedbank, are owed R235-million Nedbank contends the shares are worthless because liabilities exceed the assets, but Mr Luyt says they are worth R50-million

## Losses

Mr Justice O'Donovan agrees that because of the degree of insolvency of TRB the shares are worthless

Mr Luyt holds 13% of TRB, holding company Triomf Kunsmis Beleggings (TKB) If the TRB shares are worth about R50-million, as he claims, he would receive about R6,6-million Nedbank would get the rest

In terms of the R79,5-million sale, taking into account R20-million stock and R35-million debtors, creditors stand to gain R135-million Nedbank received a total of

R93,8-million for Triomf's Potchefstroom plant from AECL

It provided R248-million for its losses in respect of Triomf Nedbank managing director Anton van der Merwe-Vance says that depending on stock valuations, past provisions will be adequate to cover all losses in the Triomf group

But Mr Luyt says the buyer, Indian Ocean Fertilisers, should get only the assets of the company

Mr Luyt says that in same way in which the Potchefstroom Fertiliser plant was sold to AECL, the TRB deal should not include the shares

Indian Ocean Fertilisers seeks to buy the Richards Bay plant through the financial rand Dealers say its purchase attempt might lie behind the recent strength of the financial rand

Triomf selling  
price should  
cover write-offs  
Nedbank

NEDBANK GROUP says the price obtained for Triomf Fertilizer (Richards Bay) should enable it to handle any write-offs within provisions made previously.

Nedbank set aside R248m last year after the Triomf group of companies, of which it is the main creditor, went into provisional liquidation.

The liquidators this week completed the sale of Triomf Fertilizer (Richards Bay) to Indian Ocean Fertilizer Holdings for R79,5m plus raw material stock at cost and finished-goods stock at market value.

Assets excluded from the offer include certain investments, cash on hand and debtors, which should realise about R35m.

Louis Luyt, a director of Triomf, failed last week in the Supreme Court to halt the transaction. About R50m should have gone to Triomf's shareholders, he argued.

State phosphates company Foskor said it had negotiated a contract to supply phosphate rock to Richards Bay and would assist, at top management level, in operating the facility, reports Reuter.

□ It was reported in the *Sunday Times* yesterday that Luyt is to petition the Judge-President for leave to appeal against the Supreme Court judgment dismissing his application with costs. On Friday Mr Justice O'Donovan refused Luyt leave to appeal.

143/1000

NEDBANK said yesterday the R79,5m sale of Triomf (Richards Bay) (TRB) would go through, despite Triomf founder Louis Luyt's last ditch attempt to stave off the transfer of shares.

Nedbank CE Anton van der Merwe-Vance said everything was in place and he would give the liquidators his guarantee today.

He said he was satisfied funds were available for Indian Ocean Fertilizer Holdings' (IOFH) foreign parent company to buy the plant.

He denied that Nedbank's London subsidiary was putting up the money. Nedbank had offered IOFH's parent company a loan if there were financing problems from a non-SA bank, but that had not been necessary. The funds had been obtained from an unnamed European bank.

The matter was "sensitive", however, and he could not reveal the identity of the European bank or IOFH's parent company.

David Rennie, one of the provisional liquidators, said yesterday exchange control approval had been granted for IOFH to buy the assets of the Richards Bay plant at the financial rand rate, because the company's controlling shareholding was held overseas.

He said once the liquidators had received Nedbank's guarantee, TRB could be handed over to the IOFH "almost immediately".

Johann Marnitz, Luyt's attorney, said he was preparing a petition for leave to appeal against Friday's rul-

# TRB sale to go through despite Luyt

KAY TURVEY

ing, where Luyt's attempt to have the offer set aside and his subsequent appeal were dismissed.

Marnitz has subsequently informed all parties to the offer that any action they took would be at their own discretion.

It is understood Luyt may be able to claim for damages as a minority shareholder.

183  
B Day 17/3/81



# Trimof's purchaser foresees turnaround

**KAY TURVEY**  
INDIAN Ocean Fertilizer Holdings (IOFH), the new owner of Triomf Richards Bay (TRB), intends to turn the plant around within 18 months.

IOFH director Hubert Jarlet, who is also a director of Universal Mineral Chemical Holdings, IOFH's parent company, said yesterday that according to market perceptions, the plant would become economically viable within this period.

Universal Mineral Chemical Holdings, an offshore, UK-registered consortium, deals in phosphate and its related products from supplier to end-users through its international trading houses.

IOFH, which bought TRB for about R100m, took possession of the fertiliser plant yesterday.

Jarlet said it had been of primary importance that the plant continued to operate and sell on the international market while under provisional liquidation and had therefore not lost market share.

He said because of losses incurred by the plant (about R285m), its purchase would not have been feasible, had it not been for the "attractive" financial rand deal. Exchange control approval had been given for the deal because Universal Mineral Chemical Holdings has a controlling shareholding in the locally based IOFH.

## Power failure

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Graphic: JOHN MCCANN

SI

# Tighten belts, chemists warned

120/3/87  
N/M

183

## Mercury Reporter

MEDICINE prices will have to drop by the end of the year because medical aid societies cannot cope with the high costs incurred by members

To do this, manufacturers, wholesalers and pharmacists will have to 'pull their belts

in' and reduce medicine costs to encourage those who are on medical aid, but who cannot afford current costs and use provincial facilities instead, to return to the private sector

This was said yesterday by Mr Sid Hurwitz, vice-president of the National Wholesale

Drug Association and managing director of South African Druggists, one of the country's biggest medicine wholesalers

He was reacting to the controversy surrounding a call by the South African Association of Retail Pharmacists for a change in the Government tender system for medicine

They have said the Government is paying ridiculously low prices for medicines and that those buying medicines in the private sector are being forced to subsidise the low costs

Only 15% of the population get their medicines in the private sector and, says Mr Hurwitz, a large number of people, mainly elderly, need long term therapy

He said that if they bought their medicines in the private sector their medical aid allowance would be used up within a month or two. These were the people who needed to be enticed back into the private sector with lower prices

'If prices were lowered these people would be encouraged to come back into the market. Understandably pharmacists are nervous to

TURN TO PAGE 2

# Tighten your belts, pharmacists warned

FROM PAGE 1

drop their prices and hope — legislation prevents them from advertising — but if more people came into the sector the prices would be kept down and it would still pay

'The Government should send these people out, back into the industry and spread the burden more evenly. At the moment the State caters for almost 60% of the population,' he said

## Subsidies

Discussions, formal and informal, had taken place within the industry and Government, said Mr Hurwitz, and the privatisation of the facilities now provided by the Government was a distinct possibility

A source who has attended the talks told the Mercury the Government had virtually told the private sector 'You take it over and administer it and we will help with subsidies for the poor'

Changing the tender system currently applied by Government would not help, said Mr Hurwitz, because 'the consumer would simply have to foot the bill again with a bigger tax bill'

But a highly placed source based in Natal and an official within the public (hospitals) sector has said South African pharmacists mark up medicines by 50% before selling them to the public, and then also charge for 'professional duties' when asked to fill out a prescription

And, he claims, their profit margin, and fees charged for 'reading' a prescription, are considerably higher than anywhere else in the Western world

'They (pharmacists) are complaining about the medicine prices paid by the Government simply because they want a bigger slice of the pie'

'It is the Government's responsibility to provide medicine to those who cannot

afford it. Whichever way the system is changed, taxes will simply have to be bumped up to pay for everything

'Already a healthy slice of everyone's taxes goes towards paying for provincial medical services. It is a case of the rich paying for the poor,' the source said

In this country manufacturers arrive at a price for their product after having calculated the cost of research, time and production and, at times, import costs. Then they include a profit margin and this is the price they eventually charge the wholesale distributor

The wholesale distributor adds on 17% and then delivers the medicine to the retail pharmacist

The retailer applies a further 50% mark-up, and if the medicine is bought on prescription, a 'professional duty' fee per item is also levied

Although the days when pharmacists actually made up the medicines are largely over, this charge is levied for their recording the medicine and amount given, putting the pills into a separate container and then telling patients how to take it.

## Mark-ups

In the United States the wholesale distributor has a mark up of about 10%. The profit-margin increase from retail pharmacy to the public is about 25%

These mark-ups are even lower in other Western countries

According to the source the tender prices paid by the Government are low because generic medicines (the equivalent of a patented medicine which is copied and marketed by 'pirate' companies once the patent lapses) are bought on a large scale

Because the cost of research and testing does not have to be built into the medicines produced by the 'pirate' companies, theirs are a lot cheaper

TRIOMF DEAL

**A killing for Foskor**

20/3/87 FM 183

Nedbank could realise as much as 50% of its R250m claim against Triomf Fertilizer Richards Bay (TFRB) as a result of the buy-out by foreign investors which was finalised on Tuesday

The South African holding company, Indian Ocean Fertilizer Holdings (IOFH) is now in full possession and control of TFRB despite fertiliser magnate Louis Luyt's active opposition to the deal

And at the same time Foskor is in line for a windfall because, in terms of a new contract, prices will henceforth be based on dollars rather than rands. If the rand/dollar rate remains at its present level, this will mean an effective price increase of more than 60%

Foskor MD John Stanbury stresses, however, that the price hike to TFRB will not affect phosphate prices paid by other fertiliser companies in SA who supply the local market — and pay a price based on rands

The foreign investors, thought to be mainly individual British financiers, also stand to make a killing from the deal. On conversion to the financial rand, their payment will be only half the approximate rand price of R105m — R79,5m for the plant and about R25m for stock, which is still to be finally valued

The buyers' SA representative, Johannesburg attorney Monty Koppel, says the advantages of a cheap investment through the financial rand was the main reason why the syndicate did the deal. It went ahead, he says, despite anticipating TFRB losses over the next two years

Clearly immediate prospects were not the lure. International phosphate markets are so glutted that TFRB has, between date of provisional liquidation in July last year and end February, run up losses of R8,5m (excluding interest and depreciation). Losses were incurred through selling exports below

cost

Stanbury says international price levels towards the end of last year were the lowest ever.

In terms of the offer of compromise received by the provisional liquidators this week, R1m has been set aside for concurrent creditors over and above the purchase price. The dividend to concurrent creditors has been estimated at five cents in the rand but provisional liquidator David Rennie of Syfrets dismisses such speculation as premature

Initial assessments give Nedbank, as a secured creditor, R125m of the estimated R140m which will be available for distribution. It is by far the largest TFRB creditor with a claim of R250m of the total debt of R285m

Nedbank holds a notarial bond over movable assets (included in the purchase price) as well as a cession of book-debts valued at R35m. But the bank has already provided for a write-off of R248m for the combined losses of TFRB and the Potchefstroom plant. If these total R165m, as appears to be the case, Nedbank, at least, will come out of it better than anticipated

**Potchefstroom losses**

Losses on Potchefstroom, sold to AECI last year for R58,5m plus an approximate R30m for stock, have been estimated at R40m

Stanbury tells the FM the existing price for free-on-rail (FOR) Phalaborwa — standard for the industry — has now been changed. TFRB will pay at the rand/dollar conversion rate based on international market price. The conversion will obviously depend on the prevailing exchange rate, but Foskor will gain for as long as the rand remains weak

Assuming a rand value of 50 cents to the dollar and an international phosphate price of about US\$43 a ton, Foskor will see its price of phosphate rocket from its present R51,75/t FOR Phalaborwa to R86/t

BEER

FM 20/3/87

**SAB goes north**

SA Breweries' (SAB) new R470m expansion scheme is unlikely to affect the price of beer, say spokesmen for the giant beer group. And beer drinkers have economies of scale to thank for it

Production capacity at the Rosslyn plant, for example, is now being expanded from the



**SAB's Lloyd ... something to smile about**

existing 5,5m hl a year to 6,75m hl a year. "This will make it one of the largest breweries in the world," says beer division MD Pete Lloyd. Only the US and Japan boast larger breweries

But the biggest single project on SAB's plate — in money terms — is the new R270m Pietersburg brewery. Lloyd tells the FM that one of the reasons for siting the new plant at Pietersburg is the steady rise in demand in the northern and eastern Transvaal. This is more or less in line with national average sales growth of 8% over the past seven years

"Currently, per capita beer consumption in the northern and eastern Transvaal is still below that of the major urban centres, despite healthy growth. So there is plenty of sales potential in that area," adds Lloyd. Northern and eastern Transvaal account for just below 10% of total SAB beer sales

Lloyd says per capita consumption varies tremendously from area to area — depend-

FM

**ISCOR GOES MOD**

FM 20/3/87

Shrugging off the recession, Iscor has embarked on a R500m modernisation programme at its Vanderbijlpark works. The upgrade, which begins next year, will provide a welcome financial injection for local mechanical and electrical engineering concerns which will be allocated some 65%-70% of total expenditure

Explains MD Willem van Wyk "We want to keep local content as high as possible. Only the balance of the work will go to foreign tenderers"

The aim of the four-year project, pres-

ently at tender stage, is to allow for the de-commissioning of the obsolete southern hot-strip mill — now about 40 years old — and to improve the technological capacity of the northern mill

No increase in overall capacity is anticipated

About R350m will be spent on an additional furnace, a roughing stand, a finishing stand, a coiler and an edger for the hot-strip mill at the northern plant. Blast furnaces will be relined and other units revamped

# Nedbank goes back into hiding as Triomf puzzles

**NEDBANK** owes its shareholders an explanation of its Triomf exposure.

So far the bank has disclosed only that it has provided R248-million in respect of the exposure. That was in the annual report published in December.

Otherwise the only official statement on the sale of Triomf's assets has been one by AECl and Triomf to the

effect that AECl acquired the Potchefstroom plant for R58,5-million. It would also pay for stocks.

We have had an unofficial estimate that Potchefstroom stocks are worth R35-million. Debtors have not been estimated, apparently because many are farmers of doubtful solvency.

The only figures one has had on the Richards Bay plant were provided by the liquidators.

Rand Supreme Court papers disclosed that Indian Ocean Fertilisers paid R79,5-million for the Richards Bay plant.

Unofficial estimates are that stocks are put at R25-million and debtors R35-million. Debtors, being large and foreign, at Richards Bay are apparently of good quality.

From these rough figures, it appears that total realisations might come to R233-million. Of total claims against the Richards Bay plant of R230-million, Nedbank's were apparently R240-million. Most of Nedbank's loans are secured.

One can therefore probably infer that it will receive at least 85% of total realisations — about R200-million.

## ADEQUATE

At this stage, Nedbank managing director Anton van der Merwe-Vance will say only that provisions already made should be adequate.

If R248-million has already been provided and the R200-million coming in merely prevents further provisions, one gathers total exposure was about R448-million.

This seems high, so naturally some shareholders are hoping for a write-back.

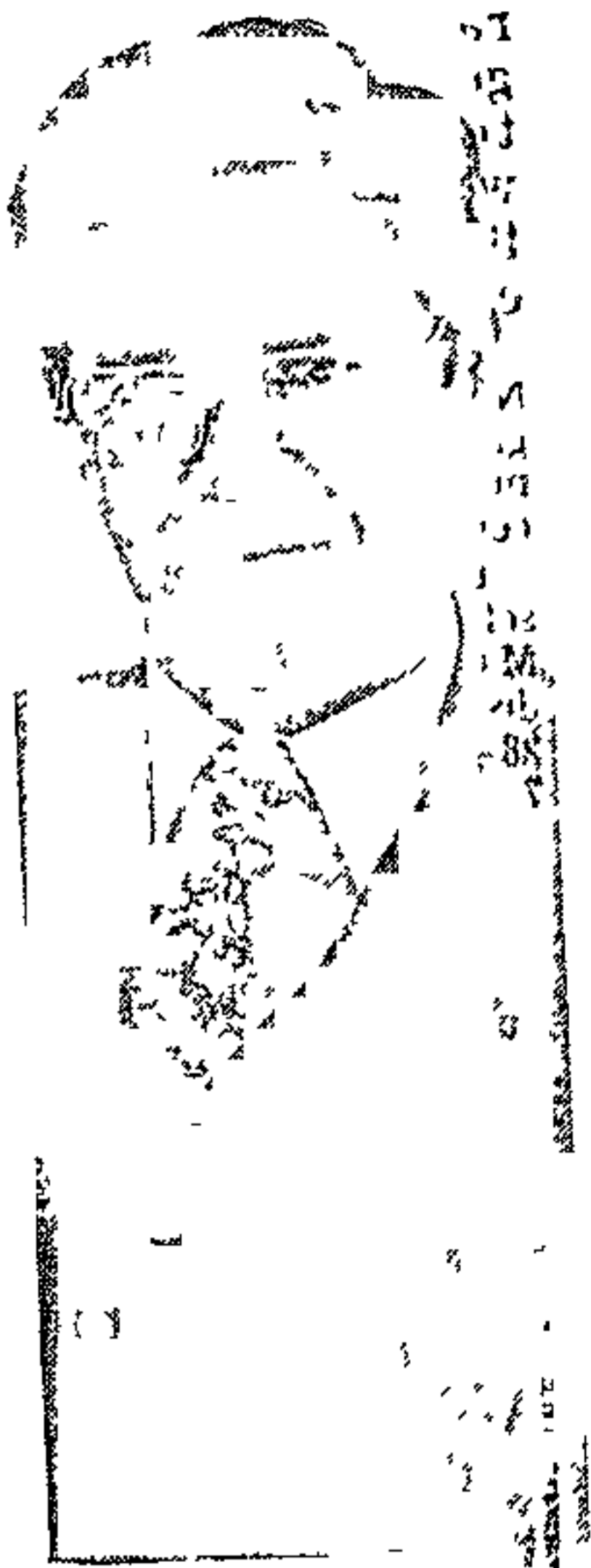
Mr Van der Merwe-Vance says Nedbank has not explained the position because stocks and debtors are of uncertain value. It will take at least six months to realise them.

## FADING

In addition, there were trading losses at Richards Bay before the sale was clinched.

Point taken Nedbank cannot be precise yet. But it can at least tell shareholders roughly what the score is and not leave them groping in the dark.

There were high hopes after the rights offer document and last year's annual



Piet Liebenberg .. Invisible man

report laid so much bare that Nedbank would move to fuller disclosure, but hopes are receding.

Nedbank Group managing director Piet Liebenberg has been underground since being appointed. He is the only person who can answer the question: what happens to Finausbank? But he has been incommunicado for three months.

Mr Liebenberg is the only chief executive I know who takes months to return a phone call. One has had doubts — but one is assured that he has been seen alive and well recently.

Instead of acting paranoid about his new assignment, he could take a leaf out of Derek Keys' book — tell fearlessly what he can and refuse to tell what he cannot.

# Medicine prices need to be cut, say medical aids

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Post Correspondent

DURBAN — Medicine prices will have to drop by the end of the year because medical aid societies cannot cope with high costs incurred by members

To do this, manufacturers, wholesalers and pharmacists will have to "pull their belts in" and reduce medicine costs to encourage those on medi-

cal aids — but who cannot afford current costs and use provincial facilities — to return to the private sector

This is the opinion of by Mr Sid Hurwitz, vice-president of the National Wholesale Drug Association, and MD of South African Druggists (SAD), one of the country's largest medicine wholesalers

He was reacting to the

controversy surrounding a call by the South African Association of Retail Pharmacists (Saarp) for a change in the Government tender system for medicine

Saarp says the Government is paying ridiculously low prices for medicines and that those people buying medicines in the private sector are being forced to subsidise the low costs

Only 15% of the population gets its medicines in the private sector and, according to Mr Hurwitz, there are a large number of people, mainly geriatrics, who need long-term therapy

If they bought their medicines in the private sector, their medical aid allowance would be soon used up

These were the people who needed to be enticed back into the private sector with lower prices

"If prices were reduced, they people would be encouraged to come back into the market. Understandably, pharmacists are nervous about dropping their prices — legislation prevents them from advertising — but if more people came into the sector the prices would be kept down and it would still pay."

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# An optimistic year predicted for AECI

● RELLY



AECI chairman Gavin Relly expects earnings to show a further improvement in 1987 after the 53% jump in earnings to 113c a share last year

He says in the company's annual report that the acquisition in January for R58,5m of the Triomf Potchefstroom operation, which is being merged with the existing Kynoch operations, should result in substantial cost savings, improvements in efficiency and rationalisation benefits in an industry which has been severely over-traded in the drought conditions of recent years.

With factories at Potchefstroom, Chloorkop and Somerset West providing a well-balanced geographical spread, the expanded operation is now well-placed to benefit from any improvement in fertiliser demand

While the decision by government to proceed with the Mossel Bay synthetic fuels project will delay AECI plans for a coal-based fuel and feedstocks complex, the company is continuing its technical and process development work to ensure that the most modern technology is available when needed

This work embraces the possi-

MERVYN HARRIS

bility of using methanol as an alternative fuel, which remains an interesting possibility, Relly says

The feasibility of extracting soda ash from Botswana deposits continues to be evaluated. Certain aspects of government policy in SA and Botswana remain to be clarified before the viability of such a venture can be adequately assessed

Discussions with representatives of both governments are taking place to define a future course of action

Further steps were taken in the development of new growth opportunities in the speciality chemicals and high technology field.

An identified demand for cetane improvers and development of an interesting range of speciality chemical additives led to the formation of a subsidiary company, Chemical Resources (Pty), to exploit these products

The growing success of the process computing group led to the establishment of AECI Process Computing (Pty) in January 1987 to develop and market computer-based process control systems.

Furthermore, a programme has been launched to develop new products in the field of bio-technology.

Relly says the group's creditable performance last year partly reflects the benefit of the sustained drive to contain costs and improve productivity

Particular emphasis has been placed on asset management and the reduction in working capital from 28% to 25% of turnover last year indicates that significant progress has been made in this regard.

The more stringent approach to capital authorisations adopted in 1985 resulted in the expenditure on fixed assets last year being lower than the depreciation charge against income, a relationship which last occurred in 1978

But authorisations in 1986 increased considerably, the major component being a project to increase the chlor-alkali and PVC capacity of Coalplex at Sasolburg

Other authorisations included a new paint factory at Umbogintwini, an additional "Tenacord" polyester spinning unit at SANS Bellville, and various relatively minor additions, replacements and modifications to existing plants

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E W TARRY

## Paints listing

E W Tarry MD Brian Joffe told us that 1986 was a year of reconstruction and consolidation, but that 1987 would be a year when major changes and some acquisitions would be made

So far these have been centred on subsidiary Curnow M & G, which is soon to be listed. Curnow, which sells automotive refinish lines such as paints, thinners and allied products (including body filler and panel-beating tools) recently took over Harvey's Equipment Company, an appointed distributor for "Duco" and other refinish materials in the eastern Cape. The acquisition, for R1,3m cash, is expected to have a "substantial" effect on Curnow's earnings.

Two further developments are the sale by Tarry of 50% of Curnow to AECI for an undisclosed amount. Curnow, according to AECI Paints MD Klaus Dienst, "represents a large proportion of the refinish distribution market. We became aware that the company would go public and were concerned about a possible change in control. We wanted to protect our position with a very major customer so we made an investment for strategic reasons, but it is a good investment in its own right. We shall continue to deal with all distributors on the same arm's length basis."

Curnow's main sales line is "Duco" (the market leader in refinish paints, lacquers and thinners manufactured by AECI) and continuity of supply is now assured by a distribution agreement with AECI extending to 1997. Joffe sees excellent opportunities for Curnow to increase its market penetration. The car paint refinish market alone is estimated at R60m, while Curnow's turnover last year was R13,5m.

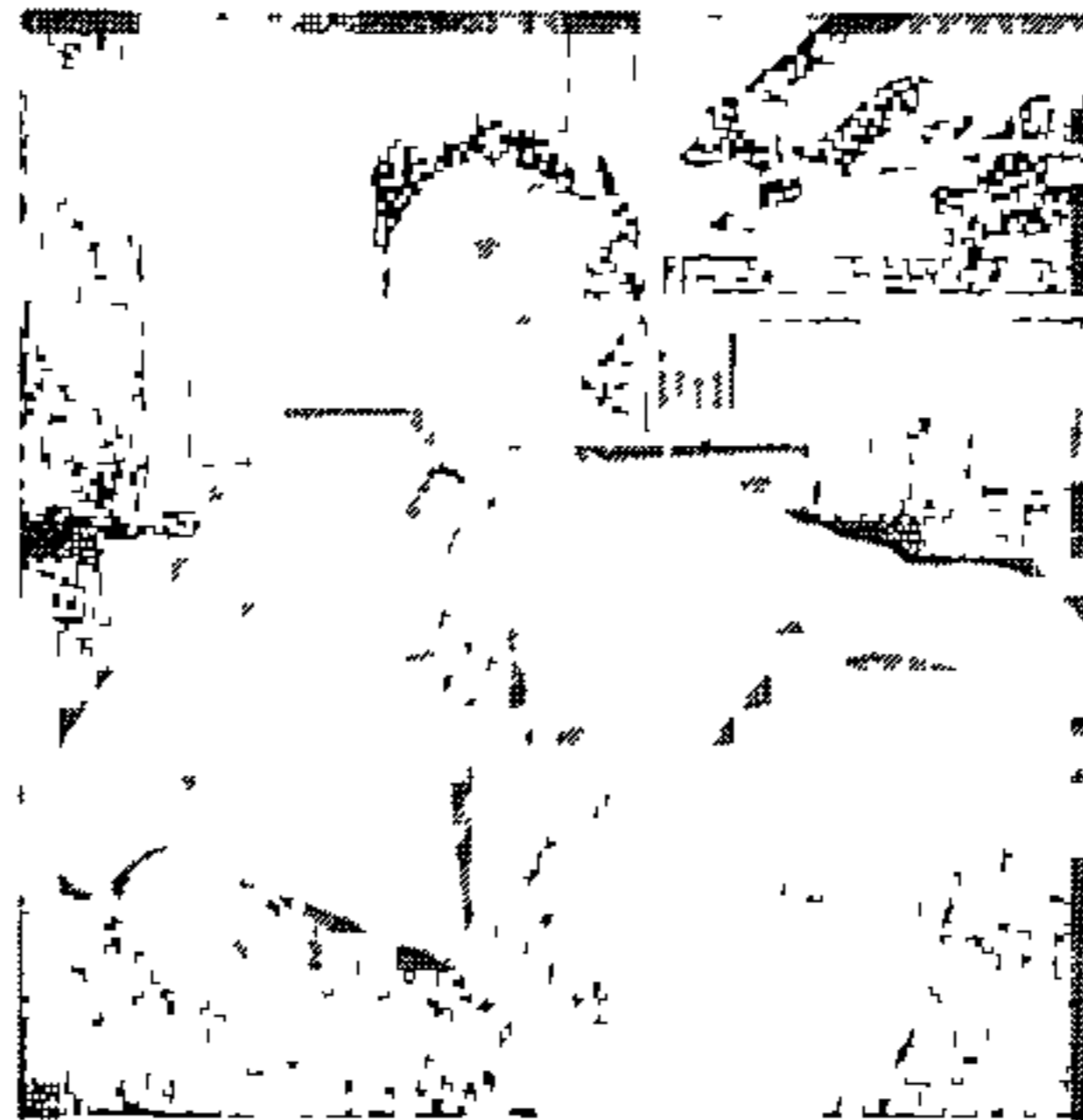
### DCM listing

Curnow is due to be listed on the DCM, probably in May — 4m shares are to be placed with the public. 2m in a private placing and 2m in a public issue. Total issued share capital will be 20,5m shares, of which 8m will be held by Tarry and 8m by AECI (38% each).

Earlier this year, Curnow had a debt equity ratio of about 20% and the R2m raised by the issue will repay both Curnow and Harvey's debt.

As Curnow is now 50% owned by AECI, it is no longer a Tarry subsidiary and so will not have to be listed via a rights issue to Tarry shareholders. Investors must find it reassuring that Curnow is sufficiently attractive to AECI for it to buy a large stake. As it is deemed a strategic investment, AECI does not intend to sell and Joffe says he is not a seller either.

Curnow's issue price will be 50c, placing the company on a forecast P:E of 10,9, as profit is expected to be R950 000 on a fully taxed basis for 1987. This is well below the DCM average of 52,4.



**Tarry's Joffe ...  
excellent opportunity**

Perhaps the most comparable share is Midas, which has certainly caught the public's imagination, having shot from 265c to 635c in 10 months. It is now on a P:E of 22,5, which might indicate that Curnow could trade at well above issue price, although Midas did not reach this price immediately after listing. The market will have to assess Curnow and its ability to perform, but undoubtedly the fact that Tarry and AECI are major shareholders should be an advantage.

*Pat Kenney*

Secret AA tests at 10 garages confirm suspicions

# Petrol is diluted



MR BOTHMA

Six of 10 garages secretly tested by the Automobile Association in co-operation with The Saturday Star had regular fuel mixed with their premium grade petrol.

The 10 were selected at random from right across the Johannesburg area and the six suspect samples all had less than the stipulated alcohol content.

The tests were conducted after The Saturday Star passed information in its possession to Mr Fred Bothma, the AA's technical service general manager.

The samples included all brands of petrol and were tested according to Bureau of Standards requirements.

Mr Bothma said Highveld premium fuel normally contained eight to 12 per cent alcohol. Regular fuel had no alcohol.

Six samples had considerably below the required minimum of eight percent.

The Saturday Star has the names of the garages and the brands of fuel tested but is withholding them while the AA investigates

## Engine Problems

The AA investigation followed a report to The Saturday Star that garages were putting the cheaper regular fuel in premium tanks and selling it at premium prices. The racket has apparently been going on for years and has cost motorists a fortune.

Complaints have been pouring in to The Saturday Star about engine problems apparently linked to the "bad" fuel.

Mr Bothma contacted Sasol before the results were handed to The Saturday Star. He was told that the base fuel — regular grade — supplied to the Johannesburg area from Secunda had an octane value of 90 and that, when 10 per cent alcohol was added, the octane value increased to between 95 and 96.

Mr Bothma pointed out that, while the results of the AA tests showed that samples of premium grade had been diluted with regular fuel, the octane rating remained within acceptable limits — 93 — but the alcohol level was lower than specified by the SABS.

Of the 10 garages tested, three samples were well within the eight to 12 per cent alcohol requirements, one was a borderline case and six were well below

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AECI

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# Growing again

**Activities:** Largest producer of chemicals in SA. Main operating divisions are Chlor-alkali and plastics, explosives and chemicals, polymer derivatives, and other trading activities Owns 57% of Chemical Services

**Control:** Amic owns 40% and ICI owns 38%

**Chairman:** G W H Relly, managing director M A Sander.

**Capital structure.** 154,7 m ords of R1 each and 3m 5,5 cum prefs of R2 each Market capitalisation R2,7 billion

**Share market:** Price R17,75c Yields 3,4% on dividend, PE ratio, 15,7, cover, 1,9 12-month high, R17,75, low, R10,35 Trading volume last quarter, 550 000 shares

**Financial:** Year to December 31

	'83	'84	'85	'86
Debt				
Short-term (Rm)	65	124	92	105
Long-term (Rm)	350	422	535	378
Debt equity ratio	0,55	0,66	0,74	0,50
Shareholders' interest	0,49	0,46	0,43	0,47
Int & leasing cover	5,0	3,3	3,4	6,0
Debt cover .. . . .	0,58	0,45	0,38	0,61

**Performance:**

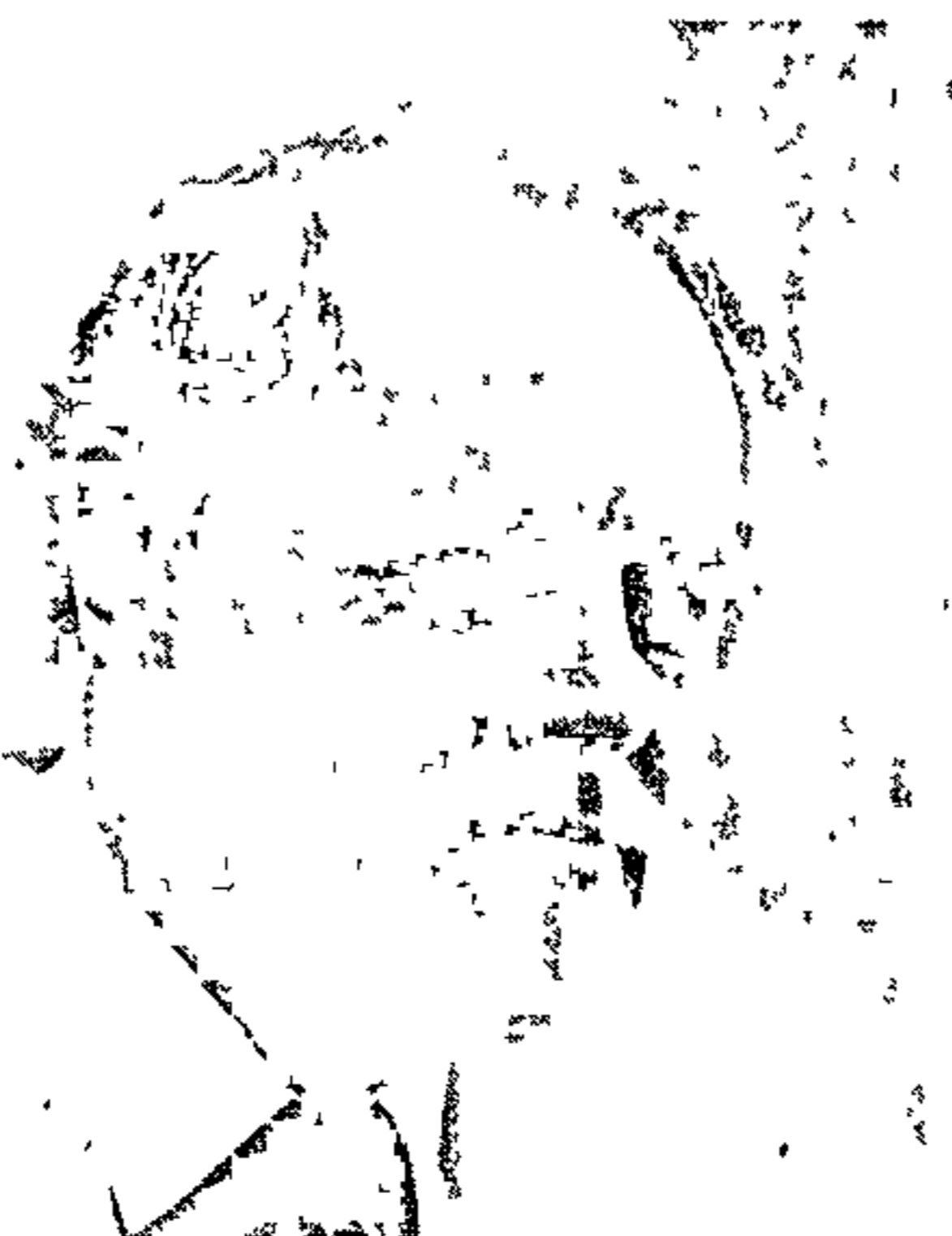
	'83	'84	'85	'86
Return on cap (%)	15,0	12,3	12,8	16,2
Turnover (Rm)	1 621	2 017	2 340	2 819
Pre-int profit (Rm)	244	235	253	332
Pre-int margin (%)	13,9	11,0	10,6	11,2
Taxed profit (Rm)	136	112	114	175
Earnings (c)	82,6	72,4	74	113
Dividends (c)	55	55	55	60
Net worth (c)	517	511	530	582

AECI gave a glimpse last year of what it could be capable of achieving in a steadily growing economy, particularly with the much tighter grip now being kept on asset management. Not only was the dividend lifted off its five-year plateau, but cover was raised and interest-bearing debt was cut by 23%.

A key factor behind this was a 4% increase in the volume of domestic sales, indicating there could be a lot more momentum in earnings if markets grow at anywhere close to this pace in the 1987 year.

Given the breadth of the activities, which are linked in one way or another to many sectors of the economy, the sales improvements were not evenly distributed. Better performing areas were chemicals, plastics and fibres, but sectors more directly associated with consumer demand enjoyed little, if any, growth. Investors may be taking the view that the laggard sectors will spring to life this year. At R17,75c, the share stands on a historically high pe of 15,7 and is hardly cheap.

Still, profitability in the group's capital-intensive operations responds quickly to volume improvements. On last year's 20% increase in turnover, net trading income jumped by 31%, reflecting improved trading



AECI'S Sander ... getting margins up

margins in most of the divisions. Net trading income as a percentage of turnover climbed from 11% to 12%, but this remains well below the 15% of 1983 and 16% of 1982 — again indicating potential for improvement.

As in the past, explosives and chemicals was by far the most profitable division, with the margin of net trading income to turnover increasing from 23% to 24%, while turnover was up by 15,5% at R743m.

On the explosives side, where the group long enjoyed a monopolistic command of the market, demand from the gold and platinum mining industries improved, and is expected

to remain firm, but sales to coal mines will depend on the extent to which coal exports are maintained. However, management notes that competitive activity has been seen in the supply of bulk explosives to the iron ore mining industry and is developing in the opencast coal mines.

Agricultural chemicals remained depressed by the weak financial position of farmers, and by overtrading in the nitrogenous fertiliser market. By contrast, both volumes and margins of industrial chemicals improved over a wide spectrum and favourable trading conditions are expected in 1987.

However, the strongest improvements were achieved elsewhere. In the chlor-alkali and plastics division, net trading income jumped to R58m (R37m), increasing its margin to turnover from 6% to 8%. In the polymer derivatives division, net trading income more than doubled to R55m (R27m), the margin to turnover rising from 6% to 9%.

Among factors benefiting the former division was firm demand from the export-oriented mining and paper industries which, with better domestic demand, boosted chlor-alkali and organic chemicals. In plastics, profitability of polyvinyl chloride (PVC) exports is rising, while domestic demand continues to grow, increased demand for polyethylene is also expected in 1987.

In the polymer derivatives division, South African Nylon Spinners (SANS) was a major contributor to the profit surge. SANS gained from the higher domestic demand for yarn which resulted from lower imports, while demand for polyester polymer for fibres and packaging picked up in the second half. SANS hopes to gain this year from product developments.

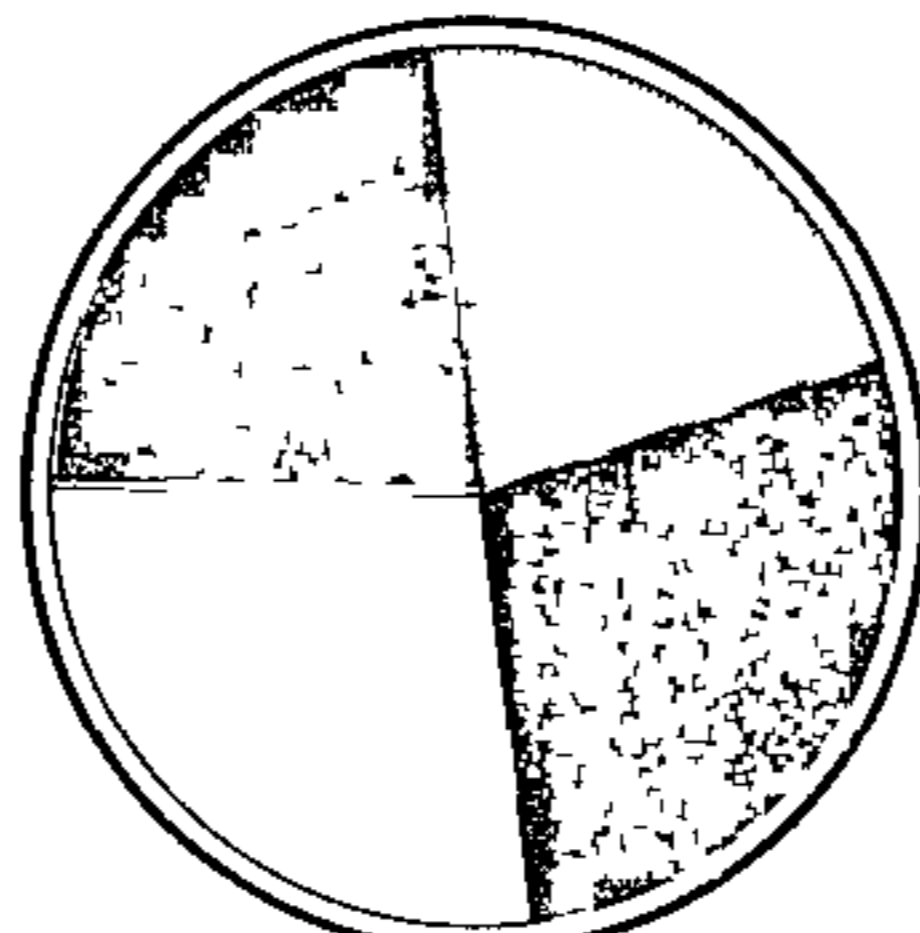
The remaining division, other trading activities, lifted net trading income to R44m (R38m) on reduced margins of 6% (7%). Turnover rose by 22%. Here the outstanding contributor was listed subsidiary Chemical Services. But the paints business battled against boring markets, as did Kynoch Fertiliser which, nonetheless, was profitable.

In January, AECI announced the acquisition of the Triomf Potchefstroom operation for R58,5m, plus the value of the stocks on hand. Chairman Gavin Relly says the acquisition, which is being merged with Kynoch, should enable substantial cost savings, efficiency improvements and rationalisation benefits.

"With factories at Potchefstroom, Chlorokop and Somerset West providing a well-balanced geographical spread," he says, "the expanded operation is now well placed to benefit from any improvement in fertiliser demand."

## AECI's divisions

Proportions of Group turnover



- AECI Chlor-Alkali & Plastics 27%
- AECI Explosives & Chemicals 26%
- AECI Polymer derivatives 22%
- Other trading activities 25%

# AECI and union <sup>146A</sup> <sup>biday</sup> in war <sup>1458</sup> of words <sup>143</sup>

PATRICK BULGER

AECI and the Chemical Workers and Industrial Union (CWIU) were yesterday locked in a war of words about employment practices and the closure of a Seshego factory

CWIU general secretary Rod Crompton alleged AECI "was conducting a number of expensive high profile publicity stunts to cover up the brutal way in which they deal with their employees"

AECI group personnel manager Bokkie Botha said the company rejected the allegations. He said its attempts to improve conditions for its workers were well known

He said negotiations for a management buyout of the Sterkolite plant at Seshego were continuing and that "a considerable number of employees would continue to be employed"

The CWIU had alleged that AECI Converters had taken a unilateral decision to close the factory. However, Botha said workers had been consulted. He rejected the allegation that the company had begun moving plant from the factory before the closure was announced.

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## WEEKLY MAIL REPORTERS

A BATTLE over social responsibility is developing between two giant figures in the manufacturing and retail sectors — Tony Bloom of the Premier Group and Clive Weil from Checkers — over the fate of skin-lightening cosmetics, which doctors believe have caused permanent disfigurement to hundreds of thousands of South African women.

Checkers MD Weil this week signalled the start of yet another round in the decades-long battle to outlaw skin lighteners when he issued a 60-day ultimatum to manufacturers and the government. He demanded they take "positive action" to protect consumers from the controversial cosmetics, by printing prominent warnings on packaging that the product could cause permanent disfigurement — failing which he would ban them from the chain store's shelves.

"We have taken a responsible stand by listening to all sides in this matter and it is upsetting to see that there has been a dragging of heels on the part of the industry and the health department," Weil said.

The reaction of the manufacturing industry to the challenge is likely to turn on the stance taken by Bloom's Premier Group which — through the Twins pharmaceutical company, in which it has a 50 percent stake — effectively controls half of the South African skin-lightening market.

Consumer activists and doctors who have been lobbying Bloom to take a stand against the controversial cosmetics.

Bloom was overseas this week, but AB Krok, MD of Twins Pharmaceuticals, denied the products were harmful. He said the main problem was that "certain blacks mix the creams with other chemicals like Vim. That, and excessive usage, creates skin problems."

South African dermatologists are convinced, however, that there is overwhelming evidence the cosmetics are causing permanent damage to the skins of users. A survey has suggested as many as 42 percent of South Africa's black women have suffered their effects.

It is estimated over 30-million packs of skin-lightening creams and lotions are sold in South Africa each year — a market worth some R60-million.

Controversy about skin-lighteners centres on an active agent used, called hydroquinone, which researchers are convinced causes permanent disfigurement.

The skin-lighteners are also used in other parts of Africa as well as America and Europe. The US authorities and the European Economic Community have in the past limited the hydroquinone content which may be used and the South African government has followed suit. But it now appears the effect of the chemical is cumulative as well as possibly being compounded by interaction with the South African sunshine.

A leading campaigner against the cosmetics in South Africa, the president of the Black Consumer Association, Ellen Kuzwayo, has bitterly attacked manufacturers and distributors of the products, accusing them of making money out of suffering.

"They close their eyes to this because the people who suffer are black people. I am sure if white people were exposed to this type of damage there would be a real hullabaloo about it."

She said black domestic servants in South Africa were particularly vulnerable to the cosmetics. "They look at their madams and they think it is smart to be like madam, with that white skin."

Twins MD Krok said the percentage of hydroquinone in skin lighteners — which have been sold for 30 years — was initially not controlled and was mixed with other ingredients. "The effect — coupled with excessive usage — led to skin problems."

"Recently, however, the United States legislated that the maximum content of hydroquinone could not exceed two percent. This country followed suit three years ago. And no

# Checkers opens fire in a 60-day war on skin-lighteners

The war against skin-lighteners has lasted decades. But it could end soon, now that Checkers' Clive Weil has issued a 60-day ultimatum to the manufacturers. What happens next depends on the attitude of the Premier group

other ingredient can be used. Dermatologists have since shown a decrease of skin problem.

"The problem is that certain blacks mix the creams with other chemicals — like Vim. That and excessive usage creates skin problems," Krok said.

"What we need is more education and training, more intelligent usage."

The trade in skin-lighteners has a long and fairly ugly history. Originally mercury was used as the bleaching agent, although it has long been known that the substance causes both brain and kidney damage — the expression "mad as a hatter" is derived from the use of mercury to shape felt hats. Its use was banned by South Africa in 1975.

Manufacturers replaced mercury with monobenzyl ether of hydroquinone, despite the fact that it had been known as long ago as 1940 that the chemical produces unsightly white blotches — both where it is applied and at distant sites of the body — by effectively poisoning the pigmentation cells. It was also banned by South Africa in 1975, to be replaced by hydroquinone which was also being used at the time.

Cases of skin damage caused by hydroquinone were seen in the late

1960s and the phenomenon was authoritatively reported in the British Journal of Dermatology in 1975. Initially the chemical bleaches the skin, but then the skin begins to darken again, turns coarse and develops what is known as a "caviar" appearance — small black lumps under the skin which gradually grow larger and coalesce, leaving women with the appearance of wearing a coarse black mask on their faces.

Analyses in 1978 showed concentrations of hydroquinone in skin-lighteners ranging from 3,5 to 7,5 percent. In 1978 both Britain and the USA introduced legislation limiting the concentration of hydroquinone in cosmetics to two percent, requiring the printing of warnings on packages and controlling false advertising. South Africa followed suit in 1982.

Legislative controls largely dealt with the problem overseas, but in South Africa damage to skin continues to be reported, even among women who have only been using the creams and lotions since 1982. The reasons for this are not certain, but are thought to relate to the popularity of skin-lighteners — they are used as a standard face cream by black women — as well as greater exposure to sunlight in South Africa.

A survey conducted in Pretoria in

1985 indicated that skin damage resulting from skin-lighteners is related to education. 51 percent of black women with no schooling showed hydroquinone damage, compared with 47 percent with primary schooling, 20 percent with secondary and 12 percent with tertiary education.

A South African dermatologist who is involved in the campaign against skin lighteners has said there is "surprisingly little" consumer resistance to harmful effects of the products. "Women continue to buy creams when they know their friends' complexions are being devastated by the same creams."

"Everything except the cream is blamed for the damage. The favourite organ to be blamed is the uterus. The intra-uterine contraceptive devices, the birth control pill and fibroids (benign tumours of the uterus) are readily blamed for the damage," she said. "Even if a woman realises that one preparation is harming her she will buy and use other preparations which also contain hydroquinone in a frantic effort to reverse the damage."

The managing director of Nicholas Kiwi in South Africa, John Barton, said controls of the skin-lightening creams in South Africa were consistent with those in the US, Europe and Australia. "A tremendous amount of research has been done on this subject, obviously, through our Australian parent over the years. I am fairly confident we are selling a product which doesn't cause any damage."

He said, however, that "people may be using them more often than they should — they are advised (on the packets) to use them twice a day."

Move to have  
certain drugs  
de-scheduled

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*183*

Own Correspondent

CERTAIN scheduled drugs — including oral contraceptives, antibiotics, and anti-hypertension drugs — could soon become available without a doctor's prescription, if the Medicines Control Council (MCC) approves recommendations by the Browne Commission

The commission, which was appointed by government to examine areas of the health service, has recommended the MCC review its scheduling policy to give pharmacists more discretion in the supply of certain S3 and S4 medicines.

Yesterday, delegates attending the Pharmaceutical Society of SA conference in Durban passed a motion urging the MCC to implement descheduling, or to give pharmacists access to these medicines under certain conditions.

The schedules cover medicines such as antibiotics, anti-inflammatory preparations, oral contraceptives, anti-hypertension drugs and diabetes-alleviation preparations

Delegates agreed the move would enable pharmacists to exercise their professional judgment more freely

# Sentrachem's R100m rights offer

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**SENTRACHEM** plans to raise R100m through a rights offer of preferred ordinary shares.

MD David Marlowe said yesterday the chemicals group had embarked on a R140m capital expansion programme to meet predicted growth in demand for Sentrachem products. The rights offer was intended "to support this programme and provide the base necessary for further growth".



DAVID FURLONGER

One result of the rights offer was that Sentrachem would again pay no dividend this year, despite its debt-equity ratio falling below the 1,0 point where directors had previously said dividends would recommence.

Sentrachem's preliminary statement showed the ratio fell to 0,8 in the year to March 31, from its previous 1,08. But no dividend was planned until the end of the current 1987-88 financial year.

Marlowe said, "We are being conservative in our approach. It seemed

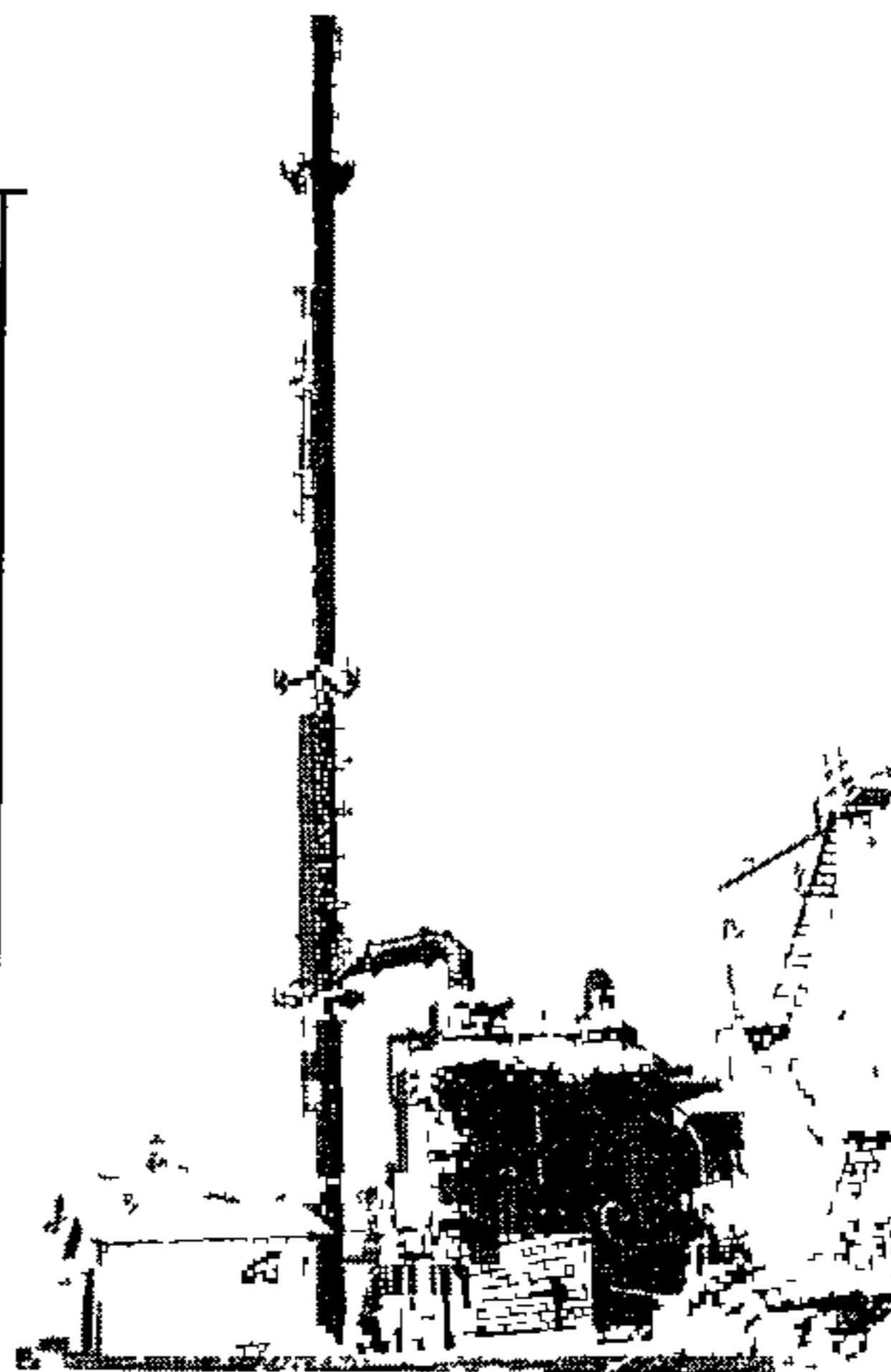
strange to pay a dividend on one hand, and ask shareholders to cough up more money on the other."

Marlowe declined to give details of where the R140m was being spent, but said it would be spread throughout the group's activities, with the exception of its loss-making fertiliser and Afprene artificial rubber operations.

The fertiliser division suffered "substantial" losses last year. Afprene, however, performed better than in the past and its reduced losses helped towards the group's improved profitability. Reduced interest rates also contributed to the improvement.

The preliminary profit statement shows Sentrachem made a pre-tax profit of R18,8m in the year to March 31, compared to R2m the previous year. Turnover rose from R1,14bn to R1,33bn and current assets from R676,6m to R803,3m. Group debt rose from R771m to R1,720m, of which R541m is in long-term debt.

Marlowe said Sentrachem felt "comfortable" with Sankorp, Sanlam's investment arm, which gained control of Sentrachem during last year. He said the R100m rights issue and R140m capital expansion indicated Sankorp's confidence in the group.



### AECI . . . changing chemical course

to turn their attention to the advantages inherent in raw material beneficiation

Mike Sander, MD of AECI, contends "Instead of exporting commodity chemicals and plastics, which can and are being produced by all manufacturing nations, there is scope for further processing and the development of sales of more sophisticated products"

He defines commodity chemicals as those basic chemicals such as raw acids, caustic soda, ammonia and certain types of plastics which virtually any manufacturing nation can produce "SA," he says, "has tended to stop at the primary and secondary product stage — in stark contrast to the Japanese, Taiwanese and South Koreans"

Sander believes there is a great potential in further chemical beneficiation, "provided the rate of exchange is carefully managed Otherwise you are doomed to exporting short-term surpluses"

Johan van der Walt, executive director of Sentrachem, agrees He says "We are fairly heavily involved in the export business, but only in commodity chemicals at this stage Beneficiation certainly makes sense, particularly given the oversupply of commodity chemicals internationally."

Sander says there is currently a glut of commodity chemicals on the world market SA has never been more ripe for dumping

"When the oil price was high Middle Eastern countries, in particular, climbed in to maximise sales of by-products from their local raw resources Combine that with the fact that Comecon countries will sell at virtually any price, completely unrelated to cost, to procure foreign exchange, and you wind up with a situation where the world price of these chemicals is way below reinvestment value"

Sander says the Board of Trade and Industry has done a great deal to monitor the dumping of commodity chemicals in SA He feels as long as this vigilance is maintained and the rand can be managed at a sensible level a dumping crisis should be averted

"This is not peculiar to SA," he says. "Similar monitoring and the imposition of duties is done in the US, UK and most EEC countries"

He defends price protection of the local product on the grounds that "the price structure of chemicals in this country has never hampered growth in downline industries. "For example, SA is the second biggest consumer per capita of PVC in liquid packaging (PVC bottles) in the Western world after France"

Given the fact that, according to the Department of Customs and Excise, SA imported no less than R4,2 billion worth of chemicals and related products last year, large quantities of speciality chemicals and beneficiated products are obviously coming into the country, which could be made for local market consumption as well as export

The figures, however, tell an over-simplistic story A large portion of imported chemicals consist of items such as pharmaceuticals (R204m last year), cosmetics (R83m), printers' inks, soaps, lubricants and candles (R127m), and photographically-related chemicals (R150m) In addition, while the volume of imported chemicals has remained constant over many years, the falling rand has tended to inflate their money value ■

## CHEMICAL INDUSTRY

### Call for beneficiation

In a sanctions environment, SA's chemical industry, for one, should be looking harder at downstream beneficiation of its products

The message is apparently not lost on industry leaders who are already beginning

## Inflated demand

The spectre of Aids has prompted a leading pharmaceutical group to manufacture condoms locally, becoming only the second company in SA to do so

Allied Pharmaceuticals will launch its Al-  
phatex and Safetex ranges next month, aiming at an initial production of just under 1m in the first year

With a total national market in the region of 4,5m condoms in 1986, worth between R3m and R3,5m, Allied — which is owned by and distributes solely through pharmacies — sees tremendous potential for growth

Over the past few years, the local condom market has remained small in proportion to the total population, and has shown a minimal annual growth of between 7% and 10%. But with growing awareness of Aids, and with medical experts around the world hailing the condom as one of the best ways to prevent the spread of infection, the market should respond

The problem is South African conservatism, and widespread ignorance

While governments around the world are spending billions in educational programmes to inform the public about Aids, government

FINANCIAL MAIL JUNE 12 1987

in this country seems to be concentrating on the research aspect

Homosexuality remains illegal, which creates difficulties in both testing for and educating people about the disease. Moreover, the advertising of products such as condoms is hampered by the sensitivity of the subject

Says Allied MD Glen Merryweather "We want to install condom dispensers around the country, but they are only permitted on some university campuses. We want to advertise, but we have to do it discreetly. At the moment we cannot use TV. We are also getting pharmacies to display condoms up front, instead of hiding them behind the counters

"But there are problems. Condoms in SA today are in the position that tampons were 10 years ago as regards retailing," Merryweather says

Robert O'Molony, MD of LRC Industries SA, the sole distributors of Durex, agrees "We are trying to place our product in supermarket chain stores. Clicks has always had them, but now we are going into Pick 'n Pay, Checkers and the OK. It hasn't been easy"

LRC — which imports condoms from Germany and packages in SA — is also involved in educational programmes for the black market on sexually transmitted diseases (STDs), including Aids. It has employed a black development manager to help promote awareness among blacks, and is publishing an Aids information pamphlet in July

Local investors are also conscious of the potential growth market in condoms, particularly since the stock of manufacturing companies in Europe and the Far East has soared since the Aids scare. Merryweather claims he has received calls from people asking if Allied intended listing, and offering to invest

"For the record, we are concerned only with launching and promoting our new ranges," he says "We are hoping for sales of 1,5m in three years"

Proposed route K161 and south of the Nigel hospital in that manner the land which had been approved for Black township development can be fully utilised without detracting from the quality of life of the surrounding community

#### Advertisements

\*14 Mr F J LE ROUX asked the Deputy Minister of Information †

What was the total cost of the advertisements published by the State President in this capacity in publications (a) in the Republic of South Africa and (b) abroad from 4 September 1984 to 1 June 1987?

†The DEPUTY MINISTER OF INFORMATION

(a) Since the inception of the Bureau for Information on 17 September 1985 an amount of R577 698 67 has been spent on advertisements which contained messages from the State President

(b) The Bureau for Information has only an internal function and is not involved in advertisement campaigns overseas

†Mr J H VAN DER MERWE Mr Speaker arising out of the hon the Deputy Minister's reply does he not think it is fair that all political parties represented in Parliament should also get the opportunity to convey messages to the public at State expense?

†The DEPUTY MINISTER Mr Speaker, the standpoint on this has been put very often. As soon as a certain policy, whatever the organ might be, is accepted by the Government of the day as the policy of the State, the Bureau is enabled to convey it to the public as a service to the public because they should know what the Government of the day is doing. That of course excludes the policies of the other political parties who could not succeed in becoming the government of the day. [Interjections]

#### East Rand guide-plan boundaries

\*15 Mr C B SCHOEMAN asked the Minister of Constitutional Development and Planning †

HOA

Whether it is envisaged further to extend the guide-plan boundaries of the East Rand/Far East Rand, if so, (a) what piece or pieces of land are being considered for this purpose and (b) what is the total extent of this land?

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

No (a) and (b) Fall away

Attorney struck off roll: prosecution

\*16 Mr D J DALLING asked the Minister of Justice

(1) Whether, with reference to his reply to Question No 9 on 23 February 1987, the Attorney-General of the Transvaal has as yet taken a decision on whether to institute a prosecution against a certain attorney struck off the roll for allegedly misappropriating trust funds, if so, what is this decision, if not,

(2) whether there has been a delay in taking a decision on the matter, if so, what is causing the delay?

†The MINISTER OF HOME AFFAIRS (for the Minister of Justice)

(1) Yes the Attorney-General concerned has decided to institute a prosecution

(2) Falls away

#### GST-Pharmaceutical products

\*17 Dr M S BARNARD asked the Minister of Finance

(1) Whether he has received any representations for pharmaceutical products to be exempted from general sales tax, if so, (a) from whom (b) when and (c) what was his response in each case

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

†The DEPUTY MINISTER OF FINANCE

(1) (a) Representations for exemption from sales tax in respect of the sale of pharmaceutical products (prescribed medicines) have been received from various individuals and organisations (including the

Pharmaceutical Society of South Africa) From available information such representations as have been received are in excess of 25 in number

(b) Those representations were received over a period extending from June 1984 to date

(c) It has unfortunately not been possible to provide for an exemption in respect of the sale of prescribed medicines. Mention should be made of the fact that medical expenses are, within certain limits deductible for income tax purposes. These limits were substantially increased with effect from the 1986 tax year, namely

(1) In the case of persons above the age of 60 years but under 65 years

Married—from R3 000 to R4 000

Unmarried—from R2 250 to R3 000

(ii) In the case of persons under the age of 60 years

Married—from R1 000 to R1 500

Unmarried—from R750 to R1 000

Persons above the age of 65 years are allowed to claim their total actual medical expenses as a deduction

Any exemption relating to the sale of certain pharmaceutical products would inevitably give rise to serious administrative problems the main problem being to identify clearly the products which would qualify for such an exemption

It must be noted that any professional service provided by a registered medical practitioner in the ordinary course of his practice and any service rendered or facilities provided in any registered

hospital or nursing home or any clinic conducted by a local authority is not deemed to be a taxable service and therefore not subject to sales tax. It should also be borne in mind that many persons in the lower income groups are entitled to free/cheap medical treatment

The report of the Commission of Enquiry into the Tax Structure of the Republic of South Africa (the Margo Commission) is now being considered by the Government. For this reason it would be undesirable to recommend any change to the present sales tax structure or rate at this stage

(2) In view of the comprehensive reasons given in the reply to the question under (1) (c), no further statement appears to be necessary

Major-General P H Groenewald

\*18 Mr J VAN ECK asked the Deputy Minister of Information

(1) Whether during May 1987 an official of the Bureau for Information addressed the congress of a certain organisation the name of which has been furnished to the Bureau for the purpose of the Deputy Minister's reply, if so (a) on what date and (b) what is the name of this (i) official and (ii) organisation.

(2) whether the official in question addressed this congress in his official capacity.

(3) whether this official made any comments regarding the South African press on that occasion, if so what comments.

(4) whether he has received any complaints regarding this address if so (a) from whom and (b) what was the nature of the complaints in each case.

(5) whether he has taken any action in regard to this matter, if not, why not, if so, what action?

16/6/87



# Triomf's provisional liquidation extended

SUSAN RUSSELL

• THE provisional liquidation of Triomf Kunsmis (Richards Bay) was extended to June 30 in the Rand Supreme Court yesterday.

This was done so that the offer to creditors could be redrafted after the full bench decision relating to schemes of arrangement between companies and their creditors.

In May, the full bench refused to sanction meetings between Robin Consolidated Industries and its creditors to consider a proposed scheme of arrangement.

The court found the proposed scheme did not comply with the logic of the Companies Act and merely substituted one creditor for the previous ones, leaving the company as insolvent as when it was liquidated.

On March 9, Indian Ocean Fertilizer Holdings (Pty) (IOF) submitted an offer for the business of Triomf Kunsmis (Richards Bay) comprising its assets, fixed assets and the stock.

The offer was accepted by the provisional liquidators on March 11.

One of the provisional liquidators, Barend Gert Steyn de Wet, said in an

affidavit that a term of the IOH offer was that the company bound itself to propose a scheme of arrangement in terms of Section 311 of the Companies Act.

De Wet said since the conclusion of the offer, IOF, the provisional liquidators and the company's largest creditor, Nedbank, had been engaged in the preparation and settlement of an appropriate scheme document.

However, the full bench judgment in the Robin case had necessitated the re-drafting of the original terms of the scheme.

De Wet said this had taken longer than anticipated and the final agreement had not yet been put in writing.

Asking the court to extend the provisional liquidation, De Wet said Triomf Kunsmis (Richards Bay) was an industrial giant and a national employer.

He said it was essential that the present position be maintained since any change could adversely affect the company's employees.

# Petrol bonus looms

ARGUS  
17/6/87

183

By TOS WENTZEL, Political Correspondent

THE price of petrol is expected to drop by up to 3c a litre at the coast from the end of the month.

On the Witwatersrand the price is expected to drop by about 2c a litre, but in outlying areas of the Transvaal, especially the Northern Transvaal, the price is likely to rise by up to 2c a litre, because of distribution costs

The cost is not likely to change in rural areas of the Cape

The price of diesel fuel will probably also decrease

The price of 98 grade petrol is expected to drop more than 93 grade

The recent recovery in the value of the rand against the United States dollar, the consolidation of the present levy system and a change in the zoning system for petrol prices are the main reasons for the price changes

An official announcement giving details is expected by June 29. The new prices will apply from July 1

At one stage last month it seemed that the petrol price would rise by about 1c a litre as a result of transport cost increases announced in the Transport Services budget.

But the increased value of the rand and the consolidation of levies has outweighed this

The Minister of Economic Affairs and Technology, Mr Dame Steyn, gave the first official indication that there would be a drop in the petrol price when he answered a question in the Assembly yesterday

## Crude oil

He said a reduction in the price was possible on July 1, with the implementation of the increased Sats tariffs and the consolidation of levies

The result would be varying decreases in different areas, and the possibility that there might also be increases in certain inland areas

Calculations were being made at present

He said the landed price of crude oil in South Africa was \$17,92 (R35,84) a barrel in May

In the Budget the Minister of Finance, Mr Barend du Plessis, closed loopholes on a huge diesel fuel racket which had been costing the State hundreds of millions of rands a year

Some consumers bought diesel fuel at a cheaper, commercial rate and resold it illegally at a profit

● The Argus Motoring Editor reports that if the premium fuel price drops 3c a litre at the coast, city motorists will save between R2,50 and R10 a month

Modern cars use from 8,5 to 13 litres/100km in city driving, depending on engine capacity and driving habits.

If 3c is lopped off the price, a motorist driving 1 000km a month in a small car will pay R2,55 less for fuel. A motorist driving 2 000km a month in a big car will save R10 or more

A trip to Johannesburg which now costs an average of R115 in fuel, will be about 2,5 percent cheaper or R110

## Substituting imports

This week SA is taking one step further along the road to import substitution and self-sufficiency in speciality chemicals, with the opening of a new R2m Betaseal plant at Chemical Services' Chloorkop factory in the Transvaal

Betaseal is the trade name for a chemical compound used for fitting windscreens to cars where the windscreen is flush with the bodywork. The majority of new model cars on the market are now designed along these lines, with the windscreen and rear window forming part of the structure of the car itself. Typical examples are the Toyota Cressida and Corolla ranges, the Audi 500 series and the Ford Sierra range. In fact, all SA motor manufacturers produce at least one model of car that employs this technique

Up to now local motor manufacturers have had to import Betaseal from Europe. The compound is widely regarded as the market leader in the application of flush-mounted glass in the automotive industry.

Since 1982 Chemserv has sold (under licence to Gurit-Essex of Switzerland) the company's sealants and bonding system in SA. But late last year the two companies decided to improve the service to the local motor industry by setting up an SA manufacturing facility

Supervision of the plant is under SA management who will, in the technical area,

report to the licensor Gurit-Essex. Quality control at the plant is directly supervised by the quality assurance management of Gurit-Essex. The technology behind Betaseal was first developed by Essex Chemicals in the US and subsequently further developed by Gurit-Essex.

The plant should save around R500 000 a year in foreign exchange. Local content of the product will start off at around 40%, rising to 90% over the next two to three years. AECI has a 57% interest in Chemserv which concentrates on speciality chemicals and last year turned over close to R160m

# B/Days Generics a 'bad move'

THE move towards generic drug substitution in SA may slow the rate of introduction of innovative drugs into the country

Potential savings from new, apparently expensive drugs — resulting in reduced hospital and other forms of treatment — could considerably outweigh savings from generic drugs

Those are the conclusions of a study by Dr Don Scott and Professor Duncan Reekie of Wits University.

Generic drugs are copies of established drugs on which the patent has expired. Because they do not have to bear the cost of research and development, manufacturers

(183)  
217/81  
DIANNA GAMES  
can sell their copies cheaper than the original

Scott and Reekie say because generic manufacturers concentrate on high-turnover items, substitution could have a drastic effect on pharmaceutical manufacturers, while having only a small effect on overall health care costs

They calculate maximum savings from generics of R19,6m a year, and say this is small compared with SA's ethical drug market, which recorded sales of R593m in 1984, or against the health care expenditure of R4,832bn in 1983/84

Safto could be a possibility

Especially in the current international climate, it might make sense to create a closer liaison between private sector and government on the export front — depending on how the suggested joint body will be structured

## COSMETICS

### War paint winners

Beauty in SA is certainly more than skin deep. It has always been big business but is becoming increasingly so, with local manufacturers moving into upmarket cosmetics ranges

Two new lines — one launched in May and another due in July — indicate a new strategy in the billion-rand industry. This involves the production of quality cosmetics at budget prices, distributed through retail chains in opposition to expensive, big-name overseas brands sold through selected outlets

In 1985 (the latest year for which statistics are available) the Department of Statistics estimated that the total cosmetics industry in SA, including beauty soaps and toiletries, turned over more than R1,25 billion. This means that local manufacturers, through the middle-market placing of up-market products, are looking at big money

The Collage range, to be launched at the end of July, is made for Allied Pharmaceuticals by Azochem Laboratories and will be available through pharmacies only. The Gallia range, made for the House of Gallia by a local cosmetic chemist, was launched in May and is available through selected supermarkets countrywide

Collage is starting with a colour range of 12 lipsticks, 12 nail polishes, 48 eye shadows (12 quartets), eight blushers (four double packs) and three mascaras. Foundations, powders and skin treatment products will follow by early 1988

The range has been developed in response to requests from pharmacies for an exclusive cosmetic brand and has taken only nine months from conception to production

The speed with which it was developed is attributable to the expertise of Azochem, which has spent R1m over five years specialising in make-up technology. It also benefits from a know-how agreement with a British company. Azochem has created a local colour library from which customers can choose for individual ranges, and it produces for several direct sales cosmetic companies

Glen Merryweather, deputy MD of Allied Pharmaceuticals, says his company is anticipating a "conservative" turnover of R2m-R3m on the new products in the first year from 600 pharmacies

So far little additional capex has been required, although the launch is expected to cost in the region of R250 000

The House of Gallia, which has taken more than two years to develop its range, has started with skin treatment products: two traditional cleansers, an exfoliator, a toner, a moisturiser, a night cream and a dual-purpose skin treatment

In addition it has spent time and more than of R250 000 on researching the market

Says Gail Schoeman, product manager for Gallia: "Up to now, we have been importing premium brands from Europe. We were concerned at the fall-off in domestic purchases and set out to find out where the consumer who had previously bought these premium items was going

"As a result of that research, we decided to develop Gallia. We then looked at optimum distribution potential and decided to launch, not through postal orders or direct sales, but through supermarkets. The launch exercise is concentrating on below-the-line intensive in-store promotions and sampling"

Turnover target for the new products in 1987-1988 is more than R2m through more than 50 supermarkets. The range and distribution network will be increased over the next five years

# Sales down, prices rise

(183) 5/2/87 ST

THE financial plight of farmers is causing serious difficulties for the four major fertiliser producers.

Industry sources say sales this year are expected to fall by up to 15% after an 8% decline last year. Forecasts are that there will be no marked recovery this decade.

In spite of the depressed market, rising production and input costs are likely to result in fertiliser price increases of between 3% and 4% in the next few months.

## Peak

The Government's R400-million to help farmers is not expected to become available in time to lift fertiliser sales this year. Sales are expected to fall to 1,9-million tons worth about R836-million from last year's 2,2-million tons. The peak was 3,5-million tons in 1981-82.

Several co-operatives have reduced the amount they are prepared to lend farmers for fertiliser purchases.

Producers hope that in future seasons farmers will increase fertiliser purchases

By Don Robertson

to return the soil to required standards.

Dawid Serfontein, general manager of marketing at Sasol Fertilizer, which has 17% to 20% share of the market, says sales in the Western Cape in the first five months of this year were down by 17% on 1986. As a result, the company has closed its marketing office in Bellville. Sales, however, will continue through the Nitrophoska agency, and the sales team has been strengthened in other areas.

John Skeen, managing director of Kynoch, says lower sales have been accompanied by higher production costs in the form of steeper rail tariffs and the rise in the price of phosphate rock from Foskor.

In addition, fertiliser is due to be rescheduled in terms of its rail classification, resulting in a rise of between 28% and 30% on October 1.

"Fertiliser producers no longer have any margins to spare. They cannot offer discounts and prices will have to be raised soon."

Financial assistance to farmers will probably take some time, says Dr Skeen

tionalised operations must be positive for the share, which trades at a 12,2 p e ratio According to Nathan Mowszowski, this week's R11m acquisition of Atlas Cable raises prospective earnings 6c to 36c a share, with dividends likely to increase by a similar proportion This translates into a forward p e of only 7,5 times, a conservative rating for this high-growth company *Dave Edwards*

ALEX LIPWORTH

## Generating cash

**Activities:** Marketing branded toiletry, pharmaceutical and medicinal products

**Control:** Twins Propan holds 70%

**Chairman:** S Krok

**Capital structure:** 12,9m ords of 25c each and 98 000 cum pref shares of R2 each Market capitalisation R45m

**Share market:** Price 350c Yields 4,3% on dividend, 8,5% on earnings, PE ratio, 11,7, cover, 2 12-month high, 450c, low, 265c Trading volume last quarter, 1,9m shares

**Financial:** Year to March 31

	'86	'87
Debt		
Short-term (Rm)	0,08	—
Long-term (Rm)	3,2	—
Debt equity ratio	0,96	—
Shareholders' interest	0,37	0,69
Int & leasing cover	6	245
Debt cover	0,9	—
<b>Performance</b>	<b>'86</b>	<b>'87</b>
Debt		
Return on capital (%)	6,9	17,4
Turnover (Rm)	18,7	47,5
Pre-Int profit (Rm)	0,62	8,06
Pre-Int Margin (%)	3,4	17,0
Taxed profit (Rm)	0,28	3,9
Earnings (c)	16,6	29,9
Dividends (c)	8,5	15
Net worth	214	250

Since its transformation last year into the marketing arm for some brands of holding company Twins Propan, Lipworth has lived up to expectations in terms of both profits and cash-generating capability It raised R27m through the issue of 11,2m ords last August to acquire the brands which are made, distributed and sold on contract by Twins Propan's subsidiaries

Since then, attributable earnings surged to R3,84m, ahead of the forecast R3,6m Operating profit (R7,8m) was 16,3% of turnover, which chairman Solly Krok claims is average for the industry It has no debt, as the issue enabled R3,2m borrowings to be repaid

The main assets are R27m investment in trade marks, stocks of R6,2m and R5,8m debtors There is also a sizeable R4,1m loan to Twins, which Krok says is on favourable terms for Lipworth

Commenting on the reconstruction Krok, who also heads Twins, says "This is the most profitable arrangement possible Lipworth can never lose It knows in advance what costs are and has no overheads"

The acquisitions translated directly into a 155% increase in turnover to R47,5m About

70% of the product range and marketing emphasis is targeted towards the black market which, Krok says, performed exceptionally well, generating strong cash flow Acquisitions of other brands are planned this year and prospects are good, he claims On the basis of the rise in turnover for the past three months, he expects the year's turnover



**Krok ... most profitable arrangement**

to grow by about 15%-20%

However, draft regulations banning skin lightening creams will, if promulgated, damage profits — Krok estimates by 25%-33% in taxed profits, though it's unlikely to affect profits this year while the industry contests the issue Some risk should nevertheless be built into the share's rating

The dividend yield at 4,3% is among the highest in the pharmaceutical and medical sector and the p e at 11,7 is among the lowest Direct comparison with the rest of the sector is impossible, though, given the unique structure *Linda Insor*

## BOUMAT

### Bullish bonus

Boumat continued its recovery in the year to March and far outstripped forecasts made last year by chairman Irvine Brittan

Brittan is courageous in making detailed forecasts in the annual report, which sometimes results in his being taken to task for inaccuracy, especially when he has erred on the optimistic side It does give investors a good idea of the basis of the company's plans, though Last year's sharp improvement must have caught Boumat by surprise, as actual results were well above forecast

An important reason was the upturn in sales Brittan predicted that turnover would rise to R453m, but in fact a record R509m

## FERTILISER TARIFFS

# Keeping out the Rumanians

With farmers still smarting under the news that diesel prices in some areas are set to rise sharply, the Board of Trade & Industry's (BTI) decision last week to slap a R275/t import tariff on "dumped" urea must seem like another nail in their coffin

SA urea manufacturer AECI applied for BTI tariff protection — but claims the whole fertiliser industry will be affected if the market is flooded with cheap urea

"While the current SA price of R503/t is well above the landed price of R350/t, tariff protection is needed for the whole ammonia producing industry as urea is one of the most important ammonia-based fertiliser derivatives," says AECI's Kynoch MD John Skeen

Ammonia is the most widely-used fertiliser component. With the industry teetering on the brink, demand from maize farmers still falling and Rumanian dumping a proven fact, the BTI's move could make sense. SA's urea industry is capitalised at R506m and employs 620 workers. Moreover, the BTI decision might have been influenced by "strategic" considerations in a sanctions-prone world environment

The parlous state of the local fertiliser industry is reflected by the fact that 1985 urea sales of 93 000 t were well below its 230 000 t/year production capacity — even after AECI had mothballed its 180 000 t/year Umbogintwini ammonia plant

Meanwhile maize farmers, labouring under a debt of several billion rand and many facing insolvency, are upset by the news. They say inflation, rising input costs and the drought are largely to blame for their woes and that government is "unsympathetic"

"We are not aware of any major 'dumped' urea imports and told the BTI that the availability of cheaper imports would act as a brake on local fertiliser manufacturers not to raise prices too high. Government must now take responsibility for the BTI's decision," says Nampo CE Piet Gous

Gous adds the Competition Board's attention has been drawn to the fact that major fertiliser groups have again formed a price cartel. "Price increases and early delivery discounts for 1987 have been pre-determined by the fertiliser giants. There is no such thing as a free market in SA," says Gous

Last year's savage price war between fertiliser companies contributed to the demise of erstwhile market leader Triomf, while Sasol Fertiliser was recently forced to close down its Cape Town branch and lay off staff. With the industry operating at below 45% of capacity, it could make sense for Sasol, AECI's Kynoch, Sentrachem's Fedmis and Omnia to

call a truce

"Projected fertiliser sales for 1987 are only 1,9 Mt, which is below even the 1970 sales figure of 2 Mt, and sharply down on 1981's record 3,3 Mt. The industry is suffering and we understand why the BTI acted," says Sasol Fertiliser senior GM Pieter Viljoen

Meanwhile, the BTI is adamant there were good reasons for the sharp urea tariff increase. It says Third World and East Bloc nations are the main culprits in dumping urea on the world markets at prices way below production costs

"Evidently countries like Rumania are desperate for foreign exchange and are doing everything in their power to increase earnings. The US also recently slapped a 90% tariff on imported Rumanian urea, while the EEC has acted to protect its markets," says Fertiliser Society of SA director Hilmar Venter

Covering all contingencies, the BTI has, however, left users an escape hatch. "To allow for special circumstances, the BTI also recommended that provision be made for a partial rebate of the duty — but only upon the issue of a specific permit by the director-general of Trade and Industry on the recommendation of the BTI," says BTI chairman Lawrence McCrystal

During the Seventies, cheap Rumanian urea was also sharply in the news, when Maize Board controllers Nampo swapped some 200 000 t of SA yellow maize for a similar tonnage of Rumanian urea

Apart from Nampo, the SA Agricultural Union (SAAU) also opposes the level of BTI's tariff protection. SAAU director Piet Swart says the matter will be discussed at the SAAU's next board meeting early in August



# COMPANIES

PROTEA Chemicals (Prochem), the chemicals trading and manufacturing group which was listed in February this year, is on target to achieve its earnings forecast of 16.9c a share for the year to August.

## Prochem's aim right on target

*5/Day 13/7/77*  
*(83)*

LIZ ROUSE

This will represent an earnings increase of 60% over the previous year

Following the quarterly reporting tradition of the Malbak group, Prochem tells shareholders that for the third quarter ending May 31, turnover in all divisions was higher than for the same period last year and is currently ahead of forecast.

Prochem CE Mike Struwig says the group is continuing to benefit from both lower interest rates and sound asset management

"Despite a competitive market situation and continuing inflation, earnings for this quarter are ahead of those achieved in the third quarter of the last

financial year and are in line with expectations"

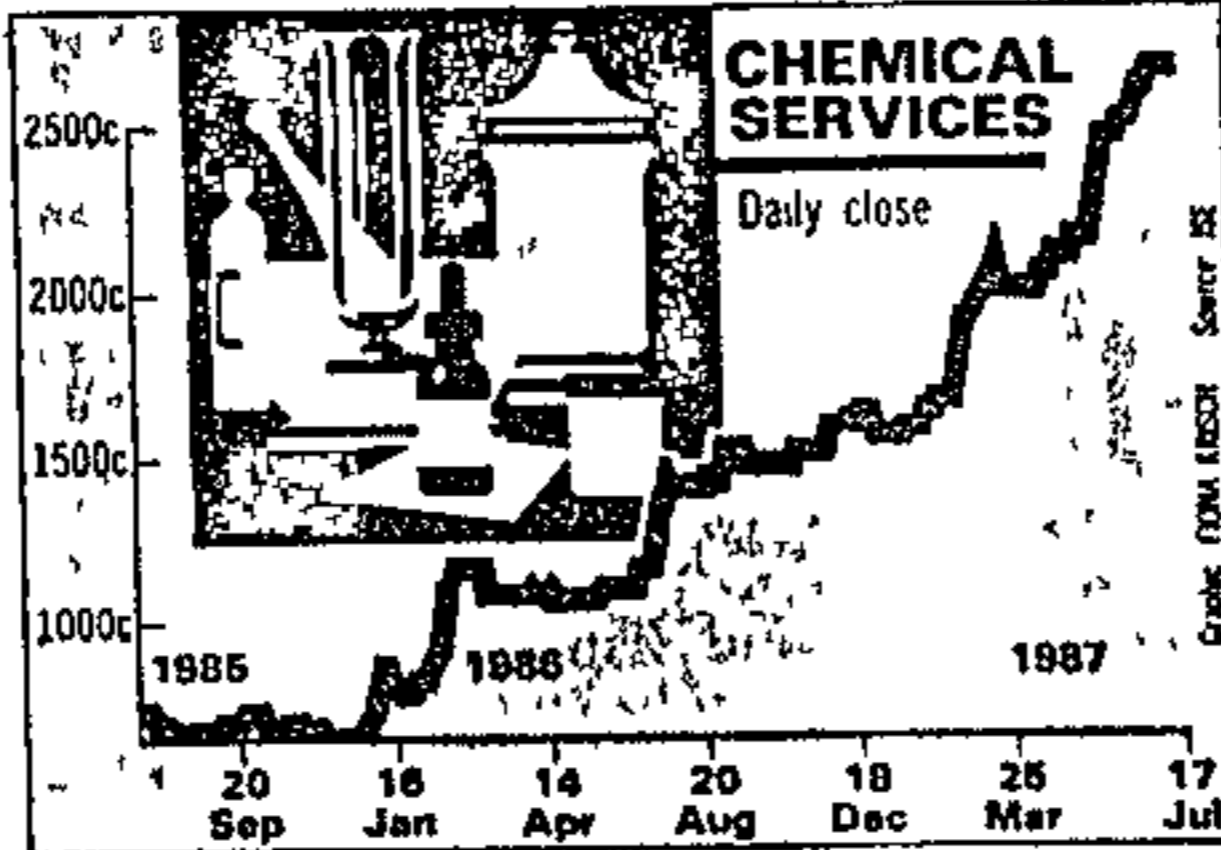
As a result of this, the group is confident it will achieve the 16.9c a share earnings forecast made at the interim stage Struwig adds that with effect from March 1, 1987, the group acquired 100% of Bintech, a company active in the mining consumables and water treatment fields, and the property from which the group's engineering plastics division, Chemplast, operates.

These assets were acquired from the Malbak group and the purchase has been settled by the issue of 3-million Prochem shares.

ICE  
 ... the £100m multi-  
 ... and the flo-  
 used.  
 Transatlantic Ho

# Chemserve is top performer

*20/7/87* *B/Day* *(83)*  
**MERVYN HARRIS**  
CHEMICAL SERVICES has joined the ranks of the JSE's top performers with a 35% earnings leap from an already high base to 92,2c (68,4c) a share for the half-year to end-June.  
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## Chemserve's earnings leap 35%

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The earnings rise has come partly from organic growth but mostly because of a number of sizeable acquisitions Lower financing costs was also a significant factor in the improvement

With the three latest acquisitions bringing the number of companies acquired over the past two years to six, financial director Lex van Vught says it might be time to consolidate and digest these investments

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*b/Day* *20/7/87* *(83)*  
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# Chemserve

## joins JSE's top performers

*CAE Times 20/7/87*  
*(183)*

From MERVYN HARRIS *(20)*

JOHANNESBURG — Chemical Services has joined the ranks of the JSE's top performers with a 35% earnings leap from an already high base to 92,2c (68,4c) a share for the half year to end June

The interim dividend has been raised 24% from 25c to 31c a share with cover up from 2,7 to three times. The performance augurs well for parent AECI which reports later this week.

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With the three latest acquisitions bringing the number of companies acquired over the last two years to six, financial director Lex van Vught says it might be time to consolidate the investments.

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Lower interest rates more than halved financing costs to R819 000 (R1,69m), leaving pre tax income 50% up at R9,2m (R6,1m). The rise was trimmed by a big increase in the tax bill to R4,5m (R2,9m).

However, income of associates increased by R243 000 to R1,1m to lift attributable income 41% from R4m to R5,7m. Acquisitions diluted the rise at the earnings level and also pushed up the group's debt equity ratio from 32% to 59% at end June.

A R2m plant to produce structural adhesives for the automotive industry was commissioned at the group's Chloorkop complex in June and expansions of production facilities at Chemserve Perlite and Akulu-Marchon are proceeding on schedule.

Unlike AECI and Sentrachem whose operations are more capital intensive, Chemserve produces low volume, high technology products for specialist application.

Historically, speciality chemicals tend to be more recession proof than commodity chemicals. Chemserve's return on shareholders' equity increased to 31% in the last financial year and even during the difficult years after 1983 the return was consistently above the inflation rate.

# Pharmaceutical firms <sup>Business Day 20/7/87</sup> say they <sup>183</sup> are here to stay

HELOISE HENNING

MULTINATIONAL pharmaceutical companies in SA are committed to their local presence, and have considerable shareholder support.

Several MDs of US companies, when approached by Business Day for comment, were reluctant to discuss the matter and wanted to keep a low profile.

They said access to medicine was considered a basic human right, and anti-apartheid lobbies had a lot to prove before a multinational would decide to pull out.

If forced to do so, they would find means of continuing to distribute their products locally, they said.

But Hugo Snyckers, MD of local pharmaceuticals maker Noristan, said SA manufacturers would in future find it increasingly difficult to obtain patent licences from overseas companies.

Only about 7% of active components used are manufactured in SA.

The parent company of MSD, Merck & Co, reported to its US shareholders recently that a proposal concerning disinvestment from SA had been defeated overwhelmingly.

"Until otherwise convinced, we have decided to stay there," Merck chairman Roy Vagelos told the annual shareholders' meeting. He stressed the \$1.1bn-turnover company's global performance would not be affected by its SA involvement.

However, MSD MD Don Allen said he was in the country to "find a way out of the dilemma".

## Had to reduce staff

SA-born Allen's previous executive experience includes helping reduce Merck's involvement under communist-controlled labour unions in Venezuela and restrictive government policy on pricing. His management decisions helped maintain Merck's presence in Venezuela, although staff had to be reduced radically.

Janssens Pharmaceuticals executive director Theo Bahlmann said there was no talk of disinvestment and his company believed it was serving SA by being part of the solution. However, the threat of disinvestment would always be present as long as the highly active anti-apartheid lobbies existed.

Twins Pharmaceuticals CE Solly Krok, who bought out MER National — the only pharmaceuticals company that has disinvested so far — said Twins was continuing to manufacture the full product range.

Pharmaceutical Manufacturers' Association CE John Toerien said the industry was international with research and development being done in the major centres but SA was still regarded highly because it was used for most clinical drug trials.

Besides, the active ingredients imported were bought in small quantities and he did not foresee any problems obtaining them for local manufacture under a total boycott.

"The active ingredients for the manufacture of one drug's supply for a year could be brought in in a suitcase," he said.

# AECI ups turnover by 14%

*B/Dary 22/7/87*  
 (183)

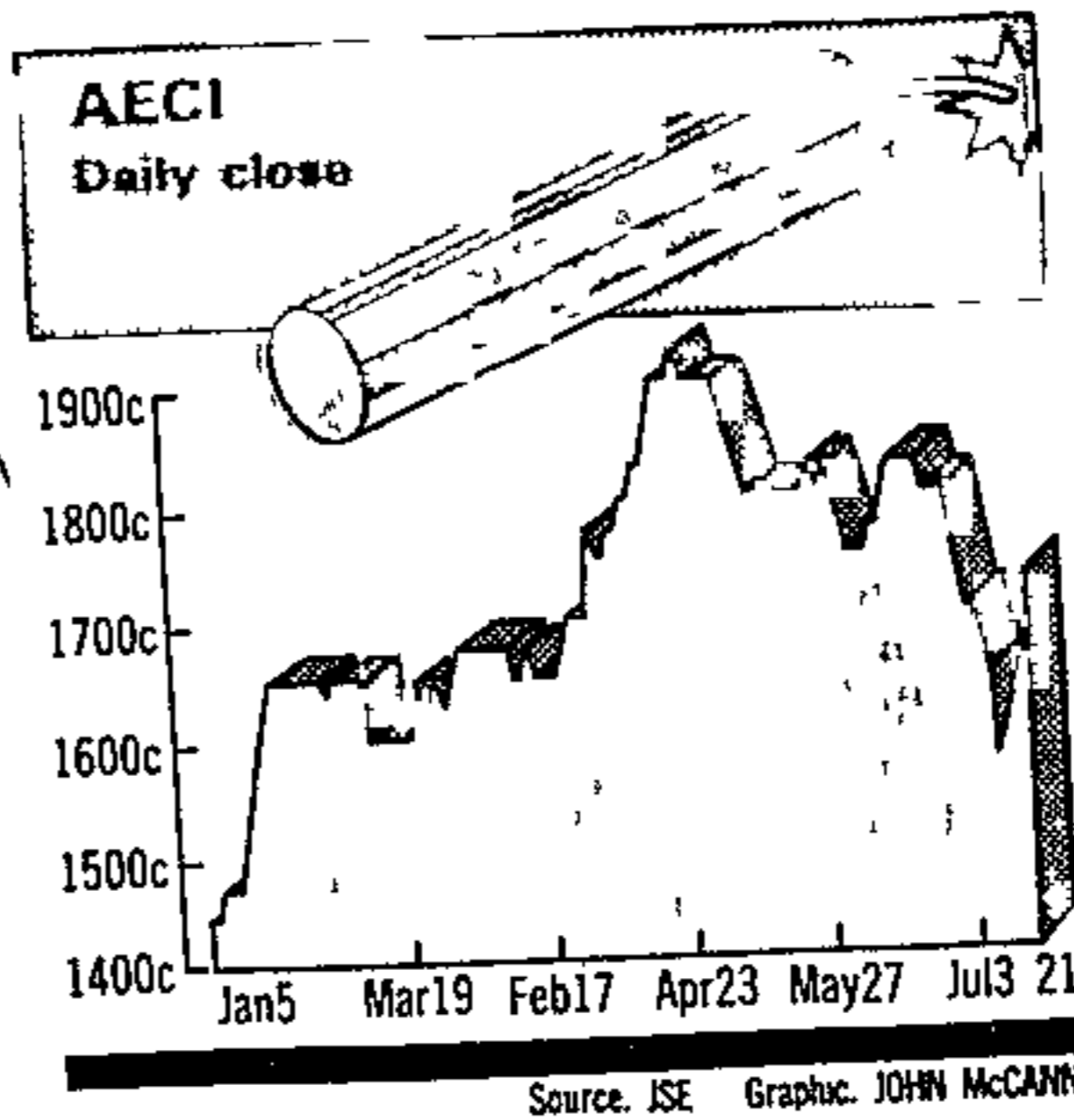
**DAVID FURLONGER**  
 Industrial Editor

AECI has increased turnover by 14% and income by 9% in a six-month period described by MD Mike Sander yesterday as "frustrating"

AECI's interim results show turnover of R1,479bn in the six months to June 30, compared to R1,295bn in the first half of 1986. Net trading income rose from R141m to R153m.

Sander said results were hampered by the continued poor demand for fertilisers and other agricultural products.

Fertiliser volume sales were down an estimated 5% in the first six months, but this was blamed partly on farmers delaying purchases in the hope that manu-



facturers would indulge in a price-cutting war similar to last year's.

Sander said "There is a certain amount of frustration. Most of our businesses are performing quite satisfactorily but agricultural businesses are impacting on our results."

He said the second-half was traditionally stronger for AECI "and there is no reason why that pattern shouldn't con-

● To Page 2



## AECI looks to an improved second half

*B/Dary 22/7/87*  
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 (183)

The acquisition of its Potchefstroom fertiliser plant had increased capacity and the company hoped for significant improvement in sales if there were good rainfalls later in the year.

AECI's other activities all enjoyed better demand in the first six months, particularly chemicals, fibres and explosives. AECI Converters gained some additional plastics conversion business but

suffered from competing in a heavily over-traded market.

AECI has declared an unchanged interim dividend of 25c a share for the six months, although net income attributable to ordinary shareholders has risen from R70m to R81m. Earnings a share have risen 18% from 45c to 53c.

AECI

FIM 24/7/87 (183)

## Second-half boost expected

AECI MD Mike Sander says the best way to describe his feelings on results for the first half of the year is to say he is experiencing a certain amount of frustration. Most of the businesses have performed quite strongly but the agricultural division is having a heavily adverse impact on overall results — "a rather larger impact than has been the case in the past."

Earnings growth for the group as a whole has slowed. Last interim, earnings were up 36%, but this year the rise for the six months to end-June is only 18%. Turnover, up 21% in the first half of last year, improved only 14%.

Sander points out that there was a planned ammonia plant shutdown in this period and benefit from the Potchefstroom plant, bought from Triomf in February, will only be felt in the second half. He is confident the plant will be profitable, even though run at a loss by Triomf. "AECI made R8m-R12m per annum profit from fertiliser sales when everyone else was bleeding in the price war," he says. "We now have a bigger base and the opportunity to rationalise."

Demand for fertiliser in the first half confirms that farmers are delaying purchases, hoping to benefit from another price war. This seems unlikely, as all fertiliser companies suffered from price cutting and, with Triomf out of the running, there is one less player likely to seek market share at all costs.

The plant will give AECI an advantage when demand picks up. Capacity utilisation of all AECI fertiliser plants is expected to be around 66% in the second half, better than the industry average, where there is 40% overcapacity. "We have mothballed one or two little plants and a number of satellite activities," says Sander.

The purchase of Potchefstroom influenced interest paid, as about R90m needed for the purchase was borrowed. However, financing costs still fell from the year-ago R37m to R32m.

Improvement in general economic activity meant higher local sales volumes but a reduced surplus available for exports, which fell from R108m to R100m. The stronger rand held back growth in the industrial sector. Last year, a weak rand encouraged exports by AECI customers, and, though this demand is ongoing, the growth has slowed. Demand from the mining industry in general is strong, with the exception of the coal sector.

Sander points to Chemical Services (see separate article) as AECI's star performer. The plastics industry, chlor-alkali chemicals, and non-agricultural chemicals enjoyed healthy demand, while the fibres business, Sans, is having a good year, both in local



AECI's Sander ... experiencing some frustration

sales and exports

Explosives, apart from demand from the coal sector, is performing soundly, says Sander, and new products were well received in the marketplace. All decentralised factories built in the last 18-24 months are now in operation.

The last division, AECI Converters, is being assisted by the upturn in the construction and automotive industries, but the business remains heavily overtraded.

Looking at the rest of the year, Sander points out that the second half is traditionally stronger, a trend which should be reinforced this year. Demand from agriculture is very seasonal, but the group has additional capacity and an increased market share. Sander believes that with reasonable rainfall, the second half should see profits growing at an accelerated rate.

He says AECI is not bargaining on improved margins in the fertiliser business. However, the ammonia plant will be operating again and benefits from the acquisition of the Potchefstroom factory should start to flow when demand picks up. Much of the rationalisation programme between Potchefstroom and AECI is well advanced and that will pay off in the second half. Government has increased tariffs on urea, so no urea will be dumped in the country.

Rain will definitely be the factor influencing AECI's results in the second half, so shareholders should start watching the skies as soon as winter is over. At R17,25, the

share has retreated from the R19,25 peak in April. On these results the earnings yield is 7% against the sector average of 8,1%.

Pat Kenney

# A profession under siege

*[Handwritten initials]* *[Handwritten number 183]*

Think of a pharmacist, and what do you get? Perhaps the hoary image of a "chemist" with his mortar and pestle, his chemicals and divinations of doctors' spidery prescriptions. Or perhaps, more simply, a small retailer flogging anything from shaving cream to condoms to plastic toys, turning a tidy profit while he's about it, oh — and from time to time he dispenses pills by taking them from a big bottle and putting them in a smaller one, for which he charges a whacking fee. And for this four years of study are necessary? One thing is certain: the image and status of the pharmaceutical profession are shaky and open to question. What are the issues?

The role of the pharmacist has adapted considerably with technological change. In pre-war days pharmacists spent much of their time making up prescriptions from many ingredients. But then — about 20 years ago — came the pre-packaged medicine explosion, and with it the change from chemist to retailer.

But any argument that the chemist has ceased to be a fully-fledged professional meets with (understandable) resistance from pharmacists themselves. Executive director of the Pharmaceutical Society of SA Boet van der Merwe puts the issue like this: "There are over 10 000 medicines available in SA today — many of which incorporate

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But what if there were to be deregulation of the retail pharmaceutical sector? That would meet with even more heightened resistance. In truth, pharmacists are a highly protected species. Under the 1974 Pharmacy Act, section 22A, only a pharmacist may own all or part of a retail pharmacy. He may not be employed for gain either by a doctor, a medical aid society or a commercial enterprise. One result has been steeply rising drug costs.

Dr John Cowlin, who has submitted to the Department of Health research on alternative methods of health care, argues that the law should be amended to enable pharmaceutical costs to be brought down. "Over 25% of medical aid costs is absorbed by drugs, representing over R600m in claims. The societies have to pay for mark-ups all along the line. Wholesalers mark up 17,5% on prices charged to them by manufacturers, the retailer then marks up not less than 50%, can charge a dispensing fee of R1,20 per item, and a broken bulk surcharge of 10%.

"If a medical aid society could run their own dispensaries, as the Browne Commission suggests, and could get medicines direct from the wholesaler — or, ideally, the manufacturer — the savings would be enormous. "The Mines Benefit Society told me they could save R12m if they employed their own pharmacists."

Cowlin says even the dispensing doctor, whether he operates from a rural area, or, in increasing numbers, in urban areas, can't get drugs directly from the manufacturer. "Although price maintenance was abolished more than two years ago, there is an informal agreement that the wholesaler will be involved in every purchase of medicines."

In any case the pharmaceutical industry is

unimpressed by the claims of dispensing doctors. Allied Pharmaceuticals MD Graham Clark says doctors are the only source of medicines in some rural areas, so he's happy to see them continue to dispense. But if a pharmacist was present in the area, this function would fall away. It would be dangerous to make a doctor all-powerful with one pen. "A pharmacist has to give the patient what the doctor's prescribed, and isn't influenced by price. But a doctor who gave his own drugs would naturally tend to dispense the drugs which provided him with the most profit. Also, the chances are that he wouldn't, for example, stock all the 50-odd antibiotics on the market, but could claim he had learnt a few drugs well. The possibilities for abuse — with a drug company pushing its products on the doctor's shelves — are immense."

A survey by the Wits Business Economics Research Group shows that a clear majority of consumers in all race groups would prefer to receive medicines directly from a doctor rather than a retail pharmacist. This was as high as 89% among Asians, 87,7% among coloureds, 77,5% among blacks and 59,9% among whites.

Earlier this year the Browne Commission recommended sweeping changes in the pharmaceutical sector, and so the future role of the pharmacist has come under close scrutiny. The report recommended measures to make the industry more market-orientated.

Clark believes the aim of a free market has little application to his profession. "Our role is to supply medicines to the public and to educate them in primary health care, and quality must be the primary objective, not pure economics. That's why we're against having pharmacists employed by commercial retail outlets. If medical aids were allowed to employ their own pharmacists it would cut the number of retail pharmacies by at least 50%. What kind of a free market would it be if there was no freedom of choice?"

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But the executive director of the Pharmaceutical Manufacturers' Association (PMA), John Toerien, argues that it's time for more aggressive competition in the industry. The PMA recommends that

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competitive prices to medical aid schemes.

According to Toerien "Currently, 80% of medicines by volume are sold directly by manufacturers to State Tender Boards who purchase drugs on behalf of provincial hospitals and clinics. If retailers could sell medicines to government competitively, then we would be very happy to see their role grow. The pharmacist would also be able to compete with the dispensing doctor and, in the long run, costs would be contained without hindering their own viability."

Wits Professor of Business Economics Duncan Reekie argues that the present distribution system of retail pharmacies offers consumers virtually no significant choice, and forces them to accept high prices and almost total uniformity of pharmacy service.

Cowlin's partner, Dr Danie Jacobs, says pharmacists have often not lived up to their claims of professionalism. "If they're professionals, then why are they allowed to adver-

shopping in one place, logically speaking they should be able to purchase medicines at properly supervised outlets in supermarkets.

Weil says "I sympathise with those pharmacists who want a degree of protection for now — but I can't accept that they should be protected forever."

So what of the non-retailing function of pharmacists? Much controversy is brewing between the medical and pharmaceutical professions on the subject of primary health care. Clark says pharmacists could have an important role to play, particularly in the black community, as they could give OTC advice for minor ailments — "but they'll only continue to give this if they are sufficiently remunerated."

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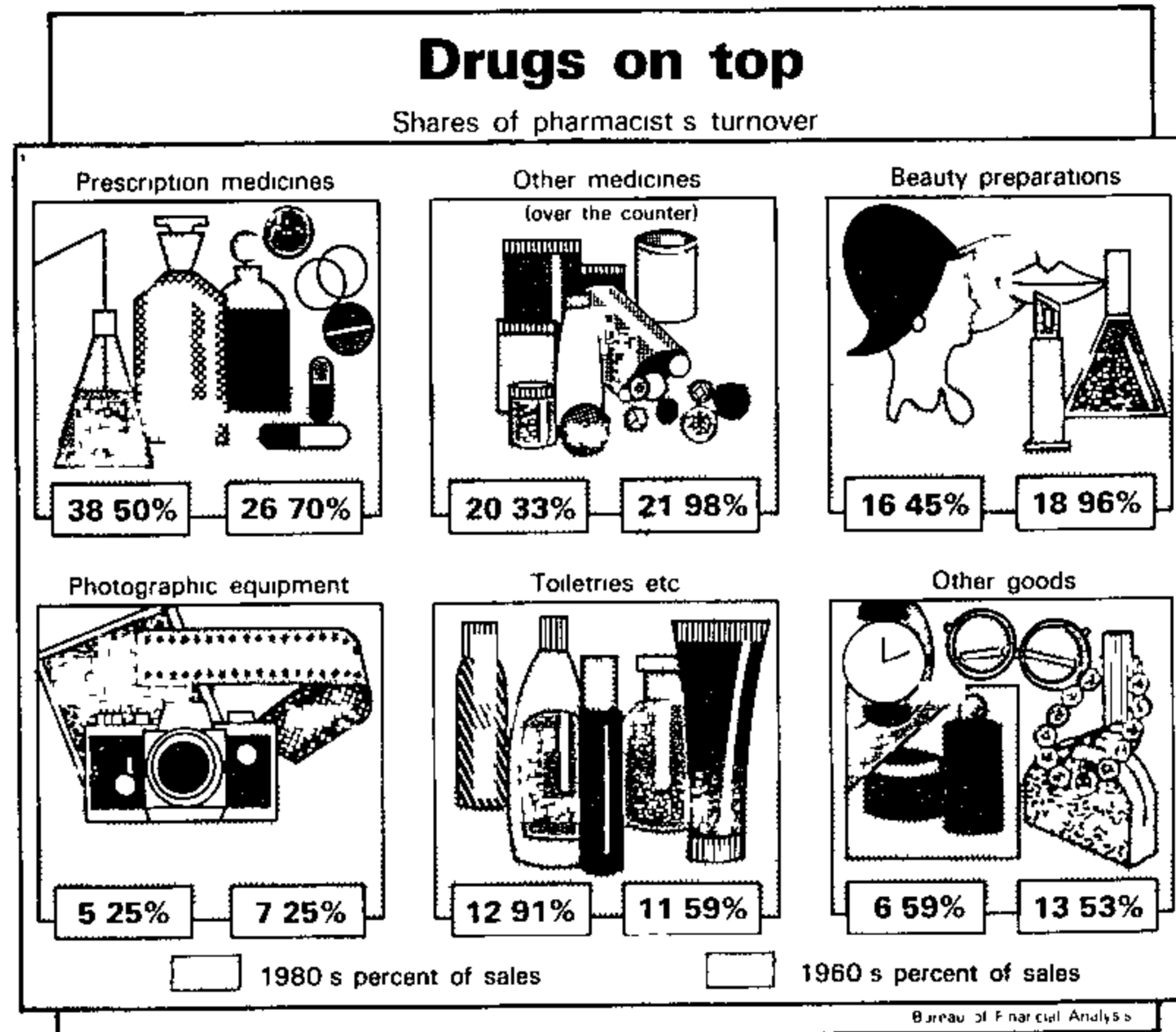
Van der Merwe says that due to the GP's extensive clinical training in an already overcrowded course, there is little opportunity for pharmaceutical study to the same level as a pharmacist. "The accelerating explosion of pharmaceutical information made it impossible for the GP to practise the two professions of pharmacy and medicine with any degree of success. One discipline would suffer at the expense of the other."

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According to Reekie, the only options open to the pharmacist, to combat a somewhat dismal future, are to either become a competitive member of the retailing fraternity, or to become an advisory member of the health care team. Van der Merwe agrees that the health team idea is very promising, but says he would only accept it if it was a genuine partnership and the pharmacist was not subservient to the doctor.

Yet in SA there are four times as many pharmacists per doctor than in the UK — and they are disproportionately concentrated in affluent white areas. With over 400 pharmacy graduates coming out of the country's universities every year, they should spread into black areas and learn to bring down medical costs by adopting a more competitive stance.

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To help make up for this, pharmacists charge higher prices for OTC medicines — and this currently averages at 3,5 times more than general stores.

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# A profession under siege

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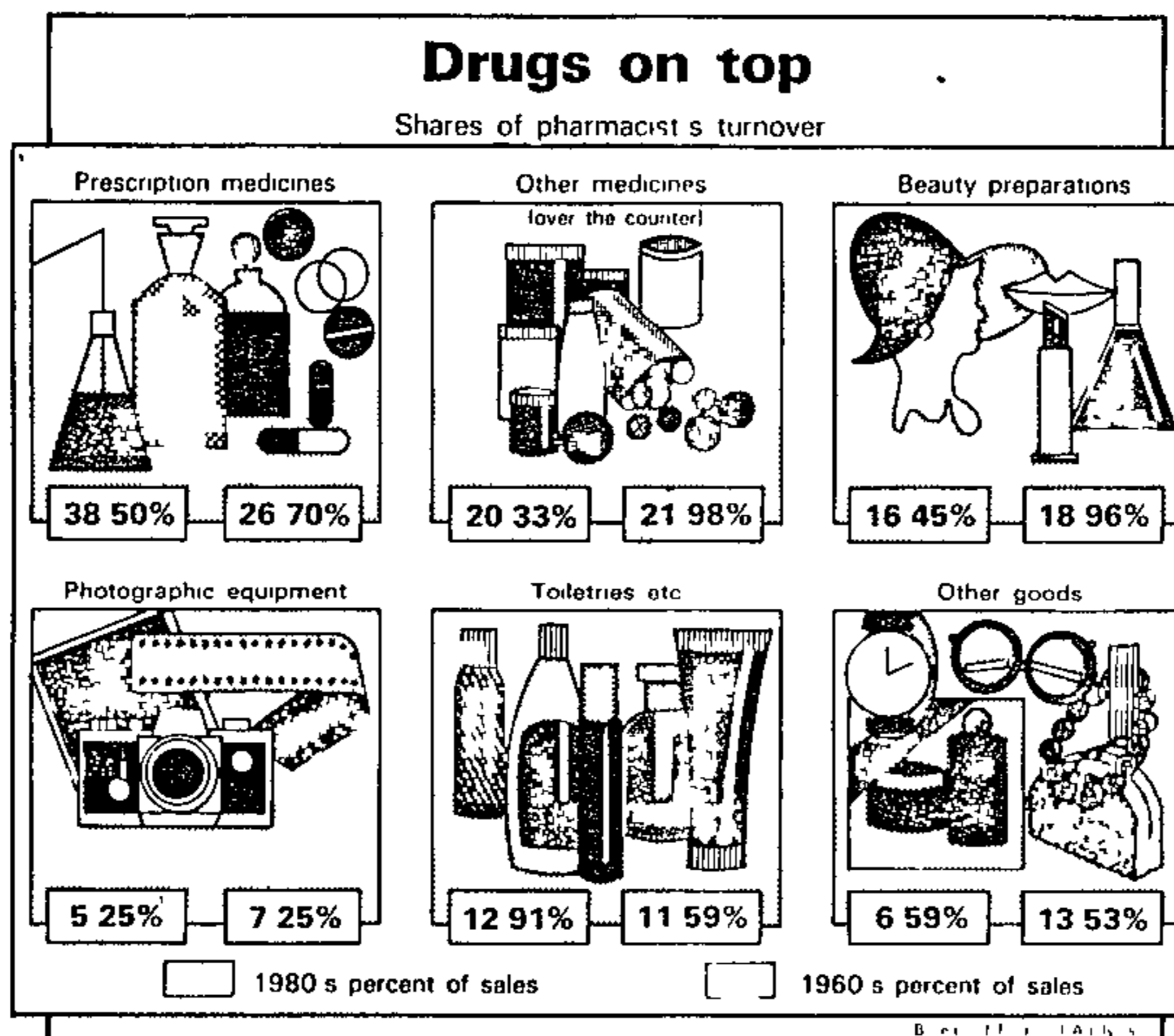
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THE provisional liquidators of Triomf Fertilizer (Richards Bay) (Pty) were yesterday granted leave to call meetings of creditors to consider

a scheme of arrangement proposed by Indian Ocean Fertilizer Holdings (Pty)

A Rand Supreme Court application to call the meetings had been brought by Triomf's joint provisional liquidators, David John Rennie, Schalk Willem van der Merwe and Barend Gert Steyn de Wet

Triomf, one of SA's largest distributors and manufacturers of fertiliser, was provisionally liquidated on July 14 when, because current liabilities exceeded current assets by R163m, it was unable to pay its debts

In terms of the scheme, Indian Ocean will offer, for distribution among creditors, R79,5m plus the value of Triomf's stock in trade — provisionally valued at

# Triomf: creditor meetings approved

JENNY BOBERG

R23m Another R800 000 will be put up for concurrent creditors other than Nedbank, who has a R280m claim against Triomf of which about R100m is unsecured

In an affidavit, Rennie said if Triomf were wound up in the normal course, concurrent creditors would receive a dividend of 6,9c in the rand. In terms of the scheme, however, they would get 9,8c

If the scheme is sanctioned, the total of R79,5m and R800 000 put up by Indian Ocean will be capitalised by the issue to it of one Triomf share having an issue price of R80,3m

- (a), (b) and (c) Fall away  
 (3) (a) Yes  
 (b) No

(1) In July 1984 in terms of the aforementioned under-standing an official of the Department of Foreign Affairs discussed the occupation of the premises by the representative concerned with the South African Police The South African Police agreed to handle the matter in the best interests of South Africa

(ii), (iii) and (iv) Fall away

- (4) (a) No, but a conversation on this matter was conducted with the then Member of Parliament for Germiston  
 (b) No This is not required

(1) to (iii) Fall away

- (5) No

Canada: SA ambassador

\*27 Mr D S PIENNAAR asked the Minister of Foreign Affairs †

- (1) (a) Who is the South African ambassador to Canada at present and (b) for how long has this person been in the service of his Department,  
 (2) whether this person's service in his Department has been interrupted, if so, (a) when, (b) why and (c) for how long was his service so interrupted,  
 (3) whether he will furnish information on the posts occupied by this person during the interruption in his service, if not, why not, if so, (a) what posts and (b) for what specified periods in each case?

The MINISTER OF FOREIGN AFFAIRS

(1) (a) Mr J H de Klerk

(b) 14 years and 6 months

(2) Yes, just as is the case with some other members of the Department

HoA

(a) 31 March 1982

(b) While Mr De Klerk was serving in an overseas diplomatic post, he received an attractive offer of a senior post in the private sector

(c) 17 months

(3) Yes

(a) Manager of Governmental and Public Relations of a well-known oil company  
 (b) 1 April 1982 to 31 August 1983

Maize-diplodia ear rot

\*28 Mr D G H NOLTE asked the Minister of Agriculture †

(1) Whether it was found when the current maize crop was harvested that the incidence of diplodia ear rot in maize was exceptionally high, if so, in which areas,  
 (2) whether any steps have been taken or are contemplated to investigate the resultant dangers to the maize industry, if not, why not, if so, (a) what steps and (b) when?

†The MINISTER OF AGRICULTURE

(1) Yes Mainly in the districts of Morigenzon, Carolina, Piet Retief and Bergville but to a lesser extent also in the districts of Ventersdorp and Coligny

(2) Yes

(a) Contact was made with experts from various bodies such as universities, seed companies and co-operatives and a comprehensive research program on all the aspects of the disease was initiated by the Department of Agriculture and Water Supply

(b) During 1986 in succession of a previous action and research program of 1981 and 1983 respectively. On 21 July 1987 the Summer Grain Centre furnished representatives of seed companies, Nampo and the Maize

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Board with comprehensive information regarding the relative resistance of several cultivars to the disease in question

Belkersdal, Westonaria

\*29 Mr P J PAULUS asked the Minister of Constitutional Development and Planning †

(1) What total amount was spent by the State on effecting improvements in the Black township of Belkersdal, Westonaria, in the latest specified period of five years for which information is available,  
 (2) whether a long-term plan for improving and extending this Black township has been drawn up, if so, (a) when, (b) whom and (c) what are the particulars thereof?

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) Five-year period ended 30 December 1986 R2 018 447

Total compiled as follows

(a) water, sewer and storm-water services R890 163

(b) erection of 140 houses R1 128 284

(2) Yes

(a) 1985

(b) The defunct West Rand Administration Board

(c) Approval of the project and advance of R17 667 407 was made on 20 February 1987 for upgrading of the town and the installation of water-borne sewerage network and engineering services to serve 2 200 new and existing erven

A contract for R12 674 512.06 was approved on 12 June 1987 for installation of new and upgrading of existing services This contract provides for surfaced roads, storm-water drainage, water-supply and water-borne sewer connections plus the con-

version of existing houses using the bucket system to a water-borne sewer system It will also provide electricity to every erf in Belkersdal The contract will be completed during 1988 An additional contract of R1 5 million will shortly be approved for the erection of a sewerage pump-station and sewer-mans to convey sewerage to the disposal works  
 A contract for R1,5 million has also been approved for erection of a water-purification works

Artificial fertilizer, import protection

\*30 Mr D G H NOLTE asked the Minister of Economic Affairs and Technology †

(1) Whether any applications for import protection were recently received from artificial fertilizer companies if so (a) from which companies and (b) when, in each case,  
 (2) whether his Department intends taking any action in this connection, if not, why not, if so, (a) what action and (b) when?

†The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY

(1) Yes

(a) AECL Ltd  
 FEDMIS

Kynoch Fertilizer Ltd  
 Omnia Fertilizer Ltd  
 Sasol Fertilizers (Pty) Ltd

(b) During February 1987

(2) Yes (a) and (b) The Board of Trade and Industry published the application for increased tariff protection by the companies concerned in respect of urea, di-ammonium phosphate (DAP), mono-ammonium phosphate (MAP) and mixtures in Government Gazette No 10671 of 23 March 1987 for general information and possible comments by interested parties As far as urea is concerned, the Board has completed its investigation and additional tariff protection on urea was published on 3 July 1987 in Gov-

HoA

*eminent Gazette* No 10807 In the case of DAP, MAP and mixtures the Board has made good progress with its investigation but at this stage it is not possible to indicate exactly when the investigation will be finalised

It should be added that Sasol Fertilizers (Pty) Ltd submitted a further tariff application in respect of ammonia and limestone ammonium nitrate (LAN) at the beginning of July 1987. It is expected that this application will be published in the *Government Gazette* on 31 July 1987 for general information and possible comments by interested parties

#### Own Affairs

#### University residences/Group Areas Act

\*1 Mr R M BURROW asked the Minister of Education and Culture

(1) Whether the investigation into the application of the provisions of the Group Areas Act at the residences of the universities falling under his control has been concluded, if not, why not, if so, (a) when and (b) what was the result of the investigation,

(2) whether his Department is taking steps to ensure that accommodation is available for students requiring residence at universities and technikons falling under his control, if not, why not, if so, (a) what steps and (b) what financing is being provided for this purpose,

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

#### The MINISTER OF EDUCATION AND CULTURE.

(1) No investigation into the application of the provisions of the Group Areas Act was conducted by my Department since the administration of this Act is not vested in me  
(a) and (b) Fall away.

(2) No, universities and technikons are autonomous and plan and manage

HOA

their institutions independently (a) and (b) Fall away

(3) No

#### Durban closure of schools

\*2 Mr M J ELLIS asked the Minister of Education and Culture

Whether any schools in the Durban area falling under the control of his Department are due to be closed, if so, (a) which schools, (b) why and (c) in what manner are the school buildings in question to be utilised once these schools have closed?

#### †The MINISTER OF EDUCATION AND CULTURE

For the present no closure of schools is contemplated (a) (b) and (c) Fall away

#### Rhenish Primary School

\*3 Mr K M ANDREW asked the Minister of Education and Culture

(1) Whether he received any (a) written and (b) verbal representations in respect of enrolling non-White pupils at a certain primary school, the name of which has been furnished to the Minister's Department for the purpose of his reply, if so, (i) from whom, (ii) when, (iii) what was the purport of these representations and (iv) what is the name of the school in question,

(2) whether he consulted any (a) persons and (b) organisations before making his decision on the matter, if not, why not, if so, (i) what persons and organisations, (ii) what were their views and (iii) what was his response to these views,

(3) whether he conveyed his decision to those who had made these representations, if so, when did he (a) make his decision and (b) convey it to those concerned?

#### The MINISTER OF EDUCATION AND CULTURE

(1) (a) Yes  
(b) Yes

(1) Written representations

were received from Mr P A Myburgh former MP, and Mr J R Potgieter Chairman of the Rhenish Primary School Committee. Some of these representations were conveyed by Mr J C Heunis, MP and I replied to them in the customary fashion. In addition Mr Heunis also orally conveyed representations to me. It is not customary to make known representations by members of Parliament. Oral representations were also made to the Superintendent General Education and Culture, by Mr P A Myburgh.

(ii) 17 September 1986, 11 November 1986, 17 November 1986 and 14 February 1987,

(iii) the purport of the representations was that two daughters of the reverend J J Kamaana be admitted to the Rhenish Primary School in Stellenbosch,

(iv) Rhenish Primary School

(2) (a) Yes

(b) No, because it was an internal departmental matter,

(i) the Superintendent General Education and Culture and the Director of Education, Cape Education Department,

(ii) that the Cape Education Department is responsible for the education of White pupils only (Section 14 (1) of the Constitution Act, Act No 110 of 1983),

(iii) these views were supported

(3) Yes

(a) 27 October 1986,

(b) 27 October 1986, in the case of Mr Myburgh and 23 February 1987 in the case of Mr Potgieter

#### Provincial public libraries

\*4 Mr M J ELLIS asked the Minister of Education and Culture

Whether all provincial public libraries are open to members of all race groups, if not (a) why not and (b) which libraries are not open to members of all race groups?

#### †The MINISTER OF EDUCATION AND CULTURE

It has already been decided in principle that those provincial public libraries which have been identified as White own affairs, shall be transferred to the Department of Education and Culture. Administration House of Assembly. This transfer has not yet taken place

The question and its sub-questions fall away

#### Schools/colleges unutilised space

\*5 Mr M J ELLIS asked the Minister of Education and Culture

Whether his Department has received requests from the governments of national states for permission to make use of unutilised space in (a) schools and (b) teacher training colleges falling under his Department, if so, (i) on what dates, (ii) from which national states, (iii) in respect of which schools and/or teacher training colleges and (iv) what was the response in each case?

#### The MINISTER OF EDUCATION AND CULTURE

(a) No

(b) Yes

(i) 10 December 1986

(ii) KwaZulu

(iii) Underutilised teacher training facilities in general and the Natal College of Education

(iv) The needs of KwaZulu in regard

28/7/87 Howard

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**THE MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT**

Yes Natalspruit and Kalafong

**Underutilised institutions**

\*8 Mr R M BURROW asked the Minister of Education and Development Aid

Whether (a) he and (b) any minister of education of a national state has approached the Minister of Education and Culture in the House of Assembly to admit Black students or pupils to underutilised institutions under the control of the Department of Education and Culture if not, why not, if so, (i) when, (ii) in respect of what specified institutions and (iii) what was the response?

†The DEPUTY MINISTER OF EDUCATION

- (a) Yes  
(b) No

(i) 27 November 1986

(ii) Broad guidelines in respect of the possible utilisation of such educational institutions were discussed

(iii) The response was positive

**Kwamevane Township**

\*9 Mr R W HARDINGHAM asked the Minister of Constitutional Development and Planning.

Whether any decisions have been taken in regard to the upgrading of Kwamevane Township, near Howick, if not, why not, if so, (a) what decisions and (b) when?

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING.

Yes

- (a) Kwamevane will be retained and upgraded within its present boundaries  
(b) The decision was conveyed to the relevant local authority on 14 July 1987

reckless and/or negligent driving. On 23 July 1987 the member was convicted on a charge of culpable homicide and sentenced to a fine of R400,00 or 12 months imprisonment

(3) No, but the facts raised during the criminal trial are presently being pursued with the intention of taking possible departmental action

(4) (a) to (c) I refer the hon member to the above paragraph 2 (b) and my reply in paragraph 2 (a) and (c) to written Question No 48 of 18 February 1987

*Note* I want to point out to the hon member that during the incident the member of the South African Police was on his way to attend to an emergency alarm, and that the court accepted this evidence as extenuating circumstances

Rooi Els/Betty's Bay/Kleinmond area

\*6 Mr R R HULLEY asked the Minister of Constitutional Development and Planning

Whether he or his Department intends to proclaim the Rooi Els/Betty's Bay/Kleinmond area as a nature area, if not, why not, if so, when?

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

Yes Negotiations with regard to the establishment, in terms of section 9 of the Environment Conservation Act, Act 100 of 1982, of a management committee for the nature area to be established are under way. As soon as this aspect has been finalised, the formal proclamation of the nature area by the Administrator will follow

**Chronic spinal injuries**

\*7 Dr M S BARNARD asked the Minister of National Health and Population Development

Whether any facilities are available in the Transvaal for the rehabilitation of chronic spinal injuries in Black persons, if not, why not, if so, in what hospitals?

**Abuse of air-ticket privileges**

\*10 Mr D J N MALCOMESS asked the Minister of Transport Affairs

(1) Whether, with reference to his reply to Question No 21 on 16 June 1987, the inquiry into the alleged abuse of air-ticket privileges at Jan Smuts Airport has now been completed, if not, (a) why not and (b) when is it anticipated that it will be completed, if so, (i) who was in charge of the inquiry and (ii) what were the findings,

(2) whether any action has been taken as a result of the inquiry, if not, why not, if so, (a) what action and (b) with what result,

(3) whether the matter has been referred to the South African Police, if so, (a) on what date and (b) with what result,

(4) whether he has studied the report of this inquiry, if not why not if so when,

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

†The MINISTER OF TRANSPORT AFFAIRS

(1) No

(a) Investigation by the SA Police is not yet completed

(b) Presumably during the second week of August 1987 (i), (ii) and (2) Falls away

(3) Yes

(a) 2 March 1987

(b) Matter is *sub judice*

(4) Falls away

(5) No.

Generic medicine: tests checked

\*11 Dr W J SNYMAN asked the Minister of National Health and Population Development †

(1) Whether a team of experts appointed by the South African Medicines Council

Control Council is at present checking the accuracy of tests on generic medicine by a certain laboratory, particulars of which have been furnished to the Minister's Department for the purposes of his reply, if so, (a) what is the name of this laboratory and (b) how many medicines are involved in the investigation,

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

†The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

(1) Yes

(a) Gestrat (Priv) Ltd

(b) 20

(2) No, as the matter is still under investigation

Clarendon Gardens Shopping Complex

\*12 Mr F J LE ROUX asked the Minister of Constitutional Development and Planning †

(1) Whether a certain project, particulars of which have been furnished to the Minister's Department for the purposes of his reply, was submitted to the Administrator of the Cape Province for his approval, if so, (a) what (i) was the Administrator's decision and (ii) were the reasons for his decision, (b) where is the project being launched, (c) what is the (i) nature and (ii) name of the project and (d) by whom is it being undertaken,

(2) whether there was any objection to the project, if so, (a) by whom was objection lodged and (b) what was the nature thereof,

(3) whether the city council concerned has approved the project, if so, (a) what city council and (b) when,

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

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) A proposal for the development of a shopping complex, to be known as

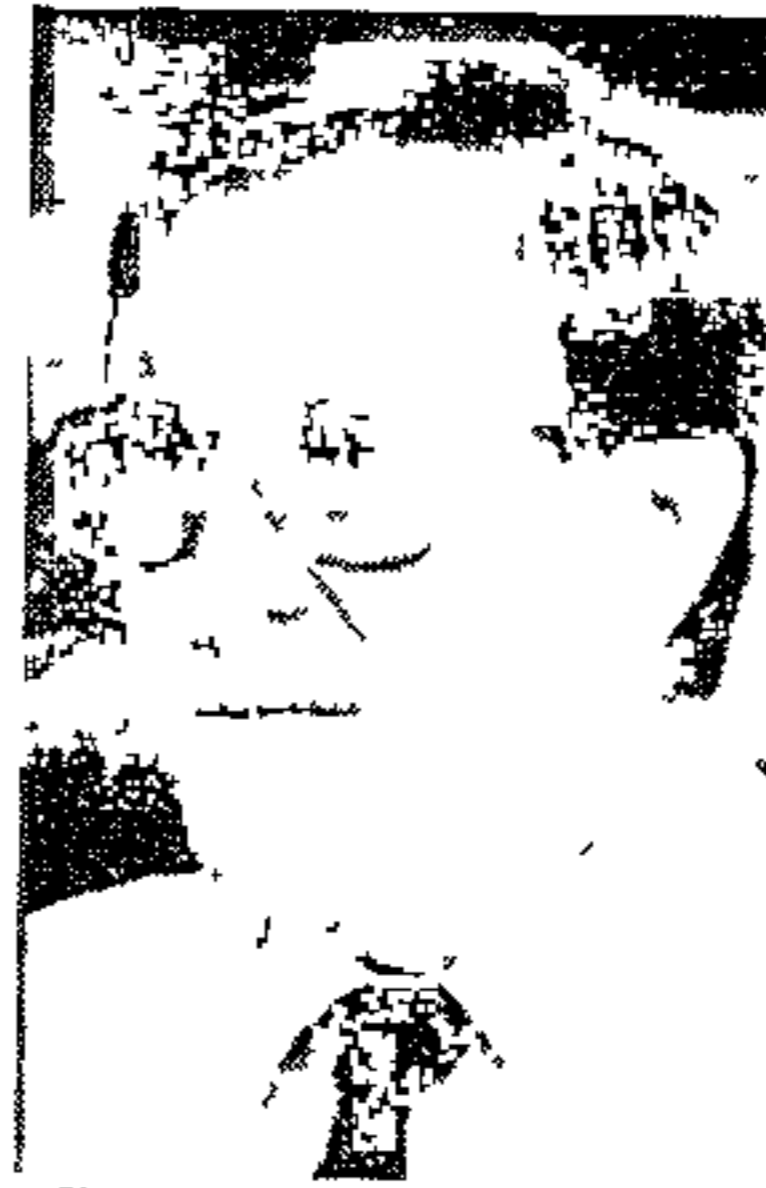
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# Noristan plans to cash in on the traditional remedies used by farm folk



Noristan MD Hugo Snyckers



Noricel MD Wolf Snyckers

SA PHARMACEUTICAL manufacturer Noristan has for the past 12 years investigated folk medicines and annually sends out teams to gather traditional remedies used by bushmen, sangomas and farm folk

One of the unlisted company's medical innovations, an anti-ulcer drug, is close to the clinical trials stage. Some other plants in folk use have been found to have analgesic, anti-inflammatory, anti-microbial and anti-depressant properties.

The man behind the drive to explore the possibilities of traditional medicines was the late Dr Hans Snyckers, a lawyer/economist. Three of his sons, Hugo, Fritz and Wolf have helped build up the Noristan group and have continued the work.

Fritz, a doctor of chemistry, foresees the launch of the ulcer drug within five years.

Once the active chemical is isolated from the plant material used in folk medicines, it is built into a drug and then subjected to the pharmacological, toxicological and clinical tests of modern medicines.

"We are definitely not cooking broth from bark or putting goggas and worms into brews," he says.

The research section has the most comprehensive databank on folklore applications of SA plants. It covers about 3 000 plants, 400 of which have already been studied.

Patents have been obtained for five of the active chemicals so far isolated.

Noristan is also one of two local firms which produce active ingredients themselves.

However, the problem with local production is that research and development of drugs is prohibitively expensive, making the pharmaceutical industry wholly dependent on international trade.

Raw materials for pharmaceuticals from East-bloc countries, for example,



Noristan Laboratories MD Fritz Snyckers — "We are definitely not cooking broth from bark or putting goggas and worms into brews."

can be bought locally for far less than they can be produced in SA.

But, says mechanical engineer Wolf, pointing to an in-house designed manufacturing plant with a radically new method for producing the tuberculosis drug pyrazinamide. "Guys like us just like doing the job."

Noricel, the fine chemical manufacturing subsidiary, is the only producer in SA of aspirin, pyrazinamide and commercial chemical carboxymethyl.

Group MD pharmacist Hugo Snyckers says throughput is the only justification for the production of these fine chemicals to be profitable. Pharmaceutical plants in SA are low margin businesses

with small factories. SA's drug consumption, despite its large population, is still very small.

In a year the company sells 500 tons of aspirin for local consumption. This is a fraction of what an international company would build a plant for.

Noristan started small in 1953 when Dr Hans and his wife Lore, in a small cluster of buildings on the outskirts of Pretoria, produced 1-million tablets. Lore, whom personnel refer to as "Mutti", still helps run the cosmetics division. She was the first tablet-maker in SA.

Noristan Laboratories output has grown to more than 60-million tablets a

**The Noristan Group is serious about the modern application of traditional remedies. HELOISE HENNING spoke to the family behind the search for new drugs.**

month. This division, headed by Fritz, employs half the group's staff and two-thirds of the capital.

Good prospects for local manufacturers are only possible if privatisation takes place, says Hugo. Government buys 60% of all drugs, but only contributes R100m to turnover, while the remaining 40%, which goes to the private sector, produces about R900m on manufacturing prices.

However, State expenditure on medicines comprises 27% of the health services budget.

"Anything over 25% means the State is too involved. It is necessary for the State to push as many patients into the private sector. Besides, they can't handle more than 10% of the population."

Local production in pharmaceuticals can only be absorbed if privatisation takes place, says Hugo, who is also president of the Federated Chamber of Industries.

He believes privatisation means individuals, not institutions, should be subsidised.

His premise is based on a growing economy that would produce wealth for all, see blacks enter medical aid societies and allow individuals to choose the health care they want.

However, privatisation in health care can only take place if health professionals in the private sector are given a share in government's decision-making at the highest level.

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30/7/87  
SIDAY

# Sentrachem's strong recovery — and there is more to come

Buy 5/8/87  
183

SENTRACHEM is the third-largest quoted chemical group, with widely diversified interests — including industrial chemicals, foodstuffs, plastics, mining chemicals, synthetic rubber and agriculture

The group has weathered serious difficulties in recent years, stemming from a combination of causes — the over-trading in fertilisers (which has afflicted all market participants), heavy financing costs and low through-put at the newly-erected synthetic rubber plant at Newcastle, and the weakness of the economy, which has negatively affected "level of activity" products, such as plastics

The accounting measure of these problems can be taken by noting that the last dividend was paid in 1984, while EPS — which had been 21.4c in 1984, fell to a loss of 27.3c in 1985, with a modest recovery to 14.0c in 1986 (for a broken accounting period of nine months)

The latest year has brought about a marked recovery — to 47.1c

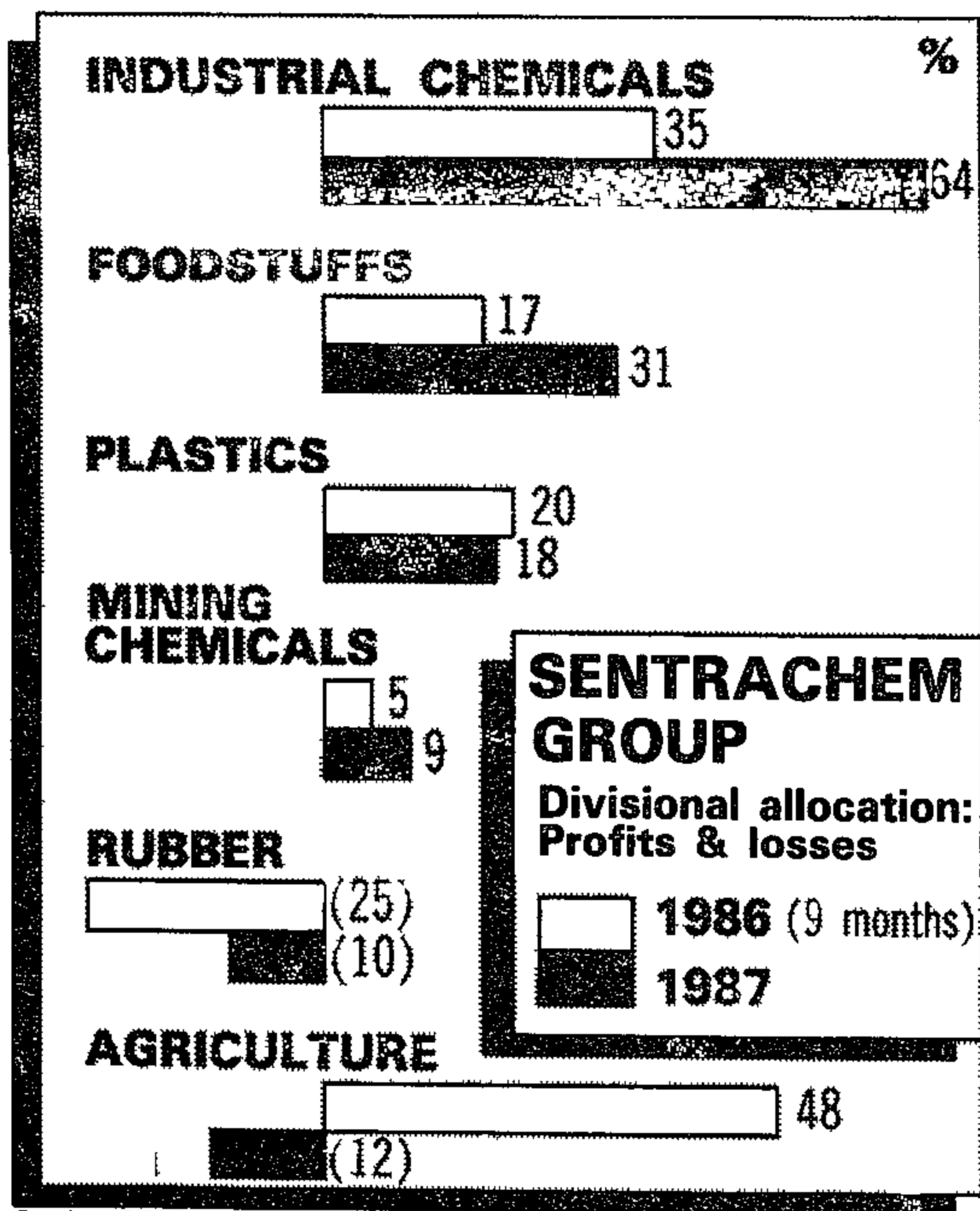
## Improvement

MD Dave Marlow notes in the annual report that earnings in the second half of the financial year — at 33c — were a substantial improvement on the 14c earned in the first half.

The ratio of debt to fixed capital, which had been negligible in 1981, had fallen to 1.10 in 1985, barely changed at 1.08 in 1986. The latest financial year has seen a significant improvement to 0.82

Marlow notes that the overall improvement achieved by the group in the 1987 year (with many plants now running close to capacity as the result of growth in local markets and the development of exports) was achieved despite a sharp deterioration in the results at Fedmis and continuing losses in the Newcastle synthetic rubber operation, which is still operating at a loss, aggravated by very high finance charges (see chart)

Marlow says that aggressive rationalisation at Fedmis is evi-



## ROBIN FRIEDLAND

denced by the reduction in fertiliser manufacturing capacity — now less than 600 000t per year, compared with "more than double" five years ago

The full benefits of rationalisation with fertilisers will show up in the current financial year, despite the continued poor market conditions, while losses "will be significantly reduced" within the balance of agricultural activities

Here, Sentrachem's policy is to concentrate on products "not generally available"

One measure of the extent of rationalisation can be found in the drop in the number of total group employees — from 8 700 at the end

of the 1986 year to 8 200

But the group had to weather serious strikes at most of its major plants during 1987, which it did without disruption of supplies

Marlow also says that the rubber division now "looks even better than in the annual report" Sentrachem has recently introduced a further incentive scheme for the tyre industry to advance the use of synthetic rubber

And progress continues strong in the remaining divisions — notably plastics — with output (as noted in the report) straining at capacity in some areas

Capital expenditure is budgeted at R140m for the current financial

## CAPITAL STRUCTURE

89,519m ordinary shares.

29,961m preferent ordinary shares.

50.0m variable rate redeemable cumulative preference shares.

Market capitalisation (ordinary shares plus preferent ordinaries): R632m.

PRICE (August 3):

Ordinaries: 550c.

Pref ordinaries: 540c.

Yield on ordinaries: nil.

PE ratio: 11.7.

12-month high: 550.  
Low 165.

ing the benefits of a tax loss which amounts to R326m for the company, compared with R274m for the previous year — which should provide a useful shield for the recovery for some time yet

At its current price of 550c, the latest earnings figure reflects a earnings yield of 8.6%, but this ratio is based on the current average after-tax return of 6% on average capital employed — which compares with a return of 24% in 1980 and 1981. Nav per share, is incidentally, 472c

Turning to working capital ratios, we find the ratio of current assets to liabilities of 1.69 while the "acid test ratio" (current assets excluding stocks liabilities) is sound 1.12

All indications suggest that the recovery now firmly under way has still got some way to go, especially in the light of the still-moderate return on capital employed, and the commitment to resume dividends should not present the least problem. But the full benefits will probably not show up until the 1988 year

## Commitment

If the second half earnings are annualised and adjusted for the rights issue, one arrives at a notional rate of earnings of around 50c — which would provide a notional PE ratio of 11 on the new capital structure, compared with AECI's PE of 13.8 and Sasol's 13.8

But this rating of Sentrachem makes no provision for further recovery in the earnings on existing assets, nor for the longer-term effects of the substantial capital expenditure now being undertaken

Clearly, the rerating of the share still has some way to go, despite the three-fold rise from the lows of two years ago, and it ranks a buy — especially on medium-term considerations

The new preferent ordinaries (still quoted as letters) provide an entry option for those requiring immediate dividend income

year, while the group has raised R101m through the issue of 25 960 580 6% preferred ordinary shares — an effective increase of 29% in the total issued equity

The new shares are entitled to a non-cumulative annual dividend of 23.4%, but will rank *pari passu* with the ordinaries in the year following that, during which total annual dividends on the ordinaries equals or exceed 23.4cps

So the preferent dividend on the new issue will have to be funded with immediate effect (the annual report predicted that it would be possible to pay a final dividend for the year ending in March 1988)

Sentrachem is, however, enjoy-



# Top Sacwu men charged

**TWO senior officials of the South African Chemical Workers Union who were detained under state of emergency regulations last week were released on Thursday and immediately charged with intimidation.**

National organiser and chief negotiator of Sacwu, Mr Manene Samela, and organiser Mr Mandla Mahlangu, were detained on July 28 and released last Thursday

According to the union the two officials were charged with intimidating workers at Chemrite and Colourlab Processing in Isando on the East Rand. They will appear in court on August 14

• Meanwhile, 87 workers employed by Control

Chemicals in Kew, Johannesburg, were yesterday refused entry when they returned to work after being illegally dismissed by their employer on May 27, 1986

Sacwu official, Mr Lele Mabele, said the company's director, Mr Peter Buchan, refused to reinstate the workers in spite of the Industrial Court's ruling that he re-employ them

He said the Industrial Court ruled against Control Chemicals in July after a hearing which began in January

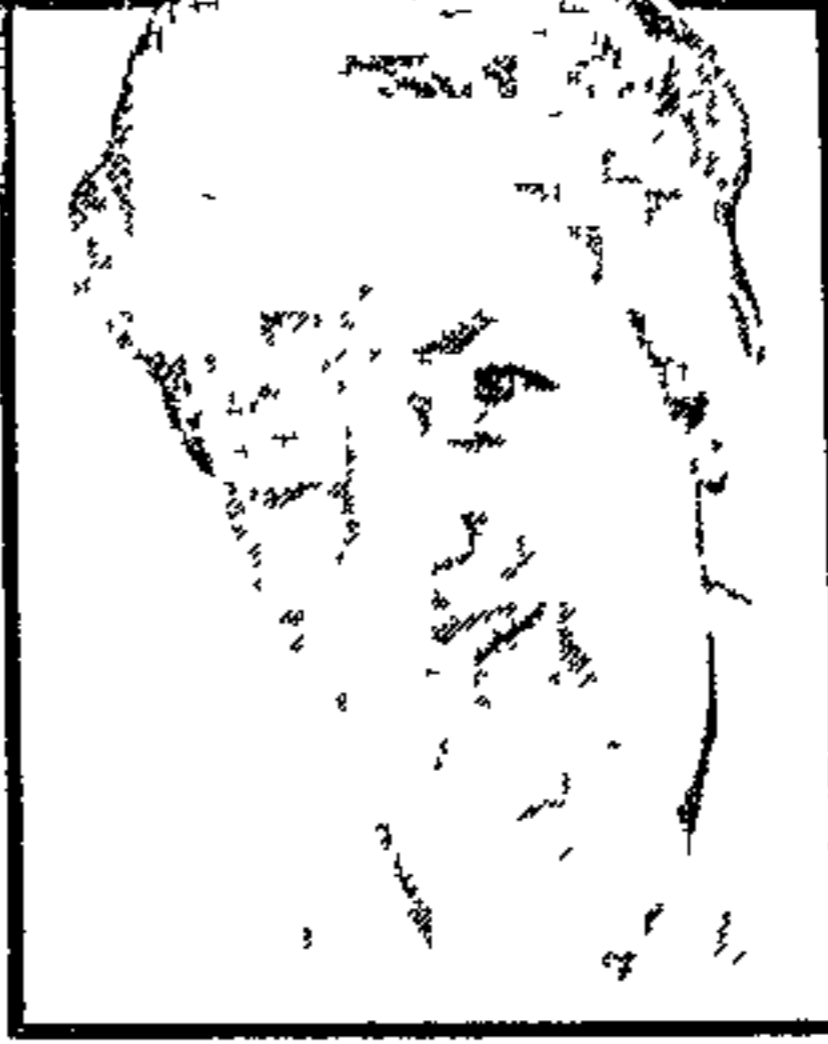
Mr Buchan was not available for comment at the time of going to Press.

AP3  
Sacwu  
5/8/87

*Handwritten signature/initials*

by JULIE WALKER

# Farm-Ag to trim farm input costs



(183)

**AGRICULTURAL** chemical supplier Farm-Ag will save farmers between R8-million and R10-million this year and R25-million next year in input costs.

Farm-Ag will do so by making the chemicals

The share looks good value at 760c — 110c off its April high and on a low price-earnings ratio of 8,9. Earnings a share for the year to February 1987 were 85c and the dividend 40c, giving an attractive yield of 5,2%.

The Farm-Ag group was founded by the Maingard brothers in 1956 and was floated in 1981 through a reverse listing into Eddels. A year later Farm-Ag began the basic manufacture of agricultural chemicals in addition to its trading activities. It sold its retail division to ICI (SA) in 1985.

Safsan Agricultural Chemicals and the Miracle Manufacturing Company, which makes lawnmowers, were acquired in 1986 and last week the Transvaal-based Stiletto Lawnmower Manufacturing Company was bought.

This year it took over the Potter & Moore group of toiletry companies to provide it with an entry to the chain stores.

A rights offer was held last November to raise money for a manufacturing plant at Canelands in the heart of Na-

tal's sugar belt. Sugar farming is the second-largest market for agricultural chemicals in SA, but the factory has good road and rail links to serve the maize-growing areas of the Transvaal and the Free State.

Farm-Ag has made a weedkiller which controls jointed cactus in the Eastern Cape and weeds in sugarcane lands. The product is also exported.

## STRATEGIC

The group's profile will change from predominantly a chemical trading and "contract formulating" concern to a primary manufacturer and formulator.

Many previously imported products are of a strategic nature and Farm-Ag will beat sanctions.

Chief executive Robert Maingard says "Farm-Ag's philosophy is to reduce the farmer's input cost. Until now it was claimed that agricultural chemicals could not be produced economically in South Africa."

"We realise that Farm-Ag will come up against multinational companies which will not be pleased to see such a development in South Africa."

Farm-Ag has been granted tariff protection for one of its most important products, Alachlor. It will seek protection for another five products.

Since it became known that Farm-Ag was to make

the compound, foreign competitors dropped their price by 25%.

A 25% cut suggests that SA has been paying through the nose for imported agricultural chemicals.

When Farm-Ag applied for duty tariff protection it promised not to abuse the relief. Protection is required to safeguard the new industry against dumping. The company expects to manufacture at least 10 strategically important compounds by next year.

Production costs are expected to be lower than those of foreign competitors and the door could be opened to exports.

Although Farm-Ag's earnings will begin to benefit this year, in the next financial year the true potential will be realised.

Farm-Ag is confident that it will be able to undercut the price of imports. The group has laboratories and research facilities, and employs experienced agronomists and manufacturing staff.

There are manufacturing operations at Springs and Boksburg. The two will be housed under one roof at the Springs factory to rationalise management and services.

Another listed company to benefit from Farm-Ag's improved performance will be Rale Holdings. Rale holds a 53% stake in Farm-Ag, 23% of Probear and 66% of Pactape as well as 40% of unlisted Hacks Holdings.

183 B/Day 2/18/87 BUSINESS DA

# Customs duty revision

GOVERNMENT announced yesterday that customs duties on some agricultural chemicals would be abolished or reduced, but others would be retained to protect local producers.

The revision of the customs duty on agricultural chemicals, which is to be published in the Government Gazette today, follows an investigation by the Board of Trade and Industry (BTI)

BTI chairman Lawrence McCrystal said government had accepted its recommendations.

In March 1986, the Minister of Trade and Industry requested an investigation into the cost of inputs to the agricultural sector

Since tariff protection was often mentioned as one of the reasons for increases in agricultural inputs, which affected the agricultural community and the consumer negatively,

Political Staff

the BTI was asked to revise the customs duties on all agricultural inputs

Because the investigation involved more than 70 items, the BTI decided that the customs duties on agricultural chemicals be revised independently from other agricultural inputs such as tractors and implements.

Certain agricultural chemicals such as fertilisers were already being investigated separately by the BTI and were excluded from the present investigation.

McCrystal said the BTI concluded that the customs duties on agricultural chemicals "do not have any significant cost-raising effects on the production cost of agricultural produce"

onal taxation. Margo recommended by being based on sales less purchases

**Customs duty on chemicals is 'adequate'**

24/8/87 DAVID FURLONGER B/day

CUSTOMS duties on most agricultural chemicals are adequate and should not be increased, the Board of Trade and Industries (BTI) has decided.

Dawie de Villiers, then Trade and Industry Minister, asked the BTI last March to examine input costs for the agricultural sector, and to revise customs duties on all these inputs.

"From information gathered during the course of the investigation, the BTI came to the conclusion that customs duties ... do not have any significant cost-raising effects on the production cost of agricultural produce," says BTI chairman Lawrence McCrystal.

He says the BTI looked at chemicals separately from other inputs such as tractors and farming implements.

Calculations showed customs duty on fungicides and herbicides for maize cultivation accounted for no more than 3% of crop value.

24/8/87  
**Margo, Durr to give talks**

TAX COMMISSION chairman Mr Justice Margo and Deputy Finance Minister Kent Durr will be among the speakers at a symposium on the Margo Commission report, organised by Assocom.

It will be held at the Sandton Holiday Inn on Wednesday starting at 8.30am

Mr Justice Margo will open the seminar with an introductory talk. Brian Kantor, director of the school of economics at the University of Cape Town, will then present a paper on the economic perspective.

Tax expert Michael Stein will deal with the impact of the report on direct corporate and personal taxation.

During lunch Pierre du Toit, international tax partner at Arthur Andersen and Company, will deal with tax enforcement.

Former Inland Revenue Commissioner Mickey van der Walt will deal with indirect taxation, and proposals affecting regional and local taxes will be discussed by tax consultant Charles McKenzie of Arthur Young and Company.

negative real growth from his 5

**Workers strike  
for 'living wage'**

A total of 320 workers struck at two factories of the pharmaceutical company, Twins Propan, on Tuesday in support of "living wage" demands

The Chemical Industrial Workers' Union (Cwiu) said 250 workers had stopped work at the Wadville, Germiston, plant and 70 at Durban

The Cwiu said the management at both factories had threatened workers with dismissal if they did not return

They were seeking R750 a month

Management was unavailable for comment at the time of going to press

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27/8/87

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# Briefs

183

**STRIKING Mercedes-Benz** of South Africa workers in East London have been informed individually by letter that if they do not go back to work by 10am tomorrow, the company's final pay rise offer will be withdrawn.

"We have put forward a final offer which has been rejected by the National Union of Metalworkers of SA. We believe this offer is extremely fair," MBSA spokesman, Mrs Delene MacFarlane, said last week. 2/9/87

upon giving women workers on the bottom grades a percentage increase of 29 percent. Six months maternity leave was agreed with two months on full pay. May Day and June 16th were granted as paid holidays and Sharpeville Day would replace Workers' Day. Shift allowance was improved to 17.5 percent.

● At Reef Chemical in Boksburg, the new minimum wage agreed upon was R4,20 per hour or R800 per month. Minimum wage May Day and June 16 were given as holidays and Sharpeville Day would be swapped for another leave day.

● After a two-day strike, 300 Twins-Propan workers at the Durban and Wadeville plants settled their dispute. Increases of between R145 and R150 per month were agreed upon bringing the minimum wage to R740 per month. Maternity leave was increased to 4 months with 2 months on full pay. May Day and June 16 were also recognised as holidays, the union said — Sapa

THE Chemical Workers' Industrial Union and various Transvaal companies recently reached settlement in the "living wage campaign", the union said yesterday.

Settlement has been reached with the following companies:

● At Vulco Latex in Johannesburg, a settlement covering 250 workers was reached just in time to avert a legal strike which was due to start the next day, the union said. An increase of R29 per week or R125 per month was agreed.

2/9/87  
3/9  
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TONY KARIS

# Heavily into medicine

The new MD of South African Druggists (SAD), Tony Karis, takes over the reins of the biggest health-care group in the country. And this subsidiary of Federale Volksbeleggings is to be re-listed on the JSE on September 17.

After a major rationalisation, Karis claims the company has a promising future. "We used to have some weaker companies in our stable — a number of thin cows who ate the fat cows, but these have now been removed."

An expansion programme is already under way in the distribution and manufacturing facilities, with other plans for a new intravenous solution plant, and further possible acquisitions in the pharmaceutical field.

Although new in the top spot to head up this ambitious and exciting programme, Karis has been firmly ensconced for several years in SAD headquarters in Johannesburg.

His roots, however, are deep in the eastern Province. He was born in 1939 in Port Alfred and attended school at Kingswood College. He qualified as a pharmacist in 1963.

He joined Lennon Limited, of Port Elizabeth, as a trainee executive. Lennon, a wholly-owned subsidiary of SAD, is the largest manufacturer of pharmaceutical products in the southern hemisphere. Aged 29, he was Lennon's managing director.

Although it was very much a hands-on operation in running the plant, Karis steadily developed an expertise in marketing. In 1977 he was appointed general manager of the group's pharmaceutical division, controlling the various divisions from SAD's headquarters in Johannesburg.

Progress continued through senior general manager, deputy MD and now the top spot.

In his leisure time, Karis reverts partially to the joys of his youth — back in the eastern Province it was surfing, board-sailing, skin-diving, Hobie cats and "oyster-nabbing".

Now, it's a more dignified L-26 racing keel boat on the Vaal Dam, as a member of the Lake Denys Yacht Club.

The SAD group today, with a turnover this year of R566m and an earnings growth of 42%, covers all aspects of the country's pharmaceutical business. In the hi-tech area, the group manufactures, markets and exports specialised pharmaceutical chemicals and enzymes.

"We've managed to get into export markets worth about R20m a year," says Karis, "even though the multinational pharmaceutical industry is so competitive. We concentrate on products that aren't freely available, and market them in an early stage of



Karis... a leader in the field

their life."

The group is currently spending more than R1m a year on biotechnology research, with its own research teams in the CSIR in Pretoria, Stellenbosch University and the University of Cape Town.

Other hi-tech areas of SAD activities include the Lennon Limited pharmaceutical manufacturing plant in Port Elizabeth. Lennon (where Karis started out) has pioneered the development of the generic drug market in SA.

The total market here has a potential in the region of R160m a year, and it's growing rapidly. Already a leader in this field, Lennon is expected to introduce another ten new generic products in the current financial year. In the State tender market, which accounts for 75% by volume of drugs sold in SA, SAD has a 40% market share, twice that of its nearest competitor.

Karis says that for many years generics were considered to be "pirate" drugs, and he concedes there were many "backyard" manufacturers in the past. But he maintains, whatever the multinationals may say, that his products are as good as their branded equivalents.

"Doctors used to complain about generics

five years ago, with some justification, but now they must concede that without generics medicine costs will spiral unrealistically. Already the prescription pads of the Midland Medical Plan in PE instruct pharmacists to substitute generics when they can, if approved by the prescribing doctor.

"It's common sense that people's medical bills will go much further if they use cheaper — and certainly not inferior — brands. Often people give themselves reduced dosages of brand medicines which are priced out of their reach."

In recent years, the wholesale division played the leading role in developing the Link chain — a voluntary grouping of some 560 privately owned pharmacies.

### Cutting costs

This wholesale business, in fact, has been rationalised into a highly sophisticated computerised operation, as good as anything in this field in the US and Canada.

"I believe pharmacy has come to a watershed. I don't believe that medical aid schemes should be allowed to own pharmacies, but pharmacists must do far more to cut costs."

And what of the prospect of further disinvestment?

"We are solidly against disinvestment. The multinationals are highly professional companies, and we need their presence for the introduction of new products and for technology."

"If a multinational did disinvest and came onto the market, we would certainly consider buying it, but only if it filled a gap in our portfolio."

"For example, we decided not to buy Mer-Onational when it hit the market, as it simply didn't fit in with our strategic growth plan." ■

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# Workers locked out of factory after 3-day sit-in

CMB 7.75 11/987  
Staff Reporter

FORTY workers at the Inmont ink factory in Kinghall Avenue, Epping, were locked out of the factory yesterday after a "sit-in" on the premises which lasted for three consecutive days

One of the workers said the dis-

pute arose over the dismissal of one of the other workers for absence from work after he had asked for leave and apparently had been refused it

The workers belong to the South African Chemical Workers' Union, which is an affiliate of the

second-largest union grouping in the country, the National Council of Trade Unions (Nactu)

A spokesman for the factory management said he would telex comment on the matter to the Cape Times, but by late yesterday this had not arrived

PHOTO COURTESY DISCOUNT



conditions were

SAPE 710/13 15/9/87  
**Striking workers back  
after provisional order**

1830

Staff Reporter

**STRIKING** workers at the Inmont ink works in Kinghall Avenue, Epping, returned to work yesterday afternoon after the Industrial Court provisionally declared the strike illegal on Friday.

South African Chemical Workers' Union organizer Mr Sizakele Mahlutshana said the workers had been forced to stop the strike and return to work. They had been shocked and frustrated by this.

The temporary order called on Mr Lucas Rampomana and 33 others to show on September 29 why a final order should not be issued declaring the strike illegal.

The final order will also direct the respondents to cease participating in the strike and restrain them from encouraging any employee from continuing with or participating in the strike.

Yesterday the deputy sheriff of Goodwood served the order on all the striking workers and it will also be served on the SA Chemical Workers' Union, according to the Industrial Court order.

A copy was also attached to the factory gates and the order was broadcast at the premises.

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183 (157) (113)

## Strikes at AECI 'suspended' for talks

### Labour Reporter

STRIKES by workers at two AECI plants have been "suspended" pending talks today between their union and management

A spokesman for the South African Chemical Workers' Union (Sacwu), an affiliate of the National Council of Unions, said the workers went on strike at AECI operations in Bellville and Salt River yesterday in support of demands that they be included in a central bargaining forum

Mr John Russell, personnel manager for AECI's paint division, said the forum covered mostly the older AECI operations and involved about nine trade unions, but there were "a lot of other sites where we have an established practice of plant-based bargaining"

### UNDERMINING

In a statement Sacwu condemned Inmont Inks, Epping, for seeking an order from the Industrial Court to end a strike at the company

"The union was shocked by the company's action and finds it frustrating that work-related issues cannot be resolved at the workplace

"The workers also find it frustrating that companies are using the Industrial Court as a mechanism to bypass negotiating machinery, thus undermining the employer/worker relationship on the shop floor," said Sacwu

CAPE TIMES 16/9/87

# Sunpak lifts income 102%

By AUDREY D'ANGELO  
Financial Editor

ATLANTIS-BASED Sun Packaging Holdings (Sunpak) lifted operating income by an impressive 102% in the year to August 31, to R6,8m (R3,4m), and the dividend by 127% to 5c (2,2c) a share

This is the fourth year in succession that the company has achieved record earnings.

Chairman Tubby Gericke and joint MD Richard Ball forecast further growth in the current year, in which they expect earnings to rise to 15c a share

In the year to August they rose by 20% to 10,1c (8,4c) a share. Turnover rose by 88% to R19,7m (R10,5m) and, with a 14% drop in the interest bill to R300 000 (R349 000), pretax income was up by 115% to R6,5m (R3m).

Unfortunately the tax bill also rose, by 373%, to R2,5m (R531 000), limiting the rise in attributable income of R4m (R2,5m) to 61%.

Expansion and the merger with Van Leer have more than doubled Sunpak's total assets which are worth R16,1m (R7,5m) but its current liabilities have also risen to R6,1m (R3m)

Gericke said the coming year would show "exciting developments".

Gericke said the technological transfer and licence agreement with Japanese manufacturers Sekisui would have "a profound impact" on Sunpak's future earnings

A separate, independent, factory would be erected at Atlantis for the manufacture of Sekisui-related products

"A butane gas blowing system will be commissioned at a cost of R1,2m in March. This will make Sun Packaging the only foam company in the southern hemisphere not using Chloro-fluorocarbons (CFC), which are dangerous to the environment, as a blowing agent"

Gericke said Sunpak's new high technology foam label line, which was more effective than coated papers and could be used for pilfer-proof seals, would start production next April. It would cost about R4m and should reach a turnover of R10m within 15 months.



# Poison spraying: Babies 'deformed'

CONCERN is growing in Natal that an insecticide being sprayed on sugarcane plantations in the province may be responsible for the spate of deformed babies born over the past six weeks.

In the month of August alone 13 deformed babies were born at Durban hospitals.

An independent pressure group, the Chemical Watch Action Group, recently formed to monitor possible links between chemicals used and deformed babies, has received over 300 reports of deformed babies.

Ninety-eight percent of the cases reported, even those from as far as the

Transvaal, had links with Natal. Most of these deformed babies were conceived in spraying season.

The chemical substance being sprayed on the sugarcane plantations, 24d and 245l, which have caused the widespread concern, have been banned in many parts of the world. However, it is extensively used in the sugar and lumber industries in Natal.

Mrs Kay Channing Pearce, chairperson of the action group, reported that last year a large consignment of double-strength 24d herbicide, was bought by a Natal farmer and used in extensive spraying operations.

"We find this extremely alarming. It

is illegal to have this substance on the open market. It has no labelling and no instruction," said Pearce. From its investigations, the action group has produced a frightening dossier linking chemicals with deformities and other health problems.

Among the cases reported were:

- A baby born in Westville, in Natal, three weeks ago, without an eye or brain. The baby died half an hour later.

- A mother from Umhlanga, also in Natal, reported that she had conceived four times. Two babies, conceived in winter, non-spraying months, were normal. The two conceived in the

spraying season were not. The one died of unknown causes at the age of six months, the other died in the late foetal stage.

- A baby was born in Johannesburg with the lower part of the legs deformed and two toes missing. The father was a fertiliser salesman and visited Natal agricultural areas twice a month, particularly in the spraying season.

- Another Johannesburg mother gave birth to a baby girl with lower limb deformities. The mother had visited Natal in the early part of her pregnancy during the spraying season. Dr Priscilla Tryer, Natal director of

the Department of National Health and Population Development, described the whole business as a "storm in a tea-cup."

"I am certainly not convinced we have an epidemic on our hands. And we have not launched an investigation yet," she said.

Mr Peter Sale, general manager of the South African Sugar Association, said there was no move to abolish the use of the herbicides 24d and 245l.

He said, however, the association would be prepared to co-operate in investigations that would help to resolve the issue. PFS4

**OFS**  
An amount of R5,04 is paid for medicine per consultation

A 474 L

An amount of R5 20 is paid for medicine per consultation

(2) No

**Supply of medicines**

553 Mr H J COETZEE asked the Minister of National Health and Population Development +

- (1) What percentage of the consumption of medicines by the population of the Republic of South Africa was supplied by (i) State and provincial hospitals, (ii) State-controlled clinics, (iii) prisons, (iv) the South African Defence Force and (v) the South African Transport Services in the latest specified financial year for which information is available and (b) what total amount was involved,
- (2) whether he will furnish information on the consumption of medicines by the populations of the independent Black states; if not, why not, if so, (a) what are the relevant figures for each of these states and (b) in respect of what financial year is this information furnished?

**The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT**

(1) (a) Financial year 1986-87

- (i) 29%
- (ii) See note 1
- (iii) 0,5%
- (iv) 2,5 (see note 2)
- (v) 5,0%
- (b) R1,123,000 000

(2) No  
The Department of National Health and Population Development has insufficient information at its disposal

Hoa

to enable it to provide meaningful answers to the enquiries in this regard

*Note 1* It is unfortunately not possible to differentiate accurately between the value of medicines supplied to patients through hospital outlets and clinics

*Note 2* This percentage represents that which is supplied by the South African Defence Force in order to meet its own needs. The South African Defence Force has in the past purchased medicine on behalf of the Department of National Health and Population Development and other central Government departments

The amounts involved in this respect are included under paragraphs 1 (a) (i) and (ii)

**Diep River offences**

554 Mr S S VAN DER MERWE asked the Minister of Law and Order

- (1) Whether there has been an increase in the incidence of the offences of (a) robbery, (b) theft of vehicles and (c) housebreaking with intent to steal and theft in the Diep River police station area in recent years, if so, to what extent,
- (2) whether, in view of this increase, he intends opening a police station in Plumstead, if so, (a) where and (b) when, if not, (i) why not and (ii) what steps does he intend taking to combat the increased incidence of these offences in the said area,
- (3) whether he will make a statement on the matter?

**The MINISTER OF LAW AND ORDER**

- (1) (a) to (c) No. These types of crimes have displayed a fluctuating tendency during the past 5 years in this police station area. However, during the 1986/87 statistical year it displayed a strong decrease
- (2) No (a) and (b) Fall away
- (i) and (ii) Because the Diep River police station serves the com-

munity in that station area effectively. Existing crime prevention actions also produce positive results and shall be adjusted if it appears to be necessary

- (3) Yes. I wish to point out to the hon member that the South African Police monitor the crime situation in this police station area, as in every other station area, accurately and in a specialised manner. Instructions and methods regarding crime prevention are continually being adjusted as circumstances require. The South African Police has a proud record regarding crime prevention in South Africa and they aim to continue building on that record

**Group Areas Act**

555 Mr S S VAN DER MERWE asked the Minister of Constitutional Development and Planning

- (1) Whether, since 1 January 1986 his Department has received any applications for exemptions from the provisions of the Group Areas Act No 36 of 1966, in respect of residential premises in each specified magisterial district in the Transvaal if so (a) how many such applications had been (i) granted and (ii) refused as at the latest specified date for which information is available and (b) what were the reasons for (i) granting and (ii) refusing each application,
- (2) whether any action has been taken against (a) owners and (b) occupants of residential property in the Transvaal in terms of the provisions of the said Act during the above-mentioned period, if so, (i) in respect of the owners or occupants of which properties, (ii) what action was taken, (iii) who initiated the action, (iv) who decided that action should be taken, (v) why was action taken and (vi) what was the outcome of this action in each case?

**The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING**

District	(1) The Transvaal Provincial Administration, which has been responsible for the issuing of permits in terms of the Group Areas Act since 1 October 1986, has supplied the following information for the period 1 October 1986 to 30 September 1987	
	(i) Granted	(ii) Refused
Alberton	2	
Amerfoort	1	
Balfour	1	
Barberton	1	
Belfast	1	
Bethal	1	
Boksburg	1	2
Brakpan	1	
Benoni	1	4
Christiana	1	
Carolina	1	
Delareyville	2	
Germiston	2	5
Hoeyeldrif	2	
Johannesburg	853	42
Kempton Park	12	7
Klerksdorp	19	1
Leraba	2	
Lichtenburg	3	1
Lydenburg	1	
Krugersdorp	1	
Marico	2	2
Nigel	5	
Oberholzer	1	1
Piet Renef	1	
Pietersburg	1	
Potchefstroom	4	
Potgietersrus	10	3
Pretoria	2	4
Randburg	2	3
Randfontein	1	
Schweizer-Reneke	1	
Soupsansberg	1	
Swartkops	1	
Vereeniging	1	2
Volkstrust	5	
Wakkerstroom	2	
Westonaria	1	1
Witbank	1	
Wolmaransstad	1	1

(b) (i) and (ii) Applications are granted or refused in terms of the provisions of the Group Areas Act, 1966

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to the latest specified date for which information is available (b) what are their names and (c) from which countries did they come

**THE DEPUTY MINISTER OF INFORMATION**

(1) (a) The Bureau for Information handles guests of the Department of Foreign Affairs on an agency basis 183 Guests of the Department of Foreign Affairs were received between 7 May 1987 and 30 September 1987 in this way by the Bureau

- (b) It is not the policy of the Bureau to divulge the names of guests without their approval
- (c) It is not in the interest of the RSA to name individual countries

(2) It is practice to arrange interviews with members of political parties from all three Houses of Parliament From time to time appointments cannot be arranged with members of all political parties as the representative of a specific party is not available or the itinerary of the guest does not permit it

Aircraft on charter, maintenance

548 Mr C J DERBY-LEWIS asked the Minister of Transport Affairs

Whether technical personnel of the South African Airways are responsible for the maintenance of Airways aircraft while they are on charter to other airlines or countries, if not, what steps are taken to ensure that such aircraft are returned in the condition in which they were when they were chartered out?

**THE MINISTER OF TRANSPORT AFFAIRS**

The situation regarding the maintenance of leased aircraft varies from contract to contract

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The airline leasing the aircraft is contractually responsible for ensuring that the maintenance work is performed in terms of the airworthiness requirements of the country where the aircraft is registered

Gold

549 Mr C J DERBY-LEWIS asked the Minister of Finance

(1) Whether the South African Reserve Bank is responsible for the marketing of South Africa's gold, if not,

(2) whether he will furnish the names of the organisations responsible for such marketing, if not why not, if so, (a) what are their names and (b) with effect from what date has each been permitted to engage in such marketing?

**THE MINISTER OF FINANCE**

- (1) Yes
- (2) Falls away

Officials working overtime

550 Mr C J DERBY-LEWIS asked the Minister of Communications

(1) Whether any officials of his Department are required to work overtime without being compensated for doing so if so, (a) what are the relevant details, (b) since when has this policy been in force and (c) what acknowledgement do the officials concerned receive for working overtime on this basis,

**THE MINISTER OF COMMUNICATIONS**

(1) and (2) In the event of officials being called upon to work longer than their prescribed weekly hours of attendance, e.g. during periods of staff shortages, ab-

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sences, and seasonal increases in work they are remunerated at prescribed overtime rates Situations arise however where officials perform extra duty of their own accord without expecting payment for the extra hours worked During the debate on the Post Office budget earlier this year, I gave credit to the staff for their valuable contribution towards keeping operational expenditure as low as possible It is impractical without an extensive and protracted investigation to determine the savings in terms of posts

Redundant naval vessels

551 Mr C J DERBY-LEWIS asked the Minister of Defence

- (1) Whether any redundant naval vessels are being scrapped or about to be scrapped, if so, (a) why, (b) when and (c) how many,
- (2) whether any consideration has been given to allocating these vessels to Citizen Force naval units, if not why not, if so,
- (3) whether the South African Defence Force have investigated the possibility of these vessels being used and maintained by Citizen Force naval units without any additional expense being incurred for the Defence Force, if not, why not, if so, what were the findings?

**THE MINISTER OF DEFENCE**

- (1) Yes
  - (a) As a result of limited capital and running costs, and also manpower and especially logistic support capability, the battle order of the SA Navy has been reviewed and it was decided to dis- pose of redundant and obsolescent platforms
  - (b) Approval in principle was given on 4 December 1985 The disposal has already commenced but the phasing out will still take a considerable time
  - (c) Fourteen

(2) No As a result of the age and obsolete technology of the vessels continued logistical support would have been very problematical and in conflict with the decision to dispose of the vessels

(3) Falls away

Pharmacies/doctors, subsidization

552 Mr H J COETZEE asked the Minister of National Health and Population Development

- (1) Whether the State subsidizes (a) private pharmacies and (b) doctors in private practice in respect of (i) medicines supplied and (ii) medical services rendered to pensioners, if so, up to what amount, in each case, if not, why not,
- (2) whether he will make a statement on the matter?

**THE MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT**

- (1) (a) No
- (b) (i) No
- (ii) Doctors in private practice appointed as part-time District Surgeons attend *inter alia* to pensioners (all race groups) and are reimbursed for medicine supplied to above mentioned patients for *minor ailments*

The procedures followed in the 4 Provinces are basically very similar, but differ in detail only, for example

Transvaal

An amount of R4,50 for medicine is paid per consultation

Cape

An amount of R5,00 is paid for medicine per consultation

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**OFS**  
An amount of R5 04 is paid for medicine per consultation

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An amount of R5 20 is paid for medicine per consultation

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555 Mr S S VAN DER MERWE asked the Minister of Constitutional Development and Planning

- (1) Whether, since 1 January 1986 his Department has received any applications for exemptions from the provisions of the Group Areas Act No 36 of 1966, in respect of residential premises in each specified magisterial district in the Transvaal, if so, (a) how many such applications had been (i) granted and (ii) refused as at the latest specified date for which information is available and (b) what were the reasons for (i) granting and (ii) refusing each application,
- (2) whether any action has been taken against (a) owners and (b) occupants of residential property in the Transvaal in terms of the provisions of the said Act during the above-mentioned period, if so, (i) in respect of the owners or occupants of which properties, (ii) what action was taken, (iii) who initiated the action, (iv) who decided that action should be taken, (v) why was action taken and (vi) what was the outcome of this action in each case?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

HQA

(1) The Transvaal Provincial Administration, which has been responsible for the issuing of permits in terms of the Group Areas Act since 1 October 1986, has supplied the following information for the period 1 October 1986 to 30 September 1987

District	(i)	(ii)
	Granted	Refused
Alberton	2	
Amerfoort	1	
Balfour	1	
Barberton	1	
Belfast	1	
Bethal	1	
Boksburg	1	2
Brakpan	1	
Benoni	1	4
Christiana	1	
Carolina	1	
Delareville	2	5
Germiston		
Hoedsig	2	
Johannesburg	853	42
Kempson Park	12	7
Klerksdorp	19	1
Letaba	2	
Lichtenburg	3	1
Lydensburg	1	
Krugerdsorp	1	
Manco	2	2
Nigel	5	
Oberholzer	1	1
Piet Retief	1	
Pietersburg	1	
Potchefstroom	4	
Potgietersrus	4	3
Pretoria	10	4
Randburg	2	3
Randfontein	1	
Randfontein	1	
Schweizer-Reneke	1	
Soutpansberg	1	
Swartruggens	1	
Vereeniging	5	2
Volkstrust	2	
Wakkerstroom	2	
Westonaria	1	1
Witbank	1	
Wolmaransstad	1	

(b) (i) and (ii) Applications are granted or refused in terms of the provisions of the Group Areas Act, 1966

# Cartel Be Damned? says AECI to U.S. threat

AECI is expected to proceed with its R600-million soda ash project in Botswana in spite of attempts by an American soda ash cartel to smother the project.

10 year supply contracts with major customers to stymie the AECI project

At present the 280 000 tons a year of soda ash used in SA is imported, half of it from Ansac members. Once AECI's plant goes ahead, the bulk will come from Botswana.

## Trouble

The American Natural Soda Ash Corporation (Ansac) has threatened to do everything possible to prevent the development of new soda ash projects anywhere in the world.

Ansac has written to SA buyers saying AECI's plant will be "uneconomical, inflationary and politically damaging to your industry and our respective countries". It questions whether AECI will be able to attain Ansac quality and warns that cost over-

runs on the plant could push prices to R700 a ton, compared to the present R370/ton

"We urge you to actively discourage the project", says Ansac president, John Andrews and vice president, marketing, Patrick D Hoey.

"Ansac is in a lot of trouble," said AECI managing director Mike Sander. "There is a world glut of soda ash running to millions of tons. They can't abide the thought of another world-size plant coming on stream, so they threaten to drop the price in the hope that we'll be fear-ridden

and nervous

"We are not intimidated. A final go-ahead for our project is still three of four months off, but all our ducks are pretty well in a row and the project certainly looks viable to us."

Foreign minister Pik Botha is outraged at Ansac's threat. He expressed the hope that Ansac would reconsider its attitude.

He told Business Times "It is hardly conceivable that the United States would go along with such an attitude, which in effect means that economic war has been declared on Botswana."

Mr Botha said it was ironic that SA was being ac-

# Gloom is the forecast for 1988

MOST of South Africa's top 100 business leaders see more gloom ahead in 1988

By Ian Smith

The third annual survey of major industrial groups and manufacturers' outlook for next year conducted by Unisa's Bureau for Market Research says most executives predict more labour unrest and strikes, intensified sanctions and disinvestment pressures, higher unemployment and a deterioration in the overall political situation in the country.

But, on the flip side, the report released today says inflation should be lower at a growth of 17.1%, real economic growth higher at a rate of 1.5%.

But, on the flip side, the report released today says inflation should be lower at a growth of 17.1%, real economic growth higher at a rate of 1.5%.

which is expected to remain high.

Adverse influences on inflation will be increased redistribution of wealth, continuing high government spending as a share of the total economy, downward pressure on the rand to keep the current account of the balance of payment in surplus, negative real rates of increase, consumer demand expanding from a very low level, and low productivity coupled with increasing union activity.

"The 1980s are thus proving a watershed decade with executives facing persistent and nervous

pressure on the rand to keep the current account of the balance of payment in surplus, negative real rates of increase, consumer demand expanding from a very low level, and low productivity coupled with increasing union activity.

Higher levels of inflation, the emerging strength of trade unions, disinvestment, withdrawal of multinational, stable rand and rapidly changing technology. The business leaders predict a prime overdraft rate of about 14.7% in December next year and they forecast a median rand/dollar exchange rate of US\$0.49c. A heavy majority of 82% say that pressure on manufacturers to shoulder more social responsibility will intensify next year, while 76% think labour unrest and strikes will increase.

## Plas

Mr Sander said that, because of Ansac's threats, the government had been receptive to AECI's pleas for protection.

He said the bulk of the new plant's production would be sold in South Africa but some would find its way to Africa. Soda ash is used mainly in mine extraction procedures and in glass making.

At present prices and an exchange rate of \$0.48 to the rand, this would give a price of R375.83 a ton. This, AECI says, compares with the current price FOR at Durban of about R370/ton.



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## Plascon workers locked out again

PORT ELIZABETH — Workers at the Plascon-Evans plant in Port Elizabeth were again locked out of the premises by management yesterday.

The lock-out, which started on Wednesday, involves 89 members of the Chemical Workers' Industrial Union (CWIU) who had been taking part in a go-slow since October 9. CWIU general secretary Rod Crompton said yesterday the go-slow had originated from a dispute in which the union was demanding that all workers receive a R10 bonus given to "scabs" who worked during a stayaway on May 5 and 6.

He said negotiations between union shop stewards and management to end the dispute had stopped on Monday when the company introduced clauses of an "illegalistic nature". Crompton said the lock-out was "clearly unlawful". "It was agreed that negotiation — to finalise agreement whereby the dispute would be referred for arbitration — would continue on Tuesday, but when workers arrived at the company premises they were not allowed in," he said.

Crompton accused Plascon of being "opportunistic" and of avoiding arbitration. "The company is hoping to avoid having their illegal actions being exposed in court. The lock-out is an attempt to starve workers into returning to work, so denying them their rights."

Plascon-Evans production director H Potgieter rejected the claims.

He said the lock-out would be maintained until mediation with the union early next week.

"The company originally proposed arbitration, which was turned down by the union. Since then we have repeatedly indicated that a peaceful means to settle the dispute would be to take the matter to the Industrial Court."

Potgieter said a small number of workers who were locked out had returned to work yesterday but said he could not disclose how many. "Our information is that there is a certain amount of intimidation," he said.

The company also had no intention of paying all the workers the R10 "performance bonus" awarded for work performed on May 5 and 6, he said — Sapa.

ARGUS 27/10/87

# Unions are outwitting employers in negotiations

## Business Editor

PORT ST JOHN'S — Few employers can match the expertise of the new generation of trade union negotiators in collective bargaining skills and they end up compromising themselves and other employers in their industry by pushing up wages and employment conditions

This was claimed by Mr Bokkie Botha, group personnel manager of AECI at the Building Industries Federation annual congress yesterday

The country faced a dramatic rise in shop floor bargaining compared with the old system of industry-wide agreements. Collective bargaining levels could even involve one department instead of the whole of the labour force in one enterprise, he said

"The industrial council system is under fire from above and below — trade unions see them as racist and favouring whites, while many small employers see them as pushing wages too high"

Mr Ike van der Watt, president of the Boilermakers' Society, said the future of traditional trade unions, which sought work-related benefits looked bleak

### EXCLUSIVE CLUB

Unless the traditional trade union became more involved in the total spectrum of labour in industry and found some way of influencing the membership, it might as well make up its mind to become a benefit society or institution which would be only an exclusive club within the industry

The growth of black membership had resulted in Cosatu claiming a membership of 700 000 or more than 65 percent of union membership in this country

"As a result there is no doubt that the labour movement will be hijacked by politicians unless some acceptable form of political representation can be achieved soon," he added

# Adcock lifts income by 60% to R17,7m

CAR TIPS  
31/10/87  
183

JOHANNESBURG — The Adcock-Ingram pharmaceutical group increased attributable income for the 12 months to September



ber by 59,9% to R17,7m from R11m. The result is substantially higher than the previous forecasts made by the company, and justifies the premium rating of the share, which remain one of the Johannesburg Stock Exchange's "blue chip" companies.

A major contributing factor was the acquisition of the remaining 40% minority interest held in Sabax Ltd, the medical care and hospital products division.

Turnover increased by 24% to R251m from R202m with operating income before interest 19,1% higher.

CE Don Bodley, says all operating divisions performed well in the face of aggressive competitor strategies and a difficult economic and labour environment.

Cost-driven production strategies in-

creased efficiency in sourcing raw materials and better productivity yields results in improved gross margins.

Bodley says one of the main areas of asset management that will require attention is the reduction of inventory levels.

In 1987, management increased stock holdings in the expectation of continuing strong demand for the group's quality products.

"However, we now can operate at lower levels and stock holdings will reduce," he says.

"This action will contribute materially to the large cash inflow required to fund the group's major capital expenditure projects presently in progress."

Bodley says that productivity and efficiency in the respective production plants are also expected to continue to make a meaningful contribution to improved operating margins.

"Directors say they are confident the earnings and dividend growth in 1988 will be improved, at a rate higher than inflation consequently sustaining the group's achievement of real returns."

— Sapa

# 120 store workers strike

ABOUT 120 staff members at four Checkers stores were yesterday on strike over the dismissal of a Cawusa worker at the chain's Emmerentia, Johannesburg, shop.

Staff at three other outlets — in Hyde Park, Rosebank and Sandton — had joined the 12-day strike in sympathy with workers at the Emmeren-

tia store, Mr Serge Martinengo, Checkers' financial director, said. Those at the Emmerentia store refused to work after the worker — a Cawusa shop steward — committed theft and the company took the normal course of action and dismissed her, he said. The woman was

arrested and charged with theft. The president of the Commercial Catering and Allied Workers' Union, Mr Kaiser Thibedi, said the union did not condone the alleged theft, but was concerned about the company involving police. Cawusa and Check-

ers had a relationship that should be used, he added. "I think that what workers were saying was against the involvement of the police," he said

## Sensitive

"Workers are very sensitive to the involvement of the police. It is something that worries workers."

Checkers was discussing the Emmerentia dismissal with workers at other stores, Mr Martinengo said

Checkers regarded the sympathy action as illegal, he added — Sapa

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CAPE TOWN 3/11/87

# Sentrachem's income up 74%

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From MICK COLLINS

JOHANNESBURG — Strong management has seen chemical group Sentrachem record a 74% increase in net income in the six months to September, compared with the same period last year

This has enabled the group to declare an interim dividend of 5c a share, the first in three years

Results show net income for the period was R17,4m (R10m), while attributable earnings were 63% better at R20,7m (R12,7m)

Gross margins improved to 8% from the previous mark of around 5% due to a tough management approach resulting in savings in raw materials costs and in fixed costs

However, because of a substantial increase in the number of shares since last year following an issue of more than 25m shares by Sentrachem in August, earnings a share were only marginally higher at 17,9c, against 14,2c in September 1986

Significant was the sharp drop in finance costs which fell 34% to R16,4 (R25m) This was because capital requirements were down, following extensive rationalization Overheads were cut, plants closed and the workforce reduced

Commenting on the declaration of

the dividend, MD Dave Marlow says "This breaks the drought of the past three years The company is on the threshold of a major phase of growth and is developing new markets and new products The shareholders are right behind us, as proved by the R100m cash injection in additional shareholders' funds"

Net income before tax was R30,8m and a provision of R13,4m was made for the taxman However, Marlow points out that this is only a provision as the company is not scheduled to pay tax until 1992 because of its previous loss making

"But as our efficiency improves, this date could come back," Marlow says

Markets for fertilizer and crop protection chemicals shrank further during the review period and remained heavily overtraded, resulting in a decline of 1% in sales to agriculture compared with the same period last year

Marlow says the fertilizer market has seen a significant change in off-take patterns compared with the early Eighties This, he says, bodes well

Markets for other products, including rubber, industrial chemicals and plastics, continued generally buoyant and sales increased by 19%

The overall increase in turnover was 13%, to R706,8m (R624,5m)

R200m annual saving in forex

B/day 9/11/87

# Self-reliance the aim of Sasol plant



SOUTH AFRICA'S R1bn a year plastics industry is set to become totally self-reliant in producing the "steel of the future" with the advent of Sasol's R340m polypropylene plant at Secunda

Apart from one or two less important grades of the commodity material, the Sasol plant, once operational, will supply all of SA's domestic needs, ending the country's present reliance on uncertain world markets, say industry sources

This is expected to save R200m a year in foreign exchange

Local industrialists are also forecasting that the venture will cause a massive move away from traditional materials used in engineering

"As a commodity material, polypropylene is viewed by the rest of the world as having tremendous growth potential. Specially formulated grades are now being used extensively in the engineering sector," says Plastics Federation of SA (PFSA) executive Bill Naude

"It is also a vital investment and an acknowledgement that the industry (plastics) is one of our major growth areas in the SA industrial scene today"

Sasol's decision to go ahead with the project, which was announced this week, was prompted by a growing local de-

MICK COLLINS

mand currently estimated at between 55 000 and 60 000 tons a year. The plant will have a final annual capacity of 120 000 tons a year

In addition, a company spokesman says, strong export possibilities were also identified

"The world demand for polypropylene is about 9-million tons a year. SA is geographically well-placed for certain exports

"The foreign exchange savings and earnings that will be emanating from this project are expected to be more than R200m a year at current prices and full production"

The proposed plants — a propylene plant and a polypropylene plant — will create about 240 job opportunities within the Sasol group

"Numerous additional employment opportunities could also develop in the downstream plastics converting industry, once polypropylene becomes freely available at competitive prices"

Sasolchem MD Andre Bedeker declines to say if the technology for the

● To Page 2



ear, eye and skin infections — are not notifiable

"There is virtually no information on the incidence of related diseases. No comprehensive study has yet been carried out — there is no infrastructure for recording such infections"

Grabow says viruses may be contracted not only by swallowing polluted seawater but by swimming, diving and surfing

A recent epidemiological study revealed a direct correlation between the incidence of infections in windsurfers and the number of falls in polluted waters

The survey, which was initiated under the auspices of the SA National Committee for Oceanographic Research (Sancor), monitored bivalve molluscs such as mussels and oysters which accumulated micro-organisms while filtering seawater for food

"The quality of mussels and oysters collected at various sites during the investigation revealed that pollution had reached levels where collecting these popular seafoods for consumption in the

● From Page 1



raw state could hardly be recommended — and even partially cooked or steamed shellfish may not be safe to eat

"In some places no shellfish could be found, possibly because pollution was so bad they had been killed by toxic compounds in wastewater outfalls"

The results indicate a potential health risk as well as non-compliance with Department of Health recommendations which state that the meat of filter feeders intended for human consumption should not exceed certain limits — an E Coli bacteria count of 500 per 100 gram

While some samples collected near six wastewater outfalls had an average virus count of 160 to 460 per 100 gram, certain individual samples had well over 1 000 per 100 gram

"Viruses were also detected in bivalve molluscs at a public bathing beach and on a stretch of coastline officially certified as safe and where the molluscs are harvested for the commercial market," Grabow says

Member Party... Los Angeles... 16 29 1981... The plan was shelved

CAL TIME 13/11/87

# Bayer farmers in row

*(Handwritten signature and circled number 123)*

By SHAUNA WESTCOTT  
Supreme Court Reporter

A FUNGUS called *Oidium tuckeri* and a poison called Bayleton are at the centre of a R2,2-million row between Hex River Valley farmers and the giant multi-national pharmaceutical and chemical company Bayer, the Supreme Court heard yesterday.

The South African wing of Bayer is being sued for R111 589 by Mr Jacobus Viljoen, of the farm Millhurst near De Doorns, in a test case which will decide the further 13 suits pending against the company.

Mr Viljoen claims he lost this amount when Bayleton he sprayed on his grapes failed to curb the fungus — popularly known as powdery mildew — to which his 1983-84 harvest subsequently succumbed.

Bayer denies selling the Bayleton to Mr Viljoen, which is why the Western Province Co-operative — which supplied the Bayer product to some of the farmers — has been joined as a party to the suit.

Alternatively, Bayer denies liability, saying it should have been understood that Bayleton curbed powdery mildew only if it was "applied at the appropriate times, intervals and strengths and under proper conditions and by correct methods". It is described as "toxic to fish and wildlife".

The hearing continues.

Mr Justice A P Burger presided. Mr J van der Berg and Mr W R Duminy, instructed by N E Visagie, appeared for Mr Viljoen. Mr W H R Schreiner SC, with Mr L Bowman and instructed by C K Friedlander Kleinman and Shandling, appeared for Bayer. Mr R van Riet and Mr W J Louw, instructed by Van der Spuy and Partners, appeared for the Co-op.

Continued

## More competition

The recent commissioning of National Explosive's (NE) new R17,5m cartridge explosives plant at Bronkhorstspruit has further eroded AECI's dominance of the explosives market

NE GM Philip Smart says the new plant produces 100 000 25 kg cases of cartridge explosives a month, which represents about 8% of the market. This output is more than double that of NE's former Roodepoort plant.

Smart estimates that Sasol's SMX explosives company has a similar market share, leaving the great bulk of around 80%-85% in AECI's hands. Both AECI and SMX are tight-lipped about market shares and extraordinarily cagey about giving away any figures.

The total explosives market in SA is currently over 350 000 t and, working on figures supplied by the Chamber of Mines, could have a value of about R300m a year. A number of mines actually manufacture their own explosives — among them Golden Dumps and, in bulk explosives (based on an ammonium nitrate and fuel oil mixture), Palabora Mining.



## Sasol versus Safripol

Sasol's competitors are viewing askance its decision to build a downstream propylene plant and a polypropylene (PP) plant at a cost of R340m at Secunda

Safripol, which is already producing 52 000 t of PP a year at its Sasolburg plant, feels it is more than capable of supplying local market needs. Its obvious concern is that Sasol's new initiative might undermine its position.

According to Chris Orpen, chairman of Safripol and a director of Sentrachem, local demand for PP is currently 50 000 t/year-60 000 t/year. Moreover, Safripol is being de-bottlenecked to uprate capacity to 70 000 t/year.

"We could even expand capacity at Safripol to 120 000 t/year (the planned capacity of the new Sasol plant) at a cost of only R136m," Orpen says. Which does raise question marks over Sasol's move into the market.

Safripol is jointly owned by Sentrachem and Hoechst SA.

For its part, Sasol claims that, of the plastics presently commercially available on a large scale, the market for PP is the fastest growing. "In addition, export possibilities have also been identified. And a large percentage of PP used in SA is currently being imported," says a spokesman.

But will Sasol's plants be viable in view of the likely oversupply of PP building up in the local market? Further, some are of the view that the R340m that has been budgeted is likely to turn out closer to R500m.

At the same time it has been pointed out that the feedstock for these plastics will have to be taken out of the "fuel pool" — a move which could be prejudicial to taxpayers who originally contributed to the construction of the Sasol plants.

It should not be forgotten that AECI's Coalplex plant at Sasolburg, which produces PVC, contributed to the plastic oversupply and consequently operated at a loss for years.

Sasol maintains the "direct foreign exchange savings and earnings which will emanate from this project will, at current prices and at full production, amount to more than R200m a year."

World demand for PP is about 9 Mt/year and Sasol says SA is geographically well

placed for certain exports. PP has many applications. Products like synthetic carpets, woven bags, chairs, battery cases, packaging material and automotive components are just a few examples of what can be manufactured from it.

Last week's Johannesburg seminar on trade with the People's Republic of China (*Business* November 6), for example, highlighted the fact that China is in the market for imports of both PP and soda ash.

"In recent months an enormous world shortage of PP has developed and price trends reflect this situation. Both the PP and soda ash markets are dominated and virtually controlled by some major US and European producers. Increased international use of plastics and PVCs have added to the market shortage and there is a definite, growing world demand for these products," says director of Johannesburg-based Mutex trading house Ralph Roblaa.

Local PP is currently protected by a 20% tariff duty on imports and Sasol says that is quite sufficient in current circumstances. Only in the event of mass dumping would it consider calling for further protection. ■

20/1/87  
Poison  
was tested  
in one  
area

By SHAUNA WESTCOTT,  
Supreme Court Reporter

A POISON called Bayleton — which is at the centre of a R2,2-million row between Hex River Valley farmers and multinational chemical and pharmaceutical company Bayer — is not registered for use on table grapes anywhere else in the world, the Supreme Court heard yesterday. This was the evidence of Bayer development officer Mr Malcolm Gordon, who admitted in cross-examination that the only field tests conducted before Bayleton was registered for use on table grapes were done on 44 vines of one cultivar in one area in one season.

Mr Gordon was testifying in a test case brought against Bayer by Mr Jacobus Viljoen of the farm Millhurst near De Doorns.

Mr Viljoen is claiming damages of R111 589 from Bayer, the amount he claims he lost when Bayleton he sprayed on his grapes failed to control powdery mildew, which ravaged his 1983-84 harvest.

Another 13 suits, with claims totalling over R2 million, are pending.

The hearing continues.

Mr Justice A P Burger presided. Mr J van der Berg and Mr W R Duminy, instructed by N E Visagie, appeared for Mr Viljoen. Mr W H R Schreiner SC, with Mr L Bowman and instructed by C K Friedlander Kleinman and Shan-edding, appeared for Bayer. Mr R van Riet and Mr W J Louw, instructed by Van der Spuy and Partners appeared for the Western Province Co-op.



ARGUS 25/11/87  
183

# Dynamite plant blast kills 4, hurts 6 in Tvl

The Argus Correspondent

JOHANNESBURG — Four men have been killed and at least six injured in two explosions at the National Explosives dynamite factory north of Bronkhorstspuit

The men killed were apparently investigating a fire at the factory last night. They had earlier been evacuated because of the fire.

Three of the injured men were admitted to hospital and their condition is said to be "fairly serious". Three others were discharged after treatment. The names of the dead and injured will be released as soon as their next-of-kin have been informed.

### Big hole

Explosives experts said today the blasts appeared to have been caused by "Explogel", a modern commercial water-gel explosive. It contains no nitro-glycerine.

The plant, in the Kwandebele homeland's industrial area, Ekandustria, about 15km north-east of Bronkhorstspuit, was commissioned only six months ago.

The explosions left a hole the size of a rugby field, said the Town Clerk of Bronkhorstspuit, Dr H B Senekal.

Dr Senekal said the first explosion, heard more than 30km away, was at 8.15pm, followed by a second about 15 minutes later.

Emergency and rescue teams were joined by their counterparts from Witbank and Middelburg shortly afterwards. The rescue operation consisted of seven ambulances, three fire engines and three emergency vehicles.

The entire area was cordoned off while police explosives experts combed the building and its surroundings.

It is believed that six employees who had earlier been evacuated from the burning plant were injured by flying debris in the first explosion as they stood outside the security fences.

A National Explosives company spokesman said today that "nothing has yet been released. It's classified information. We ourselves in Johannesburg don't know anything."

Residents of Bronkhorstspuit 15km away said their houses were shaken by the explosions, and windows were shattered in Ekangala 5km away.

A witness who asked not to be named was only a kilometre away from the dynamite factory. She said the first she knew that anything was wrong was when she heard sirens about 7.30pm.

### Glass shattered

"Apparently a fire had started in the factory, although at first I thought it might be an exercise."

About 7.45pm there was "an enormous explosion" that shattered her office's glass door, and parts of the ceiling fell down.

● The Minister of Economic Affairs and Technology, Mr Danie Steyn, said today he would ask the Government mining engineer for a full report.

He described the explosions as a "tragic situation" and offered his condolences to the families of those who died.

CME Trans 25/11/87 A ~~183~~ 183

THE Emhart Corporation of Connecticut in the US has sold its local interests in Bostik and Formex Industries, two major Port Elizabeth companies employing about 1000 people, to a consortium of SA investors. The consortium consists of management of Bostik and Formex, SA Bottling and First National Merchant Bank.

copy Times (183)  
26/1/87

## Sabotage 'possible' in Natex blasts

JOHANNESBURG — A fifth person was found dead yesterday in the rubble of KwaNdebele's dynamite factory as police explosives experts moved in to discover the cause of the blasts

The fifth victim was found in the rubble of the "mix house" where chemicals were combined to produce explosives. The double blast demolished the "mix house" shortly after 8pm on Tuesday night.

The blasts caused extensive damage to the National Explosives (Natex) plant at Ekan-dustria near Bronkhorstspuit, about 100km north-east of Johannesburg.

Police said yesterday they had not yet discovered the cause of the blasts but confirmed they were looking at the possibility of sabotage.

The plant was a R17,5m investment which represented the homeland's biggest industrial venture.

Police said yesterday explosives experts attached to the security branch were conducting an investigation "to ascertain if a crime was committed".

Natex marketing manager Mr Derek Conroy said last night the company had no idea as to the cause of the explosions.

# Banks and societies in vicious war

by DEREK TOMMIEY,  
Finance Editor

THE reaction by the banks to the building societies' entry into the world of banking has been violent, and if the reports of a marked drop in the number of bond applications going to the building societies are to be believed, even threatening.

Any building society official who believed that the move into banking following the change in the Building Society Act last year would not be too difficult or uncomfortable has had a rude awakening.

The banks have acted like angry tigers, slashing the rate of interest on their home loans significantly below the levels charged by building societies and have reduced the deposit required.

The result of these more favourable terms is that they have already taken a considerable amount of new business away from the societies.

And with Nedbank this week offering to bear half the cost of transferring a bond to it, the banks have made it clear that they also have hopes of capturing some of the societies' existing business.

Bankers give four reasons for the onslaught on the building societies' traditional preserve, the home mortgage market.

One is that the banks have money to lend. The extremely high interest rates charged by the banks in 1985 taught many companies that undue reliance on bank credit was dangerous.

The result is that most of them are making strenuous efforts to pare bank lending to the bone. They are being helped here by the widespread use of computers which has led to far more efficient stock and asset control.

This has resulted in a sluggish demand for bank funds, though recent reports suggest the 'hidden boom' has at last led to a small increase in calls for bank credit.

This leads to the second reason. The demand for house mortgages has remained strong in recent years in spite of the recession, and is expected to grow ever more rapidly in the future.

## MAKING PROFITS

Therefore it is a market which any organisation engaged in making profits from lending money has to be in.

The buoyancy of the mortgage market is reflected in the R6.6-billion or 38.2 per cent increase to R24-billion in building society mortgage loans in the two years ended June. In the same period bank advances rose by only R3.9-billion or 13.9 per cent to R32-billion.

A third reason is the belated recognition that house buyers can be extremely desirable clients.

They usually have a stake in their house or will have in a few years' time which makes them good risks (Building society officials say that most of the non-payment problems they had in 1986 were the result of an inability by the house-buyers to budget and not to a lack of income.)

And as the value of their stake increases they are likely to increase the size of their mortgages and become bigger customers.

The fourth reason given by bankers is that it is a matter of self-protection.

"The building societies are after our clients. They are even planning to issue cheque books, and we have to protect our client base," said Mr Chris Liebenberg, senior general manager of Nedbank, adding that Nedbank intended

He said the bank's decision to bear half the cost of transferring a bond stemmed from its belief that bonds should be freely transferable.

Borrowers should not be locked in with a lender but should be able to take advantage of any decline in rates.

He said that Nedbank's house lending scheme had been going for only a month but it was already evident that the bank had seriously under-estimated the demand for its mortgages.

Nedbank, together with the Standard and First National, are charging 12.5 per cent for their mortgage bonds, which adds up to a saving of between R50 to R100 a month for the average housebuyer with a building society bond.

The building societies have been meeting the attack from the banks in a number of ways. One way, with a look back to 1985 when bank mortgage rates rose to 25 per cent and more, has been to hunt to bank borrowers that the same might happen again.

But the banks are not particularly impressed with the argument. They point out that the jump in interest rates in 1985 was a most unusual development and unlikely to be repeated.

They agree that interest rates could rise slightly during 1988 if the economy continued to improve. But if this were to attract overseas attention and result in a new inflow of foreign funds, interest rates could even fall.

The building societies are also trying to reduce their cost of money and want to be allowed to increase their borrowings of cheap short-term money.

However, some bankers believe the real answer to the

## City firm a world leader in 'hi-biotech'

By DEREK TOMMIEY

TUCKED away in a side street in Epping is a company which has become a world-beater in the 'hi-biotech' field.

Its outstanding technical ability is enabling it to compete with the world's giant pharmaceutical companies and win.

The company is Serevac, a subsidiary of SA Druggists, which over the years has developed the processes needed to conduct the extremely difficult task of extracting enzymes from animal and vegetable matter and purifying them to exceptionally high standards — without destroying them in the process.

Proof of the company's success can be found in its export record. Since it started its export drive in 1984 its foreign sales have risen more than seven-fold — which earlier this year brought the company the State President's Award for Export Achievement.

Today Serevac is exporting more than 90 per cent of its output, says Mr Deryck McCallum, the company's general manager who has played a major role in the firm's success.

Forty-four-year-old Mr McCallum, a University of

Cape Town graduate, joined the company in 1965 as production chemist. He subsequently became production manager and then plant manager before being appointed in 1986 to his present post.

Describing a typical extraction process he said it would start by grinding into fine particles the source of the enzymes, which could range from horse-radish roots to animal pancreas. Liquid was added to the particles and the mixture was stirred after which the solution was extracted in a centrifuge.

"That solution, if the extraction conditions were correct, would contain all the enzymes which you were trying to isolate, plus all sorts of additional proteins which form your contaminants.

"The whole game from then on is to remove the contaminants without destroying your enzymes. These are temperature sensitive creatures, susceptible to high temperatures and have to be maintained in a 'cotton-wool' environment.

Mr McCallum said several different techniques were used to isolate enzymes. Some employed heating, others included salt fractionation and the adding of solvents.

"A more sophisticated and

## BUSINESSMAN OF THE WEEK



Deryck McCallum . . . keeping ahead.

interesting technique was the method of chromatography where you select a resin which has positive and negative charges on it and adjust the conditions of your process so they also have positive and negative charges. You can pass the protein across the resin and the protein will selectively bond to the resin. Selectively washing the resin removes the contaminants to one contain and the protein you want to another."

Filtration under high pressure using membranes was also employed.

"The difficulty in this field is that you are always trying to keep that one step ahead of your competitor," he said.

"Everyone in this field is always trying to put out a product of a much high specified activity — that is the highest purity possible and the lowest level of contaminants.

"When I started here if we

had an enzyme with contaminants of 10 per cent it was considered a great product. Nowadays we consider 0.005 per cent as an acceptable contaminant level."

However, this had meant that both the complexity of techniques and manufacturing costs had risen progressively.

"Many years back we had the advantage of low-priced raw materials and low cost labour. But these items are not so low-cost relatively to world prices today.

"I think our big advantage today is that over the years we have developed technology in the field of protein isolation which is perhaps unique and superior to those of many of the other manufacturers in the world.

He paid tribute as well to his coloured workers for their high level of skills which had also contributed to the company's successes.

"Biotechnology is the most rapidly developing field in the world," said Mr McCallum.

"If Serevac is to maintain its growth in what is an extremely competitive and technically advanced market it will require innovative thinking and innovative new products.

He said Serevac was seeking raw materials which were unique to South Africa or were abundantly available and regarded as waste products, and which would give it an edge in the world markets.

Mr McCallum is married, has two children and for relaxation does a little sailing. He also, from time to time, spends a weekend on a farm he rents in Karoo near Marjiesfontein enjoying the peace and quiet and the isolation



**Adcock's Nossel ... seeing rising volumes**

**Activities** The group manufactures, markets and distributes health care, hospital and consumer products and is involved in medical education and clinical research

**Control** Tiger Oats holds 73,1% of the issued shares with Prudential Assurance, Guardian Nominees and Liberty Life holding a further 12%

**Chairman** NW Nossel chief executive D C Bodley

**Capital structure** 2,2m ords of 50c each 75 000 cumulative preference shares of R2 each Market capitalisation R242m

**Share market** Price R110 Yields 2,7% on dividend, 7,3% on earnings, PE ratio, 13,7, cover, 2,7 12-month high, R94, low, R15 Trading volume last quarter, 2 000 shares

**Financial.** Year to September 30

	'84	'85	'86	'87
<b>Debt</b>				
Short-term (Rm)	1 1	17,6	10 4	9 6
Long-term (Rm)	2 1	2 7	-	-
Debt equity ratio	0 05	0 30	0 13*	0 11*
Shareholders interest	0 61	0 57	0 53	0 50
Int & leasing cover	28	7	12	24
Debt cover	5 4	1 0	2 3*	2 6*
<b>Performance</b>				
Return on cap (%)	19 6	17 1	19 2	19 1
Turnover (Rm)	146	163	202	251
Pre-int profit (Rm)	23 1	22 8	27 9	33 2
Pre int margin (%)	13 0	14 0	13 7*	13 2*
Taxed profit (Rm)	12 9	11 1	13 6	17 4
Earnings (c)	535	501	585	802
Dividends (c)	184	184	217	297
Net worth (c)	3 116	3 406	3 470	3 974

\* Net of cash

brought successes working capital required to finance each rand of turnover since 1979 has halved (see graph) This improvement is one important reason why the share has achieved blue chip status

Another reason is the potentially huge market - - not just in current market share but also in terms of the burgeoning black population both in SA and to the north Export sales to Zimbabwe grew 55% last year, though they remain minimal when compared with total group turnover Nossel expects to sell to Botswana soon, with both export markets served by an offshore company to soften the South African link

Thirdly, Adcock's business as far as possible straddles manufacture, distribution, wholesale and retail - which means that it often gets the full benefits of added value

But only a few raw products are manufactured locally as the cost is prohibitive "To make raw products here would cost three times the present imported price even if the US dollar remains at its present level," says Nossel About 40% of Adcock's imports come from the US "Internationally no one wants to boycott us," adds Nossel "Break-even on raw products is only reached after long product runs, so no one wants to impede volumes

But there has been disinvestment by US companies Adcock must be rejoicing over the deal with US company Travenol in November 1986, which gave the group full control of Sabax Sabax, of which the US company owned 30%, has done well Turnover in its medical and hospital products business has risen 34% Nossel says Sabax now ranks on a par with Adcock-Ingram Laboratories, which manufactures ethical, healthcare, household and toiletry products, as Adcock's most important earnings generators Behind them is E J Adcock, one of four major pharmaceutical wholesalers in the country, which increased turnover by 19%

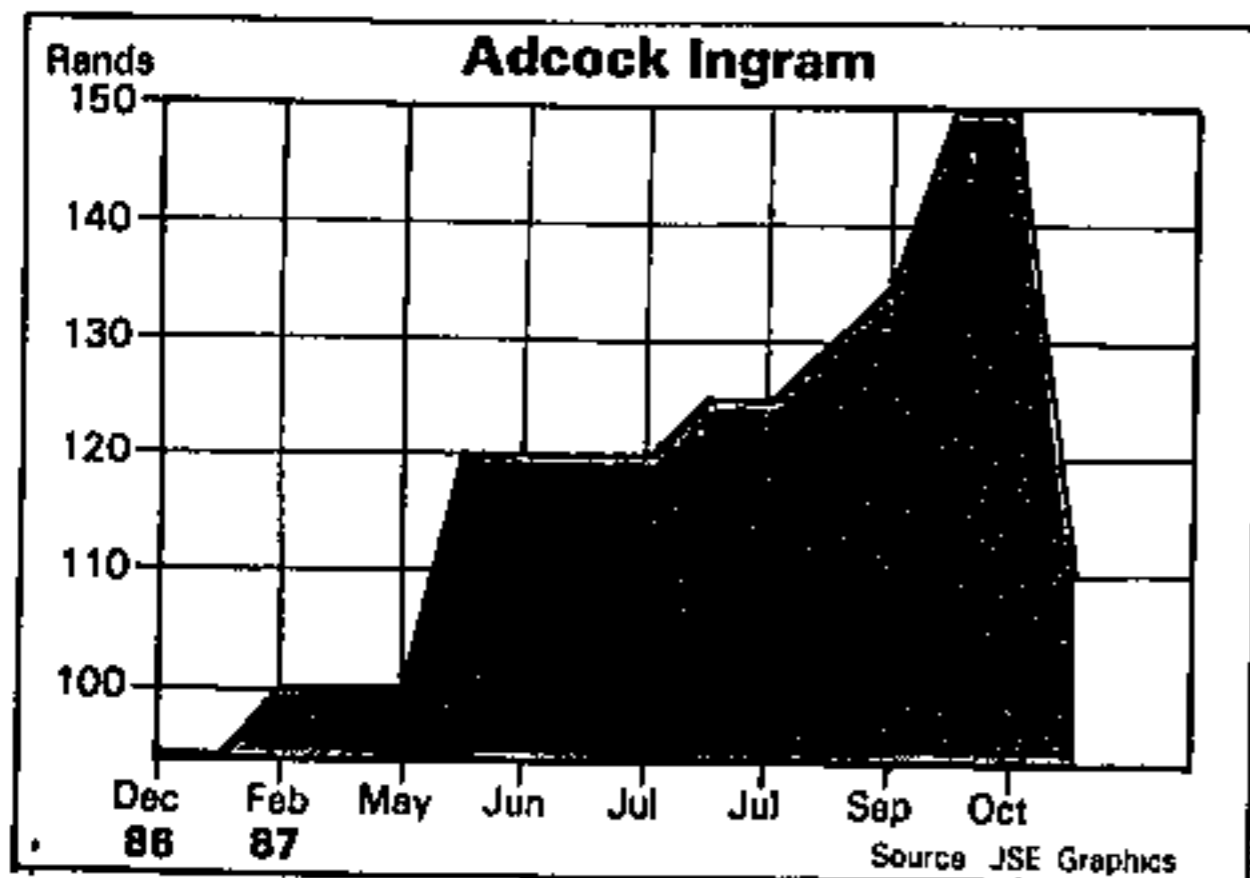
Nossel expects this year's earnings to beat the group's long-term target again, despite the recent decision to place drug distribution to State patients in the hands of the provincial hospital administrators This could ap-

**ADCOCK-INGRAM**

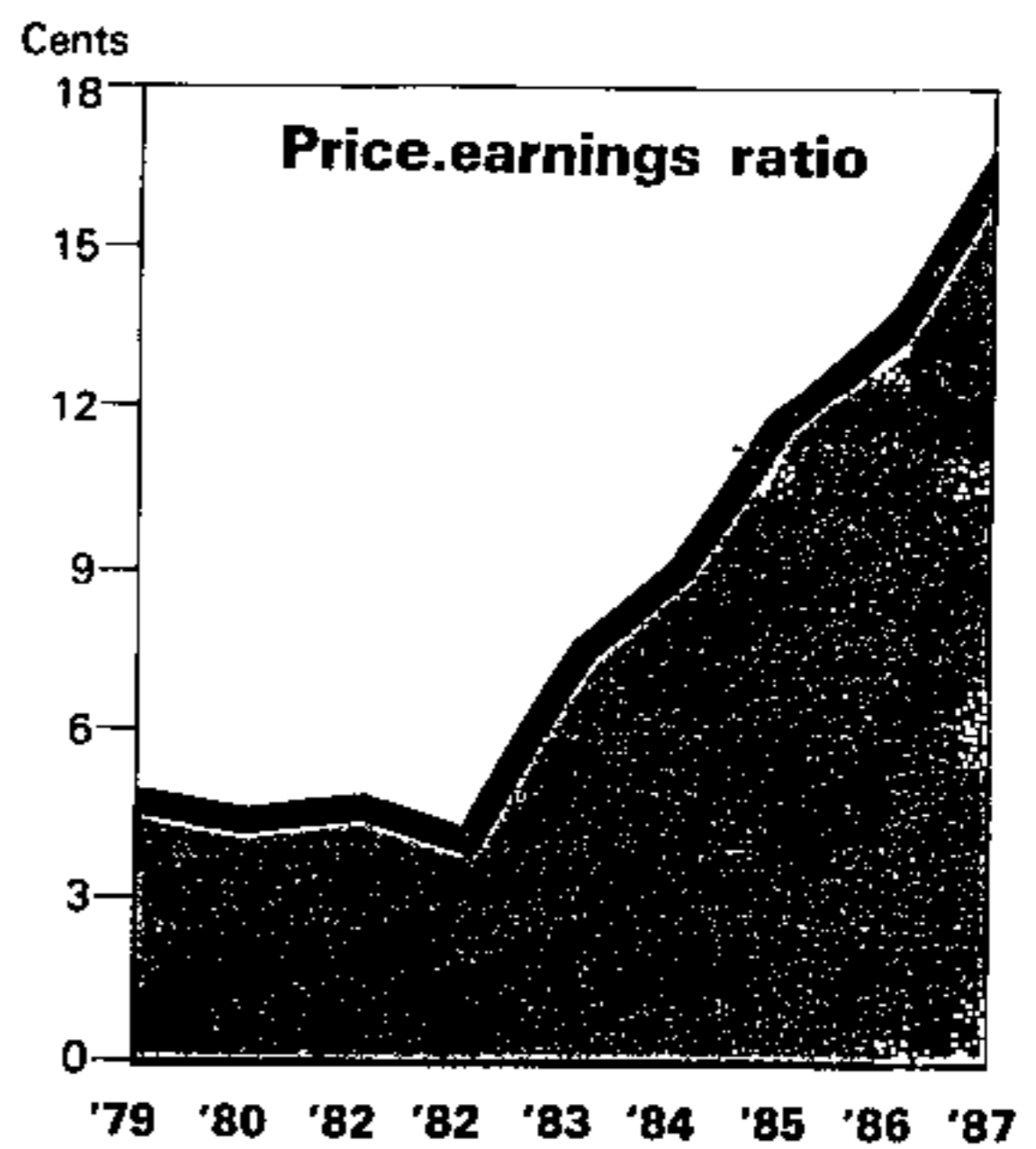
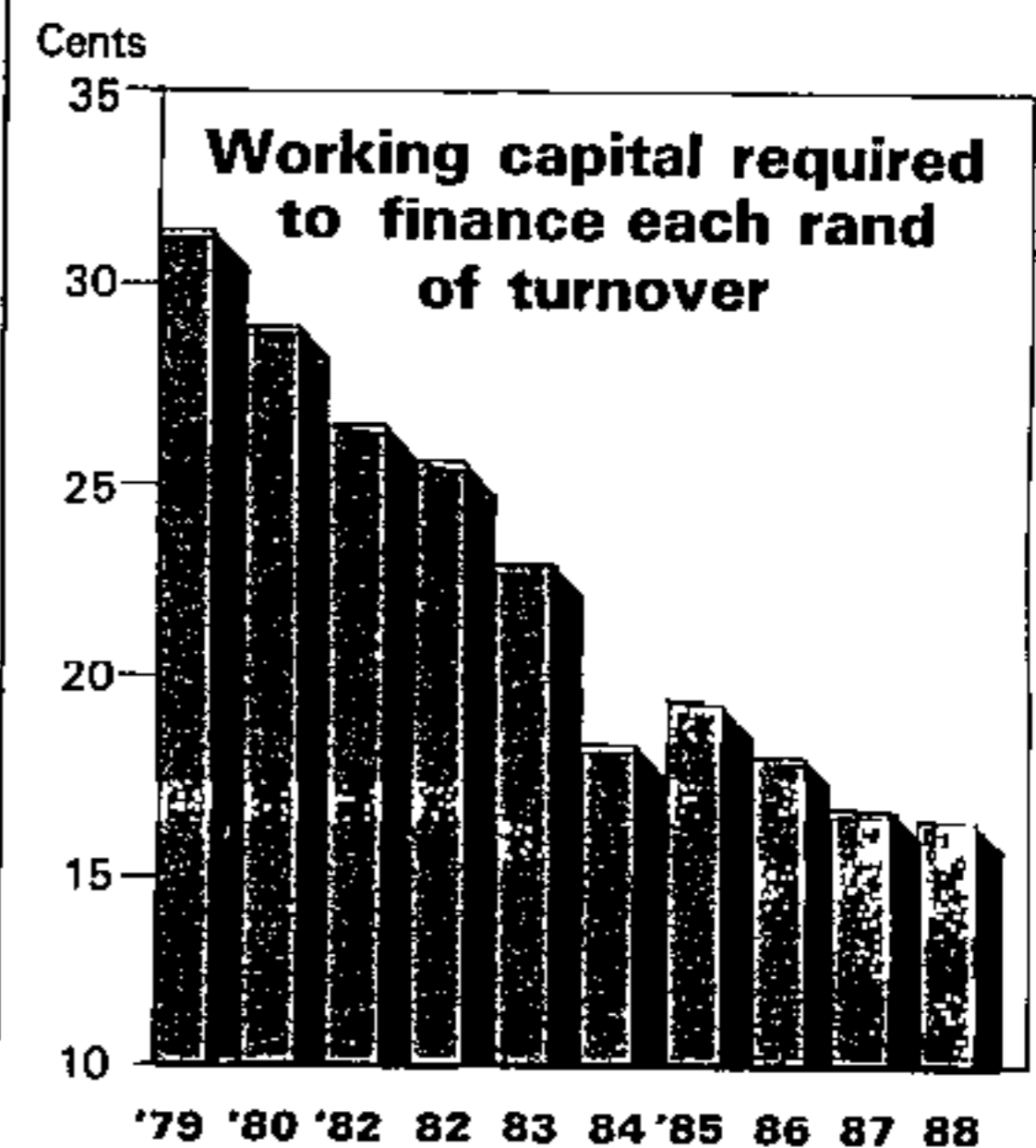
**Price strategy**

In the year to end-September, Adcock-Ingram's (Adcock) EPS jumped 37% - enough to raise the group's average earnings growth back to its stated long-term target level of 4% above inflation Chairman Norman Nossel says the improvement came from increased volumes Turnover rose 24% to R251m (R802m) and there was an increased contribution from Sabax (the division makes and markets single-use medical care products which are generally life-sustaining and life-saving)

Operational improvement in Adcock's business has been apparent for some years, though Nossel estimates that its market share remains small - around 4,5% excluding Sabax Management decided to keep prices down to levels which would put pressure on major competitors That forced Adcock to work on internal efficiencies This



**The right stuff**



PM 11/12/87

P.T.O.



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*[Handwritten signature]*

# Used in our forests: A weed killer akin to Agent Orange

THE widespread use of herbicides containing the same ingredients as the notorious defoliant, Agent Orange, has set off a row between environmental groups and state departments

The herbicide, known as 245-T, is widely used to eliminate weeds in the forests of South Africa, despite being banned in most major agricultural countries because of its well-documented link with birth deformities, cancer and skin diseases

Countries that have banned 245-T include the United States, Sweden, Italy, Holland, Norway, Denmark, Japan, the Soviet Union, India, Turkey, Cyprus, Israel, Columbia and Guatemala. New Zealand is the only country in the world known to still manufacture the substance

But in South Africa, the Department of Environmental Affairs has confirmed that its forestry division still makes use of 245-T as a weedkiller

Chemwatch — a Natal-based group of environmentalists, journalists and concerned farmers — has produced a dossier which links 245-T, and a closely related herbicide called 24-D, to a spate of birth defects reported in Natal this year

The dossier tells of a mother who gave birth in November 1986 to a child without one ear. She said her husband worked in a forest near Richmond which was sprayed with 245-T. Another couple had twins in January this year. One was healthy, the other had no fingers. The father also worked in a Richmond forest.

These are only two of the 300 similar cases reported to Chemwatch in the first week after its launch in the middle of this year.

The chemicals 245-T and 24-D were developed in Britain during World War II as chemical weapons to destroy enemy crops. The war ended before the chemicals were used

But during the Vietnam War

**A herbicide banned in many countries due to its well-documented links to birth deformities and cancer, is being used in our forests. The chemical, 245-T, is one of the ingredients of the notorious Vietnam war defoliant Agent Orange.  
ERNEST SIDERIS and  
SI NGOMANE report**

4 100 000 litres of Agent Orange, a 50-50 mixture of 245-T and 24-D, was loaded into converted jet bombers and dumped on 800 000ha of forest. The objective was to destroy the jungle that gave cover to the Vietcong. The Americans called it Operation Hades

After the war Vietnam veterans in the US reported that many of their children were born with tiny hearts, small lungs, too many toes, stumps for legs and arms and other deformities

A similar pattern was reported by doctors in Vietnam. In 1970, 245-T was banned by the US government and Dow Chemicals, the company which supplied the armed forces with Agent Orange, was forced to pay \$180 000 to the veterans in an out of court settlement for damages.

The foetal damage reported in the Chemwatch dossier corresponds to the kind of deformities reported in Vietnam and America.

But South Africa's Department of Environment Affairs, in an official response to queries about the use of 245-T in South African forests, said: "There is no valid medical or scientific evidence that 245-T herbicides harm humans, animals or the environment if they are used in the necessary way and for the necessary purpose"

The official, who declined to be named but said the response had been vetted by Director General of Environment Affairs Bill Visagie, added that the department was experiencing difficulties in obtaining supplies of 245-T and was using up old stocks.

South Africa's policy seems to ignore numerous medical studies which point to the dangers associated with 245-T and led to its world-wide ban

A survey, conducted by US experts in 1984, of research over the past 15 years into the hazards of 245-T concluded that "the risk of malformations in children is increased even if only the father is exposed to herbicides

"It is remarkable how little effort is spent in clarifying an issue that is of primary importance to large number of individuals wherever farming and forestry make up a substantial part of a country's economy," it added

Such evidence has led the Progressive Federal Party to join Chemwatch in calling for a complete ban on 245-T and 24-D

"The government takes the attitude that it is okay to use these Agent Orange type chemicals until there is definitive proof of their dangers. We believe the substances should be banned until they are proven safe," said Roger Hulley, PFP spokesman on Environmental Affairs.

Chemwatch has also called for an urgent inquiry into their evidence, which they believe only scratches the surface of what could become a thalidomide-type tragedy

While the PFP plans to make an issue out of the herbicide in parliament next year, there are signs that organised labour will enter the fray.

The Paper Wood and Allied Workers Union, a Cosatu affiliate, has launched a campaign against the dangers of pesticides and chemicals in the timber industry

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**Dividend deal**

The transformation of Berzack Brothers (Berzack) continues — though not without one major hitch. After incurring bad debts, the group's confirming business has been closed down. This closure knocked a substantial R4,9m off Berzack's record R19,7m (R7,9m) pre-tax profits for the year to end-June. Still, the family-run group has done well in managing its wide spread of interests.

Revival at Berzack started in 1986 when turnover soared 48% on increased volumes — though an improvement in group operating margins failed to materialise. Last year the position was reversed. EPS (exclusive of the confirming loss) grew 180% to 955c (340c) with no apparent turnover growth. Turnover figures, though, reflect changes in the rand copper price, which has recently been trading at over R5 000/t. Cable price increases were small owing to overcapacity in the industry.

FIM 109 4/12/87

**Activities:** Diversified investment holding company with subsidiaries which manufacture plastics and cable, supplies machinery to the garment and leather industry, sells sewing machines, manufactures wooden cable drums and furniture, sells labels and labelling equipment, manufactures machinery overseas and lets property. Its confirming business has been discontinued.

**Control:** Berzack-Illman Investment Corporation holds 50% of Berzack Bros.

**Chairman & managing director:** M Berzack

**Capital structure:** 1,2m ords of 50c each  
Market capitalisation R98m

**Share market:** Price R82 Yields 2,2% on dividend, 6,6% on earnings, PE ratio, 12,4, cover, 12,4 12-month high, R82, low, R22  
Trading volume last quarter, 2 000 shares

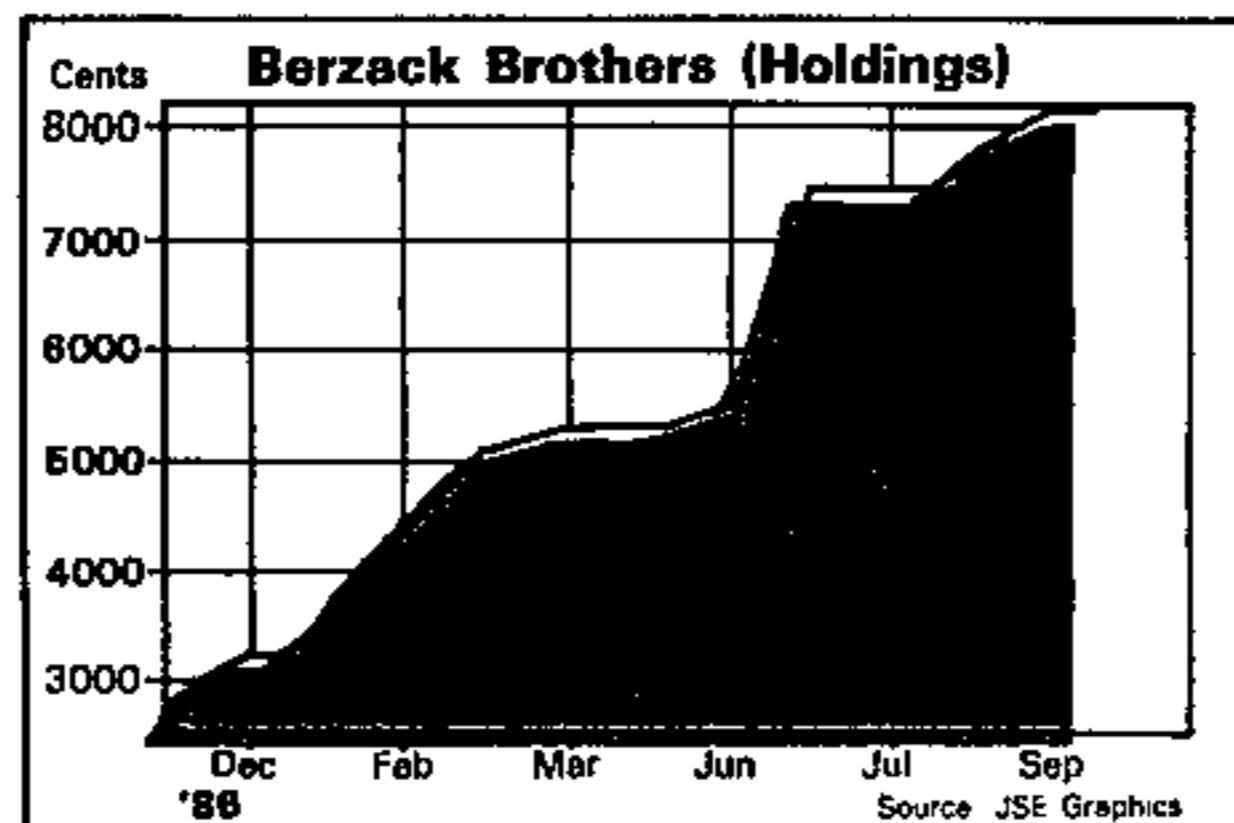
**Financial Year to June 30**

	'84	'85	'86	'87
<b>Debt</b>				
Short-term (Rm)	27.1	62.0	38.7	23.7
Long-term (Rm)	0.1	0.1	29.7	40.9
Debt equity ratio	0.5	1.1	1.0*	0.8*
Shareholders interest	0.51	0.38	0.37	0.42
Int & leasing cover	8.5	1.4	2.3	3.6
Debt cover	0.4	0.1	0.2	0.3
<b>Performance</b>				
Return on cap (%)	10.1	6.0	13.8	17.2
Turnover (Rm)	130	144	214	247
Pre-int profit (Rm)	10.2	9.1	18.2	26.3
Pre-int margin (%)	7.8	6.3	8.5	10.7
Taxed profit (Rm)	6.2	3.3	5.4	7.5
Earnings (c)	472	241	340	542
Dividends (c)	64	34	50	180
Net worth (c)	3 997	4 449	4 831	5 418

\* Net of cash

The group's 80% gearing (including cash reserves of R6,5m) is still high, though borrowings are better structured with the greater part now long term. Total debt at June year-end was R64,7m — having been pared by only R3,7m last year. Myron Berzack says this should be reduced now that the confirming business has been closed down. Confirming houses normally operate at high gearing levels.

The new bonus share scheme will have little effect on debt. Shareholders can opt for a greatly increased final dividend or bonus shares at the rate of one new share for every 40 held. Chairman Maurice Berzack says certain major shareholders, including Berzack-Illman Investments which holds 50% of Berzack, "have indicated their intention to elect bonus shares in preference to a cash dividend." The present condition of the market could change this, though financial director



Myron Berzack tells me he is not aware of any substantial alteration.

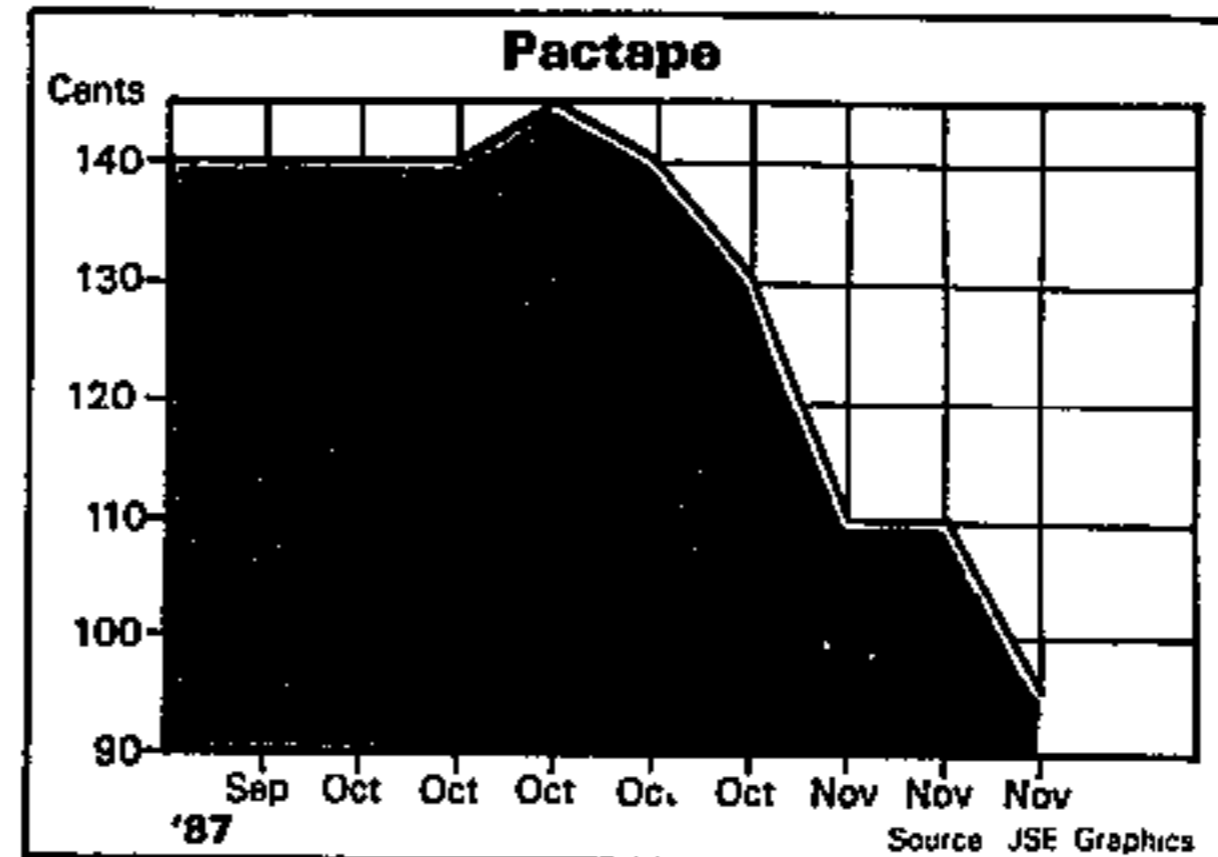
There was a R225 000 dividend provision for those shareholders who preferred to take this route included in last year's income statement. That must mean that Berzack expected 89,5% of shareholders to take shares. Assuming they do, the issued share capital will increase by only 2% to 1,22m.

The final dividend has been raised to 150c (43c in 1986) on a three times cover (it has varied between seven and nine times in the last few years) but, because most shareholders appear to be taking the bonus shares option, last year's total provision for dividends was slightly less than in 1986. Next year, assuming the dividend is maintained, Berzack will have to pay out around R2,2m in dividends.

Two years of rapid earnings growth and a more attractive dividend policy pushed the share price to unprecedented heights. Last sale for this tightly traded share was R82 (before the crash) against R22 a year ago. Shareholders who opt for the bonus shares effectively value that share at R60 — 10,8% above net worth (after a R13,4m upward revaluation of Berzack's land and buildings).

Myron Berzack expects a further earnings jump again this year.

Dave Edwards



rise of 19% and pre-tax income increase of 67%

Margins deteriorated from 15,8% to 14,8% because of Taiwanese competition, but the biggest problem was the sharp rise in the tax bill from R341 000 to R1,36m. This restrained the EPS increase, before extraordinary items (there was a goodwill write-off in 1986) to only 8%. The unusually low 20% rate in 1986 was caused by extraordinary forex losses in 1985.

Greenstein says the company rationalised its infrastructure and relied on the shrinking interest bill to improve profits last year. Interest dropped R800 000 to R330 000, entirely because of lower rates. A long-term loan from Buffalo Corporation was refinanced with Mercabank at market-related rates.

In the present year, Greenstein says, "it is a new ball game. We are trading strongly." He suggests EPS would be 20c in the year to June 1988, though the year-end will change to February to conform with that of Rale, which took control in May 1987. "We shall have earned almost 10c by the end of December," he suggests.

The group is still looking for opportunities for expansion, though lack of cash and the sharp fall in the share price from 145c to 90c could mean acquisitions would push up borrowings. The debt equity ratio is already at 0,61 but Greenstein expects the figure to be 0,50 by next June.

The company should start to realise its potential in the coming year, though the dividend yield, at 5%, makes it highly priced when compared to some blue chips.

Pat Kenney

## PACTAPE

### Interest boost

**Activities:** Subsidiaries convert and distribute adhesive tapes and manufacture and distribute pump and valve packing.

**Control:** Rale Holdings has 63%

**Chairman:** R E Sherrell, managing director E Greenstein

**Capital structure:** 10,4m ords of no par value, 6m preferred ords of no par value. Market capitalisation R9,4m

**Share market:** Price 90c. Yields 5,0% on dividend, 16,2% on earnings, PE ratio, 6,2, cover, 3,2. 12-month high, 145c, low, 90c. Trading volume last quarter, 401 000 shares.

**Financial:** Year to June 30

	'86	'87
<b>Debt</b>		
Short-term (Rm)	112	823
Long-term (Rm)	2 130	2 020
Debt equity ratio	0,66	0,61
Shareholders' interest	0,44	0,39
Int & leasing cover	3,05	6,31
Debt cover	0,65	0,54
<b>Performance</b>		
Return on cap (%)	52,3	29,8
Turnover (Rm)	17,8	21,3
Pre-int profit (Rm)	3,9	3,5
Pre-int margin (%)	22,1	16,3
Taxed profit (Rm)	1,3	1,5
Earnings (c)	13,5	14,6
Dividends (c)	—	4,5
Net worth (c)	33,2	43,6

MD Ezzy Greenstein says that Pactape, which transferred from the DCM to the main board, just kept on selling tape and packing during the year to end-June 1987. And the company did well, with a turnover



**Pactape's Greenstein . . . shrinking interest bill**