

MANUFACTURING - GENERAL

1991 - DEC.

# TOP 100 RANKED BY DECREASE IN TAXED PROFIT

Year-on-year percentage change in published equity accounted earnings per share

Year-end cut-off date: November 1991

No.	Share Name	Financial year end	Percentage Change
1	TGH	Dec 90	-2464.5%
2	MAXMECH	Feb 91P	-2340.0%
3	BESTER	Feb 91	-712.7%
4	ROOIBRG	Dec 90	-640.6%
5	UNIDEV	Dec 90	-602.5%
6	FRAME	Jun 91P	-515.6%
7	CONS FRAME	Jun 91P	-496.3%
8	TRADEGRO	Jun 91P	-346.4%
9	NATRAWL	Dec 90	-220.4%
10	TRIMTEX	Mar 91	-203.8%
11	RUSFURN	Jun 91P	-181.3%
12	METJE & Z	Jun 91	-158.6%
13	CMI	Jun 91	-134.7%
14	RANDEX	Jun 91	-126.3%
15	RABIE	Jun 91P	-110.1%
16	ADPROM	Feb 91	-105.9%
17	KNJ	Jun 91	-105.8%
18	UNISPIN	Sep 91P	-102.9%
19	MIDMAC	Jun 91	-102.7%
20	CARGO	Feb 91	-98.7%
21	KUDU	Jun 91P	-93.6%
22	MATH & ASH	Jun 91	-93.4%
23	BOUMAT	Mar 91	-91.5%
24	IBJOFFE	Dec 90	-89.5%
25	AIDA	Feb 91	-83.7%
26	GF NAMIB	Dec 90	-79.8%
27	ROMATEX	Sep 91P	-77.0%
28	AIMARK	Dec 90	-76.7%
29	C-MATIC	Feb 91	-74.5%
30	BRDACRE	Jun 91P	-72.5%
31	TIME	Dec 90	-70.8%
32	QUORUM	Feb 91	-68.3%
33	EVERITE	Jun 91	-68.1%
34	EUREKA	Feb 91	-67.3%
35	NAMIBIAN SEA	Dec 90	-67.2%
36	ADVTECH	Feb 91	-67.1%
37	MJM	Feb 91	-64.5%
38	SAFICON	Mar 91	-64.4%
39	VAALCAR	Feb 91	-63.7%
40	GEFCO	Dec 90	-63.6%
41	TR SERV	Mar 91	-61.7%
42	SHORDIT	Dec 90	-60.8%
43	ASSORE	Jun 91	-58.5%
44	VEKTRA	Dec 90	-57.3%
45	BASREAD	Jun 91	-56.3%
46	MILSTAN	Feb 91	-53.9%
47	HIVELD	Dec 90	-53.7%
48	KAROS	Mar 91	-52.6%
49	ARIES	Dec 90	-52.6%
50	BOLTON	Feb 91	-50.8%
51	MICOR	Jun 91	-50.5%
52	SPESCOM	Apr 91	-50.3%
53	T & N	Dec 90	-49.5%
54	EUREVEST	Feb 91	-49.0%
55	TIWHEEL	Jun 91P	-48.4%
56	AMGOLD	Mar 91	-48.2%
57	MIDAS	Feb 91	-47.8%
58	CULLINAN	Jun 91	-47.6%
59	PROGRESS	Dec 90	-46.6%
60	YORKCOR	Dec 90	-45.6%
61	MSAULI	Mar 91	-45.5%
62	LASER	Dec 90	-45.2%
63	RAINBOW	Mar 91	-44.6%
64	NAMIBIAN FISH	Dec 90	-44.6%
65	ASSENG	Dec 90	-44.1%
66	STREBEL	Jun 91	-43.9%
67	GLODINA	Dec 90	-42.6%
68	ACREM	Mar 91	-41.0%
69	AF CABLE	Jun 91	-39.6%
70	MARLIN	Jun 91	-38.7%
71	AROMA	Feb 91	-38.3%
72	SAPPI	Feb 91	-38.1%
73	GRINTEK	Jun 91	-37.7%
74	METAIR	Dec 90	-37.6%
75	LONGMILE	Jun 91	-37.3%
76	NEI AFR	Dec 90	-36.1%
77	VOLTEX	Jun 91P	-35.7%
78	ASS MANG	Dec 90	-35.7%
79	STERLING	Dec 90	-35.2%
80	SILTEK	Jun 91	-34.2%
81	ISCOR	Jun 91	-34.1%
82	REX TRUE	Jun 91	-33.6%
83	SAMANCO	Jun 91	-32.9%
84	CONCORDE TRAVEL	Mar 91	-32.7%
85	PENBORD	Dec 90	-31.9%
86	AMIC	Dec 90	-31.0%
87	SPL	Feb 91	-30.6%
88	DA GAMA	Mar 91	-30.4%
89	ELCENTR	Jun 91P	-29.7%
90	SONDOR	Mar 91	-29.6%
91	BARNEX	Jun 91	-28.9%
92	MULTISOURCE	Feb 91	-28.2%
93	BEARMAN	Feb 91	-28.0%
94	FSI	Dec 90	-27.9%
95	ENGEN	Aug 91P	-27.3%
96	BRENMIL	Feb 91	-27.3%
97	OVBEL	Mar 91	-27.1%
98	MASTBOR	Feb 91	-26.9%
99	OK	Mar 91	-26.2%
100	PENPIN	Dec 90	-25.9%

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5/17/91 (Buss)

THE table does not include non-operating pyramids, gold-mining and insurance companies and banks. Where the company yearend is indicated with a P, the results are based on the latest preliminary results.

Source: I-NET

# High sellers

(5 Times) (180)  
(BUS) 1/12/91  
THIS table shows which financial and industrial companies increased sales most.

At the top is Supreme Industrial Holdings, which should not really be listed because only 6% of its shares are not held by the controller.

Supreme leapt to the top thanks to a sales rise from R70-million to R193-million in subsidiary Protea Furnishers.

Darling & Hodgson rose thanks to acquisition.

Willem Barendsz Holdings was the beneficiary of better fishing.

Supalek, like holding company Anbeeco sold watches and Kenwood hi-fis at a cracking pace in the new redistributive South Africa.

## Topsy

Engen, formerly Trek, doubled sales on the acquisition of Mobil. W&A and FSI turnover, nearly doubled because of a group restructure.

Voltex, formerly H&J Cables, grew like Topsy after Berzack and Elcentre added their electrical interests last year.

Sasol benefited from higher fuel and petrochemical prices for a couple of months before the Persian Gulf war and of a support price thereafter.

What's remarkable is that only about 100 companies managed to increase sales as much as the inflation rate, meaning volumes for four-fifths of JSE companies actually declined.

# TOP 100 RANKED BY BIGGEST INCREASE IN SALES OVER TWO YEARS

Year-on-year percentage change in turnover excluding turnover of associated companies		Year-end cut-off date: November 1991	
No.	Share Name	Year end	Financial
1	SUPREME IND HOLD	Dec 90	185.7%
2	D & H	Aug 91P	156.2%
3	MID WITS	Jun 91	144.0%
4	COLFIN	Apr 91	142.8%
5	W B HOLD	Dec 90	141.6%
6	PROFURN	Dec 90	104.1%
7	SUPALEK	Apr 91	98.9%
8	ENGEN	Aug 91P	92.5%
9	W & A	Dec 90	91.3%
10	ROYAL	Aug 91P	80.2%
11	NAMIBIAN SEA	Dec 90	69.4%
12	FSI	Dec 90	61.5%
13	ANBECCO	Apr 91	59.2%
14	GRINTEK	Jun 91	56.6%
15	VOLTEX	Jun 91P	56.0%
16	LENCO	Feb 91	55.2%
17	SASOL	Jun 91	50.2%
18	PENBORD	Dec 90	46.5%
19	AUTODEK	Mar 91	43.5%
20	CARLCO	Aug 91P	43.1%
21	CORP MNGMT SERV	Mar 91	42.7%
22	SMART	Jun 91	41.2%
23	BRIST IN	Feb 91	38.3%
24	MCPHALL	Dec 90	38.1%
25	O DATA	Jun 91	38.0%
26	MUSICA	Mar 91	37.6%
27	JD GROUP	Dec 90	36.9%
28	VAALCAR	Feb 91	35.4%
29	ED L BATE	Jun 91	33.5%
30	CONSOL	Jun 91	33.1%
31	CHEMSERVE	Dec 90	32.8%
32	SPUR	Feb 91	32.7%
33	SPECLTY	Feb 91	32.6%
34	OZZ	Mar 91	32.6%
35	PENPIN	Dec 90	32.4%
36	PRESMED	Dec 91	32.3%
37	PEPKOR	Feb 91	32.1%
38	MORKELS	Mar 91	31.2%
39	AIDA	Feb 91	30.6%
40	BUFFCOR	Jun 91	30.4%
41	CLICKS	Feb 91	29.5%
42	TOCO	Mar 91	29.1%
43	EQUIKOR	Dec 90	27.7%
44	CMI	Jun 91	27.5%
45	PANPROP	Jun 91	27.4%
46	SHIELD	Feb 91	26.7%
47	HLH	Mar 91	28.5%
48	SUNCLISK	Jun 91	25.7%
49	ADCOCK	Sep 91P	25.6%
50	EDGARS	Mar 91	24.9%
51	SUNCRUSH	Jun 91	24.9%
52	DROP-INN	Feb 91	24.8%
53	TIWHEEL	Jun 91P	24.5%
54	FOSCHINI	Dec 90	24.3%
55	SUPREME MAN HOLD	Dec 90	24.2%
56	PEP	Feb 91	24.0%
57	LEBAKA	Mar 91	23.9%
58	UNIOLD	Dec 90	23.8%
59	ALEXWYT	Jun 91	23.5%
60	SUN BOP	Jun 91	23.3%
61	STOCKS	Apr 91	22.9%
62	BASREAD	Jun 91	22.9%
63	KAROS	Mar 91	22.6%
64	ELLERINE	Aug 91P	22.6%
65	TELUJOY	Mar 91	22.4%
66	CADSWEP	Dec 90	22.2%
67	UTICO	Dec 90	22.0%
68	WOOLTRU	Jun 91	22.0%
69	WOODROW	Feb 91	21.8%
70	NEI AFR	Dec 90	21.6%
71	MAST	Feb 91	21.5%
72	AMREL	Mar 91	21.4%
73	ARIES	Dec 90	21.0%
74	CASHBIL	Jun 91	20.5%
75	CHUBB	Mar 91	20.4%
76	TR SERV	Mar 91	20.2%
77	KLIPTON	Jun 91	20.1%
78	ABI	Mar 91	19.6%
79	HORTORS	Mar 91	19.3%
80	GLODINA	Dec 90	19.1%
81	TEDELEX	Aug 91P	19.1%
82	HOLDAINS	Aug 91P	19.0%
83	COATES	Dec 90	19.0%
84	MILSTAN	Feb 91	18.9%
85	PIKNPAY	Feb 91	18.4%
86	TRANSUN	Jun 91	18.1%
87	BOWCALF	Dec 90	17.8%
88	JASCO	Feb 91	17.8%
89	BOYMANS	Feb 91	17.7%
90	TIGER OATS	Sep 91P	17.7%
91	FENNER	Aug 91P	17.4%
92	CNA GALLO	Mar 91	17.4%
93	GRINCO	Dec 90	17.3%
94	PREMIER GRP	Mar 91	17.3%
95	WAYNE	Jun 91	17.3%
96	CONSHU	Jun 91	16.8%
97	MALBAK	Aug 91P	16.7%
98	ALTECH	Feb 91	16.7%
99	SA BREWS	Mar 91	16.0%
100	AUTOPAGE	Feb 91	15.6%

The table does not include non-operating pyramid companies, gold mining companies, insurance companies and banks.

Where the company year-end is indicated with a "P", the results are based on the latest preliminary results.

Source: I-NET *Stewart Business (1991)* (80)

# TOP 100 RANKED BY TURNOVER

Excluding turnover of associated companies  
Year-end cut-off date: November 1991

SITIMOS (BUSS)  
1/12/91

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No.	Share Name	Financial year end	(R000s)
1	BARLOWS	Sep 91P	31 994 000
2	C G SMITH	Sep 91P	16 068 900
3	SA BREWS	Mar 91	13 795 000
4	*DE BEERS	Dec 90	11 625 000
5	C G S FOOD	Sep 91P	11 334 400
6	MALBAK	Aug 91P	8 441 000
7	TIGER OATS	Sep 91P	7 980 000
8	TRADEGRO	Jun 91P	7 772 883
9	ANGVAAL	Jun 91P	7 735 700
10	SASOL	Jun 91	7 561 834
11	ANGLOVAAL IND	Jun 91	7 386 400
12	ISCOR	Jun 91	7 364 800
13	AMIC	Dec 90	6 123 000
14	ENGEN	Aug 91P	6 098 000
15	PIKNPAY	Feb 91	5 189 200
16	PREMIER GRP	Mar 91	5 094 095
17	AECI	Dec 90	5 031 000
18	OK	Mar 91	4 799 769
19	M&R HOLD	Jun 91	4 603 960
20	SAFREN	Jun 91	4 369 300
21	NAMPAK	Sep 91P	3 994 000
22	TONGAAT	Mar 91	3 798 415
23	METCASH	Jun 90	3 491 149
24	WOOLTRU	Jun 91	3 303 200
25	FSI	Dec 90	3 246 507
26	METKOR	Sep 90	3 164 239
27	WESCO	Dec 90	3 117 937
28	TOYOTA	Dec 90	3 117 937
29	W & A	Dec 90	3 036 537
30	RUSPLAT	Jun 90	2 943 500
31	MCARTHY	Jun 91	2 893 951
32	DORBYL	Sep 90	2 843 558
33	SAPPI	Feb 91	2 669 000
34	ALTRON	Feb 91	2 655 030
35	EDGARS	Mar 91	2 475 749
36	PLATE GLASS	Mar 91	2 298 877
37	IMPLATS	Jun 91	2 269 200
38	SENTRACHEM	Aug 91	2 275 380
39	ICS	Sep 91P	2 109 259
40	CONSOL	Jun 91	2 071 500
41	GRINAKR	Jun 91	2 047 026
42	PEPKOR	Feb 91	1 957 364
43	HOLDAINS	Aug 91P	1 951 836
44	SCOCLIK	Feb 91	1 904 207
45	LTA	Mar 91	1 870 000
46	AMCOAL	Mar 91	1 818 779
47	ARGUS	Mar 91	1 806 212
48	SAMANCO	Jun 91	1 806 106
49	KERSAF	Jun 91	1 778 596
50	RAND MINES	Sept 91P	1 755 800
51	REUNERT	Sep 91P	1 609 187
52	SAFICON	Mar 91	1 463 499
53	I & J	Jun 91	1 443 980
54	HIVELD	Dec 90	1 431 711
55	TRNS NTL	Jun 91	1 427 000
56	RUSFURN	Jun 91P	1 409 189
57	FEDFOOD	Mar 91	1 388 000
58	STOCKS	Apr 91	1 356 502
59	VOLTEX	Jun 91P	1 257 591
60	HAGGIE	Dec 90	1 254 149
61	WIT COLS	Sept 90P	1 244 360
62	PEP	Feb 91	1 225 258
63	POWTECH	Feb 91	1 204 157
64	GROUP 5	Jun 91	1 162 896
65	PALAMIN	Dec 90	1 122 458
66	BOUMAT	Mar 91	1 091 214
67	GRINTEK	Jun 91	1 075 867
68	SA DRUG	Mar 91	1 061 880
69	AFROX	Sep 91P	1 044 427
70	AMREL	Mar 91	1 030 736
71	SEARDEL	Jun 91	992 360
72	KANHYM	Aug 91P	987 444
73	CURRIE FIN	Jun 91	926 184
74	ALTECH	Feb 91	925 484
75	SAFCOR	Jun 91	918 185
76	ABI	Mar 91	884 253
77	SILTEK	Jun 91	822 459
78	FOSCHINI	Dec 90	821 990
79	PPC	Sep 91P	818 600
80	CNA GALLO	Mar 91	798 356
81	FRAME	Jun 91P	789 093
82	CONS-FRAME	Jun 91P	789 093
83	ED L BATE	Jun 91	786 107
84	BLUCIRC	Dec 90	776 000
85	ADCOCK	Sep 91P	773 630
86	SUN BOP	Jun 91	772 486
87	AFCOL	Mar 91	771 949
88	ROMATEX	Sep 91P	740 400
89	NEI AFR	Dec 90	713 625
90	BTR DUNLOP	Dec 90	700 803
91	A ALPHA	Dec 90	697 277
92	RAINBOW	Mar 91	697 125
93	WALTONS	Feb 91	685 310
94	CULLINAN	Jun 91	666 441
95	SHIELD	Feb 91	648 922
96	JD GROUP	Dec 90	645 664
97	STD ENG	Aug 91P	639 077
98	GRESHAM	Mar 90	625 846
99	CONSHU	Jun 91	621 562
100	ASS MANG	Dec 90	613 881

\* Based on pro-forma combined results attributable to De Beers/Centenary AG linked units. The table does not include non-operating pyramid companies, gold mining companies, insurance companies and banks. Where the company yearend is indicated with a "P", the results are based on the latest preliminary results.

Source: I-NET

# Barlows best of the billionaires

STIMES (BUS)

1/12/91

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ABOVE are the giants of South African industry ranked by sales. King of the heap is Barlows, ranked last year by Fortune magazine 89th in its Global 500. Its results, published in mid-November, showed that Barlows increased turnover by 10% to R32-billion.

Unless it deploys the proceeds of the Middelburg Steel sale into some other company with large sales, turnover next year could well be relatively stagnant.

Because Fortune uses sales, not assets, to rank the global giants, chances are good that Barlows will slip in the rankings.

Two other SA companies made the Fortune Global 500 — Sasol and Iscor.

## Concession

Anglo American and most of the other companies shown in this table that rank higher than Sasol and Iscor were excluded because they are conglomerates.

We rank companies by performance for shareholders over five years. The only concession to size in our rankings is the exclusion of companies in whose shares trade was under R5-million by September.

But we know readers want to know who the giants are as well as the hot performers, hence this table.

The Financial Mail ranks the biggest companies by assets. But asset values are problematical, so, like Fortune, we choose sales, which are indisputable.

The only drawback is that the Companies Act does not demand disclosure of turnover. Several companies — including Anglo American, Rembrandt and JCI — decline to provide sales.

For some — such as banks — sales are meaningless, although one could take interest plus fees as turnover.

Second among the giants by sales is CG Smith, holding company for Tiger Oats, CG Smith Sugar, Romatex, Nampak and

By DAVID CARTE

other Barlows subsidiaries. It had sales of more than R16-billion.

CG Smith is largely an accounting creation. Its sales are consolidated into Barlows, so in a sense its separate appearance could be seen as double counting.

Compounding the problem that other accounting convenience CG Smith Food appears in fourth position and Tiger, the real source of all those sales, is seventh. Unbundling, it seems, is indicated.

Effective controller of Barlows, Old Mutual, with policy sales of R8-billion and investment income of R4-billion — a turnover effectively of R12-billion — would normally rank next. But I-Net omits insurers from its tables, so SA Breweries takes third spot.

De Beers stopped disclosing turnover after Centenary was stripped out. But Central Selling Organisation sales of \$4,1-billion (R11,6-billion) put it in fourth spot. It and Iscor are the only focused, single-product non-conglomerates in the top 13.

## Focused

Malbak, Premier, Murray & Roberts, Safren and Tongaat all profess a degree of focus, but all are ultimately holding companies comprising numerous subsidiaries, many with little in common.

The 20 biggest truly focused giants would seem to be: De Beers, Sasol, Tiger Oats, Tradegro, Sasol, Iscor, Engen, Pick 'n Pay, AECL, OK Bazaars, Nampak, Metro Cash, Wooltru, Toyota, Rusplat, McCarthy, Sappi, Altron, Edgars and Plate Glass.

Sales of SA Breweries' beer division are not disclosed separately, but it is a safe bet that this business would be among the top five focused companies in South Africa.

# TOP 100 RANKED BY RETURN ON CAPITAL

Pre-interest profit expressed as a percentage of average capital employed (including revaluations and excluding intangibles)

Year-end cut-off date: November 1991

No.	Share Name	Financial year end	Return on Capital
1	SPUR	Feb 91	246.9%
2	TSI	Sep 91P	115.9%
3	SUPALEK	Apr 91	109.7%
4	IMPLATS	Jun 91	103.1%
5	AUTOPAGE	Feb 91	88.3%
6	Q DATA	Jun 91	82.7%
7	MCPHAIL	Dec 90	82.4%
8	SHIELD	Feb 91	78.0%
9	EDDIES	Feb 91	76.9%
10	ASS MANG	Dec 90	76.5%
11	PALAMIN	Dec 90	75.0%
12	ANBEECO	Apr 91	73.3%
13	RUSPLAT	Jun 90	72.7%
14	DIMENSION DATA	Dec 90	71.1%
15	SAFCOR	Jun 91	69.0%
16	CONCORDE TRAVEL	Mar 91	65.6%
17	PRESMED	Feb 91	63.9%
18	CLICKS	Feb 91	63.2%
19	TIMES MEDIA	Mar 91	62.1%
20	CASHBIL	Jun 91	61.3%
21	DELTA	Dec 90	58.7%
22	INTERLES	Jun 91	58.4%
23	WIT COLS	Sep 91P	57.1%
24	SHOPRIT	Feb 90	56.4%
25	GENREC	Jun 91	54.5%
26	TECHIRE	Mar 91	54.0%
27	FOSCHINI	Dec 90	53.7%
28	CNA GALLO	Mar 91	53.5%
29	ABERDARE	Dec 90	52.7%
30	TRNS HEX	Mar 90	52.2%
31	PEP	Feb 91	50.2%
32	CONSOL	Jun 91	50.0%
33	PIKNPAY	Feb 91	49.9%
34	HUDACO	Nov 90	49.6%
35	EDGARS	Mar 91	49.3%
36	ALTECH	Feb 91	47.5%
37	JASCO	Feb 91	47.3%
38	CLINICS	Sep 90	47.0%
39	COATES	Dec 90	45.7%
40	KLIPTON	Jun 91	45.2%
41	BTR DUNLOP	Dec 90	45.2%
42	SUN BOP	Jun 91	44.5%
43	CURRIE FIN	Jun 91	44.4%
44	PEPKOR	Feb 91	44.3%
45	GROUP 5	Jun 91	43.7%
46	CHEMSERVE	Dec 90	43.2%
47	OTIS	Nov 90	42.9%
48	CUTRITE	Feb 91	42.8%
49	LEBAKA	Mar 91	42.8%
50	TRANSUN	Jun 91	42.8%
51	AMSHOE	Feb 91	42.8%
52	NAMIBIAN SEA	Dec 90	42.4%
53	ABS	Sep 91P	42.2%
54	MUSICA	Mar 91	42.2%
55	ALTRON	Feb 91	41.8%
56	COLFIN	Apr 91	41.5%
57	SUNCISK	Jun 91	41.1%
58	GRINTEK	Jun 91	41.1%
59	MSAULI	Dec 90	41.1%
60	CURNOW	Dec 90	40.7%
61	IMPERIAL	Jun 91	40.7%
62	AIDA	Feb 91	40.6%
63	SAMANCO	Jun 91	40.5%
64	WOODROW	Feb 91	40.4%
65	SUNCRUSH	Jun 91	40.2%
66	WALTONS	Feb 91	40.0%
67	BUFFCOR	Jun 91	40.0%
68	COMBINED MOTOR HOLD	Feb 91	39.8%
69	SILTEK	Jun 91	39.8%
70	HARWIL	Jun 91P	39.6%
71	POWTECH	Feb 91	39.5%
72	NAMIBIAN FISH	Dec 90	39.5%
73	AUTODEK	Mar 91	39.0%
74	LENCO	Feb 91	38.9%
75	TWINS	Mar 91	38.7%
76	SMART	Jun 91	38.7%
77	TRENCOR	Jun 91	38.7%
78	TOYOTA	Dec 90	38.3%
79	CONSHU	Jun 91	38.3%
80	CONCOR	Jun 91	38.0%
81	SONDOR	Mar 91	37.8%
82	ABI	Mar 91	36.9%
83	UNISERV	Feb 91	36.7%
84	MCARTHY	Jun 91	36.5%
85	KERSAF	Jun 91	35.9%
86	WOOLTRU	Jun 91	35.7%
87	BIDVEST	Jun 90	35.6%
88	MAST	Feb 91	35.4%
89	BOWCALF	Dec 90	35.3%
90	ANGLOVAAL IND	Jun 91	35.2%
91	ARGUS	Mar 91	35.0%
92	SCOCLIK	Feb 91	34.7%
93	UTICO	Dec 90	34.7%
94	TOCO	Mar 91	34.4%
95	BEARMAN	Feb 91	34.2%
96	TAFBRG	Feb 90	34.0%
97	PLATE GLASS	Mar 91	33.8%
98	GRINAKR	Jun 91	33.8%
99	CORP MNGMT SERV	Mar 91	33.7%
100	POINTER	Jun 90	33.5%

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SITmes (GWS) 1/12/91

The table does not include non-operating pyramid companies, gold mining companies, insurance companies and banks.

Where the company yearend is indicated with a "P", the results are based on the latest preliminary results.

Source: I-NET

# LOSERS ON A GRAND SCALE

IF YOU have tears, shed them for the holders of the shares topping this list — the companies whose earnings have plunged most.

Anyone whose earnings are down 100% has plummeted to a loss. There are no fewer than 19 such companies. Sadly, some of those losses were 10 times the previous year's profit, hence a fall of 2464% fall in the case of Tollgate, the conglomerate that Julian Askin is trying to rescue.

If Maxmech shareholders deserve sympathy, those of Bester Investments must have abandoned all hope years ago. Bester pulled itself right after disastrously over-gearing in

S (Times (BUS))  
1/12/91 By DAVID CARTE (180)

the late 1970s. It repeated the mistake by buying Tuckers Land Holdings in the mid-1980s.

## Treasure

Shed tears for Bankorp, saddled with disaster in Unidev and Rusfurn, and for shareholders in Frame who hoped that professional management would unlock a treasure house of assets, only to see the Government pulling the plug on the textile industry.

CMI, like Middelburg Steel, is a victim of depressed ferro-alloys,

Randex of a depressed gold price and Rabie of the impossibility of providing township housing economically.

Aides of Bill Venter once thought office product subsidiary, Adprom would be the star of the group. Although Fintech has bounced back, Adprom continues to wallow.

Another disappointment has been Keith Jenkins' mining, motor-cycle and industrial supplies group KNJ and Midmacor, distributor of Honda. These companies are also the victims of mining and industrial recession, but they provide an object lesson that entrepreneurial ownership is no guarantee of success.



# TOP 100 RANKED BY FOUR-YEAR COMPOUND GROWTH IN EARNINGS PER SHARE

STimes (BUS) 1/12/91  
Compound growth in published equity accounted earnings per share over four years

Year-end cut-off date: November 1991

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No.	Share Name	Financial year end	
1	JD GROUP	Dec 90	89.1%
2	CONCOR	Jun 91	72.7%
3	PEPKOR	Feb 91	67.7%
4	OMNIA	Dec 90	66.6%
5	MCPHAIL	Dec 90	60.6%
6	KLIPTON	Jun 91	57.5%
7	TOYOTA	Dec 90	54.1%
8	CARLCOR	Aug 91P	51.5%
9	BERZAK	Jun 91P	50.4%
10	SUN BOP	Jun 91	49.8%
11	SABLE	Jun 90	49.4%
12	TRENCOR	Jun 91	47.7%
13	M&R HOLD	Jun 91	47.4%
14	VALHOLD	Mar 90	46.5%
15	BTR DUNLOP	Dec 90	44.0%
16	BURLINGTON	Dec 90	42.4%
17	ABERDARE	Dec 90	41.7%
18	CONSOL	Jun 91	41.5%
19	LTA	Mar 91	41.4%
20	GENTYRE -A-	Dec 90	41.4%
21	CNA GALLO	Mar 91	41.4%
22	SPUR	Feb 91	40.8%
23	BLUCIRC	Dec 90	40.8%
24	PRESMED	Feb 91	40.0%
25	BRIST IN	Feb 91	39.5%
26	WOOLTRU	Jun 91	37.5%
27	ARGUS	Mar 91	37.3%
28	COATES	Dec 90	35.7%
29	ELLERINE	Aug 91P	35.6%
30	FENNER	Aug 91P	35.3%
31	SUNCRUSH	Jun 91	33.9%
32	EDGARS	Mar 91	32.9%
33	CASHBIL	Jun 91	32.9%
34	POWTECH	Feb 91	32.1%
35	NEW KLEINS	Jun 91	31.9%
36	FOSCHINI	Dec 90	31.6%
37	SHOPRIT	Feb 90	31.1%
38	IMPERIAL	Jun 91	31.0%
39	ADCOCK	Sep 91P	30.8%
40	CADSWEP	Dec 90	30.7%
41	DELTA	Dec 90	30.7%
42	KANHYM	Aug 91P	30.1%
43	Q DATA	Jun 91	29.6%
44	PERSKOR	Jun 91	29.5%
45	ADONIS	Sep 90	29.5%
46	UTICO	Dec 90	29.2%
47	*DE BEERS	Dec 90	29.0%
48	GRINAKR	Jun 91	29.0%
49	TRNS HEX	Mar 90	28.5%
50	KERSAF	Jun 91	28.2%
51	SA BIAS HOLD	Dec 90	27.9%
52	A ALPHA	Dec 90	26.8%
53	D & H	Aug 91P	26.2%
54	ED L BATE	Jun 91	25.7%
55	MCARTHY	Jun 91	25.6%
56	SAFREN	Jun 91	25.4%
57	AFROX	Sep 91P	25.1%
58	C G S FOOD	Sep 91P	24.7%
59	SAFCOR	Jun 91	24.6%
60	HLH	Mar 91	24.1%
61	SA BREWS	Mar 91	23.9%
62	CLICKS	Feb 91	23.3%
63	CTP	Mar 91	23.3%

64	AMAPROP	Mar 91	22.8%
65	PALAMIN	Dec 90	22.4%
66	INTERLES	Jun 91	22.2%
67	CHEMSERVE	Dec 90	21.9%
68	GYP SUM	Jun 91	21.6%
69	PPC	Sep 91P	21.5%
70	TIGER OATS	Sep 91P	21.5%
71	PEP	Feb 91	21.4%
72	ENSIGN	Dec 90	21.3%
73	NAMPAK	Sep 91P	21.1%
74	GRINCOR	Dec 90	20.5%
75	JCI	Jun 91	20.4%
76	C G SMITH	Sep 91P	20.3%
77	MASHOLD	Feb 90	19.6%
78	PIKNPAY	Feb 91	19.1%
79	ANGLOVAAL IND	Jun 91	18.7%
80	I & J	Jun 91	18.7%
81	GF PROP	Dec 90	18.6%
82	REUNERT	Sep 91P	18.6%
83	SASOL	Jun 91	18.6%
84	CONSHU	Jun 91	17.9%
85	DORBYL	Sep 90	17.6%
86	FEDFOOD	Mar 91	16.4%
87	HOLDAINS	Aug 91P	16.3%
88	GENCOR	Aug 91P	16.1%
89	HUDACO	Nov 90	15.7%
90	CAXTON	Mar 91	15.5%
91	GEN OPT	Jun 91	14.1%
92	AMREL	Mar 91	14.0%
93	TRANSUN	Jun 91	12.8%
94	AVHOLD	Jun 91	12.0%
95	CURRIE FIN	Jun 91	11.8%
96	LION MATCH	Mar 90	11.8%
97	POINTER	Jun 90	11.4%
98	HAGGIE	Dec 90	11.2%
99	ANGVAAL	Jun 90	10.9%
100	MARSHAL	Dec 90	8.0%

\* Based on pro-forma combined financial statistics per linked unit.

THE table does not include non-operating pyramids, gold-mining and insurance companies and banks. Where the company yearend is indicated with a P, the results are based on the latest preliminary results.

Source: I-NET

# Welcome words, but they don't plan to spend more

(S. Times) (12/19/91) (ISC)

By TERRY BETTY

BUSINESSMEN have applauded President De Klerk's call. But none approached by Business Times is ready to invest any more than planned.

Premier Group chairman and chief executive Peter Wrighton says business should invest and create jobs. The transformation to a democratic society will be inhibited unless the economy grows strongly.

Mr Wrighton says Premier has shown its commitment by voting capital expenditure of more than R500-million this year, rescuing companies in the group that were in trouble and stepping up its export business.

## Reasons

The Government must encourage consumer spending through the R220-million poverty relief programme. He recommends reducing interest rates of more than 20% that have applied for the past three years and hurt small business and new project decisions by manufacturers.

Anglo American Industrial Corporation (Amic) deputy chairman Leslie Boyd says "neither lack of funds, the level of violence, nor political issues such as nationalisation and the future economic structure of the economy, have impeded the Anglo American group's investment in SA".

But he gives three reasons why it is difficult to identify investment opportunities:

- With the world economy in recession and no clear signs of a significant recovery, it makes no sense to build additional facilities when many plants are operating below capacity.
- The depth of SA's recession is intensified by tight monetary control in an effort to reduce inflation.
- In pure economic terms, the investment environment is poor and does not compete with many other countries.

## Hands

The "kick start" in terms of tax is a step in the right direction. However, it applies only to exports and should be extended.

For investments in Eastern Europe, the German Government allows for 50% depreciation in the first year, with 20% to 30% of the capital funded in cash by it. The investor retains 100% ownership in the investment, says Mr Boyd.

Murray & Roberts chief executive David Brink says President De Klerk's plea "is a timely and valid challenge".

"South Africans cannot wait for overseas investors.



LESLIE BOYD: Take a leaf from the German book

We must take our future in our own hands.

"This does not imply that businessmen should gamble by investing where they are unlikely to get sound returns, but rather it is time to have courage."

Mr Brink says M&R is pressing ahead with its capital expenditure programme, but it is small — in hundreds of millions, not billions.

M&R is expanding capacity and has made acquisitions in the cement industry.

"This demonstrates our confidence in SA. While the situation is bleak, we have resources in hand to be key players in implementing the investment decisions of the large corporates."

## Pace

Barlow Rand finance director Evert Groeneweg endorses President De Klerk's words, saying: "Anybody sitting on the fence will miss the bus."

"In the past 10 years Barlow has invested about R10,3-billion of capital in developing and expanding its business, two-thirds of this being in the past five years.

"Our plans show this pace is likely to continue. In 1992 alone we expect to spend a further R1,7-billion.

"At least 50% of this has been expansion oriented. This trend is unlikely to change even though SA's productive utilisation is only about 80%.

"Barlow has also spent about R750-million in the past five years on research and development of products. It also invests in people and in the last financial year 74% of the permanent workforce underwent various forms of training."

Mr Groeneweg says all business should play its part. The burden of investing cannot be left to big business alone.

South African Chamber of Business chief economist Ben van Rensburg does not be-



BEN VAN RENSBURG: Political and economic uncertainty



EUGENE VAN AS: Lower interest rates would do a lot of good

conomic policies are a bigger deterrent to investment than political factors.

The Government should reduce taxes, bring down inflation and look at its spending through a microscope. If State spending falls, less tax will be needed and inflationary pressures will be reduced. This would facilitate a drop in interest rates.

Sappi executive chairman Eugene van As says the world is in a recession. Low commodity prices have hurt SA, a major producer.

## Market

Mr Van As believes businessmen have to look for growth through exports because SA's economy is stagnant.

Sappi has three export-oriented projects on the drawing board.

Lower interest rates would boost investment. Real interest rates are not too high, but the nominal ones are exorbitant, making it difficult to achieve profits.

Mr Van As says the economy is depressed and it is difficult to get excited about investing.

Old Mutual chief economist Dave Mohr says businesses will not invest merely because President De Klerk asks them to do so. It is difficult to see businessmen investing now when uncertainty about the future is affecting profits.

Mr Mohr says businesses will start investing only after the upswing is under way. He believes this will probably be from mid-1993, about a year after conditions start improving.

Sanlam senior general manager, investments, Ronnie Masson says businesses will not invest while there is so much surplus capacity. People invest when they need to increase production. But that is not possible when they do not have a market.



PETER WRIGHTON: Premier spending R500-million

lieve SA will go the same route as Ghana — a possibility suggested by President De Klerk if business fails to heed his call.

"But Sacob and businessmen in general agree that not enough is being invested now when there is a desperate need for job creation and renewed economic activity.

## Exorbitant

"I place the ball in the Government's court. One cannot expect business to invest when there is political and economic uncertainty.

"These factors, coupled with our high taxes and high inflation, mean businessmen require a high investment yield.

"In SA the average share earnings yield of listed companies is about 18% compared with 7% to 10% in many countries and 2% in Japan."

Dr. Van Rensburg says businessmen will not invest more unless something is done to change the negative view of the investment environment.

The Government's eco-

# Spur Steak dines

## well on franchises

SI Times (BUS) 1/12/97

180

THE table below shows how effectively companies are using the capital they employ. Spur Steak Ranches ranks tops with a stunning return of 246%.

How is this possible? The answer is franchising. The franchise holder ties up his capital in his Spur restaurant. Spur Cape Town collects the fees.

Runner-up in the efficiency with capital stakes is TSI, the company with

### By DAVID CARTE

the biggest return on sales. Other companies that fared well with return on sales do well in this list.

### Presses

Supalek is a hyper-efficient trader.

Service companies whose main assets are the people they employ form

the next grouping: Autopage, Q Data, Shield, Didata and Times Media, which sold its printing presses a few years ago and today earns a return of more than 60% on funds employed.

Iscor, ranked fifth in the Fortune Global 500 by return on assets, and Sasol seventh. But neither features in this list.

Returns generated in SA still seem extremely high.

SI Times (BUS) 1/12/97

# TSI tops in profit margins

By DAVID CARTE

TECHNOLOGY Systems International (TSI) enjoys the fattest operating margins on the JSE — property companies excluded.

The Barlow importer and distributor of IBM, Hitachi and other computer products achieved a profit margin of nearly 71% on sales.

TSI's margin bears out that those with biggest market share command the biggest margins. By reference to the appropriate table, one can see that they also enjoy the best returns on capital.

De Beers, shown as 11th on this list, was recently found by Fortune magazine to enjoy the best margins among its 500 largest industrial corporations in the world.

Here the diamond giant's return on sales is based on pro-forma combined results attributable to De Beers/Centenary AG linked units.

Property companies report the biggest operating margins, but that is more because of the way turnover and operating profit are defined in that business.

Second among non-property companies is Palabora Mining, which achieved an operating margin of 45.8%.

Then comes Environmental Resources, a small company that extracts slag for steel making.

## Margins

Spur ranks fourth. Its margins are fattened by turnover made artificially low because franchise fees are reported as turnover, not the franchisee's sales.

Never mind unfortunate trends for platinum. Rustenburg Platinum has second-largest margins among mining companies. Impala is third.

Manganese is still profitable judging by the positions of Associated Manganese and Samancor.

Also prominent among those with large margins are Sun International's listed companies in Transkel, Ciskei and Bophuthatswana.

Of course, gaming is a lucrative business. But the way these companies report tends to exaggerate margins. In arriving at turnover they add food, beverage and room sales to profit in casinos — not the total take in them.

The margin in casinos is claimed to be less than 5%.

Top company Trenchor achieved a margin of 31% not only through trucking and trailer building but by exporting from a weak currency country.

Sasol enjoys comfortable margins thanks not only to a minimum price guarantee of \$23 a barrel, but because it is moving increasingly into more profitable petrochemicals.

The catches for fishing companies these days may not be great, but margins are still whoppers. Look at the prominence of Willem Barendtz Holdings, Namfish and Namsea.

The median return on sales on the Fortune Global 500 was 3.3%. The 130th company in SA — Haggie — achieved a margin of 10.9%, which could reflect less competition in this country.

## TOP 100 RANKED BY RETURN ON SALES

Operating profit divided by turnover excluding turnover of associated companies.

Year-end cut-off date: November 1991

No.	Share Name	Financial year end	Return on Sales
1	TSI	Sep 91P	70.9%
2	PALAMIN	Dec 90	45.8%
3	ENROL	Oct 90	41.7%
4	SPUR	Feb 91	38.4%
5	RUSPLAT	Jun 90	36.1%
6	TRANSUN	Jun 91	35.3%
7	SPURHLD	Feb 90	34.2%
8	IMPLATS	Jun 91	33.6%
9	W B HOLD	Dec 90	33.5%
10	SUNGISK	Jun 91	31.6%
11	AUTOPAGE	Feb 91	31.6%
12	*DE BEERS	Dec 90	31.3%
13	TRENCOR	Jun 91	31.0%
14	ASS MANG	Dec 90	30.8%
15	TECHIRE	Mar 91	29.5%
16	SUN BOP	Jun 91	29.3%
17	MINVEST	Jun 91	28.2%
18	SONDOR	Mar 91	26.8%
19	BUFFCOR	Jun 91	26.0%
20	RUHOLD	Feb 91	25.8%
21	SAMANCO	Jun 91	25.3%
22	SASOL	Jun 91	25.1%
23	KERSAF	Jun 91	24.8%
24	A ALPHA	Dec 90	24.1%
25	KELGRAN	Feb 91	23.5%
26	KEELEY	Feb 91	23.4%
27	AMCOAL	Mar 91	22.9%
28	PPC	Sep 91P	22.6%
29	TELJOY	Mar 91	21.5%
30	NAMIBIAN FISH	Dec 90	21.5%
31	CLAUDE N	Jun 91	20.7%
32	FOSCHINI	Dec 90	20.6%
33	NAMIBIAN SEA	Dec 90	20.5%
34	SABLE	Jun 90	20.2%
35	HLH	Mar 91	20.1%
36	BOWCALF	Dec 90	19.7%
37	UNITRAN	Mar 90	19.6%
38	INTERLES	Jun 91	19.4%
39	DA GAMA	Mar 91	19.3%
40	SAPPI	Feb 91	19.2%
41	BTR DUNLOP	Dec 90	19.2%
42	OAKFLDS	Jul 90	19.1%
43	AFROX	Sep 91P	19.0%
44	ELLERINE	Aug 91P	17.7%
45	RAND MINES	Sep 91P	17.6%
46	ACREM	Mar 91	17.0%
47	ABERDARE	Dec 90	17.0%
48	MARSHAL	Dec 90	16.9%
49	BEARMAN	Feb 91	16.9%
50	GYPSSUM	Jun 91	16.6%
51	D & H	Aug 91P	16.6%
52	TWINS	Mar 91	16.6%
53	PROFURN	Dec 90	16.4%
54	SUNCRUSH	Jun 91	15.9%
55	WIT COLS	Sep 91P	15.9%
56	OZZ	Mar 91	15.8%
57	DISPTCH	Jun 91	15.7%
58	CARLCOR	Aug 91P	15.7%
59	CUTRITE	Feb 91	15.6%
60	COLFIN	Apr 91	15.6%
61	KAROS	Mar 91	15.6%
62	WALTONS	Feb 91	15.5%
63	SUPREME IND HOLD	Dec 90	15.4%
64	CONSOL	Jun 91	15.4%
65	SAFREN	Jun 91	15.4%
66	BLUCIRC	Dec 90	15.3%
67	ADCOCK	Sep 91P	15.3%
68	TIMES MEDIA	Mar 91	14.9%
69	SURE GRP	Mar 90	14.9%
70	BIDVEST	Jun 90	14.6%
71	SMART	Jun 91	14.5%
72	PRESMED	Feb 91	14.4%
73	EDGARS	Mar 91	14.3%
74	MASTBOR	Feb 91	14.0%
75	UNISPIN	Sep 91P	14.0%
76	EDDIES	Feb 91	14.0%
77	COLUMBIA	Mar 91	14.0%
78	SUPALEK	Apr 91	13.9%
79	CROOKES	Mar 91	13.9%
80	ANBEECO	Apr 91	13.8%
81	ABS	Sep 91P	13.8%
82	ALLGRP	Feb 91	13.7%
83	ALTECH	Feb 91	13.7%
84	ALEXNOR	Jun 91	13.7%
85	HUDACO	Nov 90	13.5%
86	MSAULI	Dec 90	13.4%
87	STERLING	Dec 90	13.3%
88	WOODROW	Feb 91	13.2%
89	TOCO	Mar 91	13.1%
90	JD GROUP	Dec 90	12.9%
91	OMNIA	Dec 90	12.9%
92	TR SERV	Mar 91	12.7%
93	METERS	Feb 89	12.6%
94	ANJET	Feb 89	12.5%
95	AMSHOE	Feb 91	12.5%
96	NORISTN	Jun 90	12.4%
97	LENCO	Feb 91	12.3%
98	NORISTN	Jun 90	12.4%
99	LENCO	Feb 91	12.3%
100	GF COAL	Dec 90	12.3%

\* Based on pro-forma combined results attributable to De Beers/Centenary AG linked units. The table does not include non-operating pyramid companies, gold mining companies, insurance companies and banks.

Where the company year-end is indicated with a "P", the results are based on the latest preliminary results. Source: I-NET

# BEST BY INDUSTRY

5 Times (CLASS) TRANSPORT/MOTOR (180)

1 (1) Trenchor	72,19
2 (18) Gentyre Industries	52,82
3 (25) Toyota SA	47,63
4 (32) McCarthy Group	41,11
5 (42) Safcon	35,80
6 (55) Putco	30,53
7 (76) BTR Dunlop	24,15
8 (86) Tollgate Group Holdings	22,09

## CLOTHING MANUFACTURE AND RETAIL

1 (14) Pepkor Ltd	53,06
2 (16) Edgars	52,88
3 (24) Foschini	47,73
4 (34) Wooltru	41,06
5 (70) Seardel	26,38
6 (97) Specialty Stores	19,31

## BEVERAGES, HOTELS, LEISURE

1 (2) Suncrush	65,75
2 (8) Cadbury Schweppes SA	57,98
3 (9) Sun International Bop	56,90
4 (33) Spur Steak Ranches	41,11
5 (46) Kersaf Investments	33,95
6 (51) SA Breweries	31,91

## MINING/MINING HOUSES

1 (36) Palabora Mining	39,52
2 (37) Samancor	39,49
3 (63) Messina	28,24
4 (65) Fraser Alexander	27,42
5 (71) Anglovaal	26,00
6 (72) De Beers Consolidated Mines	25,99
7 (75) Edward I. Bateman	24,27
8 (84) Middle Witwatersrand GM	22,47
9 (98) Gencor	19,22

## WHOLESALE, RETAIL

1 (4) CNA Gallo	64,36
2 (11) Elcentre Corporation	55,71
3 (14) Pepkor Ltd	53,06
4 (16) Edgars	52,88
5 (24) Foschini	47,73
6 (27) Delta Electrical Industries	46,93
7 (34) Wooltru	41,06
8 (57) Elerine Holdings	30,26
9 (79) Pick 'n Pay Stores	23,81
10 (90) Cicks	21,20
11 (97) Specialty Stores	19,31

## INDUSTRIAL HOLDINGS

1 (5) Berzack Bros Holdings	64,32
2 (23) Murray & Roberts Holdings	49,18
3 (28) W&A Investment Corp	46,37
4 (31) Anglovaal Industries	41,51
5 (51) SA Breweries	31,91
6 (77) Tongaat	24,04
7 (83) Barlow Rand	22,79
8 (85) Grinaker Holdings	22,45
9 (86) Tollgate Group Holdings	22,09
10 (87) Dorbyl	22,01
11 (99) Mathek	18,56

## PAPER, PACKAGING, PUBLISHING

1 (4) CNA Gallo	64,36
2 (6) Consol	61,51
3 (7) Argus Holdings	61,32
4 (12) Perskor Group	55,51
5 (13) Carlton Paper Corp	54,25
6 (20) Times Media	50,20
7 (44) Holdains	34,99
8 (68) Hampak	27,15
9 (82) Sappi	23,13

## INSURERS, ASSURERS, BANKS

1 (17) Mutual & Federal Insurance	52,84
2 (26) NI Insurance Co	47,41
3 (49) Santam Insurance	33,34
4 (52) Commercial Union	31,35
5 (54) SA Eagle	30,64
6 (56) Metropolitan Life	30,41
7 (58) Southern Life	29,93
8 (67) Protea Assurance	27,27
9 (69) Liberty	26,52
10 (80) Medcor	23,48
11 (81) Boland Bank	23,28
12 (89) Stanbic	21,23

## IRON, STEEL, ELECTRICAL, ENGINEERING AND CONSTRUCTION

1 (10) Gerrec Holdings	56,71
2 (15) Group Five	53,06
3 (23) Murray & Roberts Holdings	49,18
4 (27) Delta Electrical Industries	46,93
5 (30) Power Technologies	42,42
6 (41) Pretoria Portland Cement	36,07
7 (43) Abertare Cables Africa	35,45
8 (47) Anglo-Alpha	33,93

# VAT changes the company way of life

STimes (BUS) 1/12/91

180

THERE can be no doubt that the introduction of VAT was a major event in the lives of most business people and their businesses.

In many cases, especially in the larger companies, significant resources were directed to the implementation of VAT. Often a steering committee was set up to co-ordinate the implementation of VAT.

This involved numerous meetings of the committee, attendance at seminars, meetings with various other personnel in the organisation (operational staff, data-processing employees and others), outside software consultants, printers and the like.

Large amounts of resources and many man-hours were devoted to planning for a successful implementation of VAT.

## Goals

Undoubtedly, this gave rise to high costs. By and large, though, it is doubtful whether the direct costs attributable to implementation have had any significant effect on earnings — probably the most serious effect was the fact that it prevented resources from being directed at more productive goals.

But this is a short-term effect.

Of greater interest is the extent to which VAT will affect the longer-term earnings of companies. The effects will depend on several and I would like to discuss two of them.

First, one must consider the impact of price changes on the company, as well as their relationship to the market the company serves.

For example, a trader

By ERNEST MAZANSKY, tax partner, Kessel Feinstein

whose turnover largely comprises sales of food and who serves the poorer end of the market could well find his turnover falling because he has had to increase prices by about 10%.

The reason is that food was exempt from GST but is now subject to VAT.

On the other hand, a company selling directly to consumers items that were previously subject to GST of 13% is now able to reduce its prices because VAT is only 10%. This can result in a stimulation in turnover, especially of big-ticket items.

These matters do not directly affect those companies which do not deal with consumers but with other businesses. Obviously there will be a ripple effect.

Second, companies which spend large amounts on capital and intermediate goods will find their cost structures falling.

## True

The reason is that GST was payable at a rate of 13% on the cost of capital equipment and intermediate goods and certain services — for example, advertising — and formed part of their cost.

Now, however, VAT is recoverable as input tax. Consequently, the true cost to the business of this equipment and intermediate goods and services should, in theory at any rate, fall by about 11.5% (ie, 13/113).

However, nobody should expect an immediate reduction in costs and hence in prices.

Although there should be an immediate impact on prices charged by virtue of an effective reduction in costs of intermediate goods and services, one cannot expect the same effect as a result of the drop in effective costs of capital equipment.

The reason for this is that no credit is now given under VAT for GST paid on capital equipment acquired before September 30, 1991. Thus goods made after the implementation date of VAT and using equipment acquired before that date will not be affected.

## Slower

However, the costing of goods will fall as the company expands and buys new plant or to the extent that it replaces existing machinery.

But this is a long-term situation and the benefits will be felt in the next few years.

Ideally, the benefits that companies receive as a result of VAT should be passed on in lower prices or slower increases.

Many large companies have committed themselves to pass on benefits. Moreover, large companies, by virtue of their buying power, can often pressure their suppliers to pass on benefits to them.

If this happens to any significant extent, it must contribute favourably to a lowering of the inflation rate and generally act as a stimulus to the economy.

This, in turn, will have a favourable impact on the bottom line of all companies.

# BUSINESS TIMES TOP 100 COMPANIES 1991

Companies by return to shareholders over five years (180)

Company	average annual return (%)*	Company	average annual return (%)*
1 Trencor	72,19	51 SA Breweries	31,91
2 Suncrush	65,75	52 Commercial Union	31,35
3 Utico Holdings	64,83	53 Sentrachem	30,95
4 CNA Gallo	64,36	54 SA Eagle	30,64
5 Berzack Bros Holdings	64,32	55 Putco	30,53
6 Consol	61,51	56 Metropolitan Life	30,41
7 Argus Holdings	61,32	57 Ellerine Holdings	30,26
8 Cadbury Schweppes SA	57,98	58 Southern Life	29,93
9 Sun International Bop	56,90	59 African Cables	29,73
10 Genrec Holdings	56,71	60 Hunt Leuchars & Hepburn	29,14
11 Elcentre Corporation	55,71	61 Engen	28,78
12 Perskor Group	55,51	62 Premier Group	28,68
13 Carlton Paper Corp	54,25	63 Messina	28,24
14 Pepkor Ltd	53,67	64 Hudaco	27,74
15 Group Five	53,06	65 Fraser Alexander	27,42
16 Edgars	52,88	66 Highveld Steel & Vanadium	27,30
17 Mutual & Federal Insurance	52,84	67 Protea Assurance	27,27
18 Gentyre Industries	52,82	68 Nampak	27,15
19 Omnia Holdings	52,04	69 Liberty	26,52
20 Times Media	50,20	70 Seardel	26,38
21 Rembrandt Group	50,18	71 Anglovaal	26,00
22 Adcock Ingram	49,93	72 De Beers Consolidated Mines	25,99
23 Murray & Roberts Holdings	49,18	73 Metkor	25,87
24 Foschini	47,73	74 Chemical Services	24,77
25 Toyota SA	47,63	75 Edward L Bateman	24,27
26 IGI Insurance Co	47,41	76 BTR Dunlop	24,15
27 Delta Electrical Industries	46,93	77 Tongaat	24,04
28 W&A Investment Corp	46,37	78 Fedfood	23,86
29 Blue Circle	45,30	79 Pick 'n Pay Stores	23,81
30 Power Technologies	42,51	80 Nedcor	23,48
31 Anglovaal Industries	42,42	81 Boland Bank	23,28
32 McCarthy Group	41,51	82 Sappi	23,13
33 Spur Steak Ranches	41,11	83 Barlow Rand	22,79
34 Wooltru	41,06	84 Middle Witwatersrand GM	22,47
35 President Medical Inv	40,06	85 Grinaker Holdings	22,45
36 Palabora Mining	39,52	86 Tollgate Group Holdings	22,09
37 Samancor	39,49	87 Dorbyl	22,01
38 Irvin & Johnson	39,25	88 Reunert	21,77
39 Afrox	38,93	89 Stanbic	21,23
40 Safmarine & Rennies Hold	36,87	90 Clicks	21,20
41 Pretoria Portland Cement	36,07	91 Medi-Clinic Corporation	20,92
42 Saficon	35,80	92 Gold Fields Properties	20,75
43 Aberdare Cables Africa	35,45	93 Standard Bank Property Fund	20,65
44 Holdains	34,99	94 Imperial Cold Storage	20,45
45 Trans Hex Group	34,11	95 Sasol	19,67
46 Kersaf Investments	33,95	96 Plate Glass	19,53
47 Anglo-Alpha	33,93	97 Specialty Stores	19,31
48 Anglo American Coal Corp	33,57	98 Gencor	19,22
49 Santam Insurance	33,34	99 Malbak	18,56
50 Tiger Oats	33,10	100 Guardian National Insurance	18,47

\* Capital gain plus dividends plus interest on dividends in five years to September as an average annual compound return on original investment.

# SBDC gives birthday present to shareholders

C/P News 1/12/91

(180)

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TO mark the 10th anniversary of the Small Business Development Corporation (SBDC), and in recognition of the commitment and support of its shareholders, a special dividend of 10 percent was declared at the SBDC's 10th Annual Meeting last week.

Issued share capital at March 31 this year amounted to R224 718 602, equally split between private ("A") and public sector ("B") shareholders.

As the SBDC's Articles of Association stipulates that public sector shareholders may only participate in a dividend declaration exceeding eight percent, the 10 percent dividend was declared as follows: 10 percent of "A" shares making R11 235 930; 2 percent of "B" shares making R2 247 186.

Shareholders were given the option of receiving the dividend in cash or by capitalisation of shares.

This is the third dividend declared by the SBDC since its inception in 1981.

A dividend of eight percent was declared in 1984 by way of a bonus issue of shares to all private sector shareholders.

Another dividend of five percent, amounting to R4 294 million, was declared in 1989 and



**BEN VOSLOO ... Managing director of the SBDC.**

shareholders were given the choice of receiving it in cash or capitalisation of shares.

So far, total dividends of R7 531-million have been paid by the SBDC to its shareholders. The retained income held by the SBDC at March 31, 1991, amounted to R86-million.

"It is unusual for a development organisation to be declaring dividends at all," said Dr Ben Vosloo, managing director of the SBDC.

"The declared dividend is proof that the SBDC's unique structure

of private sector control enables it to apply sound business principles and financial discipline, which is the only real guarantee for sustainable economic growth."

Vosloo said dividends were declared whenever possible to emphasise the SBDC's market approach.

Further proof of the financial discipline and sustained performance of the SBDC was the fact that the value of the shares of the original investors had nearly doubled over the past 10 years.

"With both the past declarations, 95 percent of our shareholders opted to plough their dividends back into our development projects. We believe that the majority of our shareholders will once again decide to do the same," said Vosloo.

Over the first 10 years of its operation, the SBDC granted loans to the value of R1,1-billion to 31 000 entrepreneurs and 280 000 jobs were created and maintained in the process. Nearly R100-million was paid in taxes.

"To maintain a growth rate of 20 percent over the next five years, the SBDC requires an additional capital injection of R750-million," said Vosloo.



## ADVERTISING FEATURE

# Hives of industry

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"HIVES of industry" represent an attempt in this country to bridge First World and Third World economies.

They offer an established foundation, or nest, where fledgling enterprises are provided with sufficient breathing space to demonstrate whether they have what is necessary to survive and grow.

The "industrial hive" created by the Small Business Development Corporation (SBDC) is a cluster of workshops, or a large number of workstations, under one roof. It represents a comfortable means for backyard enterprises to move into a more formal mode of economic activity.

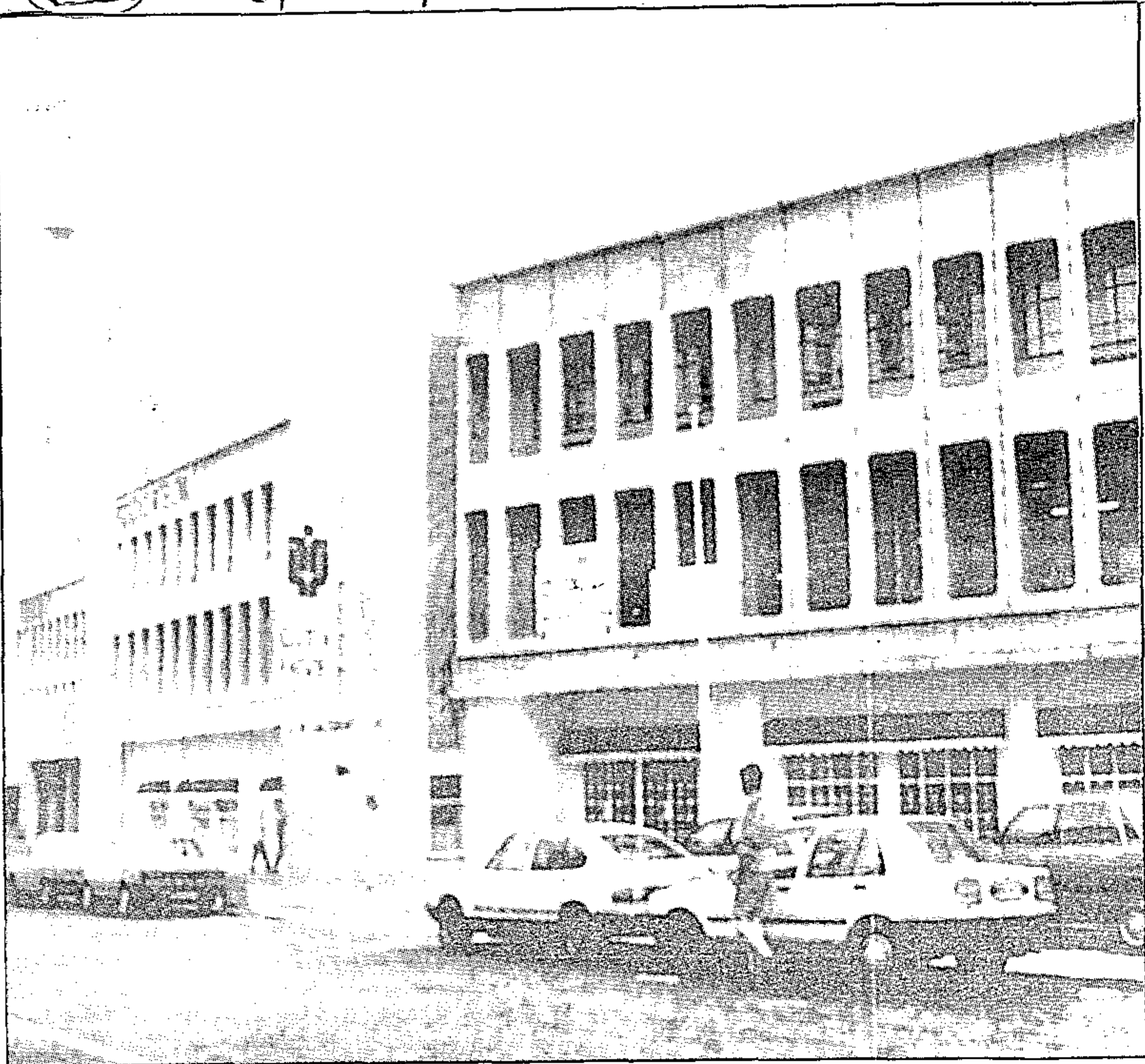
Aside from providing basic accommodation at minimal rental, it provides tenants with the SBDC's collective support services, such as loans, business and legal advice, marketing assistance and often, where circumstances warrant, bulk buying facilities.

Most of the hives created so far by the SBDC have been developed inside redundant factories, warehouses and other buildings which the Corporation has bought and converted at minimal cost.

Not only have these provided the means of stimulating self-employment and job-generating opportunities, but also have provided a base for spawning a host of small infant businesses which

SBDC

C/pres 1/12/91



**FOR BUSY BUSINESS . . . City Hive, the SBDC's newest industrial hive, in the Johannesburg CBD.**

are beginning to have a material influence on the regional economies where they are located.

The evidence indicates they are providing a means of creating self-employment and job creating opportunities more prolific than home-based activity.

They are also spawning a host of small higher profile infant businesses

which would otherwise still be seeking what is sometimes described as "survival recognition".

According to the SBDC, the hives are also playing an important role in facilitating sub-contracting partnerships between big and small businesses.

The SBDC's first hive was established in Port Elizabeth in 1985. More

have been established throughout the country as the deregulation process has taken hold.

The two largest are Pennyville Hive, on the outskirts of Soweto, and City Hive in Salisbury Street, Johannesburg, currently under conversion. Each accommodates 200 individual small businesses.

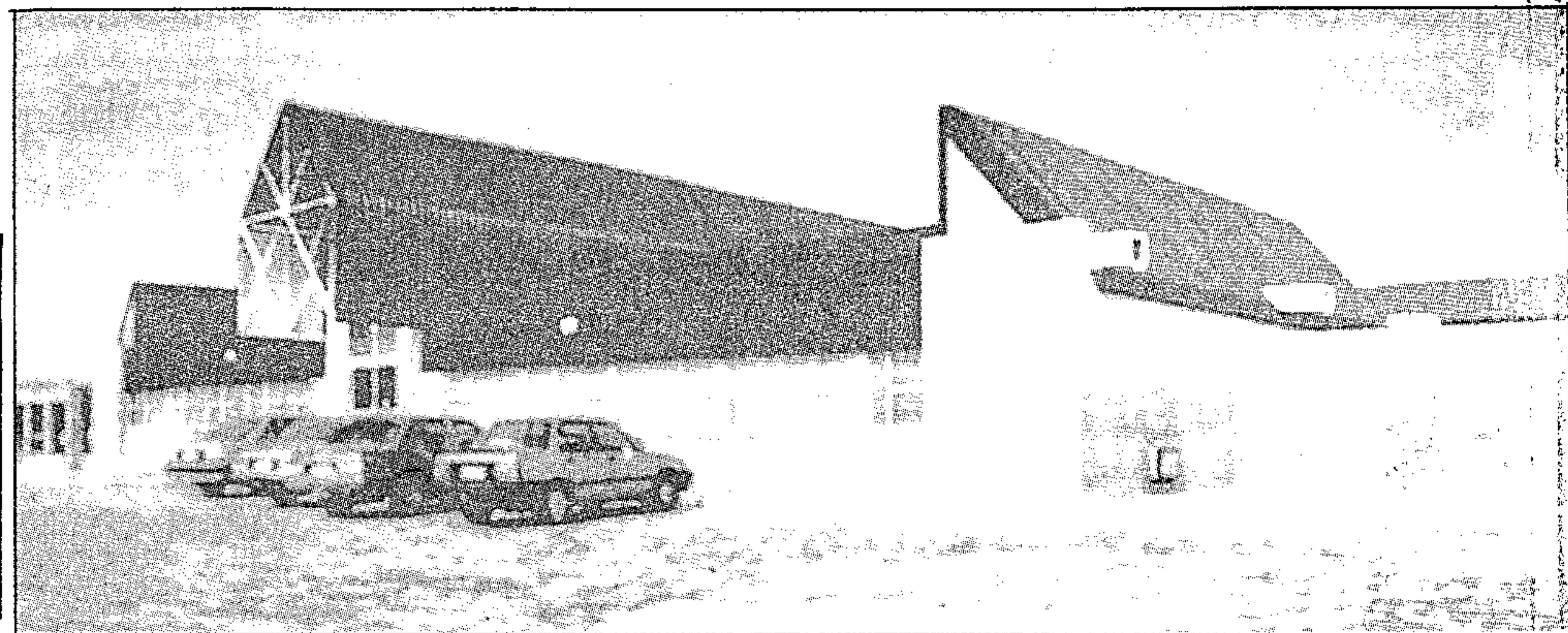
In the Western Cape

the hive population consists of cluster developments in Blackheath, Athlone, Paarl and the Strand. Further hives are being planned for Worcester, Mitchell's Plain and Springbok.

The Blackheath hive currently has a population of more than 100 small businesses, and has a total job creation of more than 500.

## ADVERTISING FEATURE

# Industry pay off



The industrial hive and branch office of the SBDC in Vanderbijlpark. Hives have spawned businesses which are having a material influence on the economies of the regions where they are located, providing further job opportunities.

## No business too small for help

THE Small Business Development Corporation strives to harness the power of entrepreneurship by developing small and medium enterprises for the benefit of all South Africans.

No business is too small to be considered for help, but the SBDC usually prefers that it:

- Should be independent.
- Should have total assets of less than R15-million.
- Must be economically viable.
- Should be under the control of somebody with appropriate experience, ability and entrepreneurship.
- Be profit motivated.
- Be situated within the Republic of South Africa.

Financial services are provided to clients by means of loans, share capital, instalment sale agreements, hire purchase

and credit schemes in co-operation with commercial banks.

The SBDC also helps to assist entrepreneurs with how to locate premises such as industrial parks, factories and shopping centres in areas where it is economically viable.

The SBDC development support services consists of:

- Advice and information services – they have qualified personnel advising on practically any aspect of business financing, marketing, the law, general administration and management.
- Consulting services – external consultants and mentor advisers complement the SBDC's service to small businessmen.
- Training courses dealing with topics from starting a business to improving a business as well as developing the manage-

rial skills of the entrepreneur.

■ SBDC also has sub-contracting services projects – which promote the purchase of goods and services of small firms by large companies.

Promotions and projects include market stalls, container shops, community projects, competitions, a National Small Business Week, marketing support programmes and a variety of media projects.

The SBDC is actively involved in advocating deregulation and the removal of restrictive legislation on behalf of the small business sector.

People applying for financial assistance are helped to keep five basic rules of sound financial management in mind:

- Funds needed for longer than a year should be obtained from sources allowing long-term repayment (such as the SBDC).

■ Funds needed right away, such as to buy stock, can be obtained from short- and medium-term sources. The SBDC will consider loans for buying stock and banks also grant overdraft facilities for this purpose.

■ Funds and other appropriate assets provided by the owners of the business should normally amount to 25 percent or more of the total capital requirements of the business.

■ The value of current assets should always exceed the value of current liabilities.

■ Your cash flow in and out of the business should always be such that there is enough cash available for normal payments.

Interested parties should contact their nearest SBDC offices to arrange an appointment.

The SBDC is always happy to discuss your requirements with them.

# Mountains of wealth

THE message of the table on the right to the liberation organisations is that nationalisation will be expensive.

De Beers is worth R34,1-billion and outright control would cost a socialistic government at least R17-billion. State debt issued to pay for De Beers would have to yield at least 17%, so even if the State bought only 50,1% of the diamond monopolist its holding cost would be R3-billion.

Dividend income would come to R129,5-million (half of the R259-million paid by De Beers last year). The government would thus be R2,8-billion out of pocket in respect of De Beers alone.

The numbers for Anglo American, SA Breweries, Gencor and Remgro would be similarly intimidating.

Radicals may talk of confiscation, but if SA wants to remain in the community of democratic, capitalistic countries, that is unthinkable.

After a great year on the JSE, no fewer than 100 companies are worth R1-billion or more, and that excludes pyramids, such as Anamint and Gencor Controlling.

The figures for Rembrandt are par-

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By DAVID CARTE  
STimes (BUS)  
11/2/91

ticularly inspiring. Add Remgro's market capitalisation of R13,1-billion to Richemont's R17,4-billion and one is left with the conclusion that in his lifetime Anton Rupert has generated R30,5-billion of wealth.

A surprise for many could be that the 100th company has a market capitalisation of nearly R1-billion. Most of these companies are controlled outright, so it is not surprising that high-quality scrip is so hard to find.

Companies have have leapt up this list in the past year are Engen, Tiger Oats, Sun Bop, Kersaf, Edgars, M&R, HLH, Afrox, Trencor, Pepkor and Toyota. But the star of the pack was M-Net, now worth more than R1-billion.

The table shows that Sun International Bophuthathswana is worth more than parent Kersaf. What sweet revenge for Sol Kerzner, obliged to resign from all boards but brought back into SunBop at the express request of President Mangope.

# TOP 100 RANKED BY MARKET CAPITALISATION

As at November 19, 1991

No.	Share Name	(Rms)
1	DE BEERS	34090
2	ANGLOS	27659
3	RICHEMONT	17357
4	SA BREWS	15002
5	GENCOR	14643
6	REMGRO	13181
7	ANAMINT	11500
8	SASOL	10346
9	BARLOWS	9936
10	LIBERTY	8882
11	RUSPLAT	8710
12	JCI	8186
13	LONRHO	7801
14	GENBEHR	7420
15	DRIES	7344
16	MINORCO	7238
17	REMB BEH	6696
18	GFSA	6659
19	ENGEN	5849
20	SAMANCO	5271
21	C G SMITH	5265
22	TIGER OATS	5331
23	SBIC	5219
24	AMGOLD	4998
25	BEVCON	4969
26	ABSA	4704
27	SAPPI	4591
28	AMIC	4464
29	LIB HOLD	4431
30	SAFREN	4406
31	SOPLATS	4266
32	C G S FOOD	4252
33	SUN BOP	4126
34	ISCOR	3829
35	KLOOF	3724
36	VAAL RFS	3727
37	SOUTHERN	3628
38	FIDBANK LS	3500
38	MALBAK	3238
40	ANGLOVAAL IND	3316
41	ANGVAAL N	3220
42	AMCOAL	3143
43	NAMPAK	3094
44	CHARTER	3059
45	FIRSTBK	2941
46	KERSAF	2932
47	NEDCOR	2929
48	IMPLATS	2813
49	FREEGOLD	2826
50	EDGARS	2795
51	TEGKOR	2663
52	GENBEL	2593
53	PREMIER GRP	2511
54	M&R HOLD	2453
55	HLH	2384
56	TIB	2310
57	AFROX	2307
58	CONSOL	2279
59	ELANDS	2255
60	PALAMIN	2180
61	FIT	2118
62	PIKNPAY	1917
63	MID WITS	1753
64	PPC	1696
65	PEP	1826

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66	SOVAAL	1677
67	PEPKOR	1633
68	HARTIES	1624
69	ADCOCK	1616
70	TRENCOR	1578
71	HUNTCOR	1596
72	ABI	1590
73	LIBVEST	1557
74	AECI	1508
75	FOSCHINI	1471
76	TONGAAT	1422
77	WOOLTRU A	1406
78	ANGVAAL	1382
79	MALHOLD	1371
80	OFSIL	1295
81	BEATRIX	1233
82	M-NET	1216
83	ARGUS	1215
84	A ALPHA	1203
85	DISTIL	1190
86	M & F	1182
87	TOYOTA	1179
88	ASS MANG	1162
89	BANKORP	1153
90	I & J	1145
91	RAINBOW	1141
92	HIVELD	1096
93	TRNS NTL	1095
94	CADSWEP	1089
95	RAND MINES	1059
96	SUNCRUSH	1058
97	WIT COLS	1037
98	ALTRON	1005
99	HOLDAINS	1002
100	ALTECH	995

The market capitalisation takes into account ordinary shares, preferred ordinary shares and 'S' shares.

# TOP 100 RANKED BY INCREASE IN TAXED PROFIT

Year-on-year percentage change in published equity accounted earnings per share

Year-end cut-off date: November 1991

No.	Share Name	Financial year end	% Increase
1	REGGIES	Feb 91	525.0%
2	ALEXWYT	Jun 91	450.0%
3	CLAUDE N	Jun 91	428.6%
4	WIT COLS	Sept 91	425.6%
5	TVL CLOTH	Jun 91P	400.0%
6	LITHO	Feb 91	362.5%
7	PLEASURE	Jun 91	330.8%
8	TEJ	Jun 91	295.5%
9	NICTUS	Jun 91	236.0%
10	COASTAL	Feb 91	226.9%
11	DARMAG	Mar 91	188.9%
12	TITACO	Feb 91	182.1%
13	SUPALEK	Apr 91	158.8%
14	GENBEL	Jun 91	154.6%
15	FINTECH	Feb 91	145.9%
16	SPICER	Feb 91	132.2%
17	VANSA	Sep 91	128.6%
18	PROFURN	Dec 90	115.8%
19	CARLCOR	Aug 91P	114.5%
20	RUHOLD	Feb 91	108.2%
21	OHIO	Feb 91	106.6%
22	DUKEL	Jun 91	102.9%
23	BUFFCOR	Jun 91	101.6%
24	ANBEECO	Apr 91	100.9%
25	CONTROL INSTR	Jun 91	100.0%
26	CONS MRCH	Jun 91	98.8%
27	DECHOLD	Jun 91P	80.3%
28	BARNETS	Jun 91	72.5%
29	SUPREME IND HOLD	Dec 90	61.3%
30	GENTYRE -A-	Dec 90	57.9%
31	MORKELS	Mar 91	54.9%
32	HORTORS	Mar 91	53.7%
33	LEEGALL	Mar 91	53.2%
34	SPUR	Feb 91	48.6%
35	PRESMED	Feb 91	44.8%
36	GENREC	Jun 91	44.6%
37	ROYAL	Aug 91P	43.4%
38	PERSKOR	Jun 91	43.1%
39	TEDELEX	Aug 91P	41.9%
40	AUTODEK	Mar 91	41.7%
41	CLYDE	Feb 91	40.3%
42	CHUBB	Mar 91	39.9%
43	JD GROUP	Dec 90	39.6%
44	SASOL	Jun 91	39.5%
45	DELSWA	Apr 91	37.4%
46	COATES	Dec 90	36.1%
47	CTP	Mar 91	35.2%
48	SUNCRUSH	Jun 91	34.8%
49	ALTRON	Feb 91	34.5%
50	MID WITS	Jun 91	34.3%
51	SHIELD	Feb 91	34.0%
52	GEN OPT	Jun 91	33.4%
53	FOSCHINI	Dec 90	33.0%
54	CROWN	Jun 91	32.9%
55	ABS	Sep 91P	32.5%
56	CURNOW	Dec 90	30.2%
57	SMART	Jun 91	29.3%
58	ADCOCK	Sep 91P	29.1%
59	AFROX	Sep 91P	28.7%
60	DELTA	Dec 90	28.7%
61	TRENCOR	Jun 91	28.5%
62	JASCO	Feb 91	28.1%
63	STD ENG	Aug 91P	27.0%
64	Q DATA	Jun 91	26.1%
65	IMPERIAL	Jun 91	26.0%
66	DATAKOR	Mar 91	25.8%
67	ABI	Mar 91	25.5%
68	RACY	Mar 91	25.3%
69	CAXTON	Mar 91	25.2%
70	CLICKS	Feb 91	25.1%
71	GF COAL	Dec 91	25.0%
72	ENSIGN	Dec 90	24.6%
73	W B HOLD	Dec 90	24.5%
74	IMPLATS	Jun 91	24.1%
75	CONSOL	Jun 91	23.2%
76	DIMENSION DATA	Dec 90	22.8%
77	TOYOTA	Dec 90	22.4%
78	KOPP	Jun 91	21.9%
79	SUN BOP	Jun 91	21.8%
80	EDGARS	Mar 91	21.8%
81	MCPHAIL	Dec 90	21.7%
82	BOWCALF	Dec 90	21.4%
83	OZZ	Mar 91	21.3%
84	PENROSE	Jun 91P	21.3%
85	TSI	Sep 91P	20.9%
86	CONCOR	Jun 91	20.9%
87	CASHBIL	Jun 91	20.7%
88	CHEMSERVE	Dec 90	20.3%
89	BTR DUNLOP	Dec 90	20.0%
90	UTICO	Dec 90	19.9%
91	I & J	Jun 91	19.6%
92	ED L BATE	Jun 91	19.5%
93	SAFCOR	Jun 91	19.1%
94	CNA GALLO	Mar 91	18.8%
95	BOYMANS	Feb 91	18.7%
96	BRIST IN	Feb 91	18.1%
97	KERSAF	Jun 91	17.9%
98	SA BREWS	Mar 91	17.7%
99	GRINCOR	Dec 90	17.7%
100	TOCO	Mar 91	17.5%

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THE table does not include non-operating pyramids, gold-mining and insurance companies and banks.

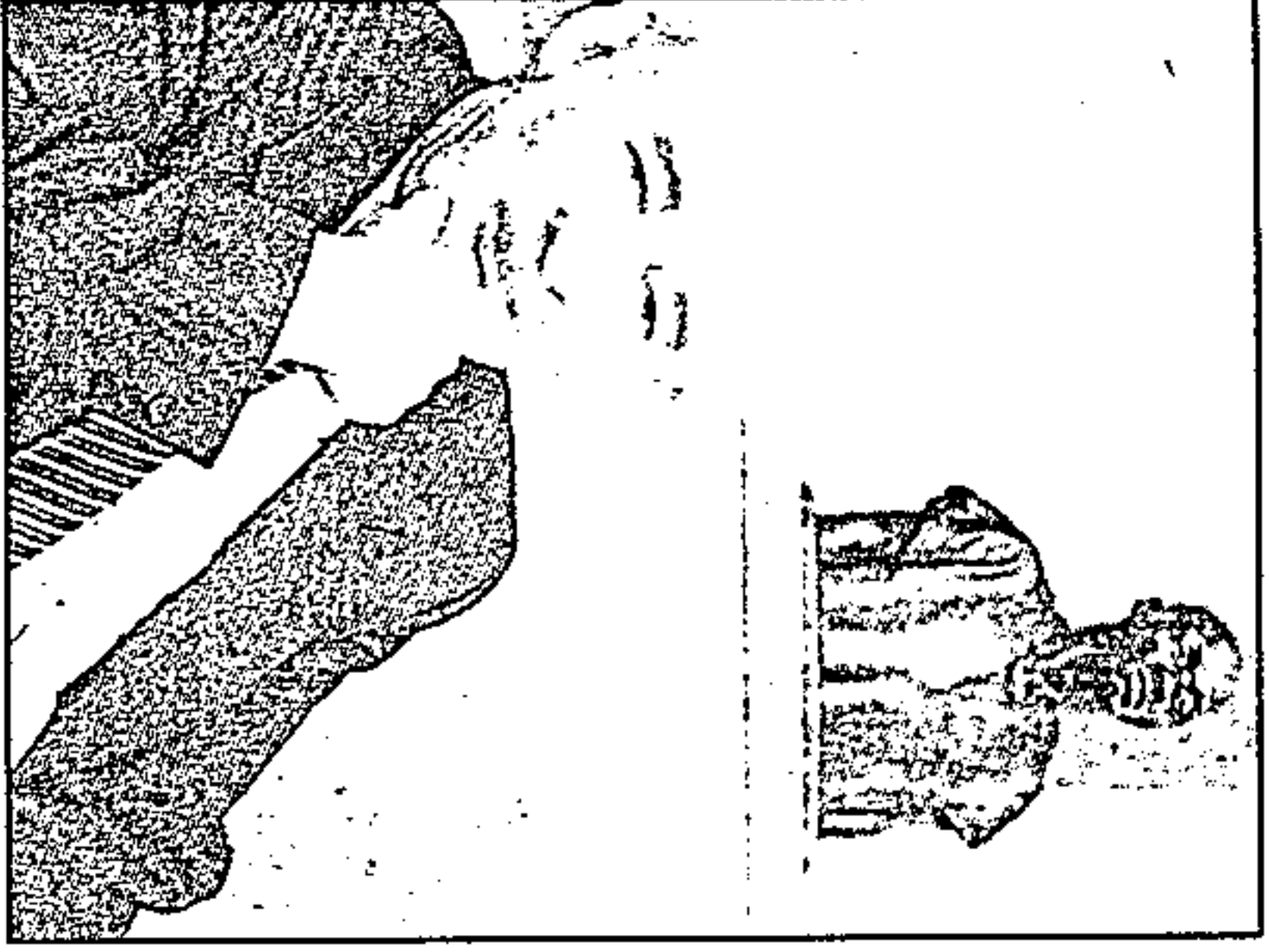
Where the company yearend is indicated with a P, the results are based on the latest preliminary results.

Source: I-NET

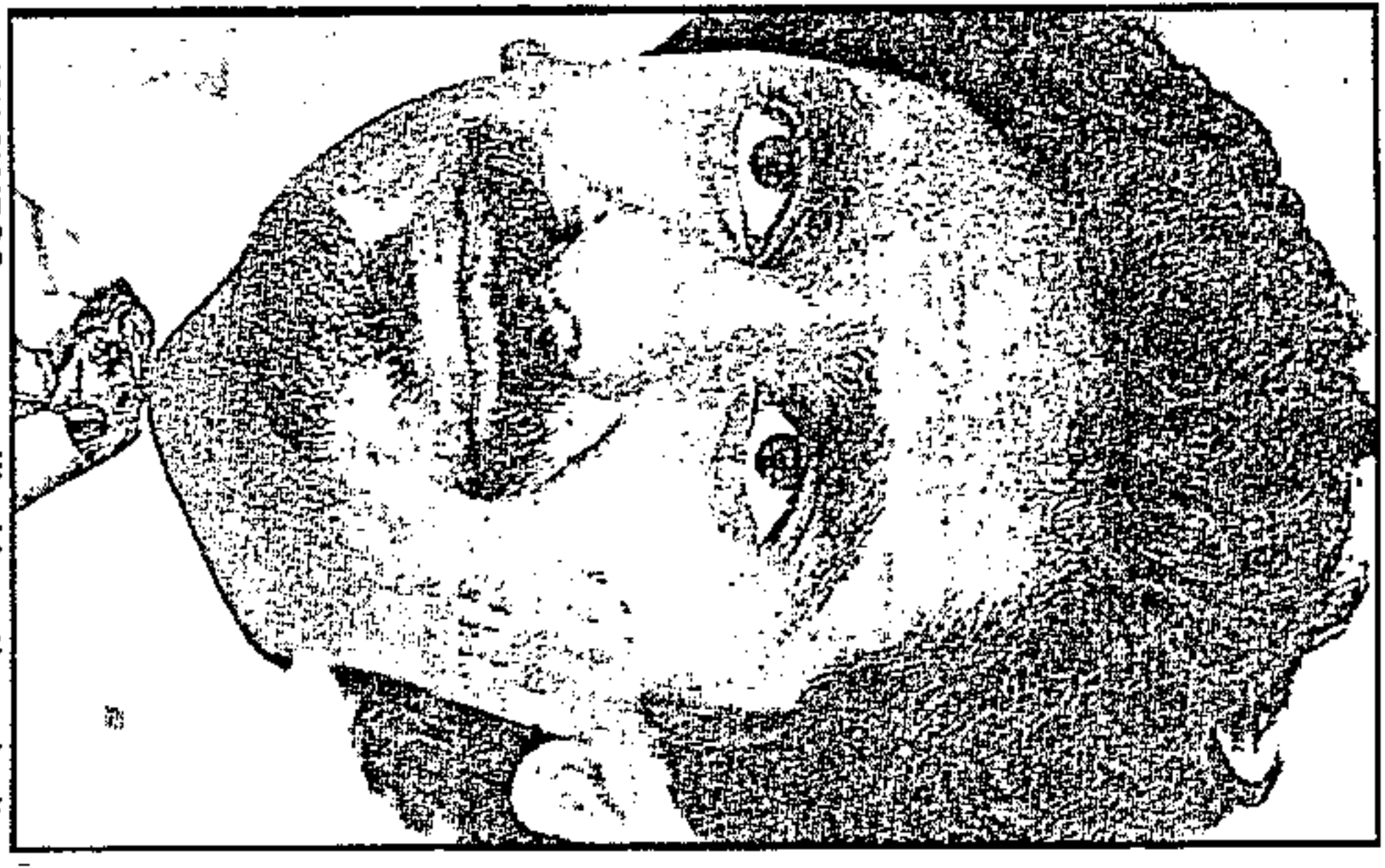
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# CYRIL RAMAPHOSA — ATW OGGRE

**UNLOVED**



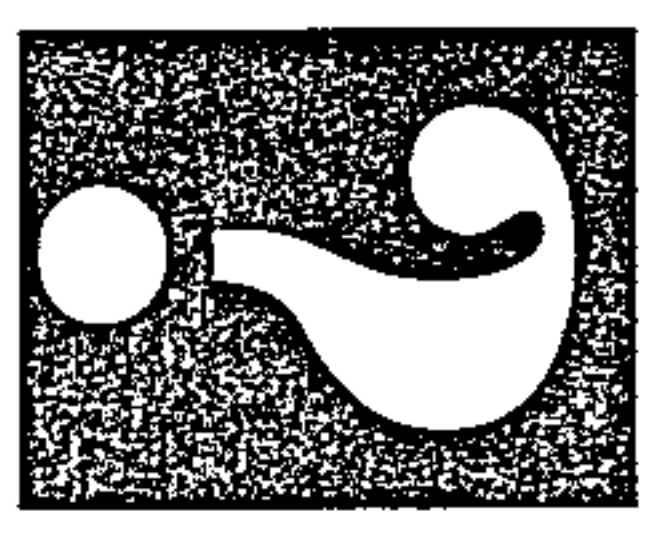
DAMNY WATT ... former Rand Mines chairman



JAY NAIDOO ... some like him, others don't



LAWRENCE MCCRYSTAL ... outgoing Board of Trade and Industry head



QUESTIONABLE PERFORMERS

**WORST PERFORMERS OVER LAST FIVE YEARS**

COMPANY	NEGATIVE RETURN	(% PA)
1 Rand Leases	-47,04	
2 Immins	-36,74	
3 Southgo	-36,51	
4 Modder B Gold Holdings	-34,83	
5 Free State Development	-34,82	
6 Wit Nigel	-31,57	
7 Gazankulu Gold	-30,12	
8 Basil Stake Group	-29,72	
9 South Roodport	-28,92	
10 Carrigs	-27,97	
11 Computermatic	-26,75	
12 Egoli	-25,00	
13 Eureka	-24,43	
14 Western Areas	-23,92	
15 Elsburg	-23,28	
16 Foston	-22,67	
17 Vlakfontein	-22,63	
18 Frame	-22,63	
19 Lorraine	-21,53	
20 East Rand Prop Mines	-20,93	
21 Rand Exploration	-20,83	
22 West Witwatersrand GM	-20,57	
23 Karos Hotels	-20,43	
24 Consolidated Murchison	-20,35	
25 Equikor	-19,73	

IT would have been brave to forecast a year ago that then National Union of Mineworkers leader Cyril Ramaphosa would become a businessmen's hero in 1991.

Since his appointment as general secretary of the ANC, Mr Ramaphosa has set about restating his views about the role of business in the new South Africa.

His brief is not to chase away educated people on whose success SA will depend. The educated will not leave in droves if the economy is given a chance to grow without the threat of nationalisation hanging over it.

**Strike**

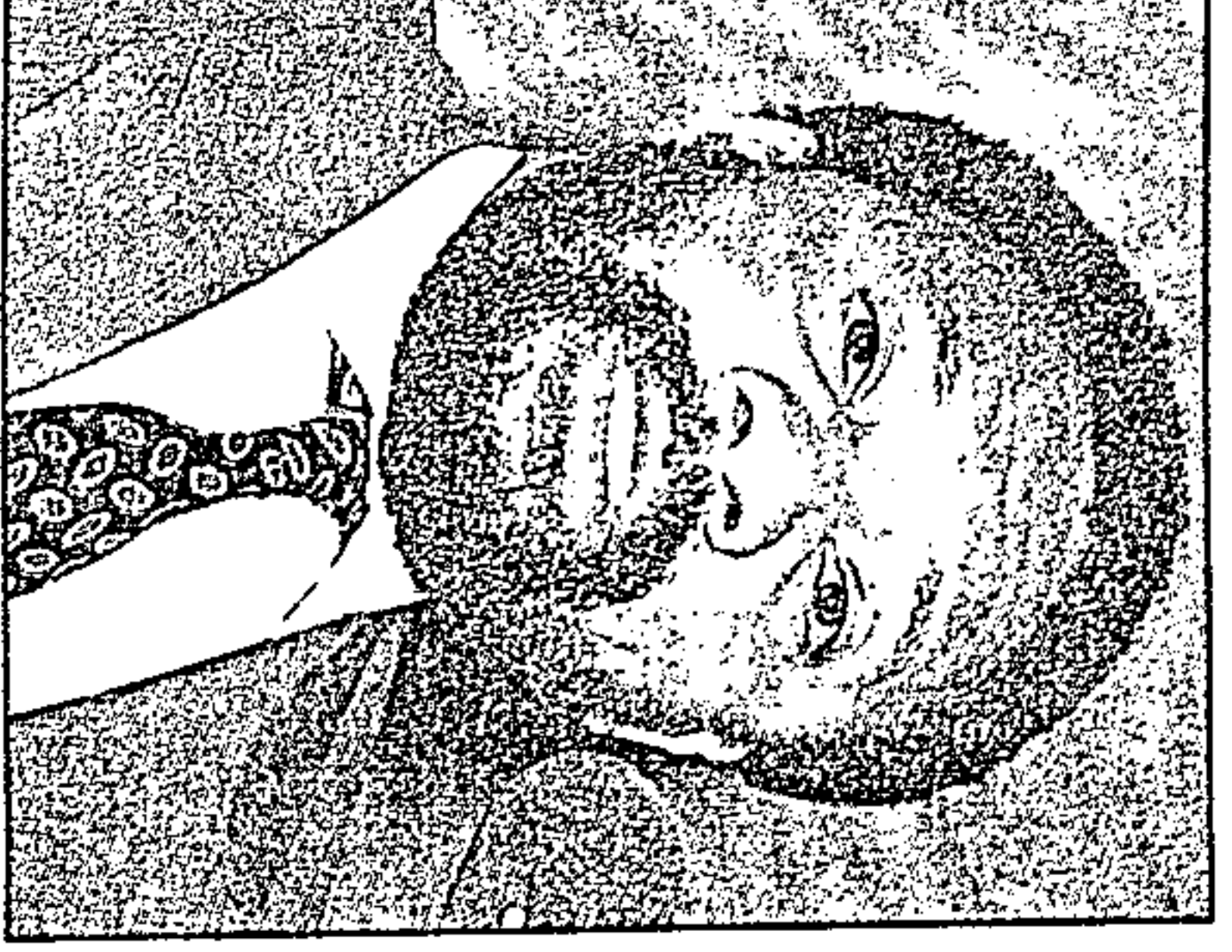
Mr Ramaphosa is trying to make that message heard in the wilderness.

But one man's hero is another's anathema. Business does not regard Cosatu's Jay Naidoo, whose intentions seem to be largely to spoil, as a hero. No doubt his supporters do.

The VAT strike is an example, but perhaps businessmen missed out on an opportunity to side with their workers. There was no crusade for VAT exemption on basic foods and medical expenses — the main gripes of most people.

The Business Times Top Five Businessmen of the year are indeed top. Neil Jewell and brother Cecil have done a sterling job in bringing Trencor, of which they are joint managing directors, to the No.1 slot on the JSE over five years. Premier Group's Peter Wightton has shown that

**LOVED**



CYRIL RAMAPHOSA ... dispelling business fears

company the way since Tony Bloom's departure four years ago. Hats off to him, especially for corporate social responsibility.

Gas and medicine man Peter Joubert has turned Afrox into one of the most respected listings on the JSE.

Afrox is one of the few companies to account for inflation before declaring profits. The policy has hurt its bottom line when earnings are compared against

investments. It is to become the gross domestic fixed-investment wing of the revamped Sankeorp portfolio.

Previous Top Businessman Donald Gordon stands out as one of the victors of 1991 with his successful placement of 12-million shares in Liberty Life with British and Continental European investors as well as winning control of Sun Life in the UK.

**Control**

Generalmine chief Brian Gilbertson has done a sterling job for his company after being headhunted from another mining house a few years ago.

This year he has been instrumental in handing for Gencor and partners the Middleburg Steel & Alloys operations which will provide the foundation for the huge Columbus stainless-steel project.

Genmin also won control of Barplats from Rand Mines. Rand Mines' lack of success in several ventures in the past few years makes it ripe to deliver scapegoats.

Former gold chief Clive Knobbs has left the group and helmsman Damny Watt went, thanks to Barplats, without facing the music.

But perhaps the back should stop at Barplats the major shareholder, which appoints the directors.

Among the fallen as far as minority shareholders are concerned have been the promoters of mining ventures that have come to grief since the heady new-listing days of 1986 and 1987.

**TOP 100**

TOP 100 RANKED BY RETURN ON SALES

# OSAA — AN OGGRE TURVED SAATWT

## REFORMERS FIVE YEARS

### RETURN (% PA)

.....	-47,04
.....	-36,74
.....	-36,51
.....	-34,83
.....	-34,82
.....	-31,57
.....	-30,12
.....	-29,72
.....	-28,92
.....	-27,97
.....	-26,75
.....	-25,00
.....	-24,43
.....	-23,92
.....	-23,28
.....	-22,67
.....	-22,63
.....	-22,63
.....	-21,53
.....	-20,93
.....	-20,83
.....	-20,57
.....	-20,43
.....	-20,35
.....	-19,73

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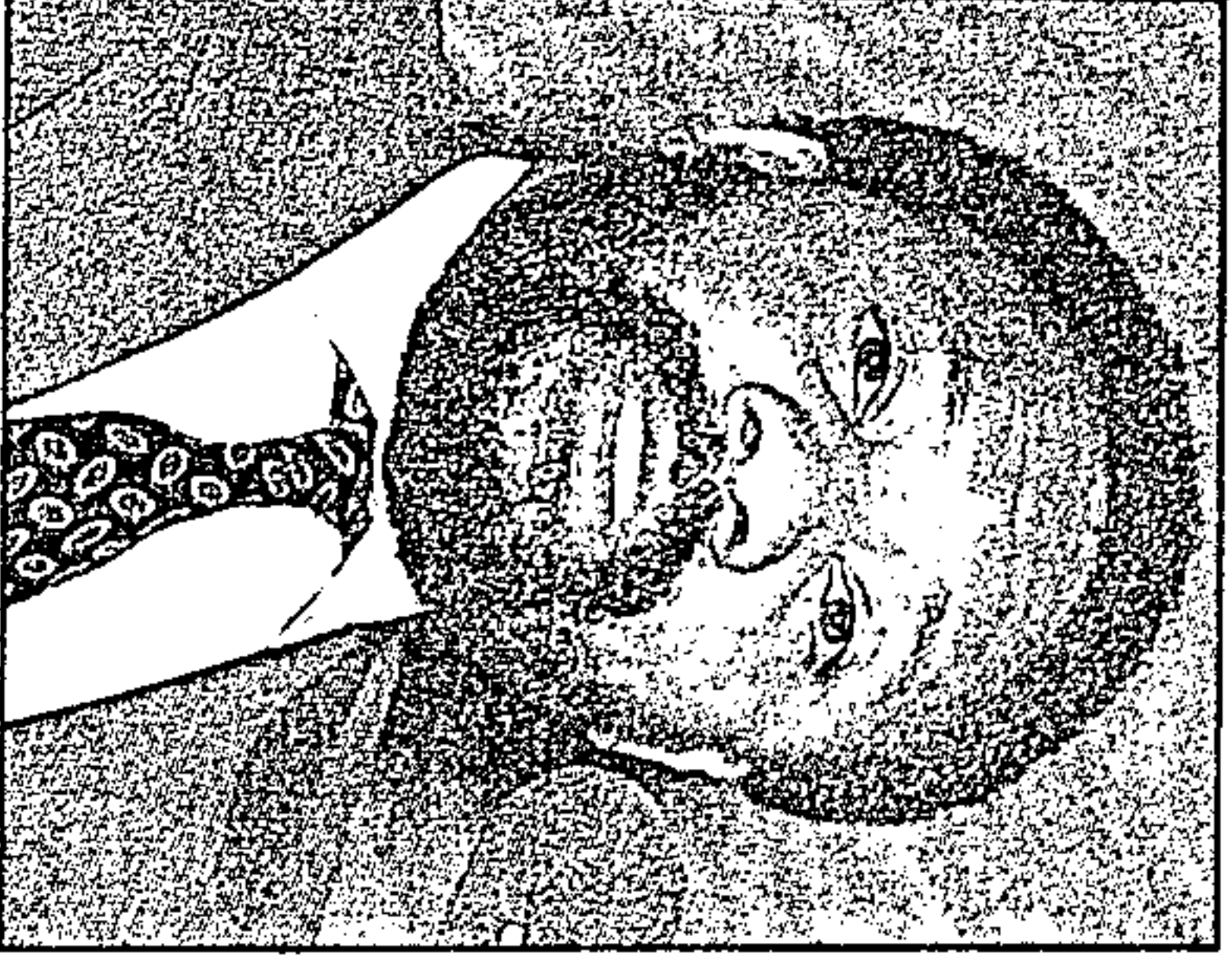
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Premier Group's Peter Wrighton has shown that

## LOVED

By JUIE WALKER



CYRIL RAMAPHOSA ... disporting business fears

company the way since Tony Bloom's departure four years ago. Hats off to him, especially for corporate social responsibility. Gas and medicine man Peter Joubert has turned Afrox into one of the most respected listings on the JSE.

Afrox is one of the few companies to account for inflation before declaring profits. The policy has hurt its bottom line when earnings are compared against

vestments. It is to become the gross domestic fixed-investment wing of the revamped Sankorp portfolio.

Previous Top Businessman Donald Gordon stands out as one of the victors of 1991 with his successful placement of 12-million shares in Liberty Life with British and Continental European investors as well as winning control of Sun Life in the UK.

It is a tribute to the credibility he has built up in Europe in the past quarter of a century as well as the fine reputation Liberty has earned in SA.

### Control

Gencor mining chief Brian Gilbertson has done a sterling job for his company after being headhunted from another mining house a few years ago.

This year he has been instrumental in handing for Gencon and partners the Middelburg Steel & Alloys operations which will provide the foundation for the huge Columbus stainless-steel project.

Genmin also won control of Barlows from Rand Mines. Rand Mines' lack of success in several ventures in the past few years makes it ripe to deliver scapegoats.

Former gold chief Clive Krobb has left the group and helmsman Darnley Watt went, thanks to Barlows, without facing the music.

But perhaps the buck should stop at Barlows, the major shareholder, which appoints the directors.

Among the fallen as far as minority shareholders are concerned have been the promoters of mining ventures that have come to grief since the heady new-listing days of 1986 and 1987.

the great and good. Laurels go to political roadshow runners, led by Bob Tucker. Theirs has been the task of showing SA's business communities that there is life and prosperity after white rule and that they must grasp the opportunities to make it happen.

Among them are Rob Lee of Old Mutual and John Winship of Board of Executors.

The duds as far as the clothing and textiles are concerned are the architects of the duty and tariff structures and the structural adjustment programme which have brought the industry to its knees.

### Overstated

The Board of Trade and Industry is among those to take the rap.

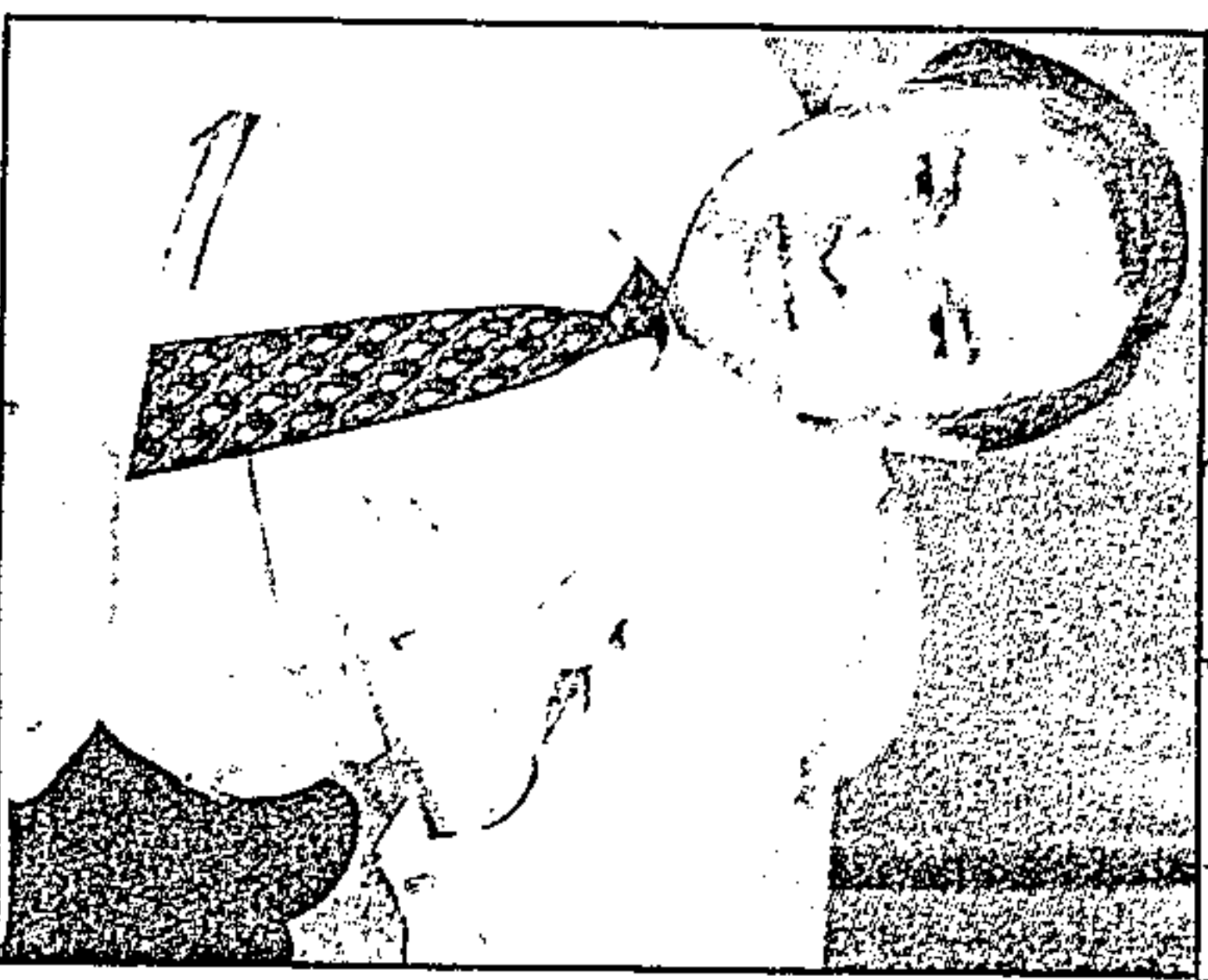
Among the corporate disappointments is the management of NEI Africa — for several reasons.

Shareholders have been kept in the dark about the overstatement of profits and assets, but the position should never have arisen. NEI Africa's auditors have not covered themselves with glory either.

The former directors and management of Unidev are not the favourites of shareholders. They, too, overstated the value and earnings potential of the company when it was in difficulty.

Unidev was one of several rescue jobs undertaken by Sankorp. Chief executive Piet Liebenberg deserves a medal for what he has managed to salvage from a listing lapse in prices.

De Beers chairman Julian Ogilvie Thompson merits a mention among



CHRISTO WIESE ... bigger and bigger in retailing

shown, even the mighty mining houses can fall in new ventures.

Minorities of liquidated Esterling and Modder B and members of worst-performers Rand Leases, Soulingo, Wit Nigel, Gaz-soulingo, South Hoedsport, Carries and Egoli can take some comfort from the weary performances of JCI's Western Areas and Freddie.

### Roughest

But the promoters can plead that they were let down by the gold price.

The banking sector underwent its roughest year ever in some quarters. The heads of three banks which fell on hard times — Alpha Bank, Cape Invest-

the great and good. Laurels go to political roadshow runners, led by Bob Tucker. Theirs has been the task of showing SA's business communities that there is life and prosperity after white rule and that they must grasp the opportunities to make it happen.

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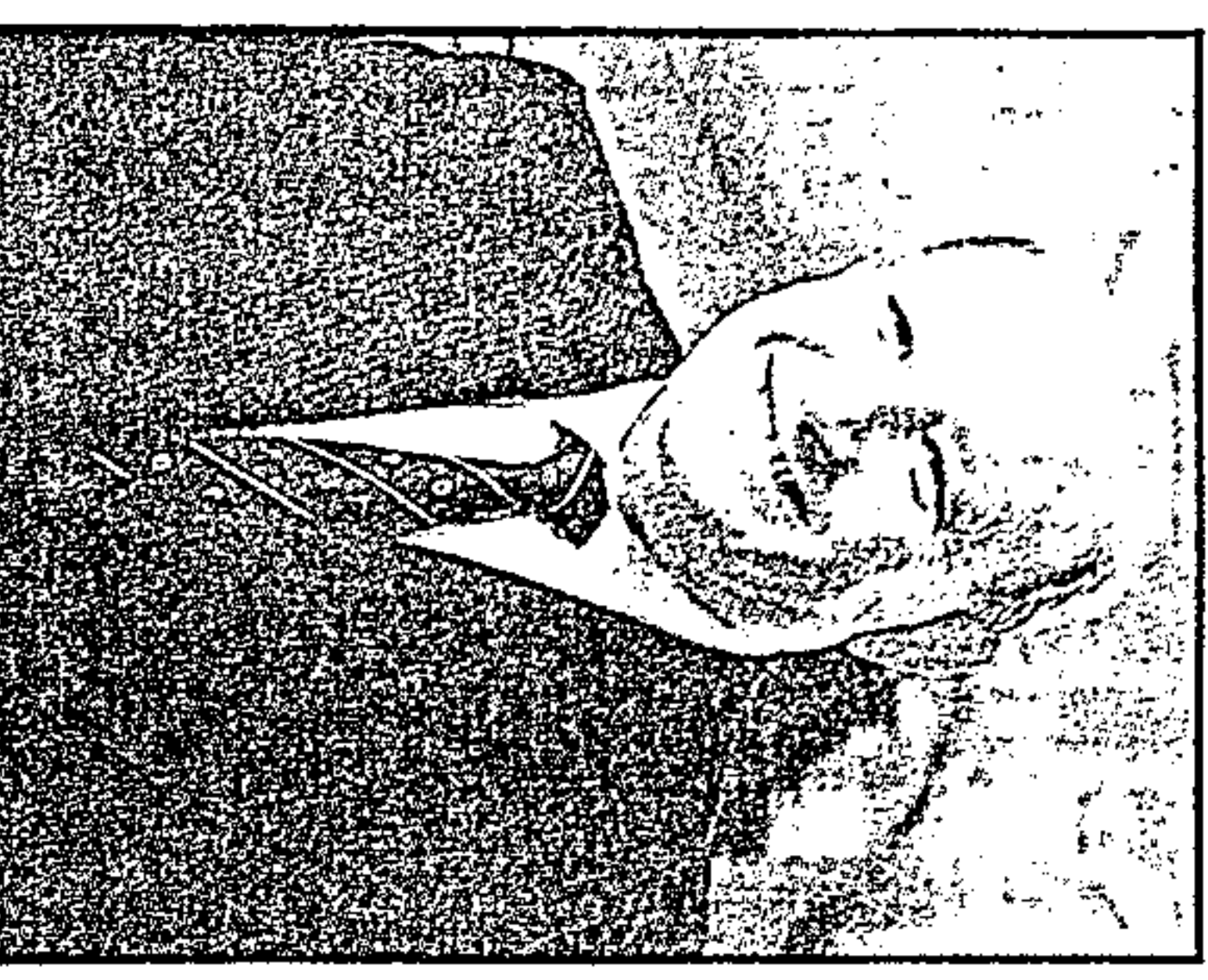
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DONALD GORDON ... efforts in Europe pay off

Hennie van der Merwe left earlier this year.

A posthumous mention goes to Andreas Wassenaar for watching and snatching the Government and the public sectors into doing something about the parlous state of their pension funds.

### Confides

Furniture retailing doyen Eric Ellertine has shown the way to his competitors by respectably increasing earnings on a marvellous balance sheet when most of those around him have floundered.

He is never afraid to speak his mind and is confident about SA's future. The country needs more like him.

No roses go to Hermanns Rodellinghuys, who has been pursued almost to fall for failing to make an offer to minority shareholders of Sequel.

But a bouquet is due to the JSE listings division for lacking him.

Conditionally in line for honours in 1992 are:

- Pop chief Christo Wieso — If he can bring Checkers back to life.
- Incoming JSE president Roy Andersen — If he can restore order and financial discipline to the bastion of free enterprise. This is no reflection on Tony Norton.
- Reserve Bank Governor Chris Stals — If he can show that his anti-inflation policy works.

## JSE TOP 100

## TOP 100 BANK AND BUSINESS MEN

# Welcome words, but they

SITING (BUS)

# don't plan to spend more

1/12/91

(180)

(180)

By TERRY BETTY

**BUSINESSMEN** have applauded President De Klerk's call. But none approached by Business Times is ready to invest any more than planned.

Premier Group chairman and chief executive Peter Wrighton says business should invest and create jobs. The transformation to a democratic society will be inhibited unless the economy grows strongly.

Mr Wrighton says Premier has shown its commitment by voting capital expenditure of more than R500-million this year, rescuing companies in the group that were in trouble and stepping up its export business.



LESLIE BOYD: Take a leaf from the German book



BEN VAN RENSBURG: Political and economic uncertainty



EUGENE VAN AS: Lower interest rates would do a lot of good

## Reasons

The Government must encourage consumer spending through the R220-million poverty relief programme. He recommends reducing interest rates of more than 20% that have applied for the past three years and hurt small business and new project decisions by manufacturers.

Anglo American Industrial Corporation (Amic) deputy chairman Leslie Boyd says "neither lack of funds, the level of violence, nor political issues such as nationalisation and the future economic structure of the economy, have impeded the Anglo American group's investment in SA".

But he gives three reasons why it is difficult to identify investment opportunities:

- With the world economy in recession and no clear signs of a significant recovery, it makes no sense to build additional facilities when many plants are operating below capacity.

- The depth of SA's recession is intensified by tight monetary control in an effort to reduce inflation.

- In pure economic terms, the investment environment is poor and does not compete with many other countries.

## Hands

The "kick start" in terms of tax is a step in the right direction. However, it applies only to exports and should be extended.

For investments in Eastern Europe, the German Government allows for 50% depreciation in the first year, with 20% to 30% of the capital funded in cash by it. The investor retains 100% ownership in the investment, says Mr Boyd.

Murray & Roberts chief executive David Brink says President De Klerk's plea "is a timely and valid challenge".

"South Africans cannot wait for overseas investors.

We must take our future in our own hands.

"This does not imply that businessmen should gamble by investing where they are unlikely to get sound returns, but rather it is time to have courage."

Mr Brink says M&R is pressing ahead with its capital expenditure programme, but it is small — in hundreds of millions, not billions.

M&R is expanding capacity and has made acquisitions in the cement industry.

"This demonstrates our confidence in SA. While the situation is bleak, we have resources in hand to be key players in implementing the investment decisions of the large corporates."

## Pace

Barlow Rand finance director Evert Groeneweg endorses President De Klerk's words, saying: "Anybody sitting on the fence will miss the bus."

"In the past 10 years Barlow has invested about R10,3-billion of capital in developing and expanding its business, two-thirds of this being in the past five years.

"Our plans show this pace is likely to continue. In 1992 alone we expect to spend a further R1,7-billion.

"At least 50% of this has been expansion oriented. This trend is unlikely to change even though SA's productive utilisation is only about 80%.

"Barlow has also spent about R750-million in the past five years on research and development of products. It also invests in people and in the last financial year 74% of the permanent workforce underwent various forms of training."

Mr Groeneweg says all business should play its part. The burden of investing cannot be left to big business alone.

South African Chamber of Business chief economist Ben van Rensburg does not be-



PETER WRIGHTON: Premier spending R500-million

lieve SA will go the same route as Ghana — a possibility suggested by President De Klerk if business fails to heed his call.

"But Sacob and businessmen in general agree that not enough is being invested now when there is a desperate need for job creation and renewed economic activity."

## Exorbitant

"I place the ball in the Government's court. One cannot expect business to invest when there is political and economic uncertainty.

"These factors, coupled with our high taxes and high inflation, mean businessmen require a high investment yield.

"In SA the average share earnings yield of listed companies is about 18% compared with 7% to 10% in many countries and 2% in Japan."

Dr Van Rensburg says businessmen will not invest more unless something is done to change the negative view of the investment environment.

The Government's eco-

nomical policies are a bigger deterrent to investment than political factors.

The Government should reduce taxes, bring down inflation and look at its spending through a microscope. If State spending falls, less tax will be needed and inflationary pressures will be reduced. This would facilitate a drop in interest rates.

Sappi executive chairman Eugene van As says the world is in a recession. Low commodity prices have hurt SA, a major producer.

## Market

Mr Van As believes businessmen have to look for growth through exports because SA's economy is stagnant.

Sappi has three export-oriented projects on the drawing board.

Lower interest rates would boost investment. Real interest rates are not too high, but the nominal ones are exorbitant, making it difficult to achieve profits.

Mr Van As says the economy is depressed and it is difficult to get excited about investing.

Old Mutual chief economist Dave Mohr says businesses will not invest merely because President De Klerk asks them to do so. It is difficult to see businessmen investing now when uncertainty about the future is affecting profits.

Mr Mohr says businesses will start investing only after the upswing is under way. He believes this will probably be from mid-1993, about a year after conditions start improving.

Sanlam senior general manager, investments, Ronnie Masson says businesses will not invest while there is so much surplus capacity. People invest when they need to increase production. But that is not possible when they do not have a market.



# INVEST OR DIE

## FW's blunt warning to business

S | Times (BASS) 1/12/91

By CURT VON KEYSERLINGK

PRESIDENT De Klerk has told businessmen and industrialists to invest now to promote economic growth and employment — or risk the loss of their total investment in South Africa.

He told businessmen at the Sunday Times Top 100 Companies banquet in Johannesburg this week:

"The total investment which you as entrepreneurs here represent tonight is at stake. Not next year's balance sheet, not next year's profit-and-loss account. Your total investment.

"Unless we succeed in creating dynamic growth in this country we will not be able to live up to the aspirations and expectations of even the moderate and reasonable portion of our population.

"Just as in the constitutional field, we have reached a crossroads in the economic field, and vacillation now may prove lethal later. Rational thinking coupled with an exceptional readiness for risk taking is needed now."

President De Klerk said that business and the trade unions should not sit back and wait for the Government. They must assume co-responsibility in achieving sustained economic growth.

"The challenges of our time demand of you as entrepreneurs to think creatively, invest courageously and redefine your own particular part to some extent.

"The same applies to trade

unions. Instability in the labour field destroys business confidence.

"We cannot wait for the constitutional ship to berth before the economic ship sails. As a matter of fact, we need the economic ship to break the waves if we are to succeed constitutionally.

"And if ever there was a time when we needed the economy to perform, when we needed SA entrepreneurs to show their confidence in this country, it is now.

"I am not making an emotional appeal. I'm making a business appeal. And the appeal which I make is: show your faith and your confidence in this country and the country will reward you.

### Fate

"Fail to do so and wait like Nkrumah for the political heaven to come first, then you might suffer the same fate as the entrepreneurs of Ghana.

"I am calling on you therefore to realise that in important business decisions we have reached a moment of truth. We are at the crossroads. Show your confidence. This country deserves it."

President De Klerk said there was a view that sanctions, disinvestment and the withdrawal of loan funds from SA were the main causes of the economic dilemma and that removal of these restrictions could restore the potential for economic growth to 5% or 6% a year.

People who believed this



PRESIDENT DE KLERK: Beware of Ghana's economic collapse

were making a serious mistake. Although it was an important pre-condition for restoring growth, it did not provide any guarantee it would be realised.

The inevitable conclusion was that SA and its peoples themselves had to take steps to ensure long-term prosperity and stability.

"We have embarked on a tremendous undertaking — an undertaking which in many other countries has failed to realise that which was the goal initially. But an undertaking nonetheless. If

we do not do it, we are sure of doom and failure.

"We must do more than what is standard. We must do more than merely applying the old trusted principles. We are not living in ordinary times.

"The goal should be to change rapidly to a new gear of high economic growth and employment creation. We need to get a strongly growth-oriented economy going at full force and running on all its cylinders.

"Other countries have succeeded in doing so. So can we."

## Metro fares up

FARES on SA Rail Commuter Corporation's Metro services will increase by 15% from January 1.

The increase is needed to keep up with inflation and to improve cost coverage, says chairman Bart Grove. S | Times (BASS)

### Policing 1/14/91

"Fares paid by commuters will still constitute only 27% of the cost of providing the service."

Dr Grove says Metro fares will be cheaper than other forms of transport — up to 50% in some cases. The corporation will spend

### Business Times Reporter

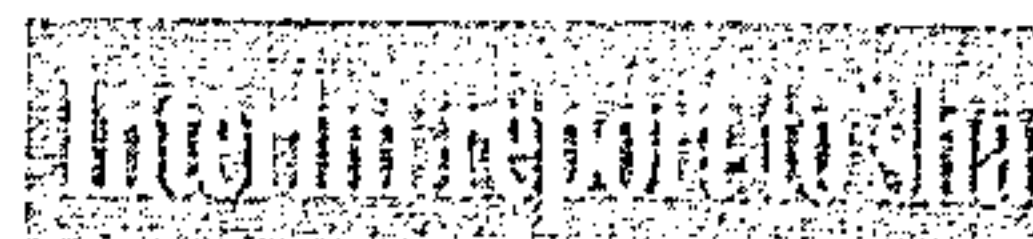
more than R250-million in the period to March 1993 to secure stations for efficient policing.

Another R18-million is being spent in the current year on improving passenger facilities on stations and trains.

The security programme has been speeded up and all 370 stations where Metro services are provided should be secure by March 1993, says Dr Grove.

The Commuter Corporation says passengers can make big savings by buying season tickets.

A OF



The unaudited consolidated results of the Group Note: The merging of the interests of the Alli (formerly UBS Holdings Limited) as the holder those interests acquired from Sage. Accordingly the balance sheet at 30 September 1990 cannot

# TOP 100 RANKED BY INTEREST COVER

Pre-interest profit expressed as a percentage of expensed and capitalised interest

Year-end cut-off date: November 91

No.	Share Name	Financial year end	Interest Cover	Date	Interest Cover
1	NAMIBIAN FISH	Dec 90	3920.0	Feb 90	23.6
2	ASSORE	Jun 91	817.3	Jun 91	22.9
3	BOLTON PROP	Feb 90	710.3	Jun 91	22.5
4	TRANSUN	Jun 91	710.2	Dec 90	21.4
5	MSAULI	Dec 90	429.6	Jun 91	21.3
6	AMCOAL	Mar 91	425.0	Jul 90	21.2
7	HORTORS	Mar 91	411.1	Feb 91	20.4
8	SUN BOP	Jun 91	375.4	Dec 90	20.4
9	DIMENSION DATA	Dec 90	328.5	Sep 91P	20.2
10	PUTCO	Jun 90	297.5	Feb 91	19.6
11	RAND MINES	Sep 91P	232.5	Jun 91	18.3
12	HARWIL	Jun 91P	229.5	Jun 91	18.2
13	MINVEST	Jun 91	214.2	Feb 91	18.0
14	MCPHAIL	Dec 90	209.6	Apr 91	17.4
15	TRANS HEX	Mar 90	205.5	Dec 90	16.6
16	BERZAK	Jun 91P	154.4	Jun 91	16.6
17	TPN	Jun 91P	90.5	Feb 91	16.4
18	SPUR	Feb 91	73.7	Jun 91	16.6
19	PANPROP	Jun 91	65.1	Jun 91	16.6
20	DA GAMA	Mar 91	63.2	Feb 91	16.4
21	SHOPRIT	Feb 90	61.7	Jun 91	16.4
22	COATES	Dec 90	61.1	Mar 91	14.1
23	MULTISOURCE	Feb 91	59.4	Jun 90	14.2
24	SAFCOR	Jun 91	58.4	Dec 90	13.8
25	GENBEL	Jun 91	55.5	Jun 91	13.7
26	PALAMIN	Dec 90	52.0	Dec 90	13.4
27	INTERLES	Jun 91	47.8	Jun 91	13.4
28	DAB INV	Jun 91	47.7	Jun 91	13.0
29	GF PROP	Dec 90	45.5	Mar 91	12.9
30	MAST	Feb 91	43.0	Feb 91	12.7
31	GEFCO	Dec 90	39.7	Aug 91P	12.4
32	PEP	Feb 91	37.2	Jun 91	12.3
33	GFSA	Jun 91	36.8	Jun 91	12.3
34	DISPTCH	Jun 91	35.3	Mar 91	11.4
35	GROUP 5	Jun 91	33.4	Jun 91	11.4
36	NEW KLEINS	Jun 91	33.0	Dec 90	11.3
37	MID WITS	Jun 91	31.8	Feb 91	11.3
38	Q DATA	Jun 91	31.0	Mar 91	11.1
39	AIDA	Feb 91	30.9	Feb 91	10.8
40	TIMES MEDIA	Mar 91	29.7	Dec 90	10.8
41	SAMANCO	Jun 91	28.8	Dec 90	10.7
42	KERSAF	Jun 91	28.1	Mar 91	10.7
43	RAINBOW	Mar 91	26.7	Dec 90	10.0
44	CARLCOR	Aug 91P	26.6	Dec 90	10.0
45	PIKNPAY	Feb 91	24.7	Mar 91	9.9
46	HIVELD	Dec 90	24.5	Mar 91	9.9
47	TECHIRE	Mar 91	24.3	Jun 91	9.8
48	PPC	Sep 91P	24.1	Jun 91	9.8
49	CLINICS	Sep 90	23.9	Apr 91	9.6
50	CLICKS	Feb 91	23.7	Sep 90	9.6
51	SPURHLD	Feb 90		Feb 90	23.6
52	DISTIL	Jun 91		Jun 91	22.9
53	CURRIE FIN	Jun 91		Jun 91	22.5
54	DELTA	Dec 90		Dec 90	21.4
55	NEW WITS	Jun 91		Jun 91	21.3
56	OAKFLDS	Jul 90		Jul 90	21.2
57	FORIM	Feb 91		Feb 91	20.4
58	EQUIKOR	Dec 90		Dec 90	20.4
59	ADCOCK	Sep 91P		Sep 91P	20.2
60	AUTOPAGE	Feb 91		Feb 91	19.6
61	GRINTEK	Jun 91		Jun 91	18.3
62	I & J	Jun 91		Jun 91	18.2
63	SHIELD	Feb 91		Feb 91	18.0
64	SUPALEK	Apr 91		Apr 91	17.4
65	UTICO	Dec 90		Dec 90	16.6
66	GENREC	Jun 91		Jun 91	16.6
67	POWTECH	Feb 91		Feb 91	16.4
68	FENIX	Jun 90		Jun 90	16.2
69	G F NAMIB	Dec 90		Dec 90	15.6
70	ED L BATE	Jun 91		Jun 91	15.3
71	MCARTHY	Jun 91		Jun 91	15.2
72	REUNERT	Sep 91P		Sep 91P	15.1
73	ABI	Mar 91		Mar 91	15.1
74	SUNCRUSH	Jun 91		Jun 91	15.1
75	MESSINA	Jun 91		Jun 91	14.4
76	IMPLATS	Jun 91		Jun 91	14.4
77	AMGOLD	Mar 91		Mar 91	14.1
78	NORISTN	Jun 90		Jun 90	14.2
79	ASS MANG	Dec 90		Dec 90	13.8
80	PLEASURE	Jun 91		Jun 91	13.7
81	ARIES	Dec 90		Dec 90	13.4
82	BLUCIRC	Dec 90		Dec 90	13.4
83	M&R HOLD	Jun 91		Jun 91	13.0
84	LEBAKA	Mar 91		Mar 91	12.9
85	PEPKOR	Feb 91		Feb 91	12.7
86	GENCOR	Aug 91P		Aug 91P	12.4
87	GRINAKR	Jun 91		Jun 91	12.3
88	ARGUS	Mar 91		Mar 91	11.4
189	CONCOR	Jun 91		Jun 91	11.4
90	A ALPHA	Dec 90		Dec 90	11.3
91	CLYDE	Feb 91		Feb 91	11.3
92	ANGLOS	Mar 91		Mar 91	11.1
93	ITLTILE	Feb 91		Feb 91	10.8
94	BTR DUNLOP	Dec 90		Dec 90	10.8
95	CNA GALLO	Mar 91		Mar 91	10.7
96	SA BIAS HOLD	Dec 90		Dec 90	10.0
97	REMGRO	Mar 91		Mar 91	9.9
98	TRENCOR	Jun 91		Jun 91	9.8
99	ANBEECO	Apr 91		Apr 91	9.6
100	ADONIS	Sep 90		Sep 90	9.6

THE table does not include non-operating pyramids, gold-mining and insurance companies and banks. Where the company year end is indicated with a P, the results are based on the latest preliminary results.

Source: I-NET

## ROLLING IN DOUGH WITH NO INTEREST

THESE are the most liquid companies on the JSE, those rolling in cash or which otherwise find interest payments an irrelevant expense.

Interest cover is the number of times operating profit covers the interest bill. As may have been expected the cash-flush platinum mines, fishing companies and Sun International's operations in the Transkei and Bophuthatswana are prominent.

Another inclusion that does not surprise is Putco after large asset sales.

The list tends to bear out the belief that SA companies overall are well structured financially.

# Taskgroup scheme is in at grassroots level

8/Day 2/12/91

GRASSROOTS involvement in the promotion of small and medium enterprise (SME) development was the motivation behind the SBDC's Local Entrepreneurs Taskgroup Scheme (LETS), launched in 1986.

Based on the decentralisation structure implemented in the UK for the promotion of SME development, the SBDC's aim with LETS is to act as a catalyst for local development initiatives by either working with existing community organisations or establishing LETS committees comprising of community representatives and SBDC and other business development experts.

SBDC community development manager Mandi Maepa says initially the corporation aimed to set up as many LETS committees as possible, but since 1990 the trend has been to join existing community or-

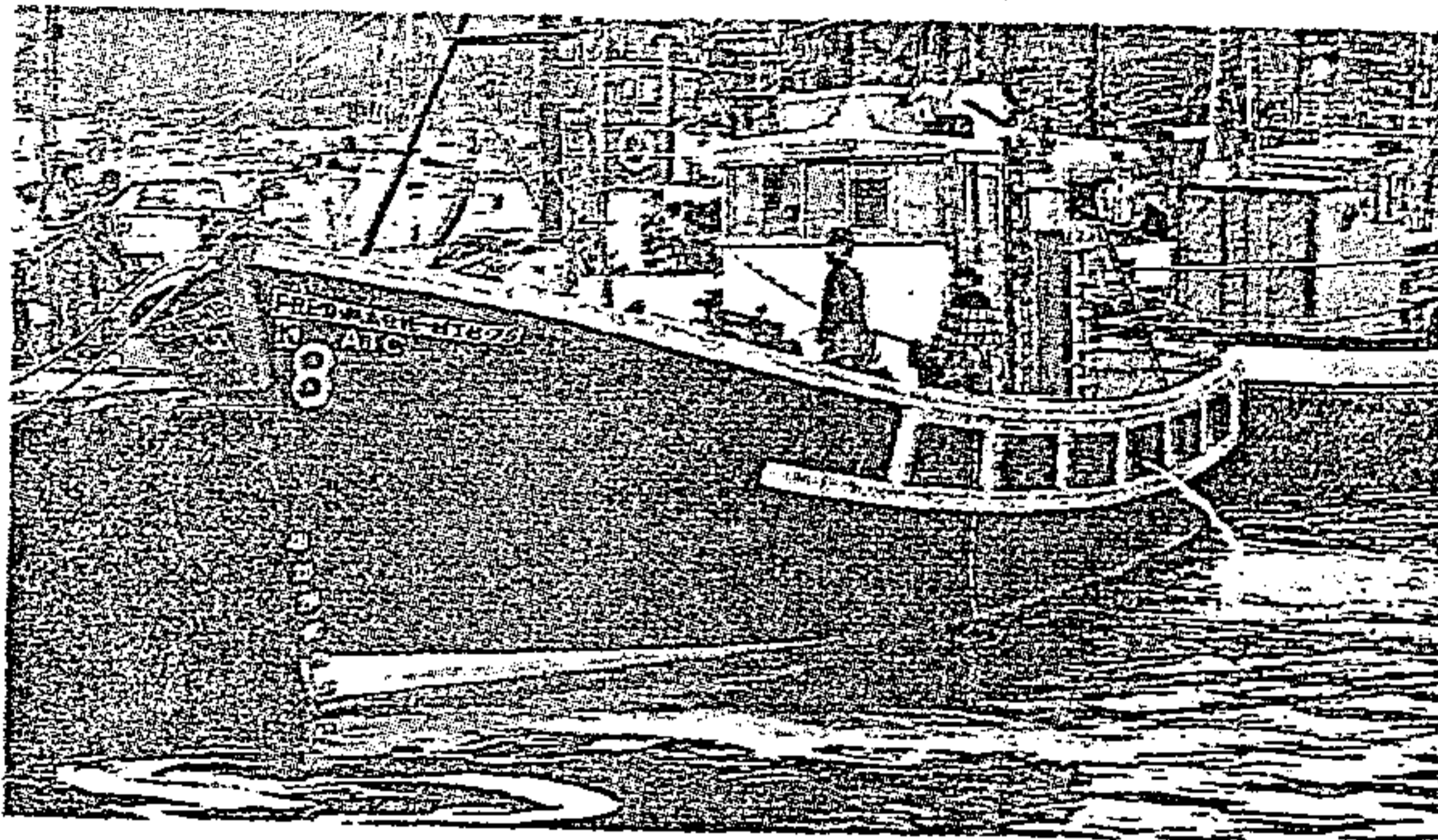
ganisations already operating effectively.

Representation on these organisations has enabled the SBDC to participate in local fairs and exhibitions, present seminars and workshops and set up market stalls and flea markets.

## Established

Maepa says wider participation in schools business competitions have been obtained, sub-contracting deals have been established and regulations strangling informal entrepreneurship have been successfully lobbied against.

"The SBDC's grassroots involvement not only provides communities with a greater chance for participation in development planning, but is also an effective way of financing programme training, advice and support services offered by the SBDC," she says.



Typical trawler financed through the Fisheries Financing Programme.

## A range of financial assistance is available

*3/Dec* *2/12/91* *180* *150*

FINANCIAL assistance given by the SBDC incorporates assistance to start up enterprises; general financing of the more developed business sector; a fisheries finance programme; a builders' bridging fund; a support fund for businesses experiencing difficulties; and the corporation's Bank Indemnity Scheme for loans and premises.

Assistance to infant businesses under the mini-loan programme is designed to cater for the requirements of informal and semi-formal enterprises, especially in lesser developed areas, says senior manager, development promotion, Dawie Crous.

Loans of up to R5 000 are considered, with a maximum repayment period of two years.

The Comprehensive Assistance Programme (CAP) is directed at enterprises

which have developed into larger, more stable formal business activities.

CAP loans are linked to the SBDC's industrial hives and shopping complexes in less developed urban and rural areas.

Over 3 342 CAP loans worth R47,8m have been approved.

The Suppliers Guarantee Scheme is aimed at establishing creditworthiness for young businesses with the suppliers.

Crous says negotiations are entered into with suppliers to introduce them to the scheme.

A credit limit is set for the buyer and the SBDC guarantees payment in the event of bankruptcy.

On a more advanced level, the corporation's general finance programme provides direct finance up

to R1m through loans, share capital, instalment sales, leases and guarantees and is aimed at the more formal business sector.

A total of 5 559 loans, amounting to R476,2m, have been granted under this scheme.

The SBDC also provides a "lifeline" to small and medium businesses in the commercial, industrial or services sector whose existence is jeopardised by external circumstances beyond their control.

Through the Fisheries Financing Programme, loans are provided to bona fide commercial fishermen for whom fishing is the only source of income.

Indirect SBDC financial assistance is also provided through a bank indemnity scheme, utilising the country-wide branch network of participating banks.

## No time to rest on laurels — Rupert

B/BCC 2/12/91

THE SBDC can look back with pride on the past 10 years, during which it established itself as a development catalyst for all South Africans, says chairman Anton Rupert.

But it cannot rest on its laurels.

Its challenge is to capitalise on the successes and confirm with imaginative initiatives its role as a cost-effective job and wealth creator.

"To achieve this, all political differences, sectional interests and own agendas must be set aside and the private and public sectors, as well as other interested parties, must give their unqualified support to the SBDC," he says.

(180)

Although the corporation enjoys a healthy cash flow, there is little leeway to provide for the demand for entrepreneurship development.

Rupert says government must once more play a proactive role to promote small and medium sized enterprises.



SBDC chairman Anton Rupert and MD Ben Vosloo.

## SBDC urges promotion

180 THEO RAWANA

SMALL and medium enterprises formed about 85% of the 800 000 formal businesses in SA, a sector which should get more promotion for economic betterment, SBDC MD Ben Vosloo said yesterday. *Biduy*

In a statement marking the SBDC's 10th anniversary, Vosloo said the imbalances created by policies aimed more at supporting activities of big business than those of small and medium enterprises should be addressed. *2/12/91*

"What is needed now in order to unleash the full job and wealth creation potential of this vital sector of the economy is a comprehensive and cohesive national small and medium enterprises strategy," Vosloo said. *(S)*

New strategies should address such constraints as lack of access to capital, affordable business premises and markets, unnecessary regulation and inadequate support systems.

● See Pages 8-10

# Smaller loans can be obtained in 48 hours

THE Small Business Development Corporation (SBDC) is sometimes criticised for the time taken in processing loan applications.

Yet decisions on mini loans can be taken within 48 hours, says senior manager Kees de Haan.

"The homework required to establish viability on larger enterprises takes more time. We operate in a high risk market and it is in our clients' and our shareholders' interests to perform a proper evaluation," he says.

Over the past 10 years the SBDC has granted loans worth R1.1bn to some 31 000 entrepreneurs.

Only 10% of the funds lent had to be written off and only 18% of businesses financed by the SBDC have not survived — a track record it is proud of.

De Haan says the first step is to contact one of the SBDC's 46 financing service points and discuss the enterprise with a consultant.

He will help complete an application form and say what additional particulars are necessary.

"We recommend personal interviews because our evaluations are not mechanistic — each enterprise is evaluated on its own merits."

De Haan says the benefits of dealing with the SBDC is that it offers financing programmes which cater for the full spectrum of development financing needs.

Its interest rates are structured to level the playing field for the small and medium entrepreneur who must compete with big business, and it offers financing facilities in areas considered too risky by conventional financing institutions.

The SBDC has a holistic approach to business development and combines financing with business support.

"We also give advice, counselling and training, not only money," says De Haan.

Every loan application is allocated to a business adviser who investigates and evaluates the enterprise's management, market, profitability, financial struc-

ture, job creation and multiplier effect in the community, among other things.

Once the functional aspects of the enterprise are established the SBDC focuses on the entrepreneur.

"The one thing we cannot create is entrepreneurial spirit.

"If this is lacking the enterprise will not succeed, regardless of the amount of support we give," says De Haan.

## Options

If skills training is needed, the SBDC will propose training options ranging from basic technical skills to advanced general management, marketing and financial management courses.

Another requirement is that the entrepreneur must put his own money at risk as a direct investment in his enterprise and as collateral for his loan.

The recommendations made by the business advisers are considered by a committee which makes the decision whether to

grant the loan or not.

Plural decision making is essential for impartiality and improves the quality of decisions, De Haan says.

Virtually all loans carry conditions which must be met before money is paid out.

During this implementation phase, the SBDC can assist the entrepreneur with buying equipment, machinery and stocks.

The SBDC can often get a better deal than the small businessman on his own.

"Once the client is up and running he is allotted a mentor and starts repaying," De Haan says.

The SBDC has 225 retired business people taking part in its Mentor Advisory Programme (MAP) through which clients are provided with on-site business expertise, advice and training.

On the subject of repayments, the SBDC is "supportive but firm".

If the repayment schedule cannot be maintained due to circumstances beyond the borrower's control the repayments can be restructured and additional support action taken.

## SA now much sought after for its experience

SOUTH Africa's re-entry into international markets and its unique mix of First and Third World elements has made it much sought after for advice and expertise. *B/Daw 2/12/91*

The SBDC is no exception to the flood of queries emanating from both black Africa and Eastern Europe.

The corporation's approach to development technology and hive support is believed to be unique, and many foreign organisations have asked

the SBDC for help, says senior GM Toni Kedzierski.

However, the export of development technology is only a dream at this stage.

Senior manager, financing, Kees de Haan says local demand is so vast and resources so limited that the SBDC is unable to afford to withdraw expertise from the local environment.

It is, however, not inconceivable that SA may soon be selling its development technology internationally.

## Special 10c dividend to mark anniversary

TO MARK the 10th anniversary of the SBDC, a special dividend of 10c was declared at the AGM in November.

This was the third dividend declared by the corporation since its inception in 1981.

A dividend of 8% was declared in 1984 by way of a bonus share issue to all private sector shareholders.

Another of 5% was declared in 1989 and shareholders were given the choice of receiving it in cash or capitalisation of shares.

MD Ben Vosloo says: "It is unusual for a development organisation to be declaring dividends.

"The dividend is proof that the SBDC's structure of private sector control enables it to apply sound business principles and financial discipline, which is the only guarantee for sustainable economic growth."

## Development through four main areas

THE SBDC, in its quest to stimulate and develop entrepreneurship among all South Africans, operates in four main areas — financing, support services, provision of business premises and the promotion of small businesses in general.

Its involvement in property development makes it different to other development companies and indicates the level of the corporation's commitment to development in SA, says senior manager, development promotion, Dawie Crous.

The SBDC provides basic industrial and commercial premises in areas where specific needs are not being met by other developers; it provides reasonably priced premises in areas where a shortage of suitable accommodation exists; and pro-

vides private ownership of business premises.

The corporation's property portfolio is valued at about R280m (cost) with nearly 700 000m<sup>2</sup> of lettable industrial and commercial property floor space.

To date, the SBDC has completed 267 buildings comprising 143 industrial projects at a cost of R124m and 124 commercial properties at a cost of R113m.

*Approved 180*

A further 36 industrial and 14 commercial property projects are under construction or have been approved, at a cost of R82m.

In the early days, because of the political situation in which white companies were not allowed to buy property in black areas, the SBDC's involve-

ment was often informal.

For example, the transfer of one property bought by the SBDC in Soweto in 1981 was only finalised in 1987.

Assistant GM, property, Kevin Paige says, however, that difficulties in buying property in black areas are not restricted to problems associated with the Group Areas Act.

"Much of the land in those areas is unsurveyed, which makes transfer of ownership difficult.

"For a start, how can one identify which piece of land the deal refers to?"

The SBDC's approach to property development has not changed with the shifting political climate.

"We have always insisted that blacks and whites should be able to work together. Our hives of indus-

try have always been non-racial," Crous says.

The SBDC owns about 24 completed hives with a floor space of 102 580m<sup>2</sup> and comprising 1 207 lettable units.

### Clusters

Within these buildings are clusters of workshops in which backyard enterprises are semi-formalised and encouraged to move into the formal sector.

Crous says the advantage of the hive concept is that it provides basic accommodation at reasonable rentals, while tenants are also provided with the SBDC's collective support services such as loans, business and legal advice, marketing assistance and, where circumstances warrant it, bulk buying facilities.



## Critical need for national enterprise strategy

THERE is a desperate need for a national strategy on entrepreneurship and small and medium enterprise development to be formulated in South Africa, says SBDC MD Ben Vosloo. (180)

Small and medium-sized enterprises (SMEs) are a dominant force in the successful economies of the world — their optimism and spirit carrying many far beyond the expectations of more conservative individuals.

They are also flexible and easily adaptable to changing market opportunities.

They require limited

capital, can combine simple and advanced technology while being generally labour intensive and hence able to contribute to job creation.

SA is in a situation where it needs both economic growth and employment creation to overcome its economic problems.

SBDC economist Edwin Basson says although there is an interaction between the two processes, the strength and causality of the relationship is uncertain.

In other words, government's strategy that increased exports will pro-

mote economic growth is fair, but will not solve SA's high unemployment.

Conversely, the view that growth through redistribution will increase employment, which through consumption expenditure will lead to economic growth, is also not sufficient. B1 Day 2/12/11

An approach that will address both problems simultaneously is needed, Basson says. 2/12/11

Over the last 10 years, most of the economic growth in SA emanated from SMEs and 65%-75% of all employment opportunities came from them.

To promote economic

growth, SA must choose a trading market in which it has a competitive, rather than comparative, advantage.

Africa is the most obvious target. It needs wool and cotton, pulp and paper, basic chemicals, glass and glass products, basic iron and steel, non-ferrous metals and other manufacturing materials.

These industrial sectors in SA are dominated by SMEs.

Vosloo says it is no exaggeration to say the overall health of the SA economy depends largely on dynamic entrepreneurial activity in the SME sector.

# Business Day SURVEY

Ten years ago the SBDC was registered as a public company, absorbing the assets and staff of the Development and Finance Corporation and those of the Indian Industrial Development Corporation. Since then, with capital employed amounting to R800m, loans worth over R1bn have been granted to over 31 000 entrepreneurs. GILLIAN HAYNE reports.

## Shortage of basic skills is a problem

ENTREPRENEURS are renowned for their innovations and specialised expertise, but not for basic business skills, and this is the weakness that usually leads to their downfall, says SBDC central region contracting unit head Ebrahim Asmal.

"Basic skills such as marketing, costing, selling and funding jobs are major problems for infant businesses," he says.

In 1987, the SBDC undertook to help its tenants win contracts by tendering on their behalf, helping with bridging finance and sharing business skills — thus introducing the sub-contracting principle to South Africa.

From 1987, over R53m worth of contracts were negotiated countrywide between big corporations and small and medium sized industrialists with the help of the SBDC.

Asmal negotiated R43m in the PWV area alone.

Big companies such as Anglo American, JCI, Barlow Rand, Anglo Vaal and Rand Mines are but a few of the corporations awarding jobs to the SBDC's



Burglar guard manufacturing is a highly successful sub-contracting enterprise.

small and medium-sized enterprises.

Jobs ranging from making uniforms or cleaning hostels to manufacturing weighing scales for the mines are on offer at Penryville.

Linked to sub-contracting is the mentor system.

No longer is it sufficient for companies to provide finance for projects or award contracts — business expertise is also needed.

One of the leaders in this field is Anglo American, with its Small Business Ini-

tiative which works closely with the SBDC.

Discussions are underway for the SA Bureau of Standards (SABS) to give its approval to items produced by the SME industrialists.

A hardship faced by many is the problem of agents.

Although these middle men are important go-betweens during the early stages of breaking down barriers between large companies and SMEs, many are unscrupulous and unethical, says Asmal.

As the sub-contracting idea gains momentum,

however, Asmal hopes the need for agents will diminish.

Natal has tried a new initiative in match-making by displaying products required by the large corporations to the SME clients.

SBDC Natal region head Adhir Singh says: "Until now we have tried to promote sub-contracting by providing big business with a list of our SME clients."

"Informing our clients about opportunities to do business with the corporate sector makes more sense, however, as it encourages them to take the initiative."

# Companies wide open to 'insider' fraud

By Sue Segar

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STAR 3/12/91

DURBAN — Exposures of frauds and alleged frauds totalling hundreds of millions of rands have rocked the country in the past few years — and it is probable that this type of activity is occurring somewhere in most companies, says a recent review of leading accounting firm, Deloitte Pim Goldby.

While there is a ten-

dency to believe that significant fraud could not happen in "my company" this is often not true, the review states.

"Studies have shown that major fraud has occurred in large companies which generally have excellent controls and financial people."

According to Justice Minister Kobie Coetsee, fraud and corruption cases involving R130 million were pres-

ently being investigated in the Transvaal alone. "That is probably the tip of the iceberg," the review found.

"While the incidence of fraud is high internationally, the problem in South Africa has been compounded by a decline in business morality. This is considered to be due to one or more of the following factors:

- High tax rates;
- Stress caused by the

economic and political scenario;

- Shortage of financial skills;
- High inflation and interest rates leading to a lowering of living standards.

According to the review, studies of fraud found that employees steal or embezzle from their employers because "they feel they can get away with it and that stealing a little from a

big company won't hurt it.

"Most employees are caught by accident rather than by audit or design. Therefore the fear of being caught is not a significant deterrent to theft.

"In many cases, perpetrators of fraud intend to borrow the money hoping to pay it back soon. Frequently the fraud starts in a small way and grows progressively."

**T**HE phrase in numerous corporate mission statements that announces "the human asset is our greatest resource", is often regarded with a great deal of suspicion by labour, academics and other self-styled humanitarian onbudsmen.

This scepticism is founded on the premise that the individual employee and major beneficiary of the company's profits is often merely, as labour economists put it, "human capital", which should be utilised for maximum return on investment. However crude and insensitive this accusation of human exploitation may sound, we in business have to acknowledge that some "harsh realities" exist and the less attractive face of unfettered Friedman-like capitalism is nothing to be proud of.

But, and this should be the point of departure for organised commerce and industry, the assertion begs the question of whether we accept the allegation of widespread exploitation of employees and of being less than honest when promoting the human side of enterprise.

**B**usiness can respond essentially in two ways. It can stick to a paradigm of thought that regards intrasigence as an essential component when dealing with the "opposite side" so as not to be perceived as vulnerable and weak. On the other hand, business can, based on merit, together with a paradigm shift towards an inclusive approach to decision-making, take into account the entire macro-environment.

Even if business was to accept the challenge of redressing historical inequalities, the question remains: "How should this be done?" The Nafcoc proposals for affirmative action that prescribe enforceable percentages of black staff in middle and top management, directorship, ownership and representation on the JSE is one way to do it.

However, history has taught that merit must be the common denominator that distinguishes between ad-

# Business needs one national body to represent its views

CHARL ADAMS

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vancement through a proven track record and those, although eligible, not yet capable of performing at a required standard. The rationale behind promotion on merit is quite simple. If the incentive exists to spur on the individual to study harder, work harder, increase productivity and aspire to greater heights, the race will be on for that sought-after position in management, on the board of directors and eventually as major shareholders. Remove the carrot and we will go back to mediocrity.

The fact remains that the human psyche needs a challenge, a vision to pursue and a goal that reaps rewards for those that persevere and are prepared to sacrifice time, money and comfort while getting there.

In SA we have reached a point, with the proposed restructuring of the National Manpower Commission (NMC), when history is handing the various actors on the stage of employer/employee relations the opportunity to redress wrongs, irregularities and put into motion a new dynamic of change that can provide for stability, labour peace and increased productivity.

Judging by accounts of the work of former Manpower Minister Eli

Louw, Saccola, Cosatu and Nactu, a fresh breeze is beginning to blow in the corridors of power. This augurs well for the future — or does it? Will we learn from past mistakes?

Employers need to consider that the NMC in its present form is seen as an extension of government, and therefore is tarnished with the same brush by extra-parliamentary groups as illegitimate and representing the needs of a sectional minority.

**F**urther, the low levels of representation of both labour and capital on the present NMC has, in the past, caused a skewed response to the manpower needs of the economy. All this makes it even more compelling that we "get it right this time" and that the NMC in its new format represents a broad spectrum of employer and employee groupings.

A working party of the NMC has taken the unanimous view that the NMC should be as small as possible and has proposed a membership of 25: 10 employers, 10 employees and five independent specialists to be appointed by the Minister, to make rec-

ommendations to a future government on manpower matters.

This raises the question of how the representatives of organised commerce and industry will be identified? Which constituencies will they represent? How binding will their proposals be on business? How can 10 participants effectively represent the entire spectrum of employers?

At present, Saccola is acting as the unofficial spokesman for business on labour matters and has been generally accepted as such by Cosatu and Nactu. Despite the difficulties experienced in mandating Saccola to speak for all employers, this has been done with a measure of success during the discussions earlier this year that led to substantive amendments to the Labour Relations Act.

However, it is essential that representatives of commerce and industry in the reconstructed NMC be elected by a fully representative body which includes all employer interests. Currently Saccola excludes the likes of Nafcoc and Fabcos as well as small business interests. In the light of plans by the International Labour Organisation and the International Employers Organisation (IEO) to set up offices in SA early in 1992, there is a growing belief that the identifica-

tion of those employer representatives to serve on the NMC cannot be finalised until a national employer organisation is established.

Members of such an organisation will and should have a major say in determining who should represent employers on the restructured NMC. To ensure that representatives of business speak with a clear mandate, and that business is seen to be supported by its divergent constituencies, it is essential that candidatures are consistent with the views of the anticipated employer organisation.

It would, therefore, make sense to postpone the appointments to the NMC until the national employer organisation is in a position to nominate its representatives. Furthermore, it is essential that all constituencies be represented as major players. In the case of the unemployed, an independent member appointed by the Minister may suffice. As for small business, it is a fact that the bulk of SA companies are, by definition, small yet are often marginalised by larger industries and conglomerates.

Due to the concentration of business in the PWV area, the coastal regions may also be left out in the cold. A feasible answer to this quandary could be found in a system of weighting through which representation of employers is based on contribution to the GDP and that of employees based on numbers. Small business should be combined under one umbrella, thereby claiming a stake as a major contributor to GDP.

**E**ven if these suggestions were to be acceded to, it would be quite inconceivable that 10 individuals could comprehensively represent the entire spectrum of interests of business. In countries such as Italy, France and Spain, employers are represented on comparable bodies by large numbers of representatives — 230 in the case of France.

We owe it to all South Africans to get it right this time.  
 Adams is Cape Town Chamber of Commerce manpower manager.

STAR 4/12/91.

# Gencor full of confidence

By Ann Crotty

The downward pressure on profits is expected to continue throughout financial '92, according to Gencor chairman Derek Keys who says, in the group's '91 annual report, that wherever possible "we are acting to keep the loss of ground to a minimum".

Despite the tough trading environment envisaged in financial '92, Mr Keys points out that "scarcely a month goes by in which we do not complete or initiate a further strengthening of our ability to compete in the longer-term somewhere in the group.

"The potential is ex-

panding and we have the patience and the commitment to await its realisation."

Major developments in the Gencor stable include the Samancor/Columbus project; Engen; Sappi's R1 billion rights issue; the development of the Oryx mine and; Impala sinking its first major shaft in the Deeps.

## Cash resources

Mr Keys states that Gencor is ensuring that none of the projects relies for its vindication on any factors other than the ongoing development of free world markets "and our own comparative advantages".

In order to replenish

the cash resources at the group's centre Gencor will be increasing its authorised share capital at the agm in January and hold a rights issue sometime after that.

● Referring to previous suggestions to unbundle Gencor (distributing Gencor's shareholdings in the five divisions to its shareholders), Mr Keys notes the lack of shareholder enthusiasm for the move.

But he remains convinced that unbundling is a valuable option to preserve adding: "We are clearing away the minor obstacles to its implementation so that it will be available to us should conditions change."

IM JONES's article "Creative taxes can topple pyramids and spread wealth" (Business Day, November 27) has touched on an extremely sensitive nerve.

His theory of a shareholder trust endowed with 1% of the equity of all listed companies on behalf of the lesser privileged is neither workable nor would it be effective. By his own admission it amounts to pure tokenism. Jones, however, addresses a critical issue of our time. That issue is the method of redistributing power from the small band of monopolists who control the economic resources of this country.

SA has historically been a monopolist's paradise. The economy has been dominated by a handful of individuals who have amassed family fortunes of gargantuan proportions. The power which these individuals wield is undoubtedly immense. One might argue there is nothing wrong with having so much power concentrated in so few hands and even, as does Jos Gerson ("Pyramid companies play central role in wealth creation", Business Day, November 29), that it is healthy.

Undoubtedly the association of a company with an individual of great wealth and power adds value to that company's stock. Monopolies also, however, tend to keep prices high and wages low. However convincing Anglo/De Beers chairman's fund-sponsored statistics, he does not address the real issue. That issue is simple: can we, as an about-to-be-born free market democracy, afford to allow the monopolies to continue pulling our economic strings.

Constitutional systems throughout the democratic world are based on the philosophy of a separation of powers. This entails a split between the legislative, executive and judicial functions of government. Power in the executive is checked by the legislature which is in turn answerable to the people. The legislature (in a country such as the US but not SA), on the other hand, may have its laws declared invalid by the judiciary if those laws are unconstitutional.

# Effective antitrust law needed to deal with monopolies

6 | Pay 4 | 12 | 91

GREG WYNN

(180)

Judges are appointed by the legislature and may be removed by it.

So exist the checks and balances of democratic constitutions. The French philosopher Montesquieu (L'Esprit de Lois 1748), the Englishman John Locke and the Greek Aristotle were all proponents of power separation. They realised that the concentration of more than one class of function in any one person is a threat to individual liberty. Their ideas are the foundation of modern democracy.

The economy, even more so than politics, is a source of power. The American distrust of all forms of unchecked power led to the enactment of the first antitrust statute as early as 1890 (the Sherman Antitrust Act). The word "trust" here denotes restraint on competition and trade, including monopoly formation, cartels and the like.

In SA legal jargon, it carries an entirely different meaning. In the words of Senator Sherman himself: "If we will not endure a king as a political power, we should not endure a king over the production, transportation and sale of any of the necessities of life."

The antitrust laws, among other things, give the American courts the power to make companies (or individuals) divest themselves of their interests in any particular industry if



DAVID ROCKEFELLER

the court can be convinced that that company is monopolising that industry. Thus, in 1911, the philanthropic Rockefeller family dynasty's Standard Oil Corporation was forced to divest itself of a large portion of its

highly offensive to modern antitrust lawyers.

Antitrust laws are the charter of freedom, the economic constitution, of a free market system. A free market without free competition is an absurd notion and it seems logical therefore that competition should be protected if one is to maintain the free market.

The only disaster in American economic history (the depression of the '30s) was caused by the government's failure to enforce the monopoly-busting policies of antitrust legislation during the '20s. It is widely accepted that the depression resulted from an overconcentration of economic power in too few hands.

The South African Maintenance and Promotion of Competition Act of 1979 has similar divestiture provisions to its US antitrust counterparts. It is unfortunate that the Competition Board (created in terms of that Act) has failed so dismally in its function. It is a papier-mâché Mephistopheles with no teeth.

The ambition of an individual to compete in trade and commerce is accepted as an honourable value in our society. The individual must be allowed selfishly to make a profit. This is a fundamental human right. It is also the source of energy which drives the wheels of industry. If left uncontrolled this highly explosive fuel may degenerate into unfair competition and to the beast destroying the best.

For this reason the industrialist competing in business, like the athlete striving for victory, should be required to play by the rules. The athlete may not take drugs. The industrialist may not monopolise. Monopolisation is against the rules. It is evil and we must put an end to it. There are two alternatives, the first being nationalisation, the other effective antitrust legislation. Gerson may well describe antitrust as disastrous; most reasonable South Africans shudder even to contemplate nationalisation.

Wynne is studying for an LLM in corporate law and is serving his articles at a Johannesburg law firm.

# Industrial giant first proclaimed in 1917 (180)

31 Dec 5/12/91

THE first industrial township proclaimed as such in South Africa was Industries West, laid out in 1917 in Germiston. Ever since, the city has retained its lead as an industrial giant, and today, Germiston's industrial area is second only to Johannesburg's. It is home to more than 1 000 companies and its growth rate is well above the national average, while the 2 186ha of industrial land in the city accounts for over one third of that available on the East Rand basin. The merits of a Germiston location have long been recognised by industrialists and the space is around 75% occupied. But there is still a lot of space available for new development, much of it within Spoornet's free delivery area for its cargo container service. The change in government's decentralisation policies, increasing urbanisation and SA's re-entry into the international market point towards a surge

in demand for space when the economy recovers. At present, the city has three identifiable industrial zones. To the north are mainly hi-tech industries which benefit from the proximity of Jan Smuts Airport. The older industries, originally focused on mining but today increasingly service-oriented, are located in the central industrial belt. To the south lies heavy industry, which depends on the large labour force based in the adjacent Katorus area. The city has access to a road and rail network leading to every point on the compass. In addition, only a limited supply of land zoned for industrial development is available in the region, and most of it is in Germiston. Engineering works form the base of the city's industrial activity, which also includes steel production, food and beverage processing, transport and woodworking.

Projected increases in demand are expected to put pressure on town and city councils to rezone land for industrial development, but only a limited supply of suitable space is available. Germiston's proposed amalgamation with Bedfordview will give the city access to some of the best potential industrial land in the area.

## Extended

Another proposed merger, between the Germiston Chamber of Commerce & Industries and the Germiston Industries Association, which could later be extended to incorporate the Afrikaanse Sakekamer of the area, will enhance the industrial strength of the area. Chamber president Lynne Cheshire says: "We are aiming to establish a more powerful base to make ourselves more effective." This development is one of

many that wins the city the right to regard itself as a pioneer. Another is its long-standing tradition of avant-garde negotiations. "We started talking to Inkatha, the ANC, Cosatu and Iwusa, both separately and all together around the same table, about 14 months ago. "It's largely thanks to the relationships we forged in the process that recent stayaways have been relatively peaceful in Germiston and Katlehong," she says. This commitment to negotiation for industrial co-operation is echoed by the Industries Association. Chairman Gert du Toit says: "We acted as a co-ordinator to bring industrialists closer to the problems experienced by workers with matters such as transport, housing, stay-aways and the fact that some groups do not have a community hall where they can hold their meetings."

# Government urged to ease consumer's burden

STAR 5/12/91

By Derek Tommey

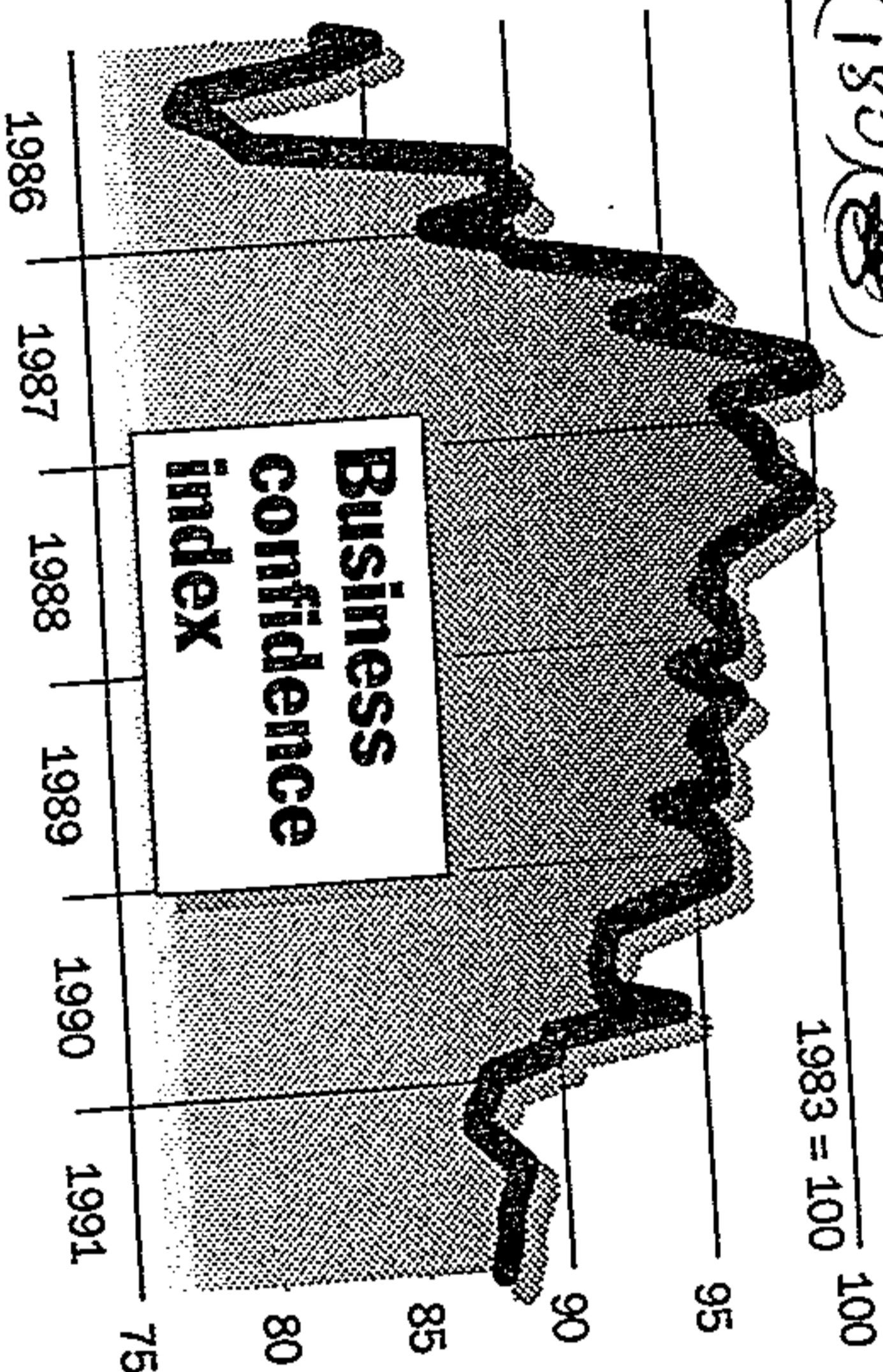
The Government must guard against further economic decline by ensuring that consumer spending is maintained at least at current levels, says Chamber of Commerce (Sacob) economist, Dr Ben van Rensburg.

The Government must make certain in the next Budget that tax rates are adjusted for fiscal drag and that the benefits are passed on as soon as possible, he says.

Sacob's Business Confidence Index (BCI) suggests that businessmen have put their expectations on hold for the time being, though their mood might be slightly more positive than it has been.

The index (1983 equals 100) for November is 87.9 — only fractionally lower than the October figure of 88 and not much different from those for the preceding months of the year.

This lack of movement suggests that businessmen are in a waiting mood, unwilling to spend the money required to give the economy and the index a shove, but still spending enough to stop them from contracting.



However, despite the slight October fall, by straining a little one can detect a slight improvement in the business mood.

The main reason for the drop in the index was the Vat-induced jump in prices.

Dr van Rensburg says that uncertainty about the future, together with difficult trading conditions, continued to depress the mood in November.

"There are increasing concerns within the business community that the long-expected recovery will be further delayed and that

severe damage could be done to a number of sectors if conditions do not start to improve soon."

He says some of these fears may be based almost exclusively on the experience of current conditions and that businessmen may have failed to recognise factors pointing to a recovery.

But faltering confidence could serve to undermine such fundamentals.

"Businessmen must see an improvement in activity before embarking on new ventures," he says.

Political and economic developments are contributing to this high degree of uncertainty. But the continuing slowdown is now the primary concern of most businesses, he says.

Dr van Rensburg says poor economic conditions are the result of three over-riding factors — low consumer confidence and declining real incomes, low levels of investment and problems in the world economy.

The steady decline in retail sales in real terms shows the deteriorating financial state of the consumer.

With unemployment 83 percent higher than last year and wage increases below the inflation rate, consumers have less to spend.

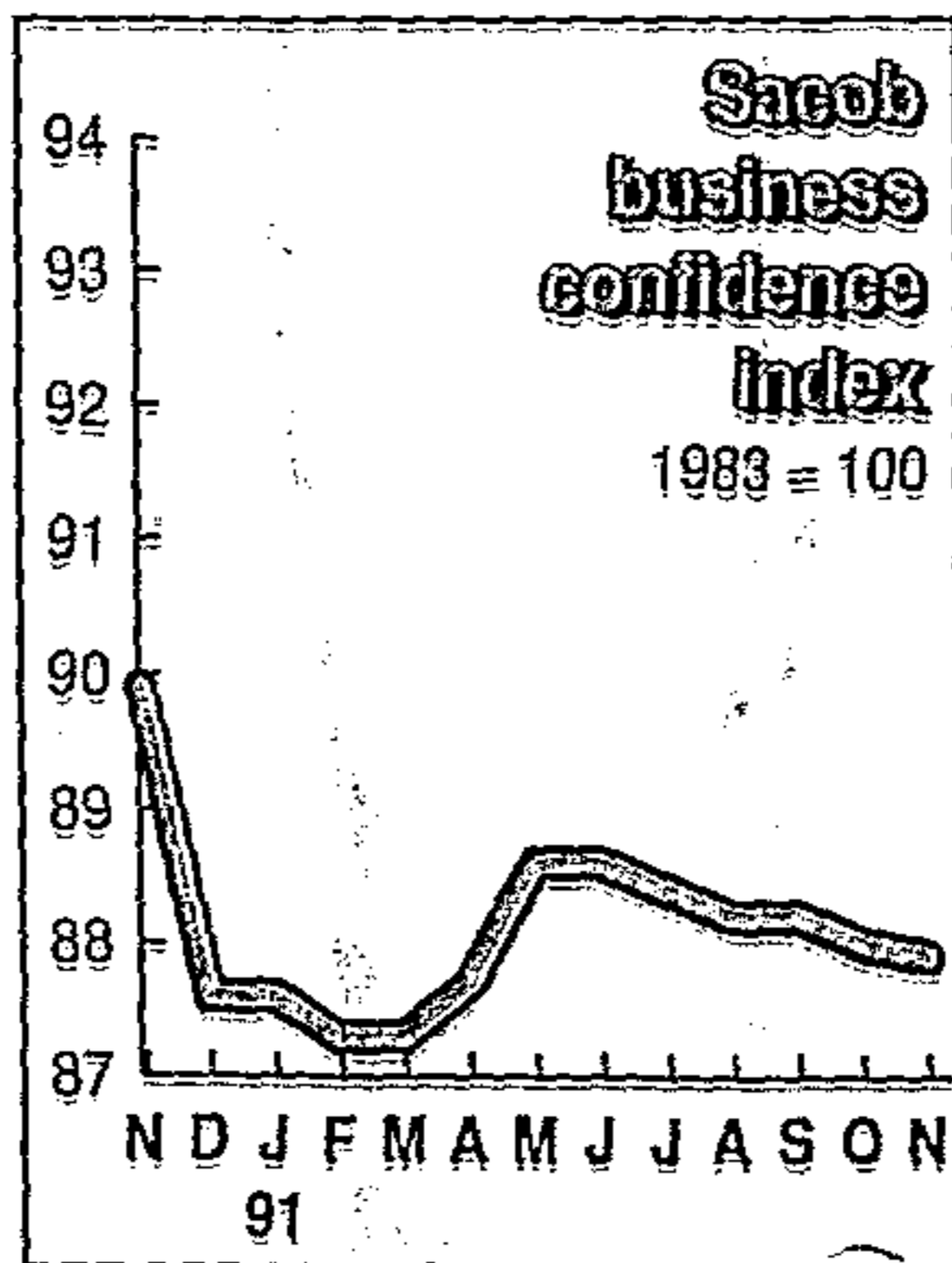
"With interest rates remaining high, credit is not an attractive option to most people — particularly those who do not have secure employment."

Dr van Rensburg says that faced with this prospect, it is essential that the Government prevent a further erosion of personal disposable incomes.

One way of doing this is to provide for the effects of bracket creep in next year's Budget and to make the adjustment at the earliest possible moment so that the benefits are felt immediately.



## Business mood looks gloomier



Graphic: LEE EMERTON Source: SACOB  
SHARON WOOD

SACOB's business confidence index has declined for the sixth successive month, falling to 87,9 in November from 88,0 in October. *610am 5/12/91*

Sacob economist Ben van Rensburg said yesterday this indicated uncertainty about the future, and difficult trading conditions.

There were increasing concerns that the recovery would be delayed if conditions did not start to improve soon, he said.

Although an increase in consumer price inflation had generally been expected, the actual escalation had been particularly disappointing. This made an early easing of monetary policy unlikely, but rising liquidity could force the hand of monetary authorities before clear and significant progress had been made on inflation.

Van Rensburg cautioned against expecting more than a mild recovery in 1992, and said real growth would probably be between 1,5% and 2%.

Business confidence during November was depressed by a decline in merchandise imports, fewer new car sales, a further fall in expected real retail sales and sharply rising insolvencies. In addition, the physical volume of manufacturing production declined and there was a sharp rise in the inflation rate.

Business confidence could be bolstered in the short term by successful multiparty talks, Van Rensburg said.

# No rating, no investment from Japan and US, says SA agency

B (Dun) 5/12/91 (180)  
JAPANESE and US investors will not invest in the shares and commercial paper of SA companies until the companies obtain a credit rating from a recognised international rating agency, says Dave King, head of local rating agency Republic Ratings.

He was speaking in an interview yesterday shortly after returning from an overseas trip.

Ratings were necessary because strict regulations in the US and Japan required major investors, such as pension funds and

ROBERT GENTLE

trusts, to place money only in "investment-grade securities" — securities which have a high enough rating.

King said even if local companies were rated by international agencies like, say, Moody's or Standard & Poor's, their ratings would be so low as to perhaps deter potential investors.

This was because of the low credit rating of SA itself, which a recent Euro-money survey put at 36th position — below countries like Mexico or Czechoslovakia.

"The message overseas is that these company ratings would necessarily be lower than SA's sovereign risk rating, which itself is regarded as far from investment grade. In fact, it is regarded as speculative, mainly because of political risk."

King said the advice from overseas investors was for SA companies to wait two years for the political situation to improve before venturing overseas for an international rating.

However, obtaining a local rating would in the interim help overseas investors to better assess their profitability and creditworthiness.

"We have noticed increased interest in local ratings from overseas investors, mainly banks in the UK, France, Germany and Switzerland," said King. "They seem mainly interested in the ratings of blue chip corporates and banks."

Enquiries were also com-

ing in from African countries, he said, and Republic would soon embark on a marketing drive to sub-Saharan Africa.

King said Republic had already rated more than 30 local companies, from Eskom and the Post Office to First National Bank and Tiger Oats. Informal ratings had also been done on 150 other companies.

Big corporates like Transnet had started to allocate lending business on the basis of these ratings. He said FNB had picked up extra credit lines "worth three figures in millions" simply because it was rated.

"There is no doubt that the case for ratings has received a boost from affairs like Masterbond, FundTrust and Cape Investment Bank," said King.

# Who monitors heads of SA's conglomerates?

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(180)

SA CONGLOMERATES are unloved — except by those who sit, or hope to sit, at the centre of power and reap their particular rewards. They may have no need for love, but the vigour of their apologists suggests a certain insecurity in these times of change.

I, for one, hope that existing centralised power — in business and in government — will be distributed more widely in the new SA. It is an ancient idea that the centralisation of power tends both to inefficiency and corruption. In some respects, differences of opinion on this represent a greater divide than those between capitalism and socialism.

On the one hand we have the moguls of industry and of central planning — confident of their personal abilities to direct the lives of ordinary mortals to their best advantage. On the other hand, there are those that believe that people should be allowed to make their own decisions, with as little interference from others as possible. Some of these call themselves democrats, others talk of free markets.

"Power tends to corrupt . . ." This does not suggest that powerful individuals are particularly bad men, but rather that they will look to their own interests at the expense of

others — unless they are otherwise constrained. The heads of SA conglomerates are accountable to no one but themselves. It is therefore misleading for Jos Gerson to argue (Business Day, November 29) that "a small number of very large controlling shareholders play an extremely useful role as the proprietors, monitors and guardians of the country's principal firms". The problem is: who monitors the monitors?

An interesting example is the increasingly common practice of joining the roles of chairman and CE. The British Insurance Association (BIA), the equivalent of the South African Life Offices' Association (LOA), has a code of practice for the companies in which members of the BIA invest. The BIA says it is undesirable for one person to hold the position of both chairman and CE of a company. Our LOA is unlikely to make any similar statements. It would first have to put its own house in order: three of the four largest insurers are managed by a full-time chairman who is also CE.

That this is bad business practice is highlighted by an article in *Pen-sions Management* of October 1991, where reference is made to a study of the characteristics of 45 UK listed

## ANTHONY ASHER

companies which failed in 1989 and 1990. "On the subject of management, the main findings were that companies with a combined chairman and chief executive, or where the chairman or chief executive is a dominant personality, are more likely to founder."

On the question of efficiency, it is useful to refer to Herbert Simon's concept of "bounded rationality". He summarised the idea in the lecture he gave when accepting his Nobel Prize in economics: "Man, faced with complexity beyond his ken, uses his information processing capacities to seek out alternatives, to calculate consequences, to resolve uncertainties, and thereby — sometimes, not always — to find ways of action that are sufficient unto the day, that satisfy." Directors of conglomerates may reach decisions that satisfy themselves, but it is unlikely that shareholders, employees or society will be satisfied by the results.

Gerson's final argument for conglomerates is that, in the absence of

a better alternative to the conglomerate system, we impose a moratorium on restructuring until we understand it better. As an actuary, I find it difficult to argue against a cautious approach to anything as complicated as economic restructuring. There is, however, a distinction between caution and paralysis.

I would like to suggest three important steps in the realm of retirement fund governance. They can each be justified in their own right, and could lay the foundation for the unravelling of the conglomerates in time.

The first is to ensure that retirement funds (pension and provident funds) are controlled by boards of trustees, and not by employers. This is not a dramatic step as many funds are already controlled in this way, and there is general agreement in the retirement industry that this is desirable.

The second is to provide that at least half of these trustees be elected by the membership. This idea has also been tried out — particularly in negotiated provident funds — and works well.

Step three is to expand the law governing the duties of trustees of retirement funds to ensure they take

a more active interest, and in particular exercise their votes, in the companies in which their funds invest. The laws governing US retirement funds have already been changed in this way. It can be argued that trust law already has such an implicit requirement, but it needs to be made explicit. (Trustees will, of course, need to employ experts to perform these functions, and here I betray my personal interest in this matter.)

My calculations indicate that retirement funds provide about 60% of the money invested by South Africans on the JSE. Once the suggested changes are made, retirement fund trustees are likely to become more active as shareholders. Once they begin to argue for the breakup of conglomerates, we can be more confident of their abilities, and we can then think of further legislation — or Jim Jones's creative taxation — to begin to force conglomerates apart.

Perhaps also under these circumstances Jos Gerson would have fewer qualms about placing ultimate control of business in the hands of its owners: usually the members of retirement funds.

□ Asher is director of actuarial studies at Wits University.

## LETTERS



# SOWETA

## Way forward lies in small businesses

*Sowetan 5/12/91* *180*

SMALL business has become South Africa's biggest job creator, managing director of the Small Business Development Corporation Dr Ben Vosloo said.

Vosloo said his organisation had played a major role in creating a climate for small business development by campaigning for deregulation and introducing support services and training.

Speaking at the SBDC's 10th anniversary, he said what was needed now was to unleash the full job and wealth creation potential of this vital sector of the economy by coming up with a comprehensive strategy. This strategy would focus on small- and medium-sized enterprises (SME).

He said: "In the light of the importance of the SME sector in the future economic development of this country, it is absolutely essential that the economic policy should not continue to be biased in favour of the large business sector.

"There is a need for SME development strategy that provides equal opportunities to all businesses."

Such a strategy, he felt, should address the major constraints hampering the sec-

By JOSHUA RABOROKO

tor such as lack of access to capital, unaffordable business premises and markets, unnecessary regulations and inadequate support systems.

Based on international experience, Vosloo said, any comprehensive SME strategy should:

- Foster an enabling environment for the encouragement of entrepreneurship and SME creation and growth;
- Mobilise financial resources by way of appropriate financial assistance programmes;
- Provide appropriate low-cost rental or individually owned premises when they are not available through normal commercial developers;
- Improve the skills and technology at SMEs; and
- Provide appropriately structured, staffed and financed assistance schemes.

"No economic miracle is going to happen through foreign investment and export incentives alone," Vosloo said. "Real economic development is a 'do-it-yourself' process at the grassroots level that can at best be helped along by sound economic policies."

# Industrialists are well taken care of through subsidies

IN DETERMINING which districts should qualify for subsidies under the original decentralisation programme, government often paid only lip service to commercial viability.

Newcastle, however, has proved an exception to this rule.

Not only does it offer all the industrialist is likely to need to run a profitable operation, but businessmen established there say the quality of life must be seen to be believed.

Iscor spokesman Philip Roos says: "There is no pollution, we don't struggle with traffic congestion and wherever you live, it is only a five-minute drive from work."

## Lowest

Rates and taxes are among the lowest in the country.

A recent Natal survey rated Newcastle rates as the lowest, while an annual survey of large towns produced in Kimberley placed Newcastle among the lowest 10 in South Africa.

Located midway between Johannesburg and Durban, it has access to the four major market nodes of SA — the Witwatersrand, which accounts for around 60% of SA trade; Durban and Maritzburg, an estimated 20%; the rapidly growing Richards Bay-Empangeni area; and the Free State gold fields.

The town got off the ground as an industrial entity in the early '70s when

Iscor set up its third integrated works there.

Other industrialists followed and later the infrastructure was geared up to accommodate expected extensions to the Iscor works.

When these did not materialise, the town found itself with an abundance of serviced land and embarked on an intensive marketing drive to attract industry to the area.

Town secretary Chris le Roux says: "Over the past eight years we have sold 66ha of serviced industrial land.

"This represents 47 industrial sites, of which only 18 are still vacant."

In all, he says, there is around 442 000m<sup>2</sup> of land available for retail and office development, and this is 76% occupied.

The 270 000m<sup>2</sup> of industrial land available is 79% occupied.

Prices for fully serviced industrial land are rock bottom, ranging between R5,30 and R7,10m<sup>2</sup>.

This is echoed in the residential market.

A well-located 2 000m<sup>2</sup> stand will cost only R15 000, while an average family home will cost a mere R60-80 000 and houses at the top end of the market sell for R250 000.

An abundant labour supply is another important factor for labour-intensive operations — whether they are small family businesses or megabuck corporations.

Unemployment is a major problem, but union activity in the area remains low-key and there is little unrest.

Falkirk Industries deputy chairman Bill Muirhead says: "The quality of workers living in the Newcastle area is superb.

"Foundry work is traditional in the Zulu culture, making them especially able to take on work in our factory."

The labour has also proved itself readily trainable.

"A few years ago, a Chinese firm decided to set up a diamond-cutting works in Newcastle.

"It allowed four months to train employees and a further two months to start exporting diamonds to Hong Kong.

"In fact, the factory was fully operational and exporting diamonds two months ahead of schedule," he says.

Chinese-owned companies predominate in the area, which has proved highly suitable for cost-sensitive small businesses.

It is largely due to the influence of this community that Newcastle continues to record growth despite continuing cutbacks by such major employers as Iscor and Karbochem.

"Since 1982, we have attracted about 65 new industries to the town, around 66% of which are Chinese.

"The value of building plans approved is growing as the Chinese community strikes roots here.

"In 1988 it amounted to R15m, by 1990 it was R35m and this year we have already passed plans worth R26m," he says.

6/12/91



180

## Business calls Keys right man for the job

PAUL ASH

BUSINESS leaders have welcomed the appointment of Gencor executive chairman Derek Keys as Minister of Trade and Industry and Economic Co-ordination.

Sacob applauded government strengthening the emphasis on a number of key economic issues. Keys's appointment would bring "a wealth of business experience to the Cabinet, strengthening existing bridges between government and the private sector".

Sacob deputy director Ron Haywood said: "Using people who have specialised knowledge is always an advantage."

Johannesburg Chamber of Commerce and Industry president Mike Kato said the appointment was a tangible recognition that the future of the country depended on both political reconciliation and the recovery of the business sector.

He said in a statement there was a desperate need for direction from government on the restructuring of the economy from one geared to import replacement to an export-development orientation.

The lack of direction and the collapse of business confidence had resulted in a decline of local investment.

"Mr Keys is the ideal person to spearhead the creation of such a direction and could play an important role in providing SA business with an integrated business development policy," Kato said.

Seifsa CE Brian Angus said he had no doubt Keys's appointment — which he described as an excellent development — would enhance economic and business know-how in government circles.

"Keys understands the problems and realities facing business," he said.

The Afrikaanse Handelsinstituut said it had been in favour for some time of greater co-ordination, which would aid economic growth. *8/Day 6/12/91*

SA Institute of Chartered Accountants (SAICA) executive director Ken Mockler said yesterday: "It is a refreshing change to see senior decision-makers being chosen for their skills rather than their particular party affiliations."

● See Page 14



Tourists in Victorian garb visit historical Majuba Mountain.

## Business is set to boom after a few bad years

THE economic downturn has bottomed out as far as Newcastle is concerned and business shows promise of booming, says Chamber of Commerce & Industry president Francis Trickey.

"We have had such a bad time during the past few years that it's unlikely to get any worse.

"From now on we expect business to get steadily better.

"We're seeing a lot of building of shops, offices and factories, especially by Chinese businessmen who have been in the town long enough to build up a cash flow and are taking root.

### Turnovers

"Pick 'n' Pay has been experiencing excellent turnovers during the past few months, as have some motor dealerships," Trickey says.

One factor contributing to optimism is the approach of 1997 and the changes expected to follow in Hong Kong.

"Most of the major players in Hong Kong have made their plans to move to Australia or Canada.

"But Newcastle has proved popular among medium-sized Chinese businessmen and as world markets open up to South Africa its appeal is likely to increase," he says.

But the town is not yet out of the tunnel.

Retrenchments are continuing in various businesses and some companies are working a shorter week.

In this climate the small businessmen are doing more to hold the town together than the larger corporations, and their numbers are growing.

"Growth is assured because we have an excellent infrastructure

in an excellent location at unrivalled land prices," he says.

During the early '70s the town council extended the town's infrastructure in anticipation of the second and third phases of Iscor's works.

Those have never been developed, but Newcastle now has the infrastructure, including high voltage power supply, to serve heavy industry.

Because it was established at a cost of only R25m, the town has a head start on other industrial centres, which are putting in services at 1991 costs.

Another important factor from the point of view of most heavy industries is the town's abundant water supply from two large dams.

At the same time labour is plentiful.

Trickey says the unofficial estimate is around 750000 people.

The next step, and one Trickey is negotiating for, is to link with established major industrial areas through an amalgamation at Chamber of Commerce & Industries level.

11/12/91 6/12/91 B/day

180

JOS GERSON'S conclusions in his article defending pyramid control structures (Business Day, November 29) are open to serious question. It is unfortunate that so little evidence is presented; no doubt the results of his two years of research with professors Kantor and Barr will be presented to the investment community in intelligible form in due course.

To justify his assertion that pyramids play an "extremely useful role as the proprietors, monitors and guardians of the country's principal firms" he refers cryptically to a 45% premium in the price to earnings ratios of the listed operating companies. As I understand him, this premium is against the price to earnings ratios of the holding companies. He explains this premium by the "lower risk entailed in investing in such firms and the much faster growth in earnings per share associated with industrial companies controlled by the dominant groups".

Leaving aside this unorthodox claim that lower risk is associated with much faster earnings growth, the fact that holding companies are valued on discounts to their underlying businesses could surely be taken to justify the complete opposite of

# Pyramid

power and growth

his pro-pyramid position — that they simply mean that the discounts represent the head office syndrome (see Derek Key's jibe: "I'm from head office and I'm here to help you").

If investors perceive the holding companies to add value to the underlying businesses then why does the market — according to Gerson's own data — rate the top companies so unfavourably? Far from the minority shareholders actually benefiting from the existing structure (Gerson's words), it is arithmetically irrefutable that they would increase their wealth by dismantling the controlling companies distributing the underlying businesses.

It is claimed that powerful proprietors who have succeeded in "retaining an absolute majority of shareholders' votes" (with multitier pyramids this can be achieved with less than 10% beneficial shareholdings) are best able to ensure that management's competence is optimised; the inference is that poor management is rapidly fired and

replaced with good management.

My experience as an investment analyst tells me that this is simply untrue in SA. The major top companies are almost invariably reluctant to disturb management in controlled companies, particularly at senior level.

Gerson goes on to say his "most significant econometric finding" was that the wealthier the controlling shareholder, the smaller his fraction of the underlying equity in each of "his" operating companies. Assuming Gerson's information on individual total net worths to be accurate (art collections, real estate, etc?), this finding could be taken to indicate that a strategy of maximum diversification away from the underlying businesses is the optimum wealth strategy for the founding families.

RONALD HUDSON

The argument that fully enfranchised shareholders, because there are too many of them, are unable to restrain incompetent managers and are therefore undesirable is extraordinary. Full enfranchisement enables shareholders to find "absurd" to operate like a political democracy, in that at regular intervals via the AGM, directors can be voted in or out of office depending on their competence.

The fact that many shareholders do not attend AGMs is irrelevant: it may well reflect a feeling of impotence at their lack of enfranchisement via pyramid structures. In the US, where pyramids are thought undesirable, it is increasingly considered to be a breach of fiduciary duty for fund managers not to vote a proxy, and minority actions against management are increasingly common. Percentage polls of around 60% in US presidential elections are not used as arguments for loaded voting structures.

At the end of the day, pyramids and superpyramids (pyramids on top of pyramids) are obvious stratagems to entrench control over large amounts of corporate net assets at the lowest possible cost. In SA there are specific examples of major operating companies which are effectively under the total control of top companies with only around 5% effective shareholdings.

Gerson's "most significant econometric finding" may merely correlates the richest individual with the most blatant pyramidier. The important world is "entrench".

For the capitalist system to work properly the efficient corporation must be rewarded and the inefficient penalised; dynasties must not be artificially prolonged. In First World democracies governments know they can be voted in or out of power. If political disenfranchisement is universally considered to be undesirable, there should be no justification for it in the economic sphere via pyramids.

● Hudson is the pseudonym of a stockbroker and investment analyst who has requested anonymity due to his dealings with institutions referred to in this article.

## LETTERS



# Reserve Bank deposit probe

THE Reserve Bank is investigating more than 15 companies which could be contravening the Deposit-Taking Institutions Act.

Included are Selected Portfolio Brokers and Funds-trust, both in provisional liquidation, as well as Master-bond, under curatorship. All three have been found to be contravening the Act.

The bank is also investigating three companies against which complaints have been lodged.

A Reserve Bank official says complaints against other companies are less detailed at this stage. Companies contravene the Act by accepting money from the public for investment when they are not registered deposit-taking institutions.

The bank will ask any company to return money and interest obtained from activities which contravene the Act. If a company cannot repay the money, the bank can apply for its liquidation.

The bank warns investors against the risks of entrusting money to companies not registered as deposit-taking institutions, particularly

By ZILLA EFRAT 180

those offering a return markedly higher than the current rate on similar investments with registered institutions.

The official says any warnings from the bank about certain companies could come too late because it acts only on complaints, usually from members of the public whose investments turn sour.

Syrets investment management division assistant general manager Olie Atkins says advertisements promising unusually high interest rates can be tempting. But the institution concerned is unlikely to offer high returns for philanthropic reasons.

Mr Atkins advises investors who are unfamiliar with an institution's name and background to find out who the directors are and what financial backing they have.

In today's depressed economic market, many small companies are experiencing financial problems which could ultimately have an impact on investors.

# Karos in the clear

<sup>S/Times (RUSS)</sup>  
<sup>8/12/91</sup>  
KAROS Hotels was wrongly featured among the JSE's worst 25 performers in the Top Companies survey last week. The table showed that Karos achieved a negative return to shareholders of 20,3% in the five years to September.

In fact, Karos was listed for only two years and two months of the five-year period. The main slump in the share's performance occurred before Karos was listed through the cash shell of New Bernica.

The actual return for Karos shareholders since the listing was minus 6% a year.

## 180 Problem

Another mistake was made in the table showing companies' operating margins. It was reported that TSI boasted the best margins on the JSE — an operating margin of 70,9%.

It turns out that I-Net's database understated TSI's turnover by a factor of 10. Its margin should thus have been 7,09%, not 70,9%.

TSI should have been ranked 54th after I&J and above Hiveld in the turnover table. It had sales of R1 443,3 million.

Rusplats should have been ninth in the table ranking companies by taxed profits. It was erroneously excluded when tables ranking mining and industrial companies were merged.

In the year to June 1991, Rusplats made R608-million in taxed profit, slightly ahead of parent company JCI with R565-million.



CECIL MARGO: Simplifying the complex Companies Act

# Tell-all proposal for private firms

PRIVATE companies may be forced to open their financial statements to the public. (180)

The move is proposed by the Standing Advisory Committee on Company Law. (Times (BUS))

Committee chairman Cecil Margo says it is a result of the need to simplify the Companies Act, which has more than 450 sections and four schedules, three of which are complex. 8/12/91

One simplification was the legislation providing for close corporations (CCs), says Mr Justice Margo. CCs are generally for small concerns which may not have more than 10 members — all natural persons.

Mr Justice Margo says there is a good argument for the retention of separate entities and it is still being looked at. The opening of private companies' books to the public is not a final recommendation to the Minister of Trade and Industry.

## Limit

A meeting of interested parties has been held. Two more will be held next year before the final proposal is drafted.

Mr Justice Margo stresses that this is not the only issue, but is the most contentious being dealt with by the committee.

Others include a limit on the number of members a private company may have and the quorum it requires for a general meeting. The quorum for a private company differs from that prescribed for a public one.

Pratley Manufacturing &

By TERRY BETTY

Engineering managing director Kim Pratley believes an open-books law would be an invasion of company privacy. He says the advantage of a private company is that competitors are not able to discover facts about its operations.

Under the proposal, it would be possible to find out where a company was investing and to a certain degree what its business plan was. For example, if a company was highly geared, competitors would know that it could not expand easily.

Mr Pratley says that in small concerns, an individual's wealth is open to scrutiny.

An accountant says: "One of the fundamental objections to the proposal is that it is an invitation for trade unions to target successful companies."

Employees could draw invalid conclusions from the figures if they did not understand how businesses operated. For example, if a company reported a large profit, employees would expect it to be handed to them through higher pay. Many do not realise that profits have to be retained for investment in plant.

Oscar Goldstuck, financial director of Macsteel, one of SA's biggest private companies, says the proposal is a cause for concern.

"But we could get around it by limiting the value of sensitive information. For example, we could merely disclose the percentage change in turnover instead of the amount."

Mr Goldstuck says there is a positive spinoff to the proposal in that it would expose companies purporting to be what they are not.

Kevin Bates Flooring financial director Neil Duncan is also opposed to full disclosure "because companies choose to go private" to protect information that could be valuable to others.

Mr Duncan says a private company provides financial statements to banks and others at its discretion. There is no reason for the public to have access to its results.

Mr Duncan believes the CC route is not always ideal for a large private company. CCs do not appear to have gained market acceptance.

## Unilever

SA Institute of Chartered Accountants operations director Graham Terry says the institute has not formulated a response to the proposal. It is canvassing its members and will hold workshops and seminars early next year.

Ernst & Young partner Harold Laughton says the issue is complicated by the fact that private companies are not restricted to the small businesses.

Shell and Unilever are examples of major foreign-owned companies exempt from reporting their financial statements because they are private. But many of their competitors in SA are public companies.

Mr Laughton says that although circumstances in SA may be different, financial statements of all companies are open to the public in almost all First World countries.

# Barlows confident of future

STAR 9/12/91

By Ann Crotty (180)

Barlow chairman Warren Clewlow is expecting financial '92 to be a difficult year, but thinks "there is the likelihood of some growth in our results".

He seems optimistic about the longer-term outlook, noting: "The group will continue to prosper with its excellent resources, its good capital base, its spread of businesses and the strength and depth of management."

Mr Clewlow believes these factors will combine to help Barlows weather the down times and ensure prosperity in the growth years.

Referring to the two percent increase in earnings in financial '91, he says this was a creditable performance in the testing conditions that prevailed.

Apart from being a tough year for the economy, '91 was a year of significant restructuring for Barlows' mining and mineral beneficiation (MMB) division — namely the reduction in exposure to platinum mining and the impending sale of MS&A.

The segmental analysis in the '91 annual report shows that fixed

assets in the MMB division dropped from R4 billion at end-September '90 to R2,6 billion at end-September '91.

This sharp reduction does not include the sale of the MS&A assets because that transaction will only be completed in financial '92.

If the approximate R1,1 billion that is to be earned from that sale is anywhere close to asset value, then fixed assets in the group's MMB division could be reduced to around R1,5 billion.

Despite the poor '91 performance and the pedestrian performance expected in the current financial year, Barlows share price has been enjoying a good run on the JSE in recent months.

This is in line with the apparently indiscriminate rush for blue-chip industrials that has been a major feature of institutional trading over the past months.

It may also be heightened by expectations that management will be able to produce better returns from the R1,1 billion proceeds than it could from MS&A.

Mr Clewlow says: "The cash inflow from the sale of MS&A will greatly strengthen the balance

sheet and offer the group more flexibility for investments.

"Strategically, the Barlow Rand group will now concentrate on its strengths.

"In the case of mining and mineral beneficiation, these lie in coal and cement, in which fields we have the scale of operations necessary, firstly, to achieve cost benefits and, secondly, in the case of coal, to exploit its considerable export potential."

The ten-year summary of key statistics presents a grim picture.

The financial '91 operating margin of eight percent is the lowest in the ten-year period.

Analysis of the return on net assets and total assets is complicated by the change (effected in '88) in providing for deferred tax.

Up to and including '87, the group provided for deferred tax on the comprehensive method. In '88 it changed to the partial method.

This change helped to lift earnings to 408,2c in '88 from 297,3c in '87.

In the process, return on net assets shot up to 26,3 percent in '88 from 20,7 percent.

And return on total

assets was up to 18,5 percent ('88) from 15,3 percent ('87).

Return on equity rose to 29,1 percent ('88) from 24,9 percent ('87).

By financial '91, these returns had dropped to 22,2 percent (on net assets), to 15,7 percent (on total assets) and to 20,2 percent on equity.

The earnings figure, which reached a high of 543,8c in '89, has slumped to 430,9c this year.

Of greater concern is the fact the inflation-adjusted earnings figure is just short of 200c this year, compared with 300c in '89.

In both '90 and '91 the inflation-adjusted earnings figure just barely covered the dividend payment.

The same inflation exercise (provided in the annual report) shows that both cash generated from operations and capital expenditure has, in real terms, been falling.

This presumably is the motivation behind the decision to offer shareholders additional shares in place of the final dividend.

Much in the annual report suggests that the current share price is overheated and incorporates great expectations on the part of investors.

By AUDREY D'ANGELO  
Business Editor

ACTIVITY levels in the manufacturing sector have been improving steadily in the last three months, a survey carried out by the SA Chamber of Business (Sacob) shows.

Colin Boyes, deputy director of the Cape Chamber of Industries, said conditions were still tough. "Quite a number of firms are wondering how they will survive in the New Year."

But, he pointed out, "a number of positive factors are falling into place."

Sacob economist Keith Lockwood, analysing the results of its manufacturing confidence survey — the last for this year — says: "A number of fundamental

# Manufacturing activity levels 'improving' (180)

CT 10/12/91

aspects point to a further recovery in the sector early in the coming months, although many industrialists continue to expect 1992 to be a fairly difficult year.

"The survey of activity levels in January will therefore be of particular interest."

Lockwood says the outlook for employment in the manufacturing sector continues to be bleak, both in the short and medium term.

"However it seems

likely that the tendency to cut back on labour will be reversed quickly if the economy improves significantly.

"School leavers should therefore use this opportunity to acquire skills which will be in demand in an expanding economy."

The survey has also shown that more than 58% of manufacturers in the Transvaal, Durban and Maritzburg areas plan capital expenditure to increase their

capacity in the New Year.

But although the October survey showed that "a clear majority" of Western Cape manufacturers had similar plans many of them changed their views last month.

"Whereas a clear majority of respondents in this area expected to increase real capex on the creation of new capacity in the October survey, the majority surveyed in November expected to reduce their levels of real capex in the coming year." Pointing out that there has been a tendency to substitute capital for labour over an extended period, Lockwood says this emphasises the need for business and labour to adopt "more of a team spirit."

Security experts added that undermanning usually made minimum

spread of 1m;  The R1 rifle, which was lethal at a range of up to 200m and capable of

According to Press reports from the same period, riot police killed at least 40 people and injured 770.

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# Govt aid may be rejected

810am  
10/12/91 WILSON ZWANE

OPERATION Hunger is expected to reject funds allocated to it in terms of a government plan to inject R220m into poverty relief programmes.

A source close to Operation Hunger has indicated a letter will be written to National Health Minister Rina Venter, accusing government of "audacity" in allocating funds to Operation Hunger without the organisation having applied for such funds.

Operation Hunger would reject the funds as it was not right for government to assume how much money it needed, the source said.

The National Health and Population Department recently announced that about R30,5m had been set aside for Operation Hunger and the National Council for Child and Family Care.

Fourteen other organisations which managed nutrition development schemes had already received grants to the tune of R12,6m.

The department also said that in a bid to counter malnutrition-related diseases, government had allocated R10m to local and provincial clinics.

Venter announced in August that government would make R220m available until the end of March next year to provide "targeted" food aid to the poor.

# Liquidations soar by 45%

810am  
10/12/91 GERALD REILLY

PRETORIA - Company liquidations jumped more than 45% in the three months to end-October, while sequestrations climbed 24%, Central Statistical Service (CSS) figures show.

Liquidations in the third quarter totalled 541, an increase of 45,8% compared with the same three months in 1990.

Individual and partnership insolvencies grew 24,1% in the third quarter to 1124, compared with July-September last year. This was 28% up on the second quarter.

The CSS said that in October alone 153 companies and closed corporations were placed under final liquidation, while in September 373 insolvencies were recorded.

Absa senior economist Adam Jacobs said the figures underlined the fact that the economy had deteriorated from a moderate recession in the first half of the year to deep recessionary conditions at present.

The worst, he said, was not yet over. All relevant indicators were that the number of liquidations and insolvencies would continue to increase deep into next year.

He said private consumption expenditure was sharply down in the third quarter and even government spending had declined in the quarter.

# US firms urged to pep up aid schemes

B/day 11/12/91

WASHINGTON — The collapse of formal apartheid notwithstanding, US companies in SA must redouble their social responsibility efforts, even though they are already "at the forefront" of businesses seeking to facilitate change.

So contends auditor Arthur D Little Inc in its latest annual report on how signatory firms are complying with the so-called Statement of Principles, formerly known as the Sullivan Code.

"The need for such programmes is more urgent today than ever before to meet the growing expectations and opportunities of the majority of the population," the report states.

"If collective pressure for change is halted, social tensions will increase and hurt the efforts of all parties working towards a unified, non-racial democracy." After a decade of precipitate decline due mostly to disinvestment, the number of signatories has stabilised at 52, a marginal drop from 54 last year.

Despite deepening recession, the 52, representing 17 693 employees, increased their social expenditures inside and outside the workplace to R74m over the past year, up from R67m in 1990.

Of this more than R33m went towards educational assistance for non-employees.

Man-days devoted to social responsibility activities also increased from 64 000 to 70 600.

180  
776  
31  
SIMON BARBER

All but four of the companies were "making progress" or better. Donaldson Co, Harnischfeger Industries, Ingersoll Rand and Joy Technologies were told they needed to become "more active" in the fields of education for non-employees, training and advancement, community development and social justice.

For the first time since the principles were established in 1977, companies were required to provide employees with AIDS and family planning counselling and annual TB tests. All complied.

The companies' performance in filling white-collar vacancies with blacks improved quite markedly — from 20% to 27% at the managerial level — the only exception being supervisory positions. Here the proportion slipped from 63% to 60%.

Overall, the proportion of whites supervised by blacks in signatory firms is 10,5%, up from 6,2% five years ago.

Several firms reported that their efforts to advance blacks was being hampered by unions and workforce peer pressure.

One said "the trade unions are prepared to allow their members to be trained at various skilled jobs, but not supervisory and managerial jobs".

Several companies indicated they were engaging more deeply than ever before in efforts to desegregate schools and help community groups counteract violence.

IN THE debates about the SA economy, it is not uncommon to hear the Anglo American Corporation called a "monopoly". What the ordinary reader probably does not know is that the word is used in a Marxian sense and that in Marxian new-speak a monopoly does not mean a monopoly.

A monopoly capitalist is a capitalist that the speaker does not like, that is to say, any capitalist, and it does not mean that the capitalist has, or might have, a monopoly of anything at all.

Whether those who use this terminology are always conscious of the fact or not, the purpose of this peculiar use of language is to deceive. The ordinary person knows what a monopoly is, and knows why monopolies are objectionable. The purpose of calling things monopolies is to make people believe that they really are monopolies, even when (as is usually the case) they are not.

A monopoly is an organisation that controls so large a proportion of the supply of a particular thing (or service) to a particular market that it can fix the price to suit itself, and those who want the thing have no alternative but to deal with it.

It can not only charge excessive prices and make unearned profits; it can treat its customers with contempt (like the Post Office used to do before commercialisation), use unfair methods of debt collection (like the telephone service used to do), arbitrarily cancel people's reservations to make way for its pals (like the airways did when they had no competition), undersupply the market and have people queuing literally (like the shops in Russia) or figuratively (like the telephone service).

In the real world monopolies are quite hard to find, except in the hands of governments, where it is commonly a criminal offence to compete with the state-owned monopolies. In SA, Eskom, the railways, and the post office (in all its branches) are national monopolies, while the municipal light and water supplies are local monopolies. Monopolies in the private sector are usually the result of government

# Monopoly claims against Anglo are designed to deceive

By  
1/12/91

MICHAEL O'DOWD

(180)



licensing. It is no coincidence that they continually crop up in the liquor industry, which is more strictly hedged around with licensing laws than any other. If you believe liquor should be expensive, this may not be a bad thing.

How much a monopoly matters depends on how easy it is to find a substitute for the thing that is monopolised. The ideal substance for a monopoly is salt, which is absolutely essential, and for which there is no substitute.

SA Breweries has a monopoly of producing beer, but it cannot (and does not) put its prices up unreasonably because for many people beer is in direct competition with wine and spirits. Road transport is in direct competition with the railways, so, for many years, the railways were given the power to suppress road transport through the notorious road transportation boards.

Where a group of independent producers get together and agree to act jointly as a monopoly, that is called a cartel. Opec is a cartel which worked for a while and then broke down, as cartels are inclined to do. De Beers leads a cartel of diamond producers, which includes the Russians. They are able to prevent the price of diamonds from fluctuating the way gold and platinum prices do, but the extent to which they can raise prices is

very limited because diamonds are in competition with other gems, with gold and platinum, and, in fact, with all luxury products.

De Beers does lead a diamond cartel but, that apart, is Anglo American a monopoly? Here are the facts.

According to the 1991 annual accounts, 11% of Anglo's revenue came from gold mining. The freedom and volatility of the gold price, which all gold producers have to accept, is surely well known. Twenty per cent came from other mining, chiefly platinum, and the platinum price is only slightly less volatile than the gold price. If, indeed, it is less.

There are also other metals such as vanadium, chrome, copper and manganese. All are exported at world prices over which the SA producers could have no control, even if they acted together, which they do not. If they could control the prices, this would be beneficial to SA as Opec was beneficial to the oil producing states, but they cannot.

Twenty-five per cent of the revenue came from industry and commerce. Anglo's main interests in this field are:

□ Highveld Steel, which operates in competition with Iscor, which is about nine times larger. Before the

founding of Highveld, Iscor was a monopoly;

□ Mondri Paper, which is one of two paper producing companies. Before Mondri was started, there was only one, which was a monopoly;

□ AECI, which was once the only producer of explosives and many chemicals in SA but is now in competition with Sentrachem and Sasol; □ LTA, which is the second largest civil engineering construction company, in competition with one company larger than itself and numerous smaller ones; and

□ SA Motor Corporation, which has a market share of less than 20% of the SA market, in competition with, among others, Toyota, Nissan and Volkswagen, not to mention General Motors, which is one of the largest companies in the world.

Twenty-one per cent came from financial services and property. The main companies here are FNB, in competition with three other larger banking groups and Southern Life, which is one of the smaller life assurance companies, in competition with, inter alia, SA Mutual (SA's largest company) and Sanlam.

Five per cent came from coal, where Anglo has a share of 24% of the SA market, in competition with several other groups of comparable size. In the domestic market more than 90% of the coal is sold to Eskom while about a quarter of the output is

exported into one of the most fiercely competitive markets in the world, where coal from all over the world is competing with heavy fuel oil. Finally, 18% came from diamonds, already mentioned.

So, De Beers apart, where is the monopoly? It cannot be too strongly emphasised that monopoly has nothing to do with size. A mom and pop store can be a monopoly in an isolated village, while General Motors, which for decades was the biggest company in the world, never was a monopoly, nor anything near one.

Almost all countries have laws against monopolies (always defined as I have defined them, not in the Marxian sense, or lack of sense) but by far the most rigorous of such laws are the American antitrust laws. Yet, until the past few years when a few Japanese companies joined the league, at any time this century all the world's largest companies were in the US. Quite small companies are sometimes prosecuted under the antitrust laws but the biggest, like General Motors, are not since, in fact, they are not monopolies.

The claim that very big companies will become monopolies because it is impossible to start new enterprises in competition with them is not true. When General Motors was founded, Ford had about 80% of the US car market. A few years later General Motors was larger than Ford.

In SA, Anglo started Highveld in competition with Iscor, and Mondri in competition with Sappi. It helps when a big company can stand behind the new competitor, but it does not have to be like when the United Tobacco Company completely dominated the SA tobacco market.

Liberty Life was founded in competition with the SA Mutual and Sanlam, two of SA's largest companies. Pick'n Pay was founded in a single shop in Cape Town, with a capital of R400 000, when Checkers and OK Bazaars were established national chains.

For that matter, Anglo was founded, in 1917, when the SA mining economy was completely dominated, and had been for 30 years, by Rand Mines.

□ O'Dowd is an executive director of Anglo American.



## BUSINESS

# Small business with big influence

Small is beautiful, but is it meaningful? REG RUMNEY reports on a new study of small and medium sized businesses in South Africa

HERE'S a tendency to think of small business in South Africa as a sideshow to big enterprises. Anglo American is real business, the thinking goes: Joe's Cafe isn't.

A study commissioned by the Small Business Development Corporation should go some way towards changing people's misconceptions.

The University of Pretoria's economics department has taken as its latest focus theme, the role of small and medium-size businesses (SMBs) in the South African economy.

The study shows that in many areas SMBs are an economic force to be reckoned with.

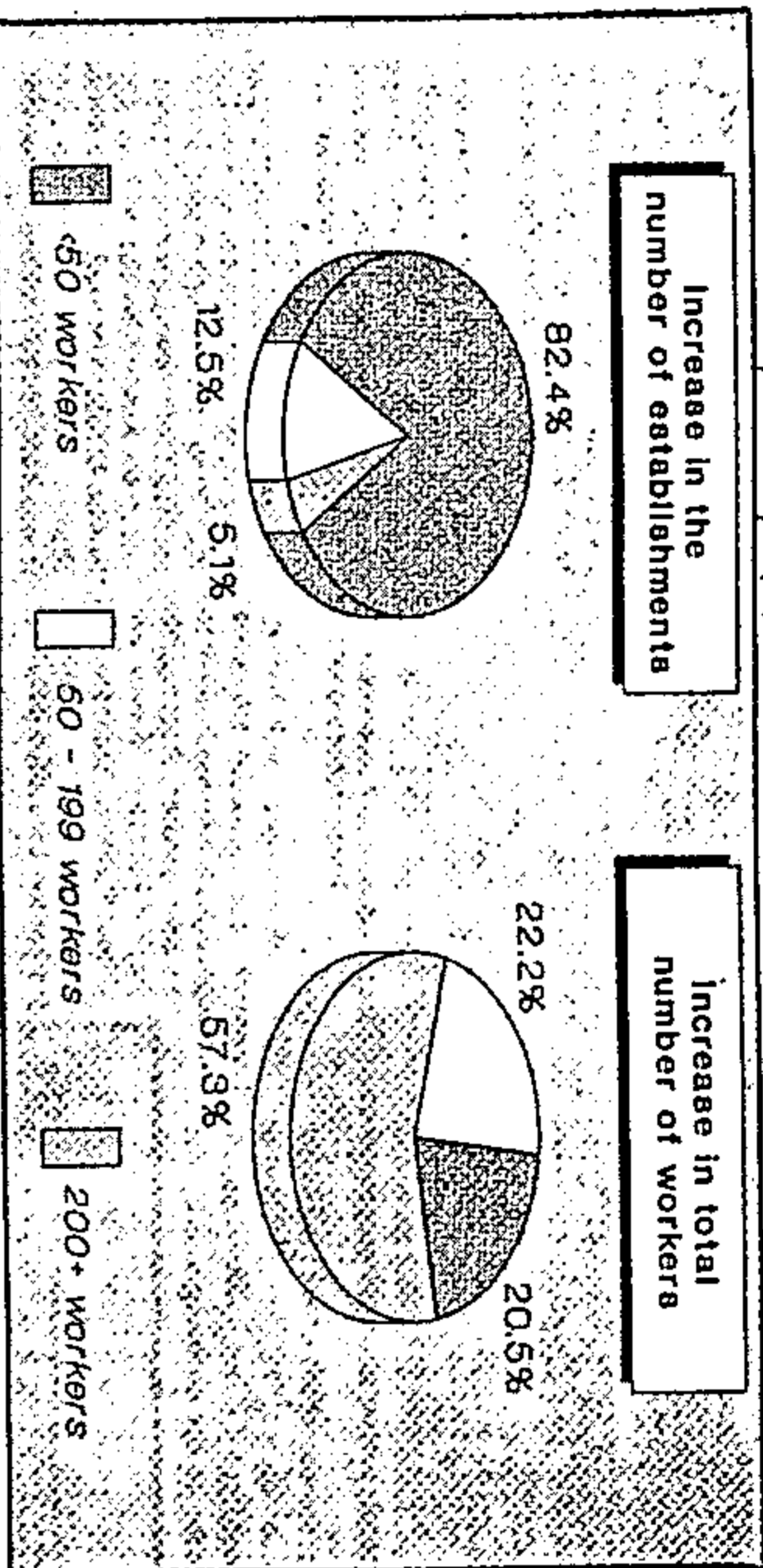
It also shows that the contribution of SMBs to the economy rises along with the value-added chain. Extracting raw materials (the primary sector) offers few opportunities for SMBs. Manufacturing (the secondary sector), offers more opportunities and small and medium-size retailers are common.

SMBs don't stand out in farming, for instance. Agriculture also illustrates the difficulty of defining small. Around 40 percent of farms are smaller than 500ha. And they employ 37 percent of agricultural labour. But since land fertility is often the deciding factor in farming, land size doesn't mean that much.

If yearly income is used as the yardstick with which to measure small and big in agriculture, only 25 percent of all farms have yearly income of less than R100 000, employing only 4,2 percent of agricultural labour.

In mining and fishing SMBs don't count for much of total employment and income generation in those sectors. Small mining establishments and fishing outfits are prolific, however, suggesting that mining and fishing provide a home for small entrepreneurs.

In manufacturing, SMBs are numer-



Growing force ... The graphs show the increase in the number of manufacturing establishments and employment between 1972 and 1985

Source: Pretoria University Department of Economics

ous and they account for about a third of total manufacturing activity.

A telling figure is that of the increase in SMBs in manufacturing between 1972 and 1985.

Small businesses accounted for around 82 percent of all new manufacturing businesses born in those 13 years. Medium-size businesses accounted for 12,5 percent. And SMBs created around 43 percent of all the new jobs created in manufacturing during that period.

SMBs are typically concentrated in particular forms of activity.

In order of importance the sectors in which small manufacturing businesses are concentrated are: metal products, machinery, printing, food, furniture, other manufacturing, non-metal mineral products and clothing.

Medium-sized businesses are typically found in the same sub-sectors, plus textiles and other chemical products.

SMBs are not to be found in the manufacture of motor vehicles, electrical machinery, plastic products and professional and scientific equipment. This suggests economies of scale

are essential for certain businesses, and so they are unsuitable for smaller entrepreneurs.

"The smaller businesses, interestingly enough, seem to be concentrated in those activities that are complementary to, rather than competitive with, the activities where the larger businesses are typically found," says the report.

Most businesses in construction are small. Small businesses, ie those employing less than 50 workers each, constituted around 88 percent of all construction businesses in 1982. Medium-size businesses constituted another nine percent.

Taken together, SMBs provided almost 50 percent of all employment opportunities and the total wages and salaries paid in the construction sector.

Most commercial establishments, according to 1983 census data used in the study, are SMBs. Firms with fewer than 50 employees represented 96 percent of all commercial establishments. Big firms, capital intensive and with economies of scale, play a more important role than their small numbers suggest.

But in spite of this, the small commercial firms employed more labour than the large firms, while the value of their sales was almost the same.

Private transport, according to 1986 census data, was similar, with 96 percent of all transport operators being small, four percent medium, and one percent large.

Appropriate data is scarce for the rest of the tertiary sector. But it seems that SMBs play a predominant role in business services, fixed property, community, social and personal services, among others.

The informal sector isn't of course captured by official statistics. The Central Statistical Service estimated informal activity provided around 2,8-million jobs for black, coloured and Indian workers in October 1990.

Official estimates of the size of the informal sector as a percentage of GDP, the measure of the entire economic activity of the nation, was 5 to 10 percent. Unofficial estimates range as high as 40 percent, though this seems somewhat exaggerated.

Presenting the results of the study, economist Geert de Wet pointed out

that whatever the percentage it was all additional to GDP.

Seeing that small and medium businesses are so important to our economic life, what are the implications of the study?

The importance of small businesses may, for instance, have implications for government spending.

Small Business Development Corporation managing director Ben Vosloo, in a statement accompanying the release of the study, points out that the money spent on export incentives far outweighs any government spending on small business.

Vosloo says that in the 1991/92 Budget a total of R1 411,5-million was budgeted for export trade promotion.

This will be distributed, he says, to around 2 500 beneficiaries under the General Export Incentive Scheme.

Most of those beneficiaries are large. But in the same Budget only R75-million was voted to the development of small and medium size enterprises through the SBDC.

Vosloo reckons this is clear evidence the development of SMBs does not rank as a high priority in development strategies and policies of the present government.

Ironically, De Wet questioned to what extent government should be involved in small business.

The origins of wealth were not in government but in entrepreneurship, De Wet said.

However, he said, some tax money should be channelled into creating opportunities for entrepreneurship to generate income and employment.

The study proposes a four-pronged strategy including education, training and information, involvement in public projects, further deregulation and extension of physical infrastructure.

Well and good. But the study's chief virtue may be in its potential to change the importance South Africans attach to smaller businesses.

GENCOR

210 (180) FM 13/12/91

# Plenty of momentum

**Activities:** Diversified group with important interests in mining, forest products, industry, oil and gas, and mining finance and investment.

**Control:** Gencor Beherend 54,8%; Sanlam has ultimate control.

**Chairman:** D L Keys.

**Capital structure:** 1,18bn ords. Market capitalisation: R15bn.

**Share market:** Price: 1 280c. Yields: 3,4% on dividend; 9,4% on earnings; p:e ratio, 10,7; cover, 2,8. 12-month high, 1 500c; low, 900c.

Trading volume last quarter, 8,5m shares.

Year to Aug 31 †'88 '89 '90 '91

	'88	'89	'90	'91
Investments				
— carrying val (Rbn)	3,73	5,33	5,99	7,18
— valuation (Rbn)	7,99	13,16	14,61	15,99
Earnings (Rm)	720	1 051	1 479	1 405
Earnings (c)	73,5	105,5	125,8	119,5
Dividends (c)	27,0	34,0	40,0	43,0
Net worth (c)	819	1 211	1 375	1 473

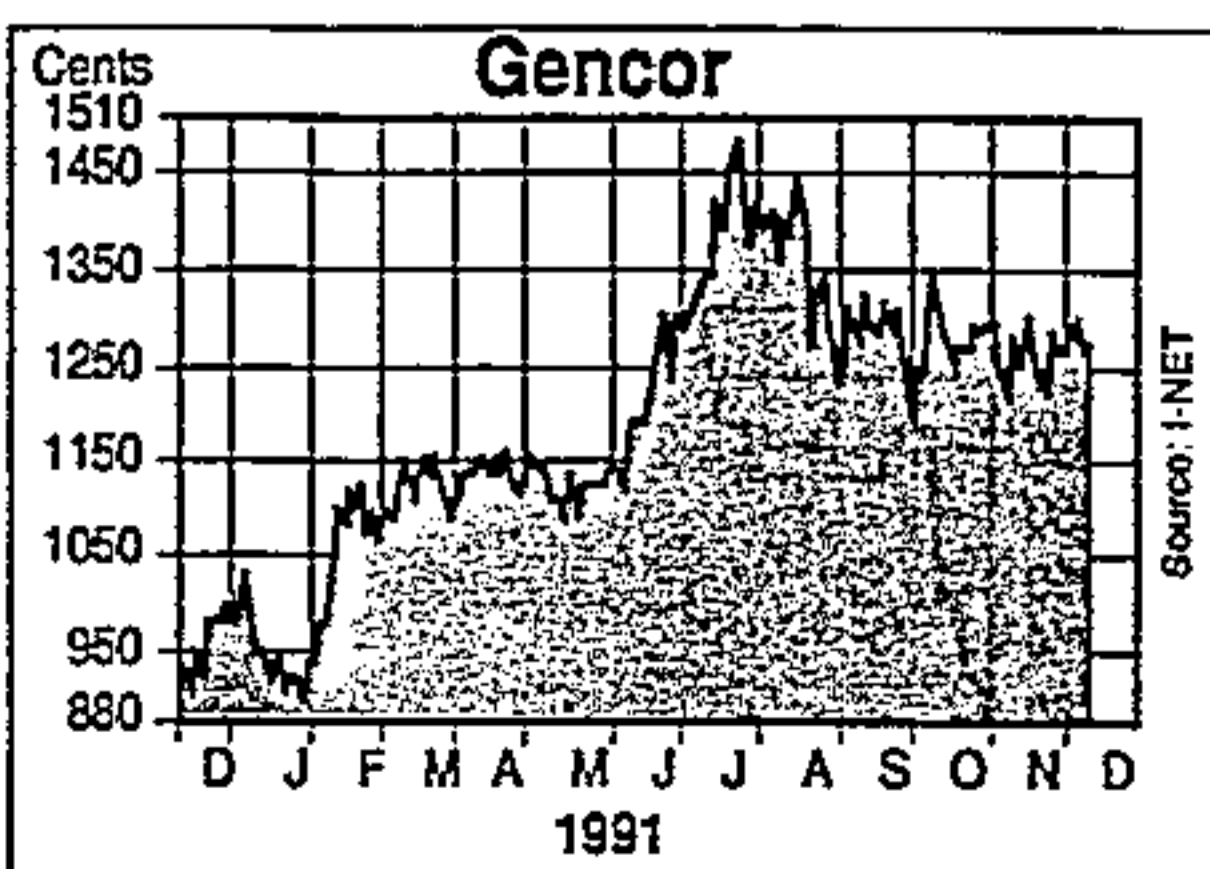
† Pro forma.

When Derek Keys vacates the Gencor chair next month after a six-year stint, he will leave an impressive legacy: strong management is in place, numerous large capital projects are being pursued and the house is well funded.

In some respects, this may be a logical time for his departure, in that Keys has achieved major goals he talked of after his appointment. Among the most important of these was the need to change the culture and the thinking in the organisation.

When he arrived, Keys has said, most managers were spending their time "administering the estate." None of the senior executives was giving much attention to finding new business and nor was anyone required to make a priority of seeking new ventures. Now, after large acquisitions — such as Mobil, Saiccor/Usutu Pulp and the controlling stake in Alusaf (Pty) — there are hefty spending programmes in various divisions.

Among these, Engen is involved with a R670m expansion and will soon announce its R1,1bn second phase; Sappi is spending more than R700m on projects at Saiccor, Tugela and Enstra mills; Trans-Natal is investing about R1bn, partly on the creation of new export capacity; Gengold is developing



Gencor's Keys ... not counting on currency weakness

the new Oryx mine, with the first phase absorbing R1,3bn; a new smelter costing about R3bn is being considered for Alusaf; and the Columbus stainless steel consortium starts from a firmer base after having bought Middelburg Steel & Alloys and related chrome interests from Barlow Rand for R1,1bn.

Gencor is well financed and has announced plans to hold another large rights issue (FM November 1). At year-end, though there were loans outstanding of R535m, the group held net cash balances comfortably exceeding R1bn. Should the house raise the mooted R2bn, it will still hold a cash surplus of several hundred million after providing funds for the new ventures and rights issues, including upwards of R800m for Alusaf and following the entitlement in the R440m Malbak rights issue.

Keys' successor, Genmin chief Brian Gilbertson, will therefore take over the running of a group that already has a great deal on its hands. Gilbertson, who has taken a more hands-on approach while running the mining division, says he has no plans to change the decentralised management style that Keys instilled at Gencor. However, the time may be right for a shift of emphasis.

"All parts of the group are actively engaged in pursuing Gencor's goal of real growth," Gilbertson tells the FM. "I suspect that my principal objective over the next year or two would be to see a number of major projects brought to fruition on prudent commercial and financial terms. So my role could change for a while from an initiator to

an implementer."

Other management changes are not expected in the short term. Gilbertson intends to remain chairman of Genmin for a while, though he intends to appoint a successor in due course.

Gilbertson led the team that studied the unbundling proposal and he remains open-minded on the subject. "It clearly is possible to do it efficiently but the shareholder response (the price fell 20c on the announcement) threw cold water on the idea," he says.

"The principal argument against it, is that a big financial group is better placed to take on the large projects. But if the stage comes when the shareholders think it is the thing to do, we would certainly consider it."

As the table shows, there have been marked shifts in the sources of group earnings over recent years. Whereas a few years back nearly 70% of earnings was from Sappi and Samancor, the contributions from both companies have flagged because of market weakness; others, particularly Engen and Genbel, have grown rapidly.

Even so, the house remains heavily reliant on world commodity and precious metal markets. If anything, this has become more true than ever. Keys points out that, for the first time in many years, Gencor's receipts from export sales were not boosted last year by a depreciating rand.

Average realised exchange rate for the year gave R2,65 for each US dollar, compared to R2,66 the previous year. The current rate (R2,79) is more favourable but Keys says the conservative management of the country's external position by the monetary authorities makes it unlikely that currency weakness will contribute materially to group results.

Gilbertson believes Gencor will do well once markets recover, particularly if this is

## GENCOR'S DIVISIONS

### Earnings sources (Rm)

	1989	1990	1991
Gengold	153	155	125
Implats	91	123	123
Trans-Natal	36	73	87
Samancor	321	251	177
Minerals	92	128	84
International	37	41	23
Exploration	(81)	(110)	(114)
Corporate	(72)	(37)	(23)
Genmin	577	624	482
Sappi	276	240	154
Malbak	145	116	128
Engen	(29)	203	237
Genbel & invest	105	322	428
Corporate	(23)	(26)	(24)
Gencor	1 051	1 479	1 405

P.T.O.

Continued →

**COMPANIES**

(20) (180)

FM 13/12/91

accompanied by a firmer rand gold price. Meanwhile, the group should have enough momentum and liquidity to allow another increase in the dividend this year, though the rate of increase is unlikely to exceed last year's 7,5%.

At 3,4%, the dividend yield on the R12,80 share price is higher than yields on Anglo American (2,6%), Anglovaal (1,2%), Gold Fields (2,5%) and JCI (2,3%). But the gap is not greater than usual, and the 12% discount to the present NAV of about R14,60 is low. The share remains a good long-term investment in commodities, with other attractions, such as energy.

*Andrew McNulty*

# Export policy set to boost property funds

Business Day Reporter

TAMBOTI and Umdoni Property Funds are set to benefit from SA's export and manufacturing-directed economic policy since their property portfolios are mainly industrially based, chairman of the two funds Michael Noyce says in his annual review.

"Most commentators believe that the next economic upswing will be gradual in the initial stages, but because it is likely to be export and investment driven, rather than consumer-led, it should be more sustainable," he says.

In the year to September, Tamboti improved its distributable income to 31,3c a unit from 28,3c in 1998 while Umdoni's distribution lifted to 17c from 15,5c.

During the year Tamboti held a rights issue to raise R58,9m of which R28,6m is committed to property developments and another R23,8m is held in cash.

Umdoni remains fully invested. It realised R8,3m on the sale of properties of which R4,3m was spent on developing and improving existing properties, leaving a capital surplus of R4,1m.

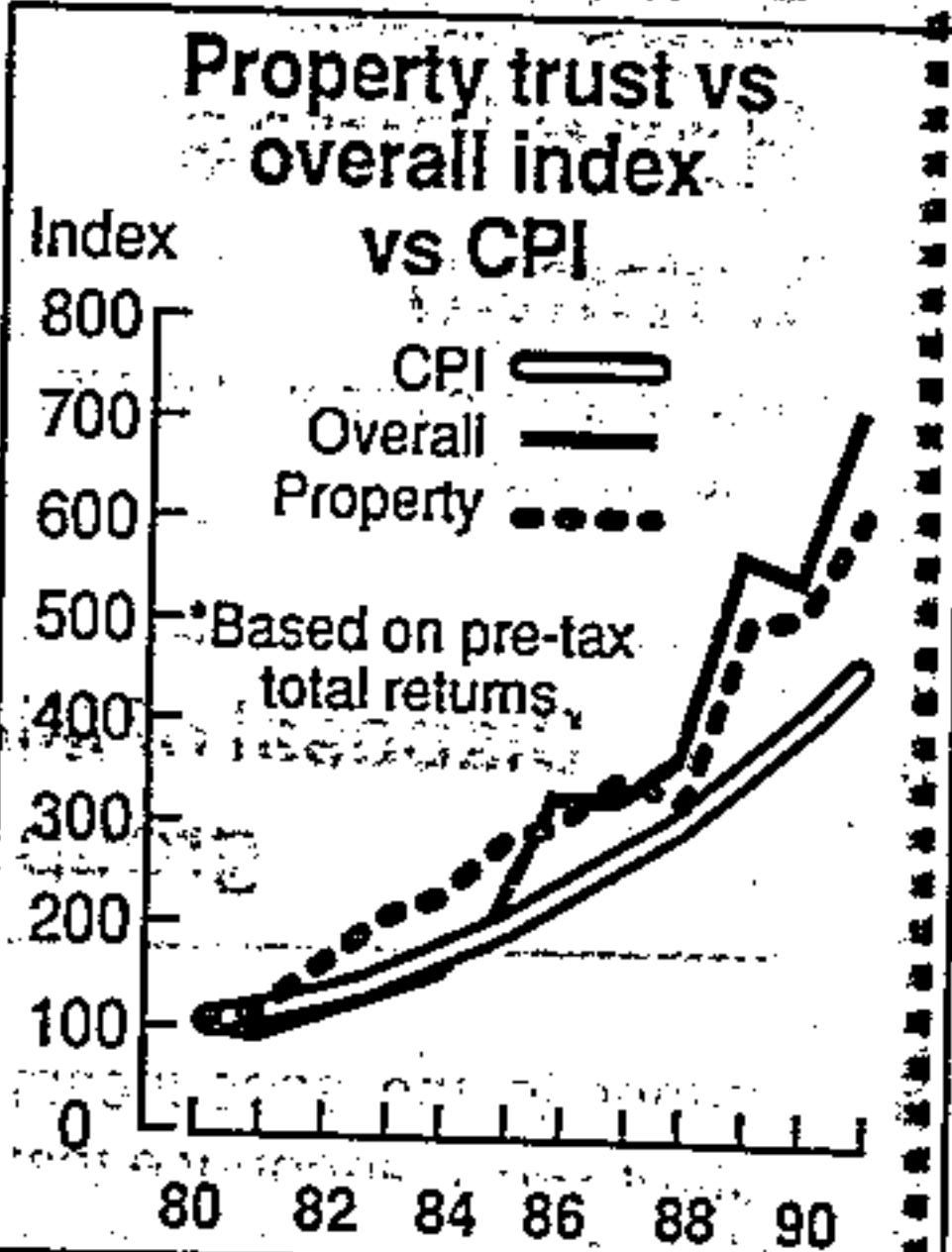
Noyce says the advantage of investing in the property sector is that property tends to be less volatile than other sectors of the economy.

The property trust sector is yielding average returns of 10,5% and looks more attractive with the possibility of falling interest rates next year. Property trusts are also more marketable and have a greater spread of risk than direct investment in property.

By year-end only 1,4% of Tamboti's portfolio was vacant and 0,6% of Umdoni's — a commendable achievement in view of the length of the recession, Noyce says.

Both funds expect to show growth from the renewal of leases next year and the impact of higher rentals achieved on review last year when these were previously below market levels.

Tamboti's interest earnings will also grow as a result of the large amount of cash it holds, although this could be tempered as interest rates are expected to fall.



Graphic: LEE EMERTON Source: TAMBOTI

# Accounting reforms could hit top firms

(180)

BTD ay 17/12/91

PLANNED changes to accounting standards could dent the financial ratios of some leading blue chip companies. The changes could also force groups that have hived off debtors' books to bring them back onto the balance sheet.

If implemented, the amendments will result in fuller financial disclosure, stricter controls on the way companies account for investments in subsidiaries and associate companies, and the disclosure of off-balance sheet liabilities.

The standing advisory committee on company law has already approved proposals for fuller disclosure of turnover and the reserves of financial institutions. If these receive the stamp of approval from Deputy Trade and Industry Minister David Graaff, they should be enforced next year.

In another development, the SA Institute of Chartered Accountants (SAICA) is campaigning to amend the accounting standards for subsidiaries, associate companies and joint ventures. Underlying its campaign is an attempt to improve the quality of disclosure and to protect investors from misleading information, says SAICA technical director Monica Singer.

LESLEY LAMBERT

Subsidiaries have already been dealt with in a proposed amendment to the Companies Act, which changes the definition of a subsidiary from 50% ownership to control by way of voting rights. This is aimed at forcing companies that have control with a less than 50% investment to consolidate and disclose the impact of these investments on their financial performance.

The SAICA will publish new accounting standards for associates in January. The amendments are aimed largely at forcing companies with "significant influence" over associates to use the equity method of accounting and to make fuller disclosure of the effect of investments on performance.

An associate is currently defined as an investment in which a company holds between 20% and 50%. This definition is being changed to include the concept of "significant influence", which means if a company holding less than 20% of an investment has significant influence by way of board representation or participation in policy-making decisions, the investment

□ To Page 2

## Accounting

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□ From Page 1

will be considered an associate and will have to be accounted for under the equity method. When a company equity accounts, it records the percentage of an associate's profits as retained equity income in the income statement.

Where a company has a significant investment in an associate, it will also have to make separate disclosure of the associate's assets and liabilities.

Together, the two amendments are likely to have the greatest effect on companies — including some JSE leaders — that have been using the proportionate consolidation method of accounting where they add an associate's contribution, line by line, to the income statement only. Singer argues this can overstate a company's financial ratios.

The SAICA has also issued an exposure document with proposals to prevent companies from using joint ventures to leave liabilities off the balance sheet.

Another practice SAICA is investigating

is the trend in which retailers sell their debtors' books in order to transfer their debt burden. Singer argues that the practice could be misleading to investors. "If its aim is to remove liabilities from the balance sheet, some of the potential risks are being hidden from investors," she says.

Central to this argument is whether the debt is sold with or without recourse. Many of the recent transactions have been concluded "without recourse" — meaning the seller is not responsible for future bad debts. However, a closer look at the structure of some finance houses created as the buyers of the debt indicates the sellers will suffer financial loss in the case of default.

These transactions fall within the ambit of an International Accounting Standards Committee document on standards for financial instruments. Singer says the SAICA plans to issue a similar document once the IASC amendments are finalised.

# Plea for small businesses (180)

B 10 as 17/12 91  
TAXPAYERS should compel government to use their money to develop the small and medium business sectors, Prof Geert de Wet of Pretoria University's economics department says.

Launching the 1991 edition of an economic research paper, Focus on Key Economic Issues, De Wet said both sectors had the potential to increase the welfare of everyone in SA.

He said the potential of the sectors could be increased through funding from various sources, including government.

"And when we talk of government, we talk of taxpayers' money; the taxpayers have the right to dictate where their money should be spent. They have the right to tell government to use more money for the development of this sector."

The study, compiled by a team from Pretoria University's economics department on behalf of the SBDC, says while the importance of

THEO RAWANA

small and medium businesses seems minor when looked at in terms of overall production and employment, their contribution is important when viewed from the perspective that job creation provides income for people's effective access to goods and services produced.

The study says at least 25% of agriculture, 77% of mining, 90% of manufacturing, 96% of commerce, 99% of construction and private transport and 90% of other selected services comprise small businesses.

It adds that where the small businesses predominate, they account for about 60% of the GDP in SA.

"The remaining 40% of the GDP is generated by public and private sector activity, and it is clear that the private businesses include a significant number of small business establishments, although this cannot be quantified for lack of suitable data."

## COMPANIES

### Machine tools hit by recession

IMPORTS of machine tools have fallen by 50% this year — from R300m worth of equipment in 1990 to between R120m and R150m — with local manufacturers also suffering dented profits. ~~180~~ (180)

Industry sources say the recession in the manufacturing industry, particularly in the armaments industry, has slashed demand for locally produced and imported machine tools. Bidm 18/12/91.

However, an expected upswing in exports of manufactured goods is likely to boost the sector's fortunes by mid-1992. The machine tool sector is divided between metal-cutting equipment, such as lathes, and metal-pressing equipment, for instance that used in making car bonnets.

SA Machine Tool Merchants' Association vice-president Burkhard Herrmann says imports have been "very depressed".

He says the "unwillingness" of the metal working sector to invest in new equipment has hit the association's members. Cut-backs at Armscor and its associate com-

MATTHEW CURTIN

panies have taken their toll too.

SA Machine Tool Review editor Paddy Attwell says demand for durable goods is invariably hit hardest in a recession. The machine tool market closely follows the fate of the metal products sector.

Concern over the political situation has deterred capital investment this year. Attwell says industry lathes cost from R20 000 a unit, while the most sophisticated computerised machine tools went from R250 000 to R1m or more.

He says the promise of input credits on capital goods after VAT's introduction led to a "sales drought for six months, and the expected recovery in business after October did not really happen".

Imported machine tools account for 90% of demand in SA. There are less than a dozen local manufacturers, but more than 120 traders.

Attwell says local manufacturers' profits dropped 20% to 50% this year.

# SOWETAN

## Codesa asked to guard small firms

Sowetan 19/12/91

180

THE National Industrial Chamber has called on the Convention for a Democratic South Africa to consider a ministry to protect the small business sector which could save the country from massive poverty and unemployment.

NIC, the industrial arm

By SONTI MASEKO

of NAFCOC, believes the creation of a new ministry charged with creating a favourable climate for small business was a potential solution to South Africa's economic woes.

The plan was based on successful experiments both in the East and West, where the growth of small

business has alleviated unemployment.

According to NIC president, Mr Joe Mogodi, during the 80's small firms in Britain created more than a million jobs, twice as many as larger firms.

"In South Africa, where 40 percent of all adults have no recorded employment and seven out of eight school leavers cannot find jobs, our biggest problem is job creation. Yet the Government remains intransigent to our pleas - hence our appeal to Codesa," Mogodi said.

### Dynamic

"Democracy does not thrive in the midst of poverty and politics alone will not overcome the twin evils of unemployment and poverty. A dynamic small business sector, however, will."

"The UK has a small firm minister whose task it is to create a supportive climate for small firms. He is the political champion of small firms and ensures the legislative framework is appropriate for their growth.

"With the help of a sympathetic government we can work this miracle in South Africa as well. The whole structure of the economy must be overhauled if a healthy small firms sector is to arise.

"The sector has no champion at cabinet level. Policy decisions are taken with little or no thought of their impact on small firms. Their potential is largely ignored," the NIC said.

### Revised

Areas of legislation that the NIC envisages could be revised are:

- The amendment of restrictive and inappropriate legislation that discourages business growth;

- Training for adults in both job skills and entrepreneurship;

- Changing the emphasis in secondary education from academic to technical skills;

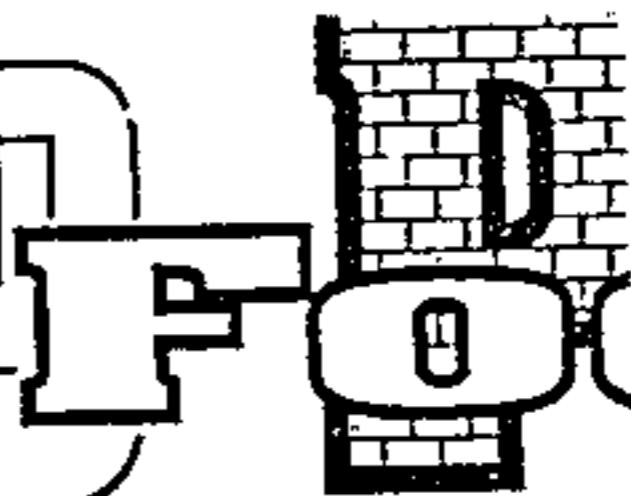
- The introduction of entrepreneurship as school subjects - according to NIC, 25 percent of people have entrepreneurial skills and education must help those children with the talent to create their own jobs;

- Providing "safety net" finance for small business;

- Intervention by the ministry on behalf of small business where payments are unduly delayed; and

- Legislation making it illegal to withhold payment to small firms for periods longer than 30 days.





# Winning the battle with the landlord

Sowetan 19/12/91

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HAS renting office space turned out to be a nightmare of running battles with the landlord over how office space is calculated, whether rent should include refuse rooms and entrance foyers?

A lot of these issues had become a grey area since the last update of guidelines for shops and offices in 1985.

However, the good news is that these issues are a lot clearer now with a revised floor measurement document which updates leasing from 1985 guidelines into the present.

The guidelines contained in the booklet compiled by the South African Property Owners Association also introduce standard measurements for industrial premises.

### Changes

The new version takes into account changed building configurations and introduces new concepts.

The new approach changes the calculation of rentable area, defined as the area for which rental is paid.

For example, if entrance foyers are remotely situated from adjacent office areas, those areas are excluded from rentable area.

Landings in staircases are not to be measured as rentable area, even when these landings also form access-ways to toilets or other such facilities.

The booklet includes, for the first time, measurement of indus-

By SONTI MASEKO

trial space, which was traditionally left out because it meant so many square metres of factory space.

Industrial design now includes factory space, warehouse and office space, all of which may attract different rentals in a composite rental package.

Also for the first time, the question of atriums, or entrance hall, is dealt with.

### Accurate

Sapoa maintains that to include the atrium or multi-volume area as rentable space, it has to be totally weather-proof and form an integral part of the interior of the building, and it has to be capable of use as offices by the occupants of the floor.

Refuse rooms, electrical sub-stations, transformer rooms, caretaker's apartments and rooms of similar use are not to be included in rentable area except if they are on a specific floor for the purposes of servicing that floor.

If different rentals are to be applied, accurate and consistent measuring methods are vital, says Sapoa.

Sapoa executive director Mr Brian Kirchman states: "The revised floor measurement document takes leasing into the present ... it has created certainty again. The revised rules, resulting from a demand by members, will ensure that both landlords and tenants understand each other from the start. This has resulted in dis-

putes being minimised."

The new document, to come into effect from January 2 next year, is currently available from Sapoa's offices in Rosebank, Johannesburg, telephone (011) 880-4703.

## Tariffs opposed

TOKYO - Japan will continue to oppose tariffs on food imports unless there are sharp cuts in export subsidies, Agriculture Ministry officials said at GATT talks this week.

"It would be unfair if tariffs are introduced without a drastic cut in export subsidies," a senior official said.

Export subsidies, which have distorted world farm trade, should be abolished eventually, he added.

Major farm negotiators, including Japan, were due to hold a meeting in Geneva this week which the head of the General Agreement on Tariffs and Trade has set as the deadline for contributions to a draft agreement for the Uruguay Round.

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# DURBAN

## Industrial space costs to rise

RENTALS for industrial space are likely to rise in 1992, predicts property investment manager of Old Mutual Properties, Mr Ian Watt.

According to Watt, an intriguing indicator in the industrial market is the correlation between the utilisation of manufacturing production capacity, production volumes and rentals.

"Use of capacity and volumes are showing signs of having turned the corner, probably because inventories have been running low and stocks are once again being built up.

*Sowetan* 19/12/91  
**Prime space**

180

"With availability of prime space as low as it is, and given an upsurge in industrial activity, the impact on the property market will be that rentals will continue an upward trend and new space will be created as the economy turns around.

"In the case of Old Mutual Properties, our recent developments in the PWV, Durban and Western Cape have been initially tenant driven, that is, we have developed only after all or a substantial part of the space has been prelet."

"This in turn has attracted other tenants for whom we have been able to tailor space in multi-unit complexes and as a result we enjoy high occupancy levels in recently completed industrial and business parks."

Watt points out that the current growth in industrial rentals is particularly apparent in prime locations such as Pretoria's Hermanstad area and City Deep in Johannesburg where quality space is letting around R9m2 net, and could increase to R10,50 to R11.

### Substantial increase

"In Durban, where rentals are R6,50m2, the increase has not been as pronounced. As in the case of the Western Cape, where rentals achieved are lower than elsewhere in the country, a substantial increase will be necessary before new projects can be considered viable.

"In the absence of new projects, one can expect rentals, because of the lower availability, to come under upward pressure."

He said a disconcerting trend in the industrial market was efforts of some developers to get schemes to work.

"In some instances, buildings have not been constructed to acceptable standards," he said.

# VIEW

copy measurement floor

# Ruperts hot on the Oppenheimers' heels

THE Rupert and Hertzog families are poised to take over the Oppenheimers' top spot in SA's personal wealth stakes, according to a Financial Mail survey of SA's 20 richest families.

They have assets of R2,818bn, up from R1,522bn last year, while the Oppenheimers' assets are now valued at R2,872bn, up from last year's R2,534bn.

The FM's 1990 figures did not include the Ruperts and Hertzogs' share in Richemont. This, and a sharp rise in the share price of Tegiese & Industriële Beleggings, helped boost their asset value by 85%.

By Dave 19/12/91

DAVE LOURENS

Defying the recession, the combined value of the Top 20's assets increased by 58% or R4bn from last year, to R10,77bn.

The valuations refer only to known shareholdings in listed family companies.

The Oppenheimers' major shareholdings were in Anglo (18,7-million shares worth R2,35bn), and Minorco (11,9-million shares worth R524m). The Gordon family remained in third place, with its stake in Libvest worth R890m (R482,7m last year).

In the No 4 spot was the Methven family,

(180)  
with its shares in Rainbow Chicken worth R595m; and No 5 Raymond Ackerman, whose family's stake in Pick 'n Pay Holdings was valued at R487m. At No 6 Venron's Bill Venter (R428m); No 7 the Hamilton family (its controlling interest in Suncrush increased from R160m to R387m); No 8 Pepkor's Christo Wiese (R335m); No 9 Trencor's Jowell family (R322m); and No 10 Toyota's Wessels family (R300m).

The fastest climber was Royal's Imerman family — up three places to No 16 with assets growing from R37m to R97m.

# Top of the money parade

To last year's 16 wealthiest families, we add another four



On the whole, 1991 was a good year for SA's 20 richest families. It was a year that lends substance to the old adage that the rich just seem to get richer — even in times of recession, when the general mood is gloomy.

A year ago, the *FM* published a ranking of SA's 16 richest families, based on their holdings in their own "family" businesses listed on the JSE. It found that those holdings then were worth more than R5bn.

An extended list now shows that, a year ago, the 20 richest families had holdings worth some R6,88bn. Latest figures show that their valuations have jumped to more than R10,77bn — an increase of nearly R4bn, or almost 58%.

This is, of course, partly a reflection of the buoyant stock market during much of 1991. The JSE Industrial index regularly breached record levels in many weeks. By mid-December, the JSE All Share index was standing nearly 27% higher than when the year began.

But the rise in the richest families' wealth was influenced by other factors too. Though there may be exceptions, many of their companies are recognised as well-managed businesses which have premium assets and have built up solid records over many years.

Many are still managed at least in part by the families. In some cases — such as Liberty Life's Donald Gordon, Pick 'n Pay's Raymond Ackerman, Ventron's Bill Venter or

Keeley Group's Fred Keeley — the entrepreneurial founders are still closely involved.

In others — such as the Oppenheims (Anglo American and Minorco), the Ruperts (Rembrandt and Rlichemont), Basil Hersov and Clive Menell (Anglovaal) and Reuben, Nathan and Chanania Mowszowski (Elcentre) — the reins are now held, at least partly, by second- or third-generation descendants of the founders.

The bullish stock market aside, a number of cases could be cited where the buoyant share prices were influenced by the resilience of companies' profits, by recoveries from earlier setbacks, or by some promising deals. This group includes Rembrandt, Rlichemont, Ventron, Liberty Life, Suncrush (Robin Hamilton) and Clinic Holdings (Barney Hurwitz). On the other hand, the more than tripling of Twins Pharmaceuticals' share price followed the infusion of more professional management and the decision by the Krok twins to distance themselves from active management.

With the list now running to 20, four new names appear, three of whom would have pushed out three of last year's top 16: the Krok twins (in 13th place), Barney Hurwitz (15th) and the Imerman family (16th). The fourth is the Barrow family (19th).

In only three cases has value fallen and then not by much. Holdings of FSI's Jeff Liebesman have slipped to R127,1m (R130m) in 14th place; Associated Ore's Guido Sacco is down to R86,3m (R87,4m) in 17th place; and Keeley's Fred Keeley to R85,2m (R95,2m) in 18th place.

It should be emphasised that all valuations refer only to known shareholdings in listed family companies. In some cases, true wealth must be greatly understated. Many families have built up substantial outside interests from their share of profits and dividends.

Though core shareholdings may for years have been largely unchanged, families like Oppenheimer, Hersov, Menell and Rupert have been receiving dividends for decades. Given the age, history and nature of their businesses, they may also have substantial wealth abroad. And, with dividends no longer taxed in the hands of individuals, this income has become even more important.

The valuations take no account of other assets that may be held, such as cash, fixed interest securities, unlisted companies or fixed property. It is a rule of portfolio management to diversify assets.

Just as important, particularly with some of the newer millionaires, is that no account is taken here of the indebtedness of individuals or families. The figures, therefore, do not offer any indication of net worth of the individuals or families, as certain essential information is not available. They simply show the market value of shareholdings, based on prices around the end of November.

Should any decide to liquidate their shareholdings, it does not necessarily follow that they would realise anything like the market price. In some cases, higher sums might be realised, as a premium might be paid in a change of control. In others, the departure of an entrepreneurial manager might trigger a drop in the share price.

## 1 Oppenheimer R2 872m

The Oppenheims remain at the top of the ranking, but their lead is narrowing.

After a R517,7m gain in the value of the Oppenheimer holdings, to R2,78bn, they are only R54m ahead of the Rupert and Hertzog families' interests in Rembrandt and Rlichemont — both of which have shown tremendous growth in recent years.

Major shareholdings are unchanged at 18,7m shares in Anglo American (8,3%) and 11,9m Minorco (7%). Despite the travails in the gold mining industry and sagging commodity prices in world markets, Anglo remains a leading blue chip.

After falling to just over R85 in February, the price rebounded to R125,25 when the table was compiled. That lifted the value of the Oppenheims' stake from the year-ago R1,71bn to R2,35bn. Their stake in Luxembourg-registered Minorco — exposed to commodities and the slide in world interest

rates — fell from R644,3m to R524m.

It's almost certain that these figures greatly understate the family's true worth. Sir Ernest Oppenheimer founded Anglo in 1917, so the family has been receiving dividend income for well over half a century. Based on declarations in financial 1991 of 325c for Anglo and US51c for Minorco, dividend income this year alone could have been as much as R78m, more than 2,7% of the total value of their shares.

Anglo has avoided using rights issues to finance growth. This year, with new investments such as the Columbus stainless steel project to be funded, Anglo raised nearly R1bn by selling non-core assets, including shares in Gencor and First National Bank.

That underlined the fact that the directors of this essentially family business will sooner or later have to consider whether the structure and the established thinking will remain appropriate for the next generation.

Harry Oppenheimer (83) remains head of the family, though Julian Ogilvie Thompson

is now chairman of Anglo, De Beers and Minorco. Nicholas Oppenheimer (45) is deputy chairman of De Beers and Anglo and chairman of Amgold. He is based in London, where he chairs the Central Selling Organisation. It is generally assumed that it is only a matter of time before he returns to Johannesburg, taking over at 44 Main Street.

## 2 Rupert & Hertzog R2 818m

For the Rupert and Hertzog families, 1991 was yet another year of rapid appreciation in their listed interests. Because of valuation difficulties, last year's ranking did not include the family holding in the international group Rlichemont. With Rlichemont now in, total value of their holdings has jumped to just over R2,8bn, an increase of 85% on 1990's restated R1,5bn.









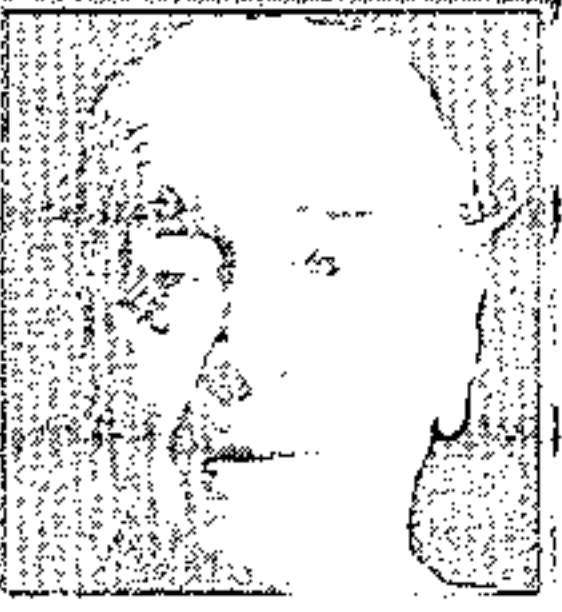





Share prices of both Tegnieste & Industriële Beleggings (TIB) — the pyramid company in which the controlling stake in Rem-

FM 20/12/91

180

# The wealthiest families

By holdings in JSE shares

<p>1 <b>Oppenheimer</b></p>  <p>1991 R2,874m 1990 R2,500m Position no change</p>		<p>7 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>14 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>	
<p>2 <b>Rupert &amp; Ntshong</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>8 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>15 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>	
<p>3 <b>Gordon</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>9 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>16 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>	
<p>4 <b>Motiven</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>10 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>17 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>	
<p>5 <b>Ackerman</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>11 <b>Morav &amp; Morav</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>18 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>	
<p>6 <b>Venter</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>12 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>19 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>	
<p>13 <b>Kirk</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>		<p>20 <b>Walters</b></p>  <p>1991 R2,500m 1990 R2,200m Position no change</p>			

**6 Venter R428m**

This year was much improved for Bill Venter, now that the disastrous losses from Punch Line some two years ago are well behind him. Altron has largely replaced the lost Post Office and Defence business with private-sector work.

After holding company Altron's earnings fell last year, it posted good interim results at the end of August. Venter ended 1991 on a high note when he announced the JSE listing of his British company, Telemetrix.

Altron offered more than 51m shares in Telemetrix to its shareholders, effectively relinquishing control. In this way, Venter has made a contribution to the "unbundling" fad, though much of it goes back to Venter family trusts as the major shareholders in ultimate holding company Ventron.

Through Telemetrix, shareholders were also given the chance to buy an indirect stake in GTI, which is quoted on Wall Street.

Control by the Venter family of the empire as a whole, however, is as tight as ever. They continue to hold 18,48m shares in Ventron, whose price recovered from R14,25 to R21 and hiked the shareholding in Altron by about 150 000 shares, to 722 000. Amic is the second most important shareholder, with about 22% of Ventron, but there is no suggestion at present that control will pass to it.

Venter (57) has some well-regarded managers to act as regents before sons Robbie (31) and Craig (29), both UCLA MBA graduates, are ready for the top spots. These include deputy chairman Charles Stride (50), David Redshaw (49) at Fintech, Peter Watt (50) at Powertech and Altech chairman Don Sneddon (54). Stride resigned last year as MD of accounting firm Fisher Hoffman Stride to take the appointment.

**7 Hamilton R387m**

Soft drink shares are among the most sought after on the JSE and Suncrush is one of the most profitable of these. It was in the forefront of the consumer stocks so much in demand during 1991, so it is not surprising that the value of the Hamilton family's controlling stake more than doubled, to R386m.

In September 1990, the share register disclosed that the Hamiltons held just over 8,5m shares in holding company Dalys. At R18,50, these were worth R160m. In October 1991, the share registers showed 8,1m Dalys and 1,6m shares in the investment trust, Tempora. At prices of R44 and R17,75, these were worth R386,5m.

Present chairman Robin Hamilton is from the third generation of the family in this business and continues to drive Suncrush into new ventures. He plans a joint venture with the Mozambican government to bottle Coca-Cola in three southern provinces.

His biggest this year was Tempora's purchase of 17% in Cadbury Schweppes from Anglovaal Industries, for R177m.

Suncrush's price more than doubled. It was affected by the recession, but only marginally. Much is spoken of SA Breweries' beer monopoly but very little is said about the effective dominance of the soft drink market held by franchisees of National Beverage Services.

Hamilton holds one of these valuable franchises. Suncrush bottles most of the significant soft drinks: Coke, Fanta, Sprite, as well as the Sparletta range. As if that's not enough, it also markets Appletiser.

Arrival of Pepsi-Cola could dampen growth, but the group operates outside the main metropolitan areas in smaller centres, such as Klérksdorp, Newcastle and Richards Bay. Pepsi would probably concentrate initially on the PWV.

**8 Wiese R335m**

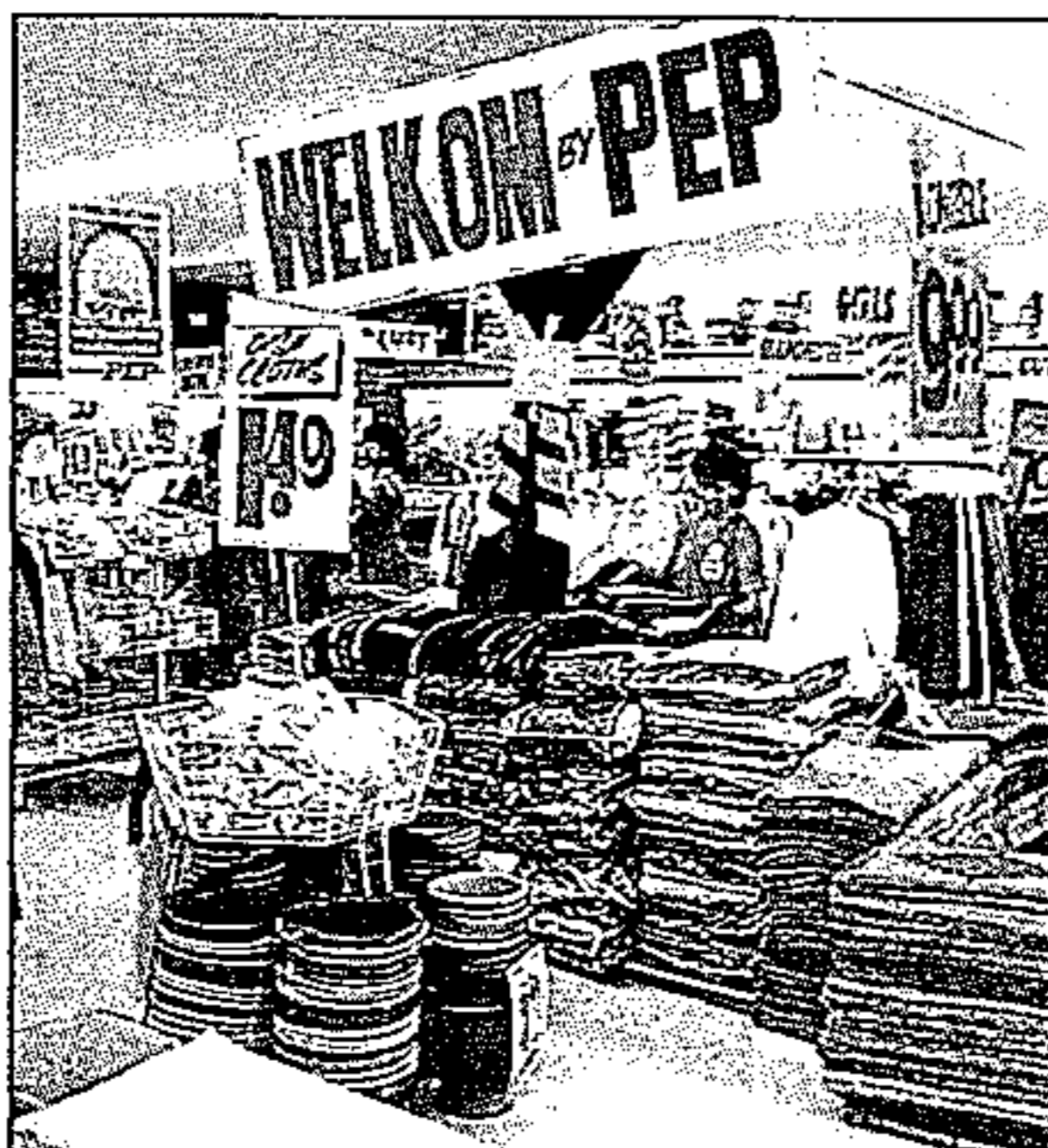
Pepkor has become the largest retail group on the African continent. Earlier this year, it bought Smart Centre, a credit clothing chain catering for the black market; Frasers mine stores; and Pep's only significant competitor, Harties. That chain was founded by the son of Pep's founder, Renier van Rooyen, but proved unable to compete.

The value of chairman Christo Wiese's holding in the group has more than doubled. Pyramid Pepspro's price increased from R31 to R62, bringing the value of his 5,4m shares up from R161m to R335m. He acquired an additional 200 000 shares.

Biggest venture was the purchase of control of Tradehold, ending Sankorp's nightmarish attempt to sell its retail interests.

Analysts called the move risky until they saw the price. Wiese bought Checkers effectively for less than R50m, though it would have cost R1bn to start up a chain of that size. By Christmas, a Pep associate company will apparently have 17 stores in the UK.

Whereas Raymond Ackerman is direct and not averse to generating publicity, Wiese is enigmatic. He does not give away his next move. Ackerman has grown Pick 'n Pay from scratch at a steady pace and avoided acquisitions. Wiese, on the other hand, is a canny



Inside Pep . . . mopping up profitability

dealmaker. As it is, Pepkor has substantially outperformed Pick 'n Pay this year.

Speculation about the future of Checkers continues. Wiese has said Shoprite and Checkers will be welded together, but he has also promised to keep the present Checkers management team. He will not be pinned down on which stores will be sold and under which banner they will trade.

Wiese hit the headlines late last year when he bought Lanzerac, a hotel which had fallen on hard times. He is converting it back into an active wine farm and a private residence, though the hotel continues to operate.

Wiese was recently named marketing man of the year by the Institute of Marketing Management. He told the institute's journal that the best advice he ever received was from Renier van Rooyen: "Remain modest when you start becoming successful." But has he taken this advice? His picture appeared on all the advertisements of the group's interim reports — something even Ackerman has avoided.

**9 Jowell R322m**

There was considerable stock market interest in Trecor, which operates in the usually unglamorous world of trucks and transport.

But there is not much usual about the Jowells, who were brought up in Springbok, a remote country town in the northern Cape.

The Jowells have joined the list of famous brotherly double acts, such as the Lubners, Ellerines and Kroks.

Chairman Neil Jowell operates from Cape Town and younger brother Cecil from Johannesburg.

Transport is now the smallest of the four divisions, which include motor trade and tyres, truck trailer and container manufacturer Henred-Fruehauf and a lucrative export division.

Trecor's profile increased markedly during the year, capped by the announcement of a R260m rights issue in mid-November to fund various acquisitions and ventures.

Trecor was part of a consortium with property developer Errol Friedmann and the Tiber Group to redevelop Grand Central airport for a total cost of R75m. By the end of next year, a new terminal will be built, allowing the airport to handle more than 20 000 passengers a month.

Trecor acquired Swift Engineering and Poole Industries from Murray & Roberts to enlarge its truck manufacturing capability and then did the same with national transporter Crosscape.

The Jowells' shareholding is held through Mobile Industries. The register shows they have sold about 3,5m shares, reducing their holding to 11,3m shares, dropping from 52% to 41% of the equity.

They have undoubtedly made a good capital gain, as the share price has increased from R11,75 to R28,50.

Value of the family holding rose from R172,5m, to R321,6m.



**Kroks' old standby ...**  
in two places at once

49% of Mamelodi Sundowns popular soccer club.

In a 1980 *FM* interview, Abe said that "being twins — and identical ones at that — was a big marketing plus. Besides, you can be at two different places at the same time."

The brothers' semi-retirement has added a new chapter to the story that began in 1953, with a small retail pharmacy named Devon and £200. Finance man Sol and pharmacist Abe took a skin-lightener and turned it into Twins, a giant pharmaceutical, animal health, vision-care and consumer products company, with sales of about R500m.

Last year, Sol spent several months in the US embroiled in the battle over the Epi Products company run by his daughters, Sharon and Arlene. After a soaring success with its Epilady hair remover device, the company found itself US\$24m in debt and filed for Chapter 11 bankruptcy protection. When the banks with the outstanding loans accused the Krok family of fraudulent mismanagement, the Kroks sued for \$100m in a defamation suit.

Nearer to home, Premier Group has been taking a much closer interest in the management of Twins.

On the JSE, Twins was sharply re-rated and the share was one of the year's best performers. It rose nearly fourfold, from 140c to 450c. With the Kroks' holding up by just over 2m shares, to 46,3m, its value climbed from R61,6m to R208,4m.

#### 14 Liebesman R127m

The value of Liebesman holdings in FSI and its underlying companies has fallen slightly from the R130m disclosed last year by chairman Jeff Liebesman, to R127,1m. After the late 1990 restructure, his holdings in listed group companies are 40m FS Group, 2m FSI Corp, 3m W&A and 990 000 Waicor.

Results reported by some of the listed

companies were probably not particularly worse than the average for the industrial sector. However, the shares were not among those whose prices rallied strongly, though there was some recovery.

Liebesman (39), still youngest head of the entrepreneurial families, has yet to build up the established track record that helped buttress the prices of many other family-controlled companies in the recession.

During the year, he appointed former Senbank CE Hennie van der Merwe joint deputy chairman, with Terry Rolfe. It remains to be seen whether the appointment of a merchant banker to a top executive position will contribute to a more stable image.

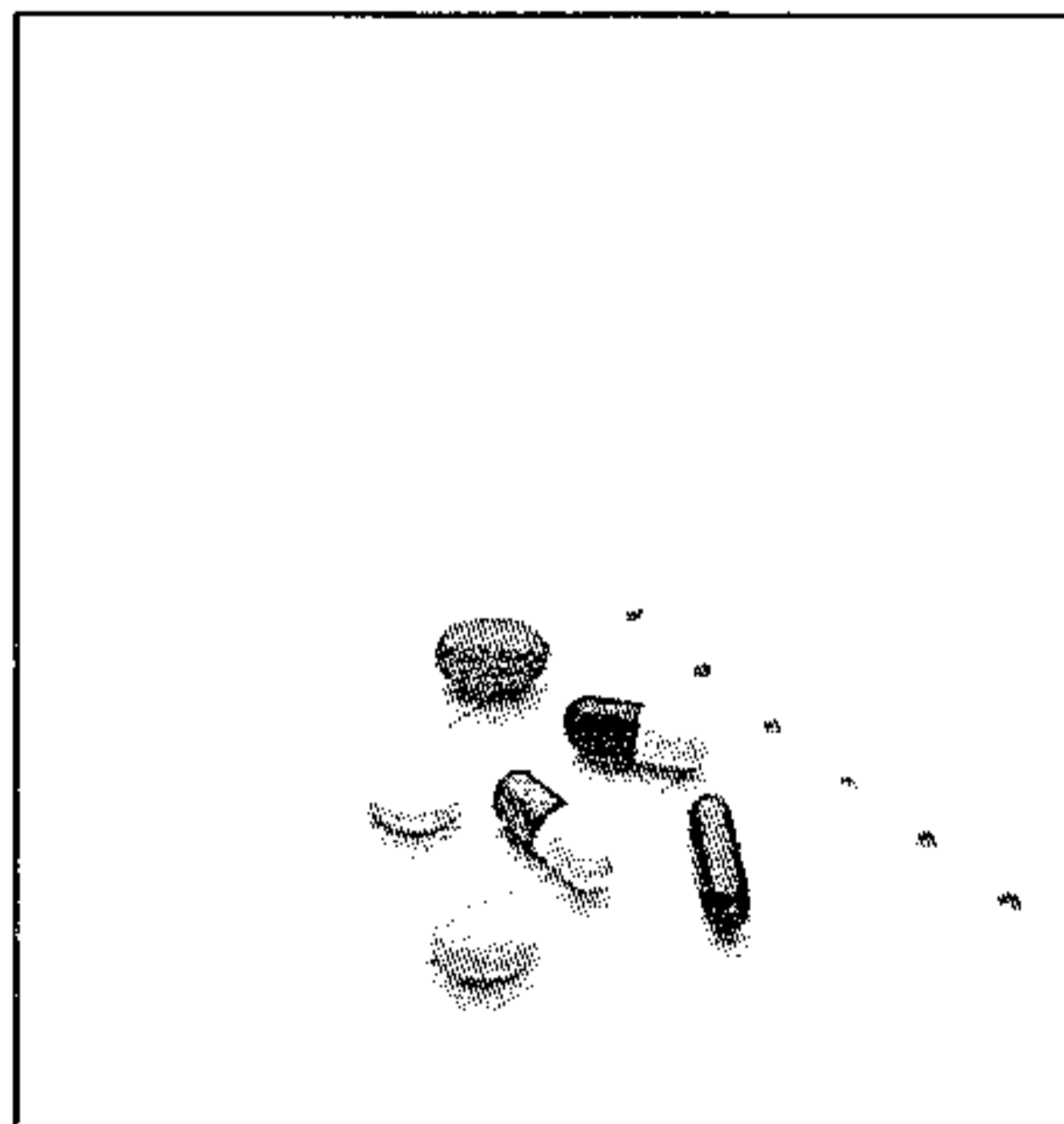
Liebesman's view is that FSI is more focused than the market believes. It concentrates on businesses which offer organic growth, whether through the domestic mass market or exports. In the mass market, he has almost all the pantihose sewn up and retailers JD Group, Edworks and John Craig. His main export businesses remain scaffolding, nuts and bolts as well as hosiery and tyres.

He says the market has largely ignored what has happened to the assets, which have risen to R3,8bn since listing, with only one share issue of R90m. He is not too concerned that EPS has dropped, as he is adding capital value and strengthening an over-gearred balance sheet. Progress with these efforts could boost the share, as concerns about debt contributed to poor ratings.

#### 15 Hurwitz R114m

**Barney Hurwitz**, founder and executive chairman of Clinic Holdings, is another newcomer to the ranking. Clinic operates 12 private hospitals in Johannesburg, Pretoria, Durban, Port Elizabeth and Cape Town.

Hurwitz was born in Rakow, Poland, in 1922. He arrived in SA in 1934. His father was a metal merchant in Fordsburg and Barney went to Forest High. He wanted to be a doctor, but trained as a pharmacist. In 1948, he founded the High Bree retail pharmacy, next door to his father's metal yard. He and wife Leah have been married nearly



**Clinic's medicine ... prescription**  
for success

47 years. They have two daughters and a son. Outdoor interests include bowls.

Though Hurwitz turned 69 this year, he shows every sign of staying on as chairman. Son Jeffrey (35) was appointed MD in 1987, after joining the board seven years earlier. Jeffrey has a BCom and worked as an auditor for Deloitte Haskins & Sells and J H Smilg & Co. A product of King David School, Victory Park, he is married to Denise and they have two sons. Interests include jogging, golf and gym.

After taking a course in hospital design and management in the US, Barney Hurwitz realised private facilities in SA were primitive in comparison. In 1962, he set about establishing Clinic Holdings, now SA's largest private hospital group and one of the biggest JSE listings in 1987.

The dozen hospitals Clinic operates have been expanded and modernised as part of a R250m capex programme by its landlord, Clinic Property Holdings, which is owned by some of Clinic's major shareholders. The clinics, which provide 2 500 beds, have been host to a range of firsts for private hospitals, including the first kidney transplant and the first laser system to treat blood clots.

In 1989, the group opted out of the medical aid societies' scale of benefits scheme, but has still contained cost increases to patients below the CPI. In the few years since the listing, average annual compound growth in earnings has exceeded 25%.

Clinic shares are tightly held, with about 70% in the hands of directors and family interests and 7,5% by Southern Life. With the price rising over the year from 175c to 240c, the value of the 47,56m shares held by the family rose from R83,2m to R114,1m.

#### 16 Imerman R97m

**The Imermans** are another new entry. Their family business now comprises four listed companies: Royal Group Holdings (Royhold), Royal Corp (Royal), Royal Foods (Royfood) and Roychem. It operates under the names Royal Beech-Nut (manufacturer and distributor of confectionery and cereals); SA Preserving Co (Sapco, which cans deciduous fruit for export); Holpro-Lovasz (a distributor of pharmaceuticals and chemicals); and Ferro (which manufactures and distributes speciality materials for ceramics, plastics and coatings).

Founder Sam Imerman (66) was the driving force behind Royal's steady rise from small beginnings. He ran his own pharmacy and worked in distribution before taking advantage of the opportunity to buy into the Lovasz chemical business in 1974, which then had a staff of three. The cigar-chomping father of four is a graduate of Parktown Boys' High and belongs to Old Parktonian and Houghton Golf Club. As vice-chairman, he remains a major influence, especially as he's the one who likes to meet the workers and take the company's pulse.

Heir apparent is son Vivian (36), who

**20 Mowszowski R51m**

The Mowszowski family business is the Elcentre Group, which has interests in the distribution of power cable, commercial and industrial electrical, electronic and lighting products, as well as hardware and tools. They are looking to expand their UK interests.

Though Elcentre now has a market capitalisation of more than R220m, it is not only controlled, but also managed largely by family members. Three of the four executive directors are sons of the founder, Wolf Mowszowski: chairman and MD Reuben (47), Nathan (42) and Chanania (40).

When the ranking was compiled, the family held an unchanged 34m shares in the

**FIVE-STEP PROCEDURE**

The shareholder information was prepared for the *FM* by McGregors Online Information, using a five-step procedure:

- Examine the controlling shareholder of every company listed on the JSE for director or family control;
- Examine annual reports, share registers, circulars and other supporting documentation for holdings by families/directors in relevant companies and other

companies listed on the JSE from the findings above;

- Scan the computer data base for any individual, trust or family holding company, using search software;
- All relevant companies were contacted to verify the information; and
- Calculate the value of shares held, using share price at the close of November 29.

pyramid, Elcentre Group Holdings. At 180c, these were worth R61,2m. That compares with the year-ago R51m, on the then 150c.

By mid-December, however, the price had slipped back to 160c, for a value of R54,4m. ■



## ANTI-DUMPING LEGISLATION

FM 20/12/91 (180)

# A new weapon for protectionists?

Can government's proposed new anti-dumping policies — as a precursor for lower tariffs — help to undo the damage that past protectionist policies have inflicted on the fabric of the economy?

Or is the new anti-dumping legislation merely a smoke screen for a more refined, sophisticated — and harmful — form of protectionism?

After all, says Robin Bosomworth, chairman of the Cape Town-based Independent Wire Converters' Association, the now-disgraced formula duty mechanism — that distorted prices and protected vested interests — was originally instituted as a "reform" after the abolition of import control.

But, says Ruel Heyns, of the Board of Trade & Industry (BTI), which would administer the new policy, it is an advance on the blunt formula duties that created floor prices across the board for industry.

"Anti-dumping action is far more specific because it will be aimed at exports sourced from a specific country and even a specific manufacturer. And the disciplines surrounding anti-dumping action will be stricter in order to ensure that only unreasonable competition will be eliminated."

And, Heyns adds, the proposed new policy will not only follow the general guidelines of Gatt's anti-dumping policy, it also will be administered by a separate body. "Anti-dumping actions will be far less interventionist than formula rights."

Good intentions aside, the question of whether the new measure would still be protectionist is of vital importance — if SA ever hopes to rejoin the world economy by embarking on export-led growth and reducing its stubborn inflation rate, which thrives on the lack of imported competition.

According to the IDC's 1990 tariff policy report, the burden of increased costs of tariff protection (institutionalised over the past 70 years and driven along by the misplaced ideals of import replacement and strategic self-sufficiency) equals a massive 12% of GDP.

This calculation is based on the "hypothetical situation that would have prevailed had it been possible to produce at world prices." And, notes the report, if the cost of import surcharges is added to the equation, "the total cost burden is 14% of GDP."

The IDC underlines the point by adding that "a reduction of tariffs can therefore counter inflation, particularly by lowering the import parity price level of local production, and thereby benefiting customers."

Producers of basic raw materials (mostly metals and farm produce) charge their local customers the dollar or sterling price that customers pay in New York or London, with

the hypothetical transport costs back to SA added on. This is the destructive import-parity-price effect of having huge tariff walls to "protect" producers against "unfair" import competition. This obviously undermines the global competitiveness and growth of the downstream manufacturers — and not only caps economic growth, but also makes it more difficult to bring down inflation.

Sectors such as primary steel, textiles,



wheat, maize, red meat, metals and minerals have thrived for decades behind cosy protectionist walls, with local consumers (and fabricators) having to pay the heavy price for their comfort. While government protects these primary sectors in the local market, most combine their soaking of consumers with two-tier pricing — exporting surplus production at far lower prices than what prevails locally.

The issue is, Bosomworth says, "whether government can create an environment conducive to the healthy development of manufacturing without interference from the powerful big-business interest groups."

"Government should be protecting the individual, the consumer, downstream industries and the economy against exploitation by monopolies and cartels, and not the other way round, as it appears at present." And, he adds, by doing away with protectionism, imported competition will not only increase local efficiencies and drive down prices, but it will also allow industry to add value and export competitively priced goods.

Not only tariffs are responsible for pricing many SA goods way out of the global market — if the effects of tariffs and surcharges are added to an undervalued rand, SA sits with effective import parity price level protection of almost 45% — to which must still be added the natural protection of this country's distance from world markets.

No wonder many companies have grown fat and lazy under such shelter — and that they scream and demand government protection against alleged dumping, as soon as competitive imports threaten their cartelised and monopolised comfort zones. Iscor's action against the perceived threat of competitive imports (*Business & Technology De-*

cember 13) is a case in point.

The IDC, in its report, acknowledges the damaging effects to the economy of protectionism — it suggests across-the-board tariff reductions to maximum levels of 15%-30% in the next five years. The IDC also recommends that the anti-dumping measure must be operational before tariffs are reduced. It also says:

□ SA should sign Gatt's anti-dumping and subsidies codes. "Signing the codes would, however, require SA to end the present system of fairly overt export subsidies." IDC suggests that, as SA gradually reduces export subsidies, it will eventually be in a position to sign the codes; and

□ Senior and expert personnel would be needed to administer the complex anti-dumping policy, backed by the necessary facilities and updated information systems on import statistics and prices in order to assess speedily and determine whether goods are being imported at dumped prices. Manpower and funds would therefore be needed to administer the new system. In other words, a bigger bureaucracy is needed to protect local companies from the most efficient, lowest-cost overseas producers.

Last year, Trade & Industry Director-General Stef Naude reduced BTI staff by 70-odd, so there is a question of whether a revamped BTI, under the chairmanship of incoming chief Nic Swart, has the staff and expertise to administer one of the most complex areas in international trade.

More important, Bosomworth says, in the case of Iscor: "Its anti-dumping indignation is about pricing, profits and privileged position — cartel preservation — and not about the 2,5% market share in SA for imports compared with Iscor's 47% of production exported at dumped prices (less than the local price). The purpose of the hypocritical anti-dumping campaign is to remove the ability of downstream industry to import, for example, the motor industry."

Seen in this light, the question of the revamped BTI's level of expertise to assess properly and handle future anti-dumping applications from powerful vested interests becomes important.

And, with the interest of consumers (and, hopefully, an attack on institutionalised inflation) now becoming part of government's new economic focus, the application of its new anti-dumping policy will be closely watched. ■

# Amic puts R450-m into new investments

By Derek Tommey

(180)

Anglo American's industrial arm Amic, together with its subsidiaries, is making new investments totalling R450 million in various projects.

Behind many of the investments is the expectation of greatly increasing export earnings.

Among these new investments are:

● R150 million in the Rheem division of Highveld Steel to make aluminium beer cans;

● R250 million in acquiring a stake in Middelburg Steel and Alloys and its stainless steel business with the intention of starting a major stainless steel export business;

● R46,5 million in enlarging its stake in the electronic conglomerate Ventron from 22 percent to 29 percent which is also entering the export market; and

● R30 million in acquiring a 51 percent interest in MF Die-Casting (Pty), also with an eye to developing a major export business.

Mr Leslie Boyd, deputy chairman of Amic, says the stainless steel business will provide the nucleus around which the huge Columbus project will be developed.

Highveld financed its purchase of Middelburg Steel by issuing 16 million shares at R15,65 a share. AMIC has acquired sufficient of these shares to maintain its 52 percent stake in Highveld.

Rheem will make an all-aluminium beer and beverage two

STAFF 20/12/91  
piece can.

Amic has also recently acquired, for R46,5 million, a further 2 million shares in the leading high technology electronics and electrical group, Ventron.

This will increase its holding from 22 percent to 29 percent. The investment was financed by the issue of new Amic shares which were renounced in favour of Anglo American and De Beers and a cash payment of R2,5 million.

Amic has also acquired from October 1, a 51 percent interest in NF Die-Casting (NFD), involving a cash investment of R30 million.

NFD is the leading manufacturer in South Africa of Original Equipment aluminium wheels, and produces other castings, both for the local and export markets. Following a recent R30 million expansion project, the company is building up wheel production to 45 000 units per month.

A large proportion of current and future production is destined for export to leading German car manufacturers.

Mr Klaus Daarns, who has been responsible for the development of the company to date, will remain as managing director, says Mr Boyd.

The Industrial Development Corporation holds the remaining 49 percent of the equity.

The above acquisitions will have no immediate material effect on the earnings per share or net asset value per share of AMIC.

# Massive rights issues expected as major firms tap

SEVERAL major companies are expected to tap the market for cash in a series of huge rights issues early next year.

About R2,5bn is expected to be raised by three groups, with more expected to follow shortly afterwards.

This is besides the R2bn rights offer already announced by Gencor.

The largest of the issues is expected to be First National Bank (FNB), under pressure from the Deposit-Taking Institutions Act to bolster its capital base in the face of the more stringent requirements being implemented.

Blouay 20/12/91

Market sources said yesterday that FNB would come to the market for between R1bn and R2bn in fresh capital early in the new year to overcome the capital constraint on growth the Act had imposed.

They said other banks were in a similar position to FNB and might be forced to follow soon afterwards to ensure sufficient growth in a competitive environment.

FNB senior GM Jimmy McKenzie said yesterday: "Obviously capital to asset ratios is an issue we have monitored very carefully."

However, if there were plans to come to

MERVYN HARRIS  
and ANDREW GILL

the market, "I would obviously not be able to discuss it with you".

Another company expected to come to the market is Plate Glass and Shatterproof Industries (PGSI), to finance its recently announced R525m buyout of Glass SA from its British-based parent Pilkington.

SAB announced yesterday that it had taken over PGSI holding company Placor, which analysts said could see SAB underwriting the PGSI issue.

Gencor has already announced a rights issue in the region of R2bn to follow its rights in the Ribn Sappi rights issue and finance its slice of the Columbus stainless steel project.

The other company which could be looking at an issue is Tiger Oats, which may come to the market for up to R250m, partly to finance its R100m purchase of Reckitt & Coleman, with the balance going towards expanding some of its subsidiaries.

The analysts said the issues could place strain on the market, which has shown the largest gains of any of the world's major

exchanges this year and appears to some to be very topish.

The industrial index rose 38% in the 11 months to December.

Also, with institutions following their rights in the expected issues, the investment pool would be less buoyant, limiting trade on an equity market struggling to break even on turnover of less than R100m a day.

The rumoured FNB issue would be one of the biggest the market has seen, against the R1,1bn issue by Engen in April and the R1,4bn issue by Gencor in July 1989.

market for cash

# Hopes of rise in investment fade

S/Times (Bus) 22/12/91

(180)

By DIRK TIEMANN

## Fixed investment outlook

HOPES of a return to positive fixed investment next year are fading.

The introduction of VAT, with a zero rating for capital equipment, and other tax breaks were expected to encourage a turnaround after eight consecutive quarters of declining fixed investment.

Real gross domestic fixed investment (GDFI) in South Africa has dropped every quarter. It fell 12% to R23,7-billion from the previous peak of R26,5-billion in the fourth quarter of 1989, based on seasonally adjusted annualised figures.

GDFI includes public authorities and corporations and private enterprises.

### Stream

This year's third-quarter fall in GDFI accelerated to 11,5% from a drop of 5% in the previous three months. Prospects for an improvement in the fourth quarter look poor.

Sanlam forecasts a 1,2% drop in GDFI in 1992, mainly because of an expected 6,6% reduction in public-sector fixed investment. It will be more than offset by the 1,5% increase in private investment.

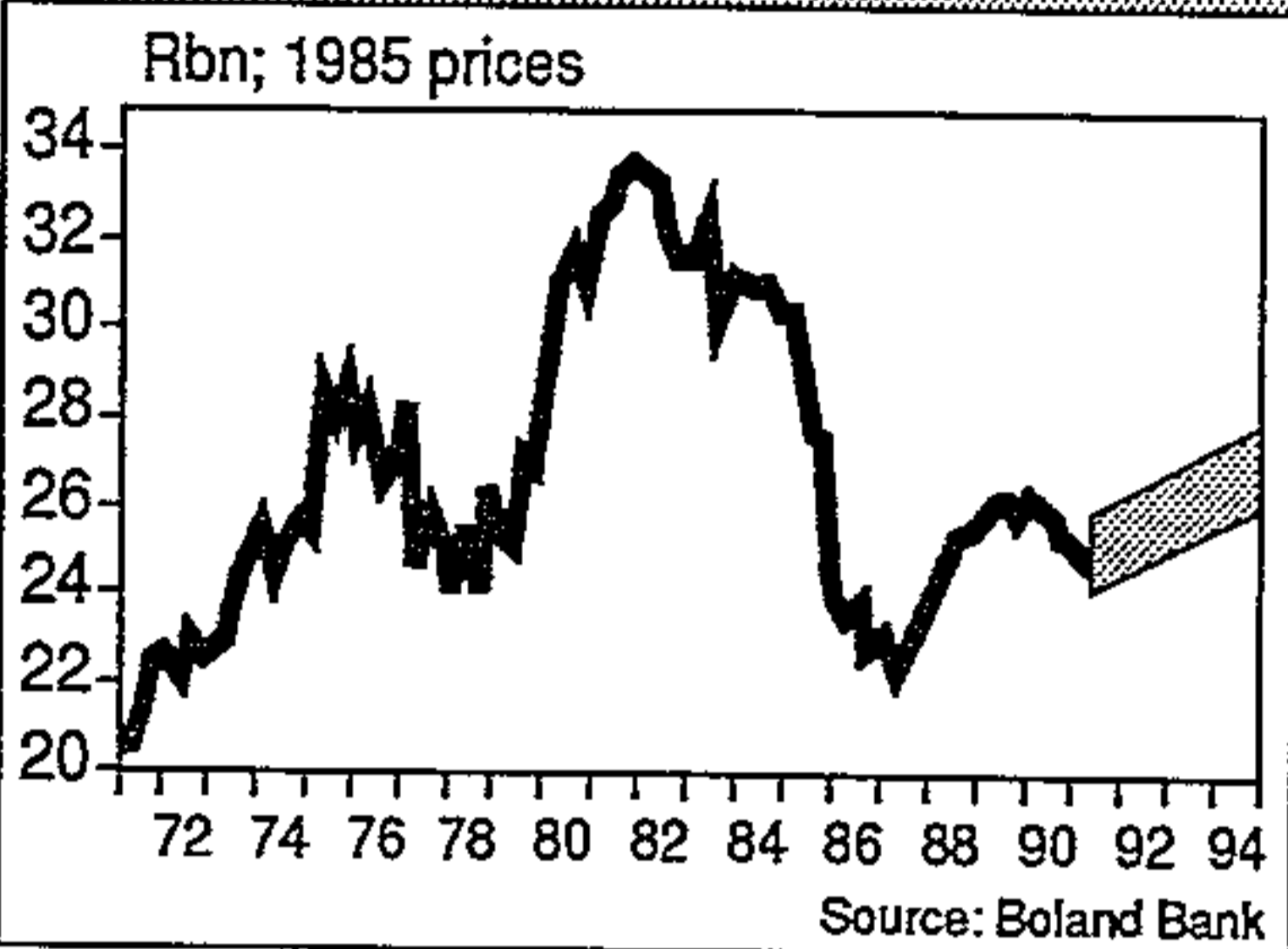
Work is expected to start on several major private capital projects next year.

The Columbus stainless-steel and the Alusaf aluminium refinery plants will be put before the respective boards for approval in April.

Capital spending is expected to start immediately after the projects have been approved.

Sasol has various projects totalling R3-billion under way. It plans to spend another R2-billion.

But Sanlam economist Peter Calitz says real fixed



GRAHAM BOYD: Growth projection cut back

investment by public corporations amounts to almost nothing.

Although there may have been a nominal increase in investment, it has been wiped out by inflation, says Mr Calitz.

"We first need to reach previous spending levels before there can be talk of growth in investment."

Simpson McKie economist Graham Boyd says: "I have cut my forecast for fixed investment. After forecasting positive growth I now expect

a contraction of between 1% and 1,5%."

Mr Boyd says fixed investment usually lags behind a business upswing. Economic growth is needed to raise low capacity use in most sectors before new plant and equipment are bought.

### Budget

In addition, there have been few reports of a significant rise in fixed investment since the introduction of VAT. But investment by some companies exporting manufactured goods has been firm.

"Overall it seems that a meaningful revival of about 4% in fixed investment spending will not occur before 1993."

Standard Bank Investment

Corporation chairman Conrad Strauss estimated in October that capital projects totalling R22-billion were in the pipeline.

He expected them to lead to a 1% rise in GDFI in 1992.

Dr Strauss said that although not spectacular, this was better than the previous recovery cycle in 1987 when fixed investment continued to fall by 2,4% in spite of economic growth elsewhere.

Tax breaks, such as Section 37E of the Income Tax Act 1962 which gives mineral beneficiaries and exporters accelerated capital write-offs, should also help to lift fixed investment.

There are also expectations of a company tax cut from 48% to about 40% in next year's Budget.

Boland Bank expects a cyclical upswing in fixed investment in 1992. The bank bases its hopes for a turnaround on greater inflows of foreign capital.

It says net capital outflows fell from a high of R8,3-billion in 1985 to R2,9-billion in 1990. Next year could well be marked by a surplus on capital account.

Boland Bank says interest-rate stability engendered by the Reserve Bank has increased the confidence of investors that they will not be subjected to violent fluctuations in real and nominal rates.

# Black businessmen laud Codesa moves

Soweto 23/12/91

By JOSHUA  
RABOROKO

BLACK business has welcomed the launch of the Convention for a Democratic South Africa as an important milestone that might bring socio-political and economic development in the country.

They expressed hope that the parties which either pulled out or refused to participate in Codesa will

change their minds and join in the political transformation taking place in South Africa.

The National African Federated Chamber of Commerce and Industries, the Foundation of African Business and Consumer Services and the Soweto Independent Shopkeepers Association, also condemned the violence.

Nafcoc vice-president Mr Joe Hlongwane said Codesa was a good move towards liberation from the shackles of oppression provided black leaders avoided being co-opted by the Government.

It was unfortunate that some of the black organisations were not present at the signing of the historic agreement.

He said black business should be invited to make a contribution because "political power without eco-

180  
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economic muscle will be useless in the post-apartheid South Africa".

He did not believe that sanctions against South Africa would be lifted immediately but said he expected they would slowly go away in the aftermath of Codesa.

Nafcoc was concerned about the majority of black people who were poor and disadvantaged as a result of apartheid and wanted to see them economically empowered.

KS

# Liberty, Ackerman top of investment experts' pops

INVESTMENT experts have pegged Liberty Life as the most highly rated group and voted Pick 'n Pay chief Raymond Ackerman the most charismatic CEO in SA.

A recent survey by research firm Campbell Belman polled 80 top members of the financial community on a total of 60 listed groups, involving 30 different categories ranging from management to business ethics.

According to Campbell Belman, the sample (including fund managers, financial editors, economists, market commentators and stockbrokers) was made up of at least 20% of the total number of financial influencers in SA, and yielded "unquestionably" valid and reliable information.

Of the six categories deemed the most important by the investment funds — management, financial soundness, consistency of results, strength of product, calibre of people, and quality of acquisitions (in that order) — Liberty Life came up trumps three times, while Pick 'n Pay, Remgro, Gencor and SA Breweries filled out the ranks.

The survey, dubbed the "confi-

B/day 24/12/91  
**BRENT VON MELVILLE**

dence predictor", produced some surprises. Liberty Life, included in the survey for the first time, came through as a clear favourite in eight of the categories, and a close second in another seven — displacing SA Brews as the most highly rated stock.

Liberty also came tops in the "favourable editorials" category, followed by SA Brews and Pick 'n Pay. Pick 'n Pay was viewed as having the clearest mission, along with Liberty and Engen.

## Inconsistent

The experts seemed unclear as to the missions of Anglo American Industrial Corporation and the OK.

OK and Twins were regarded as the worst-managed companies, FSI as the least financially sound, and GFSA, Hiveld Steel, Implats, OK, Sentrachem and Twins tied for the most inconsistent results.

OK came in at the bottom of the list in terms of attracting top people, while retail group Foschini, pharma-

ceutical groups Noristan and Twins, chemical company Sentrachem, stationery company Waltons and cement companies PPC and Anglo Alpha failed to attract any votes for good judgement in acquisitions.

Lesser-valued attributes included trade union relations — for which Anglo American got top marks. At the bottom of the list were Adcock Ingram, heavy engineering group Dorbyl, OK, and Fedsure.

Top-rated company in terms of ethics was banking group Stanbic, followed by Afrox and Pick 'n Pay. At the bottom of the list again were FSI, Noristan and OK.

Rembrandt Group was rated the safest investment irrespective of SA's political developments, and in the generic "is a good company to invest in" again came in tops, followed by Liberty and SA Brews.

Not surprisingly Twins, Noristan, OK, and FSI were among the basement bargains.

Liberty Life won again in the "modern and progressive" category, followed by Pick 'n Pay and oil company Engen. Steel producer Iscor, Noristan, and OK came in last.

# A dismal 1991, a hopeful 1992

(180)

STAR 28/12/91.

**DEREK TOMMEY**

FEW will regret the passing of 1991, which has been a year of considerable hardship for many.

It was a year, says Standard Bank, of "rising retrenchments, evaporating overtime, increasingly conservative wage settlements, combined with diminishing access to finance for many consumers, aggravated by outbreaks of violence in some black residential areas".

On top of this we have had to live with extremely high interest rates, continued high inflation, an increase in the real rate of income tax and the introduction of VAT on many foodstuffs previously tax-free.

However, this is the bad news. The good news is that there now appears to be a light at the end of the tunnel and that by this time next year economic activity and employment should be substantial greater than it is today.

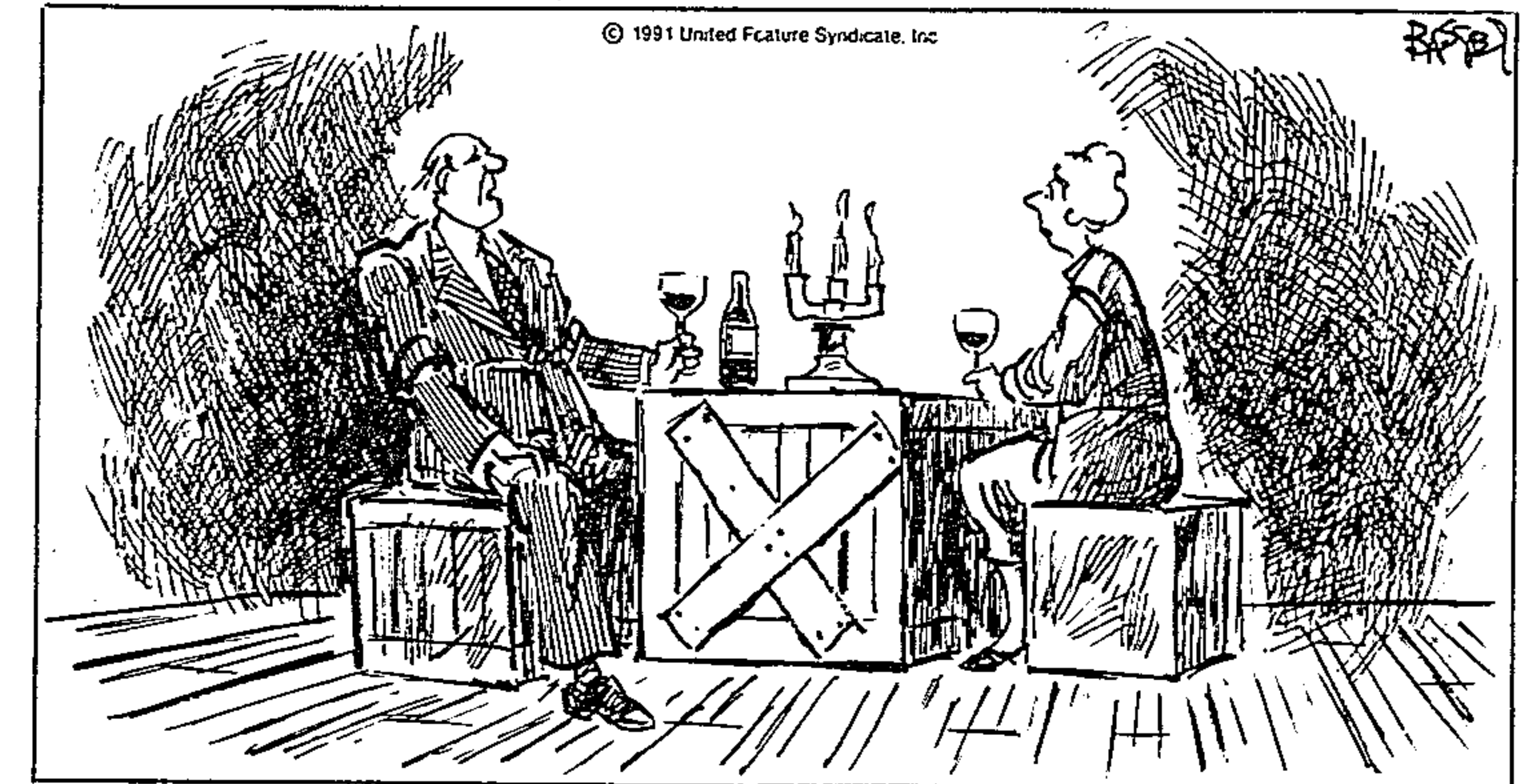
The level of activity next year will depend on the amount of money injected into the economy. And evidence is mounting that this will be significantly more than was the case this year.

This money is expected to come from:

- Increased exports;
- Government deficit-financing;
- New investment; and
- An increase in bank credit.

Figures issued this week show that exports are booming, despite the recession overseas and the sharp fall in prices of many of SA's major foreign exchange-earning commodities.

Exporters sold goods worth R61,4 billion to foreigners in the 11 months to November. This was



I know, my dear, that our situation may seem dreadful, but console yourself with the thought that there's nothing left for Barend to take from us.

R5,6 billion more than a year earlier.

Although some of the increase was the result of a drop in the exchange rate of the rand, most of it came from a rise in the physical volume of goods sold.

The increase helped create jobs in the export industries and offset the effect of layoffs elsewhere.

Economists say that next year exports should make an even bigger contribution. For a start, the lifting of sanctions is opening many more markets to exporters.

Then there is the expected upturn in international economies, which was strongly indicated this week by a rise in US share prices to a new peak. These improved conditions overseas should also give SA exports a major boost.

Another major stimulus to development in 1992, at least in the early months of the year, is expected to be the huge Government deficit.

Tax receipts so far this year are lagging badly behind budget. By the end of November they showed an increase of only

R2 billion, against a projected increase in government spending of R10 billion.

In view of the depressed economy, it seems unlikely that tax revenues will reach anywhere near the Government's target.

The result is that the Government is already having to borrow substantial amounts to meet its expenses, and it seems likely it will have to continue doing so for some months to come.

This means it will be putting more money into the economy than it is taking out — which is good for business.

The third source of additional money will be new investment in factories and plant. The lifting of sanctions has provided a huge incentive for exporters to produce goods for overseas.

Work is almost certain to start in 1992 on the R4 billion Columbus stainless steel plant and the R4 billion aluminium smelter plant.

Together these should provide a substantial number of jobs and new business opportunities for the

engineering and construction industries.

The motor industry is likely to continue its large investment programme, which is partly aimed at supplying foreign markets.

Fourthly, banks are likely to play a major role in 1992's business upturn. Stocks of raw materials and of manufactured and partly manufactured goods are low.

Because of the high degree of business uncertainty, firms have not been replacing the merchandise they have sold.

At the first sign that the economy is moving out of recession, they are likely place orders for all sorts of goods. The new orders, which will probably have to be financed by bank credit, should expand factory activity and create many more jobs.

Altogether, it looks like 1992 should be a much better year than 1991.

If foreign investors start to think the same way and begin reinvesting, 1992 could ultimately turn out to be a very good year indeed.

# Outlook brightens for commercial, industrial property

S/ Times (BUS) 29/12/91

By TERRY BETTY

COMMERCIAL and industrial property seems headed for a mild rally in 1992 after a dismal 1991 performance.

Real Estate Surveys property economist Erwin Rode says there was a nominal decline in rents for office and industrial space this year. Retail space fared slightly better.

Brian Kirchmann, executive director of the South African Property Owners Association (Sapoa), attributes poor expectations to the recession, high interest rates, the rising number of insolvencies and the oversupply of space.

## Incentives

"But the property market has emerged almost unscathed from a difficult year," says Mr Kirchmann.

"In spite of the spate of new buildings, office rents have remained relatively firm and several large letting deals were concluded.

"To tidy up portfolios many landlords offered potential tenants a rent holiday and other incentives towards the end of the year. This always happens towards the end of a recession.

"Developers and landlords will benefit as they emerge from this recession in that there is an added demand for office space from abroad."

JH Isaacs executive chair-

man Les Weil says that although there is a constant demand for small offices — less than 500m<sup>2</sup> — there are relatively few large tenants in the market.

A large tenant is able to negotiate favourable terms because high vacancy factors and low rents result in few areas showing real growth. This and the expectation that rents will soar once the economy takes off mean anyone looking to lease space should tie it up now while the market is in the tenant's favour.

Mr Rode does not believe rents will grow in the next 12 months because the oversupply will absorb increased demand until the end of 1993.

But the take-up will be huge once the recession starts to lift.

The most gloomy forecast is for Pretoria where the Government is said to be reducing its accommodation requirements to cut costs. This is exacerbated by property there being seen as a political risk.

The Government is reported to occupy 60% of office space in Pretoria. Pretoria's CBD has grown exponentially, unaffected by business cycles, says Mr Rode.

"However, it is starting to feel the pinch."

Sapoa's office vacancy survey for November 1991 shows vacancies in A-grade office space of 8,5% in Johannesburg, 9,9% in Cape Town's

CBD, 18,9% in Durban and 12,4% in Pretoria.

Mr Rode says the Johannesburg CBD is a special case because tenants seem to be leaving the eastern side. The central and western areas, housing the JSE and mining houses, are faring much better.

Mr Kirchmann is optimistic about Johannesburg, saying 55 000m<sup>2</sup> of space is due to become available in 1992. A total of 53 000m<sup>2</sup> is pre-let.

"Upward pressure on rents could start developing in Johannesburg from midyear onwards," says Mr Kirchmann.

Old Mutual Properties property investment manager Ian Watt says Rosebank is bucking the trend. This is because the office node is tightly enveloped and there is little prospect of space elsewhere to house competitive developments.

Looking at Cape Town and Durban, Mr Rode says there is a huge oversupply of space. He attributes it to over-enthusiastic development and not to a lack of demand.

## Exports

The industrial property outlook is slightly different to the rest, says Mr Rode. Vacancies are not as great as in the office sector and are mild compared with the serious over-supply of space in the mid-1980s.

Industrial property should benefit before the office sector does.

Mr Weil says inquiries for industrial accommodation have picked up. Take-up of space improved in the past few months, several large deals being concluded.

The increasing number of foreign trade delegations and the opening up of export markets add to the potential optimism. Businessmen are planning for growth after a 10-year decline in fixed investment.

Mr Weil says: "Attention is being moved from 'strategic-type' projects, such as Moss-gas, to those that focus on infrastructure, job creation and exports.

"Derek Keys' appointment as Minister of Trade and Industry means attention will probably be given to getting the economy into a real growth phase. Attention will be focused on the industrial sector and the rest of the economy should follow."

This together with the low availability of prime space will place industrial rents under upward pressure.

Mr Watt says growth in industrial rents is particularly noticeable in prime locations, such as Pretoria's Hermanstad and City Deep in Johannesburg. Good quality space is letting for about R9/m<sup>2</sup> and will reach R10,50/m<sup>2</sup> to R12/m<sup>2</sup>.

A large increase in rents is necessary before any new projects can be considered in areas such as Durban where they are about R6,50/m<sup>2</sup>. Rents in the Western Cape are the lowest in major areas.

No growth is expected in retail property in the next 12 months. Many retail rents are linked to turnover.

Mr Weil says consolidation and rationalisation among banks and food retailers have reduced the number of potential tenants.

Small retailers are suffering from increasing competition from the informal sector. Anchor tenants may have to bear more of the rental burden if new centres are to be profitable.

Mr Kirchmann says vacancies in shopping centres have remained limited in spite of the growing number of liquidations.

"Developers are finding that although they are losing tenants faster than before, new ones fill empty slots at similar or slightly lower rents quickly. Rental growth may be problematical, but developers are far from despondent," says Mr Kirchmann.



# New company listings take a dive in JSE's mediocre

MARCIA KLEIN

Growth in the current economic climate

THE past year has not been good for new listings, with the number of new flotations nearly halved compared with 1990. There have been only 13 new company listings on the JSE this year against 23 in 1990, 21 in 1989, 41 in 1988 and 211 in the listings boom of 1987.

There have also been few large listings. Prefcor's R270m listing in the second half was the largest this year and the biggest since the R388m Mainstreet Property Fund listing in November 1990.

A corporate finance manager said 1991 had not been a good year to go to the JSE boards as many companies had found it difficult to meet the requirements of a good track record and reasonable earnings

The decline in the number of new listings was not necessarily reflective of the state of the SA economy but rather emphasised some significant changes in the market over the past few years, brokers said.

The major change had been the virtual disappearance of the smaller investor and the smaller company from the JSE.

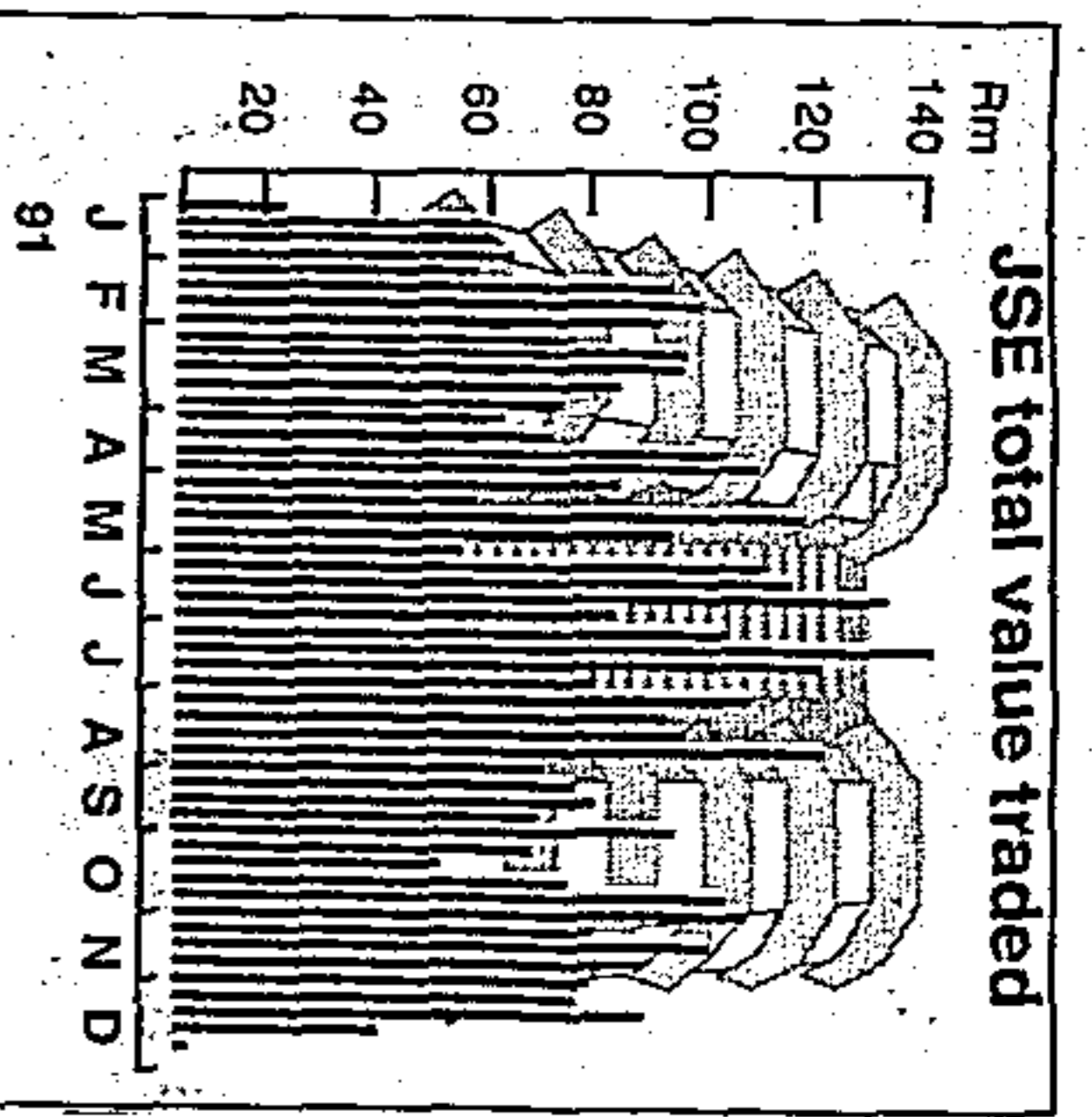
A broker said SA companies thrived when the mines were thriving, and after disinvestment many companies came to the market after finding themselves in a highly geared position. The rapid rise of small companies listing (until 1987) and the

creation of the DCM had resulted in many smaller investors burning their fingers and moving into unit trusts.

"The smaller company and smaller investor have simply vanished, and it will be some time before sentiment changes," a broker said.

"There will only be a boom when the man in the street has money in his pocket and when there are viable businesses which have proved themselves," a corporate finance director said.

Many of the new listings in 1991 formed part of restructuring and reorganisation within some listed companies, with Royal being a prime example. Companies had also listed in order to prepare for the up-



Graphic: LEE EMERTON Source: INET

## Listings *B/D* *30/12/91*

30 years". Royal subsidiaries Royfood and Roychem came to the market after a R32,8m listing. Both listings — particularly Royfood — were successful, and both were well placed for a good future, a broker said. The shares closed a week ago at 515c (Royfood) and 275c (Roychem), just short of their yearly highs.

Ovcon, which listed in March, was not expected to be a good JSE performer as it was a small Cape-based construction company which had come into a tough and depressed market.

A strong share was Sun International Ciskei, which had moved from 150c to 230c since listing. Brokers said the company had been performing better than expected mainly because it was sound, had good profit growth and had not overcapitalised.

## *180* From Page 1

A broker said there was "nothing exciting in Messina Investment's portfolio, and it is high risk with no track record". But there was solid management and the only reason for investment would be to invest in the people, he said.

Dineite was the only new company to list on the venture capital market. A broker said this was the right place to list as it was a high risk business, small and operated in the depressed furniture business. This was also a case of backing management which had a long history in furniture, a broker said, and it had potential despite the fact it was high risk.

Recently listed JCI platinum mine Poldersrust Platinums (PP Kust) was still in the development stage, but indications were that results would be better than forecast in the prospectus, a broker said.

## To Page 2

turn and not necessarily to raise capital. Prefcor's listing was not only the largest, but also possibly the most unsuccessful, brokers said. Prefcor was furniture related and there had been a slow-down in this industry. It also was overpriced and forecasts were too optimistic. The share was initially priced at 500c, and has been trading recently at a low of 360c. But the brokers said it could be attractive in time.

A corporate finance director said Target Exploration, which listed this year, seemed to be viable and initial results were encouraging. But it was a share "only for investors with a long-term view of 10 to

1991

# Industrial building continues unabated

180  
 61 Day 31/12/91  
 PETER GALLI

NEW developments coming on line in the already oversupplied commercial and industrial property market are showing little sign of tapering off, the latest preliminary building statistics released by government's Central Statistical Services (CSS) show.

The total value of buildings completed in October rose 18,5% to R580,7m from R490m the year before, with non-residential buildings increasing 27,6% to R171m from R134m.

Property economists have pointed out that development of many of these buildings began several years ago when the market was in an upturn and less well supplied.

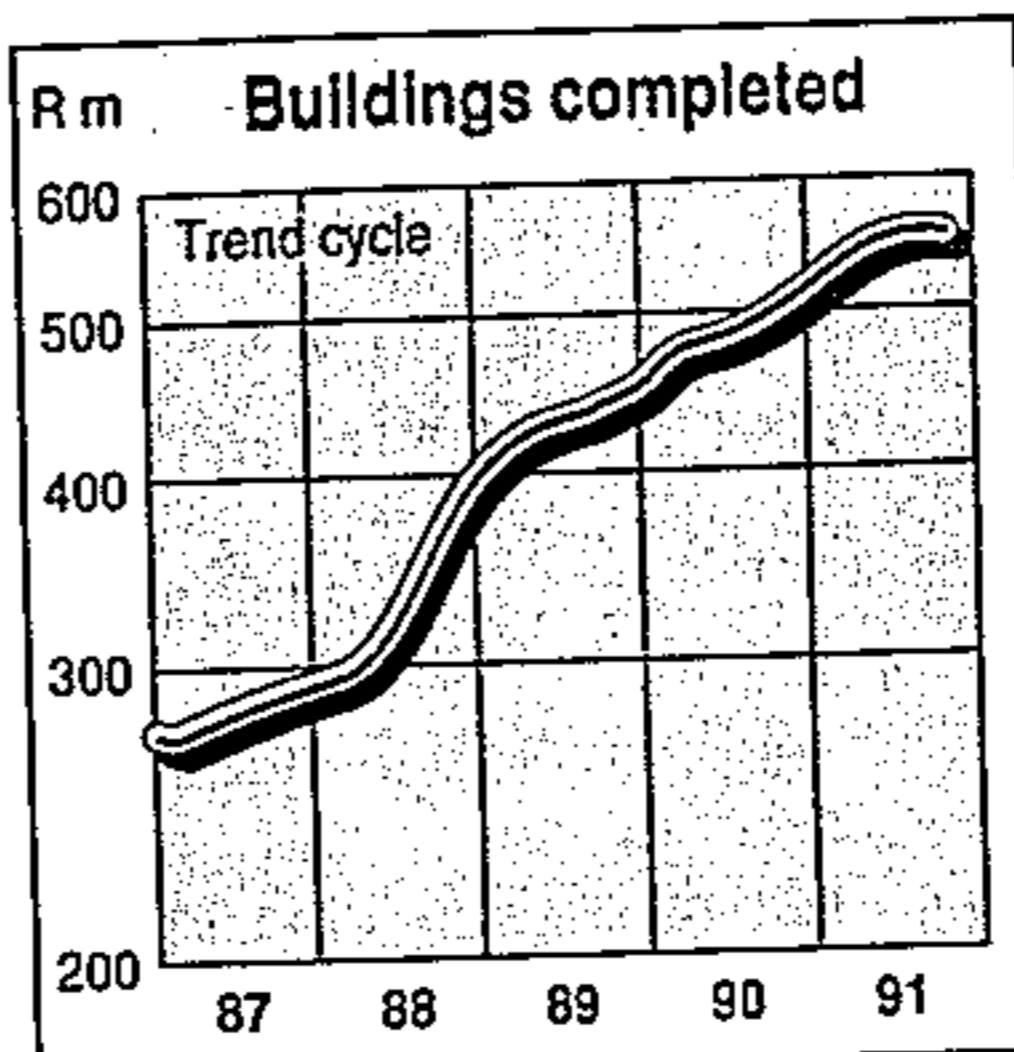
It was unfortunate that they now came on line in a depressed market that was oversupplied and suffering under a battling economy, they said.

Additions and alterations completed in Durban, Midrand and Randburg were the main contributors to the 37,2% rise to R160m.

Residential buildings increased by 4,2% to R212m, with Midrand the largest contributor.

The total value of building plans passed for October 1991 rose by 5,1% to R1bn from R958,9m the previous October.

A huge 50,7% jump to R119,8m from R81,7m was reported for flats



Graphic: FIONA KRISCH Source: CSS

and townhouses.

Johannesburg, Verwoedburg, Sandton and Westville were the largest contributors, the CSS said.

The present move away from large homes and large properties to smaller, more secure townhouses, cluster units and flats accounted for this surge in activity.

The value of plans passed for dwelling-houses and additions and alterations edged up by 8,4% and 5,4% to R339m and R312m respectively.

The total value of building plans passed for the first 10 months of 1991 rose 14,4% over the same period in 1990 to R10bn at current prices, while buildings completed for the same period rose 13,5% over the year before to R5,5bn, the CSS said.

## Auditors warned on gloomy trend

NINA SHAND

180

LOCAL auditing firms may soon be hit by the wave of amalgamations, acquisitions and failures which has swept the profession globally over the past three years, says Grant Thornton International MD Robert Kleckner.

Speaking at the recent national conference of Kessel Feinstein, he said the possible removal of restrictions could lead to mergers and casualties among accounting firms locally, as was seen in Britain and the US with the formation of six global auditing giants.

"We have seen the 'Big Eight' (the world's eight largest accounting groups) become the 'Mega Six' after a process of amalgamation and acquisition. They could well become the Giant Four or Five."

SA firms may, however, escape some of the shrinking seen elsewhere if they learnt to regard auditing as a business as well as a profession. With good management, identifying a target market and competition there was even potential for growth, Kleckner said.

Accountancy firms with a well defined client base of entrepreneurial companies and family-owned businesses with alternative strategies to the "Mega Six" could benefit and continue to grow, Kessel Feinstein's national chairman Malcolm Segel said.

B/Dcy 31/12/91

# Industrials rally in late JSE surge

BIDAY 31/12/91  
THE JSE industrial index rallied towards the close of trading yesterday to post a rise of 35 points to 4 133, representing a gain of 37,4% on the year as 1991 drew to a close with trading only until noon today.

Fergusson Bros, Hall Stewart & Co's Mike Howarth said the sterling performance of blue chip industrials was more a reflection of burgeoning "institutional cash flows in a market where no investments are allowed offshore, than of economic fundamentals".

The industrial index is, however, about 5,6% below its mid-November peak of 4 378 points. But the late surge has been buoyed by the Christmas rally on overseas markets, which has seen Wall Street close at record highs.

On the back of the rise of industrials and recent strength in De Beers and associate Anglos, the JSE overall index ended unchanged yesterday at 3 420, a gain of 24,7% on the year but 4,5% off its peak of 3 584 set on November 14.

Gold shares were disappointing as the performance of the metal during 1991 failed to match most investor expectations. With gold retreating towards the

MERVYN HARRIS

\$350 level yesterday, the JSE all gold index closed at 1 142.

This represents a decline of 9,7% after starting the year at 1 265 points. The index bottomed at 968 points in February and peaked at 1 486 in July.

Interest rate cuts, first by the US Federal Reserve before Christmas, and yesterday's surprise cut in the discount rate by the Bank of Japan from 5% to 4,5%, have fuelled the rally on Wall Street and Tokyo on hopes they could stoke a revival in flagging global economies.

"The problem is that as central banks start printing money to get economies moving, it could throw the fight against inflation out of the window," Howarth said.

The cuts went against an anti-inflationary trend introduced on December 19 by Germany's Bundesbank, which raised interest rates by half a percentage point. This took the two German official rates — the discount and the Lombard — to 8% and 9,75% respectively.


Howarth said the latest moves to resus-

□ To Page 2

## JSE rally

BIDAY 31/12/91  
cite the world economy were part of a concerted political campaign as decisive elections were due to be held in both the UK and the US in the coming year.

"Momentous political decisions also have to be made in SA and the situation would become a lot easier if this was to take place in a strong rather than weak economy," he said.

(180)  □ From Page 1  
Traditionally, January has seen a general rise of stock markets and some analysts see the trend continuing into 1992. "People who have been left behind while on holiday will help fuel the rally," said one.

In terms of this view, the JSE overall index could rise by 5% in January with even larger gains in the industrial sector.

MANUFACTURING - GENERAL

1992

JANUARY - APRIL

# Sacob president views 1992 with optimism

5 (Dec) 3/1/92  
SOUTH Africans could look forward to 1992 with optimism, SA Chamber of Business (Sacob) president Hennie Viljoen said in his New Year message yesterday.

He warned, though, that to take advantage of — and to maximise — SA's "many opportunities" required a commitment from everyone.

"This means giving his/her best at all times to help to speed up these developments which will give hope to all South Africans for a bright and prosperous future.

"Political and economic developments worldwide are indicative of a new economic era that would most certainly be forthcoming," Viljoen said.

"SA has undergone a metamorphosis. We are now becoming part of the real world and opportunities are opening up for us in both old and new markets.

"The improvement in our export performance is evidence of this and hopefully all remaining sanctions will be lifted during this year," Viljoen said.

"But as so often happens when changes of this nature occur, they are accompanied by uncertainty and violence, and in SA these factors have contributed substantially to a protracted economic downswing during the past decade.

However, SA was presently experiencing the beginning of an upturn in international tourism, Viljoen said.

"The number of foreign airlines again utilising our airspace has increased dramatically in the past few months, and this bodes well for the tourist industry."

There were "many other positive developments taking place around us", Viljoen added.

These included promising progress "as regards the political negotiating process"; and acceptance by government, as well as all political parties, that what was urgently required in SA was economic growth. Moreover, all political parties were now focusing specifically on economic policy.

The Peace Accord was well in place and provided all were committed, the peace and stability needed to generate renewed confidence in SA would be achieved.

"In this regard, it is pleasing to note that chambers of commerce and industry have accepted the importance of their role as facilitators in the implementation of the Accord at local level.

"I am further encouraged by so many recent company reports that talk of expansion plans and new projects in the pipeline, and I believe we will also start seeing some foreign investment." — Sapa.

# Balance-sheet traps for unwary investors

STimes (Bus) 5/1/92

FINANCIAL statements are an important primary source of information.

They are also an important secondary source of information for those making investment decisions.

The balance sheet is a statement of a company's assets and liabilities. One of the most difficult tasks of analysis is to determine the nature and extent of obligations not shown in the balance sheet.

The balance sheet contains the raw data for appraising financial structure. Problems await the investor who does not appreciate the spectrum of managerial discretion embodied in the balance sheet.

There are many types of off-balance sheet liabilities which pose analytical problems — for instance, those of long-term leases. The accountancy profession has moved in the direction of showing in the body of the balance sheet an estimate of the capitalised value of leases which have the characteristics of purchases.

Large companies frequently guarantee payment of the debt of non-consolidated associates. Outright guarantees are reported in footnotes to the balance sheet. Although outright guarantees are supposed to be footnoted, many may be hidden — for example, working capital maintenance agreements whereby a company puts sufficient funds into another company so that its working capital never sinks below a target amount.

## Minimal

The potential liability under such an agreement can be open ended, yet not be shown in the balance sheet.

TrustBank — no longer listed — is a text-book example of a company using secrecy in its financial accounting to shareholders. It provided its shareholders with minimal information in the context of a series of financial setbacks.

It became almost impossible for outside shareholders to detect possible management inefficiencies.

Companies seeking to evade sanctions may be protected by Section 15a of the Companies Act.

The number of companies seeking Section 15a exemption is a matter of grave concern.

By ALEKSANDER PALGEC

Putco has followed a sage and conservative accounting policy since the controlling shareholder took over in 1971. Putco's statements imply that it is not a profitable concern.

The sum of all profits and losses for the past 20 years totals a meagre R9-million. Against such a lamentable performance, shareholders have received cash dividends of more than R100-million in the past five years.

In 1990 a special cash dividend of R80-million was distributed. In 1988 R50-million in property shares — arising from a separate listing of the company's properties — was paid to shareholders.

The net asset value of the company, as reflected by the 1990 financial statements, is R100-million, or R3,78 a share. Because of the poor profit record the share price has remained low.

## Vested

The company is rich in assets in spite of its unimpressive profit record and the reason is that Putco depreciates its buses over five years, notwithstanding that they have an economic life of 20 years.

It also made provisions to cope with the cost of new buses. The net effect is that large depreciation sums are charged every year against revenue.

There is an economic motive associated with Putco's accounting policy — the Government dispenses generous bus subsidies.

Putco's real asset value is almost certainly double the published net asset value.

The strategy of income maximising is common. Management will opt for accounting procedures which result in the largest possible stream of reported income.

A company faced with declining profits may change from accelerated depreciation to straight-line depreciation. An increase in earnings a share may be brought about solely by a change in accounting policy for depreciation.

Income maximisation strategies abound. They include policies relating to deferral of promotion and advertising costs, as well as capitalisation of borrowing costs.

Income smoothing is much more subtle. Managers select accounting procedures which tend to minimise variability in reported income. As a result, stabilised income replaces maximised income as the object of managerial choice. Any stable income series would then be capitalised at a higher price earnings multiple than a variable series.

Of over-riding importance is the need to account for the substance of a transaction.

The substance of any transaction is determined by identifying its effect on assets and liabilities. The disclosure of assets and liabilities as reflected in the balance sheet is influenced by the variations permitted in accounting procedures.

Any company whose management is bent on reflecting a financial structure in the most favourable manner may use these practices:

- The value of current assets could be inflated by not making adequate provisions for obsolescence and other reductions in trading stock values. Similarly, the value of debtors can be inflated by insufficient provision for bad debts.

- The company may follow a selective policy of upward and downward revaluation of fixed assets for smoothing reported income. The value of fixed assets becomes, as a consequence, meaningless and is likely to deceive readers of financial statements.

## Upward

- Questionable accounting policies are often used to account for purchased goodwill. The balance-sheet value of goodwill and other intangibles may be unrepresentative of the future earnings capacity of a business.

- A company may decide not to reflect the value of long-term leases. Its resources and obligations are understated and financial ratios are distorted.

- An arbitrary classification of short- and long-term investments in marketable securities enables management to manipulate their carrying value reflected in the balance sheet.

- Investors cannot accept at face value the contingent liabilities disclosed as footnotes to the balance sheet. A fair amount of judgment and management discretion is involved

in the determination and valuation of contingent liabilities. The risk profile of a company may be understated by insufficient disclosure or non-recognition of contingent liabilities.

- Management may improve a company's financial state by window dressing the balance sheet — transactions done shortly before the end of the financial year and reversed early in the following financial period.

Investors should make adjustments to the published financial statements so that they reflect economic reality.

## Bath

There are three major financial statements for every company. The investor should view them as an integrated set of data and not focus on one. The income statement, the balance sheet and cash flow each present the company's financial position from a different perspective. The different perspectives interlock to give a generalised overview.

Almost every item in the income statement has the potential to mislead investors. In addition, management can manipulate reported earnings by using techniques such as income maximisation, income smoothing, or the "big bath" syndrome.

Areas requiring special understanding are the timing of revenue recognition, the effect of inflation on the calculation of cost of goods sold through inventory and depreciation accounting, the problems involved in accounting for expenses flowing from employee benefit plans and from a wide variety of outlays which are not definable as either current or long-term in nature, manipulation of the date of discontinued operations and the potential distorting effects of tax provisions.

Main areas of concern in considering a balance sheet are book versus market values of such assets as receivables, inventories, capital facilities, appropriate definitions of liabilities, including deferred taxes, lease arrangements, and a wide variety of direct or indirect guarantees of indebtedness.

Investors in highly diversified companies should try to obtain additional information on the profitability, risk and growth of their significant divisions.

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( 9%)

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( 31%)

Registrations  
in March 1992

T I E S  
E APPLICATIONS,

CORPORATE PROFITS

FM 10/1/92

# Through the hoop

180  


It looks as if the worst is over

There are two dominant features in the FM's latest profit round-up: an overall improvement in earnings performance compared with the previous two surveys; and distinct signs that the relatively strong showing by consumer-based sectors, that has been one bright spot in an otherwise recessionary environment, is rapidly weakening.

To deal first with the survey itself, exactly the same pattern has been followed as in the past. It is a round-up of results of major industrial/commercial companies which reported during the second half of calendar 1991, with an arbitrary turnover cut-off of around R100m. An attempt has been made to exclude companies whose results are not comparable with year-ago figures, to minimise distortions arising from corporate restructurings and so on (see next two pages).

What results is a list of just over 160 companies, which for the most part have reporting periods (either interim results or annual prelims) to the second or third quarter of the year. Because of the size cut-off, the list of companies included is substantially unchanged from survey to survey.

Predictably, performance from company to company differs widely. Nevertheless, sectoral averages provide an interesting insight as to how major companies are coping (or in some instances, not coping) with the recession that, in terms of profit growth, dates back to August 1986 when the authorities took steps to cool the economy and protect it from a then burgeoning sanctions drive.

Taking the sample as a whole, the latest survey indicates overall EPS growth of 7,3% (on a simple arithmetic average). This is not great; but it is a good deal better than the negative 0,4% this time last year, and the marginally positive 0,9% in the mid-year survey, published in July, that covered results to the fourth quarter of 1990 and the first quarter of 1991.

The interesting point is that the improved earnings performance does not stem from an improvement in business conditions. This is patently obvious, not only from the comments of corporate executives, but also from the fact that turnover growth has continued to slow and there has been a further contraction of trading margins.

As regards turnover, the average growth rate for the sample, at 13,7%, was two percentage points lower than the average this time last year — and for the first time failed to match the inflation rate, indicating an overall reduction in volumes. With margins, the overall ratio of operating profit to sales dropped to 8,9% from 9,2% a year ago, suggesting an intensification of competition as companies battled one another for an increased slice of a shrinking cake.

Even so, this unpromising situation produced a better showing in terms of operating profit which, overall, reflected an average gain of 10%, almost two percentage points more than the year-ago average of 8,2%. The difference between this and the 7,3% improvement in EPS can be attributed to:

- Higher interest charges (up nearly 55%);
- Higher effective tax rates in some cases (arising either from the exhaustion of tax losses or losses in one particular division of a company that could not be offset against profits elsewhere); and
- A minor consideration — increases in issued share capital of some companies.

Though interest charges are still rising rapidly and exerting a negative effect on earnings performance, interest cover on average is still satisfactory at 5,1 times (5,4 a year ago). The fact that interest cover is still comfortable for most companies is a pointer that balance sheets have remained in reasonable trim.

It is equally clear, however, that the companies themselves are far from sanguine about cash flows. This is apparent from a further marked contraction in the rate of dividend growth to only 4,6%, compared with the mid-1991 average of 6% and the year-ago figure of 8,4%, despite the improved average EPS growth.

## Fall from grace

Turning to individual sectors, something which is far less prominent in the present round-up is the one-time buoyancy of consumer stocks. In fact, one of the main features is a spectacular fall from grace by the furniture sector which, a year ago, was still the top earnings performer.

This time round, turnover growth slumped to only 6,1% (the fifth worst performance); operating profit fell by 29% (the second-biggest decline); while average EPS growth turned from 30% to a negative 50,4% as profits were hammered by factors such as soaring interest charges (up 74%) and a much higher rate of bad debts.

Against this background, Ellerrine's 16% earnings gain — the only one of the seven in the sector to move against the trend — was commendable, though it is not a performance likely to be repeated given the protracted strike in the opening months of the new financial year.

At the other end of the spectrum, the beverage-leisure sector continued to do well. While turnover growth was good rather than spectacular, at 18%, margin improvements produced a 24% growth in operating profit, which was further enhanced by lower interest charges to give a bottom-line gain of 47% — by far the best sectoral performance.

While this was primarily due to recovery at Pleasure Foods after its 1990 profit slump, seven of the 11 companies in the sector beat inflation in all three critical areas: turnover, operating profit and earnings.

Other consumer sectors were patchy rather than poor. Retailers, overall, continued to score well in turnover, but closer analysis reveals that this was confined largely to companies serving the lower end of the market; furthermore, there was not generally a corresponding follow-through in profits.

Similarly, though Food scored the largest sectoral turnover gain (25%), this was largely due to the acquisition-based 139% increase in Rainbow Chicken's interim sales. Rainbow's 87% decline in EPS did nothing for the sectoral earnings growth average which, at 2%, was well below par.

Also benefiting from acquisition was Sasol, whose substantial gains in sales and operating profit after inclusion of Sasol 3 boosted the Chemicals sector into the top five by both turnover and profits. Gains, however, were offset at the bottom line by a substantially higher issued capital, and though the net result was a pleasing 40% improvement in EPS for Sasol's year to June, this was not enough to offset severe declines at AECI and, to a lesser extent, Sentrachem.

Given the state of fixed investment, an unexpected entry in sectors with the best profit and earnings growth is Engineering, but this is owed mainly to recoveries at Genrec and NEI. Also prominent was Bateman, whose unorthodox profit-sharing incentive scheme still delivers good results.

Where to next? It seems to be generally accepted that the economy won't show any meaningful improvement before the second half of 1992, too late to do anything for the next round-up, which will cover results of reporting periods to end-December and end-March.

While there could be a further improvement in earnings growth rates, the extent is likely to be marginal as it will be based, as in this survey, on the spin-offs of rationalisation as companies adapt to the lack of turnover growth opportunities.

The possibility of improved exports as SA's international status normalises remains a wild (but exciting) card, but here again the benefits are likely to be some way off.

At this stage, about the best that can be said is that corporate SA, if not the economy, seems finally to be through the recession. While obviously welcome, however, this in itself hardly justifies the extent to which industrial share prices have risen over the past year, leaving one with the feeling that any further investment at this point still needs to be highly selective. ■



Company	Reporting Period		Turnover %		Operating Profit %		Finance Charges %		EPS %		DPS %	
			Rm	change	Rm	change	Rm	change	c	change	c	change
<b>ENGINEERING CONT</b>												
Fenner	P	Aug 31	245,8	17,4	27,8	12,4	\$4,2	19,4	66,4	9,4	22,0	10,0
Fraser Alex	P	Jun 30	234,0	8,7	*24,4	-27,3	n/d	—	124,9	-24,5	39,0	-15,2
Genrec	P	Jun 30	592,8	14,1	40,3	128,0	n/d	—	267,0	41,3	90,0	71,4
Haggie	I	Jun 30	583,5	-2,9	61,9	-14,8	▲9,7	6,3	162,1	-12,0	47,0	0,0
Hudaco	I	May 31	183,1	-10,8	23,8	-7,1	\$3,0	-37,0	47,0	0,0	21,0	0,0
Metkor	P	Sep 30	3 215,5	1,6	185,2	-4,8	49,0	-11,7	21,5	-27,4	15,7	5,9
NEI Africa	I	Jun 30	360,1	17,0	18,7	32,1	\$13,6	86,0	16,8	—	7,0	-87,3
NTC	I	Jun 30	262,2	9,3	19,4	4,5	5,2	-16,6	85,2	22,9	20,0	25,0
Standard Eng	P	Aug 31	639,1	-7,5	73,6	-8,1	18,1	-2,4	120,9	27,0	40,0	25,0
Unihold	I	Jun 30	105,1	17,3	11,0	11,5	3,1	-13,9	11,5	2,7	4,5	0,0
<b>FISHING</b>												
Ocfish	P	Sep 30	325,9	5,5	21,2	-6,9	n/d	—	142,8	-0,1	90,0	0,0
<b>FOOD</b>												
Cadbury Schweppes	I	Jun 15	239,9	9,6	21,6	20,2	4,5	21,0	47,8	33,1	12,0	26,3
CGS Food	P	Sep 30	11 334,4	14,2	794,5	18,5	180,8	21,8	300,8	14,1	99,0	13,8
Fedfood	I	Sep 30	714,8	3,9	49,5	-2,8	n/d	—	71,8	-10,4	19,0	0,0
ICS	P	Sep 30	2 109,3	2,0	28,1	8,4	17,8	-8,2	119,7	24,4	37,0	15,6
I & J	P	Jun 30	1 444,0	14,9	99,7	12,1	5,9	-11,4	243,1	19,6	78,0	11,4
Kanhym	P	Aug 31	987,4	0,8	44,0	6,3	10,9	-19,4	60,1	10,1	20,0	0,0
Rainbow Chick	I	Sep 30	801,4	138,6	20,9	-31,0	n/d	—	1,7	-87,1	0,0	—
Tiger Oats	P	Sep 30	7 980,0	17,7	598,0	20,8	▲89,0	36,9	207,0	12,5	71,0	12,7
<b>FURNITURE AND HOUSEHOLD</b>												
Afcol	I	Sep 30	388,8	-3,3	22,4	-36,0	10,7	-8,5	50,7	-46,9	25,5	-46,3
Amrel	I	Sep 30	462,6	-3,0	10,3	-56,2	\$10,2	34,3	59,0	-29,8	19,0	-32,1
Ellerine	P	Aug 31	592,4	22,6	104,8	20,3	n/d	—	774,0	15,7	257,0	16,3
JD Group	I	Jun 30	300,7	10,9	25,1	-6,8	16,2	63,3	30,4	-14,8	7,0	-12,5
Math & Ashley	P	Jun 30	125,0	-7,3	2,2	-79,3	2,6	162,2	3,3	-93,4	0,0	—
Morkels	I	Sep 30	136,2	13,0	7,8	-28,6	7,5	104,2	1,1	-87,6	0,0	—
Rusfurn	P	Jun 30	1 409,2	9,5	128,3	-17,2	73,6	87,5	0,8	-96,2	5,5	-65,6
<b>MOTOR</b>												
Combined Motor	I	Aug 31	199,5	16,0	3,0	-37,0	▲1,2	-10,9	6,4	-28,9	2,1	-30,0
Gentyre	I	Jun 30	229,3	-5,7	25,4	-18,0	n/d	—	186,0	14,1	55,0	0,0
Market Motor	P	Jun 30	204,3	10,6	10,2	10,2	n/d	—	25,0	2,9	6,0	-48,9
McCarthy Group	P	Jun 30	2 894,0	5,7	105,8	5,5	7,0	-42,8	59,8	2,0	23,5	11,9
Metair	I	Jun 30	n/d	—	*14,2	34,4	3,6	74,4	130,0	13,0	63,0	0,0
Saficon	I	Sep 30	822,5	8,2	29,4	7,4	11,3	6,1	38,0	22,6	7,0	0,0
Toyota	I	Jun 30	1 714,5	15,7	*100,3	5,1	n/d	—	113,7	6,8	19,0	11,8
Vektra	I	Jun 30	242,7	7,0	12,8	-12,1	6,8	43,1	17,1	-42,4	6,0	-40,0
Wesco	I	Jun 30	1 714,5	15,7	152,7	3,6	52,3	3,3	280,0	0,0	—	—
<b>PAPER AND PACKAGING</b>												
Afcom Group	P	Jun 30	107,1	-3,3	12,2	-17,9	3,4	5,8	17,6	21,4	7,0	25,0
Carlton Paper	P	Aug 31	◆454,2	20,8	◆71,1	50,2	◆2,7	-54,6	◆280,8	63,4	◆112,5	50,0
Consol	P	Jun 30	2 071,5	33,1	319,4	48,7	\$31,1	13,3	194,3	23,2	55,0	22,2
CTP Holdings	I	Sep 30	260,6	7,6	28,8	12,7	3,4	86,1	62,0	15,0	8,0	14,3
Holdains	P	Aug 31	1 951,8	8,6	173,0	14,7	42,7	-0,5	358,2	11,4	121,0	10,0
Nampak	P	Sep 30	3 894,0	13,6	440,2	7,3	▲57,9	-16,3	491,0	16,4	190,0	14,5
Sappi	I	Aug 31	1 405,1	8,5	187,9	-22,0	\$114,7	52,9	110,0	-39,2	80,0	0,0
<b>PHARMACEUTICAL AND MEDICAL</b>												
Adcock Ingram	P	Sep 30	773,6	25,6	118,4	25,6	6,0	-7,5	235,0	29,1	88,0	29,4
Noristan*	I	Jun 30	108,4	11,7	11,1	-9,7	2,4	133,7	15,9	-18,9	4,0	-33,3
SA Druggists	I	Sep 30	585,3	13,3	40,9	-4,8	▲7,1	-4,5	12,7	-4,2	4,8	0,0
<b>PRINTING AND PUBLISHING</b>												
Argus	I	Sep 30	892,8	9,4	63,3	7,3	▲3,0	40,3	81,0	9,5	15,0	9,1
Caxton	I	Sep 30	260,6	7,6	29,1	12,5	3,4	86,1	1 052,0	17,3	124,0	9,7
Perskorgroep	P	Jun 30	599,5	14,4	*32,5	25,2	n/d	—	329,5	43,1	44,5	34,8
Times Media	I	Sep 30	149,4	9,6	22,0	-5,4	0,9	16,1	83,0	7,8	22,0	10,0
<b>RETAILERS AND WHOLESALERS</b>												
Bergers Group	I	Jun 30	70,8	66,3	*3,9	16,5	n/d	—	12,0	16,5	—	—
Boymans	I	Aug 31	96,0	1,1	6,1	-10,4	4,6	-3,7	7,4	-22,9	0,0	—
Cashbuild	P	Jun 29	387,0	20,5	*17,5	24,4	n/d	—	36,8	20,7	15,0	15,4
CNA Gallo	I	Sep 30	364,2	7,9	17,7	-8,4	7,1	29,2	38,7	0,5	13,0	0,0
Edgars	I	Sep 28	1 294,0	13,1	181,9	7,8	\$31,0	12,7	155,0	9,9	36,0	9,1
Foschini	I	Jun 29	n/d	—	*46,1	16,4	n/d	—	225,0	21,0	—	—
Metro	P	Jun 22	4 064,3	16,4	-14,7	—	31,7	47,5	-79,4	—	0,0	—
Midas	I	Aug 31	145,4	22,1	7,5	53,3	3,1	2,5	25,4	120,9	6,0	100,0
OK Bazaars	I	Sep 30	2 444,9	9,5	47,5	25,5	▲29,8	58,9	71,9	1,3	37,0	0,0
Penpin	I	Jun 30	119,7	24,7	-4,4	—	n/d	—	-19,1	—	0,0	—
Pepkor	I	Aug 31	1 302,6	53,4	83,2	30,1	12,0	79,0	238,8	15,2	71,0	14,5
Pick 'n Pay	I	Aug 31	2 815,9	15,6	53,1	-10,3	▲2,7	—	40,4	-3,3	12,5	0,0
Shield Trading	I	Aug 31	377,4	23,3	10,6	27,4	n/d	—	7,9	25,4	—	—
Smart Centre	P	Jun 30	182,0	41,2	26,3	42,0	4,2	47,2	30,0	30,4	10,0	17,8
Specialty Stores	I	Aug 31	125,3	14,8	11,6	9,7	2,7	35,8	28,6	5,5	10,0	5,3
Teljoy Hold	I	Sep 30	86,0	19,6	17,7	23,3	\$6,0	22,4	14,3	1,4	4,5	0,0
Tradegro	P	Jun 30	7 772,9	7,5	46,3	-70,2	50,0	25,7	-7,9	—	26,0	136,4
Waltons	I	Aug 31	356,3	6,2	39,1	-18,8	\$8,4	-23,9	18,7	-13,0	7,0	0,0
Wooltru	P	Jun 30	3 303,2	22,0	*288,5	7,9	n/d	—	422,0	12,4	170,0	13,3
<b>STEEL AND ALLIED</b>												
CMI	P	Jun 30	274,6	27,5	-11,3	—	▲19,4	—	-58,0	—	0,0	—
Highveld	I	Jun 30	648,2	-5,0	*50,3	-56,9	n/d	—	65,3	-42,9	30,0	0,0
Iscor	P	Jun 30	7 365,0	6,5	890,0	-31,2	257,0	157,0	33,0	-34,1	11,0	-37,5
Usco	P	Sep 30	554,0	-9,6	3,2	-88,0	▲18,0	-31,3	-179,7	—	0,0	—
<b>SUGAR</b>												
Tongaat-Hulett	I	Sep 30	2 020,5	5,3	141,8	-2,9	53,6	8,7	85,8	4,3	23,0	0,0
<b>TOBACCO AND MATCH</b>												
Lion Match	I	Sep 30	164,9	0,7	15,8	-22,0	6,5	9,0	11,3	-32,3	4,5	-30,8
Rambrandt Group	I	Sep 30	n/d	—	*544,1	23,5	n/d	—	83,2	10,7	12,6	20,0
Utico	I	Jun 30	242,4	20,1	20,2	20,9	0,8	-2,6	175,0	28,7	105,0	40,0
<b>TRANSPORTATION</b>												
Cargo Carriers	I	Aug 31	93,3	1,9	3,5	-54,8	3,8	12,6	-3,4	—	0,0	—
Trencor	P	Jun 30	829,2	5,7	*132,0	17,9	n/d	—	734,8	28,5	160,0	23,1
Unitrans	I	Sep 30	165,9	25,6	23,3	1,4	5,5	-3,3	41,9	5,3	10,0	5,3

I = Interim. P = Preliminary. n/d = Not disclosed. \* = Income before tax. ▲ = Net interest. § = Net finance charges. \* = 12 months. ◆ = Annualised.

ACCOUNTS AWARD

**New rules for 1992**

For the first time in several years, rules for the evaluation of the *FM*'s annual accounts award have been amended.

The award, which has been made annually since 1964, is judged primarily according to disclosure of relevant financial information. Last year's award — for 1989 financial year accounts published by companies listed on the JSE industrial board — was shared by Adcock Ingram and SA Breweries.

These two companies each scored 97%. Other top scorers last year were York Timber Organisation, with 100%, and Anglo-Alpha, with 97%. Both appeared in the Roll of Honour, as they had previously won the award three times.

Rankings of companies whose accounts were published for the 1990 financial year will appear in the *FM* in the next few weeks.

It is several years since the rules were last amended — a full list was last published in the *FM* on January 13 1989.

Amendments now coming into effect are:

In Item One, points can be gained for stating the date of birth or the age of directors; for stating their position in the company or their executive duties; and for photographs of directors.

In Item Seven, credit is given for including a statement of budgeted or projected figures or performance targets against actual results for the latest year.

In Item 10, a statement of the number of employees for the present year only, or for more than one year.

Points are no longer awarded for a cash flow statement (formerly Item 12), as it is now a Companies Act requirement.

Item 12 now awards two marks for information relating to income from associated companies.

Item 17 awards seven marks for details on depreciable fixed assets; previously it awarded five marks.

Points are no longer awarded for information on leasing of fixed assets (previously Item 18), as these details are now compulsory in terms of AC105. Item 18 now refers to details on the current portion of long-term loans.

Item 30 awards two marks for a statement on environmental protection and social responsibility; previously it carried only one mark.

Item 31 awards three marks instead of one for a statement on research technology and development projects.

Item 34 is a new rule. It awards three marks for details on the tax implications of extraordinary items.

These are the full rules applicable to annual reports with year-ends during 1992:

<b>1. BOARD OF DIRECTORS</b>	
(maximum 4 marks)	
Name — no marks, Companies Act requirement	0
Date of birth or age	1
Qualifications or experience	1

Other major directorships	1
Position in the company or executive duties	1
Date on which he joined the company	1
Photographs	1

One mark will be awarded per item mentioned above with maximum of 4 marks.

<b>2. TOP MANAGEMENT</b>	
(maximum 4 marks)	
See board of directors items (Item 1)	4
Name of management consulting firm	4
Not applicable, directors represent top management	4

<b>3. SHAREHOLDING OF BOARD OF DIRECTORS AND TOP MANAGEMENT</b>	
(5 marks)	
Combined percentage holdings of directors shown (Company Act requirement)	0
Combined percentage holdings of non-director top executives shown	1
Name and shareholding of individual directors shown	1
Name and shareholding of individual non-director top executives shown	2
Previous year's shareholding also shown	2
Statement that board of directors and top management do not hold shares or statement that a register or list of interests of directors and others in shares of the company is available on request to the public	5

<b>4. HOLDING COMPANY</b>	
(2 marks)	
Name	2
Name and percentage or number of shares held by holding company	0
Not applicable	2

<b>5. DISTRIBUTION OF SHARES</b>	
(5 marks)	
No mention made	0
Distribution according to size of shareholding	2
Distribution according to type of shareholding	3
Analysis of size and type of shareholding	5
Only major shareholders listed — 2 or 3 largest shareholders or shareholders holding more than 5%	2

<b>6. STOCK EXCHANGE PERFORMANCE</b>	
(11 marks)	
Statistics (7 marks)	
Closing price at year end:	
For 1 year only	1
For 2 years or more (one additional mark)	1
The total number of transactions recorded on the JSE	1
The total number of shares traded	1
The total value of shares traded	1
The average price or lowest and highest price per share	1
The total volume of shares traded expressed as a percentage of the total issued shares	1
A comparison of the share price trend of the company during the year with the JSE actuaries Industrial index (2 marks)	2
Share ratios (2 marks) — example:	
Market price/earnings per share — PE ratio	1
Dividend yield	1
Earnings yield	1

<b>7. CONTENTS OF DIRECTORS' AND CHAIRMAN'S REPORT</b>	
(8 marks)	
Activities (2 marks)	
Minimum Companies Act requirements	0
Detailed information	2
Reasons for changes in results (3 marks)	
Discussed in general	0
Reasons for changes in profits or performance	3
Statement of corporate objectives/goals or mission statement (3 marks)	
No indication	0
Mission statement or corporate profile	1
Statement of budgeted or projected figures or performance targets for future years and measured against actual results for the latest year	
	3

<b>8. PERIOD BETWEEN FINANCIAL YEAR-END AND DATE OF PUBLICATION</b>	
(4 marks)	
Four months or later or undated	0
Three months	2
Two months	4

<b>9. TABLE OR STATISTICS</b>	
(4 marks)	
No table	0
Table for less than five years if the company has been in operation for more than four years	2
Five years, or for total period in operation or reasons given for shorter period	3
Six years and more or not applicable, ie new company	4

<b>10. CONTENTS OF TABLE</b>	
(10 marks)	
Turnover (1)	
No	0
Yes	1
Not applicable, investment company	1
Number of shares issued (1)	
No	0
Yes	1
Ratios (5)	
No	0
Growth:	
Return on equity	1
Return on assets	1
Liquidity ratios eg acid-test ratio	1
Solvency ratios	1
Productivity ratios	
— turnover per employee	
— assets per employee	1
Definitions of Accounting terms or financial ratios (1)	
No definitions	0
Terms or ratios defined	1
Number of employees (2)	
No	0
For present year only	1
Shown in table or elsewhere for more than one year	2

<b>11. TURNOVER</b>	
(6 marks)	
No turnover figure — reasons given	0
Percentage change or index only	1
Actual figures shown	3
A detailed break-down of the turnover figure shown eg:	6
Amount of group transactions	
Amount of turnover of associated companies	
Amount of general sales tax	
Amount of commission or royalties	
Amount of dividends and interest received	
Amount of remuneration or management and secretarial services	
Amount of rentals received on leasing of fixed property	
Amount of lease rentals received on plant, machinery and other depreciable fixed assets	

(Marks will be deducted for non-compliance to a maximum of 6 marks)

<b>12. INCOME FROM ASSOCIATED COMPANIES</b>	
(2 marks)	
If equity accounting for associated companies is applied, are the dividends received shown separately in the income statement or by means of a note to the income statement	
No	0
Yes	2
Not applicable — no associated companies	2

<b>13. ACTIVITIES OF SUBSIDIARIES</b>	
(4 marks)	
No — listed, but no activities shown	0
Yes — activities of main subsidiaries only	2
Yes — activities of all subsidiaries shown	4
Not applicable — no subsidiaries	4

<b>14. PRODUCTION OF PRODUCTS OR SERVICES</b>	
(2 marks)	
No	0

Yes — brand names, photographs of products etc	2	24. HIGHLIGHTS PRESENTED IN THE REPORT	(2 marks)	
Not applicable	2	(1 mark)	No contribution	0
15. VALUATION OF FIXED PROPERTY/IMPROVEMENTS		No	Discussed in general	1
No valuation mentioned	0	Yes	Detailed discussion of projects embarked upon:	2
Valuation mentioned but no indication of when it was revalued	1	25. SHAREHOLDERS'/LENDERS' DIARY	Environmental awareness	
Additional information such as insured value, municipal valuation or directors valuation supplied	3	(1 mark)	Donations to charities	
Valuation of a portion of fixed property mentioned plus 2 marks if the additional information is provided	3	No	Saving money by using fewer resources or by avoiding costly environmental disasters and preventing penalties for non-compliance with legislation	
Valuation of all property but valuation 6 to 10 years old plus 1 mark for additional information (4 + 1)	5	Yes		
Valuation of all property during last 5 years	6	26. GROUP STRUCTURE — IE PRESENTED DIAGRAMMATICALLY	31. STATEMENT ON RESEARCH TECHNOLOGY AND DEVELOPMENT PROJECTS (FASB STATEMENT NO 2)	
Not applicable	6	(4 marks)	(3 marks)	
16. LIST OF FIXED PROPERTIES		No	No statement	0
(2 marks)		Yes — in general ie only company names	Expense item shown in the income statement	1
No list or only open for inspection by authorised persons or members	0	Yes — an additional point for each of the following:	Detailed discussion of:	
Yes — a complete list is presented in the report or a note in the report stating that a copy of the list will be posted on request to any member of the public	2	— management team	Amount spent during the year and budgeted expense	
Not applicable	2	— products or activities	Description of projects embarked upon	2
17. DEPRECIABLE FIXED ASSETS		— geographical location	Not applicable — no mention made in report (assumed to be not applicable)	3
(7 marks)		— percentage shareholding of controlling companies		
Various categories shown separately in the income statement and balance sheet	1	Not applicable	32. DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS	
Depreciation of various categories shown separately in the income statement or notes	1	27. VALUE ADDED STATEMENT OR STATEMENT OF WEALTH CREATED	(1 mark)	
Depreciation of various categories shown separately in the balance sheet or notes	1	(6 marks)	No statement	0
For the present year only	1	No	Statement included in the report	1
For two years	1	Yes		
Insurance value or current replacement cost of depreciable assets shown	2	— for present year only	33. TAX	
18. CURRENT PORTION OF LONG-TERM LOANS		— percentages only	(4 marks)	
(2 marks)		— actual figures	No mention made	0
Only total shown	0	Yes	Use of tax concessions	1
Classification current portion of long-term loans ie secured and unsecured element shown under current liabilities	2	— for more than one year	Calculation and amount of deferred tax	1
Not applicable	2	— percentages only	A tax reconciliation statement	4
19. SEGMENTAL REPORTING		— actual figures	Not applicable, mention made that no adjustments were necessary or normal company tax paid	4
(6 marks)		Presented on a current cost basis		
Divisional contributions of various activities are matched with—		Not applicable — finance company	34. TAX IMPLICATIONS OF EXTRAORDINARY ITEMS IN THE INCOME STATEMENT	
Profit:		28. INFLATION REPORTING AND CURRENT COST STATEMENT	(3 marks)	
— operating profit (% or actual)	1	(5 marks)	Tax implication of extraordinary items shown separately in the income statement or by way of a note to the income statement	2
— attributable profit (% or actual)	1	No mention made	Minority interest in respect of the tax implication of extraordinary items shown separately in the income statement or by way of a note to the income statement	1
Turnover:		Statement that company does not wish to incorporate inflation accounting	Not applicable — no extraordinary items	3
— ratio form or % contribution	1	Mention made of inflation policy or impact of inflation on financial position (ED 66)		
— actual turnover figures	3	Statement in the form of Guideline AC 201 of SAICA	35. MONEY EXCHANGES WITH GOVERNMENT	
Assets:		Statement in any other form such as a current cost statement	(4 marks)	
— as a ratio or % contribution	1	29. EMPLOYMENT REPORT	Statement stipulating:	
— actual asset figures	2	(6 marks)	PAYE	1
Geographical contribution or other information on various activities	1	No employment report	VAT	1
Not applicable — only one activity	6	*One mark will be awarded per item mentioned below with a maximum of 6 marks	Company tax	1
20. LONG-TERM CORPORATE PLANNING		Employment Report includes:	Rates and similar levies	1
(4 marks)		Number of employees divided into occupational categories	Licences	1
No	0	Total wage bill divided into occupational categories	Other — social security, registration fees, UIF and workman's compensation	1
Explained in general	2	Labour turnover rates, the average number of years the staff have been with the organisation, the number of staff members with say five or more years of service, or proposed redundancy provisions	Receipts from Government, grants or subsidies (A maximum of 4 marks will be awarded)	1
Fully discussed in directors' or chairman's report or elsewhere and budgeted figures shown	4	Training facilities provided for training of own employees, such as number of employees trained, cost of training programmes as claimed for tax purposes and a brief comment about progress made and future developments	36. INTERIM REPORTS (Total of 10 marks)	
21. DIVIDEND POLICY		Housing facilities provided for employees or the provision of subsidised housing loans to staff members	Presentation (3 marks)	
(2 marks)		Any other fringe benefits provided, such as medical aid schemes, feeding schemes, sports and recreation facilities provided, after service benefits, provision of bursaries to children of employees etc	Only highlights or JSE requirements	0
No	0	Brief comment on matters concerning trade unions, wage negotiations, labour relations and related matters and pension policy	Actual turnover or not applicable	1
Yes — an indication of % increase or decrease or actual targets, % or cents per share	2	Number or percentage of disabled persons employed	Percentage change in turnover or not applicable	1
22. ILLUSTRATIONS AND COLOUR		Equal employment opportunity policy	Income statement	1
(1 mark)		Commitment to community involvement	Income statement and balance sheet	2
No	0	30. ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITY	Comments on results (2 marks)	
Yes	1		No comment	0
23. PRESENTATION OF RESULTS IN THE FORM OF GRAPHS OR DIAGRAMS			Briefly	1
(2 marks)			Detailed review of results	2
No	0		Date of publication (2 marks)	
Yes — 3 or fewer items covered	1		Later than one month after half year date	0
Yes — 4 or more items covered	2		Within one month after half year date	2
			Future prospects (3 marks)	
			No mention made	0
			Actual or budgeted profit figures	2
			Expected final dividend	1
			SCORE.....	143
			INTERIM REPORT.....	10
			TOTAL SCORE.....	153

# Sharp rise in business failures is on the way

SI Times (Buss) 12/1/92

180 22 246

A POST-CHRISTMAS shock is on the way for many businesses, according to Credit Guarantee Insurance Corporation.

Senior general manager Mike Truter says: "It is traditional to see an increase in failures after Christmas when businesses wind down after the rush and are faced with commitments — wages, bonuses and normal overheads."

By January many companies are unable to foot bills carried over from the previous year.

Latest figures from Central Statistical Services suggest the economy is still a long way from emerging from recession.

The value of civil default and consent judgments shot up by a third to R1,94-billion (R1,45-billion) from January to September compared with the same time in 1990.

But the number of civil default and consent judgments rose by a slimmer 9,7% to 397 475 compared with the same time in 1990. This indicates that the size of judgments continues to rise at a faster rate than that of business closure.

## Close

Close corporations and companies were liquidated at an average rate of 157 a month between January and October 1991 according to CSS. The rate was 133 a month in 1990.

The number of liquidations between last January and October was 1 568, a 15% increase over the comparable months in 1990.

The number of individual and partnership insolvencies between January and September was 2 831 compared with 2 344 for the same months in 1990.

Credit Guarantee economist Luke Doig says reasons for the sharp rise in the value of default and consent judgments are the long recession and high interest rates.

"We thought that most businesses had learnt their

By CIARAN RYAN

lessons from the previous recession. They should have paid attention to cash flow and carried lower stocks.

"But high interest rates must be the main reason for the increase in the number and value of business failures."

It was widely expected that the economy would bottom in the last quarter of 1991 and turn around in the first half of 1992. But economists have revised their forecasts, projecting an uptick in the second half of the year.

Mr Doig says: "Economic conditions are still flat. Businesses will continue to fold at a similar rate for the first six months of this year."

## Base

The rate of business failure usually rises when the economy picks up because of the time lag in administrative processing and the increased demand on cash flows to finance inventories.

The increasing incidence of business failure and debtor delinquency has increased the demand for credit insurance, say Credit Guarantee and Credit Underwriting Agency (CUAL).

Credit Guarantee's insured turnover increased by 13% to R20,9-billion in 1991 in spite of an ailing economy after a 32% growth in the book size in 1990.

But the difficulties experienced in business are reflected by the 45% rise in claims paid in the year to June 1991 to R92,6-million.

CUAL managing director John Manners says his company's insured turnover grew by 65% in the year to December 1991 off a relatively small base. But gross claims, which are not disclosed, were also sharply up.

Both companies expect claims to taper off in the second half of 1992.

A problem with credit insurance is that for reporting purposes, the books are left open for three years. Claims are generally made in the years after a policy is written.

# Industrial rentals should show increase

By Ian Watt  
13/11/92  
STAR  
Old Mutual Properties

The forecasts of relatively low real economic growth and a moderate improvement in business conditions in 1992 suggest a sluggish upturn in the months ahead — and thus minimal impact on the industrial and commercial property markets.

An interesting indicator in the industrial market, however, is the correlation between utilisation of manufacturing production capacity, production volumes and rentals.

These are showing signs of having turned the corner, probably because inventories have been running low and stocks are once again being built up.

The trend becomes more encouraging when one considers that availability of space is low. In the case of Old Mutual Properties, our recent develop-

ments in the PWV, Durban and Western Cape have been initially tenant-driven, that is, we have developed only after all or a substantial part of the space has been pre-let.

This in turn has attracted other tenants for whom we have been able to tailor space in multi-unit complexes and as a result we enjoy high occupancy levels in recently completed industrial and business parks.

With availability of prime space as low as it is, and given an upsurge in industrial activity, the impact on the property market will be twofold.

Rentals will continue an upward trend and new space will be created as the economy turns around.

Currently, the growth in industrial rentals is particularly apparent in prime locations such as Pretoria's Hermanstad area and City Deep in Johannesburg, where quality space is letting around R9 sq m net and



Ian Watt

could increase to R10,50 to R11.

In Durban, where rentals are R6,50 sq m, the increase has not been as pronounced.

As in the case of the Western Cape, where rentals achieved are lower than elsewhere in the country, a substantial increase will be necessary before new

projects can be considered viable.

In the absence of new projects, one can expect rentals, because of the lower availability, to come under upward pressure.

A disconcerting trend in the industrial market concerns efforts of some developers to get schemes to work.

In some instances, buildings have not been constructed to acceptable standards.

The prospects for the office market are more sobering. Office space is generally in oversupply, and this will take some time to correct itself.

An examination of annual percentage changes in prime office rentals shows a definite slowing right across the country.

With this slowing in centres like Sandton's CBD, developers are turning to smaller nodes in the area. These in turn are showing

substantial vacancies well above 30 percent.

Pretoria has similar problems — a vacancy in the CBD and the suburbs totalling more than 12 percent.

Durban's vacancies have also increased substantially. In May, 1,6 percent of prime space was vacant. Now the total is 19 percent.

Cape Town's CBD shows similar disturbing trends, and there are substantial vacancies in offices in the suburbs, except for the northern areas.

In contrast, the area that is bucking the trend is Rosebank in Johannesburg.

A reason for this lies in the fact that Rosebank's office node is tightly enveloped and does not have pockets of space elsewhere to house competitive developments.

While one dislikes regulations, one has to question the actions of the authorities in creating additional opportuni-

ties and new development nodes.

Are the authorities really getting what they want? Are they not stretching their infrastructure beyond acceptable limits?

Are the high increases in municipal rates not partly a result of the costs of providing infrastructure for these new nodes?

Would it not be better to use financial resources to make existing nodes a more workable asset?

Can we afford this kind of approach today?

It is an unfortunate fact, too, that, while South African cities have some successful major shopping complexes, we are still over-building retail centres.

Retailers are lifting sales by opening new stores, but there is a cost in efficiencies.

As a result, we are unable to achieve anywhere near the required trade densities per square metre to make stores

really profitable.

Significantly, there is continuing pressure for prime retail locations in CBDs.

In Johannesburg, for instance, several majors are expanding or are planning expansion.

In general, the South African market still needs to impose self-discipline to ensure that the market is strong, and that more new investments which are actually sound do take place.

Right now, there are far too many ill-conceived schemes finding their way onto the market.

The substantial increase in office vacancies in the past six months, together with the fact that there has been little or no growth in rentals, is now being compounded by substantial incentives, such as long periods of free rentals to attract tenants.

They are early indicators of what has troubled markets elsewhere in the world.

OUTLOOK '92

# Govt plans 'indaba' for small business

TRADE and Industry Deputy Minister David Graaff is to convene an "indaba" of all the major players in the small business sector.

Graaff said in Cape Town at the weekend that discussions at the meeting would concentrate on the future of the sector.

He said small and medium businesses would also come up for discussion during his Budget vote in parliament.

"A special division of the department has been formed to handle small business creation, and we are working on that at present," Graaff said. He said the small business office should be in operation by June this year.

B/day 13/1/92

THEO RAWANA

Graaff said he would invite individual businessmen and organisations such as the hawkers' council Achib, black business federations Fabeos and Nafcoc, Sacob and the Potchefstroom Small Business Advisory Unit.

Sacob deputy director-general Ron Haywood has stressed the need for government to be involved in developing the small and medium business sector. "Although we have numerous development organisations and groups (estimated at more than 80), one important player is

missing and that is a government which has a co-ordinating rôle to develop and champion small business," Haywood said.

Over the years, other business leaders, including SBDC MD Ben Vosloo, have been clamouring for government to recognise the small and medium business sector as an important creator of jobs, and deserving of similar attention to that accorded big business.

Pretoria University economics professor Geert de Wet, launching an economic research paper conducted by his team last month, urged taxpayers to compel government to use their money to develop small and medium businesses.

# Inkatha's power base remains unchanged

Section 21/1/92

**INKATHA Freedom Party leader Chief Mangosuthu Buthelezi remains a powerful player in South African politics despite damaging charges that his party received covert backing from the South African Defence Force.**

The allegations by a former senior Inkatha official have tarnished Buthelezi's international image but have not unlocked his grip on his Zululand power base, political analysts say.

"At the grassroots I don't think there has been any change in his support. He has not been sidelined," said Professor Herbert Vilikazi, professor of sociology at the University of Zululand.

Mr Saki Macozoma, an official of the rival ANC said: "The revelations have damaged Buthelezi's potential to recruit more blacks, but it's unlikely to have affected the numbers (of existing supporters)."

"That support is based on his control of resources in KwaZulu - of pensions, jobs and security."

Buthelezi is Chief Minister and Minister of Police of KwaZulu, one of 10 tribal homelands created for blacks under the now crumbling apartheid system of race segregation.

KwaZulu and adjoining Natal province are home for most of the six million Zulus, the country's biggest tribe, and scene of a decade of strife between pro- and anti-ANC Zulus.

## FOCUS

Sapa-  
Reuter

For years promoted Inkatha to counter the ANC, Mr Nelson Mandela's anti-apartheid movement.

He said Inkatha members had received financial, academic and military training from the army, adding he quit because he believed Inkatha was instigating interblack violence.

One of his most damaging allegations was that the army gave military training to Inkatha's Johannesburg leaders just before the outbreak of a war between Inkatha and the ANC for control of the city's townships in August 1990.

Buthelezi described the allegations as nonsense.

"It is grossly irresponsible for people to continue wasting their time throwing this muck at me," he said.

Khumalo echoed ANC allegations that the security forces orchestrated the Johannesburg unrest in a divide-and-rule plan to perpetuate white supremacy. The violence cost 3 000 lives.

Buthelezi survived disclosures last year that police funded Inkatha rallies, causing an "Inkathagate" scandal that prompted President FW

de Klerk's credibility, detailed newspaper reports last month alleged that more than 15 front organisations, founded by army intelligence in the 1980s to oppose the ANC, continued to operate after De Klerk freed Mandela from prison and legalised his organisation in 1990.

The organisations, mostly innocent-sounding companies registered under individuals' names, allegedly gave military training at secret rural camps, hired gangsters to destabilise black townships and promoted "moderate" anti-ANC groups.

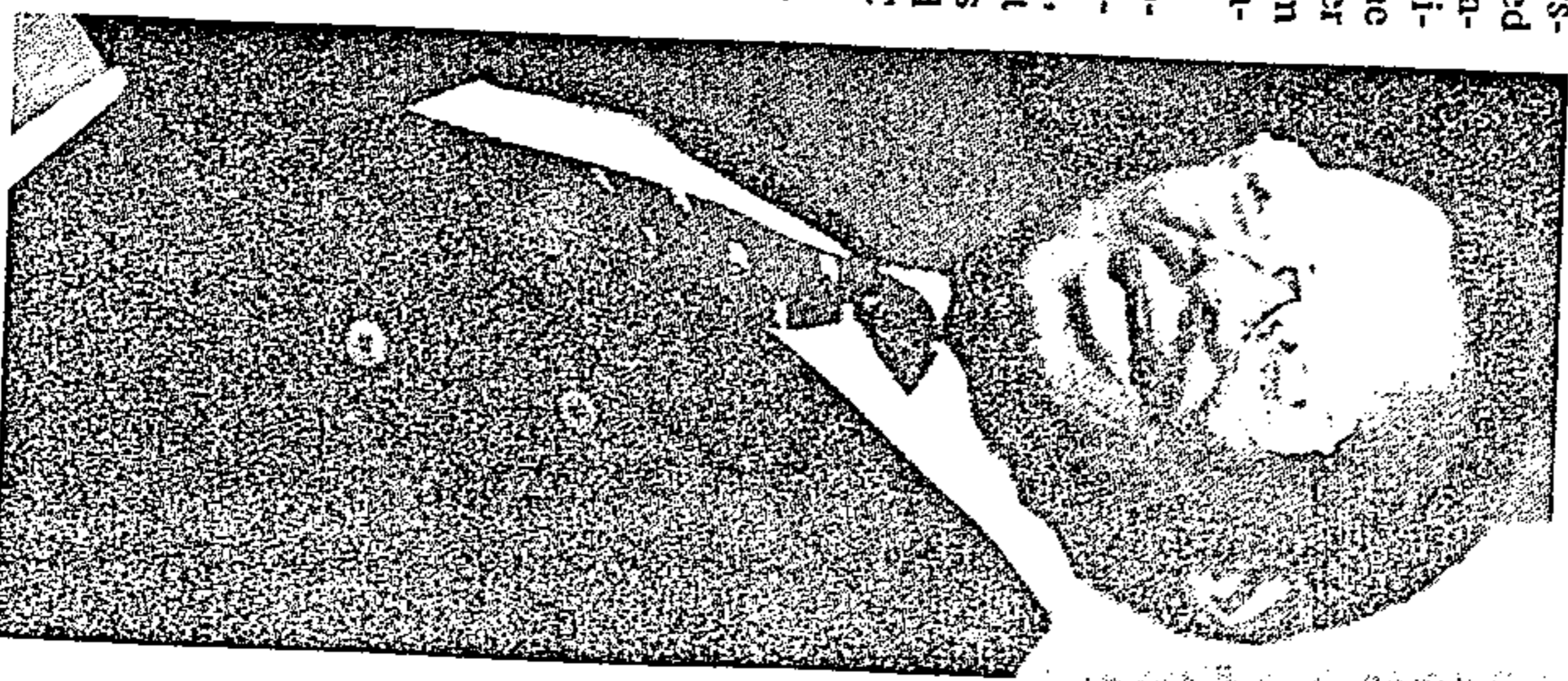
"It was the classic counter-revolutionary strategy of promoting moderates to counter radical opposition," said Mr Albert Venter, Rand Afrikaans University professor of politics.

De Klerk has said merely he knows nothing about the latest disclosures, adding that legislation on the restructuring of secret funding would be introduced this year.

"Many of these issues relate to a different time and different circumstances when we had to fight terrorism. But now we have nothing to hide," De Klerk said.

Liberal newspapers said that while Buthelezi's credibility was in shreds De Klerk was less at risk because, unlike Buthelezi, his political survival was essential to democracy talks.

Most of Buthelezi's supporters do not understand English and are unlikely to know much of the



**MANGOSUTHU BUTHELEZI**

servative whites. A recent survey gave him 60 percent support among Afrikaans speakers against 41 for De Klerk.

The Inkatha leader favours a

## Talks continue as mine strike ends

DIRK HARTFORD

THE strike by 11 000 workers at Impala Platinum's Bafokeng North mine and mineral processes plant ended at the weekend. Management and worker representatives agreed to call on strikers to return to work while appeal procedures against the dismissal of 1 800 employees continued.

The workers were dismissed after an overnight sit-in a week ago.

Although the NUM was not involved in negotiations because it is not recognised in Bophuthatswana, the majority of workers and their representatives are NUM members, the union said. *8/12/92 14/11/92*

Meanwhile, the National Union of Metalworkers (Numsa) said yesterday 250 workers from Lascon Lighting Industries in Johannesburg had returned to work after striking last Friday against short-time measures.

Another 350 workers at Girlock SA went on strike — also in Johannesburg — yesterday in an attempt to stop retrenchments, Numsa said. The company and union will meet today. In the catering industry, the strike at Kentucky Fried Chicken branches is nearly a month old.

## Taiwan prepares to end curbs on gold exports

MATTHEW CURTIN

TAIWAN is to lift its 43-year ban on gold exports, a move which could turn the island into one of Asia's major gold trading centres and boost gold demand and prices.

Reuter reports that the Taiwan Monetary Affairs Bureau said at the weekend the cabinet had in principle agreed to remove the ban, paving the way for free trading in gold for the first since the nationalist government moved to Taiwan in 1949.

"The move is a first step towards a free gold market," said Leon Shen, director of the bureau's international banking division.

An SA Chamber of Mines spokesman said yesterday the gold mining industry welcomed any development providing stimulus to the gold trade.

He said gold had retained its attraction as a store of value far better in the Far East than in the West. Jewellery demand was also strong in the region. However, it was difficult to predict what impact Taiwan's move would have on the gold market.

An analyst said any new market for gold was good news, and if there was an increased Taiwanese offtake

of gold it could improve the metal's fundamental market conditions.

Reuter reported that bullion dealers said Taiwan's gold market would be more active after the export liberalisation. Taiwan permits jewellery shops, precious metal firms and some government agencies to import gold. Individuals are only allowed to bring in a limited amount of gold.

The island was the world's largest gold importer in 1988, buying 354,7 tons of gold bars and coins. Imports fell to 160,22 tons in 1989 and to 103,7 tons in 1990 before rising to 111 tons in 1991.

Bullion dealers said the export liberalisation could boost Taiwan's gold imports this year by between 160 and 200 tons.

"Our gold market is a lame duck market because of the export ban," said China Trust Precious Metals Corp analyst Jack Wu.

"The liberalisation will help Taiwan move one step further towards becoming a regional financial centre," said another analyst.

## Sacob warns govt not to tamper with VAT rate

ANDREW GILL

SACOB has warned government that it should "strongly resist" any tampering with the present VAT system, including the current VAT rate of 10%.

In its recommendations, sent to Finance Minister Barend du Plessis for the 1991/92 Budget and published in the Johannesburg Chamber of Commerce and Industry newsletter, it made recommendations on tax issues including personal and company tax.

Those rates needed to be adjusted downwards in line with the five-year plan spelled out in the 1989/90 Budget. Also, individual tax rate structures needed to be adjusted for bracket creep, it said.

It also called for the fight against inflation to be reinforced by a more effective competition policy supported by a strengthened, more independent Competition Board. *8/12/92 14/11/92*

It registered its strong opposition to a capital gains tax and a wealth tax and said the process of removing the import surcharge should be continued.

The report warned that there seemed to be a "sting in the tail" in the recession, and a number of negative factors could still slow down the upturn.

"Uncertainty in the business community is exacerbated by the inconsistency, perceived or real, often to be found in government policy application as well as the policy pronouncements of important extra-parliamentary leaders."

The report said a high priority should be awarded to law and order, education and training and job creation.



# Manufacturers get no cost-benefit from VAT

By Sven Linsche

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14/1/92

Manufacturers do not expect savings resulting from VAT to benefit their cost structures and thus consumer prices.

This emerges from the latest survey of the manufacturing industry by the Bureau for Economic Research (BER) at Stellenbosch University.

The authorities had hoped that VAT input credit on capital and intermediate goods would help manufacturers in the form of lower costs for their prod-

ucts. This benefit would then have been passed on in the form of lower consumer prices.

From the survey, however, it appears that this is not expected to happen, the BER says after analysing the returns of over 700 manufacturers representing 21 subsectors.

"The average purchase price per unit of raw material is estimated to be higher and this translates into an expectation

that the average total cost per unit will be higher," the BER says.

The overall depressed economic mood among manufacturers is also reflected amongst manufacturers.

## Confidence declines

"Business confidence showed a further decline for the fourth quarter which is reflected in the decrease in the volume of production as well as sales.

"The volume of orders re-

ceived during the fourth quarter also showed a decrease while the ratio of uncompleted orders to sales increased," the BER comments.

However, prospects for 1992 as a whole are more optimistic, which is reflected in the survey by higher expected sales and production volumes in the first quarter compared with the last quarter of 1991.

Particularly, manufacturers expect a continued rise in exports in line with the expected increase in worldwide demand.

# Gencor clears way for new rights issue



Brian Gilbertson

Finance Staff

180

Gencor's incoming chairman Brian Gilbertson believes that while Gencor will be affected in the short term by the low end of the commodity cycle, its long-term growth prospects are excellent.

Mr Gilbertson was speaking after yesterday's annual meeting, the last to be presided over by Derek Keys. Mr Gilbertson succeeds Mr Keys as Gencor's executive chairman.

Asked about the likelihood of

a rights issue, Mr Gilbertson said shareholders had approved the creation of the new shares needed, should Gencor go ahead with a rights issue.

"The way has been cleared for a rights issue, and the formal decision as to whether or not to proceed with the rights issue will be taken shortly."

"Gencor is well-funded at present but, as in the past, we prefer to have a pool of cash to draw on as and when it is needed for the new projects that bring us growth."

Mr Gilbertson referred to Gencor's last rights issue in 1989 when the group raised R1.5 billion.

"We used the funds to follow our rights in the Genbel rights issue in 1989, to take up an increased interest in Oryx in the same year and to follow our rights in the Sappi and Malbak rights issues last year."

"Having funds at the centre also meant we were in a powerful position when it came to making our investment in Middleburg Steel and Alloys."

# Manufacturers hoping for upturn

8/Day 15/1/92

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LINDA ENSOR

CAPE TOWN — Manufacturers are cautiously optimistic about business conditions this quarter, and sales and production volumes are expected to be higher than in the last quarter of 1991, a survey by Stellenbosch University's Bureau for Economic Research (BER) has found.

"Prospects for 1992 as a whole are more optimistic. The relevant index figure is positive for the first time since 1989. The view regarding the volume of goods exported is also improving and is in line with the expected increase in exports in reaction to an increase in world demand."

The volume of imports was also expected to increase in response to the upturn in the SA economy. BER expected the SA economic upswing to gain momentum during 1992 as the world economy improved. This would benefit manufacturers generally, but those geared towards exports would gain the most as international demand strengthened and commodity prices rose.

A moderate increase in real disposable income next year should benefit the semi-durable manufacturing sector. BER expected the upturn to last two to three years before the cycle reached a peak, adding

that continued high interest rates would mean sustained high inflation and a depreciating exchange rate during this period.

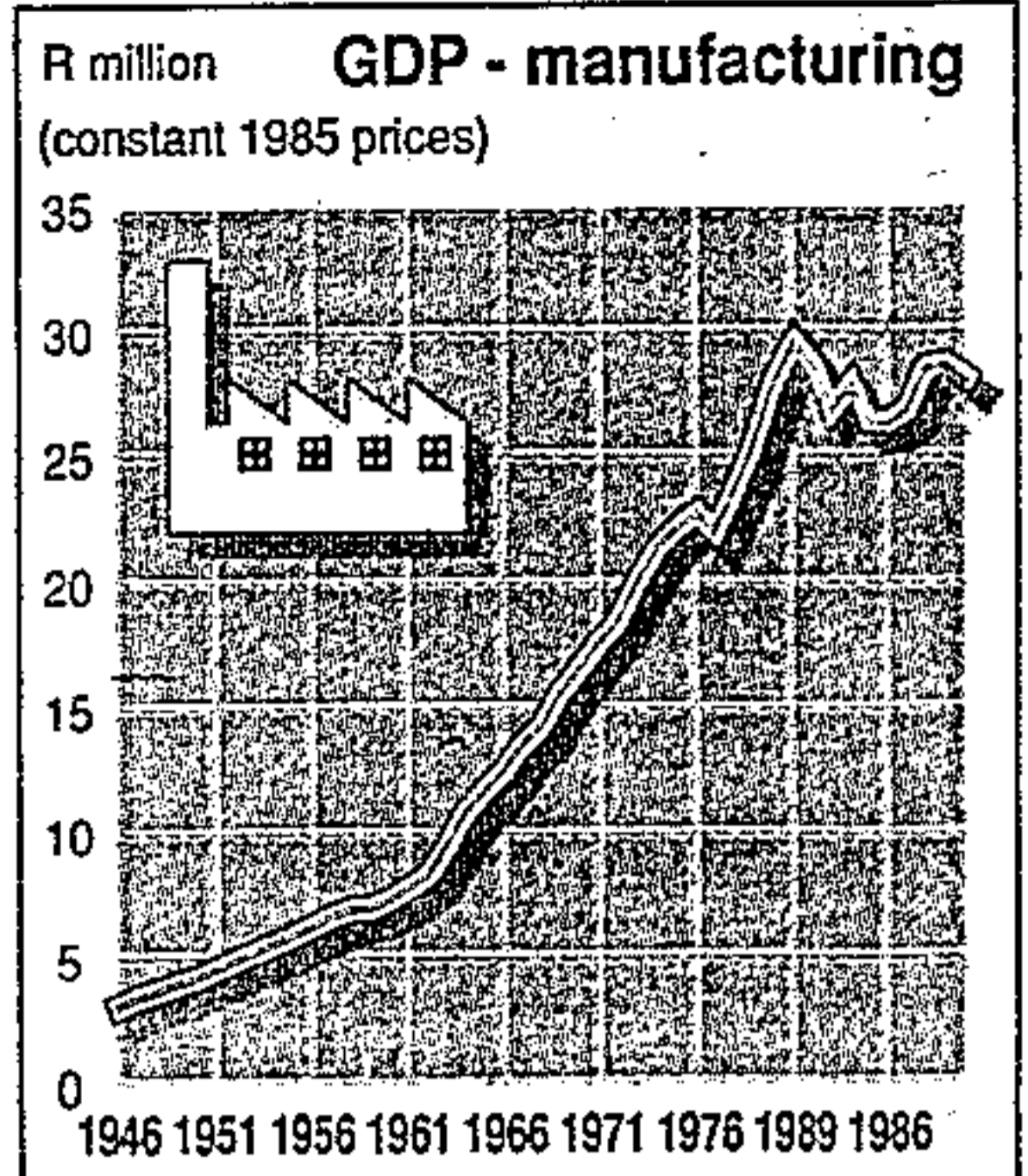
There was a decline in business confidence among manufacturers in the last quarter of 1991, a trend reflected in the decrease in production volumes and sales.

"The volume of orders received during the fourth quarter also showed a decrease while the ratio of uncompleted orders to sales increased," BER said.

"What is disturbing is the trend in prices. The theoretical principles of VAT imply downward pressure on prices as a result of the benefit that manufacturers receive from credits on capital equipment and intermediary inputs. The benefit can be passed on to the consumer in the form of lower prices. From the survey, however, it appears that this is not expected to happen.

"The average purchase price per unit of raw material is estimated to be higher and this translates into an expectation that the average total cost per unit will be higher."

A BER analysis of the manufacturing



Graphic: FIONA KRISCH Source: BER

sector's contribution to GDP showed it had decreased from a peak of 26,4% in 1981 to 23% due to the slowdown in economic growth, an increase in production costs, labour unrest and sanctions. Financial services' and government's contributions increased to 14,5% and 13,3% respectively.

# Industrial market

# OUTLOOK '92

By Syd Vianello  
Industrial analyst,  
Ed Herr, Rudolph  
15/1/92

When I made my predictions for 1991, my confidence level was reasonably high because I had come through the previous year with virtually full marks.

This past year I regret to say it was not to be.

Not that I misread the market completely — all that happened was that the market rose by more than 40 percent instead of the predicted 20 percent.

Perhaps in analysing prospects for this year, we should examine why this seemingly strange paradox has occurred — a paradox of an incredibly strong market (with a substantial re-rating) against the background of a fundamentally very weak economy.

A few reasons come to mind:  
● The composition of the industrial index is an important factor, in that around 10 stocks comprise around a weighted 50 percent of the industrial index.

Many of these stocks are consumer-related stocks or rand-ages where the impact of the re-rating economy, in both instances, has been delayed (and been felt) or is irrelevant.

remains a factor in that the institutions and now certain government or quasi-government pension funds have become major investors in equities in order to beat inflation. (180)

● World wide there has been a substantial re-rating of stock markets in the face of deteriorating economies, so what has happened in SA represents a natural spill-over, given our strong correlation with London and New York.

It is noteworthy that the P/E ratio of the Dow Jones is now nearly 30.

In the coming year we think the position will be somewhat different, in view of these factors:

● Profitability of consumer-related companies has at last come under pressure, with earnings growth having declined to well below the inflation rate.

Who knows — we may even witness negative earnings growth.

Profitability of GDPFI-related companies has in the meantime deteriorated even more significantly.

Clearly the economic slowdown precipitated by Dr Stals' economic policies is now having the logical impact on company profitability.

● We are not so sure the weight-of-funds theory will hold true to the same extent this year.

In particular, we refer to the huge government overspending in its budget and expectations of even greater demands for social upliftment in coming years.

Someone must finance this and for it to be non-inflationary, government will have to borrow from the very assurance companies whose prescribed investment requirements were lifted some years back, thus precipitating the strong rise originally in the JSE indices.

We thus expect these rules to be re-introduced to fund the budget deficit with the inevitable negative impact on the market. The converse is increased taxes, with the same negative impact.

● World economies remain precarious, particularly in the UK and US and while the respective governments can be expected to do everything possible to revive their economies before elections later in 1992, it seems right now that no great success may be achieved before such elections.

This in turn will delay an export-led recovery.

If the lessons of the last recession are something to be re-acted, then it may take a long

time before the impact of the expected interest rate drop in early 1992 filters through via an improved economy.

More particularly, the political situation remains very unstable (people still remember the ANC threat of a 33 percent tax on assets, despite it being denied) and I think it may well be most difficult to encourage increased spending against this climate.

This in turn will prolong the delay in creating a climate for increased employment. It is noteworthy that in more than one annual report recently published company chairmen were questioning whether the recovery will occur before the end of 1992 or whether it will not be delayed to 1993.

● The gold price remains locked in between seemingly upper and lower limits, thus proving unable to revive the economy.

We predict therefore that the industrial index will drift down in the coming year and while we think evidence of a recovery in the economy may become apparent (with the inevitable positive impact on the market), we have difficulty in believing the overall level of the industrial market will be much above present levels by the year-end.

its theory re-

By ARI JACOBSON

THE Producer Price Index (PPI), which measures inflation at the production level, fell into single digits for the first time in seven years — at 7.9% for the year to November.

Interest rates are now set to come down at least 1%, said market players canvassed yesterday.

Deputy governor of the SA Reserve Bank Jaap Meijer said "the monetary authorities are obviously delighted with the latest inflation figure — we will know have to take a hard look at relaxing interest rates".

Old Mutual's economist Johann Els pointed out however that the sharp fall for the year had been brought on by the large increase from the previous November month on month.

"The PPI increased by a large 3.5% just for the month of November 1990

# Delight as PPI relaxes into single digits zone

CT 16/1/92

150

fuelled by high oil imports surrounding problems in the Middle East."

Els however pointed out that he expected the PPI to remain in this single-digit vicinity for the next few months.

Other "excellent" indicators from the latest PPI figures he said were the imports, for the year, which were now negative (-2%) — the first time in 30 years, and domestic inflation which had contributed a mere 0.4%

for the month of November, 1991.

A worrying factor Els mentioned was the gap between the consumer price index (CPI) and PPI, now at a massive 7.6% (with the CPI for November at 15.5%). But he said this clearly showed the potential for a lower CPI in the medium term.

Another problematic factor said economists was the fact that the Central Statistical Service (CSS) had erred so often with inflationary figures in the past.

On a monthly basis the largest increases came from motor vehicle and spare parts rises (3.7%), fresh meat (2.9%), while food products gained 1.2%.

Surprisingly the money market only reacted mildly to the PPI figure because a dealer said "a one percent drop in the prime overdraft rate has already been discounted".

"The money market is looking ahead to the next cut in the interest rate — that's why the small response."

Board of Executors' portfolio manager Rob Lee pointed out the same predicament in the stock market and said "although this is a good figure the market has already built in a one percentage point drop in the interest rate".

# High hopes for Keys in Cabinet

B/Days 20/1/92

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LESLEY LAMBERT

FORMER Gencor chairman Derek Keys today steps into his new role as Minister of Trade, Industry and Economic Co-ordination. He has the mammoth task of bringing order to economic policy, and creating an industrial framework within which wealth can be generated.

Keys, who bowed out of the corporate world at Gencor's AGM last week, assumes immediate responsibility for the creation of a new industrial policy which could make or break SA's ability to compete on foreign markets and generate jobs and wealth at home.

The portfolio of Economic Co-ordination gives him added influence over economic policy decisions, making him one of the most powerful members of Cabinet.

A senior official in his department said recently that Keys had a number of plans in mind, but did not want to pre-empt other Cabinet Ministers by disclosing them ahead of the Budget. The official added that once Keys was ready to discuss his plans, he would take on a higher profile than his predecessor in Economic Co-ordination, the late Wim de Villiers.

Keys has a reputation for restructuring and restoring ailing companies.

During his five years as chairman of Gencor, SA's second largest mining house, Keys produced 142% growth in the capital base on compound earnings of 21% a year. The restructuring of the gold division and industrial interests under Malbak focused the group's activities and resulted in the re-rating of Gencor shares which rose by more than 100% during his term.

The majority of capital projects currently under way in SA are linked to Gencor.

Keys' earlier restructuring of Malbak produced similarly impressive results.

There is great hope within government and the private sector that he can work the same magic on the ma-

cro-economy by bringing entrepreneurial vitality and creativity into the rigid structures of government and the public sector.

His predecessor, Org Marais, whose new portfolio is Productivity, Tourism and Administration, has established the basis for much of Keys' work.

The Industrial Development Corporation tariff report, which recommends the reduction of protective tariffs and the creation of an environment conducive to exports, is expected to be considered by Government early in the parliamentary session.

The technology report, which, together with the IDC report, is likely to dovetail with a broader industrial policy, is also before Cabinet.

There has been progress in efforts to resolve the conflicting demands of the clothing and textile industries. A task group, appointed by Marais to investigate a new policy to help the industries adapt to lower levels of protection, has submitted its recommendations.

The Board of Trade and Industry has been restructured and a new chairman has been appointed to implement the IDC proposals and new anti-dumping measures. The BTT's investigation into food prices has yet to report its findings and it is possible that a similar investigation will be conducted into building materials.

Marais was also responsible for the introduction of section 37E of the Income Tax Act, an incentive programme which allows for accelerated tax write-offs on mineral beneficiation projects that add value to local minerals and export at least 60% of production. Anglo American and Gencor's joint Columbus project is likely to be one of the major beneficiaries of the programme.

Keys' biggest task is likely to be the co-ordination of all these policies into comprehensive industrial policy, interwoven with economic policy.

# Tax cut coming, promises FW

By Derek Tommey

THE STATE President Mr FW de Klerk has given an undertaking that taxes will be reduced in the next Budget.

He has also indicated that for the first time in many years that some Government departments will get "reduced" allocations.

In previous years these departments could at least count on getting increases equal to the inflation rate and usually on top of that a bit extra.

The Government has been under increasing pressure from commerce and industry to reduce Government spending in order to reduce the high rate of taxation and stimulate the economy and end the recession.

Speaking at the opening of Parliament yesterday Mr de Klerk said the Government regarded the reduction of taxation as "a matter of urgent importance".

He added that "inasmuch as it is at all possible, it will be attended to in the forthcoming Budget, difficult as that may be."

## Daunting challenges

Mr de Klerk said that chief among the daunting challenges facing South Africa was the pressing need to accelerate the process of economic growth. This would generate work and income for the fast increasing workforce and support the extensive development programmes which the country had embarked upon.

The long recession, with all of the social problems it brought with it, coupled on the one hand with urbanisation, droughts and

natural disasters, and on the other hand with combatting crime and violence, had placed heavy demands on the Government.

"We have had to grapple with resulting strong and often justifiable demands for higher state spending, but we have succeeded in limiting expenditure to levels which could be financed with minimal disruption.

"However, if we are to ensure that the level and composition of state expenditure plays an ongoing positive role in economic growth, additional and relatively drastic structural changes will have to be made, especially in respect of current expenditure."

## Tight rein

He said that many departments would receive "reduced" allocations and warned that the Government would crack down on departments which overspent.

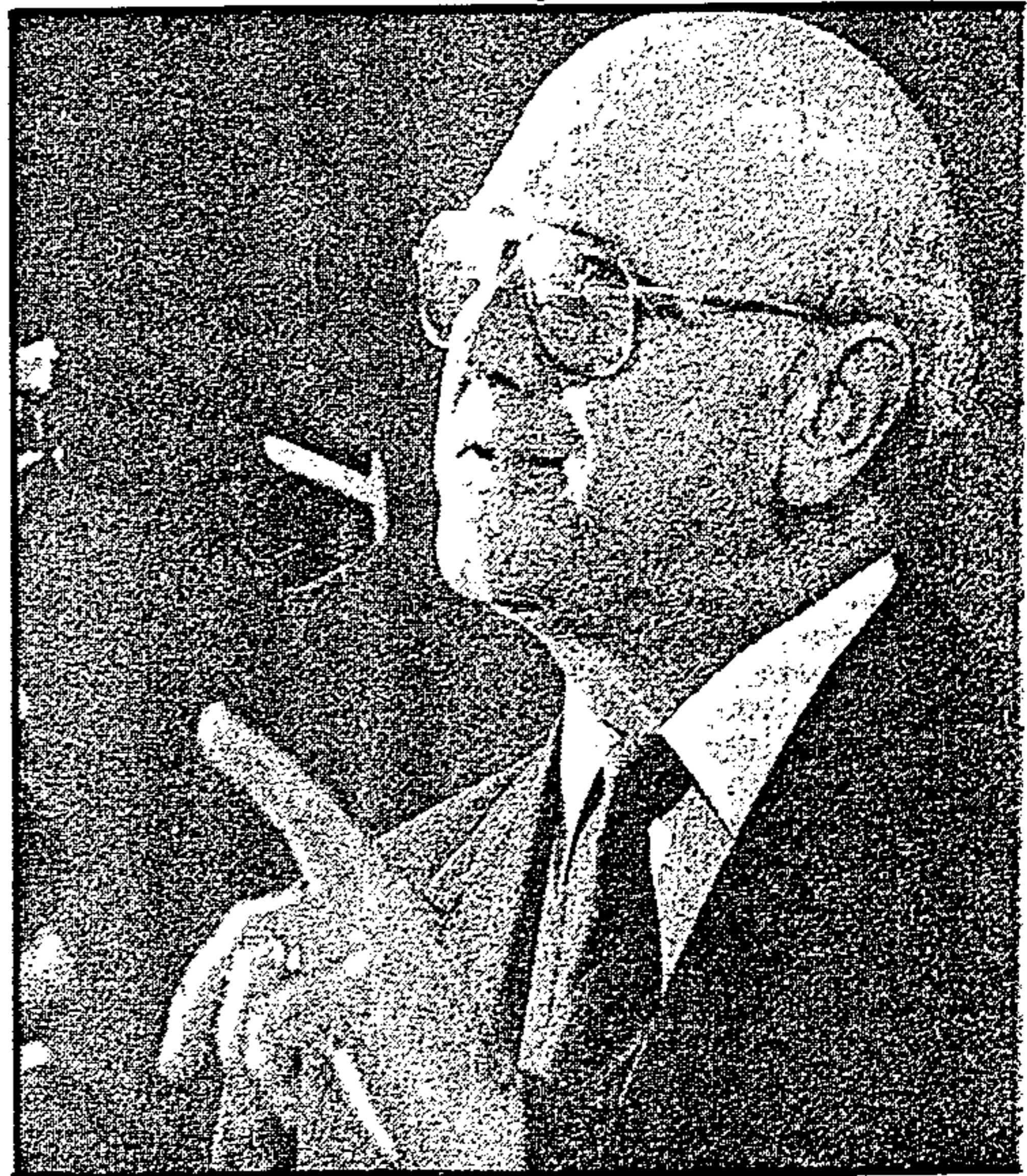
He said a tight rein was being kept on all allocations for 1992-93.

All Government departments would have to submit a proper management plan to ensure that they kept within their "reduced" allocations.

New approaches and methods were being used to this end, and unprecedented discipline in respect of public spending would be applied in the coming year.

"Our determination to keep State expenditure within rigorous limits is not a fad. The high and rising level of such expenditure impinges directly on our already onerous burden of tax and debt-servicing."

Mr de Klerk said the Government was still pursuing the systematic lowering of tax rates on companies and individuals to



MR DE KLERK: "Our determination to keep State expenditure within rigorous limits is not a fad."

neutralise their impact on domestic interest rates and savings and also improve international competitiveness.

## Important

"Regrettably, circumstances have prevented the Government from moving as rapidly on this front as it would have wished. Nevertheless, it remains a matter of urgent importance."

"Further cuts in the tax rates of companies and individuals are an indispensable part of our policy."

He said the cut in the rate of VAT from 12 percent to 10 percent had produced an apprecia-

ble loss of revenue. But this had helped, together with other forms of aid, to reduce the adverse impact of the change-over from GST.

The changeover to VAT and the decline in economic activity had resulted in lower income and a higher deficit than planned.

"Fortunately, this temporary imbalance was concentrated in a period of pronounced weakness in general demand. Therefore, it performed a valuable counter-cyclical role, was easily financed and had a negligible effect on inflation, which is still at a long-term downtrend to healthier levels."

# Gencor seeks R2bn to fund expansions

180 (180)

B10ay 21/1/92

WILLIAM GILFILLAN

GENCOR is set to raise R2bn in a rights issue long expected by the market.

Chairman Brian Gilbertson said yesterday the funds would be used to finance several projects.

Details of the issue will be given on Monday.

However, market analysts are expecting Gencor to offer new shares in the region of R11 a share in a one-for-six rights issue. This compares with yesterday's closing price of R12,10 a share.

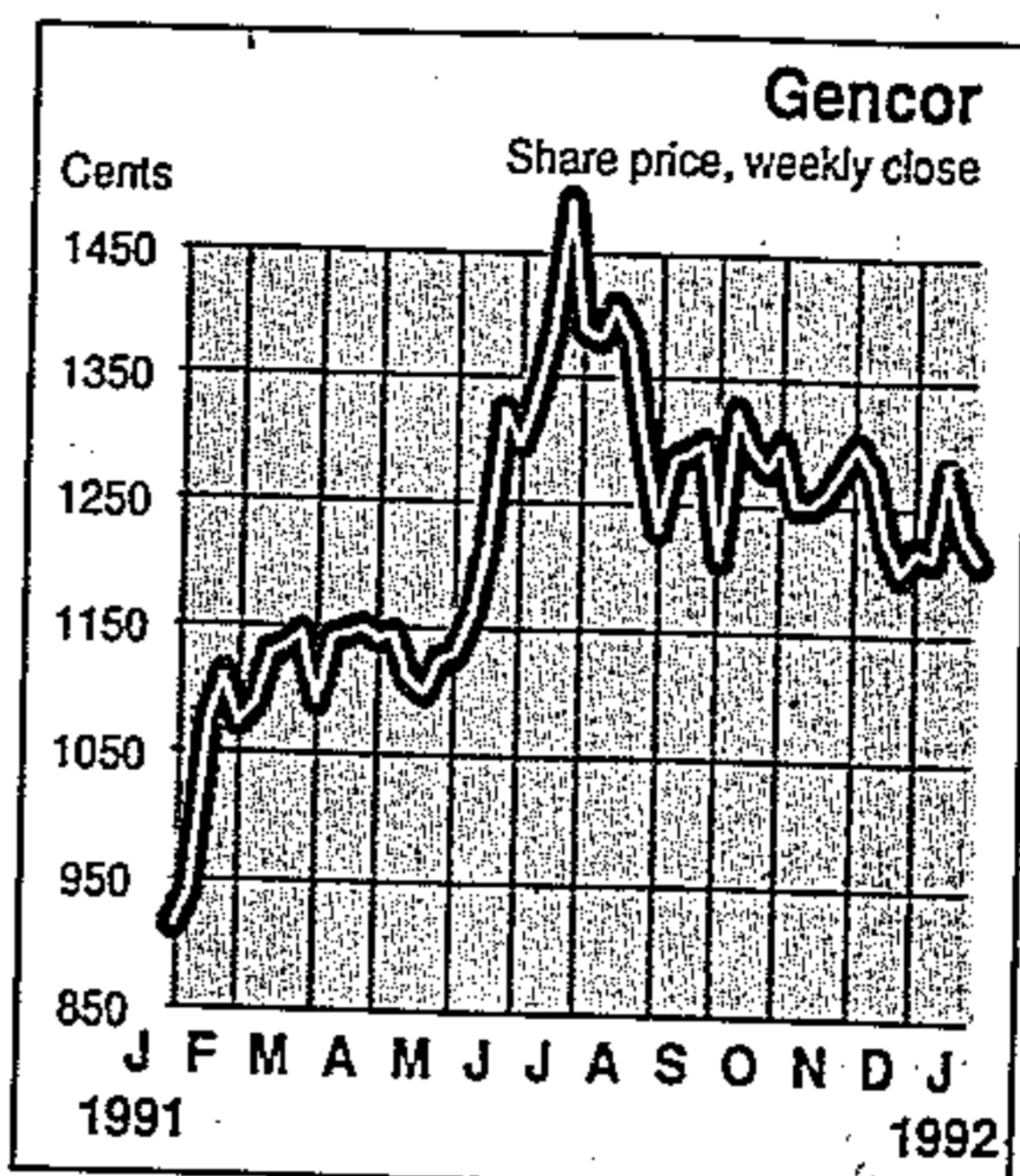
Parent Genbeheer, which holds 54% of Gencor, will itself raise R1,1bn from shareholders to follow its rights and to redeem five-year preference shares which were issued in 1987.

Sankorp, which holds 50% of Genbeheer, and the Rembrandt group, which has a 25% shareholding, have indicated they will also follow their rights.

Gencor is involved in a number of major projects which will require funding in the foreseeable future.

"Our major group companies are adequately funded for the present but we found in the past that having funds available at the centre when we needed them put us in a powerful bargaining position," Gilbertson said last night.

"It is well known that the group is currently either engaged in or examining a number of large projects, including the



Graphic: FIONA KRISCH Source: LHET

Columbus stainless steel project, the Alusaf expansion, the development of the Oryx gold mine and phase two of the Genref refinery expansion," Gilbertson said.

"As the advantageous terms agreed with Eskom have made the expansion of Alusaf's smelting capacity cost competitive in world terms, I am confident the expansion will go ahead," he added.

The expansion was expected to cost about R4,5bn and Gencor, with its 31% interest in Alusaf, would need to lay out about R1,4bn if no outside (non-equity) finance was used by the aluminium giant.

Also Gencor, with its 63% holding in the

□ To Page 2

## Gencor

B10ay 21/1/92

new Oryx gold mine, was expected to spend about R500m on the further development of the mine in the next two years.

Although the acquisition by Samancor and the Columbus consortium of Middelburg Steel & Alloys would reduce the cost of the Columbus project, it was still expected to cost more than R2,5bn.

But a large part of these expansions could be financed by loans and trade credits.

Ignoring the possibility of soft loans and trade credits, Gencor — with its stake of about 45% in Samancor, which in turn has a 50% interest in Columbus — would have to lay out more than R500m to finance its share of the project.

180 (180) □ From Page 1

And, if no outside finance were used, about R600m would be required from Gencor if the second phase of Engen's expansion of the Genref refinery went ahead. Gencor holds about 62% in Engen.

When asked about Impala Platinum, Gilbertson said: "The company has not requested any funds from Gencor up to now."

To facilitate the administration of the rights offers, Gencor and Genbeheer have advanced the declaration date of their interim dividends to coincide with the last day to register for the rights offers, January 31. Gencor has declared an interim dividend of 16c a share, against the previous year's interim of 15c.



# Barlow Rand notches up growth despite adversity

Blomay 21/1/92

(180)

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LESLEY LAMBERT

BARLOW Rand's turnover and attributable profit for the first quarter of the current financial year were higher than last year's and ahead of budget in spite of poor trading conditions, chairman Warren Clewlow told shareholders at the group's annual meeting yesterday.

Clewlow said that as a sequel to last year's restructuring the group was committed to substantial new capital expenditure, expected to total R1,8bn this year. Of this amount, R250m had already been spent on new acquisitions during the first three months of the year.

Benefits of restructuring, which saw substantial disinvestment in certain mining and mineral beneficiation interests, would start flowing through at the end of this year, Clewlow said in his report to shareholders.

The "structural adjustment" of Rand Mines had been completed while the sale of Middelburg Steel &

Alloys and the chrome mining operations would contribute a total R1,172bn to the group's funds.

The redeployment of these funds was already under way, with the focus on investment in "branded val-

ue-added products and the optimal utilisation of core skills in the specialised manufacturing and distribution facilities," Clewlow said.

"With the ongoing urbanisation of the SA population, this focus must be positive for the group's future," he said.

Recent acquisitions included a Caterpillar dealership in Bulgaria and offshore interests in the US for UK-based subsidiary, Bibby.

## Upturn

On the food side, Tiger Oats acquired the remaining 50% of Petz Products and the assets and brands of Colman Foods from Reckitt & Colman. C G Smith bought a sugar mill and Reunert invested in Telephone Manufacturers and boosted its stake in Electric Lamp Manufacturers of SA.

The group has also been busy with a number of other internal reorganisations. In TSI a decision was taken to split its two computer-related businesses into two separate listings, and C G Smith Sugar is to be listed on

February 14 with the offer extended to shareholders in C G Smith Foods and C G Smith.

Tiger Oats is to raise R370m in a rights issue to enable it to extend its businesses in branded, value-added products.

Clewlow expressed concern about prospects for an economic upturn. While there was reason to believe that many of the essential fundamentals for an upturn were in place, he warned South Africans not be too optimistic about an early end to the recession.

"I believe it to be further away than most people believe, not least because the expected recovery in world markets has not yet come about and there are disquieting trends in many of the major economies in which we, as a country, operate," Clewlow said.

On the domestic market, the essential, co-operative triangle of state, business and labour was not yet working adequately, Clewlow said, and, while there were promising signs of progress, until this co-operation was in place it would be difficult for the economy to achieve its full potential.

# Trainings budgets must increase

STAR 30/1/92

In 1990, expenditure by companies on education and training, R3,8 billion, was 16,7 percent of the gross national expenditure on educational (formal, non-formal and training) of R22,7 billion.

Companies and individuals together make up the private sector's contribution of R8 billion and the Government's contribution amounts to 64,2 percent of the total for that year.

These facts are according to research by Business and Marketing Intelligence, BMI, completed in April 1991, and was based on a sample of 300 major South African organisations. BMI will update the research this year.

In the training market BMI calculated an expenditure of R3 340 million. The company's conclusions are that the average R620 spent on a worker a year, according to their research, must increase about ten fold in this decade if it is to make an impact on the current skills' shortage. At present there is an oversupply of skilled workers and an oversupply of semi-skilled and unskilled job-seekers.

The research report advised a further 10 to 20 percent increase in the R235 million spent on informal education.

The major skills shortages in South Africa, according to the study, are in technical and general management areas and it is forecast that the manager/worker ratio could worsen to 1:8 by the year 2000 unless the training backlog is addressed.

The challenge is daunting, and will probably require companies to increase training budgets as a percentage of turnover from the current 0,5 percent to as much as 5 percent at

Companies' training budgets are going to have to increase if South Africa is to develop at the required pace, say leading businessman, Susan Ramwell reports.

a time when turnover growth is virtually stagnant.

But a positive view is taken by BMI chairman Jonathan Harrod, who believes South Africa's own training resources and educational institutions are sufficient to cope with the load. In short, the only major problem is a shortage of funds.

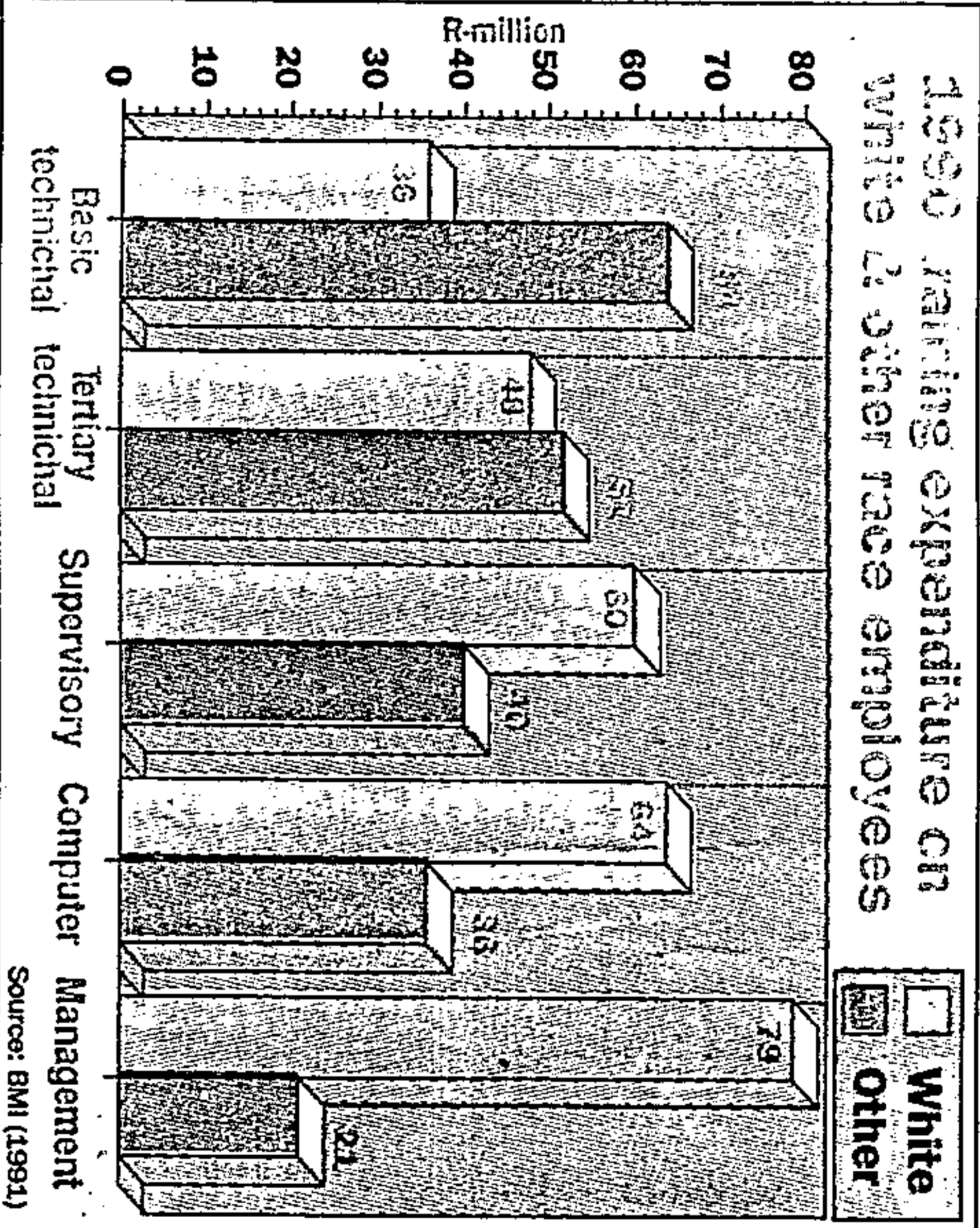
The Budget to be announced by Government in March is expected to allocate 20 percent of total expenditure to formal education (excluding contributions to TBVC countries), but the Minister of National and Environmental Affairs, Mr Louis Plenaar, has announced that this is unlikely to meet the needs of universities and technikons.

He says: "Growth in student numbers exceeds the growth in the economy."

That will place additional demand on private-sector contributions to both formal and informal education and necessitate a greater burden on corporate South Africa and greater use of the wider training industry.

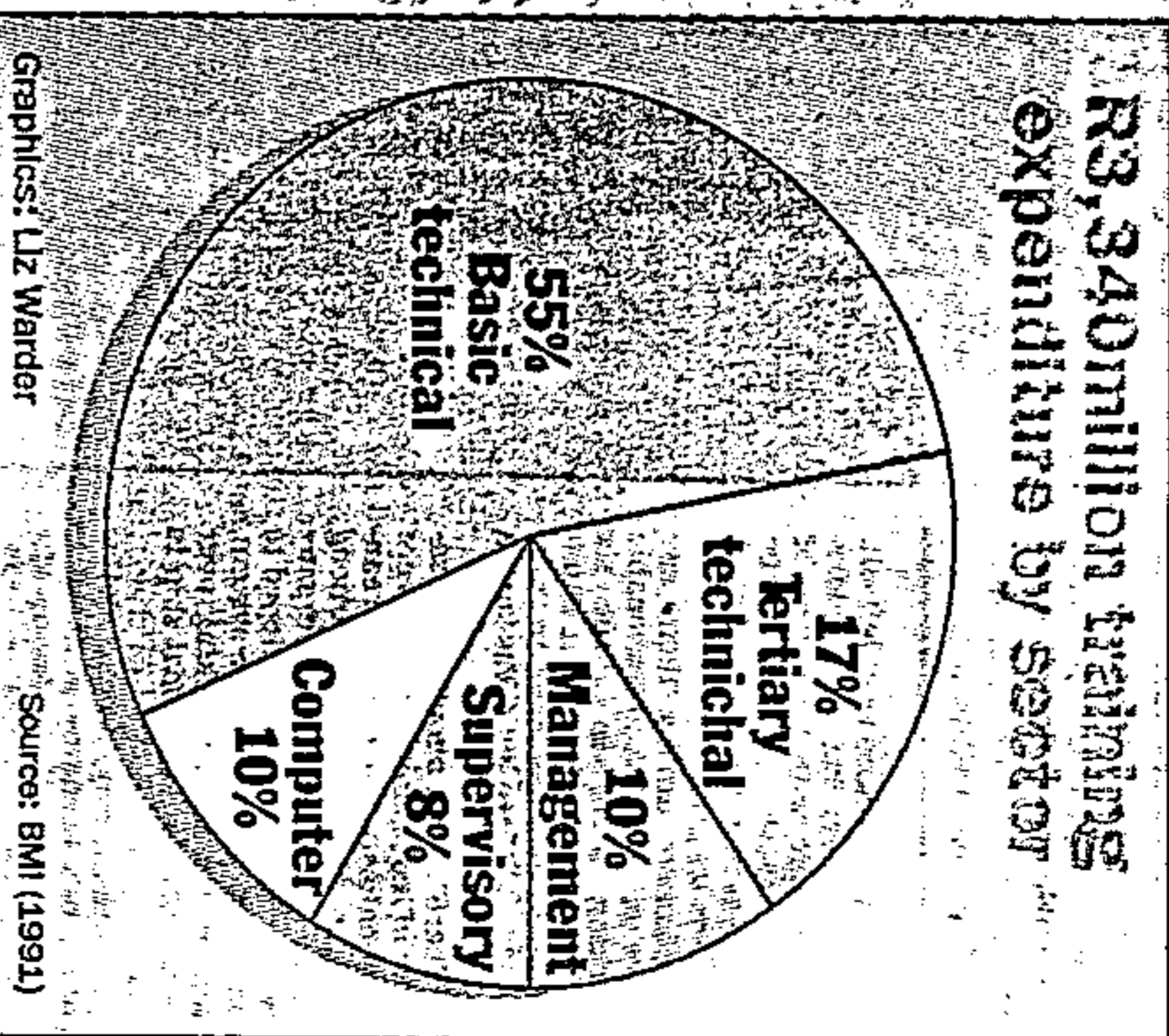
It is interesting to note that of the R235 million spent in 1990 on non-formal education (52 percent from companies and trusts, 15 percent from overseas funding and 13 percent from parents and pupils), only 5 percent of the expenditure went to management or leadership training and 6 percent on technical/tertiary education. The bulk (34 percent) went to the secondary school level, 15 percent on adult education and

1990 training expenditure on white & other race employees



Source: BMI (1991)

R3,340 million training expenditure by sector



Graphics: Liz Warder

Source: BMI (1991)

15 percent on teacher training.

In the view of a majority of directors of academic and training organisations, South African companies are rising to the challenge with greater recognition of the need to upgrade workforce skills.

Private-sector training companies in the main report growth in demand.

Most such companies offer not only packaged courses, but customised courses which can

be conducted in-house.

Considering that 82 percent of 1990's R3,3 million training expenditure was spent in-house, the training industry appears to be moving closely with market needs.

Cost-effective expansion of training, however, is likely to point companies to greater use of packaged courses, and devolution of responsibility down the corporate ladder for in-house training responsibility.

Koeth Edmeades, managing director of training company Effective Executives and of the training trust organisation, Integrated Management South Africa, says: "Companies need to become effective learning environments. Training is not the exclusive territory of the trained human resources manager alone. It should be part of the job description of all managers as a priority, not as a last resource."

## Learning for professionals

You've heard of the one-minute manager. Here's how to adopt the "winning way" in a variety of tasks - in one morning!

- Birnam Business College is running a series of morning seminars.
- The learning is intensive to suit the time-pressured professional.
- The topics covered include:
  - Customer Service Public Relations.
  - Motivation in the Business World.
  - Lateral Thinking for Management.
  - Effective Writing and Writing Skills.
  - Creative and Effective Presentation (presentation skills for the boardroom or for public appearances).
  - Credit Control.
  - Advanced Time Management.

(180) ~~21/1/92~~

# Business wants a say in Codesa

Sowetan 21/1/92

By JOSHUA  
RABOROKO

THE National African Federated Chamber of Commerce and Industries and the Foundation for African Business and Consumer Services will lead high-level delegations to the economic forum to be held in Johannesburg today.

The meeting, convened by the Consultative Business Movement, will include delegations from trade unions and business organisations.

Nafcoc's economic adviser, Mr Vincent Phaahla, said yesterday that there were strong sentiments among black businessmen that the Convention for a Democratic South Africa was addressing political issues to the exclusion of economic matters.

"The business community will have to come out with clear solutions and options. Political power without economic muscle might be meaningless," he said.

Fabcos' public affairs manager, Mr Mike Ntlaleng, said the meeting would have to decide on "an action plan and objectives" that should be taken regarding Codesa.

# Time not right for open market

Finance Staff

Barlow Rand chairman Warren Clewlow has expressed doubts whether SA companies are ready for an open market now that the country has re-emerged in the world economy.

Addressing the Johannesburg Afrikaanse Saa-kekamer last night, Mr Clewlow said: "The stakes in international trade have been raised enormously and I have to question whether the majority of businesses are

ready for free trade both within SA and internationally."

He stressed that the country's competitiveness and productivity, when measured in international terms, were both extremely low.

"We no longer fit into the category of cheap labour countries and our other competitive advantages are shared by at least one or two other competitors around the world.

"We have got an enormous amount of work to

do to look at every aspect of our business, find out where in the world somebody is doing it better and set ourselves the target of being the best," Mr Clewlow said.

Mr Clewlow called on the business sector and organised labour "to create a consensus about the economic process and to work together to achieve their mutual goals".

This would be a key factor in promoting an effective tripartite alliance of business, unions and state.

STAR 2/11/92

# Barlow Rand more focused on consumers

STAR 21/1/92

(180)

E110

By Ann Crotty

Having spent the past 18 months sorting out Rand Mines and having, more recently, disposed of Middleburg Steel and Alloys the Barlow Rand group now looks like a food and industrial conglomerate — with a substantial coal house.

The market obviously likes the new streamlined group. Although off its recent high of R59,50, at R58 the share is on a fairly demanding earnings and dividend yield.

As newly appointed MD Derek Cooper points out: "We are now close to the consumer, when the economy picks up as it must in the next 12-18 months, Barlows must benefit." He also notes that the group is now virtually borrowings-free.

At yesterday's agm chairman Warren Clewlow outlined the recent major developments and referred to the group's results for the first quarter of financial '92.

In the three months to end-December trading continued sluggish, however group turnover improved over the compa-



Derek Cooper ... new MD at Barlow Rand.

... rable period in financial '91. "Attributable profits have also increased against those achieved last year and, more significantly against our budget."

The major developments include the "completion of the structural adjustment of Rand Mines" which involved a rationalisation of operations in that division. From December the group benefited from the receipt of R1,17 billion for the disposal of MS&A.

"On the other side of this equation, the group has been very active in redeploying its resources in accordance with its strategic plan to increase the proportion of its business in branded value-

added products and to optimise the use of its core skills in distribution and specialised manufacturing facilities."

Mr Clewlow believes that with the on-going urbanisation of the population this focus must be positive for the group's future.

He also refers to the listing of Smith Sugar and the R370 million rights issue at Tiger Oats.

In addition there was the scrip dividend offer with 83,7 percent acceptance. This provided additional cash of R190 million for the group.

"These various developments will further increase the resources of the group thereby placing it in a strong position to take the opportunities that will no doubt come our way."

Referring to Mr Cooper's appointment as group MD, Mr Clewlow stated: "For the past year I have held both the positions of chairman and chief executive.

"Derek, already vice-chairman is well qualified to assume this pivotal role, having had a wide range of experience within the group."

8/10/91 22/1/92

### Taxman in the wings

ONLY one month is left in which companies and their employees can make use of tax-free educational benefits. (180) ~~50000~~

With effect from March 1 1992, companies will no longer receive tax exemptions and employees will have to pay fringe benefits tax on many educational bursaries and grants.

# 230 000 ignore the risk of bad debts

S/Times (BUSS) 26/1/92

180

ONLY 5% of South African companies are insured against debtor losses — in spite of the dismal state of the economy and the rising number of liquidations.

About 11 500 companies have taken out credit insurance or credit-risk protection. But about 230 000 businesses probably need this cover.

Company liquidations increased by 45% in the three months to last October and insolvencies rose by 24%, according to Central Statistical Services.

In recent months, however, businesses have become more aware of this type of cover. Only a few years ago, it was virtually unknown in SA.

Credit Guarantee Insurance Corporation (CGIC) offers domestic and export cover and Credit Underwriting Agency (CUAL), a member of Commercial Union, covers the domestic market.

Johan Engelbrecht of Profguard Insurance Brokers says there has been a sharp increase in the number of businesses inquiring about this form of insurance. It effectively protects companies against bad debts, can be used as an additional method of raising funds and can be considered an asset in the

BY DON ROBERTSON

case of a company that changes hands.

Mr Engelbrecht says insurance is particularly valuable for small companies which might face ruin if a major creditor should be forced into liquidation.

The insurer guarantees a payout and allows companies to meet their own debts.

## Advice

In a typical instance, CGIC or CUAL will underwrite up to 80% of a company's debtor book at a fixed premium, renewable annually and zero rated for VAT.

The premium will depend on the "age" of the book and the creditworthiness of the debtors, all of which will be established by the insurance companies and treated confidentially.

Depending on any increase or decrease in the size of the book, the premium, perhaps 0,2% of the total value, will be charged.

Accounts are monitored monthly and advice can be offered on debt collection.

In the event of a debtor company facing collapse, both CGIC and CUAL will

pay out on provisional liquidation.

A company wishing to raise capital on the strength of its debtor book is traditionally restricted to 50% of the total value. But with credit insurance, it can be increased to as much as 90% of the debtor book's value.

In most instances, the premium for credit insurance, is less than a possible debt write-off.

Shareholders in CUAL are Commercial Union and KreditInform. CGIC is backed by most commercial banks and insurance companies. Political risks are covered by the Department of Trade and Industry.

In the year to June 1990, CGIC collected premiums of R18,5-billion compared with R2,8-billion in 1981 and paid R63,9-million in claims compared with R2,8-million.

# Prosperity has its price

180  
C/P 125 26/1/92

The new "economic forum" that was created recently will face some crucial questions about South Africa's economic future.

Some of the problems the country must solve if it wishes to prosper were highlighted recently by Mike Sander, chief executive of the chemical group AECI.

According to Sander our high taxes and unacceptable inflation rate are causing investors to shy away from South Africa and seek more attractive pastures elsewhere.

Just how unattractive we have become is reflected in a study showing that projects undertaken in South Africa pay almost 2,5 times as much tax as in Britain and almost six times as much as Taiwan. Investor returns, given some cash margin, are 4,5 percent in South

## □ MONEY TALK

Africa, 8 percent in Britain and 10,2 percent in Taiwan.

These figures are alarming considering that the manufacturing sector must provide future employment opportunities.

Sander points out that for our factories to compete successfully internationally we need a tax system that makes us competitive with other world players. Other key factors are a stable and productive workforce and enterprising management within companies.

The low productivity of South African workers will also have to be tackled over a wide front. Sander says an imbalance between technical and

non-technical education in the workforce and boycotts and stayaways in black schools all contribute to our low productivity.

He pleads for a sound partnership between labour and management to enable us to become internationally competitive.

What we have in our favour are relatively low-cost raw materials, good infrastructure, high calibre technical resources, an established support industry, a professional and adaptable management base and good links with international companies.

One hopes that the above remarks will lead to fruitful discussions in the new forums that have been created. For there must be no doubt in our minds that we will have to drastically change our ways to become successful economically.



# Annual reports provide a vital corporate window

(180)

B/D Day 27/1/92



ANNUAL reports — an industry worth an estimated R54m annually — should show the guts of a company.

They are a corporate window and should be used to communicate the state of the company.

Diagonal Street Communications MD Peter Wallington says annual reports with financial advertising have the potential to be among the most important communication tools a listed company has — but only if there is an understanding of the target audience's needs.

## Important

Graphicor's Gavin McSweeney says the most important output from an annual report is to show what and how much the company has added during the year in financial and management performance.

Besides financial value added, the company needs to add value in terms of perceptions, image and identity.

This can be done by reflecting company outlook in production of the report.

Sussens Mann's David Carte says the content of an annual report is more important than gloss and hype.

The chairman's report is

critical, but is all too often turgid and routine.

It should be full and frank, always relating to the company.

After the chairman's and MD's report, the potential investor should know everything about the company — its strengths, weaknesses and potential.

Financial statements must also be comprehensive.

The designer's job is to make the report legible and interesting.

McSweeney says design houses will be able to advise clients on disclosure and what to report in the chairman's statement.

Clients should be advised on how to position themselves in a market and be encouraged to assess what questions the shareholders want answered.

But because shareholders are only part of the audience, the report must also address investment managers, bankers, internal senior managers, suppliers, clients and overseas principals.

Anglo Alpha financial director Peter Buchner says while presentation is important, it should not overshadow the need for honest and open reporting.

All too often looks are let down by a lack of attention to the copy.

The result of this is a su-

perfluous document, bringing no long-term benefits to the company.

With the increase of small private investors and share option schemes within companies, it becomes important for the annual report to address these audiences as well as the institutional investors.

Small shareholders are becoming sophisticated and able to compare company with company.

The annual report is the prime source of information, the place where they find out how their investment is being looked after.

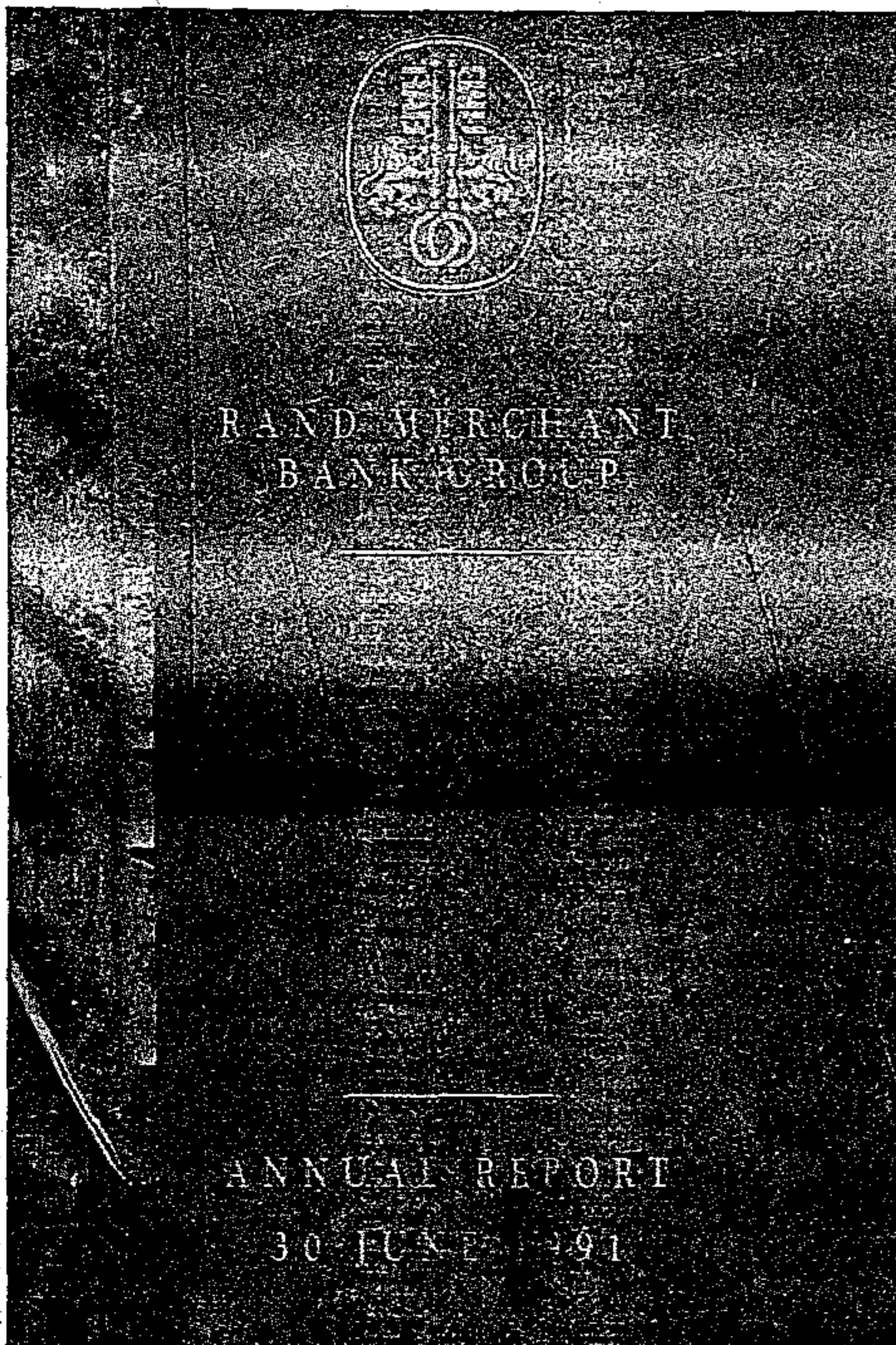
## Explanation

Where a company operates in an unusual market which needs explanation or is highly geared, clarification of specifics might be required for stakeholders not involved in the industry.

McSweeney says the foreseeable future of the annual report is in print.

Although one firm this year sent out about 6 000 videos to accompany its corporate report, the SA audience is not sophisticated enough to deal with electronic disclosure.

Besides which, the price of video production is exorbitant and low-budget videos could harm a company's image, Buchner says.



Annual reports are a corporate window and are one of the most important communication tools a listed company has. Design is tailored to suit specific requirements. The result is a range of reports from the ultra glossy laminated Sun-Bop spectacular by Bastion Graphics to the muted conservatism of Graphicor's production for Rand Merchant Bank.

# Image building needs money and attention

180

B/D cm 27/1/92

COMPANY image and corporate communications require money and attention.

Graphicor director Gavin McSweeney says: "Drive up your share price through appropriate design and image management."

South Africa is up to internationally recognised image management and design, and US-trained managers are applying their corporate message skills locally.

But few corporate communication budgets have an item specifically for image management.

Graphicor says there are three rules for maintaining a successful corporate identity:

□ Budget each year for image management. Strategically you are then in a position to make this money work hard, using opportunities to your advantage. If there is a crisis, you will only be increasing your budget, not starting from a zero base;

## Survive

□ Money spent in calm times buys benefits that last for years. If you have invested in sound image management for several years you can expect to have an image that will survive bad times;

□ A powerful image can be paid for a bit at a time. If the budget needs to be cut, the company can coast for a period. Put your image in place one piece at a time with the help of specialists who understand the long-term plan and are willing to stick with the company.

The question for today's corporations is not whether to cultivate an image, since every company has one.

The issue is what priority



GAVIN MCSWEENEY



LORRAINE VAN RENSBURG

the leaders should assign to the image and how it should be managed to suit the company's long and short-term goals.

Corporate image is a reflection of corporate health.

Paton Tupper (Transvaal) marketing communication consultants MD Chris Burlock says it is important to keep the corporate ID the same every time.

Too much diversity and the advantage of repetition falls away, leaving one uneasy about a company's credentials.

Maintain a consistent image to prevent corporate schizophrenia.

This can be done by designing and adopting a corporate image that cannot be manipulated and tampered with.

As SA and the companies that make up the heart of its economy move into the

international eye with a changing political scenario, so the need to raise standards and quality in corporate image development becomes critical.

De Facto Communications MD Lorraine van Rensburg says SA lacks neither design, production talent nor technology.

The problem, she says, is with company attitudes to corporate image and established local trends. These attitudes must change.

"Clients need to understand the importance of corporate image management and agencies need to take more responsibility in helping them to do this."

More money must be made available, but companies generally don't accept that developing corporate image is an integral part of business activity and ought to be budgeted as priority.

Creative, impactful design costs money. Without it, agencies are forced to compromise on quality and creative input.

A company is in the public eye whether its results are good or bad.

In recessionary times, it is communication budgets which are first to be cut. But, says Van Rensburg, research shows that companies that maintain a high profile and budget to develop a corporate image during a recession reap greater rewards once the economy recovers.

Following severe ad-spend cuts in 1991, financial advertising agencies and design houses should become more involved in guiding companies on using their budgets more strategically, giving the media clear objectives and making money work harder and more effectively for their clients.

Companies, in turn, should be demanding this input from their design and advertising professionals and put more trust in their expertise, Van Rensburg says.

Burlock says he mourns the demise of book publishing to tell the history of a company and celebrate its long-term successes.

"Corporates should collect their history — there is no better way to spread the corporate philosophy and revive the golden moments of the company."

# Gencor discount at 14.5%

GENCOR's R2bn rights offer has been priced at R10 a share, representing a 14.5% discount on Friday's closing price of R11,70 a share.

The new shares will be offered at the ratio of 17 for every 100 held.

Expectations of lower earnings and a volatile market were the reasons cited by market sources for the "surprisingly low" R10 a share price chosen by Gencor.

Chairman Brian Gilbertson, while accepting the price was "a little on the low end" said the discount was narrower than the 18% discount given in the group's 1989 rights offer which raised R1,4bn.

"On Friday's closing price of R11,70 a share, pitching the offer at R11 a share would have given a discount of only 6%

WILLIAM GILFILLAN

which could be considered a little thin in this volatile market," Gilbertson said.

Gencor was happy to select a slightly wider discount "in order to ensure the rights offer went off without problems and we get a full take-up of the shares".

One stock market analyst believed a reason for the wide discount was that Gencor knew the market was expecting a drop in earnings this year. The mining group, heavily dependent on commodity prices, has been hit by the weakness in the commodity market. Earnings below 110c a share are expected, which would be more than 8% down on last year's earnings of

□ To Page 2

## Gencor

119,5c a share.

Gilbertson said: "We expect the pressure on our profits which started last year to continue and shareholders should remember that we will not necessarily have the one-off earnings which we reported in our 1991 financial year."

Income from various one-off sources boosted Gencor's earnings last year by about R350m. "However," he said, "we anticipate that income at the operating level for the 12 months to August 31 is likely to approach that of last year."

One analyst said another consideration when deciding on the wide discount was to ensure the offer went off without problems especially considering the chairman had only recently taken up his post. Gencor was also believed to be covering itself in case the market weakened before the end

□ From Page 1

of February.

Shareholders have until the end of February to take up their rights.

Meanwhile Gencor's holding company Genbeheer is to raise R1,1bn in order to follow its rights in Gencor. The R1,1bn was to be raised through issuing 127-million shares at R9 a share on the basis of 18 new shares for every 100 held. This compares with Friday's share price of R10 and reflects a 10,0% discount.

Sankorp, which holds 50% of Genbeheer, and the Rembrandt group, with 25% shareholding, are to follow their rights.

Gilbertson said the attraction for the institutions of this rights offer — the biggest yet in SA — was that it gave them an opportunity to invest in greenfield projects, rather than to continue chasing paper on the JSE.

## Genbel earnings up, but assets smaller

180  
MATTHEW CURTIN

296  
288  
GENBEL, investment arm of the Gencor group, has posted an 11% rise in earnings a share in the six months to end-December, but in that period the value of the group's net assets fell more than 6%.

Stable or higher dividends from the companies in which Genbel is most heavily invested led to the group's attributable income rising in the interim period to R82m from R74m in 1990.

Earnings a share climbed to 19c from 17,1c, and the group declared an interim dividend of 15c, compared with 13,5c the year before. *B/day 27/11/92*

Genbel's biggest investment by value is in Genbeheer, holding company for the Gencor group, followed by Gencor's energy group Engen. Then come offshore company TransAtlantic, Impala Platinum (Implats) and De Beers.

They make up more than half Genbel's total investments.

Since 1987 Genbel has reduced its holding of investments in the gold mining sector which, from representing 61% of its portfolio by market value in that year, was only 13% on December 31 last year.

Chairman Tom de Beer said in a statement at the weekend that attributable earnings and dividends for the current financial year were expected to exceed last year's.

He said the major transactions in the

□ To Page 2

## Genbel

*B/day 27/11/92*  
interim period were Genbel's sale of shares in Rusterburg Platinum, an increase in its holding in Implats and the purchase of 1,5-million shares in Sappi.

The market value of the group's assets fell to R3bn, or 693c a share, at the end of the interim period, against R3,2bn or 740c a share at its 1991 year-end in June, be-

180  
~~288~~  
cause of a sharp drop in the value of its gold and platinum investments.

However, this compared more favourably with the group's net asset value of 642c a share at the interim stage in 1990.

De Beer said the value of the group's net assets was R3,1bn, or 706c a share, on January 22 this year.

□ From Page 1

## 'Do not be scared of a future govt'

Bj Day 29/1/92  
SHERIDAN CONNOLLY

THE business sector has a major role to play in assisting in the creation of medium-sized black business and should begin making in-house efforts to redress current inequalities, Rand Merchant Bank executive director Rudolf Gouws said yesterday.

Addressing the Johannesburg Junior Afrikaanse Sakekamer, Gouws said the business sector should be cautious but not scared of a new government in SA.

Socio-political stability would be a prerequisite for economic growth but there was now growing consensus that both policy targets were mutually interdependent, Gouws said. The ruling government in a "new SA" would need to achieve a suitable balance between the two targets.

Commenting on economic policy issues in a "new SA", Gouws said it would be important for a new government to attract higher levels of foreign investment.

Gouws said to do this a new government would have to ensure internationally competitive after-tax returns in order to build investor confidence and attract foreign investors.

# Manufactured exports rise

THE satisfactory rise in the share of manufactured items was the most prominent aspect of an emerging new export profile, Standard Bank said in its latest Economic Review released yesterday.

Awareness of the importance of an outward-looking, trade-oriented approach was of recent vintage, but the current official stance was encouraging, it said.

"It is still a matter of debate whether or not manufactured exports have been given a boost by the range of incentives offered to companies.

"But, from what has emerged so far, it appears that the scope for a better coordinated export policy is substantial, especially given the wider acceptance of SA by the world community," it said.

However, careful consideration would have to be given to the high propensity of the economy, and particularly the manufacturing sector, to import when developing manufactured exports.

SHARON WOOD

Standard Bank said the challenge remained to identify how to accommodate this import appetite while expanding manufactured export horizons.

SA's export growth and diversification had been extraordinary, given the adverse political environment and the slump in commodity and precious metal markets during the past decade.

"Unclassified" exports (mainly gold, platinum and uranium) had fallen as a proportion of total exports from 52,7% in 1980 to 40% in 1991.

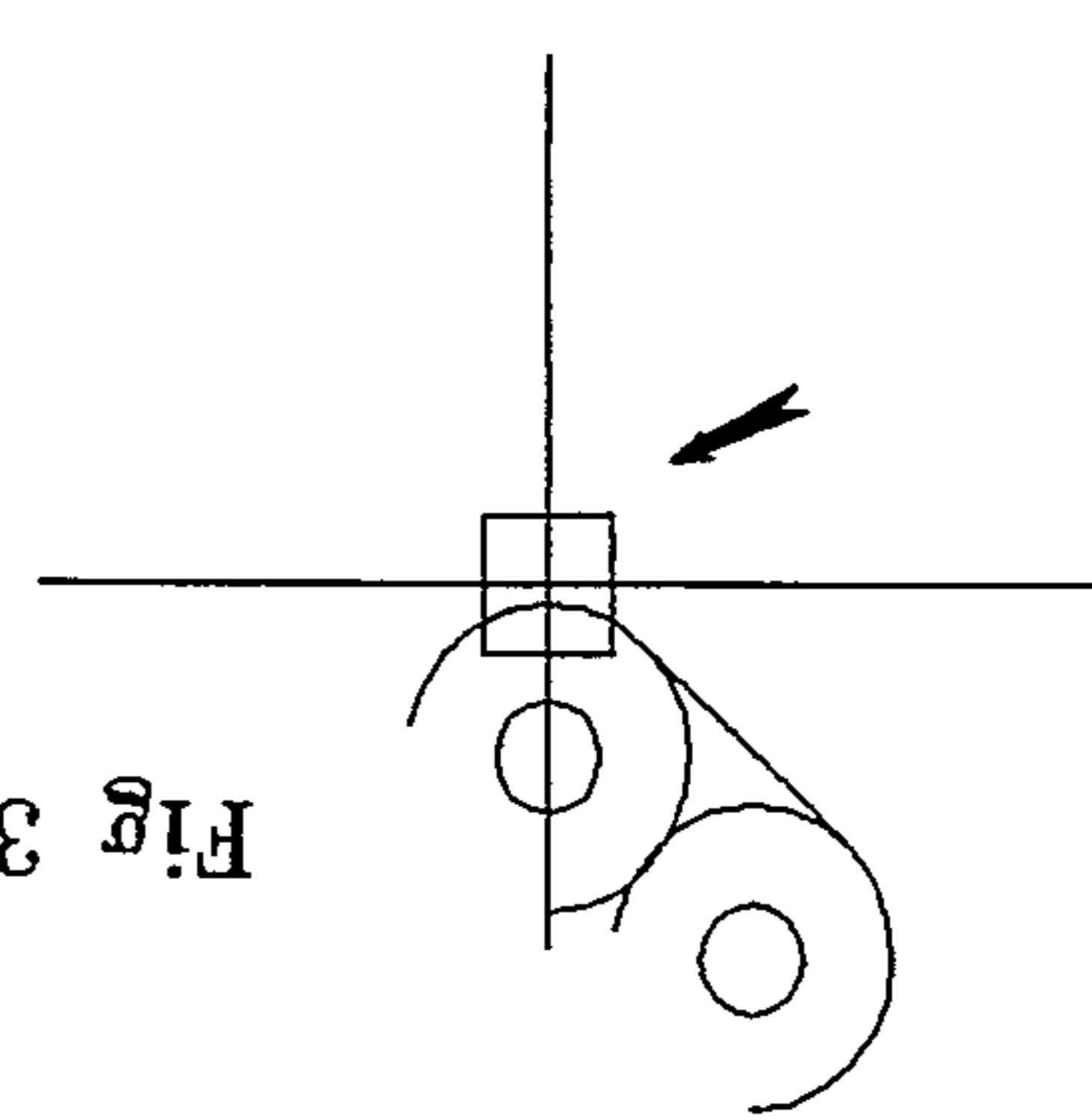
Manufactured exports had started to make some inroads into the share of total exports, rising from 11,2% in 1980 to 17,5% in 1991. Particular success had been achieved in the export of paper, vehicle parts and chemicals.

The export success of the '80s, despite difficult circumstances, had identified the opportunities for the next decade.

*BT 10/25 30/1/92*  
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*1800*

FIG 34



# The private sector needs a partner in the state

B/Dawg 31/11/92

180 ~~200~~  
**DEREK KEYS**

THE fixed investment decisions of businesses are not taken in Parliament. They are also not taken in the offices of Ministers and government officials. These growth-determining decisions are taken in large and small businesses throughout the country, in the light of their projections and expectations and their views of the opportunities the future offers them.

Their record is not a bad one. There are examples of where the private sector invested in the wrong direction and received no return. On average, however, our entrepreneurs have shown healthy judgment and have read the future investment climate well.

But we need more investment. We need more investment in productive capacity. How do we get the private sector firms to decide, to a greater extent, to venture in the fixed investment area? This is the crucial question. It is the main question I am interested in. If you like, it is the

question I am prepared to become obsessed by. It could not unfairly be described as the question that brought me to this place. In terms of instruments to promote investment, there is a veritable arsenal available in the shape of government actions of one kind or another. In this my first speech I would prefer to try to reach the root of the problem rather than tinker with remedies for symptoms.

The root of the problem of an inadequate level of investment is uncertainty. Before an entrepreneur takes a growth decision, he must reach a particular level of certainty. In times of strong growth in the world economy, it is relatively easy to reach this level, and also when the decision is in essence simply the extension of an existing undertaking.

As a country we have, however, reached the point where, against the background of a lukewarm world economy, we must enter two important new investment fields where the risk-reward relationship for the pri-

vate sector seems less promising than that to which it is accustomed.

The first of these is the export market for manufactured goods and their intermediate products. The second is the whole domestic socioeconomic field.

Compared to the internal market, the export market is a jungle. This jungle is not neutral. Every man's hand is against one, and he is backed by his home government at every turn. The governments of the largest countries jump left and right in trade matters to protect and advance the interests of their nation's firms. There is still plenty for South Africans to learn in this area.

As regards the socio-economic area, a crucial one for us to get right, we have still not developed a satisfactory mechanism for fully enlisting private sector participation. If we want to win, we shall have to do

so. Clearly, the underlying basis of this challenge will not change quickly. How then, against this background, can we increase entrepreneurs' level of certainty?

The answer is simply confidence. Firstly, the state must demonstrate its own confidence by calmly and systematically striving towards the highest long-term economic goals.

Secondly, we must let entrepreneurs develop confidence in the state as a reliable partner in the successful extension of business. I am not talking about money. I am referring to co-operation, flexibility, and the willingness to undertake any transactions that will advance the general welfare. The motto must be that the entrepreneur can depend on the state.

This does not happen overnight: we are talking attitudes, we are talking transactions, we are talking deals, we are talking about a process which begins with a trickle and ends in a flood of confidence.

I have been talking about investment decisions which centre on the entrepreneurial factor. However, I should not like anyone to think that I underrate the role to be played by labour or the critical importance of its contribution to accelerated economic growth.

In all the international examples of superior economic growth — Sweden in the '30s, postwar Germany and Japan, Korea in the '60s and so on — there is one common factor, the golden triangle of business, labour, and the state joined in a consensus carefully and consciously aimed at economic growth.

This is very much in my mind, and I am watching every attempt being made to develop areas of business-labour consensus with the keenest interest.

This is an edited extract of Trade and Industry and Economic Coordination Minister Keys's maiden speech in Parliament on Wednesday.

LETTERS

# VALUE FOR YOUR MONEY

## The road to R4m

S/Times (BUSINESS) 2/2/92

CLIENTS often ask if they can gain greater personal benefit from business profits and reduce the tax burden on their companies or close corporations.

Tax deductibility can be maximised in several ways on contributions to deferred compensation and pension, provident and retirement annuity (RA) funds.

The best combination depends on the situation and objectives of the client. But the ultimate personal benefit to the business owners and the increased tax deduction can be dramatic.

### Example

To illustrate the advantages of using these life-assurance retirement plans (the benefits are payable any time after age 55), I give the example of two directors of a small manufacturing company. They live comfortably and each has an annual taxable income of R80 000. The company has a sustainable annual profit of about R100 000.

They do not like their "annual donation" (their words) of R48 000 company tax. They want suggestions about how to reduce their company tax but leave their taxable incomes at the present R80 000. They have no retirement funds.

The first thing they can do is use RAs.

By HENRIQUE ODENDAAL, a Fellow of the Institute of Life and Pension Fund Advisors, and senior manager, sales development, at Sage Life

"But we want to remain on R80 000 taxable income — it's the company tax we want to reduce," they say.

They can reduce the company's taxable profit by increasing their individual taxable incomes by the amount of the RA contributions. This leaves the R80 000 intact (in fact, none of the proposals reduces their take-home pay by a cent — see table). But they want more.

Next, the company can contribute up to 10% of their increased remuneration to a deferred compensation plan for them and deduct the contribution for tax purposes.

They can also take advantage of a non-contributory provident fund, the company contributing 20% of their salaries.

### Steps

The clients look contented. But one asks: "I don't suppose there is any chance of getting more?"

Of course there is — that is why FILPA can also stand for Fellow who Institutes Life and Pension Funds Admirably. Many little steps may be taken to achieve the big objective (totally misquoting Neil Armstrong).

They can introduce a contributory pension fund with

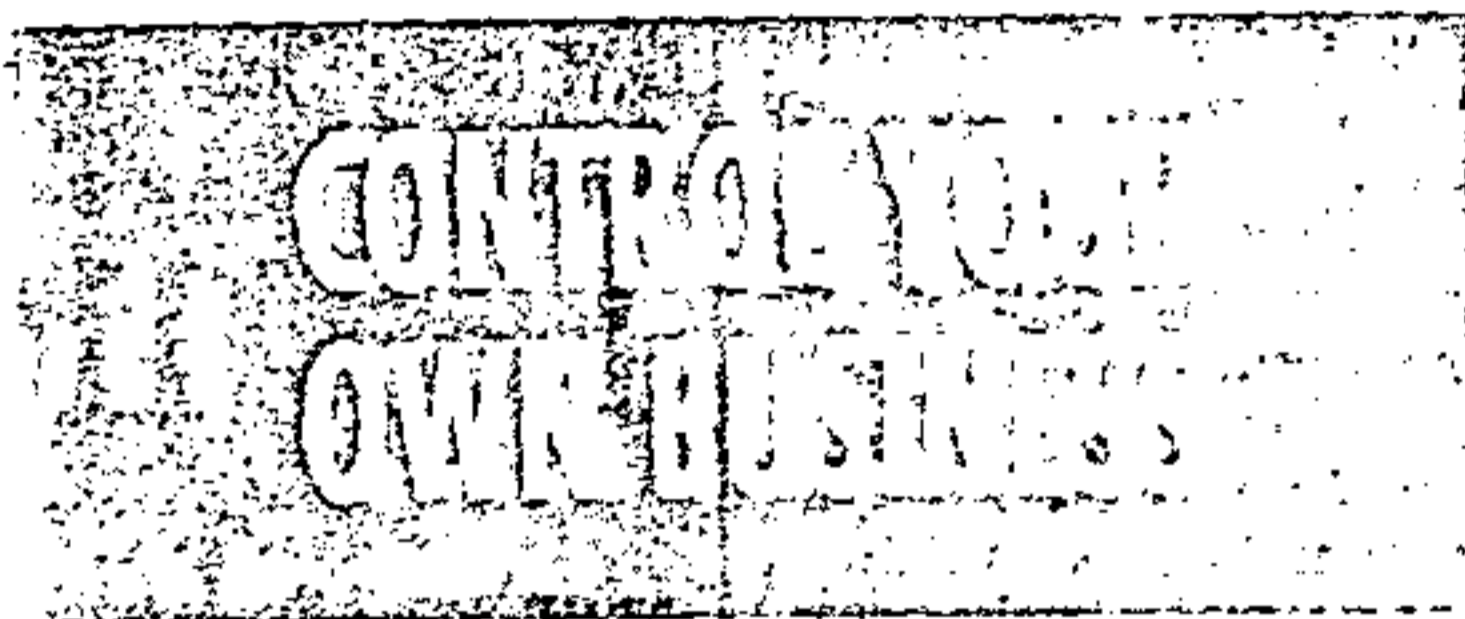
no company contributions and add a further annual personal payment of R1 800 for past service. Their salaries will be increased by the amount of these contributions, as was done with the RA.

The clients look bewildered — each step has to be explained carefully. Eventually they smile, knowing that a tax-deductible total of R74 842 (R37 421 each) is being invested for them.

With 20 years to go to retirement, the clients ask



what they will receive then. Their smiles grow broader when told that even without increasing contributions and assuming 15% growth a year, they would each have a fund of about R4-million.



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# Safto helps firms to win aid work

*STimes 2/2/92* *STimes (BUS) 2/2/92* *(180)*

THE South African Foreign Trade Organisation (Safto), with the support of the Department of Finance, is launching initiatives to help SA companies crack the lucrative world development aid market.

One initiative could result in the formation of a trust account at the World Bank.

## Foot

It could be used by the bank to pay SA companies to carry out consulting work on its behalf.

The department is encouraging firms to register as consultants with the World Bank in Washington.

Various forms of financial assistance for companies involved in feasibility and pre-feasibility studies are also contemplated.

Several European countries provide financial assistance to companies tendering for aid work on the premise

## BY CIARAN RYAN

that a successful tender has a marked benefit for their economies.

SA companies are forced to foot the cost of tendering, submitting as many as 20 tenders before a contract is awarded.

Safto says it is launching a training and consulting unit to introduce SA companies to multi-lateral agencies, such as the World Bank and its private-sector arm, the International Finance Corporation (IFC), United Nations Development Project (UNDP), African Development Bank and the various EEC institutions.

SA companies may tender only for World Bank and IFC projects.

Paul Runge of Safto's Africa desk says: "Many SA companies appear ignorant of the fact that they are entitled to tender for World Bank and IFC work. Other African countries believe SA is banned and therefore excluded from these agencies."

Last year the World Bank pumped \$4-billion into

Africa. Total aid to Africa is said to have exceeded \$15-billion.

A mere handful of World Bank-funded projects have benefited SA companies, notably Eskom's technical assistance contract to rehabilitate the Maputo power station, the Botswana soda-ash project and the Lesotho Highlands water project.

## Climate

Mr Runge says Safto will provide consulting work for companies and help to identify projects for which a company is qualified to tender. It will keep a database on the economic sectors of each country so that firms can initiate and motivate aid projects to the multilateral agencies.

Safto will help companies to register with aid agencies, train them in the procedures of filling out tender documents and provide information about multilateral agencies.

"The World Bank is trying to promote private-sector growth and acknowledges that many of its development

projects could have been more successful.

"It prefers to appoint consultants in the area in which it works. That is positive for SA, which has a generally high standard of goods and services, adapted to African conditions."

The Economic Development Institute of the World Bank recently visited SA to investigate the financing of training schemes.

Jeremy Shearer, deputy director general for multilateral relationships at the Department of Foreign Affairs, says financial help is likely to materialise only when SA has a new constitution or satisfies some other political conditions.

Mr Shearer says: "This is not to say that we have not made some useful headway internationally. My department aims to create a climate in which the investment and development communities can come together."

"We can help to establish contacts and lay the groundwork for SA's re-entry as a player in these multilateral agencies."

# Target the market

CIP News 2/2/92  
By MPH O MAISELA

THE research community has an important role to play in the transition in South Africa. National Union of Metalworkers of South Africa (Numsa) education secretary Alec Erwin said yesterday.

likely to compete with the Pacific Rim countries - Korea, Taiwan and Singapore - in manufactured goods, unless we convert our technology and identify niche markets," said Erwin.

Speaking at a symposium in Durban attended by some of the country's leading researchers, Erwin stressed that for South Africa to progress economically and socially it was necessary to convert its technology to meet development and growth challenges.

He also pointed out that this had to be linked to an economic growth path in South Africa and also had to address the problems of poverty which had been inherited from apartheid.

The two-day symposium, also attended by delegates from Tanzania, Uganda, Liberia, Senegal and Kenya, ends today.

"South Africa is un-

Political comment and newsbills by K Sibiyi, headlines and sub-editing by S James, both of 2 Herb Street, Johannesburg.

# Innovative deal by Landmark

STAR 5/2/92

Analysts describe current commercial and industrial property market conditions as tough. Which is a good time, believe many players, to get innovative about property broking.

Someone who definitely backs this way of thinking is Max Braude, managing director, Landmark, who has just negotiated a very creative deal between a buyer and a seller for a building in Braamfontein with what would have seemed to the average onlooker as some insurmountable problems.

"The buyer wanted extensive renovations. They wanted ownership but with a very small deposit. The building did not warrant more than an 80 percent bond and the seller was not pre-

pared to settle for a rental," says Mr Braude.

"We priced the renovations at one third again of the building's value. Then we were able to raise a bond for 80 percent of the total — ie of 130 percent of the original unrenovated value."

## Problem

The next problem was that the buyer did not want to put down even the 20 percent still required to make the sale. Which is when Landmark got

creative. They devised an instalment deed of sale plan

which enabled the buyer to put down a 10 percent deposit and make up a 30 percent deposit over two years through three balloon payments culminating in the payment of the balance outstanding at the end of the two-year period.

"The buyer and seller signed joint liability for a bond of 30 percent.

"The seller took a separate bond of 40 percent of the renovated value of the building as cash in hand and the interest

being paid by the buyer services that bond in the hand of the seller.

"It's an intricate financial deal that took us about three months to negotiate."

## Investors

Many property investors are currently advising against high gearing. Should the deal sour or lower inflation curb the expected increase in building value, some investors would certainly take the view that the lender of the finance has put too much at stake.

Is this a risky deal? Mr Braude believes not.

"Yes, the cost of money is high but the property value will increase and at the end of the day, I believe the capital cost is cheap. We have also done factory developments at close to 100 percent finance. In an inflation economy, to buy with tomorrow's money means you get the property at next to nothing at the end of the day.

"These deals are not for everyone. They're tailored for the company that has a good cash flow but low capital."

Another innovative move by Landmark is the conclusion of another Braamfontein sale — through conversion of a building that languished on the market for months without a buyer. In this case, the buyer is Studywell College and the building is No 102 De Korte Street.

"The building was gutted and a basement floor added to create a beautiful new college campus for Studywell," says Mr Braude.

The renovation lifted the value of 102 De Korte Street by 80 percent.

"The bond was granted, with a top up overdraft facility available, on the basis of quantity surveyors' figures," said Mr Braude.

**The Star**

**COMMERCIAL & INDUSTRIAL Property Guide**

This regular Commercial and Industrial property feature has been written and compiled by Susan Ramwell in co-operation with leading figures in the property industry.

# Slowdown in new development plans welcome

STAR 5/2/92

The oversupply of office space in South Africa's major centres has reached alarming proportions judging by most statistics released in January by major investors and property economists.

However, thanks to a slowdown in new development plans in 1992 and a hoped for lift in take-up rates towards the end of the year, the soft rental market should bottom out and be looking to gradual recovery in the second half.

## Oversupply

According to Old Mutual, vacancy rates are in the region of 30 percent in the outlying office nodes around Sandton, 10 percent in Randburg, 12 percent in Pretoria, 19 percent in Durban — with similar trends in Cape Town.

Neville Berkowitz, in the newly released January edition of the Property Economist, reports that some areas may have an oversupply of commercial space in excess of three years.

This of course depends on how take-up rates move with an economic upturn that is not expected to materialise in increased demand for commercial property until 1993.

The time lag between the planning of commercial and industrial developments and a cut-back to suit lower demand is unavoidable, but has been particularly pronounced since 1989 to the present.

According to Mr Berkowitz, at 1980 prices of intended construction showed no real growth. In nominal terms, the

value of building plans peaked in 1991 at R6,5 billion.

It is expected to fall significantly in nominal terms during 1992.

Cape Town based Real Estate Surveys' research director for New Office Developments, Erwin Rode, confirms that new developments will decline by 26 percent in 1992 compared with 1991 (excluding refurbishments).

Old Mutual property investment manager, Ian Watt, comments: "New development should slow down now giving occupancy rates a chance to improve."

"One must welcome a slowdown in new development and appeal for continued control," he said.

"New investment must be from the basis of having the fundamentals of pre-letting and low gearing in place."

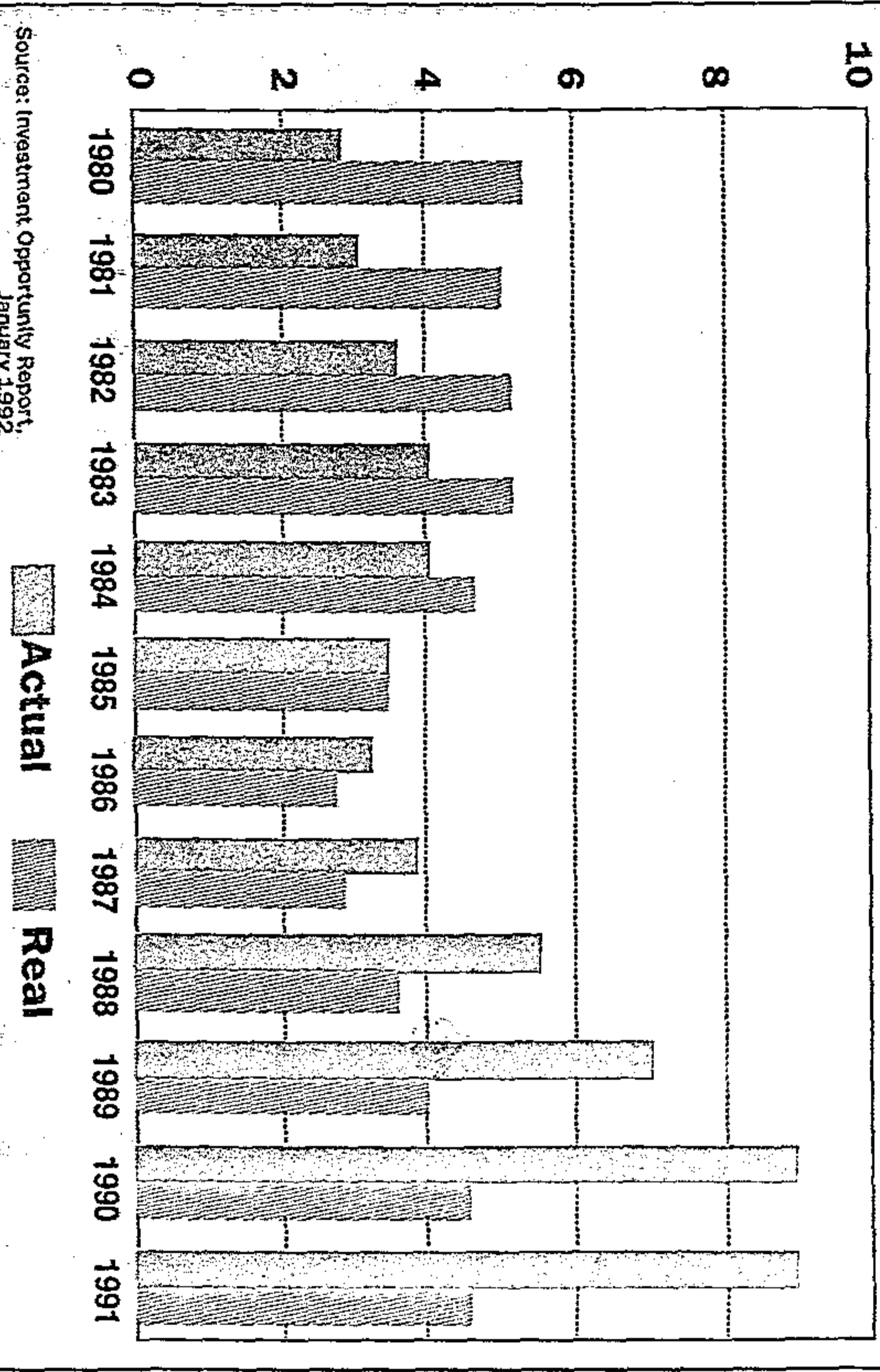
## Network

The fortunate developers and investors are those with prime A and B grade properties in areas which are still commanding firm rentals of in excess of R26 per square metre net such as Rosebank in Johannesburg and other prime buildings in central city and decentralised areas well served by main traffic routes.

According to Sapo's latest review, take-up of space in Rosebank during 1991 was significant at 56,000 sq m over an 18-month period.

J H Isaacs director, Steve Kesler, reports in his 1991 review that other positive per-

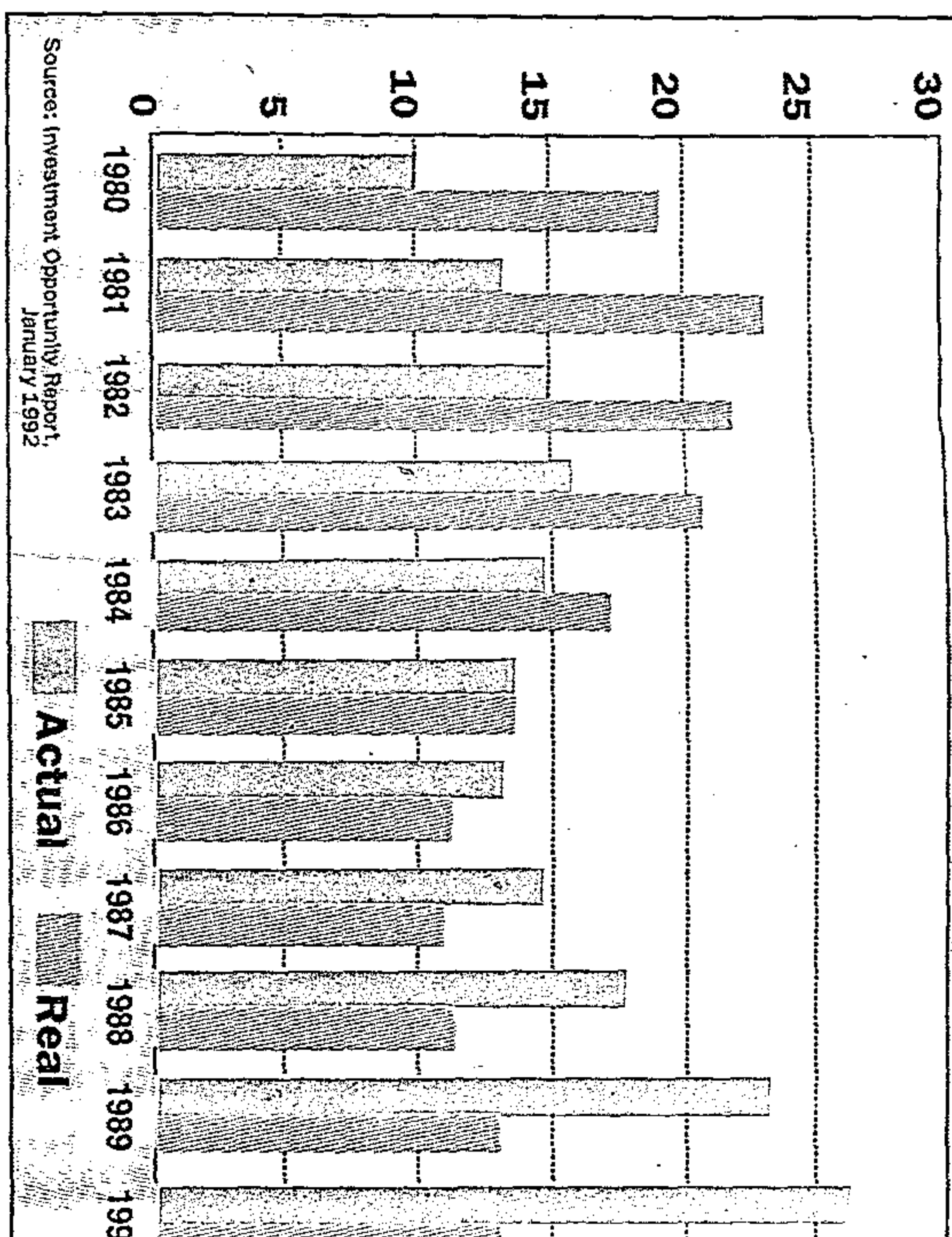
Industrial rentals for smaller space  
R/M<sup>2</sup>/Month



Source: Investment Opportunity Report, January 1992

formers in the PWV were Randburg where some new buildings commanded R23/sq m to R24/sq m, Bedfordview and Bruma Lake, averaging between R22/sq m and R26/sq m. RMS-Syrets executive director Mark McReedy says that of-

Prime office rentals  
R/M<sup>2</sup>/Month



Source: Investment Opportunity Report, January 1992

Woodlands (north-west of Sandton CBD) and Wierda Valley however, comes from Baker Street Associates managing director (commercial) Rodney Timm.

"The number of new development start-ups in Sandton have reduced dramatically which should in the medium term

place a straight upward pressure on rentals," says Mr Timm.

"But," he adds, "the oversupply in Wierda Valley, at high rentals, is an embarrassing manifestation of overzealous developers following a trend and over-paying for vacant leases for much longer as the

office market is both and an upturn in both and rentals may be for the 1992 year-end. Mr Kesler believes due to renegotiate leases do so prior to June 1 to give them time to obtain the most rates.

# Inquiries for industrial space flood in

Widespread predictions of an industrial-led increase in economic activity seem to be borne out by significant increases in both letting inquiries and deals concluded for industrial space.

This is reported by a number of sources in the property market, including the industrial divisions of RMS-Syfrets, Old Mutual, Ampros, Barlow Rand Properties, RMBT, JH Isaacs and property brokers such as Landmark and Baker Street Associates.

Baker Street Associates managing director, Kevin Jordaan, says: "Many decisions on space were held over during 1991. During the first two weeks of 1992 the volume of inquiries and the number of deals concluded are significantly higher when compared with the same time last year. For some people, the signs of an upturn are already there."

## Stability

"We seem close to reaching a situation where political stability and economic growth may be achieved. We could have already turned the corner. I think cautious optimism is justified," says Mr Jordaan.

While most other major industrial property owners confirm this trend, many hesitate to predict that it will be sustained. Although it may reflect some pent-up demand held off during 1991 which may soon be exhausted, there are some deeper signs warranting optimism.

Old Mutual Property Investment Manager, Ian Watt points out that industrial inventories, allowed to run low, are now due for restocking.

Mr Watt reports good occupancy rates for OM Properties' recently completed industrial and

business parks owing to the company's policy of developing only after all or a substantial part of the new space has been pre-let.

Mr Watt predicts an upsurge in industrial activity which will produce increasing industrial rental levels and higher investment yields.

Once this happens, he believes there will be new industrial development in sought-after areas of Johannesburg and Pretoria where rentals achieved will reach R10 to R11/sq m during 1993.

He says favoured industrial areas include City Deep, Johannesburg and Hermanstadt in Pretoria.

Mike Brown, a director of RMS-Syfrets industrial property division, reports that the regions where demand is highest remain Isando, Jetpark, Selby, Wynberg, Kramerville, Eastgate, Midrand and Benrose.

He says demand is less brisk in areas such as Alrode, Wadeville and Kya-Sand.

Neville Berkowitz, reporting in the January edition of The Property Economist, says that industrial rentals for smaller space have not shown any real growth in 1991 but that growth is expected during the second half of this year.

Mr Berkowitz believes that as far as small industrial space goes, cheaper lower-grade space will have to be taken up before newly built factories will secure tenants at higher asking rentals of up to R14/sq m.

Mike Brown is more optimistic and believes that tenants are in good supply for prime industrial space.

"Additional rental costs are more than recovered in greater production efficiencies in modern facilities in newer areas."

...ate sion tenants

# Afcom changes lift attributable income

MARCIA KLEIN

AFCOM has upped its attributable income by 32,5% to R3,7m (R2,8m) in the six months to end-December in spite of a depression in the furniture, motor and mining industries which it serves.

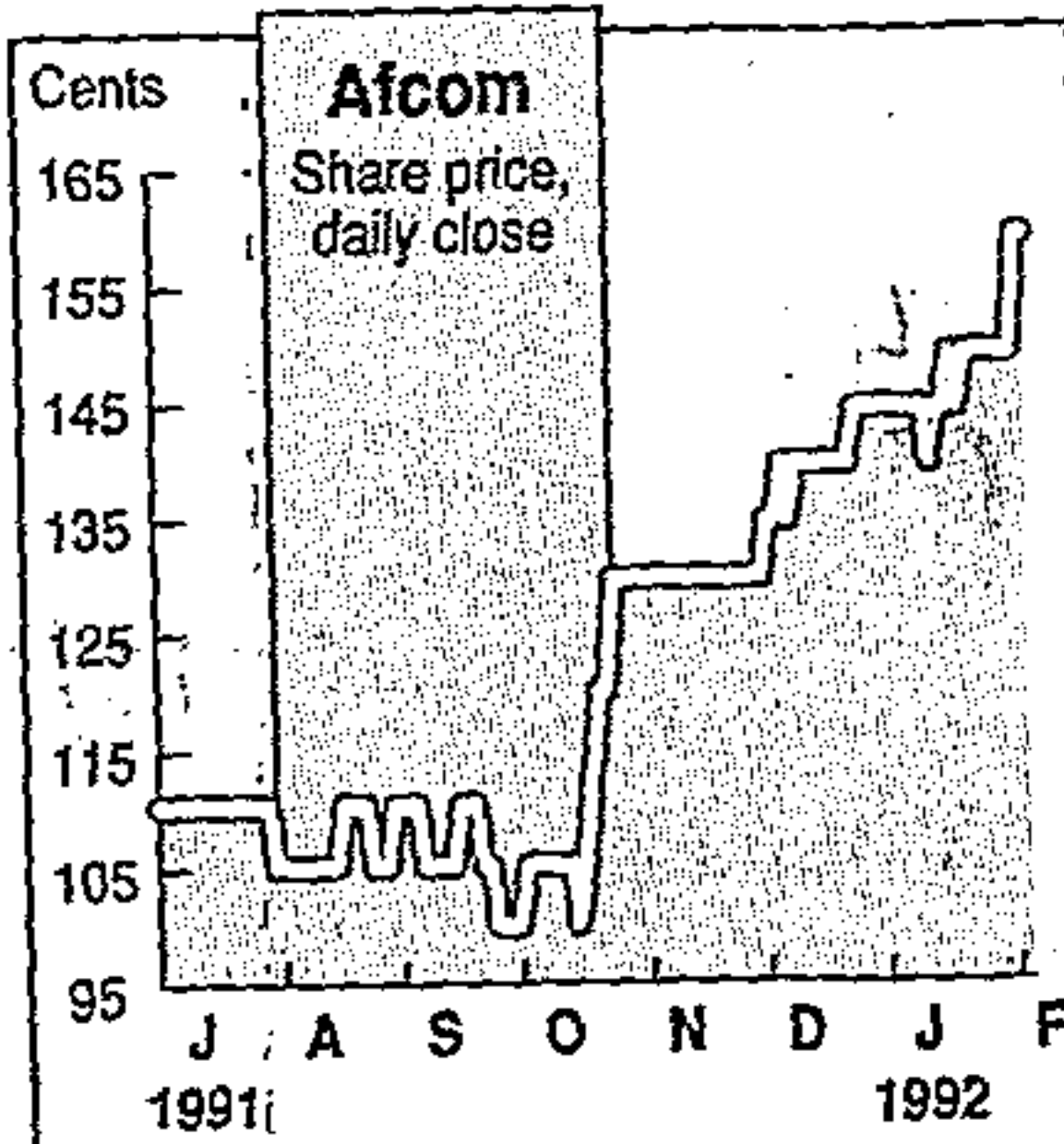
The company, which manufactures fastening, packaging, steel, strapping, adhesive tape and stationery products, was taken over by Bidvest in 1989.

Tough trading conditions and additional focus on quality sales saw turnover grow a pedestrian 9,1% to R59,1m (R54,2m), but operating income rose 23,6% to R7,7m (R6,2m). The operating margin was improved from 11,5% to 13%, largely due to management's dedication to improving control of costs and manufacturing efficiencies, MD Alan Salomon said yesterday. Since the Bidvest acquisition, and Afcom's subsequent division into entrepreneurial units, the group's management performance had made a marked improvement, he said.

A 20,6% rise in Afcom's interest bill to R1,7m (R1,5m) reflected additional debentures in issue for the full accounting period compared with only three months in the previous period.

In spite of additional interest, gearing was reduced from 22,4% to 11,6% as other interest bearing debt declined.

The 13,4% rise in taxation was the result of the lower company tax rate as well as export allowances.



Graphic: FIONA KRISCH Source: I-NET

Earnings rose by 23% to 10,7c (8,7c) a share, or by 15,6% to 8,9c (7,7c) a share on a fully diluted basis on more shares in issue.

Afcom declared a 31% higher dividend of 4,25c (3,25c) a share in line with the company's policy of a 2,5 times cover.

Salomon said Afcom's interim trading performance would "at least be sustained in the second half."

"Afcom has the infrastructure and manufacturing capacity to meet increased demand which would occur with an economic upswing," he said.

Now that Afcom had completed its consolidation phase, it was focusing on increasing local and export sales.

# Downturn 'worse than expected' <sup>(180)</sup>

Blpau 5/2/92

SHERIDAN CONNOLLY

THE decline in total manufacturing production in the three months to October showed the economic downswing in the second half of last year to be far more severe than was initially expected, a senior economist said yesterday.

Figures released by Central Statistical Service (CSS) showed production volumes falling by 2.4% in the three months to October compared with the previous three months.

CSS attributed the overall decline in manufacturing production to lower production levels in the food, other chemical products, and metal products industries.

Sales of manufactured products, however, increased by 1.2% in the three months to October compared with the previous three months. The largest increases were recorded by the food, beverage, industrial chemicals, iron and steel basic products and motor vehicle industries.

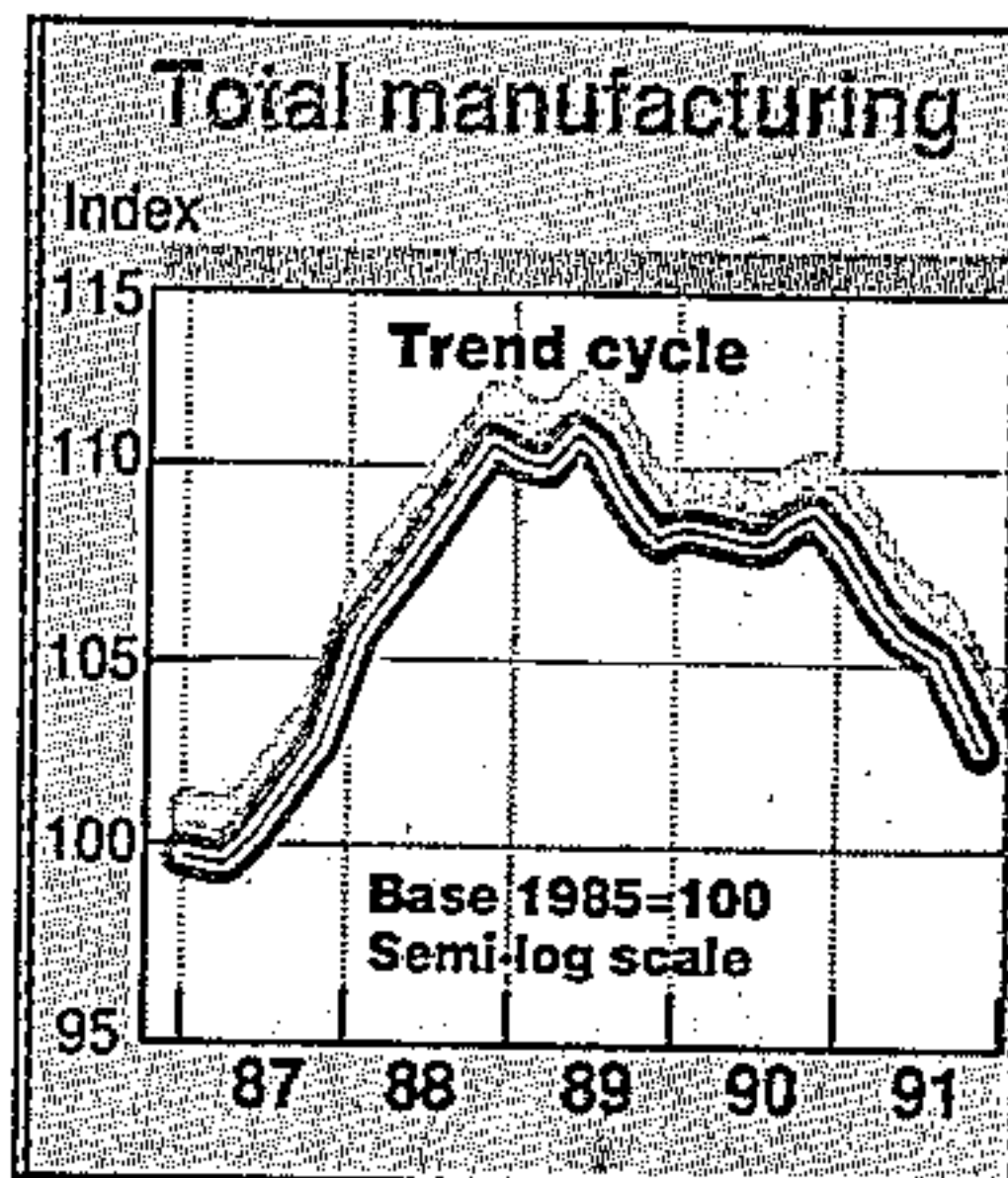
Rand Merchant Bank chief economist Rudolf Gouws said that contrary to the Reserve Bank view that the downswing in the second half of last year was relatively mild, consumer spending and investment levels dropped significantly indicating a deeper-than-expected recession. A sharp decline in consumer demand had affected the manufacturing sector and the economy in general.

The situation in the agricultural

sector was "very serious". The impoverishing impact of drought conditions threatened the agricultural sector and this could limit the growth potential of the economy as a whole.

Gouws expected to see some upturn in manufacturing production emerging — possibly by the second quarter of this year.

Standard Bank chief economist Nico Czipionka said manufacturing data suggested a stabilisation in production levels. He expressed concern over the economically unproductive tendency of companies to reduce inventories because of high finance costs.



Graphic: LEE EMERTON Source: CSS

# Western Cape conference to explore growth areas

CAPE TOWN — A conference involving about 350 prominent industry, trade union, political and civic leaders in the Western Cape is to be held on March 17 to work out economic strategies to promote growth in the region.

The conference is the culmination of the 18-month period of preparation and research undertaken by the Western Cape Growth Organisation (Wesgro) to assemble information about the Cape economy and identify its key growth sectors. Wesgro is supported by about 200 private sector members.

Wesgro executive director David Bridgman said yesterday the conference at the Cape Town Civic Centre had been carefully structured to lead to problem solving. The conference would break down into seven working groups each led by a prominent chairman to identify growth areas and work out suitable strategies.

A four- to six-month period of follow up to explore the strategies would then take place, with some institutions hopefully taking responsibility for particular strategies.

Among the issues to be addressed would be improving the competitiveness of Cape business, housing delivery and urban development; education and training; black economic advancement; poverty alleviation and the finan-

cial and an institutional environment for regional development.

Bridgman stressed the importance of stimulating economic growth in the Western Cape.

"Merely to maintain the present high rate of unemployment, 38 000 new jobs have to be created a year — and that does not even start to take care of the backlog.

"The Western Cape economy has performed well relative to the rest of SA in recent years and many key aspects are in place both nationally and at regional level to fuel strong growth for the rest of the 1990s," Bridgman said.

Co-convenor of the workshop and Small Business Development Corporation head Wolfgang Thomas emphasised there was nothing automatic about the process of regional growth and positive developments such as export orientation needed to be intensified.

"Only hard work by entrepreneurs, workers, local business and community leaders and local authorities could give the Cape the competitive edge needed to create jobs.

There was no shortage of capital, only a shortage of co-operation and vision, he said.

The Growing the Cape project is funded by the Development Bank of Southern Africa and three regional development associations.

180  
B/day 6/2/92  
LINDA ENSOR



# SOWETAN BUSINESS

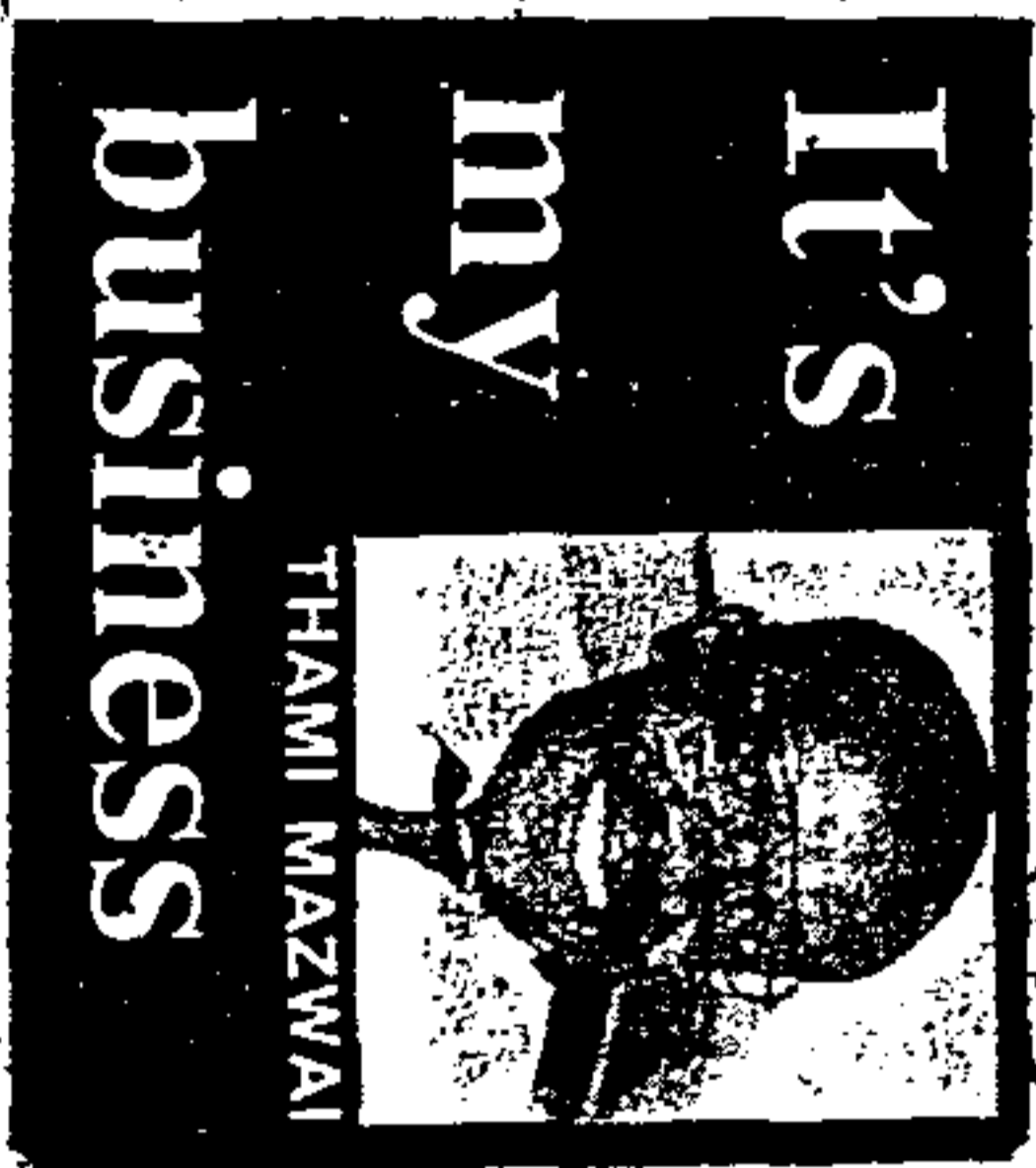
## A question of co-operation

IN August last year I wrote about the influences of our political organisations in Fabcos and Nafcoc. I was then given a roasting and accused of mischief-making.

Mr Mofasi Lekota, then executive director of Nafcoc, and Mr Jabu Mabuzza, managing director of Fabcos Marketing, issued a joint statement in which they denied any involvement by the PAC, ANC, Azapo or Inkatha in their affairs.

They said they were continuously looking at the question of unity and co-operation between their organisations.

Today, and six months later, we have not heard of any unity talks or co-operation between the two organisations. Let us forget about the



180

180

planned unity talks between Nafcoc, Fabcos, Sacob and the AHI announced this week. This rich uncle-poor nephew marriage won't work.

Instead, Fabcos and Nafcoc must look at last week's "merger" between Amalgamated Banks of

South Africa (Absa) and Bankorp, to form the biggest ever banking group in the country.

While our business organisations are playing hard-to-get with each other, white business institutions are closing ranks. Soon we will have im-

pregnable white business monoliths, making it harder for black business to edge in.

What the recent merger means is that the market is monopolised by Absa, Standard, First National and Nedperm.

We will now have the Fabcos-sponsored Future Bank and Nafcoc-inspired African Bank fighting for the crumbs.

Yet, if our stokevels money was invested in a merged African Future Bank, with Western Bank's stake substantially reduced or this FNB affiliate shown the other side of the door, a black colossus would emerge.

It is the size of market share, state of technology

and expertise that decides the viability of financial institutions.

A merged African-Future Bank could then easily buy the expertise it needs from the management ranks of the three major banks, after all management talent has a price.

Appropriate technology could then also be acquired by a giant black institution.

Also, do we really need two taxi associations offering virtually the same benefits to members; two builders organisations in a struggling sector, two stokvel bodies, various retail organisations and just about a duplication in every aspect of our business? At the moment our business organisations are ei-

ther sniping at, or ignoring, each other.

What is disturbing is that each enjoys the backing of white business houses.

The rivalry between these business houses for the black market is translated in aid to Fabcos or Nafcoc.

What one also finds is the same big white company sponsors both. Is this business house making sure that these fighters enter the fray at the same weight?

Surely, by this time Nafcoc and Fabcos should be aware that big business fears a united black chamber of commerce.

Our business leaders should take a leaf from the rise of Afrikaner business. Afrikaner leaders en-

sured that they got their people to support institutions like Sanlam, the then Volkskas and many others; all originally Afrikaner institutions.

We should also take this route. Yes, they will out-compete our businessmen in service and prices. But we will learn and develop our own competitive edge.

This is the nature of business, and how the Japanese learnt how to beat the Americans at their own game.

In 10 to 15 years we could have black-owned and successful medium-sized enterprises. This can happen.

# High-calibre turnout for conference

FRANKEL Max Pollak Vinderine's 15th annual investment conference, scheduled for February 18, features high-calibre guests and speakers drawn from local and overseas business and political arenas.

Besides the main all-day conference presentation, the arrangements span a full week and include day trips to leading companies in Johannesburg and Cape Town, as well as functions where the guests will be able to meet SA leaders and businessmen. The conference starts on February 16, when the overseas guests arrive, and ends on February 21.

Business Day Reporter

Overseas guests attending the event include Colin Campbell of The Times in London, Michael Cook of S G Warburg Securities, Ray Davis of Smith New Court International, Richard Collier of N M Rothschild & Sons and BNP International Financial Services GM Graham Davies.

The conference week includes trips to Soweto, Rand Refinery, the JSE and a number of industrial and mining production facilities. Guests at banquets include President F W de Klerk, Cabinet members, ANC presi-

dent Nelson Mandela and secretary general Cyril Ramaphosa.

Lead speakers are Finance Minister Barend du Plessis, Reserve Bank Governor Chris Stals and Steve Riley, a government relations consultant of Riley & Fox USA. Following the presentations, a number of panel discussions have been arranged.

The panels will be chaired by top businessman and investment analysts including Times Media MD Steve Mulholland, Union Bank of Switzerland gold analyst Andy Smith and Barlows vice-chairman Derek Cooper.

## Marketing 'overlooked'

MARKETING has an important role in business and is often overlooked in framing overall strategy, says UK marketing academic and consultant David Walters.

In the latest edition of the Wits Business School's Business Alert, he says patterns of customer purchasing should be related to other planning.

"The Japanese know what selling is all about," he says. They could make seven alterations a day in store-layout to accommodate changes in clientele from early morning opening to late-night closure.

Former head of business economics at Wits, Russell Abratt, sums up marketing as: "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives".

Businesses needed to communicate this marketing concept within their own organisations. Traditional marketing functions needed to be refocused, and corporate image needed to be constantly addressed.

## Groups' sub-contracts worth R34m

CAPE TOWN — The value of Anglo American's and De Beers' sub-contracting activities to small businesses burgeoned to R34m in 1991 from a start of R6m in 1989 and their Small Business Initiative (SBI) is poised to expand joint ventures with small business.

SBI manager Johan Kruger said while SBI aimed to increase its activities, there were limits.

"Further subcontracting would require substantial capital investment on the part of suppliers — our partners — so that they can produce more sophisticated products competitively," Kruger said.

51 Day 11/2/92 (180) (SBE) (SBE)  
LINDA ENSOR

SBI's emphasis in future would be on joint ventures. LITET, a venture capital company owned jointly by Anglo and De Beers, had already invested in five companies and had more on its books for 1992.

Kruger said a minority stake was taken in emerging small businesses by providing management and technical assistance as well as financial expertise.

The SBI is based in Anglo's purchasing department so that all possible subcontracting opportunities can be identified. Kruger said

subcontractors were commissioned on the basis of strict business principles of competitive pricing, high quality and the ability to meet delivery schedules.

# City manufacturers think upturn still one year away

180

ET 12/192

By AUDREY D'ANGELO  
Business Editor

HIGH interest rates are blamed by most Western Cape industrialists for the current tough conditions, according to a survey carried out by the Cape Chamber of Industries (CCI).

But, asked what action they want taken to put things right, the majority put success in political negotiations at the top of the list. A cut in interest rates comes a close second.

"They rightly see that political uncertainty and violence are the greatest handicaps and successful negotiations at Codesa are the most important thing," commented CCI executive director Colin McCarthy.

The SA Chamber of Business (Sacob) manufacturers confidence index for January showed a greater level of optimism about the coming 12 months — although this varied in different regions.

Sacob economist Keith Lockwood says in his report that attitudes in the Western Cape have not changed much from the previous survey in November.

Colin McCarthy said

yesterday that the chamber's own survey shows most local manufacturers do not expect a significant improvement in business for at least 12 months.

McCarthy pointed out that most local industry was consumer orientated, and had been hardest hit by the fall in spending power.

The CCI survey showed that 46% of respondents found business poor, 44% fair and only 9,6% good.

Only 4% expected an improvement "soon" compared with 25% in six months and 40% in 12 months. The others thought it would come in 18 months or longer.

"In the Western Cape we are in consumer goods and semi-durables and conditions are not good," said McCarthy.

"The clothing industry, footwear and furniture are not having a good run. Regrettably, Cape industrialists are not optimistic. They tend to see a long, hard road ahead.

"Asked about their expected profit performance only 2% said they expected it to be much better in the next 12 months, 30,5% said it would be better, 38,5% said there would be some improvement, 21% expected to do worse and 8% much worse.

"In order of importance respondents listed the high cost of capital, violence, political conflict, the prolonged world recession, expected tax increases, labour disputes and competition from overseas as the major factors hampering business.

# Secrecy surrounds bid for business unity

180  
Sowetan  
13/2/92

SOUTH Africa's major black and white business groups are to meet at an undisclosed venue next month to establish a committee to make proposals on the creation of a new nonracial organisation.

The Foundation of African Business and Consumer Services, the National African Federation of Chamber of Commerce and Industries and Saccola, have committed themselves to unite in order to represent employer interests.

The unity talks come after the groups' return from an International Labour Organisation meeting in Harare which was also attended by African, European and United States employers' bodies.

By JOSHUA RABOROKO

The Harare meeting was to explore avenues through which South Africa - earlier expelled from the International Employers' Organisation - could be readmitted.

It is also understood that a document on the Harare meeting stated that such an organisation would be on "social affairs such as labour matters, relations and dialogue with workers and trade unions.

However, Fabcos and Nafcoc are pessimistic about the proposed new body after threats of being swallowed by the giant whites-only Saccola, representing Sacob, Seifsa, the Chamber of Mines and the Afrikaanse Handelinstuut.

Nafcoc's economic adviser Mr

Vincent Phaahla said this week that they were not going to allow themselves to be dragged into the new body without consulting their constituencies.

"We shall have to consult with trade unions, political organisations and other major players in business before we commit ourselves to the establishment of this body," he told *Sowetan Business*.

He added that much would depend on how flexible the structures under which "the new body will operate" and whether it would be acceptable to the oppressed people.

"We cannot be dictated to by the international community," he added.

Nafcoc president Mr Sam Motsuenyane said the meeting took place, but no agreement

was reached.

Fabcos' marketing chief executive Mr Jabu Mabuza said that before accepting the new body, they would have to do a lot of consultation with their affiliates.

"We have held numerous meetings with Sacob and Nafcoc on the possibility of working together on economic matters.

"I cannot pre-empt what will happen as well as predict whether our affiliates will agree to the formation of the new organisation," he said.

Saccola vice chairman Mr Johann Liebenberg said that they had been talking to Nafcoc and Fabcos about a merger.

"It would be advisable that an umbrella body representing business be formed in view of the changes taking place in the country," he added.

Export...

R1,5-m for  
STAR 14/2/92  
adventurous  
entrepreneurs

Finance Staff

180

Many good product ideas go to waste for lack of start-up capital.

Now the Foundation for Research Development has come up with a plan to help "entrepreneurs and innovators" turn their ideas into business ventures.

It has set aside R1,5 million, to be spread around at a maximum of R100 000 a time, for projects using innovative technology to manufacture products aimed at niche export markets while generating employment.

FRD executive director Dr Louis van Biljon says the Small Business Development Corporation has already been approached to contribute further finance to successful ventures.

The scheme, known as Idea, or the Initiative for Developing Enterprising Activities, will be launched on Monday at a symposium in Pretoria. The guest speaker will be international venture consultant Dr William Rowse.

The cost for the day is R140 and bookings can be made at (012) 841-3588.

DSTS

## th plunge

Introducing VAT on total contract costs has had a neutral effect on building costs because VAT is recoverable by a vendor.

Rode estimates non-residential building costs grew 7% between the fourth quarters of 1990 and 1991. If VAT had not replaced GST, the growth would have been about 13%. Growth in 1992 is forecast at between 9% and 13%.

In contrast, home building costs are expected to rise by 16% this year, after an estimated 11% increase in 1991. The reason is primarily the anticipated 2% drop in mortgage bond rates, which will enable contractors to expand margins as more people can afford to build homes. ■

### CAPE TOWN <sup>FM 14/2/92</sup> <sup>(180)</sup> Search for a haven <sup>(180)</sup>

The perception of Cape Town as a haven, in an increasingly crime-ridden and politically unstable SA, is sustaining investment in commercial and residential property in the city despite the recession.

So says city council development co-ordinator Philip Theron. He adds: "Major developments worth R704m were under construction at the end of last year compared to R591m for the corresponding period in 1990. Buildings valued at R440m were completed during 1991."

He says the medium-term outlook is also good: "Some very big developments are being discussed by council and it's encouraging that a number of them are in the CBD, which has lagged in new development." Details of the developments are still confidential.

Theron attributes the interest in commercial property investment to a reassessment of Cape Town's potential to accommodate corporate headquarters. The high quality of life and relative security compared to some other metropolitan areas is attracting not only an increasing number of businesses, but individuals as well — as reflected in the stability of the medium- and upper-priced residential markets.

Theron says since March 1986, 191 major commercial, industrial and residential projects valued at just over R2bn have been completed in Cape Town. Major developments under construction include:

- The UCT business school complex at the V&A waterfront (R40m);
- Murray & Roberts' Pier Place office development on the foreshore (R35m);
- Equikor's Belmont office village in Rondebosch (R52m);
- The V&A company's Victoria Wharf

speciality marketplace at the waterfront (R105m);

□ Metropolitan Life's new head office on the foreshore (R75m); and

□ Old Mutual's Sea Street office development in the city (R100m).

What Theron does not say is that the oversupply of office space in Cape Town CBD is increasing, particularly in A- and B-grade accommodation.

According to the *New Office Developments* report (of Real Estate Surveys) released last week, the Cape Peninsula had 21 new office projects under way by the fourth quarter of 1991, totalling 77 729 m<sup>2</sup> of rentable space due to be completed by the end of 1992. Of this, no fewer than 33 169 m<sup>2</sup> were unlet in December 1991. For 1993, a total of 63 500 m<sup>2</sup> of new accommodation is planned to be completed.

Compared to Durban CBD, and Rosebank in Johannesburg and Sandton, Real Estate Surveys research director Erwin Rode says Cape Town CBD's take-up performance during 1991, though improving, has been poor.

On the industrial side, where prime rentals are showing a slight downward tendency nationally, the Peninsula has bucked the trend. Rentals for unit sizes of 1 000 m<sup>2</sup> and more have shown an increase in 1991, with vacancy levels also marginally lower. However, rentals for 500 m<sup>2</sup> units in this area did follow the national trend and were somewhat down from last quarter's levels.

Rode concludes that the western Cape economy now has to deliver the goods — and this is not expected to happen overnight. ■

### OLD DURBAN STATION

#### Green light

Work has started on transforming one of Durban CBD's eyesores — the old Durban Station — into a R24m luxury office block.

The Victorian building at the junction of Pine Street and Soldiers Way has stood derelict since the new station was built near Greyville. Various plans for renovation, incorporating an office and shopping complex, have been mooted but come to naught.

Peggy Daley, regional manager for developer Ampros, says erection of the hoardings has begun so that the facade can be secured during demolition of much of the interior. Some of the period woodwork, particularly an old staircase, is being restored.

Daley adds: "The plan now is for about 5 000 m<sup>2</sup> of offices in a stand-alone structure. We believe the building, in a prime location, will be ideal for a corporate head-



REASSESSING THE CONGLOMERATES

FM 14/2/92

# Think before you leap

180

Realising the full value of subsidiaries' assets is linked to the CE's style

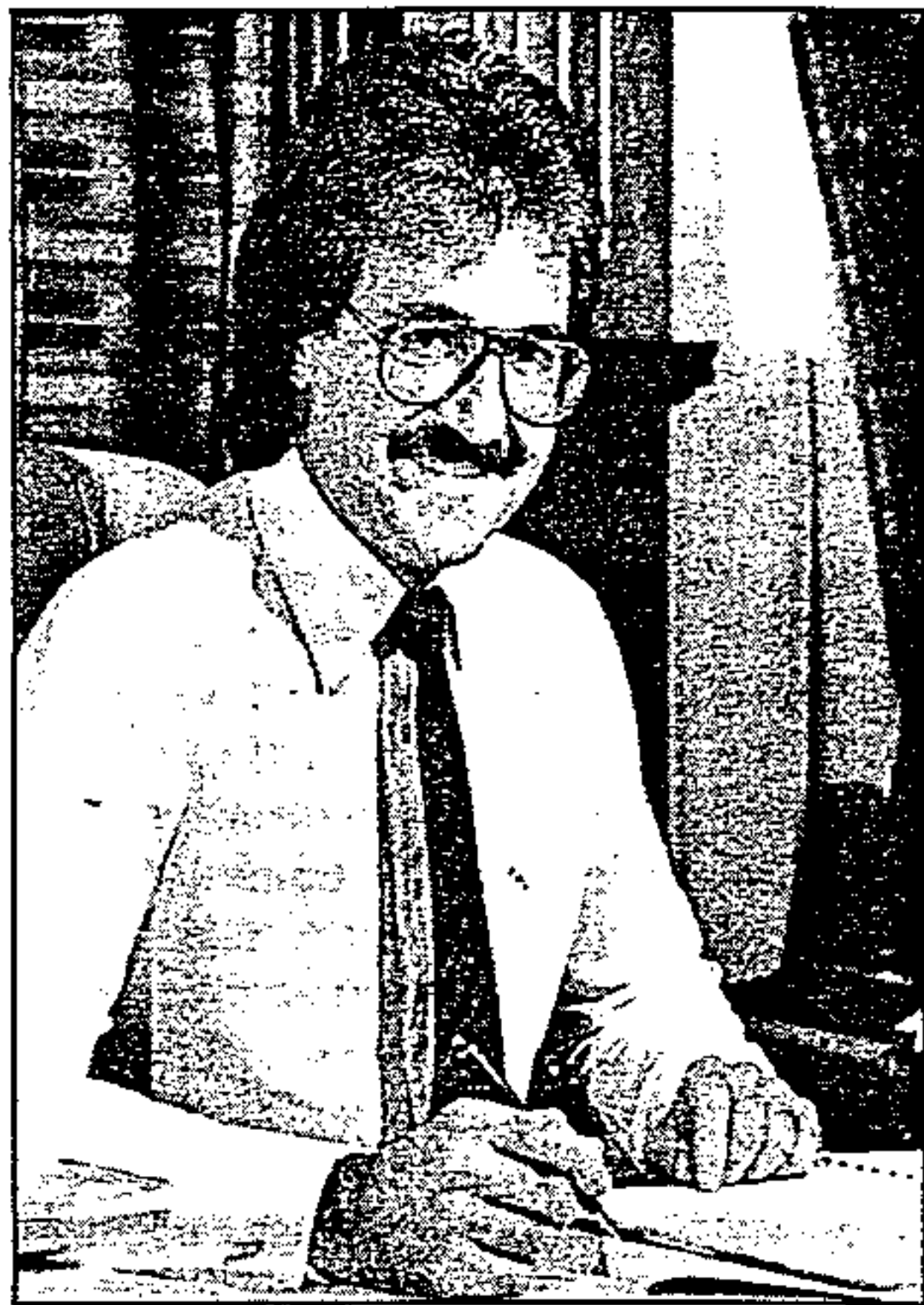
To call an industrial holding company a conglomerate is to invite hostility because the current investment vogue has turned against conglomerates. This is true both here and overseas. Many which produced disappointing results from a high in 1989 have responded by rationalising their portfolios to concentrate on those companies with which they have the skills to grow and prosper. Perhaps this is the primary lesson of the past few years.

Thus, Malbak has enlarged its holdings in food and pharmaceuticals; Barlow Rand has largely exited from commodities; and Murray & Roberts has consolidated its strength in gross domestic fixed expenditure businesses.

"Conglomerate" was merely the tag given to industrial groups concerned with an essentially undirected accumulation of assets. It is associated with the paper empires that chased assets on the stock market but did not add value to their operations. Lucem, Abercom and Messina come to mind (FM June 6 1990). The swift expansion — and subsequent implosion — of Tollgate a few years ago was another prime example.

Ideally, the whole should be greater than the sum of the parts. In practice conglomerates are dragged down either because they are too small in too many businesses or because they have a number of weak components. The real glamour ratings are earned by *purer* businesses. Barlows, for instance, sits on a p/e of 13,1 compared with 19,7 for its most highly rated subsidiary, Tiger Oats.

The swing against diversification is so strong that some investors are puzzled that



FSI's Liebesman ... mixing and matching internationally

SA Breweries is acquiring Plate Glass — and investing in windows and windscreens.

Yet since the middle of last year, conglomerate ratings have improved, as some CEs and major shareholders have taken heed of market criticism that they lack focus. Malbak has enjoyed a rerating since it acquired Fedfood and SA Druggists to make it a first division player in food and pharmaceuticals. Barlow Rand's share has firmed after its quick sale of Middelburg Steel & Alloys, after years of dithering over Rand Mines.

It's not surprising that the market seized on the term unbundling. The then Gencor chairman Derek Keys announced in October 1990 that Gencor was considering distributing the shares in its underlying companies to shareholders to increase the aggregate market value of the interests. Keys had flattened Gencor's structure to the extent that he was just about the only person in the group working directly for Gencor rather than for Gemmin, Engen, Sappi, Genbel or Malbak. It was not just asked whether the Gencor centre was adding value to its whole. Holding companies were asked this question.

Sankorp CE Marinus Daling argues that unbundling has now entered the vocabulary though the unbundling of Tradegro's shareholdings in its subsidiaries is a rare practical example of it taking place. But Sankorp sought to maximise the value of its investments by strengthening its respectably rated conglomerates, Malbak and Murray & Roberts, and finally putting the ghost of Federale Volksbeleggings to rest.

The industrial holding companies are quick to point out that they generally trade at a premium to their aggregate market value, in contrast to the discounts in the mining house sector. The industrial holding sector outperformed the All Share index and the Industrial index over 1991, as well as most of the big market capitalisation sectors such as beverages and hotels, packaging, chemicals, stores and food.

The recovery of Malbak's rating has been among the strongest. Chairman Grant Thomas has been a strong proponent of diversification: he argues that there can be diversity, provided there is a depth of specialised management skills. The old-style conglomerates fail if they try to manage businesses of which they know little, he says.

Thomas adds that the man at the top of the holding company has to nurture operating management and accept their skills. "I will never know as much about furniture retailing as (Ellerine chairman) Eric Ellerine, or about packaging as (Holdains CE) Ian Willis." That might be an obvious point, but one which many previous head offices have been slow to realise.



Malbak's Thomas ... specialists can monitor diversity

Head offices often provide tax and legal advice and a central treasury. But few any longer provide group marketing, PR or even human resources. Increasingly, their role is to provide capital at the centre to allow operations to seize opportunities in the export market, or to form joint ventures for overseas companies. If Kanhym/Fedfood does start a joint venture with Heinz or Pepsi, or even both, the input from a cash-rich Malbak centre will be invaluable.

Ratings of conglomerates are often distorted by tradeability. The industrial holding sector includes such well-traded shares as Barlow Rand and Rlichemont (though not other favourites such as De Beers, SA Breweries or Rembrandt). The weight of institutional money looks for mature investments, even if they offer low yields.

Fergusson Bros, Hall, Stewart analyst Steve Rubenstein argues that institutions are still prepared to pay a premium for tradeability, which they would not pay for shares with below-average growth prospects.

A well-run conglomerate offers intangible benefits or drawbacks. Often the rapport of the CE with the investment community can be an invaluable contribution. Meyer Kahn is as much a salesman for SA Breweries' shares as anything else.

Barlow Rand is a solid battleship, which has built up dominant market shares in almost all the businesses in which it operates. Malbak has the reputation of "making assets sweat" and invariably improves the ratings of takeover targets on reputation alone. Malbak has shown a knack for picking up undervalued businesses and improving the operat-

ing performance ratios without necessarily imposing a Malbak culture on the business.

FSI is seen by some as a turnaround specialist, but it is keen to shake off the image that it is better at structuring deals than investing for the long term. Chairman Jeff Liebesman claims to have different ambitions to the asset strippers of the past. He plans to build an international group with an emphasis on scaffolding, bolts and tyres. Perhaps these products have enough in common to make it work.

Liebesman argues that monitoring the financial performance should be only one of the functions of a head office — and he contends that only conglomerates can offer the resources to build up worldscale plants.

It's no coincidence that most of the conglomerates now have cash-rich controlling shareholders. Additional security is provided to investors by Malbak's links to Sankorp, Barlow's to Old Mutual, and Amic's to the greater Anglo-De Beers group. These are not fly-by-night paper empires. Again, life insurers can engage in periodic asset shuffles. The Sankorp shuffle last year was significant and, in a more low-key way, the sale of Plate Glass to SAB was a realignment of the Liberty Life investments.

As the last sizeable independent, FSI has a higher perceived risk profile, not least because it has had to be largely debt-funded to preserve independence. Such a group needs to show consistent returns and tends to be judged more harshly than Barlows or Amic when its earnings decline.

Conglomerates provide a shelter for investors on the assumption that they will always be firing on at least six of eight cylinders. Until recently, for instance, the buoyancy of consumer markets has counterbalanced the weakness of the mining industry.

Unfortunately, some conglomerates provide a different kind of shelter — they can bury bad performers in their consolidated accounts. But the unbundling debate and the need to produce real growth in a shrinking economy have led to corporate rethinks. Inevitably, this became most urgent for the weakest holding companies.

Much of the rethink was driven by Sankorp, and for the first time the Sankorp connection is seen as an asset rather than a liability. Daling says that the market made it clear that it was looking for better focus from its holding companies, which had overlapping companies.

"There was a clear message that we needed to give the conglomerates a clear direction. We were happy to give Malbak more of a consumer orientation by selling them control of Fedfood and SA Drug-

gists. Murray & Roberts has a proven track record in gross domestic fixed investment-linked businesses, such as construction and engineering, so it made sense for them to buy Darling & Hodgson and joint control of Standard Engineering."

But even after rationalisation there are still no neat categories. Malbak still has large stakes in Haggie as well as Standard Engineering; but it is no coincidence that Malbak has invested further into two sectors which have a better-than-average rating, and reduced its interest in sectors which are less well-rated. Daling adds that it is not necessarily the end of the process. Standard Engineering was built up by Malbak from Standard Brass, Astas and Union Carriage; it was clearly reluctant to part with it.

The sale to Malbak of Fedfood made sense as Kanhym chairman Dirk Jacobs had proven skills as a food company manager, and there was nobody of his stature in Fedfood to take over from retiring CE Jan du Toit. Malbak was ruthless in swiftly sacking 30 people at the Fedfood head office, indicative

of a harder-headed attitude to business. And the Fedfood purchase gave Malbak critical mass in the food business.

Daling argues that it is essential to be a large player in a sector to make the investment worthwhile. Thomas says the best managers want to play in the first league.

Daling adds that the decentralised approach favoured by Sankorp, expressed in the Malbak style, works only with a strong management team on the ground. That was lacking in Tradegro and contributed to its demise. But they have been forced to decide which kind of businesses do not fit in with their culture. Retailing was an awkward fit with institutions such as Sanlam.

Barlow Rand does not like to think that it has had a rethink in management philosophy. MD Derek Cooper says it has changed its mix — but to improve returns, not to increase focus.

But brokers believe that Barlows has been forced to listen to the market, which had been asking for a move away from commodities in which Barlows was clearly uncomfortable.

Barlows has been most successful as an administrator of mature industries. It likes products which it can make and then sell at a predictable mark-up, whether in food, heavy equipment or electronics. A former senior Barlows man describes the group as strong on operations but weak on strategy. So long as commodities provided good cash flows, they were welcome. But Middelburg Steel was eventually seen to be an awkward fit in the portfolio. It had a highly cyclical performance, and would have required heavy investment in the future. Middelburg is better housed under Amic and Samancor, where large expenditure into cyclical industry with long payback periods is their lifeblood.

But the process has only just begun; Barlows needs to be more forthcoming about its long-range objectives before it gets a significant re-rating.

Conglomerates have been in favour when the CE is seen to show long-term thinking.

Jan Robbertze at Anglovaal Industries is a prominent example. Another is Dave Brink who has ensured that M&R does well out of the fixed investment style.

The vision and the effectiveness of the CE is ultimately the best way of all to add value. *Stephen Cranston*



Source: FNET

INVESTOR CONFIDENCE FM 14/2/92

180

# What spooked the financial rand

The recent decline in the value of the financial rand is partly due to the speed with which political negotiations are progressing.

In the past, breakdowns in the process unsettled foreign investors. Now they are nervous because the Codesa talks are speedily disposing of contentious political points (see *Current Affairs*) but there have been no parallel advances on the question of future economic policy.

Ebbs and flows of confidence are clearly traced by the strength of the investment currency. After improving steadily for months, as SA moved closer towards the international financial community, and sharply in October after Japan lifted sanctions and the Commonwealth removed people-to-people sanctions, the investment unit has tumbled. It has dropped from about US32c at the end of November to under US29c this week, while the discount between the investment and the commercial unit has risen from around 8% to more than 20% in the period.

There are several reasons for the deterioration in the value of the currency:

- A number of local companies has been allowed by the Reserve Bank to acquire interests in overseas enterprises, says UAL GM treasury Lionel Pereira. "This adds immediately to the supply of rands in the spot financial rand market and also to the total pool of financial rands;
- Some disinvestments, including the sale of Glass SA shares by UK-based Pilkington in December to Plate Glass & Shatterprufe Industries;
- The realisation by nonresident investors towards the end of last month that interest paid on finrand cash balances is not tax-exempt; and
- Contradictory statements from key ANC

office holders last week that created a confusing picture of the organisation's intentions on economic policy.

But this is only part of the story. The proceeds of the disinvestment would have been fed carefully into the market so as not to destabilise the unit. Concerns over tax, though they triggered the most recent slide, should not have done so much damage, say analysts. And the contradictory statements from the ANC have been common occurrences since the organisation was unbanned in February 1990.

That the events came within weeks of each other would have compounded the effect — the sum being greater than the parts. But Rob Wade, FNB assistant treasurer, foreign exchange, believes that the market — which is always thin — is vulnerable because investors perceive a new dispensation rapidly approaching.

The evidence is of course inconclusive.

There is a widely held view in the market that the cash that has taken flight in past weeks has been coming into the country from the Far East over the past six months. It has been largely speculative and has therefore been placed in money market deposits. Yields in the money market have slipped from about 17,5% six months ago to about 16,75% now, but have been consistently higher than those on gilts. As an example, a short-dated parastatal security, with around two years to maturity, regarded as "reasonably liquid," has been trading at around 15,8%-16,10%, says Standard Merchant Bank's Chris Kenny.

Kenny says substantial sell orders from Far East investors continued this week. He says it appears they are determined to liquidate all local deposits. And because they still hold substantial finrand balances, this means further downside potential for the currency.

Gilt and equity transactions through the JSE have not responded in the same way as the more mobile cash balances. One large US investor, for instance, who came aggressively into the market towards the end of last year to buy gilts, has not pulled out the funds, says a market observer. And statistics on gilt and equity transactions routed via the JSE show no signs of retreat. The recent trend has been a reduction in net sales: from R86,2m in the week ending January 17 to R64,2m and R15,4m in the following weeks. Presumably, sales were countered by the rise in the finrand discount, which attracted further investment because it pushed yields to more attractive

levels.

This would confirm that tax on interest income derived from investments other than gilts has played an important role in the decisions of nonresidents.

On the other hand, investors who prefer to hold cash balances have shorter-term objectives.

Those who invest in securities may well hold medium-to-longer-term views and be prepared to sit out the immediate uncertainties.

The volatility of the financial rand clearly illustrates the frailty of investor confidence. Institutions are not prepared to wait for points of policy to be debated endlessly, interpreted and reinterpreted and finally clarified. The longer they wait for agreement on what type of economy SA will have in the future, the more opportunities to attract funds are lost to SA. ■

## CLOSE CORPORATIONS FM 14/2/92 The axe falls

Inland Revenue is putting into effect 1990 Income Tax Act amendments that make employers deduct Paye tax from payments to close corporations (CC) defined as "labour brokers."

Application forms for exemption will be available from May 1 and Paye must be deducted from July 1.

The amendments, explains John Hanssen of the office of the Commissioner for Inland Revenue, were intended to create uniform tax treatment in the labour broking business and will prevent CCs being used as a means of evading or postponing tax.

If a member of the CC provides a personal service to a client, the CC will now be regarded as a labour broker.

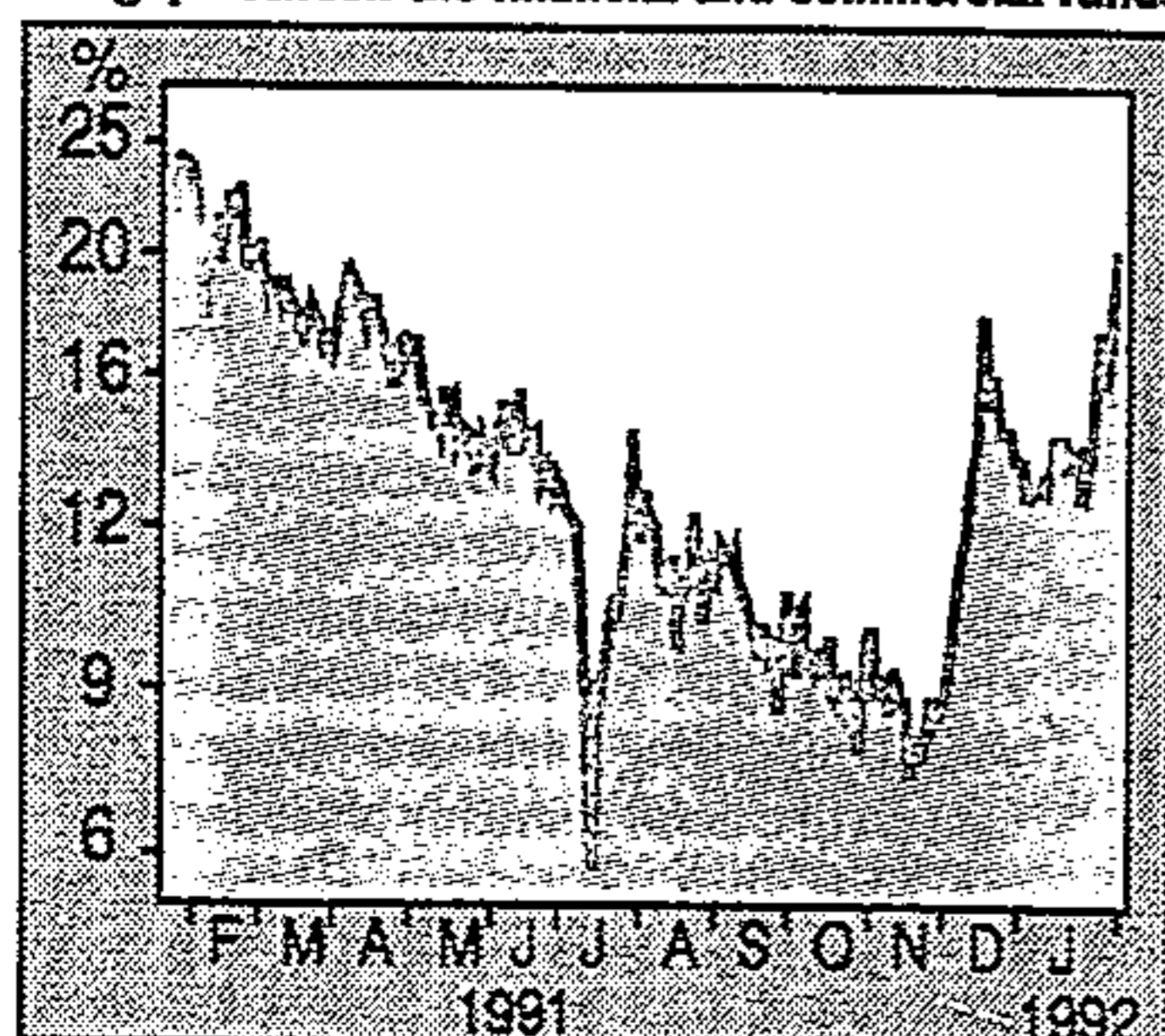
Tax has been evaded, for example, when specialist employees, such as engineering draftsmen, came to SA to perform work on an expatriate basis and left after their contracts expired. As the law stood, the ultimate employer/client was not required to deduct Paye from fees paid to the CC. So the CC assumed the contract to provide personal services, passing on payment to the member who frequently evaded the tax simply through non-disclosure.

The interposition of the CC also allowed tax payments to be postponed because it had to pay only provisional tax, not monthly Paye tax.

The definition of labour broker in the amendments to the Act corresponds with the definition found in labour legislation. It is so broad a definition that — unqualified — it

### Widening again

The gap between the financial and commercial rands



SOURCE: I-NET

# Solutions for keeping family business going

5 Times (Buss) 180



MALCOLM SEGAL: Psychological help in sensitive issues

CONTRARY to the view that the JSE is dominated by conglomerates and power bases, South African families control more than 70% of listed companies and many of those not quoted.

But only one in four family businesses survives into the second generation, and only one in 10 reaches the third.

Malcolm Segal, managing partner of auditing and consulting firm Kessel Feinstein, made a study of the problems faced by family businesses. He hopes

to offer an objective service to customers.

Mr Segal says: "The usual trust set up by an entrepreneur entails a usufruct for his spouse on his death. She collects the income from the business until she dies, when the estate is divided equally among the offspring.

"Trusts are established almost exclusively to save tax with little regard for the other consequences.

"But in most cases, this is a recipe for disaster because it makes no differentiation between blood equi-

ty and sweat equity — the amount of effort put into the business by the heirs."

Mr Segal gives the example of a family with two sons and a daughter. One son becomes a doctor and emigrates, the other takes over the running of the business and the daughter is married and not involved.

The emigrant wants his capital out of SA, the daughter wants dividends — and the new managing director is battling to keep the business going and trying to keep everybody happy.

He might want to buy out the other two, but cannot raise the money.

Another example is where all the sons want to get into the business, but no successor is apparent. The widowed matriarch has to prefer one above the others.

Such matters are complicated if there is a capable and willing daughter, or son-in-law, or non-family member who deserves consideration.

By the next generation, when each child has children of his or her own, the risk of the family's losing control is even higher.

"In a normal situation, the overlap between the family system and the business system is manageable. But where the overlap is excessive, destructive conflict can arise," says Mr Segal.

Neither a purely business, nor a purely emotional approach, will provide the solution. Both aspects have to be tackled simultaneously.

Mr Segal says that an outside independent acts as a facilitator on family business issues by getting members to anticipate problems such as succession, retirement and estate planning.

Other factors include financing, remuneration and performance criteria, opportunities for non-family members and personal and company tax planning.

Family members not involved in the business should also be accommodated, perhaps through preference shares.

Mr Segal believes that the bringing together of four criteria — financial, technical, managerial and psychological — among the players in a family business

by an independent specialist can restore both profit and harmony.

"We have seen that consulting often becomes counselling. It is often painful to face sensitive business issues. The patriarch often defers taking remedial action even if he has seen the problem.

"Kessel Feinstein's team includes a consulting psychologist to help with the emotional side in the case of complex family relationships."

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# Solutions for keeping family business going

(Times Business)

180

16/2/92



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ADTIME

## IONAL (A) LIMITED

(Bophuthatswana) (1/10)

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ember 1991

background of deteriorating economic and trading results for the six months to 31 December 1991. Turnover was 24% up on last year, whilst operating profit an improvement of 25%. Interest received declined as a result of the external funding of The Carousel and Lost City projects.

Carousel Entertainment World, at Babelegi, opened on 15 December 1991 and has traded well since that date.

The effective rate of taxation arose as a result of the tax concessions attributable to the substantial capital expenditure currently being undertaken by the company.

Operating earnings increased by 19% from R89 million last year to R108 million, whilst earnings per share grew by 17% recognising the bonus shares in issue during the year.

The company recorded an average occupancy of 78% for the six months to 31 December 1991, in line with last year, but substantially higher than other hotel chains in southern Africa.

Share rights issue announced in the press on 9 January 1992 that the directors intend to proceed simultaneously with a rights offer of new shares at 64.0 cents per ordinary share (cents).

Dividend per ordinary share (cents) 64.0

# IDC eases rates to help development

*Blog 17/2/92*

~~230~~ (180) ~~400~~  
LESLEY LAMBERT

THE reduction in the Industrial Development Corporation's (IDC's) loan rates was likely to stimulate fixed investment but should not be seen as a signal of a general easing in monetary policy, IDC MD Carel van der Merwe said at the weekend.

The IDC announced on Friday that the fixed interest rates for its new loans to small and medium sized companies had been cut from 16,5% to 16% a year, while rates for its new loans to large companies had been reduced from 17,5% to 16,5%.

The IDC's fluctuating interest rate of 2% above the Eskom three-year rate was also lowered by one percentage point to 17,3%. As with the fixed rates, this reduction would apply only to new loan applications, the IDC stressed.

Commenting on the reduction in rates, Van der Merwe said it was expected to have a positive stimulatory effect on industrial developments. However, he warned that it did not necessarily represent a trend in monetary policy.

"The lowering of the interest rate does not indicate that we anticipate an easing in the present tight monetary policies, but rather is based on

the IDC's policy of encouraging industrial development through market-related interest rates, particularly in this phase of weak economic growth," Van der Merwe said.

The IDC's two special interest rate schemes — for export promotion and multiple-shift production — have been confined mainly to companies with assets of less than R100m. The schemes are being extended to accommodate larger enterprises with assets exceeding R100m.

A package is being offered to larger enterprises in which up to half of the project or expansion to a maximum of R20m is available at a rate of 9% a year. The main condition is that a similar amount must be funded at normal industrial financing rates.

"Although we don't anticipate a significant reduction in interest rates unless the rate of inflation declines sharply, nevertheless we would now like to play a responsible role in stimulating fixed investment," Van der Merwe said.

"Industrial development is a key factor in the country's effort to compete in international markets. We cannot afford just to be exporters of raw materials."

## Warning over output drop

*Monday 18/2/92*  
THE decline in national output in the last two years was alarming and should be seen as a clear warning that time was running out for SA unless everyone put

*(180)*  
aside their differences and concentrated on increasing productivity, Johannesburg Chamber of Commerce and Industry president Mike Cato said in a statement yesterday.

*(181)*  
"Organisations and individuals alike must all now put the growth of the economy at the top of their priority lists. It cannot wait for Codesa or a new dispensation," he said. — Sapa.

# McGregor predicts move to unbundling

WILLIAM GILFILLAN

180  
8/Day 19/2/92

ABOUT 42% of SA's gross domestic product (GDP) is generated by the 810 JSE listed companies and their subsidiaries — which number over 20 000 — according to the 1992 edition of McGregor's Who Owns Whom.

The remaining 200 000 SA registered companies generated around 26% of GDP.

McGregor chairman Robin McGregor said after the launch of the 12th edition of the book that he believed there was a move towards unbundling by conglomerates.

The four largest SA groups are Anglo American, the Rembrandt group, Sanlam and SA Mutual (in that order).

"The conglomerates are beginning to realise that bureaucratic management is not necessarily efficient," McGregor said.

He cited the example of Barlows which had recently sold off a number of major assets, including Middleburg Steel & Alloys.

"Barlows is now a leaner, more efficient organisation." But McGregor agreed the conglomerates had a vital role to play in the new SA.

"There is no question that to be big has enormous advantages. The route conglomerates should take are projects like Columbus — that is those projects in which large sums of capital

are required and where the conglomerates have the expertise."

However, he believed they should disinvest from the many smaller investments in areas which fell outside their expertise.

"Management of these smaller investments is difficult because of the many layers in management structures."

He said his "gut feel" told him Barlows' lead would be followed — especially by the Gencor group.

"One will see some follow through related to Keys' unbundling overtures." He felt this would be the case even though Keys was no longer at Gencor's helm.

According to McGregor, control of the JSE listed companies by the four largest groups had, if anything, increased over the past year or so. Using September 1991 as the yardstick he maintained that — in terms of market capitalisation — Anglo controlled 43,6% of the JSE listed companies. This was slightly down from the 44,2% in September 1990.

Control by the Rembrandt group increased to 14,3% (13,6%), Sanlam's rose to 13,9% (13,2%) but control by SA Mutual dropped to 9,2% (10,2%).



# Tax on foreign investors is under review

3/1/92 19/2/92  
SHERIDAN CONNOLLY

INLAND Revenue officials were reviewing "the universal taxability of earnings on non-residents", Finance Minister Rens du Plessis said yesterday.

Addressing the investment conference, Du Plessis said he was awaiting clarification from the Commissioner of Inland Revenue concerning tax on foreign residents.

He said although it was policy to tax such investments at their source, the world had changed since SA's isolation and it was necessary to review the country's position.

Du Plessis said government was committed to getting the corporate tax rate to around the 40% level. Although there was scope for tax relief, only limited funds were available to finance tax relief projects — fiscal drag, import surcharges and personal and corporate tax rates were some areas that would be investigated before next month's Budget, he said.

Du Plessis said the economy had not yet bottomed out and the upswing expected this year would be modest and gradual. Although SA's potential growth rate would be limited by the economic performance of its main trading partners, conditions in the world economy would still be favourable and a slight rise in international commodity prices would hopefully benefit the volume of SA exports.

With irreversible reform under way, traditional and new markets were opening up to exporters, he said. Manufacturing exports showed great potential and would be further stimulated by tax incentives for export-oriented projects.

Du Plessis said GDP would show positive growth in 1992 following negative growth rates of the past two years. The crisis in agriculture would put pressure on growth prospects and any expansionary phase would need to be nurtured.

In the past, nominal wages had increased at a much faster rate than the rate of inflation and had not been linked to productivity. This adverse factor had caused distortions in the economy.

Private consumption expenditure would

□ To Page 2

## Tax review

□ From Page 1

grow in 1992 but, because of the poor performance in agriculture, this growth could be expected to be only modest.

Du Plessis said SA was en route to greater financial stability. He said the country's re-entry into the international financial market environment via recent Eurobond issues had been a great success.

A sustained higher level of foreign exchange reserves would enable government to continue its policy of maintaining a stable effective exchange rate.

Du Plessis' speech boosted the financial rand yesterday and it staged a small comeback. It closed at R3,61 a dollar compared to Monday's R3,77 close.

# SA on brink of new industrial policy

By Derek Tommey

180

South Africa is on the verge of adopting an industrial policy aimed at creating rapid economic growth, absorbing the unemployed and raising living standards.

However, it could make life much more competitive for many industries, as it will promote exports and dump the present policy of promoting import-replacement industries.

Details were outlined by WC van der Merwe, MD of the Industrial Development Corporation (IDC), at the 15th Frankel annual investment conference in Johannesburg yesterday.

He said the policy reflected the views of the IDC and was not official policy.

"The IDC's report has been widely circulated to interested parties and there seems to be general agreement on the direction envisaged."

He said that to improve investment confidence in SA, the Government must persevere with policies aimed at:

- Low inflation;
- Low or lower personal and nominal company tax rates;
- A stable exchange rate at a level supportive of exports;
- A better savings rate to finance production; and
- More stable labour relations.

SA should aim for a macro-economic environment encouraging industry to become less protective in the home market and more aggressive abroad.

The protective shield should be lowered by:

- Replacing formula duties with an anti-dumping system suitably devised to counter short-term disruptive competition; and
- Phasing in lower ad valorem duties in consultation with industry.

The aim was to encourage industries to upgrade their com-

petitiveness and lower the cost-raising effect of protective duties, he said.

The process should entail investment in modernisation, the introduction of competitive technologies, training and retraining of labour to improve international competitiveness and to offer local consumers price-quality benefits.

The policy should allow for selectiveness in industrial policy and the application of suitable incentives. Examples where this was already happening were:

- Phase VI of the local content programme for the automotive industry;
- The beneficiation of raw materials with the assistance of the Article 37E provision of the Income Tax Act, which flowed from the IDC's proposals; and
- The development of the electronics industry with the help of up-front assistance.

Mr van der Merwe said the selective encouragement of industries would probably become more pronounced as the implementation of the proposed policy progressed and the need for adjustment became apparent.

The incentive packages could consist of measures to encourage investment, trading and the introduction of new technology.

Mr van der Merwe said the new policy was based on the belief that only aggressive and productive industrial development aimed at obtaining a larger share of the world's markets would be successful in meeting SA's needs.

One of the more important of these needs was the absorption of labour into industry at a faster pace than population growth.

Experience had shown that countries with export-oriented economies performed significantly better than those relying on import replacement.

# Sanlam to put R20-bn into industrial growth

180



STAR 20/2/92

By Tom Hood

CAPE TOWN — More than R20 billion is to be invested by Sanlam group companies in mining and other industrial projects that will be completed in the next five years.

This is roughly equal to the value of South Africa's annual gold production, or a quarter of the annual national Budget.

Sanlam chairman Dr AJ van den Berg said at the company's annual meeting in Bell-ville yesterday a new gold mine and expansions to other gold mines as well as platinum and coal mines were among the projects.

"Investments in ferroalloys, alloy steel, paper and wood pulp, liquid energy and a large variety of smaller industrial developments ensure that our group is well represented in the

most important mining and industrial activities."

The market value of Sanlam's assets grew to more than R50 billion last year and more than 450 000 people were employed in Sanlam group companies.

Property investments in new areas of development created by urbanisation already comprised more than 100 000 sq m and they were still increasing.

### Job creation

With these investments, Sanlam was fostering development and progress in neglected areas. The investments showed how the premiums policy-owners were contributing to economic growth, job creation and development.

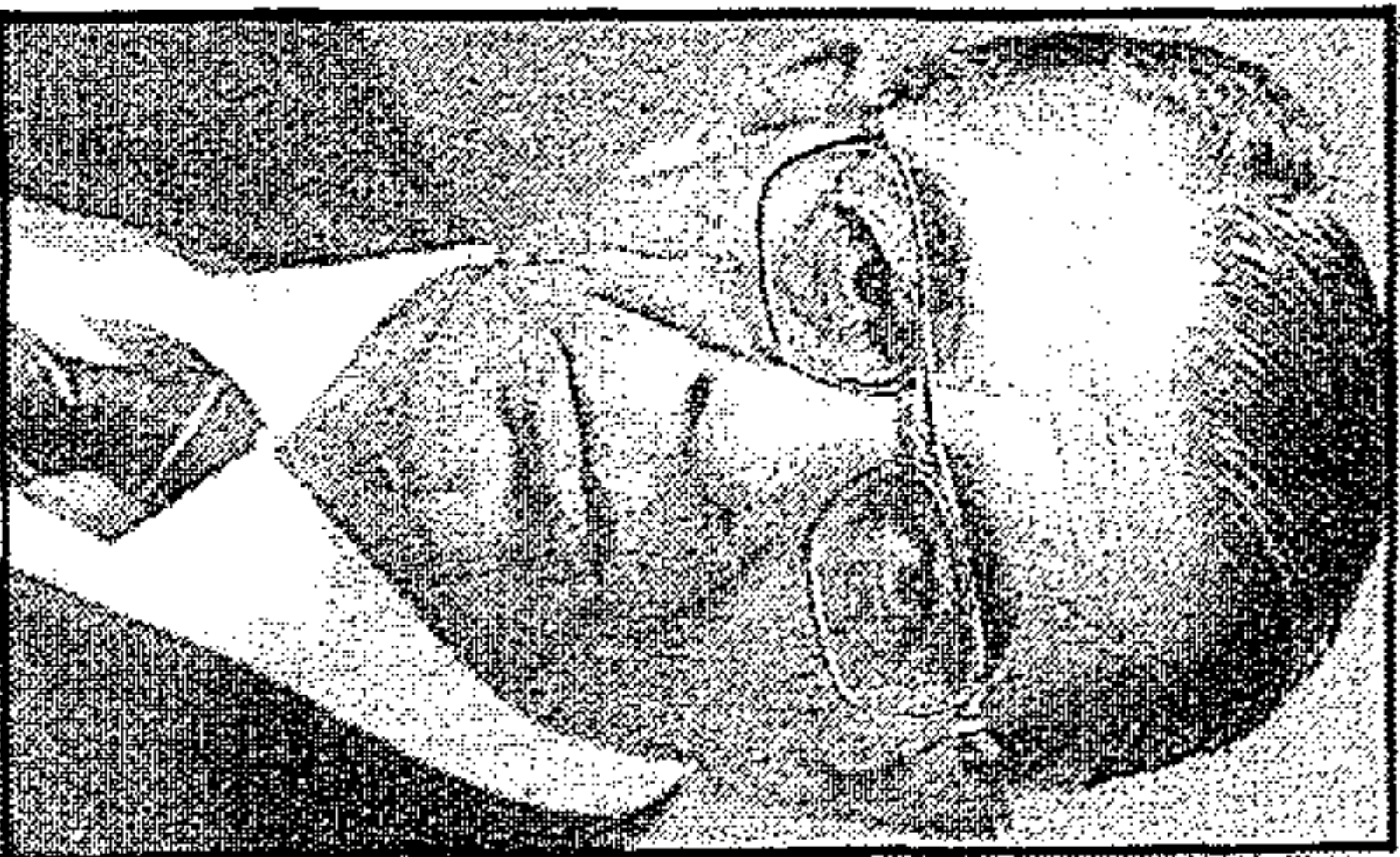
The great disparity in the standards of living of South Africans of different races and the poverty of a large percentage of

the population were stumbling blocks in the path of successful constitutional reform, he said.

The key was a prosperous South Africa, for which, he believed, a market-oriented economic system, a higher economic growth rate to enable the creation of new opportunities at a faster rate, a lower inflation rate and a campaign to curb Aids were required.

Without better economic prospects for the poor and the economically deprived, no political change would be able to effect lasting peace. Political ideologies alone could not ensure economic prosperity.

Dr van den Berg made no reference to the controversial kaolin mining project at Noordhoek in the Cape that has brought widespread criticism that could hit the insurance giant's business.



Dr AJ van den Berg ... assets more than R50 billion.

Call for major export drive

# Sanlam pours R20bn into investments

B/Day 20/2/92

180

CAPE TOWN — Sanlam had committed R20bn to investment projects, the life assurer's chairman Abie van den Berg said at the company's annual meeting yesterday.

He said the capital had either been invested in recently completed projects or would be invested in projects that would be completed during the next five years. Van den Berg said the R20bn was roughly equal to the value of SA's annual gold production or a quarter of the annual national Budget. The larger Sanlam group of companies employs more than 450 000 people.

"A new gold mine and expansions to other gold mines as well as platinum and coal mines are some of the ventures involved. Investment in ferro-alloys, alloy steel, paper and wood pulp, liquid energy and a large variety of smaller industrial investments, ensure that our group is well represented in the most important mining and industrial industries."

Van den Berg said property investments in new areas of development created by urbanisation made up more than 100 000m<sup>2</sup> and were increasing.

In the year to end-September the market value of Sanlam's assets increased by 33% to more than R50bn. Investment income of R3,4bn was earned.

In his chairman's statement Van den Berg called for a greater degree of fiscal discipline. "It is essential that the rate of increase in government spending be strictly controlled and that this expenditure be financed in a non-inflationary way if we wish to prevent inflation from getting out

LINDA ENSOR

of hand, with disastrous consequences for the country in the longer term."

It was of the utmost importance that the confidence of local and foreign investors be restored. The support of foreign investors, bankers and businessmen would be forthcoming only if the safety of capital was guaranteed, attractive returns could be earned, the tax system was fair, unrest declined and strikes occurred only within reasonable limits, and if the political system was economically justifiable.

Foreign capital would be vital to achieve economic growth and foreign support for the enormous task of social upliftment was essential, Van den Berg said. He said the achievement of a higher rate of economic growth would also require a drastic improvement in the export drive.

"What we need is a comprehensive export strategy thoroughly planned by government in consultation with the private sector, to make us far more export-oriented." Manufactured and beneficiated goods would increasingly have to replace raw materials as the mainstay of foreign earnings.

In his seconder's address Transnet MD Anton Moolman said SA would not be able to count on large-scale foreign assistance in future and would have to exploit the inherent strength of its own economy.

Government had neither the funds nor the ability to lay the foundations for the country's socio-economic future, Moolman said, and the business sector would have to assume greater responsibility.

# Top executives buy into small business

Blom 20/2/92

180 (180) (180)

EDWARD WEST

SALES of small to medium-sized businesses had risen as former executives, forced by the recession to end their corporate careers, used their personal cash reserves to buy businesses and start life anew as entrepreneurs, business brokers said yesterday.

Dealmakers director Mervyn Richter said this trend towards self-employment of executives who were retrenched or forced to take early retirement became especially noticeable last year.

"In normal circumstances these people would simply look for another high-paying corporate job. But with the prolonged recession and the se-

vere shortage of top jobs, they have been forced to examine the option of buying their own business as a way of prolonging their career," he said.

Consolidated Business Brokers broker Bernard Graham said there was an increasing number of enquiries from executives. "More people want to work for themselves than ever before," said Graham.

He said there were a great number of small to medium-sized businesses on the market, and prospective buyers would do well to be selective.

Richter said most of the new buyers — who comprised about 40% of

Dealmakers' business — were looking for small to medium-sized manufacturing and wholesale distribution businesses.

These executive buyers often pooled their money to buy businesses in syndicates.

"We have several buyers with amounts in excess of R10m to invest in companies indicating general confidence in the economy and the belief among entrepreneurs that the economy is due to turn upwards in the near future," Richter said.

Most businesses traded by Dealmakers ranged between R300 000 and R1,5m, though larger deals are not uncommon, he said.

# whitewash?

W/maad 21/2 - 27/2/92 (180)

From PAGE 19

to clean up the cloud over Modderfontein caused by the ammonium plant cost R7-million.

"In the present economic climate," says Fogel, "the emphasis is on repairing rather than expanding; on living with what you have and continually monitoring existing plants."

At an international conference held in Prague last year, where the theme was "Clean production — its opportunities and challenges", delegates identified a far-ranging set of challenges.

"Industrial enterprises face major challenges in re-orienting industrial practices away from waste incentive, environmentally damaging technologies and products, towards clean production."

The other challenge to industry was the aggressive development and marketing of environmentally friendly products.

Industry also bears some responsibility for changing consumer trends from a replace to a repair tack. Delegates at the conference said manufacturers could introduce leasing agreements for durable goods and upgrade their repair services.

Any measures undertaken by industry have to be supported by innovative initiatives by government. The first priority would be regulations which set a timetable for industries to reduce their emission to standards set for all industries. Laws to regulate the use of certain materials and the introduction of product liability, for example, taxing goods which produce non-recyclable waste.

Another suggestion is for environmental departments to institute a pollution prevention inspectorate to police industries.

Other simple suggestions for government are:

● Local recycling schemes

● Negotiate longer warranty periods for consumers and to establish the viability of re-manufacturing industry, especially with cars.

Punitive taxes were also suggested by the conference: "Governments should introduce tax structures which penalise the use of non-renewable materials and resources, industrial emissions and products which result in a high level of post-consumer waste."

But delegates also felt fiscal measures need not only be punitive: subsidies and low interest loans for industries and companies which develop proven clean methods of production were also mooted.

Consumer activism is crucial for the success of clean production technologies. They suggested the more conventional green activities like participating in recycling schemes, supporting environmentally friendly products with their buying power and demanding longer warranties on goods.

The conference also challenged consumer organisations to demand waste minimisation audits as well as to carry out company assessments for consumers.

South African industry has to come a long way before it emulates these stringent standards. But there are signs that managers and directors are moving in this direction — and a major reason is clean production can be profitable.

The steel industry is notorious for a high degree of waste and emissions, much of which has been in water pollution. But according to Alex Holmes, the Iron and Steel Corporation's Environmental Affairs manager, the industry is well aware of the problem.

A new iron-making process and the establishment of a multi-million rand waste recycling plant are among Iscor's plans.

Holmes says there are problems in the metallurgical processes of recycling but that these will be ironed out by the end of the year by a special working group. The same group is looking for markets for the recycled material.

"Already, Iscor is benefitting from the money value of the waste," says Holmes. The slag from the blast furnaces is sold to cement manufacturers to produce "slagment" used in the same way of cement. Slagment was used in the Moss gas project.

Bleaching processes during paper production release many dangerous effluents. But Sappi, one of the largest paper companies in southern Africa, claims a leadership position in the research and development of technology to reduce the use of chlorine in paper production, according to environmental manager Paul de Bruyn.

Most paper producers have also introduced oxygen bleaching and it "has become mandatory in view of its environmental friendliness".

Fruit farmers are also actively pursuing ways of reducing the use of pesticides. According to the Citrus Exchange, biological methods of pest control will replace chemical pesticides as the major method of pest management.

# Clean-up or

If any industry has earned the wrath of the green movement for environmental damage, it has been the chemical industry.

That chemicals for mercury poisoning, Chrome Chemicals for the chrome poisoning of workers and the community and vanadium plants in the eastern Transvaal have all hit the headlines recently.

But more and more of South Africa's biggest and dirtiest industries, especially in the chemical industry, are apparently switching to clean production technologies for an image that is good, clean and fresh.

Dr Bob Fogel, in charge of AFEC's environmental affairs, says the chemical industry has spent R5-million on preventive clean technology in the past few years.

"Clean technology has come down the track," says Fogel. He points out that South Africa's chemical industries import technology and technical expertise and that these are built to "environmental standards higher than ours."

# Good, clean and well, how fresh?

Industry is trying to clean up its act. But has it done enough? By PAUL STOBBER and FERRAL HAPPAJEE

He says, for example, that amounts of sulphuric and nitric acid released into the atmosphere through chemical processes was five percent 30 years ago. With technological developments, that amount is now 0.1 percent.

But not everybody is convinced that local industry is doing enough to clean up its act.

David Cooper, of the Group for Environmental Monitoring (Gem), warns against leaving industry to do their own dirty washing.

"By advertising their efforts at pollution control, they are saying 'don't worry we have it under control' — but they don't," he says.

According to Cooper, a major problem is industry's environmental campaigns have, thus far, concentrated on producing green products for consumers and this does not necessarily include reduction of toxic effluents in the pro-

duction process.

"Clean production goes beyond producing environmentally friendly goods," he says. "Industries are advertising green products without telling consumers about the complexities of the issues around reducing waste."

Green products can frequently involve the creation of dangerous effluents, he adds. Fogel is aware of limitations that prevent industry from looking like it's just been washed with Ono.

He says recessionary times may retard the movement to clean technologies. There is no increase in the demand for chemicals at the moment and it would be too expensive to overhaul industries completely.

Fogel says installing a new chlorine plant, for instance, will cost in the region of R300-million. The new precipitators and scrubbers used

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## TARIFF POLICY

FM 21/2/92

180

# Is government caving in to industry?

In June 1990, the Industrial Development Corp, in a landmark report, recommended drastic cuts in SA's import tariffs to make local industry more competitive, boost exports and help bring down inflation. The report was by no means the work of free-trade purists — it recommended only that tariffs come down to a maximum of 15%-30% over a five-year period. But even this partial measure would provide a much-needed economic spark, it argued.

The report was prepared in a mere three months at the urgent request of the then Trade & Industry Minister, Kent Durr. Durr largely concurred with the recommendations but, five months later, it was announced that he was leaving to become ambassador to London. The report was finally made public after another five months by the next Minister, Org Marais. But action was delayed as a long list of industry groups was given a chance to pick over the findings.

Now we have another Minister, Derek Keys, and the momentum towards tariff cuts apparently has ground to a halt. The signs are clear.

In December, Trade & Industry Director-General Stef Naudé told Cape Town business leaders that "the phased reduction would probably begin early in 1993, provided that the necessary package of (economic) measures was in place by then." This means that two-and-a-half years after receiving the report, government would "probably" begin implementation over the following five years — stretching the reforms to almost the end of the century.

In office for just a month, Keys declines to be interviewed until after the Budget on March 18. But this week Naudé reiterated his belief in "gradualism" and told business people at the Webber Wentzel international trade briefing in Johannesburg that he does not believe a "big bang" tariff reduction package would be right for SA.

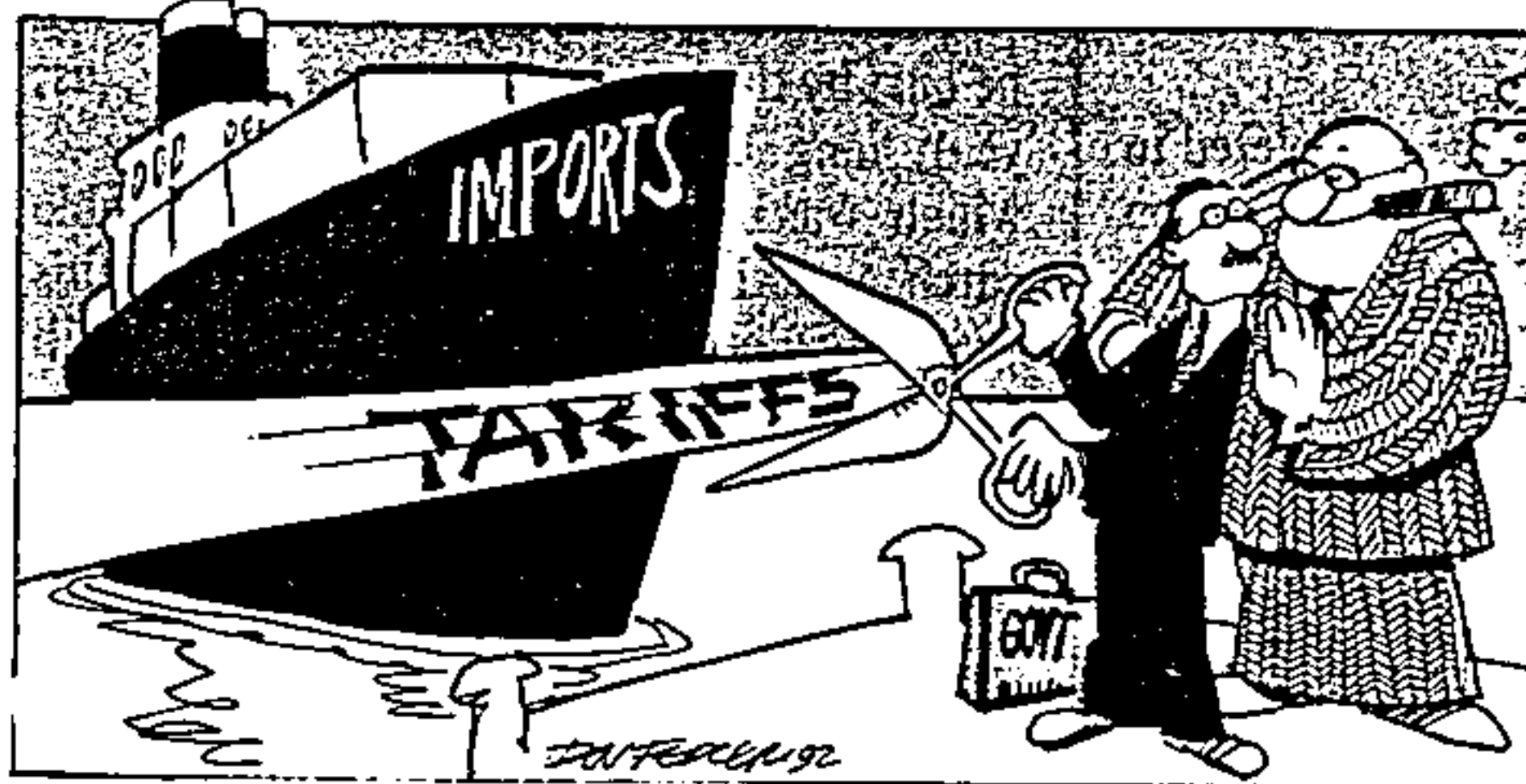
Then came the excuses: "We will have to keep to our tariff undertakings to the General Agreement on Tariffs & Trade — but we are also busy with a difficult political reform process. Economic reform and political reform should go hand in hand. And, as we move out of the protectionist sanctions era, remember that what we decide on tariff reform would also have a direct impact on our Customs Union partners."

He added: "There is no way that we can move overnight from a position of sinfulness into purity. The issues are too complex."

But this is exactly what Argentina, Mexico, Vietnam, eastern Europe and many other of SA's competitors are doing. While government has dithered for 20 months now, many Third-World countries are deciding to make

an overnight dash for the First World.

Government's inaction flies in the face of a growing chorus of small businessmen, consumer organisations, economists and others urging immediate tariff cuts. But in recent weeks, it's become clear that these groups are no match for the country's powerful big business interests who demanded, and got,



the high tariff walls in the first place and are now lobbying fiercely to keep this protection secure.

Says Independent Wire Converters' Association chairman Robin Bosomworth, who successfully fought an Iscor tariff increase application last year: "Do we have to prop up fat-cat primary-sector interests operating two-tier pricing structures (high prices in SA, low prices for the same product when it's exported) behind protectionism and contend with the monopolies and cartels that such protectionism breeds? If SA industry, with all its natural resources, cannot have access to world prices for raw materials, it stands to reason there can be no future for manufacturing, employment, investment and economic growth — and inflation will continue."

He adds: "The weakness of the Department of Trade & Industry — it's too easily exploited by big business — leads to over-regulation, over-protection, untenability of investment, lack of competition and economic malaise. The perception exists that government and big business operate as one."

Wits economist Frank Vorhies says: "Government should target its economic policies more on the needs of consumers than producers. Protectionism adds to costs — pharmaceuticals and cars are cases in point. In 1776, Adam Smith wrote that the wealth of nations is increased by freeing trade, not by protecting industry against competition. It's about time we learnt this simple lesson."

Adds Standard Bank group economist Nico Czipionka: "By coupling tariff reform with a suitable monetary policy and measures to improve efficiency, a comprehensive package approach will ensure that the shock of tariff reductions would be limited."

Cape Manufacturing Engineers executive

chairman Ewald Wessels says Taiwan's economic miracle was made possible by combining tariff cuts with a big currency devaluation, while positive real interest rates created the savings pool to fuel its investment surge. "We should follow suit if we want to become a successful world player."

Jan Dreyer, chief of government's Central Economic Advisory Service, says his department is working on a new Economic Development Programme, which would look at tariff policy. "Tariff reform is part of the IMF's structural adjustment programme approach. But for SA to grasp the nettle, we would

also need the assurance that IMF funding would be available if our balance of payments go into the red."

Meanwhile, as SA struggles to make up its mind and its economy continues to stagnate, former basket-case economies are racing ahead.

Argentina is a case in point. One of the world's five richest countries in the Thirties, Argentina plummeted to banana-republic status with decades of over-regulation, out-of-control inflation, nationalisation and exorbitant protection. Now, in the 30 months since President Carlos Menem took office, tariffs have been slashed, privatisations launched and inflation tamed. Argentinian inflation has dropped from an annual 4 900% in 1989 to a monthly 0,6% in December.

Menem followed the "big bang" approach with, for example, a dizzying array of measures announced all on one day — last October 31. But SA remains too timid to follow suit.

In 1986, former President P W Botha made his famous "adapt or die" speech in Upington, urging South Africans to face the realities of the "new SA" or go under in the process. Maybe the time has arrived to spell out the same message to the local business and industrial community — either it faces the reality of real economic reform or the economic slide will be irreversible.

Arnold van Huyssteen

SYNTHETIC FIBRES FM 21/2/92

## A new plant for Sasol

Last year, Sasol said it would build a plant at Secunda to make the chemicals for acrylic fibre. This week, Sasol outlined the second

# Giant invests R20-bn in SA projects

*Sowetan 2/12/92*  
MORE than R20 billion is to be invested by the Sanlam group of companies in mining and other industrial projects to be completed within the next five years.

This is roughly equal to the value of South Africa's annual gold production or a quarter of the annual national Budget, says Sanlam's chairman, Dr Abe van der Berg.

Speaking at the company's annual meeting in Bellville, Cape, he made no reference to the controversial kaolin mining project at Noordhoek, which has brought widespread criticism that could hit the insurance giant's business.

## New

But he said a new gold mine and expansion to other gold mines as well as platinum and coal mines were some of the projects involved.

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Property investments in new areas of development created by urbanisation already comprised more than 100 000 sq m and they were still increasing. With these investments, Sanlam was fostering development and progress in neglected areas.

These investments showed how the policy-owners were contributing to economic growth, job creation and development.

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## Poverty

Van der Berg said the great disparity in the standards of living of South Africans of different races and the poverty of a large percentage of the population, were stumbling blocks to successful constitutional reform.

The key was a prosperous South Africa for which, he believed, a market-oriented economic system; a higher economic growth rate to enable the creation of new opportunities at a faster rate; a lower inflation rate and a campaign to curb Aids were required.

Without better economic prospects for the poor and the economically deprived, no political change would be able to effect lasting peace in South Africa. Political ideologies alone could not ensure economic prosperity. - Sapa.

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# Fight against bursary tax carries on

BUSINESS and industry are continuing their battle for the repeal of legislation which will make bursaries taxable in the hands of the recipient from March 1.

Amendments relating to bursaries were included in the Income Tax Act passed in the middle of last year. They were based on the Margo Commission's findings on fringe benefits tax. The commission recommended that bursaries offered to employees for tertiary education be taxed. *S Times (BUS)*

Educationists reacted strongly to the proposed tax and hoped that it would be reviewed. *23/2/92*

Many businesses and the SA Chamber of Business (Sacob) have failed in their pleas to Finance Minister Barend du Plessis for the tax changes to be dropped. *(S)*

## Abuse

When the changes were proposed it was claimed that bursaries had been abused because they were often offered to children of all employees without regard to the receiver's merits.

It was said that employees would accept a tax-free bursary in return for a reduction in salary or future increases. Another claim was that bursaries were often offered only to dependants of top management.

The Department of Finance said "such an arrangement represents tax avoidance which has reached such proportions that the relevant exemption can no longer be justified".

But business has not given up the battle.

Bob Wood, chairman of the taxation committee at Sacob, says Mr Du Plessis was asked last November to review the legislation. The matter was raised again with the Deputy Finance Minister Theo Alant this month.

## Desperate

Sacob hopes to meet the Commissioner of Inland Revenue to discuss possible changes.

George Stegmann, director of personnel and public affairs at Delta Motor Corporation, says: "When one considers the desperate need for educated individuals in the SA economy, the shocking legacy of Bantu education, and the acknowledgement by the State that it cannot shoulder the country's educational

By DON ROBERTSON

tations through the Midland Chamber of Industries and Sacob to Mr Du Plessis for the tax to be dropped.

"Delta does not intend to let this matter rest. The company is formulating fresh representations to the Minister of Education and Culture and the Minister of Finance. We urge other employers to to the same." *(180)*

## Computer

Dick Bradley, managing director of time management and payroll group Accsys, says SA needs educated people desperately. The tax could force many people to forgo a tertiary education.

Mr Bradley says that in terms of the legislation, a secretary on a computer course will not be taxed, but an apprentice attending a technikon will be.

Justin Cowley, a tax partner at accounting firm Ernst & Young, says the new law raises several practical difficulties about employment conditions attached to bursaries. He hopes the Act will be "revisited".

"Any money going into education is a good investment."

burden on its own, then one fails to understand the logic of what is effectively a fundamental attack on employer-provided educational assistance."

Delta offers high school and tertiary education bursaries for all its employees. The cost to the company is about R1-million a year.

Mr Stegmann disagrees with the Department of Finance about the benefits to top management. He says Delta's scheme specifically excludes the children of senior executives and managers.

Delta has made represen-

# \$15bn a year in African aid projects now in reach of SA companies

SA's improving political standing on the continent is opening the way for SA companies to tap into at least \$15bn a year of multilateral aid to Africa.

SA Foreign Trade Organisation (Safro) executive Paresch Pandya said yesterday that as many as 100 local consultancies and the consulting arms of large companies had registered as consultants with the World Bank in the past year.

He said the bank was just one of several multilateral agencies which were spending billions of dollars a year on development projects in Africa.

Pandya said: "This money is not aid for SA itself, but aid for the rest of the continent which SA companies can tap into for business opportunities."

He said the lifting of sanctions and SA's newfound political acceptability in many parts of Africa meant that local companies could compete for tenders for development projects on at least an equal footing with overseas competitors.

The expertise of SA construction, engineering and mining companies in dealing with African conditions, SA's proximity to the developing countries, and the weak

rand made their tenders for aid-funded projects particularly competitive.

Pandya said Safro advised companies to treat multilateral aid agencies as an alternative source of funding and a market for SA goods, works and services in the same way they might investigate opportunities in another country.

The leading aid agency spenders in Africa are the World Bank, which spent \$3,3bn on the continent in 1991, and the EC, which has committed \$8bn a year until

1995.

However, Pandya said, there were equally good opportunities for SA companies on projects financed by the Abidjan-based African Development Bank.

The African Development Bank group — the bank itself, the African Development Fund and the Nigeria Trust Fund — spent \$3,3bn on African aid projects in 1991, of which nearly a third, or \$890m, was spent in central and southern Africa. Pandya said the bank worked very much as an African version of the World Bank, often acting as a co-financier with the bank of

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projects such as the Lesotho Highlands Water Project.

The projects the bank financed included rural health services in Lesotho, small- and medium-scale farmer support programmes in Angola, livestock rehabilitation in Mozambique, and water services rehabilitation in Zambia, although it was paying more attention to industrial development.

In April last year, Development Bank of SA GM Andre Ja Grange said the African Development Bank was set to expand its

□ To Page 2

## African aid

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□ From Page 1

activities in southern Africa.

These, he said, included joint financing of projects with the Development Bank. In 1991 La Grange was the first SA representative to attend an African Development Bank general meeting. *B/Dwy 24/2/92*

La Grange would not comment at the weekend about developments since the meeting last year, but it is understood African Development Bank and Development Bank of SA representatives will meet next month.

Pandya said other sources of multilateral

aid included the Opec Fund — which spent \$1bn in Africa last year — and UN agencies. Once UN sanctions were dismantled, SA companies stood to gain access to the \$5bn a year agencies such as the UN Development Programme, Unesco, the UN Industrial and Development Organisation, and the World Health Organisation spent in Africa.

And, he said, a significant proportion of bilateral aid was not tied to the donor countries, and with the lifting of sanctions, SA companies would no longer be debarred from winning tenders for such projects.

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# Black businessmen to exhibit wares abroad

Biday 24/2/92

(180) WILSON ZWANE

SA's black businessmen will have an opportunity to exhibit their wares in three African countries this year.

Business consultant Willie Ramoshaba said his company, W R Associates, had been co-ordinating trade missions for black businessmen in Africa and abroad for the past five years.

The intention was to broaden their horizons, Ramoshaba said.

The missions had been to the US, the Far East, Malawi, Zimbabwe and Cameroon.

"We are now setting a scene for business dealings between SA's black businessmen and their counterparts in other African countries.

"We have arranged for small- to medium-sized black businesses to

exhibit their goods in Zimbabwe, Namibia and Angola this year."

The first trade show at which the South Africans would exhibit was the Zimbabwe International Trade Fair.

This, he said, was expected to attract 270 000 visitors and 1 250 exhibitors.

Prospective exhibitors should not have qualms about financial support as his company had secured the co-operation of the Trade and Industries Department, he said.

"As a result (of this co-operation) each exhibitor will pay R6 980 instead of the normal cost of R16 000 or more."

## Lawyers oppose early releases

GERALD REILLY

PRETORIA — The Association of Law Societies has come out strongly against the early release of common law criminals.

In a statement last week association president Ed Southey said sentences imposed by the courts had to be served if respect for the law was to be upheld. Biday

The association shared the concern of judges Didcott and Strydom in deploring the early release of jailed common law criminals.

"The association is sympathetic towards prison authorities and has an understanding for the overcrowding in SA jails." 24/2/92

But, Southey said, time and effort spent by professionals in determining suitable and just sentences were effectively overturned by early releases.

# Vegetable milk, straw bricks compete for award

Biday 24/2/92 LINDEN BIRNS

BRICKS made of straw, milk from vegetables and biodegradable oil are just some of the 200 innovations entered in the Audi Innovators for the Environment Programme.

The programme aims to encourage and reward solutions to environmental problems through the R250 000 Terra Nova Awards, which will be presented for the first time on Friday.

One innovator, Len Bestele, has devised a way of utilising waste products such as sawdust, maize

stalks and straw to produce lightweight bricks and panning. The system has been used in low-cost housing projects in Mauritius.

Alan Winer developed vegetable milk with the same high-protein content as dairy milk. The vegetable milk does not contain lactose, which can harm malnourished children.

Samples of Winer's milk have been sent to the UN, which is apparently interested in using it in a

Mozambique famine relief programme. (S6)

Entrants are not limited to private individuals. Lubricant supplier Castrol has entered an environmentally friendly oil called Biolube 100. This marine engine oil recently won the Pollution Abatement Technology Award.

C G Smith Chemicals has entered a product which it says provides an instant and cost effective clean-up method for polluted rivers and waterways. The company found that hydrogen peroxide countered the ef-

fects of effluent spill quickly and efficiently.

Institute of Inventors and Innovators Research and Development president Donovan Pilkington said it was heartening to see such a wide interest in the programme. Entrants ranged from international firms to schoolchildren.

**B**ARLOW Rand's management has a persuasive way of selling concepts that could lead the group to greater things. But when the word "urbanisation" popped up at last month's shareholders' meeting — along with the idea of tying group subsidiaries even closer to the mass of city-bound consumers — there were more than a few sceptical Barlows watchers.

After all, it was just more than two years ago that the group saw platinum as the catalyst to propel Rand Mines into the 21st century as a leading mining house. It is well documented that the foray into platinum was a disaster.

So why should shareholders believe the concept of urbanisation-linked growth is achievable?

"You only have to look at the great socio-economic problems to realise that SA is on a massive urbanisation track — a path that is as irreversible as our political change," says new MD Derek Cooper. "As people urbanise they need to eat, they need to clothe themselves and they need transportation. The whole economic dynamic that urbanisation sets in motion is, to me, one of the most exciting growth areas of the next decade."

**B**ut the experience of low cost housing contractors underscores the huge financial risks of the philosophy. Cooper concedes the idea presupposes "a sensible involvement of a democratic SA where the economy's integrity is maintained and its ability to create jobs and wealth is clearly understood by all players".

The concept, as Cooper reads and sells it, will happen in waves — for at least the next decade. "We are not simply going to enjoy an Indian summer. In the beginning, the needs of this mass of people will be fairly simple — mainly food and shelter. But as they become more sophisticated, so too will their tastes and needs."

Barlows has subsidiaries which could benefit from all phases of urbanisation: from food companies to building materials suppliers, appliance manufacturers, motor dealerships and providers of road building equipment. Its computer divisions could also come into play once the financial services sector is engaged to serve the people.

# Barlows gambles

## on urbanisation

### for future growth

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Biday 24/2/92

CHERILYN IRETON

A stockmarket analyst questioned the wisdom of Barlows being mainly a consumer-based conglomerate which would be extremely vulnerable to economic vagaries.

"It is difficult to find cyclical companies," says Cooper. "If you look at the macro sense, it's being proven almost every day that no one escapes economic upturns and downturns."

For a time, while SA was isolated, the group's investments in commodity-based industries — particularly Middelburg Steel & Alloys — did provide some contracyclical growth. "With SA being sucked into the real world we no longer have the luxury of being an isolated economic island." However, the group does have the luxury of being virtually debt free with plenty of cash at the centre, thanks to the sale of Middelburg Steel.

Although market analysts are waiting to see where that cash is headed, Cooper says there is no master plan to spend the proceeds. "We will make the right acquisitions and investments at the right time."

"We haven't arrived at the companies we've got by chance. Every one has been part of a careful strategy over a period of time. If you know that part of your thrust is to be closer to the consumer because of demographic change, then you look to companies that are going to bolster that change. Langeberg is a case in point."

Management strategy at Barlows is likened to a chess game — with pieces being moved for advantage.

One piece that did not quite fit was the 100% holding of CG Smith Sugar. "It is a good company and it has a good track record. But our view was that it was time to take it public and lighten our load slightly," says Cooper.

Critics saw things differently, suggesting Barlows was afraid that projected sugar prices might soon disappear. "We just thought 100% was too much," insists Cooper. "We still hold 70%, so we are hardly disen-

chanted with sugar. Anything but." One move that Barlows cannot seem to achieve is to get closer to its operating gems — Tiger Oats and Nampak.

It holds an effective 38% of Nampak and 26% of Tiger through Interim holding company CG Smith. This setup dilutes the effect these companies have on Barlows' bottom line. In fact, were Tiger to have increased its attributable profit by a further 10% last year, the effect on Barlows' bottom line would have been a mere 0.93%. A further 10% increase in Nampak's earnings would have lifted Barlows' earnings by only 1.05%.

This is a problem Cooper thinks about all the time. "Of course we would like to get more from them, but it is expensive and we are hoist a bit by our own petard."

"They perform very well under the Barlows umbrella, but the better they do the more costly it is for us to increase our stake."

"If I had a magic wand it would be wonderful to take all the minorities out of Nampak and Tiger. But then, of course, we would get hell from the market."

If it is a problem that Barlows thinks about, then one assumes it is also something on the mind of ultimate controlling shareholder, Old Mutual.

But Cooper says there is no masterplan to take out the minorities and that no major restructuring of the group's holdings is on the cards. "It's a question of cost and the art

of the possible. The trouble is that we look at the CG Smith price in relation to the Barlows price, then it's not easy to do a deal because CG Smith quite correctly reflects its underlying assets which are good — for the very reason we have been talking about."

At the moment Barlows is considered a reasonably inexpensive stock in relation to the highly priced industrial holding companies listed on the JSE. Analysts believe one reason is the disappointment that still prevails over contribution from J Bibby & Sons, the group's international trading arm.

But Barlows is not about to ditch it. "Bibby did disappoint initially, but the last two years have been good considering the parlous state of the economy," says Cooper. He is hoping that as the political situation improves it will be easier to combine the muscle of Bibby and Barlows and get both back into play "on some broad fields". In any event, Bibby is hardly a saleable proposition given the fact that its market rating is highly influenced by the company's past profit performance.

Expansion will take place only if appropriate. "Bibby has an important role to play, and we have to be sensible over the next few years. Its share base has been increased and it now boasts a broader institutional shareholding."

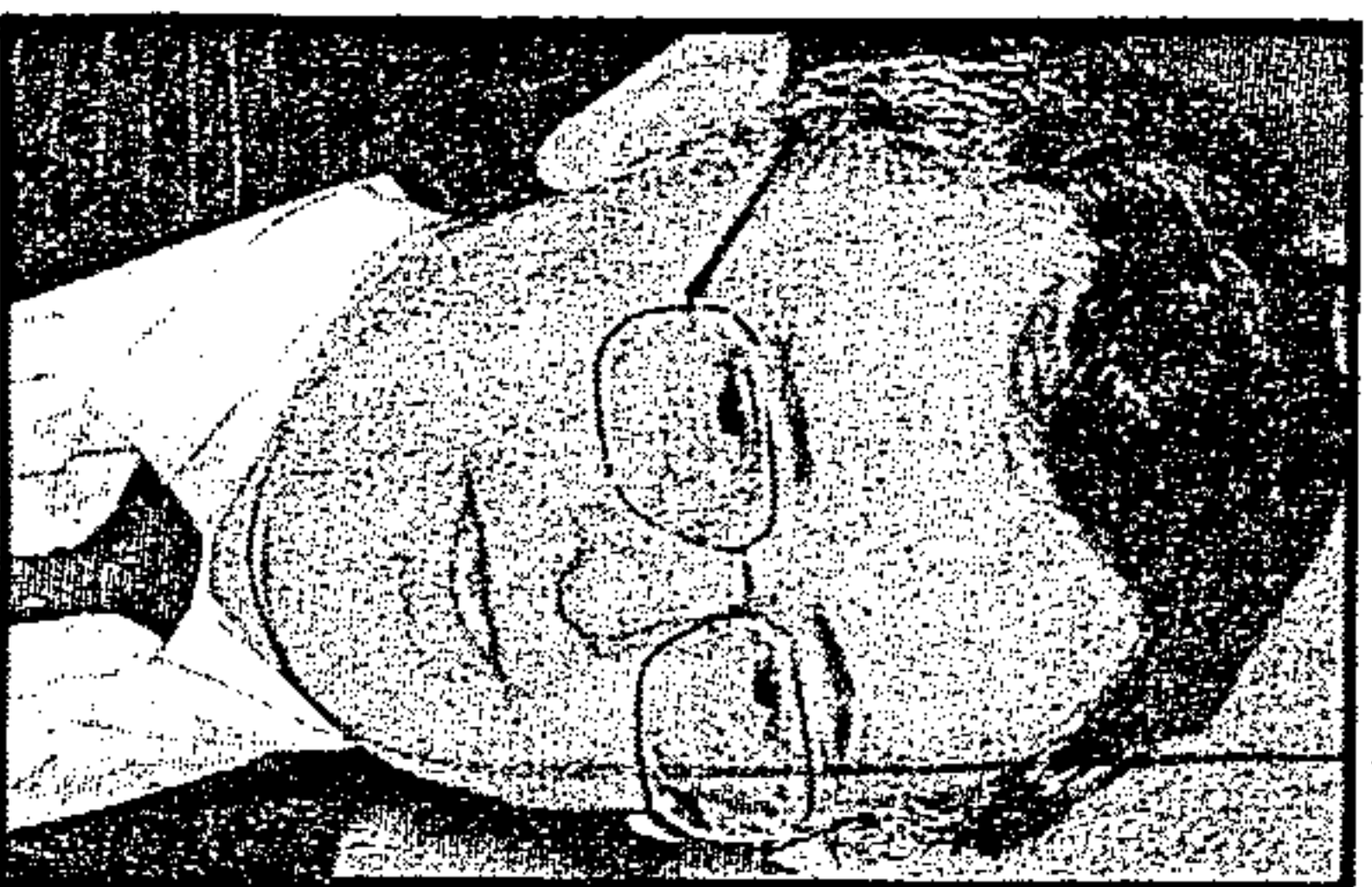
Bibby is not Barlows' only offshore interest. Many of its divisions have established beachheads offshore which Cooper believes will play a greater role as SA becomes more acceptable.

**O**ne offshore division which has not won any friends is the overseas arm of Fuchs Electronics. The company has been indicted in the US for secret arms deals and the case is due to be heard in a US court this month. If found guilty, Fuchs could face a maximum fine of \$21.5m.

Despite the fuss the case has generated, the arms link is not causing Barlows any major discomfort, says Cooper.

"We entered the arms business at a time when it was necessary to take a view of the environment in which we operated. The whole issue has been shrouded in disapproval but is now becoming a non-issue."

"As things normalise the arms manufacturing business will find its level in the Barlows portfolio, exactly as other businesses do."



□ COOPER

LETTERS

# Suggested 5% wealth tax on 20 richest families interests ANC

DIRK HARTFORD

THE ANC said yesterday it was "very interested" in a proposal that a 5% wealth tax should be slapped on the 20 richest families in SA.

According to the Labour Research Service (LRS), leading consultants to the trade union movement, this alone would bring in more than R500m a year — enough to employ 100 000 jobless people in a public works programme.

The LRS said that in 1991 the total worth of SA's 20 richest families increased by 57% from R6,9bn to R10,8bn. But it added this was a "conservative estimate" of their total wealth, as it was based on their holdings in their own "family businesses" listed on the JSE. Many of these families, according to LRS, had built up substantial interests outside the JSE in the form of overseas investments, cash deposits, fixed interest securities, property and unlisted companies.

The ANC's Saki Macozoma said the ANC was as interested in seeing how the 20 richest families responded to the proposal,

as it was in the proposal itself.

Cosatu's Neil Coleman said the tax burden had increasingly fallen on the poor and the entire system needed to be overhauled. He said a wealth tax could not be looked at in isolation, but needed to be seen in the context of the whole tax system.

The LRS cited Liberty Life's Donald Gordon, Pick 'n Pay's Raymond Ackerman, Ventron's Bill Venter, the Keeley Group's Fred Keeley and FSI's Jeff Liebesman as examples of family businesses where the founders were still closely involved.

In addition, LRS named businesses where control was held by the children or grandchildren of the founders — like the Oppenheimer's Anglo American, the Rupert's Rembrandt, the Hersov's and Menell's Angolvaal and the Mowszowski's Elcentre.

The Oppenheimer family leads the pack with R2,87bn in wealth.

B/DAY 25/2/92

(180) (3)

## Business 'must support peace moves'

THEO RAWANA

action, and to rejoin "the global village".

The signing of the peace accord and the successful launching of Codesa had shown that politicians appeared to have the will, the capacity to compromise and the negotiating ability needed to bring about a democratic and just society.

The white referendum would have the advantage of removing uncertainty, Wrighton said. Whites faced the stark choice between a negotiated democratic constitution and the possibility of civil war and a return to isolation.

"For the first time whites have to vote with their heads and not their hearts," he said. The referendum would also compel the international community and the ANC to spell out their vision for a new SA.

Wrighton said involvement in emerging local and regional dispute resolution committees must be seen as an investment in stable business environments.

SA COMPANIES should ensure their employees were involved in the emerging local and regional dispute resolution committees, Premier Group chairman Peter Wrighton said yesterday. (180)

Opening the Printexpo/Pakprocess and Foodpro exhibition at Nasrec, he said it was essential that business used its organisational ability to mirror the national peace process at local level. (180)

"Involvement in these structures must be seen as a business investment in the creation of stable environments." (180)

Wrighton said that while politicians were expected to provide the macro framework for growth, business should be pro-active in ensuring investment actually took place, and that entrepreneurial skills were harnessed. (180)

In the search for a solution, the private sector needed three elements -- to establish confidence and stability, get the consensus of all players on a common plan of



Premier Group chairman Peter Wrighton yesterday addressed the opening of an exhibition at Nasrec near Johannesburg. Referring to next month's referendum, Wrighton said: "For the first time whites will have to vote with their heads not their hearts. The referendum will also compel the international community and the ANC to spell out their visions for a new SA." Picture: ROBERT BOTHA

## Banks urged to handle farmers with sympathy

GERALD REILLY

Maize Board the go-ahead for the immediate importation of 300 000 tons.

Nampo GM Giel van Zyl estimates the crop could fall below 2,5-million tons, necessitating the importation of more than 4-million tons at a cost of about R2,5bn.

Sapa reports that the Transvaal Agricultural Union's Dries Bruwer said SA did not have the capacity to handle the amount of maize imports required which he put at

PRETORIA — Commercial banks and other financial institutions were yesterday urged by government to hold back on forcing debt-ridden farmers into bankruptcy.

The appeal was made, it is understood, at a meeting between bank executives and Agriculture Minister Kraal van Niekerk.

The SA Agricultural Union estimates between 2 000 and 3 000 summer grain farmers are in a vulnerable position and will need "sympathetic" handling by the banks

8/25/92  
Refunds on

**overseas VAT**

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WILLIAM GILFILLAN

A LOCAL company formed recently to help SA businesses claim back VAT paid during business trips to the UK and other parts of Europe, has been inundated with inquiries.

"Most South Africans had been unaware that they could obtain VAT refunds on expenses such as hotel accommodation, car hire, and office accommodation," Vatclaim International MD Tony Bates said.

He added VAT refunds could also be obtained on expenses for professional and secretarial services, exhibition costs, training, and warehousing.

Vatclaim — which has been backed by Safren and Safto — prepares and submits claims on behalf of SA businesses to the relevant overseas authorities.

It takes 25% of the VAT refund as its commission.

# ANC 'will regulate business'

(180)

JOHN CAVILL

LONDON — A future democratic government in SA was bound to bring in regulations to ensure that the big mining and business conglomerates "serve the public good", ANC economic adviser Vella Pillay, said yesterday. *Bl Day 26/2/92*

Speaking at the Investing in SA conference to bankers, businessmen and investors, Pillay, a former international banker, made no mention of nationalisation. But he spelled out a nationally planned restructuring of the SA economy involving a mandatory social compact between the state, business and trade unions.

"The ANC does not possess any doctrinaire position relating to the control of the conglomerates."

But they should be seen to serve the public good, to be accountable for the enormous power they wielded in the economy and their boards of directors should "cease to be self-re-

newing oligarchies", he said.

Thus a democratic government was bound to enact "regulatory arrangements" committing conglomerates to a set of social obligations to their workforces and to long-term investments in productive capacity to generate employment, technological innovation and progress, he said.

Pillay said there was no "quick start" to solve the deep-seated structural crisis in SA inherited from the apartheid system.

The "mindless" adoption of monetarist policy by the Reserve Bank had undermined the role of interest rates and monetary policy as an anti-inflationary device.

The ANC envisaged a mixed economy, with a sizeable private sector encouraged by monetary and fiscal policies but steered by an equally significant public sector.



## VAT confusing small firms

*31 Day 26/2/92*  
AN OPINION poll conducted by the Urban Foundation has indicated that the VAT system has caused confusion and dissatisfaction among small businessmen.

A statement yesterday said a poll conducted among the Sunnyside Group, a national alliance of about 50 small business associations, gave the main reasons for the dissatisfaction as being the high cost of complying with VAT, the complexities of administering the system and the harshness of the penalties.

Sunnyside Group taxation committee chairman Ian Hetherington said the majority of group members did not understand how the tax worked and had difficulty with the registration process. Another factor was the high cost of VAT compliance for small businesses.

The survey showed that half the respondents to the poll believed the tax in its present form would curtail the expansion of small businesses and informal sectors.

The overall impression was that the VAT system was designed to be suitable to large corporations. — Sapa.

# Anglo boss backs 'yes' vote

Sapa 26/2/92

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ANGLO American Corporation and De Beers chairman Mr Julian Ogilvie-Thompson yesterday commended State President FW de Klerk for calling a referendum and said he would throw his weight behind a "yes" vote.

Ogilvie-Thompson said the vote for the continuation of the reform process was critical, despite other current positive political developments such as the Convention for a Democratic South Africa.

He was speaking at the opening of a R54-million De Beers scientific and manufacturing complex on Monday.

He said the consequences of a "no" vote would be "a disaster to say the least".

"I have no doubt that President De Klerk's decisiveness

in calling a snap referendum will be rewarded by white South Africans displaying good sense.

"Certainly it seems absolutely critical to me that people of all political parties should do their utmost to ensure a 'yes' vote.

Meanwhile, two businessmen have launched a campaign for a positive vote in the referendum.

A statement yesterday said the fund, suggested by Times Media Limited managing director Mr Stephen Mulholland, would seek financial support from business for a non-party political campaign.

The fund would be jointly chaired by Dr Chris van Wyk and Mr George Thomas. - Sapa.

Any industry has earned the wrath of the green movement for environmental damage; it has been the chemical industry.

Thor chemicals for mercury poisoning, Chrome Chemicals for the chrome poisoning of workers and the community and vanadium plants in the eastern Transvaal have all hit the headlines recently.

But more and more of South Africa's biggest and dirtiest industries, especially in the chemical industry, are apparently switching to clean production technologies for an image that is good, clean and fresh.

Dr. Bob Fogel, in charge of AHEC's environmental affairs, says the chemical industry has spent R5-million on preventive clean technology in the past few years.

"Clean technology has come down the track," says Fogel. He points out that South Africa's chemical industries import technology and technical expertise and that these are built to "environmental standards higher than ours."

# Good, clean and well, how fresh?

Industry is trying to clean up its act. But has it done enough? BY PAUL STOBBER and FERRIAL HAPFAJEE

He says, for example, that amounts of sulphuric and nitric acid released into the atmosphere through chemical processes was five percent 30 years ago. With technological developments, that amount is now 0.1 percent.

But not everybody is convinced that local industry is doing enough to clean up its act.

David Cooper, of the Group for Environmental Monitoring (Gem), warns against leaving industry to do their own dirty washing.

"By advertising their efforts at pollution control, they are saying, 'don't worry, we have it under control' — but they don't," he says.

According to Cooper, a major problem is industry's environmental campaigns have, thus far, concentrated on producing green products for consumers and this does not necessarily include reduction of toxic effluents in the production process.

"Clean production goes beyond producing environmentally friendly goods," he says. "Industries are advertising green products without telling consumers about the complexities of the issues around reducing waste."

Green products can frequently involve the creation of dangerous effluents, he adds.

Fogel is aware of limitations that prevent industry from looking like it's just been washed with Ormo.

He says recessionary times may retard the movement to clean technologies. "There is no increase in the demand for chemicals at the moment and it would be too expensive to overhaul industries completely."

Fogel says installing a new chlorine plant, for instance, will cost in the region of R300-million. The new precipitators and scrubbers used

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# SBDC introduces new courses

27/2/92

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THE Small Business Development Corporation is introducing new courses in its skills' training programme to cater more fully for the needs of the small and medium enterprise sector in South Africa.

In addition to two courses introduced in 1985, one elementary course on basic business skills and one advanced course on starting a new small business, the SBDC's training centres countrywide will be offering three courses aimed at improving the efficiency of established businesses.

## Relations

The first of the new courses, "How to manage and improve your business" starts next week. The other two courses, one on retail management and the other on labour relations starts in the next few months.

SBDC's senior general manager, Mr Toni Kedziński, said an urgent need for business training, focused on improving already established businesses, emerged from more than 1 000 public queries dealt with daily by the corporation's 46 offices countrywide.

He said: "We decided to introduce a course on how to manage and improve a small business, which includes stock and debtors' control, time management,

costing and increasing sales and margins."

Because there were a large number of clients in retailing, a management course was acquired to cater for their specific needs. The course on labour relations for SMEs was included as the corporation's experience over the past 10 years had shown how crucial effective staff management was.

## Budgeting

The retail management course consists of shop design and layout, purchasing and pricing, merchandising, managing your workers, retailing principles and basic budgeting and elementary bookkeeping.

The labour relations' course introduces small business owners to issues such as discipline, dismissal and termination of contract procedures, group consultations, conducting of inquiries and dealing with grievances, trade un-

ions and strikes.

"Apart from needs established through public inquiries, we get feedback from the 328 retired business people taking part in our Mentor Advisory Programme. The new courses cover those issues which SME entrepreneurs have found to be vital for the efficient running of their businesses."

The two original courses - elementary Trident One-up Business training and the advanced "How to start your own business" - are still very much in demand and will be offered more frequently than in the past.

Classes are presented after hours once or twice a week for periods varying from seven to 14 weeks at reasonable prices.

Inquiries can be directed to Linbro Park Training Centre in Johannesburg, telephone (011) 608-3795/6 or 608-4052 or from any of the SBDC's six regional offices in all major cities.

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# Investment

STAR 28/2/92

## at stake.

## says Sacob

The outcome of the March referendum would play a major role in international companies' assessment of investment in South Africa, the South African Chamber of Commerce (Sacob) said yesterday.

Sacob did not get involved in politics, the organisation said, but the importance of the referendum compelled it to identify some of the key issues at stake for South Africa and the business community in particular.

"Because of the decisive role of investment — both foreign and local — in a return to a substantial growth path, South Africa cannot afford to be isolated again from the world economy and its capital resources."

A high rate of economic growth was needed to face the enormous challenges that lay ahead, Sacob said, and South Africa had to normalise its external economic relationships and maximise its inherent human and other potential if it was to survive and grow.

To achieve satisfactory economic results a high level of confidence among businessmen both in South Africa and abroad was required, Sacob said.

The decision in the referendum would therefore play a major role when companies assessed the political risk of doing business in South Africa.

"The result should strengthen, and not weaken, business confidence so as to enhance investment, job creation and the addressing of urgent social needs."

The outcome could also have important implications for southern Africa in that it would have to be attractive to overseas businessmen. — Sapa.

# Record earnings at AVI

By Derek Tommey

(180)

Anglovaal Industries has reported record earnings for the six months to December.

Attributable profits rose 18 percent from R103,0 million, equal to 363c a share, to R121,5 million, equal to 425c a share.

The directors say earnings for the 12 months to June should also exceed last year's figures.

Group turnover rose eight percent to R3,96 billion, while profit before interest and tax rose three percent to R368,1 million.

The tax payment declined slightly, in line with the lower tax rate, and profits after tax and interest rose six percent to R179,6 million.

Earnings of associated companies rose 21 percent to R4,1 million. Outside shareholders absorbed R62,1 million.

The higher earnings were attributable to larger contributions by AVI Diversified Holdings, Consol, Irvin & Johnson and National Brands, partly offset by a reduced contribution by Grinaker and, to a lesser extent, by the textile business Avtex.

Following the rights issues, group borrowings were repaid wherever possible.

The debt-to-equity ratio improved from 29 percent in the six months to December 1990 to 17 percent in the same period of 1991, while group cash resources exceeded borrowings by R173 million.

AVI's capital expenditure in the six months rose from R88,3 million to R102,3 million, while authorised capital expenditure at December 31 was R137,4 million, of which R47,2 million has not been contractually committed.

A year earlier authorised capital expenditure was R149,7 million.

# Bison brings in a new industrial order

(180) U/mw 28/2-5/3/92

**CORPORATE** South Africa is to stay in business, it has little option but to democratise itself and to play a major role in changing the country as a whole.

This, at least, is the view of PG Bison chief executive Leon Cohen, who is active in a Consultative Business Movement campaign for a yes vote in the forthcoming white referendum.

"Business needs to bring to the attention of employees and the public at large the full economic implications of a breakdown in the negotiations process," Cohen says.

Emphasising the need for the Convention for a Democratic South Africa (Codesa), the National Economic Forum and the Peace Accord to succeed, he says: "Business must take action, both individually and jointly, to protect the beginnings of a conciliatory process and prevent polarisation."

But he also stresses that "in-house" change — through introducing the principals of democracy within companies — has become essential both for the "bottom line" of making a profit and for the longer-term needs of the country. The old ways of doing business simply aren't working any more.

What makes one take note when listening to Cohen is that his company — one of the major players in the wood and board industry — has gone much further than most in finding new ways of working.

Next month it will hold its third national forum, through which the senior managers, shop stewards and organisers from four recognised trade unions will meet to plan the company's future.

Already there is agreement that workers become involved in the appointment of managers and peers and that they should help formulate the policies, principles and values of the company, and play a greater role in the day-to-day running of the business.

In some of the factories performance bonuses have been implemented without controversy.

Management has recently agreed to full-time paid shop stewards, full disclosure on all information on the com-

*To survive in a post-apartheid South Africa business has to change.* **GAVIN EVANS**

*looks at PG Bison, an innovative company which has drawn workers into its management and planning*

pany's performance and profit and has funded a company-wide joint worker/management controlled literacy and numeracy programme. It has also made an undertaking not to use retrenchments to cope with downturns in the economy.

No one has been fired for taking part in stay-aways or political protests, and there have been no strikes at PG Bison for nearly five years.

Summing up the last forum last October, Elijah Masinga, national organiser of the Paper Printing Wood and Allied Workers' Union (Ppwawu), the largest union at the company), described the achievement as momentous.

"What we have done here is very big. We are the makers of the history of the new South Africa. This is not easy. There are no set rules, no precedents to follow. We are the pioneers of the new industrial order in South Africa."

This is a far cry from the union's attitude in 1990, when, after three years of wait-and-see, it sent a fax to its shop stewards warning against the company's total productivity and quality (TPQ) in-house change programme.

"TPQ is there to co-opt the workers and undermine the militancy of the union. Workers need to meet and plan a strategy to stop this," the fax said.

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Leading the charge ... Chief executive Leon Cohen has brought worker representation to new heights at PG Bison  
Photo: SHARIFF, South African Labour Bulletin

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"Today what we have achieved could be done in two years. Notably is the political climate more conducive but there are now several companies which have taken this path," says Cohen.

Late last year South African Breweries increased its share in PG Bison, assuming an effective controlling interest.

Cohen says so far the shareholders have tolerated the process and he does not expect this to change.

"If, in fact, the company had performed badly I think they would have removed me and the management and would have looked to something else."

But the company has prospered, profits have been high and the shareholders and workers have remained satisfied. There've been no strikes, no retrenchments, and wage increases were well above the industry average.

The future probably lies along the lines of even greater worker participation in decision making, including investment policy. Union representation on the board of directors, and major worker share ownership schemes are a strong possibility.

It's the kind of thing that is the lifeblood of companies in Germany but is still a novelty in South Africa.

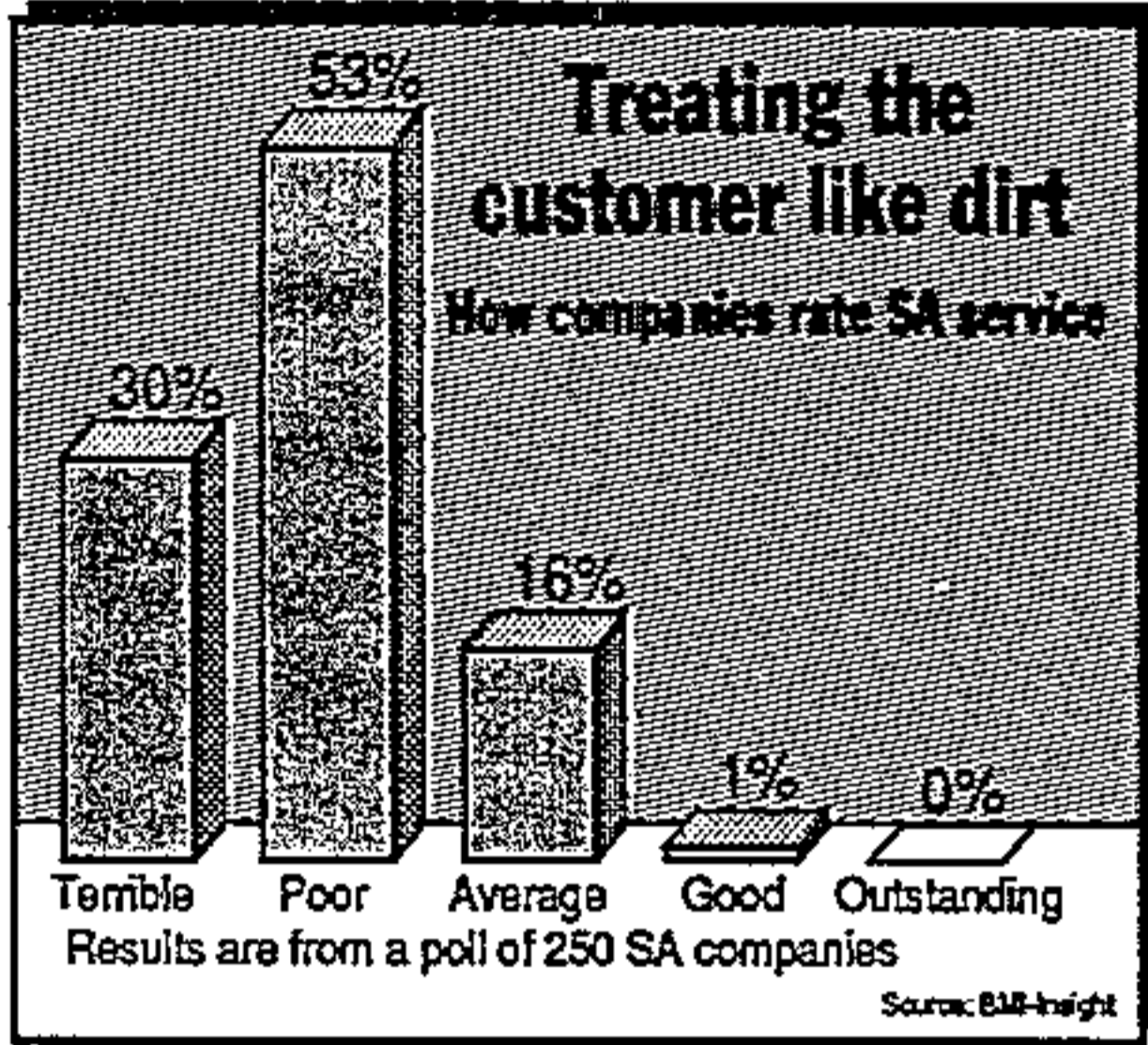
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Pointing fingers

Customer service is terrible in SA, as every customer knows. Now an exhaustive study on customer service helps explain why.

In the study, conducted by Rivonia-based marketing consultants BMI-Insight, 83% of companies surveyed rated local customer service as terrible or poor. But 79% of companies rated themselves as the service leader in their industry. With most companies pointing fingers at everyone else, service remains shoddy.

But the study, which looked at more than 250 organisations in 17 industries, ranging



from banking to manufacturing, did turn up some bright spots. One is that business is becoming increasingly aware that service and not price is the dominant factor in business, that "exceptional service will command premium prices."

And the study shows that business is looking at improving service as a way to increase market share. It estimates that some R4,9bn is spent on upgrading service each year.

That said, the study states soberly that SA has a long way to go in implementing service-improvement strategies. For example,

continue →

American companies have been dealing with the issue aggressively for more than 10 years, while Japanese companies have some 40 years experience in the field.

Of the industries surveyed, the pharmaceutical, textile and clothing, and motor industries were rated among the leaders in local service performance. Improved service by the textile and clothing sector has helped it to boost export sales by 41%.

BMI-Insight also rated the service of companies and, not surprisingly, no company got the highest, four-star rating. Only 29% of the companies received three stars. When companies rated the service of other companies, Toyota, Volkswagen and Woolworths got the

most recognition.

Says BMI-Insight MD Peter Matthews: "There is fairly extensive lip-service paid to the concept of service improvement. Management's approach is fairly superficial and many are naive as to what's required for fundamental change."

He says management is either consciously or unconsciously avoiding the painful steps needed to improve service. Service programmes that were successfully implemented had the direct participation of senior management — usually the MD or CE and senior executives. Says the report: "Throughout the study, management's visible commitment was regarded as an essential

prerequisite for success."

Also high on the agenda is the monitoring of customer satisfaction. Some 88% of companies interviewed believe that such monitoring is critical, though only 62% had installed such a system.

The survey warns that employees at all levels must be incorporated into the service-improvement effort. Says the report: "Only 58% of respondents believe that black staff understand the concept of service quality. Unions have different priorities than management. Until the primary financial, political and social demands of unions are more fully satisfied, it's unlikely there'll be significant support for service improvement." ■

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FM

28/2/92

FM 28/2/92



# Bison brings in a new industrial order

**F**CORPORATE South Africa is to stay in business, it has little option but to democratise itself and to play a major role in changing the country as a whole.

This, at least, is the view of PG Bison chief executive Leon Cohen, who is active in a Consultative Business Movement campaign for a yes vote in the forthcoming white referendum.

"Business needs to bring to the attention of employees and the public at large the full economic implications of a breakdown in the negotiations process," Cohen says.

Emphasising the need for the Convention for a Democratic South Africa (Codesa), the National Economic Forum and the Peace Accord to succeed, he says: "Business must take action, both individually and jointly, to protect the beginnings of a conciliatory process and prevent polarisation."

But he also stresses that "in-house" change — through introducing the principals of democracy within companies — has become essential both for the "bottom line" of making a profit, and for the longer-term needs of the country. The old ways of doing business simply aren't working any more. What makes one take note when listening to Cohen is that his company — one of the major players in the wood and board industry — has gone much further than most in finding new ways of working.

Next month it will hold its third national forum, through which the senior managers, shop stewards and organisers from four recognised trade unions will meet to plan the company's future.

Already there is agreement that workers become involved in the appointment of managers and peers and that they should help formulate the policies, principles and values of the company, and play a greater role in the day-to-day running of the business.

In some of the factories performance bonuses have been implemented without controversy.

Management has recently agreed to full-time paid shop stewards, full disclosure on all information on the com-

*To survive in a post-apartheid South Africa business has to change.* **GAVIN EVANS**

*looks at PG Bison, an innovative company which has drawn workers into its management and planning*

pany's performance and profit and has funded a company-wide joint worker/management controlled literacy and numeracy programme. It has also made an undertaking not to use retrenchments to cope with downturns in the economy.

No one has been fired for taking part in stayaways or political protests, and there have been no strikes at PG Bison for nearly five years.

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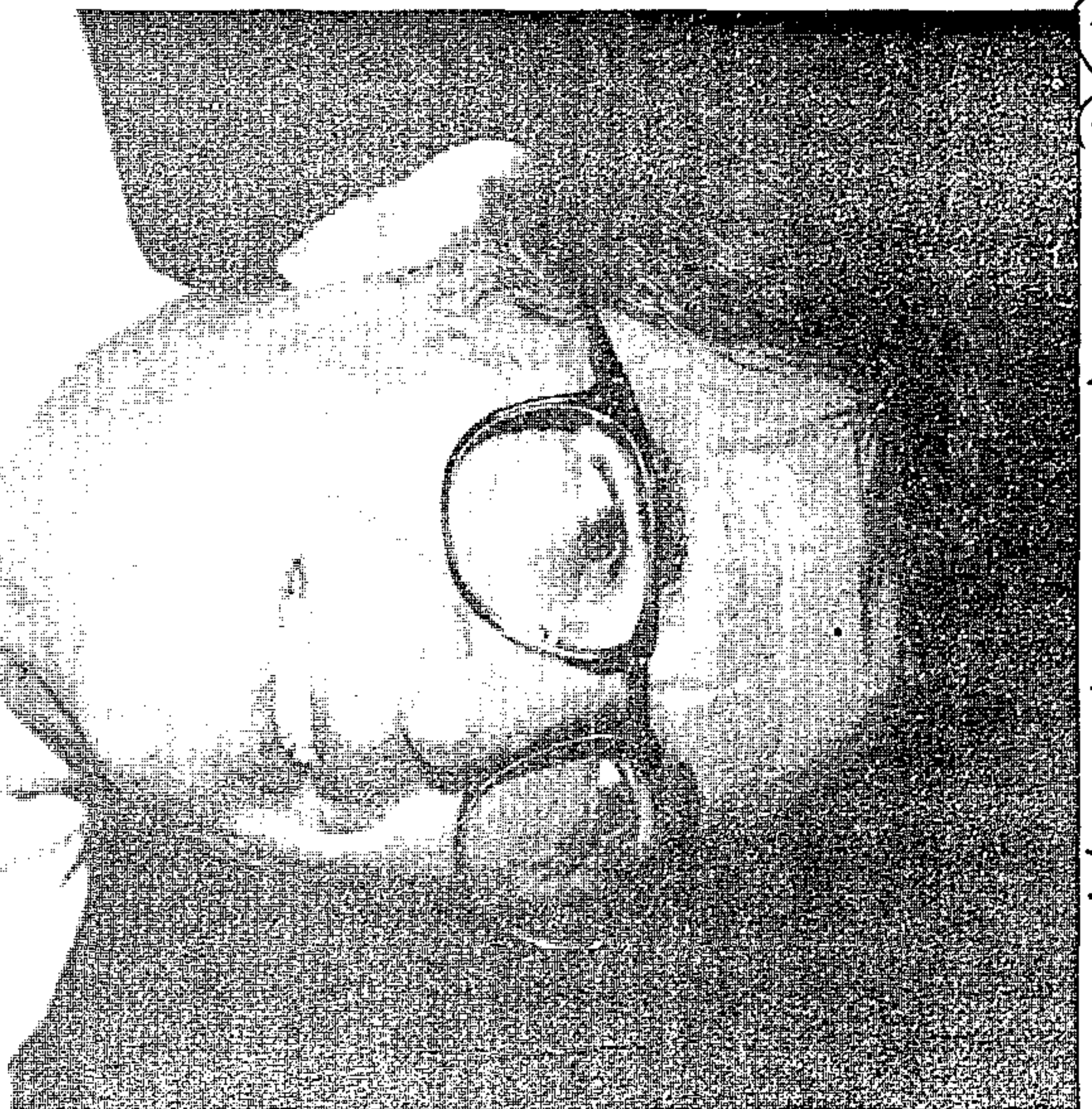
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# Companies combine to show concern for the environment

S/Times [CW] 1/3/92

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CONCERN over industrial development and the environment has led the Cape Chamber of Industries to form an environmental sub-committee comprising chamber members who have experience of industry and its impact on surroundings.

The sub-committee aims to co-ordinate industry, environmental groups and authorities so as to reduce the risk of environmental disasters and to draw up plans should industrial disasters occur.

It also wants to promote the concept of self-regulation rather than face prescription by government.

The chamber warns against new industrial development being stifled by extreme standards, and says a balance needs to be struck which acknowledges that development must proceed in a responsible manner by taking into account the sensitivity of the environment.

Industry does have a responsibility to minimise the impact it has on the environment and to acknowledge that it should be accountable for reinstating any damage caused, says the Chamber.

Meantime, two major motor companies are in the vanguard of environmental concern by industry.

Toyota has significantly reduced the use of CFCs — chlorofluorocarbons or gaseous compounds that cause a breakdown of the ozone layer in the earth's atmosphere — in the manufacture of its vehicles in South Africa.

"We are now using environmentally friendly substances as solvents in the manufacture of most electrical components and in the production of many of the plastic foams used in upholstery," said

John Nimmo, the company's manager concerned with vehicles and the environment.

"The Toyota Motor Company in Japan is conducting final tests on an acceptable alternative to be used as a refrigerant in vehicle air-conditioning in the near future."

He pointed out that CFCs will be completely banned by the year 2000 under an international agreement — the Montreal Protocol of which South Africa is a signatory.

Industries are developing alternatives — HCFCs, hydrochlorofluorocarbons, or HFSSs, hydrochlorocarbons. As they contain no chlorine, they cause no damage to the ozone layer.

Another leading motor company, Nissan, made a major breakthrough in recycling technology which means that in future it will

be able to fully recycle previously painted bumpers.

The company's engineers have developed a secret chemical process whereby the paint can be separated from the polypropylene plastic during recycling — a technique, says Nissan, which BMW has not been able to match.

The separation process is so successful that Nissan says the paint can also be re-used for industrial purposes.

Nissan has taken out patents on the system and says it is prepared to exchange the process with other companies in return for information on other advanced technologies.

The technique is not yet available in South Africa but Nissan SA says it is keen on hearing from interested industrial companies or motor manufacturers.

A recent personal financial planning article described the world as divided into two types — those who save first and spend later and those who spend first and can't afford to save.

The writer went on to say that the first group tended to control the lives of the second.

Entrepreneurs should be in the first group — but with many new businesses, starting out with little capital and risking much against future earning power, they fall into the second group — and stay there.

Jeremy Hollis, a trustee of the Small Business Performance Trust, says:

"For a business not to prosper is just as bad as failure. I would estimate that as much as 70 percent of small businesses are just surviving, not progressing. I believe it is possible to

# Cutting that failure rate

STAR 2/3/92

significantly decrease the percentage of business failures through the streamlined, affordable methods of planning for profit we have developed."

To back his argument, in comparison to the national average of new business failures over 70 percent, SBPT clients reflect only a 20 percent failure.

"Imagine if we could reduce the national average of new business failure to just 20 percent. This method works and I would like to see it adopted widely and we are happy to share our formula with larger organi-

sations than ourselves that could make it available more widely than we can."

The method is called Profit Plan — a streamlined financial management reporting system specially geared for the small price of just R395 a month.

The company spent seven years adapting, standardising and streamlining accounting systems to a level of efficiency so that it could be profitably marketed at a price affordable to the small business and managed to halve its costs last year. The SBPT offers all the fi-

financial management and marketing advice normally made available by chartered accountants to the major corporate sector — at a fraction of the price and served in an easy-to-read manner.

The company signing on with the Small Business Performance Trust receives a special system for simple manual book-keeping. The SBPT trains someone to do this. The training costs just R200 and telephonic back-up is free.

At the end of every month, the details are sent to SBPT which processes it on computer,

analyses it, and gives an easy to read comprehensive report with highlights, comments, suggestions and often, encouragement.

The SBPT is available for consultation with clients on any financial or business planning matter at rates of between R100 and R150 an hour — considerably less than most major accounting firms would charge.

A sample report for a garage owner contains remarks such as "Suggest you check your job cards. Are the mechanics listing parts used?"; "Not really satisfied. Spares should be 1½ times labour sales plus a bit for

over the counter"; "Your margin is still not right."

Through the reporting and analysis of figures, a driveway scam was picked up. Losses were controlled and profits were improved.

Comments from clients using Profit Plan are interesting.

"Our books were in a terrible state and we did not know how the company was doing or what it was worth... our systems have been regularly improved by you and the management reports expanded so we know on a daily basis the financial health of our company."

"At any time we require information or an explanation, Profit Plan is there with an answer. We can at any time approach the bank with these reports," writes the director of a Bryanston company.

Jeremy Hollis is confident of the potential of Profit Plan to revolutionise the success rate of small business. He believes organisations such as the Small Business Development Corporation and even the major banks would be well advised to duplicate it, resulting in an ability to lend money in greater safety, lend to more entrepreneurs, and lend with different lending criteria that will go further in meeting the challenge facing South Africa in stimulating the small business sector as the fastest growing sector of the economy.

Don't miss the 'Start-up for life'

Teaching the

BUSINESS SKILLS

# This partner won't take over

Many businesses begin with one partner with a business concept and a provider of capital who may have no other direct business involvement.

This is not always the ideal solution for the active entrepreneur who would prefer the long-term prospect of owning the major share in the business.

## Option

An interesting aspect of the approach taken by venture capital and business development company, Technifin, is that regardless of the amount of share capital they take in a new business, it is prepared to sell its shareholding within a period of seven years.

The entrepreneur is given the first option to buy those shares.

The percentage shareholding taken by Technifin depends on

STAR 213/92  
the amount to be invested and the company's potential.

The Technifin team assists in evaluating the business proposition to establish its commercial viability which must be very substantial before Technifin becomes involved.

Some of the successful applicants which have launched thriving businesses through Technifin started out with no more than a drawing on a single sheet of paper.

How does it work for Technifin? Lourence Greyvenstein, CEO, says:

"We are starting out with an entrepreneur or inventor who may not have a previous track record in business.

"There are two or three years of development time during which we are outlaying venture capital and refining the business plan.

180 (733) 317  
"Investing in start-ups is a long-term activity with the main purpose being to create a valuable business.

"Our profit comes from the rising value in our equity."

Technifin has also developed a very creative financing method for the bigger business which wants to develop and launch new products.

## Unique

"The problem faced by the company with public shareholders and bank finance is that neither of those groups are keen to have their investment put into a high-risk area such as new product development.

"This expenditure is not a welcome item on the balance sheet.

"What we are suggesting is a unique risk-sharing method without acquiring shares in the

company — we put in 100 percent of the finance and share the commercial risk — but the company takes the full responsibility for successful completion of the product.

"Instead of an on-balance-sheet loan to the company, this transaction constitutes a contingent liability.

"If the company keeps its side of the bargain, the contingency simply falls away.

"If the product succeeds, in return for Technifin's capital we earn a levy on sales for a specific period of time.

"This period is in two phases: the time it takes to recover the capital we put in, and a second phase of equal duration to the first which constitutes our return on investment.

"The beauty of that is, the more successful the product, the faster the money is repaid."

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# Overseas firms for investment gathering

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UP TO 300 international companies will send delegates to a major investment and trade opportunities conference in Johannesburg in June.

The conference, titled SA — The Gateway, will aim at establishing Johannesburg and SA as the "gateway" for foreign investment in southern Africa and will focus on setting up contacts between potential overseas investors and local companies.

The brainchild of the Johannesburg City Council's commerce and industry director Collin Wright, the conference is being organised by international investment magazine Corporate Location, a sister publication of Euromoney magazine.

Corporate Location publisher Richard Thomas said yesterday: "The potential for investment in SA is very substantial. There have been important strategic changes in SA and other African states which have made the world's corporate community optimistic about investments."

The conference, to be held at the Carlton Hotel in Johannesburg from June 8-10, will feature addresses by speakers which include Trade and Industry Minister Derek Keys, the ANC international affairs secretary Thabo Mbeki, Sowetan editor Aggrey Klaaste and SA Chamber of Business

ADRIAN HADLAND

director-general Raymond Parsons.

The third day will be spent in private one-on-one meetings where potential investors will be put into contact with relevant local business, government and multinational representatives.

"A number of opportunities exist in developing transport and communications infrastructure, providing consumer goods, power generation and water management," the conference invitation states.

The real purpose behind the conference, says the invitation, is to provide "a network of invaluable contacts that can practically assist and identify specific opportunities".

Wright said, "It assists, in a practical manner, the facilitation of actual investments."

Local companies not wishing to directly sponsor the conference but hoping to get involved will have to do so through their business chamber representatives.

The city council, which has allocated R50 000 to the conference, will be assisted by major sponsors Ernst & Young management consultants and Werksmans Attorneys.

● Comment: Page 10

# Acquisitions prove worth

18/04 4/3/92

JABULANI SIKHAKHANE

WELL-TIMED acquisitions helped AAF Investment Corporation, London-listed subsidiary of the W & A group, shrug off worsening conditions in its major UK and US markets.

AAF today reported a 5.2% increase in earnings to 21.4p for the year to December. A final dividend of 6p which includes a special dividend of 0.5p has been recommended, making a total of 10p for the full year.

Chairman Jeff Liebesman said that AAF had done well to deploy cash resources into the two acquisitions, Alloy Wheels which was bought for £11m, and contract scaffolding and hire company OSS Scaffolding.

He said that in financial 1990 AAF earned 15% on its cash resources, and in financial 1991 would have earned only 8%, resulting in a substantial decline in interest received.

Had AAF not bought the two companies, group income would have been substantially down.

Alloy Wheels International, which was bought at below net asset value had performed well. Liebesman said Alloy Wheels was looking at expand-

ing capacity to prepare for an upturn in the UK car market. It was the only manufacturer of alloy wheels in the UK and exported to Europe, North America and Japan.

During the review period AAF turnover jumped 131% to £65.4m from £27.91m, largely due to the Alloy Wheels and OSS Scaffolding acquisitions.

Operating margins improved substantially from 6.8% to 8.3%. Liebesman said Alloy Wheels was a major contributor, showing much higher than expected operating profits. AAF also benefited from cost reductions and rigorous financial controls.

However, with some of the cash resources used up in acquisitions, the group reverted to an interest paying position. Attributable profits were up 10.7% to £3.6m.

AAF, which at end-December had a cash pile of £7.9m, will change its name to AAF Industries Plc, which Liebesman believes will better reflect the group's activities.

W

# Factory output holds up despite recession

STAR 43192

By Derek Tommey



The chairman of an industrial company which has had quite a tough 1991 remarked at a press briefing last week: "If you think South Africa is in a recession, you should go overseas and see the real thing."

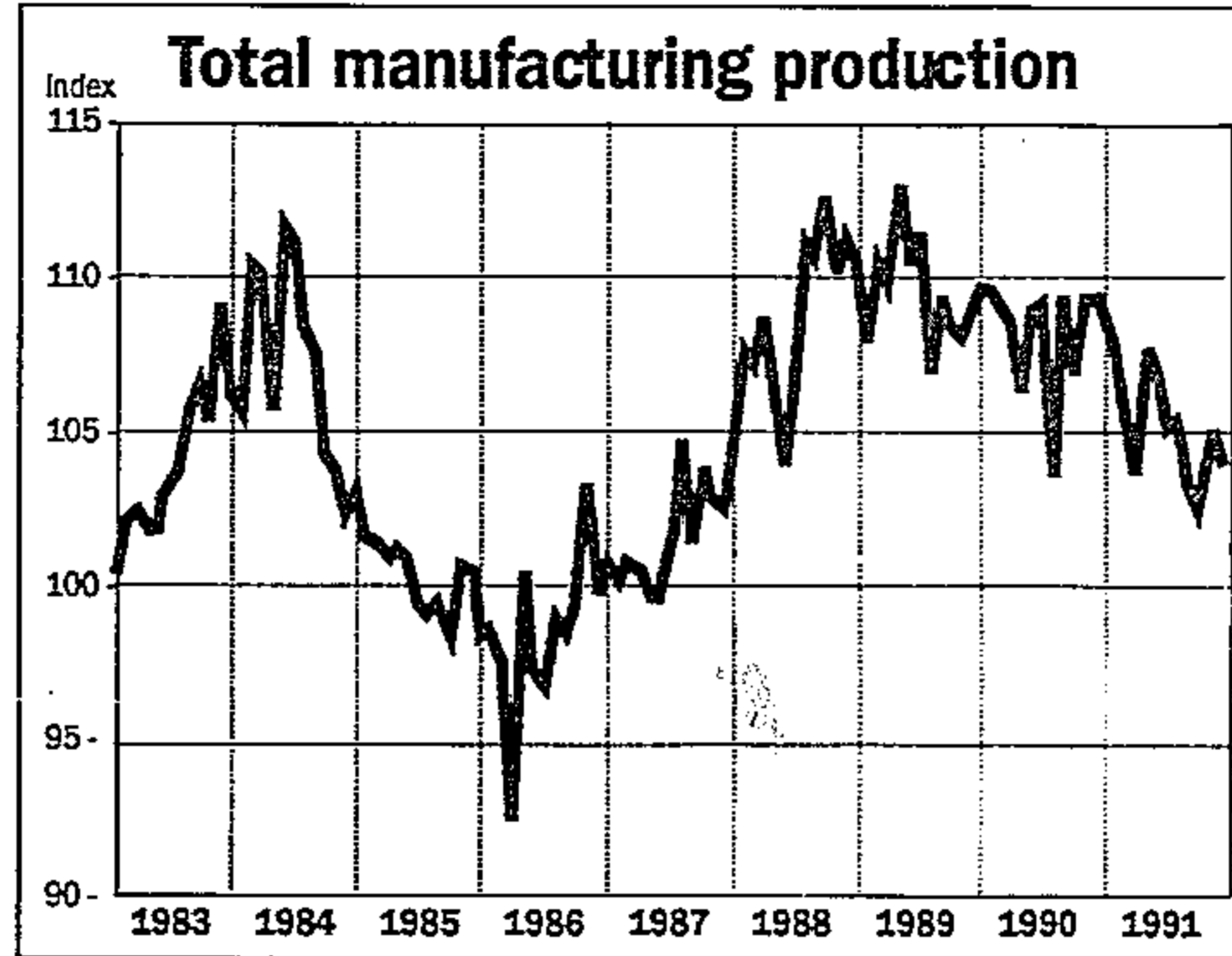
The view that South Africa's recession has been relatively mild, particularly when compared with the previous recession in 1985 and 1986, is confirmed by the latest industrial production figures.

The index for the physical volume of manufacturing output (seasonally adjusted and base: 1985 = 100) is 105,1 for the first 11 months of last year.

This indicates that factory production fell by a modest 2,2 percent from 1990 when the index was 107,5 and by another fairly modest 3,6 percent from 1989, which was South Africa's peak production year, with the index at 109,1.

In sharp contrast, the slide in manufacturing output in the previous recession was far steeper.

Then the index fell from 105,5 in 1984 to 100,2 in 1985 and to 98,4 in 1986 — an overall decline of 6,7 percent, or not quite twice



the percentage drop in output in the present recession.

It should also be noted that the total manufacturing output last year was still about 6,8 percent greater than in 1986 — the year the previous recession hit its low point.

Economists have put forward a number of reasons for the mildness of the present recession. An important one is the continued high level of exports.

In spite of the drop in the price of gold, platinum and other minerals, export earnings are still growing at least at the rate of

inflation and so helping to maintain considerable domestic activity.

Another important reason is that there has continued to be a fairly high level of new private sector investment in the past few years.

And while some projects associated with the base metal industry may have been put on ice recently, oil companies Sasol and Engen and chemical producer Sentrachem have all announced major new projects.

However, another major reason why the recession has not

been so severe this time round is that the 1985-86 recession left a deep scar on the psyche of management.

As a result most were better prepared this time round with healthy balance sheets, low stock levels and cash in the bank.

There was no need for the desperate life-saving measures that had to be implemented in 1986.

As Eddie Theron, the new managing director of the Standard Bank, pointed out recently, this time it is the small man who is in trouble — not the big company, as was the case last time.

A further reason is that in 1985 South Africa was entering a period of severe sanctions and business confidence was not particularly high.

Now South Africa is moving away from sanctions and many markets are opening to exporters.

This upsurge in confidence is reflected in the sharp rise in industrial shares on the JSE.

In the past 12 months the industrial index has risen 37,5 percent, while industrial profits have actually fallen 2,6 percent.

If one accepts that this buying, to a great extent, reflects the expectations of the people running industry, it is a remarkable display of faith in the future.

# Anglo taps foreign interest

MOUNTING interest in investing in SA has prompted Anglo American to launch an investment roadshow to brief international investors on the group's activities.

Anglo official Glen Finnegan said yesterday that during June and July, Anglo planned to hold an "investor presentation in Johannesburg as well as in the main financial centres around Europe".

She said there would be "general presentations" on the corporation and its investments.

"They are a response to the growing and renewed interest from international investors in SA companies, and in Anglo American in particular," Finnegan added.

The news comes as SA's return to international financial and business respectability gathers pace.

Anglo American faces the prospect of having to contribute billions of rands to

MATTHEW CURTIN

finance large new capital projects in SA, as well as more run-of-the-mill capital programmes under way in the numerous mining and industrial companies in which the corporation has interests.

Anglo has a 50% stake in the Columbus Stainless Steel joint venture, with Gencor, which is expected to be given the go-ahead this year at a likely cost of R2,5bn.

Anglo is involved in a variety of gold exploration projects and has a stake in Gencor's developing Oryx gold mine which will come to full production in the mid-1990s at a cost of R1,3bn.

Feasibility studies on Anglo's R900m Namakwa mineral sands project are also expected to be completed this year, when the corporation may give the project the green light.



THE thrust of SA's economic and industrial growth path requires us to accept that it cannot rely on market forces alone in the field of research and development (R & D).

The establishment has tried to make as much research as possible depend on contracts from business and government departments. The discipline of the market clearly has a role. But R & D is one of those areas where business has shown that it cannot and will not plan for the medium or long term. The figures turned up by the Old Mutual/Nedcor scenario investigation were horrific. One of SA's biggest industrial conglomerates spends 0.12% of turnover on R & D, as opposed to an average of 6% in Japan, 3% in the US and 2% by apple growers in the Cape.

To develop quickly and effectively, SA requires a balanced scientific and technological programme. To ascertain what the balance should be, let us look at possible priorities. We recently had an opportunity to speak to the Swedish National Board for Industrial and Technical Development. They made the interesting

# SA should be converting technology

B/Day 5/3/92

**BERNIE FANAROFF**

point that Sweden sees itself primarily as acquiring technology and then developing and applying it. Sweden primarily processes and converts technology. It is generally not big enough to compete head-on (with other countries) in completely new technologies, so this occurs only in limited areas.

This is relevant to SA. We would argue that we should primarily be technology converters.

What does this mean in practice? It means having the capacity, resources and will to find appropriate technologies, acquire them, understand them, be able to develop them further, be able to adapt them for our situation or for niche markets, and be able to produce marketable products. It means being able appropriately to develop and modify production processes.

Each of these points raises further priorities. In order to ensure that we

are able to do these things, we require a "technology core": in-depth human resources of skilled and motivated scientists to direct and carry out R & D and to teach and develop other scientists, engineers and technologists in properly equipped laboratories and teaching institutions.

To be able to understand new developments and to identify, evaluate and master appropriate technologies, we require a sufficient base of research and applied research. To retain outstanding scientists (among other things) there must be space for blue sky research. To weigh these things up and develop good models for a balanced programme is not the same as applying the dead hand of state central planning.

This programme cannot be devel-

oped in isolation. If the state requires education to pay for itself, particularly at tertiary level, there are important consequences.

The present cost of a science or engineering BSc course is such that: students won't risk hard subjects such as physics in case they fail; students would rather do computer science because they can earn big money quickly to pay back the huge loans they took out to pay their fees and economically disadvantaged students (which in SA more than in any other country also reflects primarily racial discrimination) cannot get access to these fields because they are too expensive and it takes too long to pay off loans. Simultaneously, the CSIR and major companies are drastically pruning their bursary schemes: Gold Fields has reportedly cut from 200 to 20.

If younger scientists and engineers, who leave research institutions

because there are no contracts, cannot get jobs in industry or in universities (which have few places), many good scientists are lost to other countries or to other disciplines or jobs.

These problems illustrate again the need to carefully analyse applications of the market. We need more physicists, chemists and engineers. Pure laissez faire policies will not provide them. Rather, this need requires careful state intervention in a programmatic way which deals with the whole range of problems, from the schools upwards.

In considering the R & D balance, we must then be clear that present policies will tend to move too much towards applied research and in-house product orientated research. Such an imbalance has potentially drastic consequences for research and for long-term socio-economic programmes.

□ Fanaroff, national secretary of Numsa, holds a doctorate in astrophysics. This is an edited excerpt from a paper delivered last week to the Science and Technology Policy Lunch Club.

## REVIEW

# Property

# Small Manufacturers Grow

BY JOSHUA FABOROKO

*Sowetan* 5/3/92

EXCELLENT results are being achieved by small manufacturers who have been established by the KwaNdebele National Development Corporation.

Most of the small businesses are housed in nine industrial parks spread throughout the area, involving a total investment of R3,4 million, providing new job opportunities for more than 1 000 Ndebeles.

Future plans include an industrial park at KwaMhlanga, extensions to existing parks and motor-town at Tweefontein at a total cost of about R2,5 million, and will provide premises for an additional 35 small manufacturers.

This project began in 1983 and today more than 150 have already been successfully established, according to public relations consultant Mr Hans Lombard.

The buildings in each park are spacious factory units, varying from 50 to 250 sq m.

Senior manager of the KNDC small business development division Mr Poetic Smith said each applicant was thoroughly screened for technical ability before being allocated a factory unit.

Only after the applicant was well established and the enterprise running smoothly, may he apply for financial assistance from the small business development division of the KNDC.

Interest rates vary from 14,5 to 22,5 percent.

Workers receive specialised basic training in various skills at training centres run by the corporation.

Courses including administration, financial control and bookkeeping are available to the business owners.

One of the first small businessmen to start in the Siyabuswa industrial park was Mr Frans Malaka, who owns the BB Furniture Manufacturers.

A wide range of home and office furniture is made by nine fulltime workers whose wages are subsidised by the Department of Trade and Industry.

Malaka began his operation in 1983 as one-man business equipped with a hammer, a hand-saw and other small hand tools.

"My small business in KwaNdebele is booming," he said this week.



Mr Frans Malaka - owner of BB Furniture Manufacturers - with one of the headboards manufactured in his factory

# Business bodies to act on new law

Sowetan 5/3/92

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THREE business organisations are to embark on a massive campaign for the speedy implementation of specific clauses in the new Business Act, to come into effect later this year.

The Small Business Development Corporation

(SBDC), African Council of Hawkers and Informal Business (Achib) and Foundation of African Informal Business (Faibs) say some local authorities are opposed to the new law.

The Act, published in May 1991, has been de-

layed in many of the Conservative-Party controlled towns.

It repeals trading licences for all but three of the 60 to 80 different categories of business for which they were previously required. It also removes all restrictions on trading hours from Monday to Sunday and allows hawkers, apart from a few prohibited areas, to trade anywhere.

SBDC's managing director Dr Ben Vosloo has expressed concern over the delay in the implementation of the Act and said: "We have played an integral role in lobbying for the removal of unnecessary regulatory constraints which add to the burdens of starting and running business."

The corporation was concerned, however, Vosloo said, about some of the provincial regulations which have been published for comment as they seemed to be going against the spirit of the new Act.

Achib president Mr Lawrence Mavundla, said that the Act would make the "poor to become rich" and create jobs. He explained that in terms of the Act, no licences were required for people who wanted to start business.

Faibs general secretary Mr Ngebulana Mhlangabezi said the repeal of the Act was necessary if underprivileged people were to create jobs for the community.

## UNIT TRUSTS

### General Equity Funds:

	Buyers	Sellers	Yield
BOE Growth	140,92	131,68	4,79
Fedgro	121,89	113,81	7,89
CU Growth	115,61	107,93	5,49
Guardbank Growth	2337,38	2188,25	5,40
Momentum	238,26	222,90	4,99
Methund	185,33	172,62	3,61
Metlife	117,23	109,58	n/a
NBS Hallmark	893,29	834,28	6,86
Norwich NBS	337,45	315,14	6,88
Old Mutual Investors	2832,38	2641,68	4,23
Safegro	131,15	122,61	5,36
Sage	2440,07	2277,14	4,58
Sanlam	1662,72	1552,28	4,68
Sanlam Index	1292,64	1207,40	4,38
Sanlam Dividend	453,14	422,80	5,13
Senbank General	121,88	113,67	13,23
Southern Equity	186,40	174,39	5,06
Standard	1112,44	1045,69	7,35
Syrets Growth	270,48	253,14	4,59
Syrets Trustee	116,30	109,01	n/a
UAL	2018,98	1891,68	5,14
Volkscas	137,92	129,03	6,95
Specialist equity Funds:			
Guardbank Resources	148,13	138,69	5,57
Sage Resources	117,69	109,88	7,28
Sanlam Industrial	969,22	905,47	3,70
Sanlam Mining	305,61	285,32	5,50
Senbank Industrial	1245,34	116,97	11,74
Southern Mining	136,78	127,97	5,60
Standard Gold	178,99	167,65	7,27
UAL Mining and Resources	378,91	354,56	5,01
UAL Selected Opportunities	1717,41	1606,03	4,25
Old Mutual Mining	249,26	232,12	5,45
Old Mutual Industrial	359,09	334,51	4,15
Old Mutual Gold Fund	114,99	106,99	5,71
Old Mutual Top Companies	248,26	229,65	n/a
Income/Gilt Funds:			
Melboard Income	99,09	98,05	17,81
Guardbank Income	112,55	110,24	16,75
Old Mutual Income	106,84	105,68	14,85
Standard Income	93,25	92,28	14,83
Syrets Income	105,83	104,77	15,12
UAL Gilt	1132,69	1121,37	14,63

HELPING YOU MAKE THE MOST OF THE STOCK EXCHANGE



**OLD MUTUAL  
UNIT TRUSTS**

# Let business play big role

ANYONE who expects the new South African Government to be an effective and efficient administrator of social change will be sadly disappointed.

History has shown that even governments which manage the political process well are decidedly poorer in creating and managing broad social upliftment.

If we want to see rapid and effective social change in South Africa, we will have to turn to another group - one that has consistently proved itself capable of generating rapid change in an efficient and cost-effective manner: business.

Actually, we will have to let both the Government and business do what each does best: the Government must set the agenda and business must get the agenda accomplished.

Lets face it: Politicians and entrenched bureaucrats have not distinguished themselves around the world as managers - whether it be budgets, airlines, post offices or refineries.

If rapid social change is so important to South Af-

Businessmen are always accused of chasing profits and not caring for the public. In this article ROBERT ZIEGNHAGEN says this attribute should be used to develop South Africa.

rica, why do we want to leave it to this group?

Wouldn't it be better to rely on the very managers who build skyscrapers and computer networks, manage four-star hotels, find gold mines below the surface of the earth, and keep store shelves filled with outstanding products day in and day out?

They have proved that they can deliver the goods.

I know what you're thinking - how can we get businessmen and women to serve the public good when they too often seem to be focused on their personal welfare?

Simple. Business people are the ultimate mercenaries - they are so driven by the profit motive that they will overcome incredible obstacles to achieve their financial goals.

Whatever challenge these managers are given, whatever environment they are thrown into (within reason), they will make a plan,

even if they have to dig a mine halfway to China or build a tropical jungle in the midst of the arid veld.

If businessmen have chased their own self-interest to the detriment of society, it's only because governments have set the rules so loose as to allow them to do so.

If we want business to rapidly rebuild the social health of South Africa, then the Government merely has to change the rules of the game so that companies can maximise profits by doing social good.

Here's how.

First, we lock businessmen and the new South African Government in a conference room and we don't let them out until they create a South African "Sullivan Code": a specific code of socially responsible behaviour that business should follow.

It would detail how much money firms should allocate to social ends (a

certain percentage of profits, payroll, or an amount per employee).

It would detail how many "sweat equity" hours of volunteer employee service must be contributed by a company (again a certain number of hours a month per employee).

It could give objectives for black, coloured and Asian advancement in terms of training, job titles, promotions and so on.

The code would be highly flexible, with many different ways that different types of companies could achieve their quota without losing competitiveness.

Then the Government dangles the carrot: firms that meet the highest standards of performance get meaningful rebates on their tax bill as well as a public relations coup.

Firms doing so-so jobs, get half this level of rebate. Firms that don't do anything get no rebate at all.

What would happen? First, corporate directors would certainly decide that they have a deep concern for social progress in South Africa.

Then, inevitably, many

of their employees would probably scream bloody murder that they were being forced to do community service.

Pretty quickly, though, thousands of highly paid executives would discover the real truth: that volunteer work can be a lot more fun and rewarding than their regular job.

Then grassroots community groups would find an ample supply of highly skilled accountants, engineers, salesmen, teachers and lawyers to help them manage and train.

Programme effectiveness would soar. Politicians would find a business community that is much more supportive of the country's social objectives because they have a first-hand understanding of and commitment to what is needed.

Corporations would find that, through their large budgets and their armies of involved employees, they would have enormous power to influence community thinking and priorities.

And lastly, the desperate squatter, the destitute student and the unmarried mother would discover that there actually is hope.

That the system is responsive and it is making a difference in their daily lives.

They would re-elect the Government and respect the business community.

True, what's being proposed would be a revolutionary change in the relationship between business and the community. And it would force many people out of their "comfort zones".

But what is the alternative?

Sure, we can go through the motions of waiting for the Government to solve our social problems, but do we really expect history to be kinder to the new South African Government than it was to the dozens of other states which sought rapid social change?

If and when our own Government should fail, there is a good chance the responsible politician and the concerned businessman will be swept away at the same time.

# Amic able to limit decline in profit

Bl Day 6/3/92

1800

WILLIAM GILFILLAN

A MODEST recovery in the second half helped limit the profit decline at Anglo American Industrial Corporation (Amic) to 11% when it reported attributable income of R401m for the year to end-December.

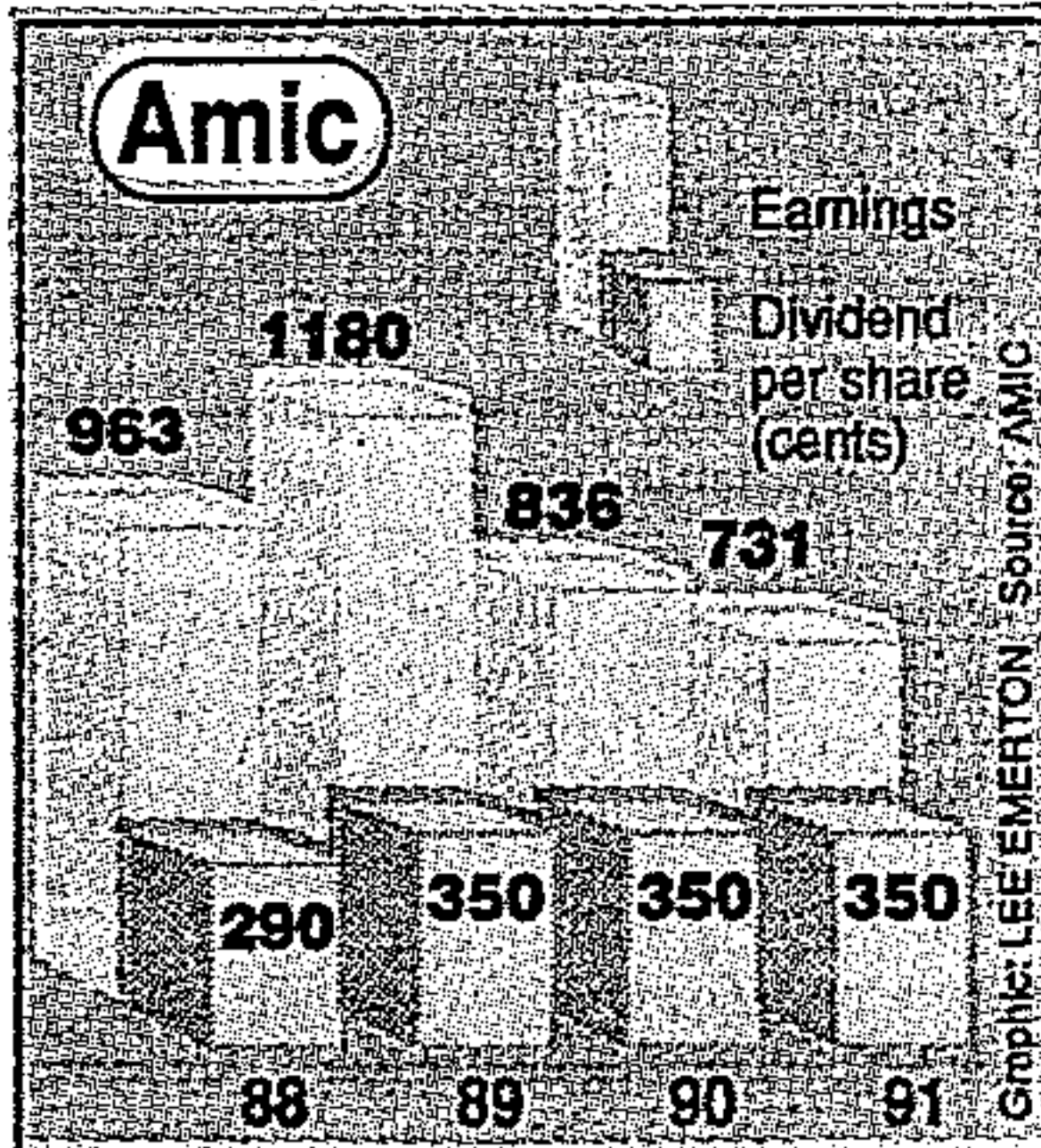
Earnings a share at the industrial blue chip fell 12,5% to 731c from 836c a share on an increased number of shares in issue. However, the group managed a 5% rise in earnings in the second half of the year after the first half's 26% decline.

A final dividend of 240c a share has been declared giving an unchanged total dividend of 350c a share for the third successive year.

Although turnover increased to R6,4bn from R6,1bn, income from its operations dropped 24% to R434m from R571m. Amic's share of earnings of associates declined to R206m from R222m.

The decrease in Amic's attributable income was also limited by the sharply lower tax charge, which dropped to R50m from R152m.

Retiring chairman Graham Boustred said the marked deterioration in economic conditions worldwide as well as the deepening of the recession in SA, resulted in many of Amic's subsidiaries and associ-



ates reporting lower earnings for the year.

But he predicted that 1992 earnings would increase modestly "on the basis of a progressive improvement in trading conditions in Amic's markets, aside from the gold mining industry, towards the year-end".

Subsidiary Highveld Steel & Vanadium (Hiveld) last month reported attributable income of R95,5m from 1990's R150m while major associate AECI's attributable in-

□ To Page 2

## Amic Div Day 6/3/92

1800

□ From Page 1

come dropped to R187m from R238m in the year to December.

Boustred said attributable income at paper company Mondi and NTE, both 53% held by Amic, increased 18% to R110m. But associate Samcor, the motor vehicle manufacturer in which Amic had a 19% stake, reported lower profits.

Directors said group capital expenditure for the year totalled R790m, of which R672m related to expansion projects and the balance to asset replacement.

Boustred warned that unless the inflationary spiral and associated wage expectations were brought under control, many jobs would be lost as industry moved pro-

gressively from labour-intensive to capital-intensive operations.

Owing to the current world recession, Boustred did not believe the withdrawal of international sanctions would have any immediate effect on Amic.

"But as the group's trading base will broaden over a period of time following the lifting of sanctions, it will be well placed when markets improve," he added.

Leslie Boyd has replaced Boustred, who announced his retirement yesterday, as chairman. Boyd has been associated with the group for the past 22 years. Hilton Davies and Tony Trahar have been elected deputy chairmen.

# Anglo refutes attack from CP

180  
B/day B/3/92

MATTHEW CURTIN

IT IS not often that Anglo American has the chance to kill two critics from opposite ends of the political spectrum with one stone.

But latest comments from the CP suggest it is becoming a little pink in the referendum run-up, and not a million miles away from voicing exactly the same fears about monopoly capitalism that the ANC has had for years.

Anglo is used to arguing against ANC plans for nationalisation and claims that SA profits have been siphoned abroad, to the distraction of chairman Julian Ogilvie Thompson.

Nationalisation had failed totally in Eastern Europe and "jolly near destroyed Africa north of SA", he said in a interview last year.

However, with the political parties gearing up for March 17, the CP has now entered the fray of economic debate with a stinging attack on Anglo and former chairman Harry Oppenheimer.

CP spokesman Clive Derby-Lewis said yesterday the call by Oppenheimer and Anglo for a "yes" vote in the referendum smacked of "gross hypocrisy".

Oppenheimer and the corporation had for years drained SA of the profits both had made in SA and invested them abroad, he alleged. "Oppenheimer has disinvested from SA to such an extent that only 4% of his personal empire is still held in SA."

He alleged that Anglo American's offshore arm Minorco — which he suggested was still based in the Bahamas although its head office has been in Luxembourg for some time — and

Swiss-based De Beers Centenary were effectively conduits for exporting profits from SA.

The CP believed this showed what little faith big business had in De Klerk's reforms, and many businessmen would "secretly be voting 'no'".

Derby-Lewis said the CP would, of course, ensure there was a stable investment environment in SA, but would not elaborate on how that would be done.

Anglo's response yesterday was swift and to the point.

"What palpable nonsense!" said spokesman Michael Spicer. "Derby-Lewis betrays his ignorance of basic economics and the salient facts."

Spicer said it would be bizarre if international investment was regarded as unpatriotic, because it was an integral part of building a world-class company which was to the benefit of SA. Anglo was first and foremost an SA company, with R12bn in projects under way or in the pipeline in SA.

Spicer said that invariably Anglo invested abroad by reinvesting its profits or borrowing against the corporation's name, rather than taking out money with Reserve Bank permission through Exchange Control.

He note that Minorco's fortunes were founded on the nationalisation of the Zambian copper mines. Both Minorco and De Beers Centenary — again a company which was not set up with money disinvested from SA — paid large sums of money back to SA by way of dividends.

FM 6/3/92

**The other shoe**

(180)

The rights issue in October proved well-timed. As Anglovaal Industries (AVI) has been sitting on most of the cash, it has enjoyed some good interest income. Corporate planning director Richard Savage says that the interest received was "substantial". Interest paid for the six months to December was unchanged from a year before, at R43m, but AVI shows gross rather than net interest.

Acquisitions since the issue have been modest. National Brands bought the salt and spice manufacturer Buffalo Food and intends to buy out minorities in Pleasure Foods. The Steelmetals ballbearing business was merged with Bearing Man, which became an AVI subsidiary, and Grinaker acquired the remaining 49% of Sydcor Engineering Projects.

But AVI may not be sitting on the funds for much longer. A major announcement is due on Friday. Groups with which AVI admits it is in contact include the French food combine BSN, confectioner Mars and its old partner General Foods.

In a cover story last year (FM October 25), MD Jan Robbertze dismissed speculation that AVI would buy a soft drink franchise such as Peninsula Bottlers, much less enter a joint venture with Pepsi. But analysts' speculation has ranged from a buyout



AVI's Savage ... substantial interest income

Continue →

(180)

of Suncrush to entry into aluminium cans to a buyout of Utico.

Meanwhile, the operating environment is tough. The six-month contribution from construction and electronics subsidiary Grinaker was sharply down, leading to an increase of just 3% in AVI's operating profit.

National Brands, which rose to 20% of pre-tax profit and 28% of attributable earnings, overtook Consol as the most important contributor, followed by Consol and Irvin & Johnson (I&J). All three are now well capitalised; Consol and I&J both had their own rights issues during the half year.

Consol had the toughest time, with a downturn in demand for beverages and a surge of tyre imports. Its EPS rose by 5%.

I&J's operating performance was stronger, as it could export frozen fish and vegetables to make up for a flat local market. Proceeds from the rights offer earned R2m but even without it, operating profit was up about a tenth. Thanks to exports, I&J's ef-

**BEATING THE MARKET**

Six months to	Dec 31 '90	Jun 30 '91	Dec 31 '91
Turnover (Rbn) .....	3,66	3,73	3,96
Operating prof (Rm)	358	414	368
Attributable (Rm) ..	103	131	122
Earnings (c) .....	363	462	425

fective tax rate fell from 36% to 32%, which led to a 22% increase in the bottom line.

Grinaker Holdings experienced a 48% reduction in operating profit and 57% in EPS. Grinaker Construction's earnings fell by almost two-thirds because of the reduced demand for road building in particular. Grinaker Electronics' manufacturing divisions were unprofitable because of a severe cut-back in defence contracts. Grinaker is trying to reduce its dependence on this sector by investing in new products and converting some of its laboratories to civilian use.

**Expanded offshore**

Computer company Siltek was the only part of Grinaker to raise earnings as it restored its distribution division to profitability and expanded profitable offshore businesses.

The unglamorous diversified holdings, which includes interests in textiles, steel distributors, ship repairs and ball bearings, increased its contribution. It was not helped by falling profits from textiles, though the Avtex stable, including Gelvenor, Mooi River Textiles, SA Fine Worsteds and Risa Textiles, is still much more profitable than volume producers such as Frame and Romatex.

Savage says engineering companies did well; the ship repair company Globe and steel merchant Trident Steel were notably good performers.

AVI has been a rewarding investment and the share commands a high rating. But further short-term appreciation may depend on how the market assesses Friday's news.

Stephen Cranston

# Business, civic leaders to attend growth talks

S (Times) (Cm) 8/3/97

TOWNSHIP leaders as well as top executives from various major companies are expected to attend the Growing the Cape workshop on April 1 which aims to define strategies for the economic development of the Western Cape for the next five years.

The original date was March 17 but this has been changed to April 1 to avoid clashing with the referendum.

The executive director of Wesgrove and co-convenor of the workshop, Dr David

Bridgman, said.

"Knowing the results of the referendum will give delegates to the workshop a clearer view of the political and economic factors which will influence the future of South Africa and our particular region."

He said the venue, the Cape Town Civic Centre, was unchanged.

Dr Bridgman was confident the unemployment problem — a major focus of the workshop — could be overcome if all leaders in the region worked together.

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# Big business appeals to workers to vote Yes

S/Times (BUSS) 8/3/92

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By CURT VON KEYSERLINGK

BIG companies have dropped the tradition of keeping out of politics by appealing directly to their employees to vote Yes in the referendum.

This action is over and above the financial contributions many have made to the Private Sector Referendum Fund and the campaigns conducted by the National and Democratic parties.

Their reasons are summed up by an executive chairman who says: "Never before in our 100 years of existence have we been involved in party politics. But this referendum is a watershed. It is a crucial question at a crucial time."

First National Bank is asking employees to vote Yes.

Toyota managing director Bert Wessels says: "We have been told in no uncertain terms by Japan that a No vote and a reversion to the past will lead to reimposition of the trade restrictions. In spite of our good relations with Toyota Japan, the restrictions would be more stringent than they were."

"We are telling this to our staff by way of individual and

group communications. At a meeting with our dealers we left them under no illusions about what the situation would be."

BMW says its staff will be told of the implications of a Yes and No vote.

A spokesman says: "Having just returned from Europe, I am in no doubt that even if the Right wing gave cast-iron assurances that apartheid will not be reintroduced, the perception abroad is that a No vote would lead to economic ruin for SA."

## Critical

Southern Life says many business leaders believe the importance of every Yes vote should be made known to employees.

BP is spelling out the implications of a Yes and No vote to staff. It is explaining its support for the Yes vote, which is "critical to the future of the country."

BP will also ensure that employees are able to vote.

Several companies while apparently hoping for a Yes victory are more circumspect in their approach to staff.

Sasol's attitude is typical of such companies. It says: "We believe it our duty to our employees to give them an objective view of the possible economic implications of the return of sanctions."

"We will convey the opinions of an outside consultant through our internal video newsletter on the possible effects on the SA economy and on Sasol in particular."

Executives at Premier Group have been briefed to visit the group's 500 branches to discuss the matter and to explain what can happen "if the reform process continues and what can be expected in the unlikely event of a No vote".

Barlow Rand chairman and the chairmen of the group's main divisions have written to senior managers summarising the likely economic implications of the referendum result. Its man-

agers have been asked to "do everything possible to encourage employees to vote, irrespective of their persuasion".

Murray & Roberts top management has addressed 500 managers.

Other companies approached by Business Times which support the Yes vote in varying degrees are Anglo American, Standard Bank, Caltex and Shell.

Gencor says it leaves decisions on political issues to its employees.

## Wife

Several companies say they find questions about political matters embarrassing. One admits to contributing to the Private Sector Referendum Fund, but asks that this not be made public.

Another says it cannot afford to be seen to be supporting either side because its employees and customers "cover the entire political spectrum".

"Its like being asked if you have stopped beating your wife," says one managing director. "Whatever answer you give you are damned."

# Regional development is punted

WITHOUT sufficient job opportunities, price stability and economic co-operation and development in southern Africa, the objectives of regional economic development would not be achieved, Regional and Land Affairs Department chief director Hans Van Rensburg said at the weekend.

He told the SA Chamber of Business Transvaal congress government's regional policy aimed to develop regional economies' potential to the optimum, in co-operation with

SHERIDAN CONNOLLY

the private sector, to increase the prosperity of all SA's inhabitants.

Development possibilities and comparative advantages could be optimally exploited only if government formulated strategic guidelines. It was essential that a healthy climate be created for development to enable institutions to advise on development matters at regional level, he said.

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13/12



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# Information aimed at industrialists

8/10 day 9/13/92

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A NUMBER of organisations which provide information to industrialists ranging from investment, factory location and export advice will be at this year's Southern Africa Industry and Technology Fair.

Organisers Systems Exhibitions marketing director Jo Melville says the third bi-annual SAITF is poised to be the largest industrial and technological business-to-business fair in southern Africa.

Among the organisations

which will provide information are the South African Department of Trade and Industry; the KwaNatal Marketing Initiative of the KwaZulu Finance Corporation; the KwaNdebele National Development Corporation; the Qwaqwa Development Corporation, the Ciskei Development Bank and Associated Information Technologies (AIT), an industrial and business-to-business research company operating in sub-Saharan Africa.

ing of sanctions, this is the ideal time for local industries to enter the export market."

The department's stand will highlight all its services, particularly those to the export community such as export promotional services and incentives.

Information will also be available on the services provided by SA's Foreign Trade Representatives to local exporters such as market research, identifying potential customers and advice on duties and custom restrictions in various target countries.

The KwaNatal Marketing Initiative (KMI) is responsible for marketing and industrial development of Natal/KwaZulu and provides industrialists with a

comprehensive one-stop development service at all the main industrial nodes of the region.

The KMI stand will highlight the industrial development services offered by the organisation.

## Support

These include pre and post-establishment support services; provision of industrial infrastructure and utilities; lease or sale of industrial buildings; loans; professional services; and introductions to key contacts.

Similar services will be highlighted on the stand of the KwaNdebele National Development Corporation, which is the economic development arm of the KwaNdebele government.

## Drive

The Department of Trade and Industry's (DTI) participation in SAITF is part of a national export drive.

A DTI spokesman says: "With SA's improved international status and the lift-

## Stimulating an export awareness

8/10 day 9/13/92

THE Department of Trade & Industry's aim includes the promotion and maintenance of a healthy and viable industrial structure.

It also focuses on the expansion of foreign trade relations, the promotion of foreign trade, the maintenance and promotion of competitive conditions in domestic trade, with the greatest possible private sector participation, and the protection of consumer

interests.

The purpose of the department's participation in the Industry & Technology Faire is to stimulate an export awareness among South African companies and to provide information concerning the establishment and expansion of industries.

Representatives of the department's Export Centre and its Industrial Development and Investment

Centre, together with SA's trade representatives based in London, Rome and Hong Kong, will be available at stall 59B in Hall 7 to meet manufacturers and exporters to discuss how the department can assist in promoting their products abroad.

Foreign visitors to the fair are also invited to discuss assistance available to establish operations and invest in SA.

## Altech reveals new software

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RIO

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28 and

# Marais punts value of exports

8/10/92 9/13/92  
CAPE TOWN — There were still a number of things government needed to do to create the right environment for the private sector to become export oriented, Administration and Tourism Minister Org Marais said at the opening of the Bosal catalytic converter plant in Uitenhage on Friday.

The plant will be making catalytic converters out of ferrochrome exclusively for the export market.

The plant was an example, Marais said, of how SA could become a world player through the beneficiation of its minerals and through the export of value added products in co-operation with overseas companies.

Marais said progress had been made in promoting export orientation with overseas markets opening up and exports developing.

LINDA ENSOR

"In fact many companies maintain that, had it not been for their export activities, the current economic slump in the country would have had much more severe consequences."

But he added there were still a number of things that needed to be done to create the right environment for the successful export of value added products.

It was not easy to change from an import replacement philosophy to one of developing the export of industrial products. A start had been made with Phase VI of the motor vehicle industry development programme which was the

first phase that brought in exports as a major part of the programme.

"All the arguments that apply to the industry as a whole, namely that further import replacement opportunities have become expensive, also apply to the motor vehicle industry. To have viewed Phase VI as an extension of Phase V but just with a higher level of compulsory local content, would have made our vehicles too expensive.

"Our market is too small to produce vehicles with a very high level of local content. By bringing in the export market, we are effectively saying our market is the world and volume is no

longer a problem.

"To enter world markets we need to become internationally competitive and Phase VI is there to allow SA manufacturers to explore opportunities and to restructure themselves to be able to enter these markets successfully."

London Finance & In

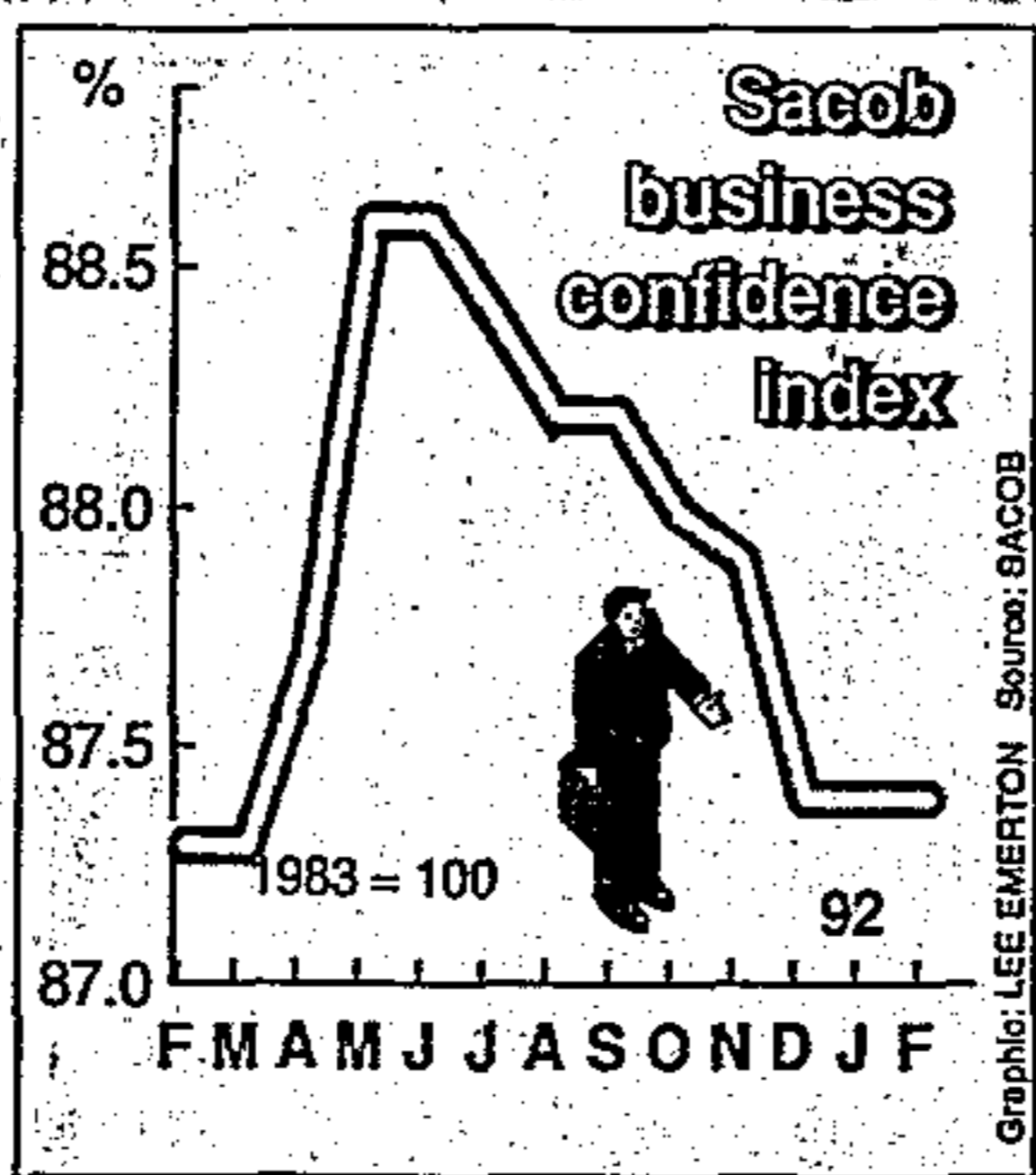
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LAST DAY TO REG

Subject to shareholders approval for the year ended 31st Dec 1991 April 1992 to those members on 20th March 1992 not 1991 preliminary statement and Accounts which were sent to

ADPLAN INTERNATIONAL

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B/pay 10/3/92

## Business mood is static ahead of poll

180 SHARON WOOD

BUSINESS expectations of an economic upturn have been put on hold ahead of the referendum and Budget, as shown by static business confidence levels in February.

The SA Chamber of Business's business confidence index released yesterday showed confidence levels remained at 87,4 in February for the third successive month. The index showed consistent monthly declines between May and December last year.

Political developments had become a focal point following the announcement of the referendum, Sacob chief economist Ben van Rensburg said. The influence of political developments on business sentiment in the previous few months had waned. "Issues which had appeared resolved are now once more open to question and newly forged international relations could once more be in jeopardy," he added.

"However, irrespective of the outcome 1992 will remain a difficult year for the economy in view of the drought and sluggish world growth," Van Rensburg said.

The decline in exports and retail sales and a continued high inflation rate in February suggested the economy had not yet switched into recovery mode, he said.

Report by S Wood, TML, 11 Diagonal St, Jhb.

-m am o -strate- during the Inter-

# Sacob details proposals on rights and economy

8 (Day) 10/3/92

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PATRICK ELLER

SACOB yesterday detailed the proposals it submitted to Codesa last week.

At a news conference, Sacob director-general Raymond Parsons said Sacob's submission dealt with four areas: economic, social and political rights, an economic system to underpin the new SA, the economic aspects of a new constitution and broadcasting policy.

The first area was covered by Sacob's business charter, in terms of which members undertook to uphold basic social, economic and political rights as well as basic personal and civic responsibilities which were universally accepted.

Sacob told Codesa it would promote the abolishment of all vestiges of racial and sexual discrimination in the workplace.

It said it believed in the need for a market-driven economy.

"To Codesa, Sacob expresses the need for an approach to economic restructuring within the constraints of adequacy and affordability with respect to the basic socio-economic needs which need to be addressed," Sacob said.

"Certain elements fundamental to a market economy and to business confidence need to be safeguarded.

"These include the entrenchment of the law of persons, the guarantee of property

rights and control thereof, the law of contract and the provision for the inclusion of a bill of rights in the constitution.

The challenge Codesa faced in its efforts to establish a constitutional framework was "to create the right blend of reform in ways which inspire business confidence".

Sacob repeated the view it expressed to the Viljoen Task Group on Broadcasting, emphasising that an independent communications council should be established, that broadcasting be deregulated and decentralised, that the continuation of a national broadcasting service was essential and that competition be promoted across the full spectrum of broadcasting.

"The private business sector has an important role to play in making SA successful in both the political and economic fields — these will have to be established simultaneously.

"If businessmen and investors are going to take an active and determined interest in the 'rules of the game' in future, they will have to use every available opportunity to make their views known to influence the formation of the economic and political systems in the new SA.

"It was in this spirit that Sacob made its input to Codesa," Sacob said.

Manufacturing industry losing confidence

# Further job losses on the cards, says Sacob

180 (188)

STAR 10/3/92

By Sven Lünsche (188)

Both skilled and unskilled employment levels in the manufacturing industry will fall further this year, according to a survey by the Chamber of Business (Sacob).

Sacob adds that businesses are marking time ahead of next week's referendum, which is casting a shadow over confidence levels in commerce and industry.

Sacob chief economist Dr Ben van Rensburg says business confidence is fragile at present.

"Three factors are needed to stimulate confidence — political certainty, tax relief and lower interest rates. Without these confidence will remain stagnant," he says.

Sacob's Business Confidence Index, which is compiled from 16 major economic and financial statistics, thus shows an unchanged level for the third successive month. (see graph)

Manufacturers in particular are sensitive to political developments, as they have become more export-oriented over the past few years.

"Clearly a large number of industrialists believe that a referen-

dum result that is negatively received by the rest of the world is most likely to have an immediate impact on their business," Sacob economist Keith Lockwood says.

Furthermore, he adds, the stated reaction of many foreign governments to a "no" majority in the referendum once again raises the spectre of international economic isolation.

It is not surprising therefore that up to 30 percent of manufacturers surveyed by Sacob predict a further decline in the number of unskilled people they employ. Over 15 percent also forecast a fall in skilled employment.

Fixed investment levels are also set to stagnate — according to the survey a net four percent of manufacturers plan to expand their production facilities.

Apart from political developments, Sacob urges the Minister of Finance to press on with the process of tax reform.

While there are few expectations within the business community of a reduced tax burden after next week's Budget, tax relief is essential to underpin the chances of eventual economic recovery.

"Sacob continues to believe that despite the pressure on the fiscus and concerns over the size of the deficit before borrowing, there is still scope for reductions

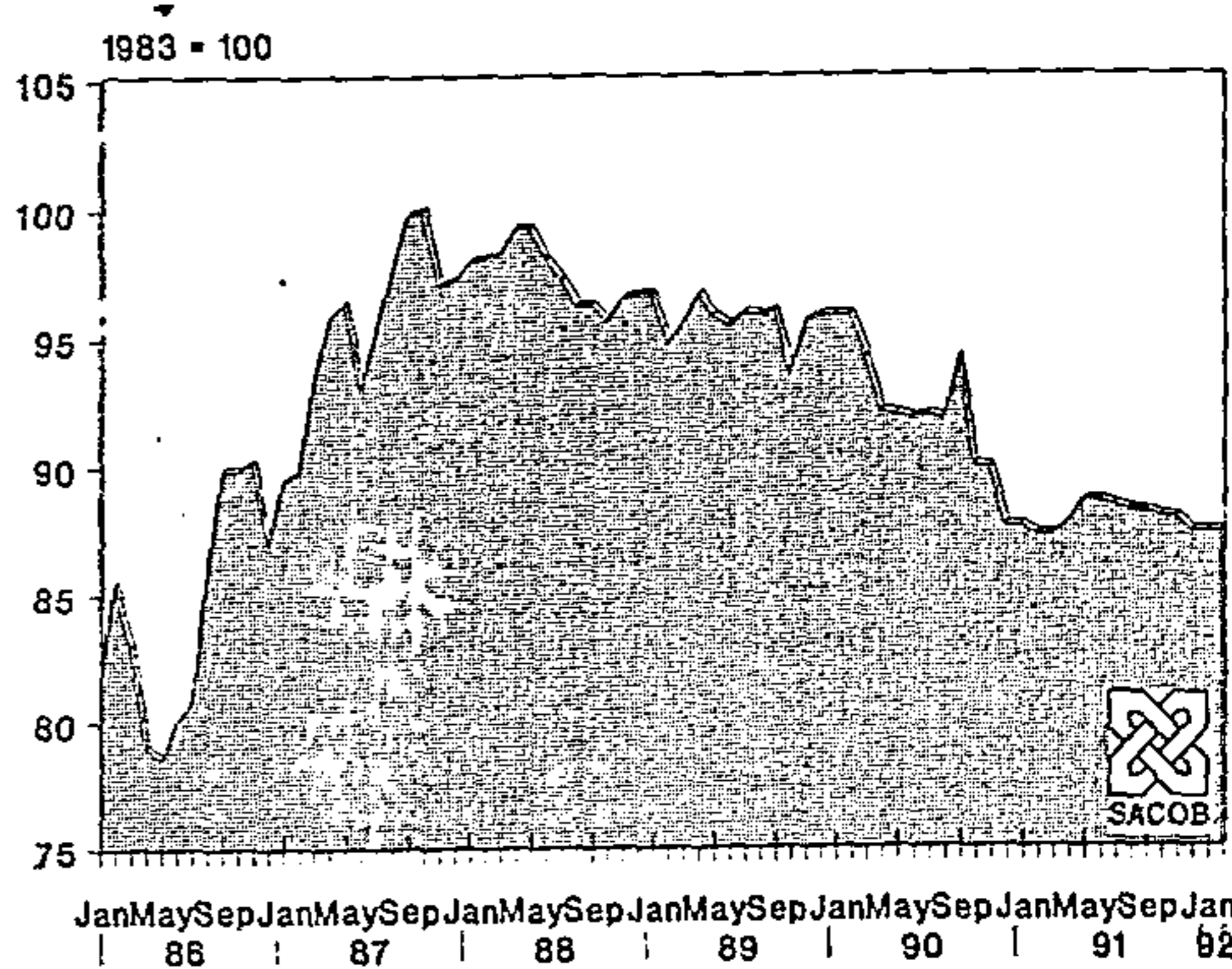
in the tax burden by the re-prioritisation of state expenditure.

"At the least nothing should be done in the forthcoming Budget that serves to further retard the international competitiveness of the business sector," Dr van Rensburg says.

Looking at the current state of the economy, Sacob says that the recent rise in imports suggests that domestic activity levels may be increasing, as does the slight turnaround in the level of manufacturing production.

"The continued decline in the BA rate will also have helped to reduce part of the interest burden on business, and continues to indicate an anticipation in the market that other short-term interest rates will also decline in the near future," Sacob comments.

The Chamber adds, however, that the decline in merchandise exports and retail sales, and the fact that the inflation rate remains high, "suggest that the economy has not yet switched into recovery mode".



The Business Confidence Index continues to decline.



# Commodities hold key to next upturn

STAR 10/3/92

By Jacques Magliolo

Analysts seem to agree on at least one aspect of our market; if politicians get a mandate to proceed with political change, more sanctions could be lifted and international funds should become accessible.

This would, in turn, drive the JSE into a bull market. However, investors are warned that it is unrealistic to believe that the re-establishment of international trade links will result in rapid capital gains.

Economists warn that renewed trade with the US and Europe will not kick-start our economy and bring prosperity to all.

"This is a dangerous sentiment with no grounds for justification," says Sanlam economist Pieter Calitz. He says that prior to sanctions, it was relatively easy to determine economic phases — our economy lagged the US business cycle by about nine months.

But the advent of trade isolation and political instability has left economists with poorly defined business cycles. However, the US's locomotive effect on



MAGLIOLO  
on the  
MARKET

all major trading countries cannot be ignored.

So, how and when do our economists predict the next upswing?

Given the locomotive effect, it is necessary to first assess the American economy. This complicates analysis as even American economists are unable to accurately assess their economy.

There are currently two opposing views.

Optimists suggest that positive factors are overwhelmingly pointing to a recovery period as highlighted by the following facts:

- The US leading indicator, consisting of 16 indices which include stock prices, employment levels, money supply growth and order sales, has been in an upswing for the past

three months.

- Monetary policy has eased considerably. Short-term rates have fallen from five to below four percent and long-term rates to 7.8 from 10 percent. However, the latter has recently climbed back to 7.9 percent.

- Since January 1992, the Dow Jones has reached several all time highs and remains buoyant.

Yet pessimists say that the following negative factors continue to inhibit an upswing:

- The mild upswing, which started in mid-1991, ended during the last quarter of 1991 when the US fell back into recession.

- The housing market remains relatively static.

- Consumer confidence is low.

- Unemployment figures point to a continued weak economy.

These pessimists maintain that even when a recovery phase starts, it will be a laborious process due to:

- A heavy debt burden on consumers and business.
- Increases in wages have been moderate.
- The absence of a strong inventory build-up.

- Inflation remains high at four percent (aim: two percent), which could force government to maintain its restrictive financial policy.

- The recent strengthening of the dollar could hamper further US exports.

Therefore, if the US cannot accurately assess its own cycle, it becomes difficult for other countries to forecast pending boom and recession phases.

Some economists believe we should look for new indicators.

Graham Boyd, economist at stockbrokers Simpson McKie says: "The most important international influence in our market would be a rise in world commodity prices, which would be assisted by a recovery in the American economy."

The latest Economist commodity prices, released on February 25, indicate an annual decline in prices with the all item index in US dollar terms falling by 4.8 percent and the metal index by 11.1 percent.

In view of these figures, it is uncertain when our economy will recover — even after a return to international trade and funding.



# Bid to seal off Marlboro after foreman's murder

By Bronwyn Wilkinson  
Crime Staff SPAR 11/3/92

A business foreman in crime-ridden Marlboro, in Sandton, was shot in the head at point-blank range yesterday — only hours before businessmen petitioned the Sandton town council for permission to seal Marlboro off from neighbouring Alexandra township.

Roger Samson (45), of Eldorado Park, died on the way to hospital.

A few hours later, protesting businessmen threatened to hold the Sandton town council responsible for every death in Marlboro if they were not allowed to build a wall around the industrial township in a desperate bid to stop the violent crime that held them "under siege".

James Binda, who worked with Mr Samson at Springbok Scaffolding in Second Street, said Mr Samson was inside the gates of the premises when three men approached him at about 8.15 am. Speaking Zulu, they asked him for work. When he did not un-

derstand the language, they put a gun to his head and pulled the trigger, then took Mr Samson's gun and calmly walked out of the gate towards Alexandra.

At the Sandton Civic Centre, about 200 placard-waving people presented a petition to the town council demanding permission to build a wall around Marlboro industrial township.

"If the council does not help us, we will have to barricade ourselves in and we will hold the town council responsible for every death in Marlboro," said Marlboro management committee chairman Basil Broomburg.

Earlier this year, businessmen built barricades along First Avenue, but these were taken down by the town council. They then demanded that the area be declared an industrial park and walled off from the township. "Those barricades stopped 70 percent of the crime, and they were taken down," said one angry businessman.



Fed up . . . businessmen want a wall to seal off Marlboro from Alexandra.

Picture: Alf Kumalo

# Protectionist policies 'bad for competition'

LONG-term competitiveness cannot be ensured if countries have protectionist policies for their industries.

This is the view of Foreign Affairs Department visitor Kumar Bhattacharyya, of the Warwick Manufacturing Group in Britain. Bhattacharyya is visiting organisations ranging from the ANC to Anglo American Corporation and Eskom.

In an interview, he said Warwick was a technology transfer centre where technological development is co-ordinated with manage-

ment and integrated into the organisation of businesses.

He has advised various governments on matters of industrial policy and technology, and reckons SA should learn from countries like Britain, where deregulation and the dropping of controls and protectionism had led to success in turning around companies like the Rover Group.

"If government interferes in any way with the private sector and utilities, there is often a slowdown in efficiency, and government

in turn is held accountable," he said.

For SA to compete with newly industrialised countries like Singapore, Malaysia and Indonesia, it would need a sound technological and industrial policy free from government interference, although the private sector could get some help from government in the form of favourable taxation, or small sums of money to assist in training schemes, for example.

Looking at SA's electronics industry, which is currently having its "life sup-

port system" in the form of tariffs and duties on imported components disconnected, he said the early days of dropping protectionist policies were always traumatic, but the end results were worthwhile.

"If regulation is dropped, for example, a country becomes far more attractive for overseas investors."

Bhattacharyya said competition forces produced innovative developments, and this was the most likely way for SA to experience a renaissance and become a leader in its own right.

# Invest in the future

STAR 12/3/92

## urges ANC economist

By Tom Hood

CAPE TOWN — Everybody in business would like to hear a pledge to lower taxes and be offered incentives for development projects, says Trevor Manuel, head of the African National Congress Department of Economic Planning.

"If the economy was running well, generating prosperity for all its citizens, we might consider that type of commitment now," he told a large gathering of business people in Cape Town last night.

"With the current (economic) backslide, most of our people survive below the minimum subsistence levels. In these grim circumstances, we dare not hand out empty pledges," said Mr Manuel, guest speaker at a banquet held by The Argus and Ernst and Young for the Weekend Argus 1991 Business Personalities of the Week.

"The ANC has no desire to take away capital as long as it is used productively. If businesses use their resources well, for instance,

to create productive employment, establish appropriate training schemes, raise exports or meet popular needs at a reasonable price, they can rest assured we have no wish to tax them out of existence.

"Our appeal to business is to demonstrate the same foresight it is showing in support for the process of political transformation in order to secure permanent peace and certainty.

"The implication of this is that business must now plan for longer horizons. The quick-fix short-term returns must be re-evaluated in the national interest, a step that will only begin to bring South African investors into line with the thinking in all successful countries.

"Interest in South Africa is currently luring literally hundreds of potential foreign investors here.

"They are looking for signals beyond the formal lifting of trade and investment sanctions. Local investors hold the key, only they can provide the all-important signal of confidence in the future of our country.

# Keys has 'modest' plans to promote technology

3/0ay 12/3/92

WHILE government is keen to promote technological development for the good of SA as a whole, the Department of Trade and Industry has a modest role to play when it comes to providing assistance.

It cannot be the arbiter of the type of developments which should take place and also develop a masterplan for technological advancement.

Speaking at the Technology Top 100 awards in Johannesburg this week, Trade and Industry Minister Derek Keys said: "In the economic sphere government has a minor role to play, and this is also true in the technology sphere."

However, the department would publish a brochure outlining three modest aims and ventures which may be helpful for the industry, and he called for feedback from the industry on these ideas.

"We already have our R40m a

Reports by  
MELANIE SERGEANT

year innovations support programme for the electronics industry. This pays 50% of the cost of developing products, and is managed by the Industrial Development Corporation and the department. In the brochure we will list some successful projects."

Keys said similar schemes could be developed for a wider range of industries, although the 50% contribution could be lowered, and other bodies such as the CSIR and Mintek could be involved in evaluations.

A second project could involve technological developments for government purchasing agencies and those of newly commercialised parastatals. Money could be made available to them to buy goods from local suppliers, thus fostering growth in the industry. "However, I'm not very keen on this idea, as market forces could go out of the window."

The third idea could involve a group of "wise men" to pick critical technologies for advancement of SA in the future. "Japan did this, and succeeded. The department could allow funds for creating such a consortium of wise men, but I have difficulty in seeing how the body would decide on one idea over another, for example."

He stressed that industry opinion would be sought to evaluate such plans, and that they could be attempted in the future.

Winners in the Engineering Week/SA Engineering Association Technology Top 100 were: CG Smith Chemicals in the chemical category; Circuit Breaker Industries in the energy category; Pilkington Shatterprufe Glass in the machinery category; Quality Electronic Developments in the electronics category; Mintek in the mining category; and the CSIR for research and development.

## Liquidations set to maintain momentum

PRETORIA — Liquidations of close corporations and companies increased 32,8% in the three months to end January compared with the year-ago period, Central Statistical Service figures show.

However, compared with the previous three months they decreased by 10,9% to 482. Insolvencies showed a similar trend, decreasing 27,1% to 966 in the fourth quarter, but decreasing 18,1% over the

Bl Day 13/3/92  
GERALD REILLY

previous quarter. (1800)

Head of Stellenbosch University's Bureau for Economic research Ockie Stuart said the economy was expected to start turning around by mid-year.

Liquidations and insolvencies had a momentum of their own, however, and would continue in big numbers until year-end.

Research Services

# Manufacturing index shows continued decline

SHERIDAN CONNOLLY

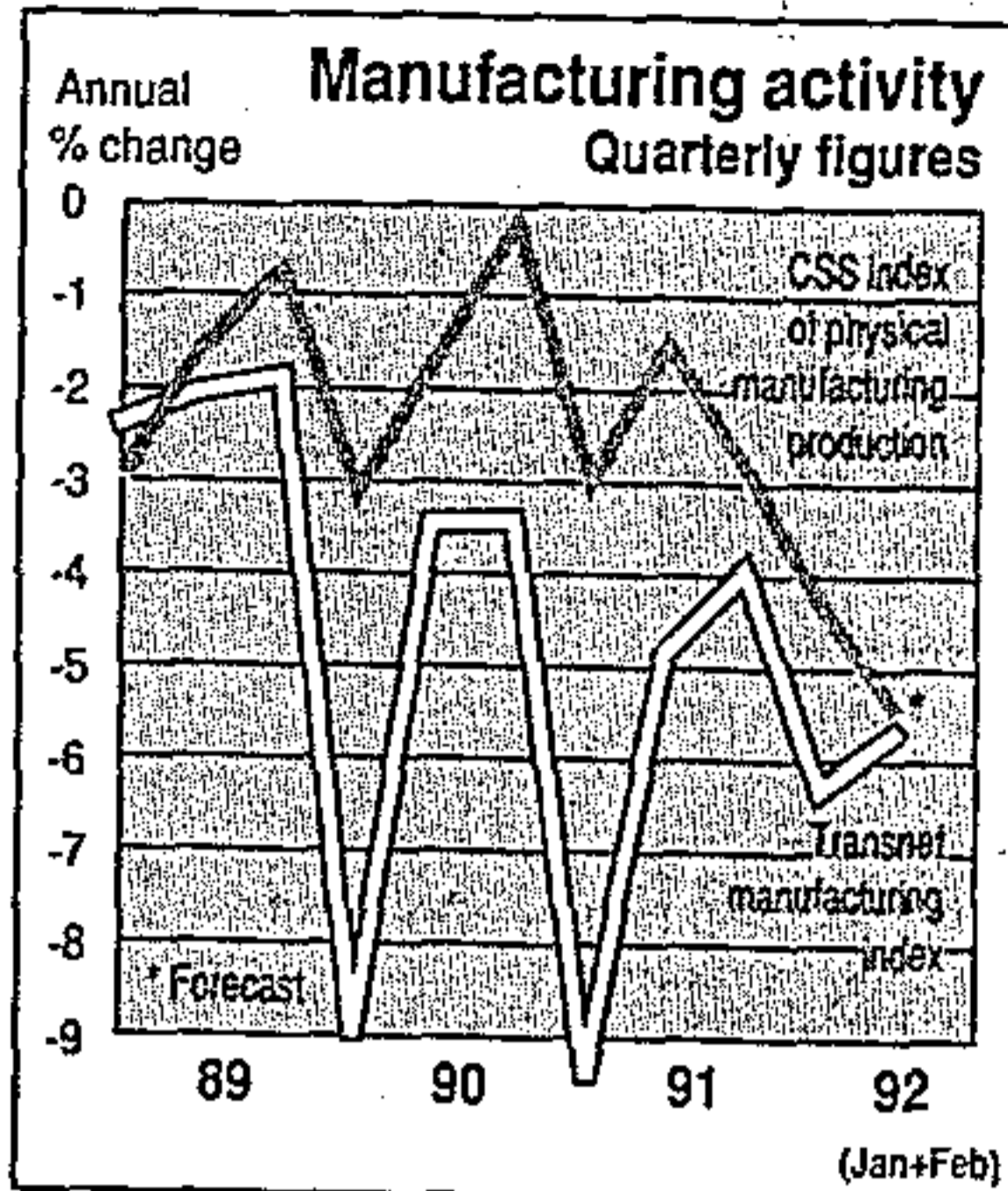
THE continued decline in manufacturing activity as measured by Transnet's manufacturing index was an indication of the severe recessionary conditions facing the industry and the economy as a whole, Transnet economist Mike Schussler said yesterday.

Transnet's manufacturing index showed activity declined for the fourth consecutive month in February. In seasonally adjusted terms, the index fell by 7,6% in the year to February, compared with an average monthly decline of 6,03% over the past five months.

Schussler said Transnet's index was based on a correlation between physical volumes of manufacturing and the volumes of manufactured products transported by the group. The index supported the sharp decline in manufacturing as represented by the CSS's manufacturing index, which also showed a sharp decline in manufacturing volumes since the fourth quarter of last year.

Despite the good performance by the export sector, SA's manufacturing sector faced tough conditions ahead and although the industry had not lost much business as such, the economy did not have the ability to expand manufacturing activity, Schussler said.

He said the stronger downward trend in manufacturing activity was frightening as



manufacturing contributed around 24% of total gross domestic product. He expected the economy to contract in the first quarter of this year.

A poor performance by the manufacturing sector would put added pressure on an economy already strained by a poor agricultural performance caused primarily by the drought, he added.

Commenting on the upturn in the SA economy expected towards the end of this year, Schussler said although the manufacturing sector showed no signs of picking up in the short term, a higher rate of economic growth would help to boost manufacturing production.

W/mant 13/3-19/3/92

**Reform allows \$25-million deal...**

SOUTHERN African Caterpillar dealer Barlows Equipment Co this week concluded a US\$25-million deal to supply Angolan state-owned diamond mining firm Endiama with equipment.

~~S.A.~~ 180

**...while referendum causes jitters...**

THE JSE marked time, assuming optimistically a yes vote. Both the commercial rand and the financial rand dipped slightly, a rare event betokening extreme nervousness. The referendum caused the postponement until April of a Johannesburg conference on trade and investment in Southern Africa.

**...and business is on ice**

THE South African Chamber of Business (Sacob) Business Confidence Index level remained at 87,4 in February for the third successive month. The unchanged figure reflects a "wait-and-see" attitude by major business decision makers, according to Sacob. Also, a number of big deals were put on hold pending a yes vote in the referendum, or had clauses inserted which would cancel deals if the referendum turned up a no vote.

**BAD DEBTS: The figures keep rising, and further increases are expected as the drought bites**

# Sad milestone?

STAR 14/3/92

180 (111)

**MAGNUS HEVSTEK**

**T**HE relentless grip of the longest post-war recession is clearly showing up in the summonses for the recovery of bad debt. In 1991 debt summonses rose sharply to breach the one million mark for the first time.

Further increases are expected this quarter, especially from the farming community which has been devastated by the drought and persistent high interest rates.

According to the latest figures from the Central Statistical Services (CSS) in Pretoria, debt summonses in 1991 rose to 1 028 913, 13 percent higher than the peak of 908 314 reached in the previous recession of 1986.

## The figures

The total number of liquidations of companies and close corporations for the three months up to January 1992 showed an increase of 32,8 percent compared with the corresponding period of the previous year.

Central Statistical Services said during January 1992 that a total of 169 liquidations were recorded — an increase of 23,4 percent compared with the 137 liquidations recorded for January 1991.

The CSS added that 3 961 insolventcies were recorded for 1991, 27,6 percent higher than for 1990.

A more disturbing factor is that about half of the summonses issued last year — 509 703 in total — resulted in judgments.

Says Tony Leng, chief executive officer of Information Trust Corporation (ITC), the country's largest supplier of business and credit information: "The disturbing aspect of this upward trend is that the value of judgments against individuals has increased at a compound annual rate of 36 percent since 1988.

"The average amount of 1988 consumer debt judgements was R1 906. Last year this average rose to R4 779.

## Disturbing

"This increase is well in excess of the official inflation rate as measured by the Consumer Price Index.

"Even more disturbing is that it indicates that consumers have been committing themselves far beyond their means — in the face of persistently high lending rates which are far higher than the prime bank rate of 20,25 percent," he says.

The trend of increasing court actions is clearly an early warning signal that insolventcies this year will exceed the level of 4 310 in 1986 — particularly if this trend is aggravated by increasing levels of unemployment, lower salary increases and a stubbornly high inflation rate.

According to Mr Leng the trend towards people issuing bank cheques against insufficient funds is also on the increase.

In this category 39 percent more individual judgments were issued last year compared with



**SOARING INSOLVENCIES: many consumers, hit by inflation and rising costs are going to desperate lengths to keep body and soul together.**

1990.  
The total value of last year's 43 101 judgments in respect of promissory notes, bills and credit

cards was R310 million — an average of R7 207 per judgment.  
"Last year's volume of dishonoured paper was up 85 percent on

the 1990 total.  
"These substantial increases in numbers and value indicate the desperate lengths to which thou-

sands of consumers have gone to maintain their standard of living," said Mr Leng.

The present degree of political and economic uncertainty has caused many to defer credit purchase decisions.

The attendant drop in demand, combined with lagging credit collections, has placed a severe strain on the cash flows of many companies, especially smaller ones.

## Summonses

This has resulted in an increase of 34 percent in the number of summonses served on businesses last year. However, judgments in that year increased by only 12,6 percent, indicating a better response by business to payment demands than by consumers.

In the short term — six months — liquidations may well hit an average of more than 160 a month. The average last year was 157 a month which in turn was 18,3 percent higher than the level of 1990.  
□ Comment: The outlook for an improvement in the financial position of the consumer is bleak. Another reduction in the prime overdraft rate, currently at 20,25 percent, would provide welcome relief, but an increase in salaries and wages at an after-tax rate higher than the inflation rate is the only way for consumers to reduce their debt burden.

Several factors have contributed to delay this. The severe impact of the drought on business conditions, as well as the uncertainty about the outcome of the referendum, has delayed any economic upswing for at least two to three quarters.



**BAD DEBTS: The figures keep rising, and further increases are expected as the drought bites**

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Several factors have contributed to delay this. The severe impact of the drought on business conditions, as well as the uncertainty about the outcome of the referendum, has delayed any economic upswing for at least two to three quarters.

# No means sanctions and huge job losses

By ROBIN PEGLER and CIARAN RYAN

THE consequences of a No vote on Tuesday will be devastating for JSE-listed companies with established export markets.

Capital investment in projects such as Columbus Stainless Steel and the Genref refinery would be halted.

Particularly affected would be companies involved in the export of paper, pulp, coal, metals and minerals, fruit and sugar.

They include Sappi, Anglo American Industrial Corporation (it has holdings in Highveld Steel, Mondi and Boart), Samancor, Amcoal, Trans-Natal, Rand Coal (formerly Witbank Colliery), Iscor, Langeberg, Tongaat-Hullet and CG Sugar.

## Value

The R3-billion Columbus venture between Highveld and Samancor would almost certainly be scrapped. The feasibility study said it was only possible if there were no sanctions.

Although ferrochrome and ferromanganese are strategic metals and therefore not subject to sanctions, extreme pressure would be placed on consumers to find other sources of supply. This would affect Samancor and Consolidated Metallurgical Industries.

Middelburg Steel & Alloys' stainless-steel operations, recently acquired by Highveld-Samancor from Barlows for R500-million, would also be threatened.

In terms of tonnage Iscor exports half its output, although the value is less than half.

Coal is SA's second-largest export, earning R4.2-billion in 1991. Coal sanctions would be reimposed almost immediately.

Rand Coal managing director Rick Mohring says about half the company's

coal is exported. The loss of markets would force the mine to retrench half of its labour force of 12 000.

Mr Mohring says: "Then there is the multiplier effect caused by the loss of these jobs. Several other people rely on the mining industry. A total European Community ban on coal from SA is a distinct possibility in the event of a No vote."

Citrus and deciduous fruit exports are worth about R1.2-billion a year, much of which would be lost in the event of a reimposition of sanctions.

A Sappi spokesman says about 50% of group products — including those of Usutu and Sappi Europe — are sold abroad. A loss of markets would force the company to retrench many of its 18 000 workers.

Businessmen say a No vote will outrage the international

community which will respond with a sanctions drive far more severe than any before.

The cost of a No vote would be the loss of tens of thousands of jobs within weeks and a freeze on investment, both here and abroad.

Barring the possibility of an outright ban on investment in SA, pure rand-hedge shares, such as Richemont, Minorco, Charter and Lonrho, would appreciate in proportion to the decline in the financial rand. The financial rand would plummet as capital fled SA.

Under a Conservative government, expenditure would be concentrated on the police, military, public-sector pay rises and bailing out farmers, all of which would be inflationary. Spending on black housing, health and education would probably be curtailed.

15/3/92  
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# Top businessmen warn of

# job losses if 'no' vote wins

STIMES 15/3/92

180

A SCIENTIFIC poll of top SA businessmen

**BRIAN POTTINGER and CHARLENE SMITH**

this week shows the overwhelming majority expect plunging profits, retrenchments and isolation as an immediate consequence of a "no" vote.

Many companies indicated that whole areas of business would come to a standstill, because foreign licensing arrangements would end with the imposition of sanctions.

Estimates of unemployment as a direct and immediate consequence of a "no" vote ranged from a modest three percent of staff to 30 percent.

The poll — the most comprehensive survey yet of business sentiment on the referendum — was conducted among 120 companies by Research Surveys of Cape Town. The questionnaires were

answered by chief executive officers or top executives.

Almost all executives feared a "no" vote would cripple foreign trade contacts at a national and company level — particularly in agriculture, manufacturing, travel and tourism.

## Drop

Ninety percent believed it would affect their com-

panies. Many believed they would be denied technological exchanges, technological support and licensing contracts.

The overwhelming majority confirmed it would affect their investment decisions and expected a drop in company turnover. Only two percent of those polled said they felt "positive" about a "no" vote.

Many adopted a "wait-and-see" attitude on what the effect of a "yes" vote would be.

Half of the businessmen were neutral on whether a "yes" vote would improve consumer spending and employment. Many more were confident, however, that it would help social stability.

## Impact

The poll reflects the deep concern among South African businessmen — particularly the larger corporations — about the effect of a "no" vote on the economy.

In the last two weeks a number of top companies have written to employees advising them of the negative impact of a "no" vote on the company and possible risks to their jobs.

Mr Peter Searl, chairman and MD of Volkswagen, advised white employees that if the world decided to act against South Africa following a "no" vote in the referendum, virtually all export business would be lost overnight, probably resulting in thousands of jobs being lost in the Eastern Cape.

A "no" vote would mean the imposition of penalties, sanctions and punitive action that would make previous measures "look like a picnic", Mr Searle said.

Sasol told workers that if sanctions were reimposed, up to 6 000 people at Sasol One and Sigma could lose their jobs.

Johannesburg Consolidated Investment chairman Pat Retief, in a letter to employees, said: "If we cannot sell our production because of reimposed sanctions both your job and my job will be threatened. Continued reform is important because it is the only way to free the economy so it can grow."

Simpson McKie Inc, major JSE stockbrokers, said that, while they were not in the business of party politics, they knew about local and international financial markets.

## Hope

They warned a "no" vote could result in the massive destruction of wealth, whether shares, mutual funds/unit trusts, retirement annuities, pension funds, gilts or property.

"There will also be little hope of a subsequent recovery, and a big increase in suffering by way of even worse unemployment."

Mr Andries Beyers, Conservative Party chief secretary, hit back at employers urging their workers to vote "Yes".

He said it amounted to "intimidation" and warned that a record was being kept of those companies and they should not be surprised if, after this "interference" in the democratic process, steps were taken against them.

(News by Brian Pottinger and Charlene Smith, 11 Diagonal Street, Johannesburg)

# Business told of serious implications of 'no' vote

S/Times [Cm]

15/3/92

(180)

THE Cape Town-based Life Office Association (LOA) and the Cape Town Chamber of Commerce are among prominent local organisations warning that a "No" vote in Tuesday's referendum could have serious repercussions on investment and the inflow of foreign funds.

The LOA warns that the link between investment and insurance policies could be affected.

It says in a statement: "A No vote outcome could have such a seriously negative impact on the investment markets, which influence the underlying values of policies, that the benefits arising from these policies or pension funds could be significantly impaired."

Another warning on investment comes from the South African Chamber of Business (SACOB), which says that as a major employer organisation representing 102 chambers of commerce and industry and 70 national associations it does not get involved in party politics.

However, it points out that because of the decisive role of investment — both foreign and local — in a return to a substantial growth path, South Africa cannot afford to be isolated again from the world economy and its capital resources.

It says this was confirmed by a

recent International Monetary Fund report on South Africa which concluded that "if economic growth were to be raised to about 3,5% a year — or to the minimum rate that would be required to reduce the level of unemployment given the rapid prospective growth of the labour force — the investment-to-GDP ratio would have to rise to about 27% from its present level of 19%".

SACOB says that to achieve these economic results requires a high level of confidence both in South Africa and abroad — coupled with a minimum of uncertainty.

The referendum will play a major role when companies assess the political risk of doing business in South Africa, and the result should strengthen and not weaken business confidence so as to enhance investment, job creation and the addressing of urgent social needs.

SACOB adds that the referendum outcome could also have important implications for Southern Africa as a region, as it would have to be attractive to overseas business people in a highly competitive world.

The Cape Town Chamber of Commerce president, Kenneth Marcus, calls on the Cape Town business community to support a "Yes" vote in the referendum.

In a statement following the chamber's executive council meeting, he says the chamber supports SACOB's view that the referendum should strengthen and not weaken business confidence.

"This chamber has consistently advocated the abolition of apartheid and the involvement of all representative leaders in negotiations for a new constitutional dispensation in South Africa.

"The business community cannot afford to stand on the sidelines but, in its own self-interest, has to facilitate the promotion of peaceful political reform in the country.

"SACOB and others have warned that South Africa cannot afford to be isolated from the world economy, its capital resources and its markets.

"South Africa will have to compete strongly for its share of international capital, and the decision in the referendum will play a major role when companies assess the political risk of doing business in South Africa."

Mr Marcus says it is "vitally important" for every qualified voter to register his or her vote in the referendum.

He appeals to all business concerns to make it as easy as possible for staff members to vote on Tuesday.

## Trend towards decentralising

THE Johannesburg CBD is still the most concentrated area a square kilometre for top industrial companies' head offices, but relocation over the past few years shows that the area of investment growth is between Braamfontein and Midrand. 180

"For every top industrial company with headquarters in the Johannesburg CBD, there are now two positioned between Braamfontein and Midrand," says Property Economist's Neville Berkowitz.

While the decentralisation trend of head offices has often been disputed, the facts are that 63% of these are found in the decentralised zone between Braamfontein and Midrand compared with 37% in the Johannesburg CBD, he says.

"Within this area, 86 of the top 300 industrial companies have their headquarters primarily feeding off the spine development of the M1 motorway from Johannesburg to Pretoria."

The implications of this shift in demand were fundamental to strategic planning about where to develop new buildings.

"Head office locations chosen by top companies are often a strong indicator of the potential target market for prospective tenants, giving an idea of the goods and services infrastructure needed."

# Business calls for immediate tax cuts

STAR 16/3/92

By Derek Tommey

(180)

Strong pressure is being put on the Government by business to give the economy a kick start by lowering income tax in this week's Budget.

The call made today by Gavin Relly, chairman of AECL, in his annual statement to shareholders for an immediate boost to growth and employment, is representative of the appeals being made to the Government by heads of industry.

Mr Relly does not call directly for a cut in tax, but says the need for an immediate boost to the economy is even more acute now than a year ago because many of SA's trading partners are mired in recession.

"Progress in implementing major programmes to reduce backlogs in housing, education and electrification has been painfully slow as many of the impediments remain unresolved," he says.

Other businessmen who have been hit by economic sluggishness and especially by the four percent drop in retail sales in real terms last Christmas have been making similar representations and urging a cut in income tax.

The South African Chamber of Business (Sacob) has even



Gavin Relly . . . Immediate boost needed

suggested that income tax tables should to be changed right after the Budget (instead of waiting until June, as usually happens) so that the reductions it wants will have an immediate effect.

One reason business is seeking tax cuts is that the Reserve Bank has made it clear it has no intention of cutting interest rates to stimulate the economy.

While a small reduction in rates may be in the offing to help confidence, there is no likelihood of major cuts.

It seems, therefore, that the

only way the economy can get an immediate boost is by lowering taxes.

This, in fact, is becoming a matter of urgency because one of the main causes of the recession is the persistent over-taxation of South Africans in recent years.

Every Budget Day the Minister of Finance stands up in Parliament and announces a cut in income tax rates.

But every year taxpayers end up paying more because the tax rates have not been lowered enough to offset the effects of inflation.

Last year this resulted in South Africans paying three to six percent more tax than the previous year.

While a three percent rise in tax payments in real terms may not seem all that much, it mounts up when it happens year after year.

In 1985-86 a person earning R20 000 a year paid 19,2 percent of it in tax.

Last year a person earning the same amount in real terms paid 24,5 percent in tax.

The average rate of tax of someone earning R40 000 in 1985-86 was 28,8 percent. Last year the average tax rate of someone earning the equivalent amount was 32,8 percent.

This highlights the steady transfer of wealth from the or-

dinary person to the Government in recent years and helps account for much of the sluggishness in the economy.

However, there seems a good chance that this wealth transfer is about to be reversed.

President FW de Klerk said at the opening of Parliament in January that the Government would do all it could to reduce tax.

And the drastic cuts that are being made in government spending suggest he is trying to keep his word.

Last week he warned that the Budget could be a tough one.

But these remarks are seen as applying more to the public service and other bodies dependent on state spending.

Another reason why a tax cut seems likely is that with the economy so seriously underperforming, any improvement in activity should lead to enhanced revenues.

So any loss of revenue as a result of tax cuts could soon be recovered.

Finally, as this week's referendum has been showing, the National Party is increasingly dependent upon the support of English-speaking South Africans.

If it wants to woo them further, a cut in income tax would be one of the main ways of doing so.

## Businesses urge staff to vote 'yes'

*B/Dan 16/3/92*  
SHARON WOOD and BILLY PADDOCK

MANY businesses are breaking with traditional policies of political non-involvement and are urging staff members to vote "yes" in tomorrow's referendum. (180)

Nedcor distributed a letter to staff members on Friday saying that a "yes" vote would be in line with sound economic principles. It would also be in line with Nedcor's values and moral convictions.

A Nedbank spokesman said at the weekend that while the company was urging the staff to vote "yes", this was not a party political standpoint and the group would not give money to a political party.

Nedcor's move follows recent chairmen's letters sent to the staff of two other major banks, Standard and FNB, discouraging them from casting "no" votes.

Standard chairman Henri de Villiers said that to reject negotiation, or even to register a substantial minority vote against it, would endanger the future of SA as a functioning economy.

A source said at the weekend that while banks and big business were confident of a "yes" win, they expected the victory mar-

□ To Page 2

## Businesses

*B/Dan 16/3/92*

(180)

From Page 1

gin to be smaller than had been forecast.

As far as he was aware not one business had made provision for a "no" victory.

A "no" vote would lead to the reintroduction of sanctions, forcing SA to act on a shrunken business stage and would negate the benefits of open capital markets and vibrant export growth, the source said.

A major scientific poll of leading businessmen has shown that many company CEOs have distributed literature to staff members spelling out the negative effects of voting "no".

The poll, conducted by Research Surveys in Cape Town, shows top executives and decision-makers forecast plunging profits, huge retrenchments and the general disintegration of operations with increased international isolation.

A major multinational vehicle manufacturing company predicts its SA operation could collapse, with the loss of more than 7 000 jobs, if there is a majority "no".

There was a 75% response rate from the initial sample of 120 top executives, and survey manager Jan Hofmeyr said this was a very accurate indicator of what would happen in the business world.

He said executives had taken time to

complete the survey, and in a separate section with open-ended questions they had gone into substantial detail — which gave surveyors the ability to gauge the qualitative context of the figures.

A "no" vote would overwhelmingly dent investor confidence, with companies predicting an immediate 3.5% decline following a negative result and some potential collapse within the next 10 years.

A major building company said that given a "yes" majority it could predict sustainable growth for 10 years at 10%. The average of other predictions was between 3.5% and 5% sustainable growth.

But in the event of a "no" win, the prediction was for 3% to 30% job losses, with increases being almost exponential.

Some 36% of companies said a "yes" vote would increase consumer spending.

They all expressed concern that sanctions would be reimposed and warned that this would result in a lack of growth, and job losses.

A letter from Rennie's CE Piet Steyn to senior staff said the World Bank was expected to pump R15bn into development in SA, but a "no" win might imperil this.

GET

# Boost in incentives for beneficiation projects

ALUMINIUM producer Alusaf's multi-billion-rand expansion programme is likely to go ahead because of amendments to the Income Tax Act announced in the Budget yesterday.

The R3bn to R4,5bn project, together with the R2,5bn Columbus Stainless Steel project, has excellent chances of qualifying for tax incentives designed to promote largescale capital projects involving the beneficiation of base metals in SA, industry sources say.

Finance Minister Barend du Plessis said yesterday government decided to widen the parameters of the special accelerated deductions under section 37E of the Act. The original amendment provided for the accelerated and enhanced depreciation of machinery, plant and buildings used in the beneficiation of local minerals, and immediate deduction of any preproduction interest, subject to certain criteria.

Trade and Industry and Economic Coordination Minister Derek Keys said the Act's definition of beneficiation had been broadened to include imported raw materials and intermediate products.

A second key amendment was the clarification of the value which projects had to add to these, he said.

Alusaf — in which mining group Genmin has a 31% stake — plans to import alumina from abroad for conversion locally to aluminium, which it believes it can do more than competitively because of a favourable agreement with Eskom, which ties electricity costs to aluminium prices.

MATTHEW CURTIN

Genmin minerals division MD <sup>19/3/92</sup> Fred Roux said it was now "extremely likely" that Alusaf would give the project the green light at the end of June.

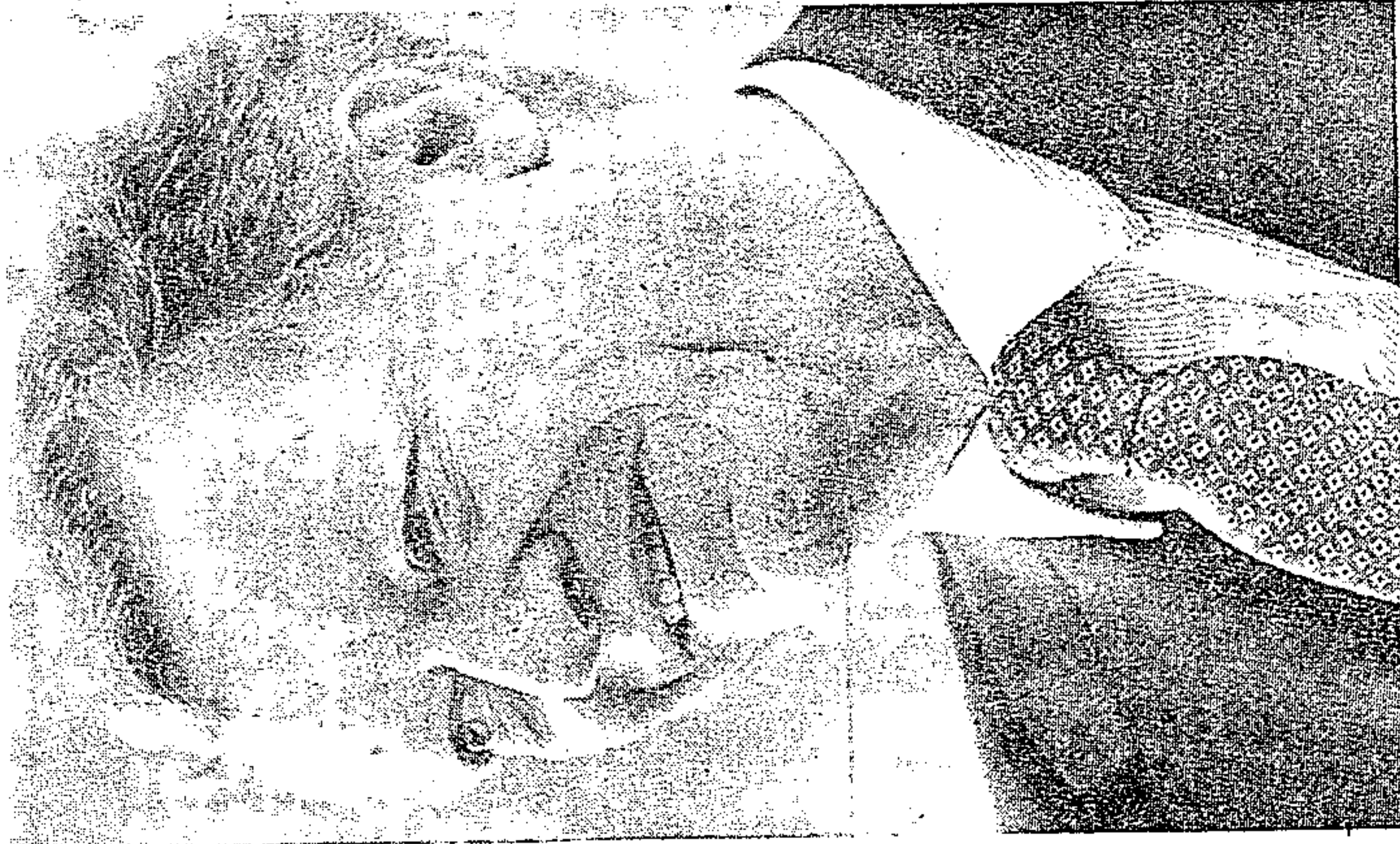
MD Rob Barbour said the government's move was "a very important step" in addressing the project's huge capital cost.

Roux said in the longer term, SA's "because of cheaper electricity, could look at beneficiating African mineral production in general."

Anglo American senior economic consultant Jim Buys welcomed the ending of the narrow focus of the previous amendments. Much of the economic success of newly industrialised countries in the Far East was owed to their ability to import raw materials, add value to them and export them profitably, he added.

Du Plessis also brought mining taxation more in line with company taxation. He proposed the mining tax formula would be adjusted in line with the 2% cut in the company rate last year. And, phase four of the phasing out of the surcharge on non-gold mines would proceed, with the proposed implementation of a 3% surcharge, against 6% last year, reducing the tax rate to 49,4%.

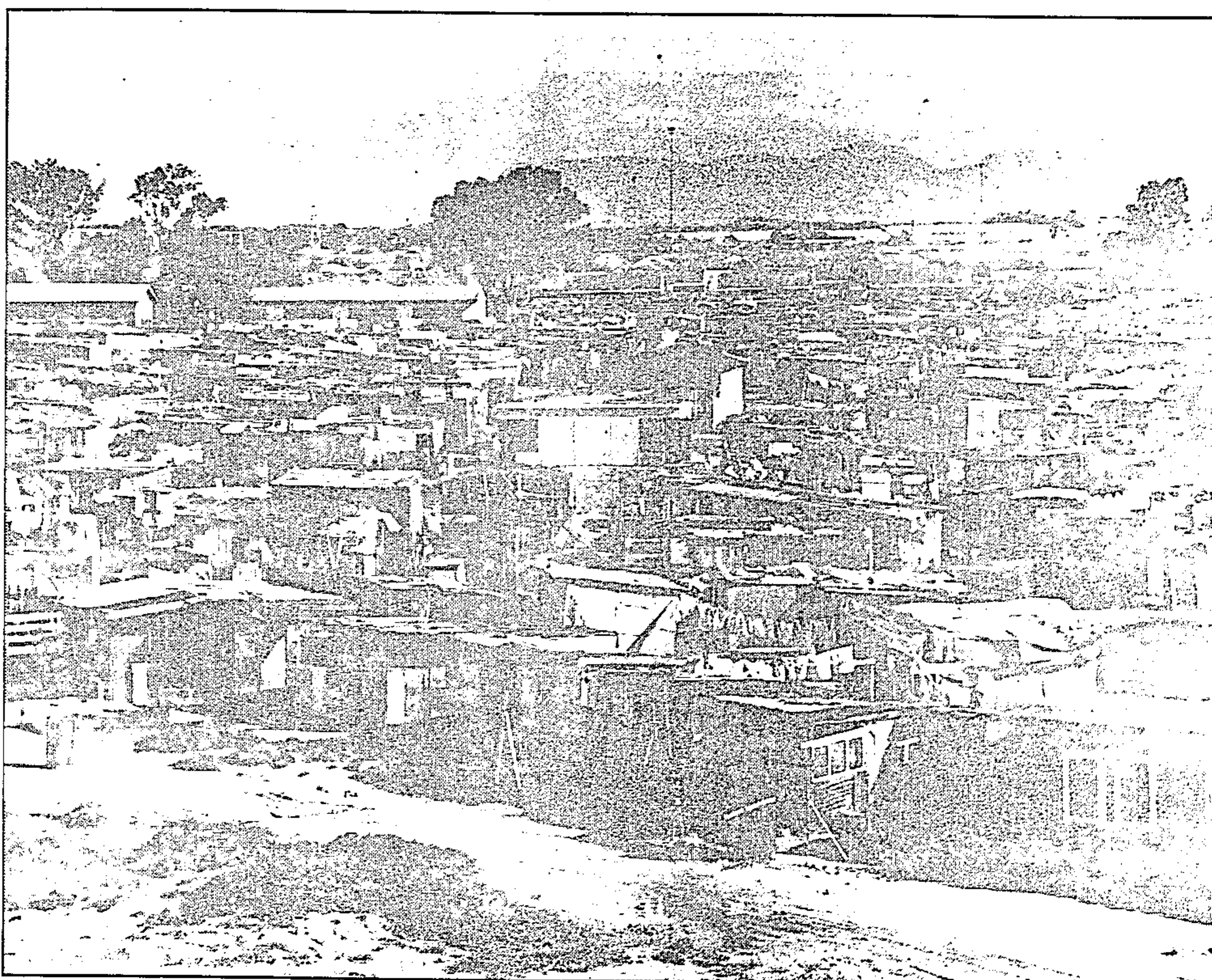
Anglo American tax consultant <sup>19/3/92</sup> Mattius van Blerck and KPMG Aiken & Peat partner Alistair MacKenzie said the move was welcome, but noted the effect would be negligible given the poor profitability of the industry at the moment.



Trade and Industry Minister Derek Keys

Picture: ROBERT BOTHA





Housing . . . R3,3 billion has been allocated in the budget to address the backlog in mainly black housing.

## Private sector 'must contribute'

By Shirley Woodgate

R4 billion a year.

The R3,3 billion allocated in the budget to address the backlog in mainly black housing was a tremendous gesture which would have to be matched by the private sector, said housing consultant Philip Hamm.

"The current backlog is about 200 000 units per annum for the next 10 years. The cost of serviced stands, infrastructure and houses (is) about

Mr Hamm predicted it could lead to an upsurge in job creation and land development.

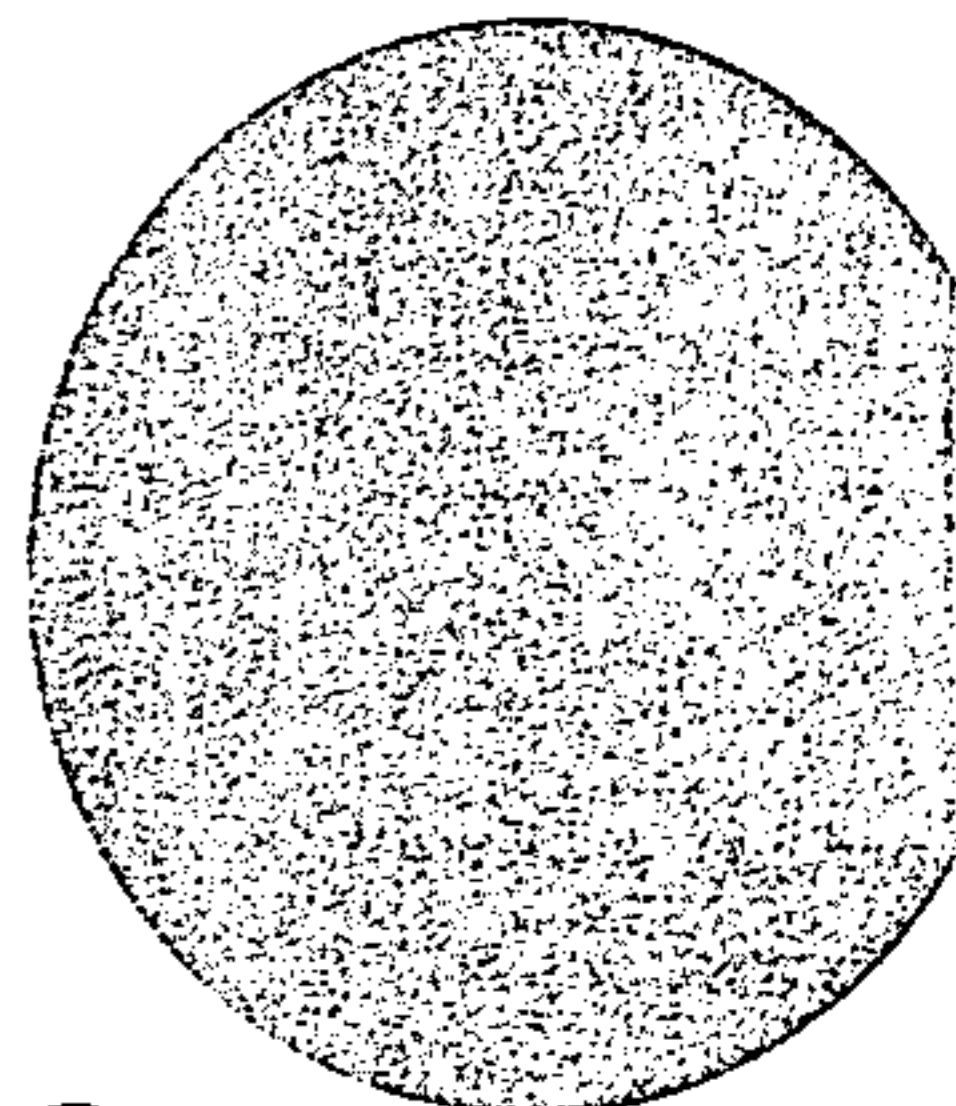
"But there is no quick fix solution to our housing problem, which must include social upliftment and political participation which has already been instigated by the Government," he said.

The ANC said: "The Government's total allocations to housing budget appears to be broadly

appropriate, but the central issue is the way these allocations are spent and managed.

"We have no faith in the ability of the departments responsible for these areas to deliver the services in an effective and efficient way.

"The absence of clearly defined goals and the maintenance of the apartheid bureaucracy will exacerbate the inefficient spending in these areas."



# Big business urges action to kickstart the economy

STAR 19/3/92

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By Paula Fray

As business reacted to the resounding "yes" vote, there were immediate calls last night for South Africans to harness the post-referendum optimism to rebuild the flagging economy.

SA Chamber of Business said yesterday the result should give a new thrust to business and investor confidence at home and overseas.

"The outcome of the referendum will undoubtedly have a positive influence on the medium and longer-term performance of the SA economy and should lead to any remaining sanctions being lifted soon," said president Hennie Viljoen.

The onus, he said, was now on South Africa to create an environment of stability and growth which would promote investment and job creation.

This view was echoed by Johannesburg Chamber of Commerce and Industry president Mike Cato who exhorted businesses to put the referendum behind them and focus efforts on growth and development.

National Productivity Institute executive director Dr Jan Visser agreed that people needed to put the referendum behind them and "get on with the job".

The "yes" vote gave South Africa an opportunity to confidently exploit its foreign economic relations in growing exports in order to kick-start the lagging domestic economy and achieve a higher overall economic growth rate, said Safto chief executive Wim Holtes.

Anglo American Corporation described the referendum result as "outstanding".

"White South Africans have unambiguously displayed good sense and humanity and have voted to continue negotiating a common future with their fellow South Africans," the mining corporation stated last night.

From an economic point of view, the biggest advantage of the referendum's conclusion was that insecurity had been removed, said Afrikaanse Handel-sinstituit president Attie du Plessis.

The pro-reform result was a triumph of common sense over

"yesterday's stereotypical thinking" according to Federated Hospitality Association of South Africa president Theo Behrens.

He said the mandate given to Mr de Klerk was a shot in the arm for the business community: "The hospitality industry, in particular, is confident it will be able to take its rightful place in the world again."

Castrol SA chief executive Derryck Spence said the overwhelming "yes" vote would allow the company to determine its destiny without outside interference as well as focus on attracting investment and expanding its operations.

In property, a period of waiting ended yesterday for many sellers who had added in a "yes" vote clause to their sales.

Seeff Organisation Holdings chairman Lawrence Seeff said the result was positive news for the property business.

Camdon group MD Scott McRae said the majority "yes" vote would produce a surge in value in the property market, boost the construction sector and attract overseas investors.

## Tax incentives to encourage exports

LINDA ENSOR

CAPE TOWN — Tax incentives to promote the beneficiation of imported raw materials and intermediate products for export markets were announced by Trade and Industry Minister Derek Keys yesterday.

The announcement followed the statement by Finance Minister Barend du Plessis during his Budget speech that the parameters of the special accelerated deductions under Section 37E of the Income Tax Act would be widened. Du Plessis said this move could act as a significant further incentive for private investment and exports, particularly in the mineral processing and beneficiation industry.

Keys said the proposed amendment taken together with other changes to the section would encourage new investment in a greater number of large-scale capital projects. *Monday 19/3/92*

Keys said Section 37E would be retrospectively amended with effect from yesterday to broaden the definition of beneficiation to provide for the inclusion of local and imported raw materials and intermediate products.

Section 37E provides for the accelerated deduction of the expenditure on qualifying plant and machinery, buildings and pre-production interest on cost. Its primary aim, a statement says, is to help investors bridge start-up costs. Negotiable tax credit certificates are issued in cases where deductions cannot be written off against income immediately.

Previously, the section — which was introduced as a temporary measure in September 1991 — stated that only beneficia-

□ To Page 2

## Exports

*Monday 19/3/92 (180) 91/12/6*

tion projects which used locally sourced base minerals and intermediate products qualified for the tax incentive.

The amendment broadens the scope of the measure to include all raw materials intended for beneficiation instead of being limited to base minerals.

Keys said the section would also be amended to require that the beneficiation process add at least 35% to the value of the raw material. The calculation of the value added would be based on a new formula announced in the amendments.

It is still necessary for qualifying projects to be internationally competitive and to export more than 60% of their output.

The proposed amendment also required that in approving a process as a beneficiation process, a specially appointed committee had to examine the degree to which the production of an intermediate product encouraged further processing of the product in SA, its effect on the Exchequer and on small and medium enterprises.

● See Page 9

□ From Page 1

# Business predicts sanctions will go

3/10/92 19/3/92

Business Day Reporter

BUSINESS organisations yesterday predicted that concrete economic spinoffs — including the lifting of remaining sanctions — would flow from the referendum result.

Sacob president Hennie Viljoen said the outcome would "undoubtedly have a positive influence on the medium- and long-term performance of the SA economy".

He said the outcome was decisive and strongly supported current constitutional negotiations, and predicted remaining sanctions would be lifted soon.

"Despite the positive contribution which the world community can make, the onus is now on SA to create an environment of stability and growth which will promote investment and job creation."

GERALD REILLY reports Afrikaanse Handelsinstituut president Attie du Plessis agreed that the way was open for an ending of sanctions.

Boycotts, sanctions, economic isolation and the withholding of overseas investment would now be something of the past and SA businessmen could look forward to reaping the benefits, Du Plessis said.

Johannesburg Chamber of Commerce and Industry president Mike Cato urged foreign investors to regard SA as the kingpin for the development of southern Africa.

Sapa reports that he warned, however, that the referendum result was not a panacea for prosperity and that a lot of hard work had to be done.

"Prosperity will not just arrive like Christmas day. We are going to have to work for it, and we are going to have to work together," he said.

The Johannesburg Stock Exchange Committee said the outcome promised an era of growth, job creation and increased productivity.

The Institute of Directors in Southern Africa said the outcome bode well for a

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REFERENDUM

'92

market-orientated economy and the future of the sub-continent.

Although new investment on a large scale would take time to materialise, the correct signals had been given and investment would follow as a matter of course.

Executive director of the association for the promotion of the Western Cape's Economic Growth (Wesgro) David Bridgman said the "magnificent" referendum result meant SA now entered a new phase of growth and development.

Fedhasa president Theo Behrens said in a statement the country's hospitality industry was "confident that it will take its rightful place in the world again".

It was no secret that "virtually our whole economy had been put on hold pending the result of the referendum. Now that the result is known, my fervent wish is that those who voted 'no' — with legitimate reasons of their own — will now accept the democratic decision and help us build up our economy and our country".

Fedhasa was set to meet the demands of increased tourism, he added.

Seeff Organisation Holdings chairman Lawrence Seeff said the outcome meant homeowners would sleep peacefully at night "knowing that their major investment would no longer be threatened by the archaic attitude of the right", Seeff said in a statement.

"Any other result would have been a catalyst for financial mayhem in the property market. We are all relieved at the outcome."

# 'Little help' for small business

Budget 20/3/92

THEO RAWANA

THE R3,8m allocated to the SBDC for development of small and medium enterprises was disappointing, SBDC MD Ben Vosloo said yesterday.

The allocation compared dismally with the R2bn voted for export incentives for big business, the R1,26bn voted for regional industrial development, and the R1bn voted for agricultural relief, Vosloo said in a statement on the Budget.

"It is also significantly lower than the R283m budgeted for industrial development, or the R55m budgeted for the promotion of tourism in the budget vote for the Department of Trade and Industry," Vosloo said.

The SBDC believed that development of the small and medium enterprise sector would be of prime importance in addressing the problems of economic growth and job creation.

"We are disappointed, therefore, that the Budget once again seems to promote high-tech industrial development and exports at the cost of the small and medium enter-

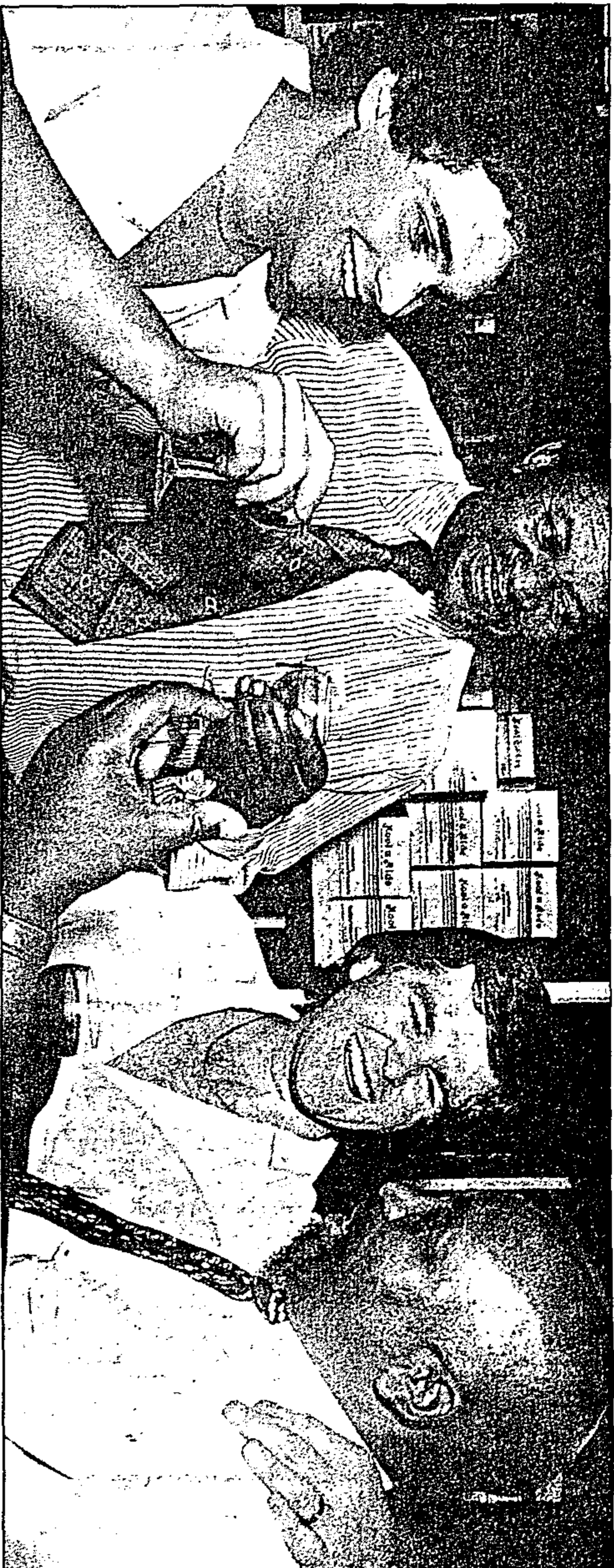
prise sector development. (180)

"Clearly small and medium enterprise development does not rank as a high priority in the development strategies and policies of the present government," said Vosloo.

He added: "The time is overdue to realise that current priorities, policies and institutional arrangements, as far as the small and medium enterprise sector is concerned, are totally inadequate in terms of what is required to build a better, more prosperous new SA.

"There is an urgent need for a national small and medium enterprise development strategy.

SBDC economist Edwin Basson said the Budget did not contribute to a general climate of growth, because none of the areas in which growth originated — consumer, government and investment expenditure or exports — would benefit.



HERE'S TO THE FUTURE: Starting a new business is good reason to celebrate with your partners, but make sure you have done your homework thoroughly.

# Deciding on the correct legal structure

STAR 213/92

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**I**t is a common misconception that the first thing you need to do when setting up your own business is to form a company or close corporation.

Although either may turn out to be the best legal structure, you need to consider the other legal structures.

There is a dividing line between structures which have their own "legal personality" (limited companies and close corporations) and those that have no separate legal identity from their owners (sole traders and partnerships).

It is important to remember, however, that the most appropriate legal structure will depend largely on your personal circumstances and the type of business that you intend to operate.

So, always consult your accountant or attorney before making a decision.

The structure chosen will differ in its ability to continue separately from its owners and will be directly related to the owners' participation in profits and, therefore, liability for the debts of the

corporation.

As the formal requirements increase, direct participation in profits will normally decrease, as will the owners' liability for the debts of the organisation.

At the same time, however, these formalities will also increase the costs of operation.

## A limited company

**ADVANTAGES:** The main advantage is that legally a limited company provides a limit on the liability of the members (that is, the owners).

In many cases, though, the concept of limited liability is much reduced for new or developing businesses, because personal guarantees are often required from the owners for any credit given.

Transferability of ownership is simple and done by means of selling shares in the business.

A company has an ongoing existence, and does not need to be wound up in the event of the death or permanent disability of the directors and/or shareholders. A company is also taxed as a

separate legal entity.

**DISADVANTAGES:** Costs for the formation/set up are high.

Annual financial statements have to be audited by a registered public accountant and auditor.

Losses are not distributable to the shareholders and therefore cannot be offset for tax purposes against other income of the owners.

Compliance with the Companies Act can be time-consuming and costly.

Companies may attract a higher rate of tax than individuals on their income. Stamp duty is payable on the transfer of shares.

## A close corporation

**ADVANTAGES:** Limited liability is established, but the incidence of personal guarantees, which will be quite common, may negate a certain amount of this.

A close corporation may, under certain circumstances, give financial assistance for a new member to buy an "interest" in the close corporation and it may acquire

the interest of a retiring member.

There is no stamp duty payable on the transfer of ownership.

An "accounting officer", rather than a registered accountant and auditor, is required to approve the annual financial statement of the corporation.

A suitably qualified member of the corporation may be appointed as accounting officer. If all members agree in writing.

**DISADVANTAGES:** While the financial statements do not have to be audited, they do require the approval of an accounting officer.

The maximum number of people that can participate, by way of ownership, is 10. The corporation cannot be subsidiary, since ownership is limited to natural persons. Members can incur personal liability in certain circumstances. Every member is an agent for the corporation, can act on its behalf, and can participate in its management.

This means every member can legally bind a corporation in respect of transactions with third parties.

**Partnerships and sole traders**

**ADVANTAGES:** There are no setting-up formalities required. Generally, a partnership will be governed by a written partnership agreement which, though not essential, is advisable.

Conversion to a close corporation or even a limited company is relatively straightforward.

Losses incurred in the business can be set off against other income.

All profits or losses earned will accrue to the owners in their personal capacity.

**DISADVANTAGES:** There is no limit to the liability of the partners or sole traders. In the case of a partnership, partners are jointly and severally liable for the debts of the partnership.

This means that if the partnership fails to pay its debts, these become the responsibility of all the partners. The undertaking will be as creditworthy as its owners, and will

enjoy a "commensurate ability to expand and raise finance. A partnership may not exceed 20 people except in the case of certain professions. There is less flexibility in transferring ownership. In the event of death, permanent disablement or retirement of the sole trader or partner, there may be difficulties in maintaining the business structure.

**OTHER:** There are other types of organisations (for example, trading trusts, limited partnerships) which could be used for carrying on your own business. The choice of structure is an important one and you should seek professional advice if you consider these alternative structures may be suitable to your circumstances.

Next week: Forming the legal structure.

Adapted from "Starting and Running Your Own Business", published by the Private Business Services Division of chartered accountants KPMG Atken & Peat.

# These are worth watching

STAR 2/3/92

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JACQUES MAGLIULO

**T**HERE is a misconception among private investors that all shares are affected by cyclical fluctuations, social upheaval and political events like the Referendum and Budget.

This error has made a select few astute investors extremely wealthy since the October 1987 crash.

These shareholders have disproved the notion that all shares are influenced by bullish or bearish sentiment through their investments in over 20 listed companies, which have shown substantial and constant annual increases in share prices.

To illustrate that such shares exist, a number of share prices, across numerous sectors, were analysed and compared to the Industrial and Overall indices, which rose by 190 percent to 4371 and by 118 percent to 3524 respectively.

The following high growth stock are identified:

- In the Beverages, Hotels and Leisure sector, Dalys has risen by 565 percent to 4125c and its subsidiary, SunCrush, by 572 to 29000c;

- Paper and packaging company Caricor's share has increased by nearly 760 percent to 4300c;

- Furniture retailer Ellerine's share climbed by 425 percent to 5250c;

- Under the bank and financial services sector, BoE's share soared by 350 percent to 1125c and Investec by nearly 500 percent to 1850c;

- Transport company Mobile's share price grew by 900 percent to 3200c and its subsidiary Trencor by 945 percent to 12800c.

Other high growth stocks include retailers and wholesalers CNA Gallo, Clicks and Foschini, industrial holding companies BTR Dunlop and Imperial. Insurance company Saflife, electronics firms Delta and Aberdare, Tobacco and Match listed Utico and Toyota under the motor sector.

Although these stocks are difficult to identify — they are not limit-

ed to particular sectors or types of operation — there are a number of common elements which enable investors to recognise them. They are:

- Movement in share price. This is the easiest indicator as the share continues to increase, despite market trends and other market forces;

- Political and economic variables. Instability and recession do not hinder upward share movement;

- Market share. The company displays monopolistic characteristics or has a high market share;

- Nature of business. The business is growing and expanding;

- Dividend yields. The company's dividend yield trades at a premium to its sector and to the Industrial Index.

While these shares are tightly held and thus difficult to obtain, dealers say parcels are periodically made available through new issues or shares splits. If these shares can defy an overwhelming number of negative factors experienced from the mid-1980s, then the time to acquire such shares must be during the current bearish market.

# The economy still stagnates despite a 'yes'

SITimes (BUSS)  
22/3/92

180

By CURT VON KEYSERLINGK  
and CIARAN RYAN

IN SPITE of the euphoria over the "yes" victory in the referendum, it will do little to pull the economy out of the longest recession SA has experienced since World War 2, say economists.

Investors in the JSE also seem to take the view that the economy is not on the brink of a boom as share prices fell after the JSE index hit a high point immediately after the result was known (see graph).

"The 'yes' vote should boost business confidence, but I do not see it bringing forward the economic recovery, which is still not likely to start until the second half of the year,"

says Old Mutual chief economist David Mohr.

"We have to be realistic. There is still a rocky road ahead for SA and the 'yes' vote has not solved the problems that will have to be addressed in the negotiation process. All it has done is confirm that negotiations will proceed.

"The referendum has raised confidence but there is nothing it or the Budget can do that will have any significant immediate effect on economic activity," says Sanlam chief economist Johan Louw. "Recent salary increases have been below inflation, so the man in the street simply has no money in his pocket to spend."

"President De Klerk had the courage to hold the referendum. The same sort of courage is needed in drafting a new type of Budget."

Mr Louw says the Budget has not addressed the structural problems in fiscal policy. "But it is for political reasons that Barend could not raise Vat, and he could not drop company and income tax," he says.

Mr Mohr says the Minister had little room to manoeuvre because of political constraints and because of the sluggish economy, which is stunting revenue growth. "It is hard to reform tax policy when times are tough. Most countries do it when revenues are growing."

He says business confidence has improved this week but that potential investors are still holding back because of uncertainties as to how the economy will be managed in future.

Barlow Rand group economist Piet Haasbroek says there is no guarantee the Codesa negotiations will end in a peaceful settlement and that investment is unlikely to take off until business "gets a stability signal from Codesa".

Economists say the Budget will do little to stimulate the economy.

## Drag

Sacob chief economist Ben van Rensburg says: "We have had a huge 'yes' vote and we needed a positive Budget to match the positive political news. What we got was a holding operation. And if the political climate continues to improve this Budget will be inadequate."

Dr Van Rensburg suggests that another "interim budget" be presented later in the year in which income tax is cut to eliminate fiscal drag.

Echoing the views expressed by Sankorp economist Peet Strydom at Sacob's post-Budget seminar he says: "We need a new paradigm for fiscal policy. Instead of being based on considerations of revenue and expenditure, budgets should be based on the need to create a growth-oriented economy."

Mr Mohr says: "The relaxation of HP conditions is proof that the economy is still slack. And I do not believe that businesses will invest in new capacity until after volume sales start picking up."

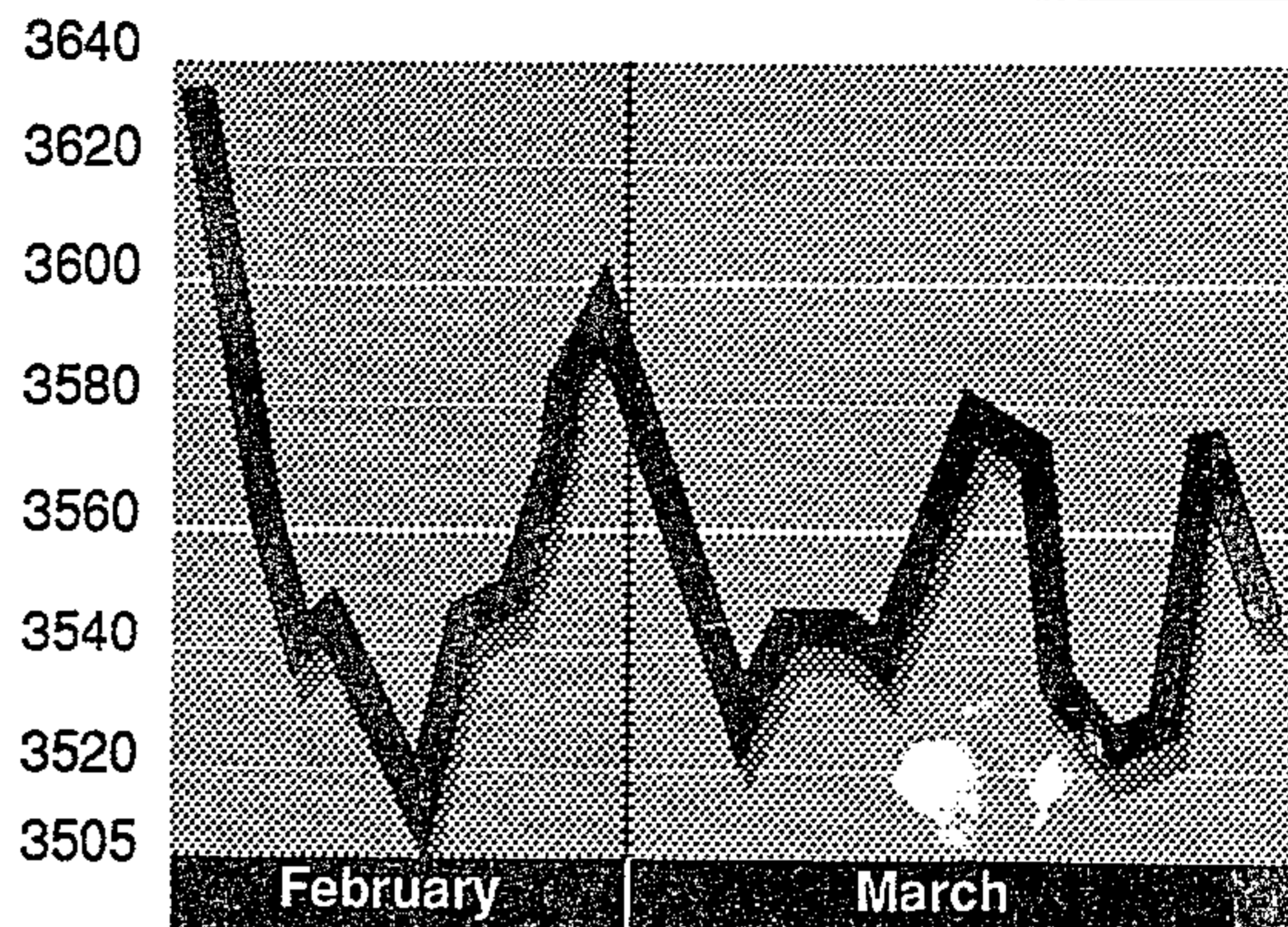
JCI group economics consultant Ronnie Bethlehem says: "The referendum result will not have an immediate effect on the bottom-line GDP, but it could boost foreign confidence, which would lead to the extension of more foreign credit."

"This in turn will boost our net foreign reserves, which will make it easier for the government to relax restrictions on HP — as it has done — and improves the likelihood of a drop in interest

rates." Executive director of Seifsa Brian Angus says the steel and engineering industry sees little chance of an upturn this year. "The referendum result was better than we expected," he says. "But there will be some time before its effects filter through."

"Our industry has been severely hit by cuts in public-sector capital spending, particularly by parastatals such as Eskom, Armscor, Transnet and Telkom. And with the gold price under \$350 we cannot expect much business from the gold mines, which traditionally were big customers."

## JSE OVERALL INDEX 17 FEBRUARY TO 19 MARCH





# Corporations pleased by beneficiation concessions

180

WIDER scope of incentives for beneficiation of raw materials, announced by Trade and Industry Minister Derek Keys, were welcomed by corporate leaders this week.

But economists say the concessions were unlikely to have a material effect on economic growth this year.

Section 37E export incentives will now be available to virtually any person carrying on any beneficiation process on an internationally competitive scale.

Previously, the incentives were limited to beneficiators of locally-mined base minerals and locally-produced intermediate goods.

It now applies to beneficiators of all goods, irrespective of the origin of the raw material or of the intermediate product.

Auditing consultants Ernst & Young's Charles Mackenzie and Christo Theron said of the new regulations:

"Previously, beneficiation had to add 'substantial' value. Now, this process must add 35% to the value of the raw materials or intermediate products. The 35% beneficiation level is to be determined by a new formula. A high labour or overhead content makes it easy to attain the necessary level. The inclusion of imported raw materials

## Business Times Reporters

and intermediate goods, coupled with the 'easy-to-attain' formula, makes qualification easier. There is no doubt that more manufacturers should qualify than did under the previous legislation."

Business leaders approached last week gave the changes the thumbs up.

Mike Sander, chief executive of industrial chemical giant AECL, said the changes showed the government had recognised that SA suffered from a competitive barrier internationally because of high tax and inflation.

"AECL is conditionally going ahead to expand its synthetic fibre business in Cape Town entirely for the export market. We have already invested R15-million, but the concessions will permit us to increase capacity through a R100-million investment."

Sasol says it is already committed to a full investment programme, but the amendments would make certain investments more attractive, especially those that were marginal.

Business Times 1/5/85

# Acceptable write-off periods are specified

B/day 23/3/92

180

CAPE TOWN — Although Inland Revenue has issued a "practice note" for the correct treatment of deductions for the wear and tear or depreciation of leased plant and machinery, completed assessments based on other methods of calculating the deduction will not be reopened.

Deloitte Pim Goldby tax director Des Kruger said one of the significant aspects of the note was that it provided a schedule of acceptable write-off periods for a list of about 76 different items, many of them articles of industrial, construction and agricultural machinery.

The acceptable write-off period for passenger cars and delivery vehicles has been stipulated as four years; for mainframe computers as five years; for personal computers three years and television sets five years.

Where a lease was entered into for a period exceeding the scheduled periods, the leased article would have to be written off over this longer period, Revenue said.

The practice note emphasised, however, that these write-off periods were not applicable to articles for which the deduction allowance was claimable in terms of Sections 12B or 12C of the Income Tax Act.

Inland Revenue said the Section 11(e) deduction could be calculated on the straight line basis on the cost of the leased article to the lessor over the period of the lease where the useful life of the article

LINDA ENSOR

was sufficiently short to warrant such a procedure.

"In instances where the useful life of the leased article exceeds the period of the lease agreement, the cost of the leased article must be written off over the useful life of the article. The Section 11(e) deduction should be reduced proportionately in the year of acquisition," the note said.

Kruger said another important amendment related to the treatment of residual values. Inland Revenue said residual values — the estimated and agreed upon fair market value of the article at the date of termination of the lease — could not be written off for the purpose of determining the Section 11(e) deduction in the case of those lease agreements where the residual value formed part of the calculation of the rent payable by the lessee.

The cost of the leased article must, therefore, be reduced by its residual value in calculating the Section 11(e) deduction, Revenue said.

Provision was also made for the adoption in certain circumstances of debtor accounting systems in terms of which only finance charges earned by the lessor during a year of assessment would be reflected as "gross income". In these cases the lessor would not qualify for Section 11(e) deductions.

# HP growth was 'normal'

*Bl Day 23/3/92*

SYLVIA DU PLESSIS

THERE was a "relatively normal" rise in hire purchase and lease-credit creation in the last quarter of 1991.

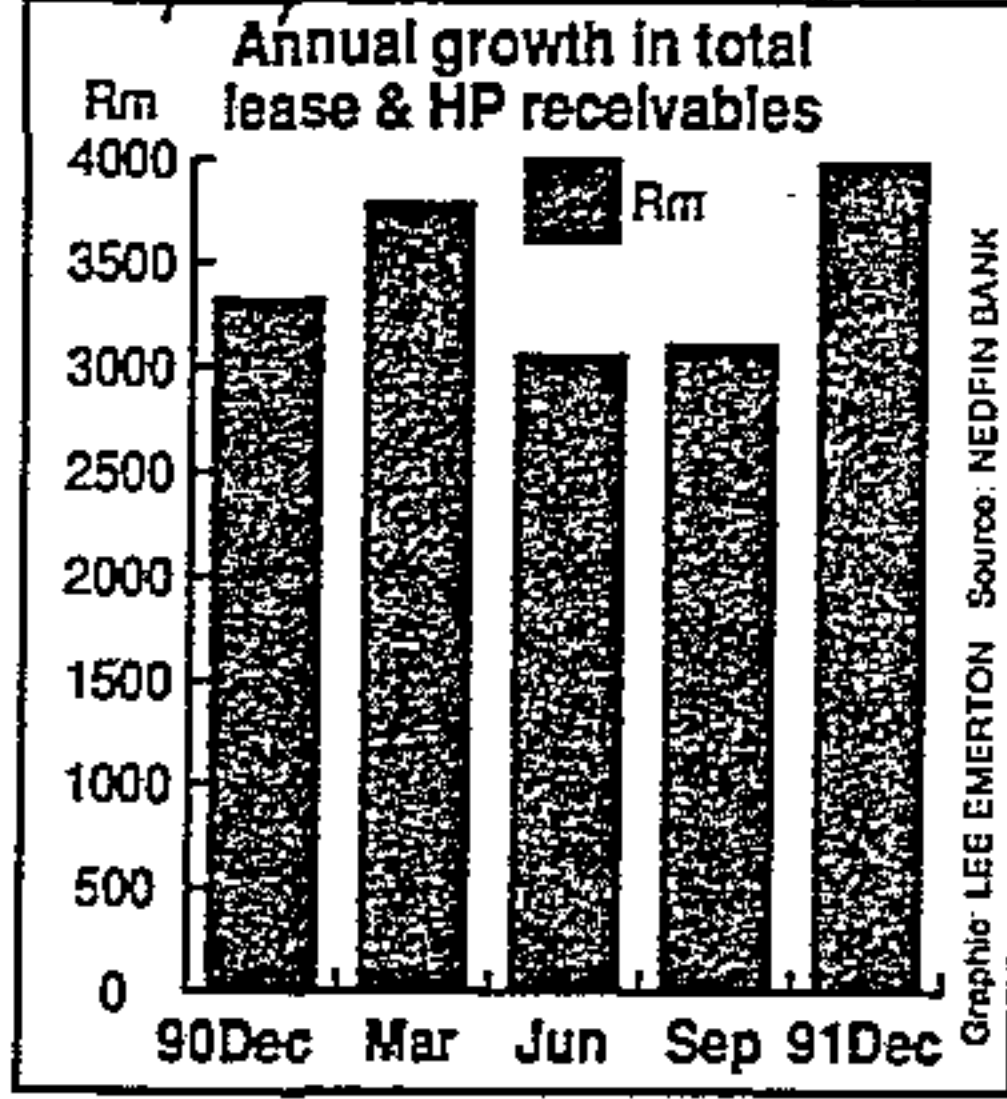
This emerges from an analysis of the D1900 (BA9) returns — the forms banks send to the Registrar of Banks detailing their assets and liabilities.

Nedfin Bank CE Christopher Beatty said in a statement on Friday that total receivables for the period grew by R1,460bn to a total market size of R31,650bn — a 4,8% increase.

This growth rate was "well above" the 3,8% average experienced for the corresponding quarter over the past two years. Growth on an annual basis was R3,980bn, or 14,3%. This was much in line with the generally accepted rate of inflation.

"From a seasonal point of view, credit creation through hire purchase and leasing is back to its old pattern of a fourth-quarter surge," he said.

Growth in credit creation could be attributed to many companies being



forced to make more use of credit facilities other than their own cash resources, in view of the recession.

This was supported by the growing number of company liquidations.

Beatty added it was interesting that since the introduction of the DTI regulations in February 1991, HP and leasing had grown at an annual rate of 15,4% compared with 11,3% for total private sector credit.

## Wyse wants more of SA Unix market

WITH more than 50% market share in many countries, Wyse Technology hopes to increase its SA penetration.

GM for Northern Europe and SA Mark Jordan said during a visit last week that although the company had not yet opened an office in SA, it was investing in promotions and other resource input.

Wyse is the world's largest independent supplier of general purpose terminals.

Jordan said that because of its high-end products, like those for the one to 300 user Unix market, there were significant opportunities in SA, which has a substantial Unix user base.

The company has chosen Altech subsidiary Wise Decisions to distribute its terminals, PCs, monitors and Unix-based systems.

CSS Distributors sells the terminal range, and CS Systems is a SuperVAR (Value Added Reseller) for the Unix-based systems.

PROFESSIONAL

**A**S A MEANS of stabilising the country, regenerating investor confidence and underpinning the political transition to democracy, nothing would be more effective than sustained high economic growth — of the order of 10% a year.

The majority of economic analysts taking the macro view pooh-pooh this objective as being entirely unrealistic and suggest that 2%-3% is the maximum that is achievable in practical terms. In the Budget last week, Finance Minister Barend du Plessis predicted a figure of only 1% for 1992.

At the micro level, however, a different picture emerges and the pattern of inappropriate corporate behaviour suggests that many industries are capable of raising physical outputs by substantial margins — 20% a year or more on a sustained basis — if they could only alter their ingrained behaviour patterns that stand in the way of expansionist (as opposed to contractionist) thinking.

- T**hese patterns include:
- A belief that economic conditions and the level of market demand are extraneous factors to which companies can, at best, react with appropriate strategies;
  - A belief that standard product costing systems truly reflect product costs;
  - The practice of pricing on a cost plus required margin basis, or according to CPI or PPI trends;
  - A tendency to set bottom limits to acceptable gross margins in percentage terms;
  - The concentration of industries so that the relatively few major firms follow price collusive or price-leadership behaviour; and
  - A belief that increasing throughput requires a directly proportional increase in company assets and hence funding.

# Changed corporate outlook could boost profits and growth

B/Pay 23/3/92

**BERNARD JANISCH**

(180)

In industries characterised by this sort of behaviour, the sequence of events tends to follow a pattern: market demand contracts, reported unit costs rise and resulting margins fall. Companies respond by increasing prices to compensate. Other companies in the industry follow the price leaders, overall industry price levels rise and the domestic market contracts again, owing to the impact on affordability, so the market contracts further.

The result is demand stagnation and production contraction, accompanied by rising prices. These naturally create demands for higher salaries and wages, which increase company costs and introduce further upward price adjustments.

The spiral of industrial output contraction, company liquidations or takeovers, plant closures and staff retrenchments is very familiar. In SA it has led to significant job losses in many industries and minimal, if any, job creation in 10 years in the balance of industries. Productivity has declined further from the pre-

vious woefully inadequate levels.

What, then, would constitute a more appropriate set of company strategies to regenerate demand, create jobs, fight inflation and boost GDP growth?

When companies replace static product costing concepts with dynamic process costing concepts, a recognition develops that, over a wide range of outputs, combined operating costs change only marginally.

**I**n the current situation of severe under-utilisation of capacity, it is not uncommon to find that an increase of 30%-40% in physical throughput can be achieved with a 10% or lower increase in total operating expenses, excluding raw materials. Simulating a much higher level of physical output on a process costing model reveals that, even in the face of substantial price cutting (in order to stimulate demand), profitabilities rise dramatically.

The mechanism is as follows:

Profitability is a function of gross margins (added value percentage), operating expense and asset turn. This is reflected in a simple equation: return on assets equals gross margin minus operating expense ratio divided by asset turn.

In a situation of severe under-utilisation of capacity, higher throughput reduces the operating expense ratio (operating expenses to sales) and improves the asset turn significantly. The relatively lower gross margins necessary to stimulate demand in order to improve throughput do not typically negate the positive impact of the other two variables, and profitabilities rise.

This is particularly marked in industries with relatively elastic demand curves — small price reductions induce proportionately much greater increases in demand.

Once physical throughput volumes start to rise, a new set of dynamics takes over. Asset and labour productivity rises as learning curve effects become apparent. Higher through-

put creates confidence to invest in new capacity. New machinery and equipment embodies latest technologies and stimulate further productivity gains. Unit costs fall, providing encouragement for further price reductions and stimulating further demand.

When the domestic market starts to saturate, export markets are developed from a position of strength. Expecting further learning curve-driven cost reductions, the company may be prepared to set prices in anticipation of these cost reductions and so ensure the volume throughput necessary to make the cost reductions a reality.

Eventually, companies attain a level of confidence where they abandon pricing based on the precept that cost is the independent variable and price the dependent variable. Like successful exporters in the Pacific Rim countries, they ask, "What price must I charge to sustain the target output levels?" Costs are progressively managed to ensure acceptable levels of profitability.

**T**he current controversy surrounding the high inflation rates in retail food prices indicates that major retailers are caught in contractionist volume reduction/price increase/price follower spiral.

In the '60s, the high turnovers of the newly established major supermarkets enabled them to achieve acceptable profitabilities with percentage markups on cost of between 5%-20%. Recent experience suggests that markups are now in the region of 50%-100%. As supply side economics, the retail trade in partnership with the manufacturers could well test the stimulating impact of radically reducing markups and increasing throughput. They may be pleasantly surprised at the impact on their profitability.

Janisch is a management consultant in Johannesburg.

# Rates threat from crime-weary Marlboro businessmen

By Anna Cox

STAK 24/3/72

Marlboro industrialists last night threatened to stop paying rates following the Sandton Management Committee's decision not to accede to their demands to make life suburb safer.

The management committee refused to take steps to have a wall erected around the area and for barricades to be placed in certain streets to curb crime in the area.

A proposal by councillor Hazel Egdes-Shachet to enter

negotiations with the Government for it to purchase Marlboro in its entirety for low cost housing was defeated by one vote.

Councillor Egdes-Shachet said this solution, suggested by businessmen themselves, was the ideal solution. She said the Government was looking for areas in which to establish low-cost housing.

Councillor Rick Ehlers said the area being close to Alexandra would prevent township residents from spending "a fortune" in transport costs.

Councillor Jo Marais said the town council had ignored the requests of Marlboro industrialists for over a year and that people in the township had been subjected to a "horrendous state of crime".

Chairman of the management committee Willem Hefer dismissed the proposal as "impractical and dangerous".

He said he would not support the idea because it would create false expectations and hopes among property owners.

He said a vital industrial area such as Marlboro could not be

lost to Sandton.

The approximate cost of purchasing the land and its improvements would amount to R150 million, which he doubted the State could afford.

Interim steps, however, such as the closure of First Avenue to Seventh Avenue to vehicular traffic would take place.

Chairman of the Marlboro Management Committee Basil Broomberg said industrialists would be forced to consider stopping paying their rates. "The problem is more critical

than most of these councillors realise.

"Lives are at stake every day and the only way to curb crime is to prevent access into the area. This is not political or racial — we will not survive unless we keep criminals out with physical barricades," said Mr Broomberg.

He said he had sent letters to the Minister of Law and Order and to the Minister of Local Government calling for a meeting with them to discuss the matter.

# Buoyant industrial sector points to upturn — BER

MARC HASENFUSS  
Business Staff

SUGGESTIONS that an upturn is definitely on the cards for the second half of this year are bolstered by the findings in the Bureau for Economic Research's (BER) latest survey of the manufacturing sector.

The survey shows manufacturers' prospects for sales and production volumes as positive for the first time in two years.

The BER also notes that that more manufacturers than in the previous survey mentioned that the numbers of employed factory workers are expected to increase in line with an increase in average number of hours worked.

"General business conditions, although still poor, have been reported as being better on a net basis during the first quarter than what was anticipated in the

previous survey."

The positive view also held for the second quarter and for the year as a whole, the BER said.

Specific sectors which expressed a positive view were furniture, non-metal minerals, basic metal products, machinery, transport equipment and plastic products.

However, consumer sectors involved in clothing and footwear manufacture were very pessimistic — mainly as a result of uncertainty in these sectors regarding adjustments in tariff structures.

Increased export orders are predicted for the rest of the year, the survey said.

"Orders received also show a net positive value for the second quarter.

"The present stock of raw materials in relation to planned production and expected domestic as well as foreign demand is

(180) AUG 24/3/92  
also seen as being sufficient."

The BER said that the majority of overseas trade stemming from the manufacturing sector was with Africa.

Almost 35 percent of the manufacturing sector's exports are earmarked for African markets compared to 15.3 percent for the UK and nearly 10 percent each for German and Far East markets.

"If it is assumed that most African countries trade in primary raw materials it can be accepted that the demand for this commodity will be revived toward the second half of the year and will show further growth during next year in reaction to stronger world demand."

Regarding investment in machinery and equipment, the BER survey shows levels during the next twelve months would be marginal as the current oversupply of capacity would have to be taken first.

# Provisions for small business disappointing

Sowelen 24/3/92

By JOSHUA RABOROKO

THE 1992 Budget was disappointing from the perspective of the job creating and growth potential of the small and medium enterprises.

This was said by the managing director of the Small Business Development Corporation, Dr Ben Vosloo, this week.

He said the contribution of R3,8 million which the SBDC received for SME compared dismally with the R2 billion voted for export incentives for big business, the R1,26 billion voted for regional industrial development and the R1 billion voted for agricultural relief.

He said: "It is significantly lower than the R283 million budgeted for industrial development or the R55 million budgeted for the promotion of tourism in the budget vote for the Development of Trade and Industry.

He reiterated that the SBDC believed that the SME sector development would be of prime importance in addressing the pressing problems of economic growth and job creation.

"We are therefore disappointed that the Budget once

again seems to promote high tech industrial development and exports as the cost of SME sector development.

"Clearly SME development does not rank as a high priority in the development strategies and policies of the present Government.

"The time is overdue to realise that current priorities, policies and institutional arrangements as far as the SME sector is concerned are totally inadequate in terms of what is required to build a better, more prosperous new South Africa. There is an urgent need for a national SME development strategy."

According to SBDC economist Dr Edwin Basson the budget does not contribute in any way to a general climate of growth as none of the four areas in which growth originates, namely consumer, government and investment expenditure or exports, will benefit from the budget.

He emphasised that those incentives in the 1992 budget that were going through to the business community, such

as the change on article 37 (c) of the Income Tax Act for mineral beneficiation, as well as the general export incentive scheme, would be of no advantage to the SMEs.

Basson felt that the increased tax burden that individuals must carry would limit the influence of their expenditure on economic growth.

Restricted consumer demand would have a dampening impact in the long run on production, specifically of luxury type items. The increased petrol price would also lead to a direct 0,5 percent inflation increase and approximately an extra 0,5 percent inflation increase in indirect price changes in the longer term. This would further limit the real level of expenditure that consumers could afford.

Exports contributed approximately 25 percent to economic growth. Manufactured exports were less than 20 percent. As the general export incentive scheme tried to promote beneficiation, that is manufactured exports, the R2 billion that was voted for this purpose would have a very small effect on potential economic growth - probably less than a 0,5 percent impact on the growth rate itself.



Mohale Mahanyele said NSB bursary fund would benefit technical students.

# Trade figures show

STAR 25/3/92

# economy is picking up

By Derek Tommey

180

It is a little too early to say that South Africa is starting to move out of recession.

But the latest trade figures show that businessmen are beginning to regain confidence and have started restocking imported goods.

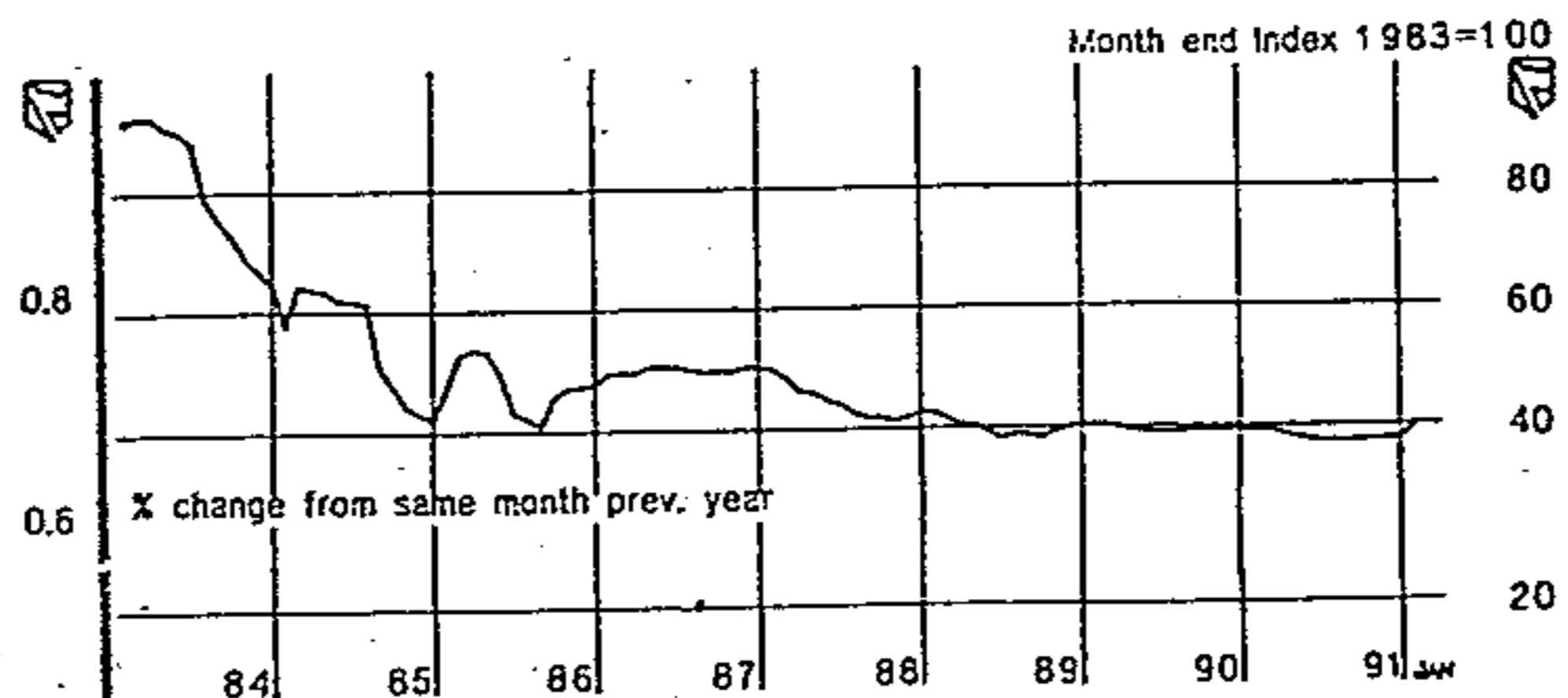
Presumably this is because they expect conditions to start improving in the coming months.

This expectation could have been stimulated by the continuing strong improvement in exports.

They rose R684,3 million (seven percent) to a record R10,4 billion in the first two months of the year, despite the depressed price of precious metals and other mineral exports, which are SA's major export earners.

The trade balance for the two months to end-February was R2,6 billion, up from R1,9 billion in the same two months last year.

Trade figures show the total imported goods bill for the first



The effective exchange rate of the rand against the basket of currencies has remained fairly steady since 1988.

two months was R7,8 billion, virtually the same as last year.

But if the apparent sharp drop in oil imports is excluded, a different picture emerges.

It shows that all other imports in the two-month period increased 11,2 percent to R7,06 billion.

Imports of textiles and textile articles rose R85,6 million (23,3 percent) to R452,9 million, while imports of machinery, mechanical appliances, electrical equip-

ment, including TV sets and VCRs, rose R360,4 million (17 percent) to R2,48 billion.

Other significant increases were in miscellaneous manufactured goods (24,6 percent to R85 million), articles of stone, glassware and ceramics (22,7 percent to R103,7 million), prepared foodstuffs and tobacco (27 percent to R195,7 million), live animals (60,9 percent to R49,4 million) and mineral products (22,4 percent to R98,8 million).

## Highlight

The highlight of the export figures is the more than doubling in sales of precious and semi-precious stones and precious metals (not including gold and platinum) from R659,7 million a year ago to R1,37 billion in the first two months of the year.

The probable reason for this huge increase is the start of production at the Venetia diamond mine in the Northern Transvaal.

Until the full plant begins operating later this year, production is from a sampling plant.

Sales of vegetable products soared 45,3 percent from R256,9 million to R373,5 million, partly reflecting the year's huge increase in fruit exports from the Cape.

Sales of chemicals jumped 35,5 percent from R339,4 million to R459,8 million and sales of plastics 43,4 percent from R72,3 million to R103,4 million as Sasol and AECI expanded their export markets.

But exports of mineral products rose only 3,6 percent to R1,27 billion and exports of base metals fell 9,5 percent to R1,28 billion.

However, this last item should not get too much attention as it represents minerals in transit from Zimbabwe, Zaire and Zambia to SA ports for export.

The figures show that imports of "other unclassified goods" slumped to R740,8 million from R1,45 billion a year earlier.

As oil imports are included in this item, the virtual halving is believed to reflect the switch known to be taking place from imports to the use of strategic reserves.

The increase in exports was foreshadowed by the remarkable R1,4 billion rise in net foreign exchange reserves announced earlier this week which was equal to 1991's entire increase.

It also gave rise to speculation that SA might have been a large arms exporter in the two-month period.

But exports of "other unclassified goods", including arms, gold and platinum sales, were down 8,2 percent in the first two months at R3,94 billion, against R4,3 billion a year ago — a decline of R369,5 million.



# Positive outlook for manufacturers

*B/day 25/3/92* *(180)*

CAPE TOWN — Prospects for sales and production volumes in the manufacturing sector are positive for the first time since the first quarter of 1990, a survey has found.

Stellenbosch University's Bureau for Economic Research said in its survey of conditions in the manufacturing sector in the first quarter of 1992 that expectations for the rest of the year were also positive.

"General business conditions, although still poor, have been reported as being better on a net basis during the first quarter than what was anticipated in the previous survey. This positive view also holds for the second quarter and for the year as a whole.

"More manufacturers than in the previous survey mentioned that the numbers of employed factory workers are expected to increase and that the average number of hours worked per worker will also increase."

Specifically, the furniture, non-metal minerals, basic metal products, machinery, transport equipment and plastic products sectors were positive, but the consumer sectors involved in clothing and footwear were very pessimistic.

The bureau said manufacturers of consumer goods — especially semi-durable goods — would benefit from the expected revival in economic activity.

"The SA economic cycle should, against the background of a mild revival in the world economy, tend upward, particularly during the second half of the year. Manufacturers in the export sector could gain particular benefit from the anticipated keener world demand and the accompanying increase in commodity prices," the survey said.

"Manufacturers of transport equipment, machinery and base metals will experience improved conditions during 1993 only if the present

LINDA ENSOR

underutilised capacity is taken up and a need develops for the expansion of existing capacity."

In a surprise development, the survey found manufacturers expected a slower rate of increase in average selling prices per unit of production, due to the slower rate of increase in labour costs and purchase prices of raw materials. Likewise, production prices would also increase at a reduced rate.

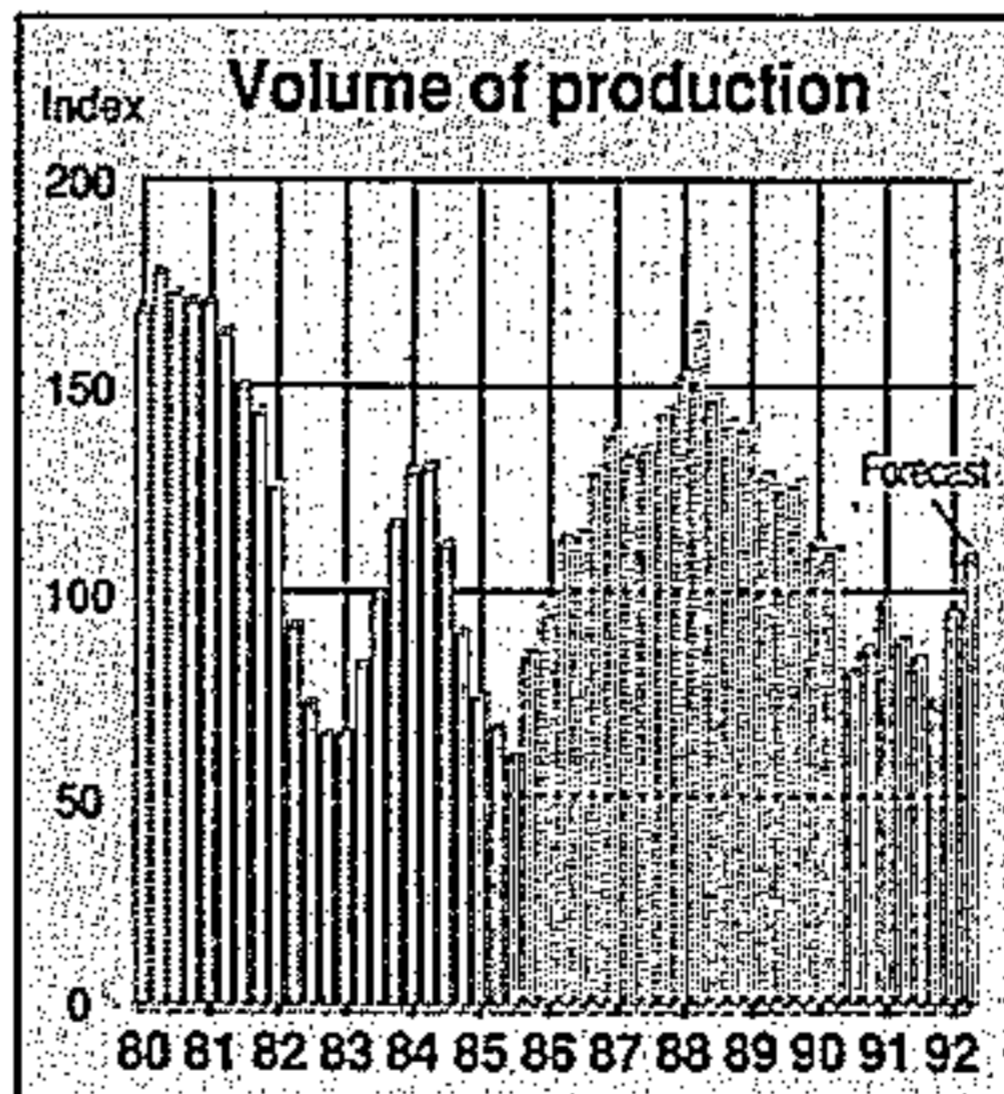
No noteworthy fixed investment this year was foreseen but imports, mainly of intermediary inputs, were anticipated to increase.

The bureau said the prospect of sales to foreign countries was positive and increased orders for export products were expected, especially during the second half.

The US economy should revive during the second half, though economic activity in Japan was still in a downward phase and the contraction of the German economy was expected to continue. A mild upswing was forecast for the UK this year.

"The majority of manufacturers who are involved in the export market export only between 0% and 10% of their production."

The largest export destination, according to the survey, is Africa.



Graphic: FIONA KRISCH Source: BER

# Property industry unsure of 'yes' vote's influence

WHILE the property industry has welcomed the "yes" vote in the referendum last week, players disagree about the influence it will have on the market.

Pam Golding Properties executive director Mike Bissett says it will instil investor confidence in the country and the property market. This means overseas buyers will keep their lines of communication open and local investors will again start "putting pen to paper".

Property Economist Neville Berkowitz says international financiers should be willing to lend money to a new SA well on the road to political reform, which should see interest rates come down over the next year.

"There have been many tenants sitting on the sidelines waiting for the results of this referendum and who will now be more likely to commit to longer-term leases," he said.

However, Seeff Group Holdings chairman Lawrence Seeff feels the euphoria engendered due to the referendum result was partly offset by the

Reports by  
PETER GALLI

Budget which did "less than nothing" to stimulate growth in the construction and property market.

"The fact that only 6.5% of government spending is to be allocated to capital projects is hardly stimulatory. While there is some relief for large construction companies in the provision for economic housing, this has been partly offset by the 2% increase in transfer costs," he says.

The Minister had failed to meet the challenge of SA's current needs. Seeff was hoping for an anti-inflationary budget with measures to promote business and industrial growth.

This will have put more people into jobs. "Tax holidays could have been offered to the overseas industrial investment and moves to end the wildly expensive and irrelevant tri-cameral system could have been announced," Seeff said.

However, Camdon's group MD Scott McRae disagrees with this, saying the increase in transfer duty and

the fuel price will have little impact on the market and improved overseas sentiment could see an inflow of foreign capital into local property.

"The Budget was clearly aimed at investing in political stability and the increased policy budget indicated a commitment to capital formation. This will also have a stimulatory effect on the property market.

SA Property Owners' Association (Sapoa) executive director Brian Kirchmann says the property industry can now look forward to relative prosperity.

"I believe we will soon see a number of foreign investors and developers looking for opportunities ...

Anglo American Property Services MD Gerald Leissner says the referendum result and conservative Budget could between them give a slight boost to the property market.

"The residential market, which has been dead, will start to improve, but for the commercial market to improve will need a drop in interest rates and general growth in the economy," he says.

# Govt, business must launch economic war

## Clewlow

(180)  
DARIUS SANAI

Biday 26/3/92  
BUSINESS and government needed to go hand-in-hand onto an "economic war footing" to reverse the decline of the SA economy, Barlows chairman Warren Clewlow said yesterday.

Speaking at the SA Foundation's general meeting in Johannesburg, Clewlow said SA needed a commitment by everyone with any interest in the economy to make growth and economic success a top priority.

"And of course, it will involve sacrifice," he said. The privileged would have to get used to less privilege and comfort, and those who wanted privilege and comfort would have to wait a little longer for it.

Clewlow said the bad communication between business and government during the apartheid era was harmful.

"Already there are signs that government, business and other players are getting together to focus their efforts in the right direction. This trend must be encouraged," he said.

He said a dual strategy was required for SA to advance. Firms had to learn to compete internationally, but a domestic programme of job creation of unprecedented scale needed to be undertaken.

Speaking at the meeting, SA Foundation director-general Kurt von Schirnding said foreign investment was urgently required for SA society to develop.

He said the SA Foundation had been able to make "significant breakthroughs" in encouraging foreign investment, notably by hosting the Japanese Keidanren trade mission which preceded the lifting of Japanese sanctions last year.

Sapa reports the foundation's Washington director, Michael Christie, said foreign aid was an important input, but was a fraction of what growth could have generated.

"I do not wish, in any way, to detract from the importance of foreign investment and other foreign inputs into our economy.

"But I do wish to emphasise the even greater importance of the influence, advice, pressure and commitment of countries such as the US, via their own agencies and agencies such as the IMF and the World Bank, toward ensuring any future government does not repeat the costly mistakes we have made in the past."

His London counterpart said confidence levels in SA were still low.

Paris director Desmond Colborne said SA's dependency on world markets as well as other facts of international economic life were ignored by too many politicians — on all sides.

He said 40% of every rand earned in SA was directly or indirectly dependent on foreign trade.



Former Anglo American chairman Gavin Relly listens as Barlows chairman Warren Clewlow addresses the SA Foundation yesterday.

Picture: ROBERT BOTHA

# Business a friend of

STAR 26/3/92

(180)

2/1/92

Business in post-apartheid South Africa must adopt a dual strategy, says SA Foundation president Warren Clewlow.



Warren Clewlow

**A** PARTHEID had resulted in Government and business in South Africa being out of step, South Africa Foundation president Warren Clewlow said yesterday.

Speaking at the annual general meeting of the foundation in Johannesburg, Mr Clewlow said: "During the apartheid years, Government and business in South Africa were very much out of step and the resulting effect on our long-term prospects was negative."

Mr Clewlow said nowhere was this principle better illus-

trated than in some countries to the north of South Africa.

"Business is not made welcome — in fact it is portrayed as an enemy of democracy — government policies go against basic business principles and the result is poverty and deterioration."

In post-apartheid South Africa there was a chance to reverse the trend and build a partnership that would contribute to prosperity and peace.

"Already there are signs that Government, business and other important players are getting

together to focus their efforts in the right direction. This trend must be encouraged," Mr Clewlow said.

A dual strategy was required.

"On the one hand, encouraging businesses of a size to compete internationally, to be as efficient as possible, to stay abreast of technology and marketing and to do their best to make South Africa a leading nation in world terms.

"On the other hand, an intense domestic programme — and here we need something far greater than any effort ever

contemplated in the past — of job creation which can also, at the same time, meet the needs for housing and some of the other infrastructural requirements that are so important."

All this could only succeed against a backdrop of sound Government fiscal, expenditure and investment policies, Mr Clewlow said.

He said Government decisions that encouraged investments, raised productivity and reduced the bias towards current consumption without falling into the trap of favouring the present at the expense of

the future should be encouraged.

"Tax provisions that favour investment over consumption are likewise beneficial, and Government expenditure itself needs to be clearly focused on productive projects."

If the Government was effective, private-sector productivity would be enhanced, leading to the availability of more resources for the economy as a whole. "With sound policies, a clear strategy and the efforts of all the key players, it will be possible to build a successful country," he said. — Sapa. □

**Business in Africa is often portrayed as an enemy of democracy. Government policies go against basic business principles and the result is poverty and deterioration.**

# democracy

## Plea for small business plan

180  
27/3/92  
THEO RAWANA

A DEVELOPMENT strategy for small and medium business should become a key component in any new order for the future SA, SBDC MD Ben Vosloo said in Benoni last night.

Addressing a Benoni Chamber of Commerce AGM, Vosloo said the overall health of the SA economy depended largely on dynamic entrepreneurial activity in the small and medium enterprise sector.

"It is common knowledge that this sector can make a meaningful contribution to economic growth, employment generation and social progress," he said.

Of the about 810 000 formal business entities in SA, an estimated 91% or 720 000 could be classified in this sector, he said.

He added: "Their estimated share in terms of GDP stands at about 50% and they employ approximately 2,4-million people — 30% of all formal employment opportunities.

The figures exclude the informal small business sector who accounted for about 15% of GDP, he said.

He said there were indications that large corporations paid taxes at a lower average rate than this sector. He called on government abandon its bias towards large business.

# Sacob plea to retain zero rating

By Michael Chester

The SA Chamber of Business sent an urgent appeal to Finance Minister Barend du Plessis yesterday to order a six-month postponement of controversial plans to bring several basic foodstuffs into the VAT net next week.

Sacob urged the Minister to maintain the protection of the items from VAT "until effective social assistance programmes are in place".

The intervention by business followed threats of widespread

strike action unless the Government abandoned plans to lift the zero-rating of VAT on nine basic food items on April 1, leaving only mealie meal and brown bread outside the net.

When VAT was introduced last September, the Government said the zero tax rate on the items was a "temporary" measure.

In an urgent letter to the Minister yesterday, Sacob said the poor performance of the economy, and an increase in unemployment and poverty, made it "clearly inadvisable" to end

the zero-rating on the items at the end of the month.

"The need to postpone this move is underlined by the fact that Government's nutritional programme appears to have been slow in reaching the very poor," Sacob added today in a statement.

"One of the root causes of social unrest and violence, which stands in the way of a sustainable economic revival, is poverty," it said, "and we believe that this should be addressed directly and not through the tax system."

STAR 27/3/92

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# Companies may be able to buy back own shares

STA-2 27/3/92

(180)



By Derek Tommey

Listed companies might be allowed to buy back some of their shares.

The Government is considering an enabling proposal, and a draft Companies Act Amendment Bill providing for such purchases has been issued for public comment.

US companies are allowed to buy back their own shares within certain limits.

Until recently, companies in Britain, the Commonwealth, and most other countries were prohibited from doing so.

Since 1985, British and Canadian companies and those in the European Community have been able to do so to a limited extent.

The prohibition rests on the view that the process could be used to deprive creditors in bankrupt companies of payment.

But shareholders can do this in any event, simply by declaring dividends to themselves, say Messrs A Trihardt, K Organ and J Cilliers of the University of the Orange Free State in a memorandum accompanying the draft Bill.

Reasons often exist for firms wanting to buy back their shares, they say.

These include the need to

change the capital of a company, to change the organisation, to acquire or amalgamate with another company or to reclassify a public company as a private company.

"The more freedom a company has to organise its affairs to suit the circumstances in which it finds itself, the more efficient it is as a business vehicle," the writers say.

They say the proposal will go some way to conferring such freedom.

## Limitations

But the effect will be limited by the recommendation that, in the absence of unanimous agreement, the company must make its offers to the holders of all of the classes of shares affected.

The company will not be able to make an offer capable of being accepted by one shareholder or group of shareholders of the class only.

These limitations have been imposed because until the position of minority shareholders is strengthened, the possibilities of abuse would be too great to be acceptable.

The Bill stipulates that repurchased shares have to be cancelled and restored to the status of authorised and unissued

shares.

This disposes of the problems of the voting and dividend rights attached to the shares and goes a long way to preventing market manipulation by companies, say the writers.

In order to re-sell the shares, the company would have to make an offer in terms of the Securities Act.

The Bill contains provisions to protect creditors. It stipulates that a company cannot make any payment for the purchase of shares if there are reasonable grounds for believing it would be unable to meet its liabilities as they become due.

Nor can a company purchase its shares if the realisable value of its assets after payment would be less than the aggregate of its liabilities and the issued share capital of the remaining shares of every class.

The writers do not believe a notice to creditors of proposed share purchases is required, and believe such a requirement would be unduly onerous.

But they propose heavy penalties for directors who consent to a resolution authorising a company to buy shares to the detriment of creditors.

Such directors would be jointly and severally liable to restore to the company any amounts so paid and not other-

wise recovered by the company.

Directors who had satisfied a judgment under this section would be entitled to contributions from other directors who voted for the purchase proposal. However, actions against directors will have to be brought within two years of the share purchase.

## Insider trading

Another consideration directors will have to take into account when considering making a share purchase is that the company will be required to comply with insider-trading provisions.

The Bill limits the number of shares a listed company can buy to one percent of its issued share capital a month.

The writers believe this number could hardly be sufficient to substantially affect or manipulate the market price.

A further measure aimed at protecting creditors and minority shareholders is that the Securities Commission will be able to modify or block any offer to purchase shares if the company's directors infringe the proposed Act.

Comments from the public on the proposals can be submitted to the Standing Advisory Committee on Company Law, Box 429, Pretoria, until July 30.

# EXPOSED:

## R750m state

## bid to take

## over SBDC

A SECRET R750-million bid by the government's Industrial Development Corporation to take over the private-sector Small Business Development Corporation has been abandoned after the Sunday Times uncovered the scheme.

Mr Derek Keys, the minister responsible for the IDC, advised the corporation's chairman, Mr Koos van Rooy, to withdraw the offer after the Sunday Times had made inquiries about the highly secret negotiations.

The offer was withdrawn on Friday afternoon.

### Astonished

Had the takeover been successful, industry sources said this week, it could have affected future job creation.

Spokesmen for the 140 private-sector companies that control the SBDC were astonished this week to hear of the takeover bid.

The IDC — which holds 50 percent of SBDC shares but does not control the corporation — insists it only wanted to assist the cash-strapped SBDC.

But business analysts believe the IDC had other motives: it was trying to empire-build.

Documents in the possession of the Sunday Times show how the IDC intended to gain full control.

It wanted to dominate the board of directors, strip the SBDC chairman of his casting vote and reduce the power of the private-sector shares in the corporation.

It proposed, in three meetings with the SBDC in December and February, that A and B class shares should be converted into ordinary shares to be held 50:50 by the IDC and the private sector. This would effectively end the controlling position of the

By CHARLENE SMITH

private-sector shareholders.

On February 27, an additional offer was made to give the SBDC R750-million over five years at an interest rate of four percent.

SBDC chairman Dr Anton Rupert rejected each bid. He has, however, declined to comment.

Mr Carel van der Merwe, managing director and chief executive officer of the IDC, said the R750-million offer had not been a takeover bid but merely an attempt to assist the SBDC.

He said the offer failed "because we could not agree on a package that mutually suited us. It was a way of applying profits from our normal activities. There was no question of a takeover or interfering with the daily management of the SBDC."

The SBDC, meanwhile, remains in a parlous financial position.

### Criticised

The government has cut off nearly all its funding and some sources believe this was done to force it to accept the IDC offer — despite the government's stated commitment to privatise public corporations.

Dr Ben Vosloo, managing director of the SBDC, said the failure of the bid meant "we are now out in the cold".

"We will have to cut back on our activities, and perhaps approach the government again to assist us."

He criticised the scant attention the government was giving to the development of entrepreneurs and job creation. The SBDC, which has an annual

□ To Page 2

## Bid to grab SBDC

From Page 1  
S/Times 29/3/92  
growth rate of 20 percent — and which has helped 310 000 people find employment through the formation of small and medium enterprises — is experiencing cash-flow problems.

In last year's government budget the SBDC received R100-million. However, this year it received R3,6-million, which the Minister of Finance, Mr Barend du Plessis, explained by saying that negotiations were under way between the IDC and SBDC.

Nonetheless, the SBDC is the only development

agency in the country that generates income — a healthy R100-million a month, although its outflows are R250-million each month as it extends loans to small businesses in the creation of economic growth.

Its control by the private sector has ensured a non-political approach by the SBDC. However, there are fears that if the IDC bid had been successful the firmer government link would have continued to prevent the SBDC from attracting foreign investors, who are still wary of direct links with government agencies.



## Business and civic leaders for talks on Cape growth

180  
S/Times (cm) 29/3/92

ABOUT 300 business and civic leaders are expected to attend the Growing the Cape workshop in the Cape Town Civic Centre on Wednesday.

They include not only market-demand-driven industrial sectors such as clothing, food processing, construction materials, printing and durable consumer goods but relatively new or specialised growth sectors such as high-tech products, scientific equipment, upmarket boutique clothing, jewellery, cosmetics and pharmaceutical products.

With vigorous inward as well as export orientated industrialisation programmes, the Western Cape should be able to maintain a growth momentum in all these subsectors during the next few years, says Wesgro in its invaluable working guide, South Africa's leading edge? — A guide to the Western Cape economy, published this week.

It points out that the swing towards smaller enterprises and the informal sector is likely to become more pronounced in the region, given the consolidation of African urban settlements and the growing number of small-scale self-employment ventures in "coloured" and white communities.

The guide focuses on selected subsectors:

● **Clothing.** This is regarded as the most important industry in the Western Cape, with considerable growth

potential in local, national and export markets.

● **Textiles.** "With concerted, industry-wide strategic planning, better co-operation between clothing and textiles operators, and pragmatic market-orientated support from government, the sector should be able to increase its contribution to the economy of the Western Cape."

● **Food.** "Foreign exports are significant for canned products and markets on the African continent may be set to expand."

● **Beverages.** Soft drinks production is likely to grow rapidly due to rising local demand and the export potential for fruit juices. The wine sector could experience slower growth locally but exports may achieve a breakthrough.

● **Printing and publishing.** This is likely to expand over the medium term through the growing population, increasing literacy and new education policies.

● **Wood processing and furniture.** Growth opportunities include basic household furniture for low-income consumers and high quality wood, steel or plastic furniture, as well as the renovation of antiques, for upper-income local, national and export markets.

● **Petrochemical, industrial chemical and plastics industries.** In these and subsectors such as pharmaceuticals and cosmetics the region could, if properly prepared, establish a dis-

tinct niche in national and export markets.

● **Fabricated metal products, machinery and electrical industries,** together with scientific instruments and electronic equipment.

● **Pleasure boats and fishing vessels.** The former seem well placed for expansion in local/national demand and exports, and in the latter case production for export could be a medium-run challenge.

The guide points out that although the Western Cape is poorly placed for north-eastern neighbours, the road links with Namibia and Botswana, sea links along the West African coast — for example, Angola and Nigeria — and air links with all parts of the continent should enable the region to capture a significant share of trade and other business opportunities.

The following benchmarks are suggested for consideration:

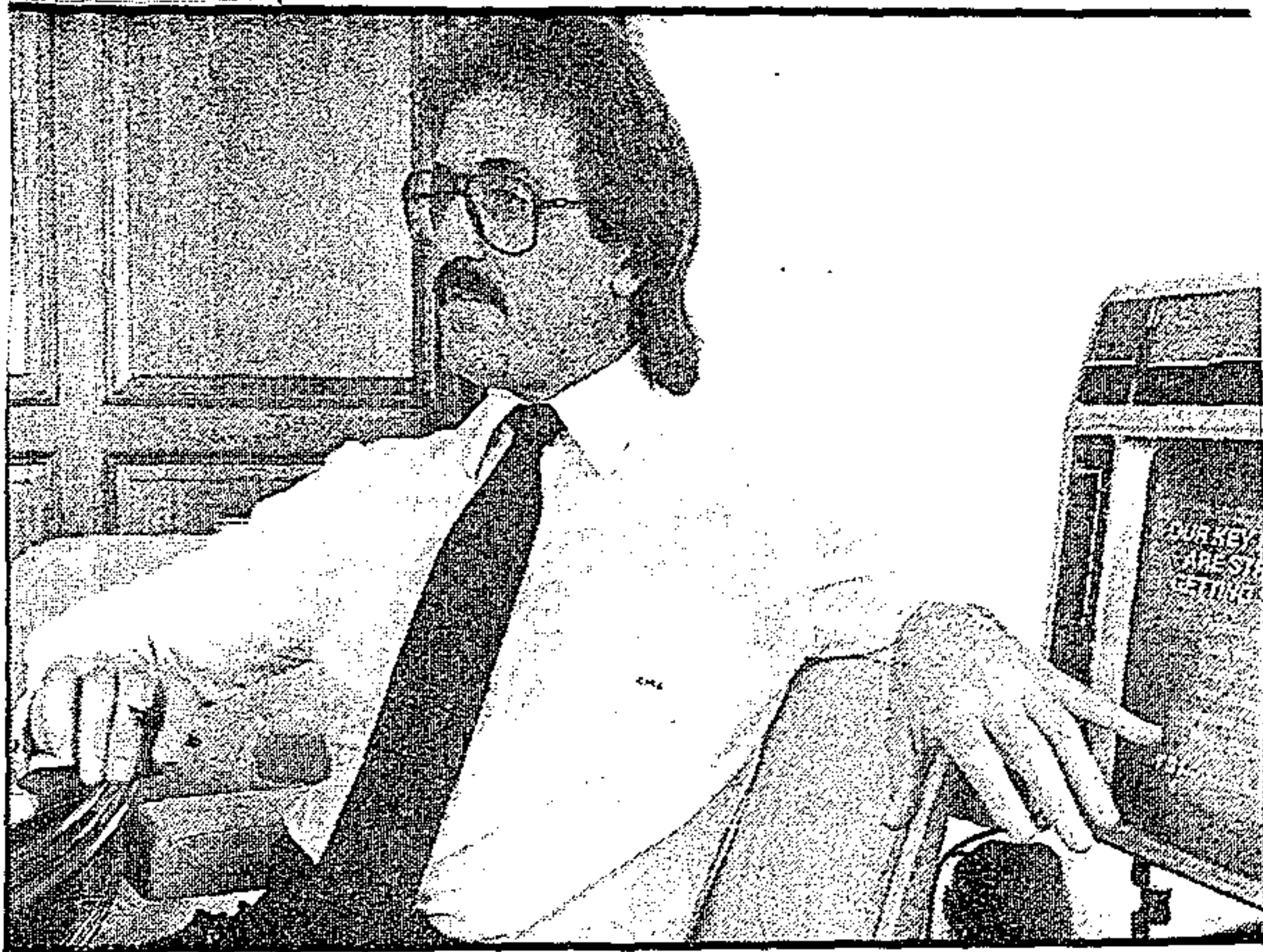
● A population growth rate not exceeding 2,6% a year.

● Gross geographic product of at least 3,5% a year.

● The creation of 40 000 new, identifiable jobs a year during the next few years.

● An increase of 5 to 7% a year in total exports from the Western Cape.

● A 10-year programme (incorporating annual targets) to speed up provision of the social-infrastructure needs of black low-income households.



JEFF LIEBESMAN: Pleased group has kept operating margin in recession

# W&A convertible debts should be considered

By JULIE WALKER

POTENTIAL investors in W&A after its creditable results should consider the convertible debentures on a higher yield than prime overdraft rates.

W&A, the holding company of industrial and consumer arms JD Group, Gentyre, Vektra, and Curnow among others, raised attributable profit by 14% to R129-million in the year to December 1991.

During the year it sold certain property and shares in Elcentre as well as the whole of its Burhose and Arwa hosiery business for R200-million.

The JD Group debtors' book was also sold without recourse to a consortium of banks.

These structural changes invalidate a direct turnover comparison. Group sales reached R3,2-billion in a year of economic conditions euphemistically described by executive chairman Jeff Liebesman as tough.

More than R157-million was invested in offshore acquisitions and was funded

overseas. Foreign business, including both exports and offshore operations, grew from 8% of turnover to 18%.

Mr Liebesman is particularly pleased that the group maintained its operating margin at 10,4% in a recessionary environment.

## Collar

The interest bill reached R151-million, but the breakdown of the four contributing half-year payments casts light on the position. In the six months to June 1990 the group paid R53-million. A corporate restructure came into effect from July 1990 and the next six months' interest was R65-million.

In the first half of 1991 the finance costs rose to R88-million. But in the last six months it fell to R64-million, reflecting the lower gearing in the group following the changes.

The new joint deputy

chairman, former Senbank chief Hennie van der Merwe, says there is a collar over which the cost of capital is determined. Equity is the most expensive, because it lasts forever, but there is an optimal level of borrowings too.

Benefits of restructuring and offshore taxation policies helped to keep the tax rate at a trifling 2%. The group does not expect it to exceed 25% three years hence.

The group suffered a few knocks from Elcentre, including a R100-million write-off and relinquished income of R7,5-million.

Together with the hosiery sales, the one-off smack to earnings amounted to 8,5c a share. In 1990 W&A made 95c a share on 119-million equity instruments, and in 1991 79c a share on 164-million, counting all the convertible instruments as permanent capital.

W&A resisted the temptation to dress up the income statement by restating last year's to take account of favourable changes.

"We have taken everything on the chin above the line, our gearing is down to 58% from 67%. If we had taken the Elcentre knock in 1990 the reduction in percentage gearing would have been even more marked."

W&A maintained the dividend at 42c, comforted by improved cash flow and lower borrowings.

The ordinary shares at 445c are on a price-earnings ratio of 5,6 and a dividend yield of 9%. The convertible debentures yield 19,4% at a price of 535c.

180

STimes (B455)

29/3/92

# W&A turns in solid performance

STAR 30/3/92

180

W&A turned in a sound performance, which saw attributable profit rise 14 percent to R128,9 million (R113,1 million) in the year to last December.

This was achieved on turnover of R3,2 billion, with operating profit improving 5,9 percent to R335,5 million.

It has announced the sale of its hosiery interests to South African Hosiery, a subsidiary of Durban-based Kiwi Brands (Pty), for R200 million in cash.

The sale, subject to approval by regulatory bodies, is reflected in the W&A accounts at last December 31.

Had the transaction been in place for the whole year to December 1991, earnings per share would have increased by 4c to 83c.

Chairman Jeff Liebesman says W&A had a successful year.

The changes which began with the restructuring of the group in 1990, continued in 1991.

"Certain non-strategic properties have been sold. The majority of the shares in Elcentre have been realised.

"The JD group debtors' book was sold without recourse and the sale of our hosiery division was concluded.

"During the year, R157 million was invested in off-shore acquisitions and funded overseas," he says.

"These actions were in terms of our stated goals of bringing greater focus to the group, investing in the growth of existing businesses, reducing domestic borrowing, and globalisation.

"Our turnover, which reached R3,2 billion (R3 billion), is not comparable with that of last year because the sales of the JD group

reflect only cash sales from July 1991. This is a result of the sale of JD group debtors' book to a consortium of banks in that month."

Earnings per share on a fully-diluted basis declined 17 percent to 79c (95c) as a result of the 37 percent increase in the weighted number of shares in issue.

Mr Liebesman says that as the disposal of non-strategic assets only took place late in the financial year, the beneficial impact on interest paid will only be felt in the new financial year.

"If the attempts at economic stimulation by various governments in our major markets are successful, and if there are favourable political developments in SA, the group will be well-positioned to take advantage of any resultant upturn.

"In the interim, however, we continue to strengthen manage-

ment at all levels, improve operating efficiency, enter new markets, increase our share in existing markets.

"All this is being done within the framework of improved asset management and a further strengthening of the balance sheet.

"In view of the improved cash flows as a result of the restructuring and the transactions undertaken late in 1991, we have decided to maintain the total dividend at 42c a share."

The dividends of W&A and its holding companies all remain unchanged. W&A's final dividend is 26,5c (total 42c); Waicor: 10,5c (total 16,5); FSI: 23c (total 35c); FSI preferred ordinary shares: 36c (total 72c); FS group: 11,5c (total 17,5); FSG preferred ordinary shares: 18c (total 36c). — Sapa.

**A** COUNTRY that continues to rely on natural resources in a world economy dominated by trade involving manufacturers has no long-term future. A country that cannot produce the basic technologies and equipment required to underpin its manufacturing base is heading for economic ruin. And a country with a manufacturing sector whose very existence is tied up with state subsidisation and support is unsustainable.

SA is on this road, and this is why we have to face the need to restructure the manufacturing sector.

The Industrial Strategy Project (ISP), a major project launched by the Economic Trends Group — which has a long-standing relationship with Cosatu — will attempt to contribute to the regeneration of SA manufacturing by devising a set of policy proposals that address both the shortcomings of current policy and the deep-seated structural problems that have led us into the impasse. This it will do through a study of 12 manufacturing subsectors, including the informal sector.

**D**ifficult and controversial questions will be asked that critically examine current policies. These include:

- A serious questioning of the degree of protection and tariff policy;
- Ownership structures and the lack of competition within sectors;
- The criteria used by government institutions for the support of particular industries;
- The absence of a coherent policy for human resource development;
- The disregard for environmental considerations;
- Managerial behaviour which is characterised by short-term profitability and a lack of vision; and
- The adversarial industrial relationships governing labour relations.

Restructuring is not only about factory floor organisation, or industry or ownership. It will raise important and difficult questions — par-

# Restructuring poses difficult questions for organised labour

B/day 30/3/92

(180)

The Economic Trends Research Group has launched a major research project into the SA manufacturing sector. AVRIL JOFFE and DAVE LEWIS report.

ticularly for labour — of adjustment. A number of disruptive factors challenge the trade union movement on several fronts: decline of membership, organisational capacity, unity among workers in the face of competition, retrenchments and new technologies.

It is not surprising that the unions — both internationally and in SA — have often not responded with enthusiasm to the potential restructuring of their industry. Where unions have responded defensively they have been confined to negotiating redundancy procedures and severance pay with the twin aim of slowing down the pace of restructuring and attempting to reduce the amount of labour displacement.

However, the experiences of countries such as Australia, Sweden and Canada indicate that restructuring is an inevitable response to the global challenges. It also shows that it is only in reaching some kind of strategic accommodation between labour, the state and capital that unions will be able to extract what potential benefits the reorganisation of manufacturing production offers.

This is an important difference between the approach adopted by the ISP and the restructuring pro-

grammes of the IMF and other international institutions. Theirs are predicated on the lowering of the real wages through devaluation and the lowering of the social wage through cuts in government expenditure. The bases of restructuring identified by the ISP are not those of cost-cutting or simple price competition, but rest on new and different production and organisational techniques.

**W**hile the one objective of the ISP is to re-establish increased competitiveness and productivity (which is not the prerogative only of management) the second objective is to extend and consolidate the organisational capacity of the trade unions in the factory and at industry level.

The achievement of these objectives relies on the ability of these two actors to negotiate a "restructuring accord". This will involve balancing the winning of a greater degree of industrial democracy on the shop floor against increased productivity, establishing necessary institutional arrangements — by extending the scope of the industrial councils and

enforcing management's participation in employer federations — for co-operation on the shop floor; and winning a greater degree of job security for increased flexibility.

The underlying assumption of such a social accord or economic compromise between capital and labour is that, with greater industrial economic democracy, production and productivity will be increased.

The implications for labour are a greater involvement in individual workplace issues as well as macro-economic issues including wages, taxation, social wage and price restraint, unemployment, child care, education and training, health care and other social development.

While conflict on the shop floor cannot be wished away, a recognition of the benefits of co-operation must surely take the place of the adversarialism characteristic of the relationship between capital and labour to date. This involves a recognition that strong, independent and democratic trade unions are essential to the viability of such a social accord.

The ISP is concerned not to see the role of the market as solving all problems; nor to overemphasise the

role or capacity of the state. A new approach is needed — one in which capital has to refashion its relationship with labour; in which new types of state involvement are required; and in which a broader institutional involvement is required with universities, technicians and research institutions, trade and industry federations, consumer organisations and environmental groups, among others.

On the one hand, therefore, we will examine the distortions caused by particular state policies. On the other, the ISP's policy proposals are likely to include carefully targeted interventions within and between sectors and between sectors and relevant institutions, both in the private sector and in the state.

The ISP recognises that industrial restructuring of the required type cannot be achieved by bureaucrats writing the "best economic plan". It can occur only as a process, with all the major parties contributing to an identification of SA's economic weaknesses, on a sector by sector basis, and identifying the steps necessary to correct weaknesses and to take maximum opportunity of the potential for advancement.

**T**he research consultants on this project will engage manufacturers, state bodies, employer federations and relevant Cosatu affiliates on these issues. Underlining this research project is the understanding that collaborative relationships between manufacturers, companies and unions, and the industry are an essential ingredient of any successful industrial policy.

A challenge for the ISP is to map out a strategic path and set of policies for the manufacturing sector which ensure that such co-operation is possible and in which the role of labour can be enhanced.

□ The authors are co-directors of the ISP, although the views expressed are their own. This is an edited extract from an article in the latest edition of the SA Labour Bulletin.

# Talks on restructuring NMC

LINDA ENSOR

CAPE TOWN — Employer organisation Saccola will meet Manpower Minister Piet Marais on Wednesday to discuss the restructuring of the National Manpower Commission, Saccola chairman Bokkie Botha said last week. ~~180~~ ~~180~~

Cosatu and Nactu discussed the commission with Marais a few weeks ago.

The takeover of the manpower portfolio by Marais has meant that parties to the talks on the commission's restructuring have had to once again sound out government's views. Botha said it appeared a large area of agreement had been reached that the commission be a negotiating body to reach agreements and forward them to the minister, rather than a consultative body to advise him. *B/day 30/3/92*

It would then be necessary for participants to represent their constituencies, rather than being appointed by Marais.

While there had been much debate as to how SA's 80 to 100 national employer organisations should be represented, Botha said the current structure was probably the most representative possible, but was still under consideration.

The commission's representatives at present come from the Chamber of Mines, Seifsa, Sacob, AHI, the Agricultural Union, Cofesa (which represents public servants and companies in the northern Transvaal),

Nafcoc and Fabcos.

Regarding the economic forum, Botha said there were wide areas of agreement between employers and trade unions on its constitution. Outstanding issues included the two parties' agendas. Employers focused on the long-term framework of a future economy, while trade unions had tended to emphasise short-term issues.

Botha said the economic forum could be in operation by the end of April. ~~180~~

DIRK HARTFORD reports that Cosatu and Nactu have set up a co-ordinating committee to promote unity between their affiliates, according to Nactu general secretary Cunningham Ngcukana. ~~180~~

In an interview in the SA Labour Bulletin, Ngcukana said Nactu wanted to draw the 250 000-strong Fedsal and other independent unions into the unity process.

He said Nactu unions were merging into industrial unions. Any union that had not merged before Nactu's congress in October would be expelled.

Ngcukana said Nactu and Cosatu were discussing bringing the ANC, PAC and Azapo together as divisions between them had an effect on working relations in the union movement.

# W&A Investments returns improved results

Blowan 20/3/92 (180)  
MARCIA KLEIN

STRONG performances from offshore activities, rationalisation benefits and reduced gearing saw W & A Investments increase attributable earnings by 14% from R113,1m to R129,0m in the year to end-December.

W & A also announced the R200m cash sale of its hosiery division to Durban-based Kiwi Brands subsidiary The SA Hosiery Co, supported by First National Corporate and Investment Bank.

Apart from this disposal, W & A disposed of some non-strategic properties, most of its stake in Elcentre and the JD Group's debtors book during the year.

About R157m was invested in offshore acquisitions and funded overseas. Chairman Jeff Liebesman said these investments were mainly in the UK, in the steel and alloy wheel business and in scaffolding. Exports and offshore businesses' contribution to group turnover increased from 8% to 18% during the year.

Group turnover of R3,2bn for the year cannot be compared with the R3,0bn posted in the previous period as the sale of the JD Group's debtors book to JD Sales saw its turnover reflecting only cash sales and the cost of merchandise sold to JD Sales.

Liebesman said despite difficult

local and international environments, operating profit improved by 5,9% from R316,7m to R335,5m.

He said as the disposals of non-strategic assets took place late in the year, the effect on the interest bill would be felt in the new year. Interest grew by 28,7% to R151,8m in financial 1991.

W & A paid minimal taxation due to allowances as well as offshore operations, where earnings accrued outside SA. W & A does not expect to pay tax of more than 15% in financial 1992 and not over 25% for the next three years.

The drop in the contributions of associated companies reflects the disposal of the group's interest in Elcentre. Elcentre's earnings amounted to 4,5c a share in financial 1990.

Fully diluted earnings declined by 17% from 95c to 79c a share following a 37% increase in shares in issue.

The dividend was maintained at 42c a share "in view of the improved cash flows as a result of the restructure and the transactions".

Liebesman said that in all of the group's divisions, many past difficulties had been weeded out, and at an operational level, the group was well ahead of last year. The benefits of

reorganisation and focusing the group, and its consequent degearing, had started, he said. Gearing was reduced from 67,4% to 58,1%.

Liebesman said the group's industrial companies had done well, especially those that were export orientated. But the consumer businesses had not fared as well because of difficult trading. The industrial divisions increased their contribution to turnover from 28,5% to 39%, while consumer-orientated businesses' contribution shrunk.

Liebesman said the various disposals and investments were in line with the group's goals of becoming more focused, investing in the growth of existing business, reducing domestic borrowings and globalisation.

W & A would continue to strengthen management, improve operating efficiencies, enter new markets, increase share in existing markets and add new products in financial 1992.

Although he did not expect conditions to improve during 1992, he said the group went into the new year with enthusiasm on the back of successful results in the current year.

He said interest cover should improve, the trend of a reduction in debt would continue, and there would be further investments into core businesses locally and internationally.

# Govt shares move gets big welcome

*BiDay 30/3/92*  
THE move by government to consider allowing companies to buy back their own shares from shareholders has been widely welcomed in the financial community. *BiDay 30/3/92*

A draft Companies Act Amendment Bill providing for such purchases has been issued by the Department of Trade and Industry for public comment. The draft legislation is more in line with restrictive UK and European laws than the less confining US legislation.

"This is a move in the right direction which follows most of the rest of the world," Rand Merchant Bank executive director Reg Sherrel said last week.

Standard Merchant Bank executive director Mark Barnes said: "This development would give companies greater flexibility with their funding mix. With a fixed amount of capital, companies would now be able to choose their own gearing ratio."

"But stringent parameters would need to be introduced to protect creditors and financiers," he said.

Investec Corporate Finance head Clinton Wood said creditors were interested in a large capital base as security. "By being able to buy back its own shares, effectively a company is reducing its capital."

The Bill contains provisions to protect creditors by stipulating a company cannot make any payment for shares if there are reasonable grounds to believe it could not meet its liabilities as they become due.

Wood said the main benefit of the new legislation was that if a company's shares were sufficiently inexpensive, it could invest surplus funds at a better return by buying its own shares, rather than by investing in any other project.

He said buying back shares at the right price would increase the value

of the outstanding capital.

Firstcorp's Graham Brinkwater said using debt to buy back shares was unlikely as the company would not be permitted to set off the interest charges for tax purposes.

Sherrel warned that protection must be given against insider trading. "If directors hold shares they should have to indicate what they propose to do with their own shares."

Wood said companies must not be permitted to buy back their own shares and release them again when the price went up. The Bill has protected against this by stipulating that repurchased shares be cancelled and restored to the status of authorised and unissued shares.

Insider trading can also be covered by directors and shareholders agreeing in advance how many shares may be bought back, and within what price range.

The Bill limits the number of shares a listed company can buy to 1% of its issued share capital a month, thus reducing the likelihood of a substantial change in the market price.

The proposal could have large implications for the SA commercial and financial sector. Allowing companies to buy up their shares could further entrench control situations or consolidate holdings unless provision is made to ensure they make an offer to all shareholders on a pro rata basis.

Scrip on the market will also be reduced as those shares perceived to be cheap disappear from the board.

If a company is going through a bad patch the legislation will allow it to protect its share price through the purchasing of its shares. Companies will now have another means of protection against hostile bids.

180  
WILLIAM GILFILLAN

Inform

# Business squeeze means boom in debtor insurance

*B1 Page 31/3/92*  
 GIVEN the depressed economy and the rising number of companies experiencing the squeeze, it's hardly surprising that business is booming for SA's newest Credit Underwriting Agency, CUAL.

The three-year-old CUAL was launched because of a perceived demand for local credit insurance and judging by the fact that some 75% of its business is new to the industry, the perception was

on target.

CUAL MD John Manners says indications that CUAL has grown the market are evidenced by the fact that companies which were not traditional insurance users are now insuring their books.

These include companies in the computer, freight forwarding and chemical industries.

To date work has focused on local insurance business, but this will soon

*(180)* be broadened to include export business.

The specialities of three groups are the key to CUAL's ongoing success.

## Expertise

The groups are Commercial Union, Hollandia Reinsurance and KreditInform.

Manners, who has been involved in both insurance and reinsurance, has the necessary expertise to ensure that the speciality ex-

pertise of each is utilised to its fullest potential.

"Our portfolio of business shows the traditional spread found in most insurance books, with some focus areas being the clothing and textile, building, steel and engineering industries," he says.

For credit insurance policies to be established, limits are set for each debtor and the activity of debtors is then monitored on an ongoing basis; a

credit management function may often be necessary.

"Clients get management reports so they can identify problem accounts early and sort things out before they become too serious.

"Effectively, clients have an administrative system outside their offices which is monitoring debtors — and more specifically, problem debtors.



# Company credit ratings could shock JSE

THE newly-formed KM Corporate Ratings, a joint venture between KreditInform and McGregors, believes that some JSE-listed industrial companies could be at risk of failure. Over the past weeks, KM has assessed and rated all JSE-industrials.

The term, "at risk of failure," generally indicates there is a possibility of bankruptcy, or that the company could be placed under judicial management, or that the dividend could be passed in three of five successive years.

KreditInform MD Ivor Jones expects the rating to send shock waves through the JSE and the investment

community, but points out that the ratings are from a creditworthiness point of view rather than from a potential investment position.

"Nevertheless, for the first time, the entire industrial sector of the JSE has been rated on past and present performance," he says.

The "brain" behind the exercise was Dr Gideon van Rhyn, D Comm and Associate of the Institute of Bankers.

"The rating process uses six ratios each accorded a specific weighting," Dr Van Rhyn says. "We experimented with the financial results of 52 companies, comprising two equal groups of 'failed' and 'non-failed' companies and found the model was capable of distinguishing between the two respective groups on an ex-post basis."

The ratios cover the conventional areas of liquidity, which include profitability, leverage, activity, working capital and management.

Each was weighted individually to take the South African situation into account and all 522 companies listed on the JSE's industrial sector have been accorded a rating, drawing on information gathered over a three year period. Ongoing research and monitoring will enhance the information to give a clear picture of trends within the industrial sector and the performance of individual companies.

Through KM, KreditInform provides the credit information while McGre-

gors undertakes the necessary "number crunching" using computer facilities under the direction of Dr van Rhyn. Each of the rated companies has been provided with the information relative to its rating.

The information is presented in sectoral analysis format. Industry and sub-industry categories relate a company to its industry sector and its competitors, while the sectoral average rates how a company is performing relative to its sector.

## Ongoing

McGregors director Simon McGregor says: "Up to now, it's been difficult to give fund managers solid information about trends and real performance. Now, we can give them an ongoing performance rating and comparisons on which they can make better investment decisions."

"One of the major advantages of a rating is that instead of having to wade through financial reports, analyse balance sheets and income statements to identify true ownership to establish how solid a company is, it is possible to have all the information in a concise format which immediately shows whether a company is good, bad or average."

Dr Van Rhyn says the real advantage of the model is that it is a numerically-based system, rather than being qualitative,

meaning that it is figure generated and thus consistent.

"Frankly, when we started research on the model, we were amazed at the unscientific approach to rating companies which was usually undertaken by a panel of people expressing opinions without the benefit of solid information," he says.

KreditInform's Jones believes the ratings will enable bankers, financial and credit managers to see if they are backing winners or losers, identify good or bad risks and extend or reduce exposure accordingly.

"What will become very important is the industry overviews which will provide the investment community, corporate planners, marketing and financial managers with all the information required to identify a good company within a sector," he says.

"Investors and suppliers will be able to reduce their exposure to a particular company or sector experiencing a downward trend."

The KM Corporate Rating package is available on a subscription basis. Clients receive all the research on all JSE industrial sector-listed companies plus some 20 sectoral industry reports throughout the year.

The reports include a brief company outline, ratios, rating, report outlook, and financials.

KM is soon to undertake a similar programme for companies listed on the JSE's banking sector.

B10cm 31/3/92

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# Indecision on VAT 'burdens companies'

B/day 31/3/92

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GILLIAN HAYNE

INDECISION by the Receiver of Revenue has placed another unnecessary financial burden on companies trying to comply with VAT legislation, tax experts say.

In a statement released yesterday, Deputy Finance Minister Theo Alant scrapped an amendment on the pricing method for VAT which was due to be implemented on April 1.

Reasons for the decision included saving small businesses the cost of changing their systems.

Ernst & Young tax partner Ian MacKenzie said it was not clear why this decision could not have been announced months ago.

Vendors who had changed their systems in anticipation of April 1 would be justifiably peeved at the dithering which had led to the unnecessary expense.

The Receiver's statement said companies would continue to have the option of using the inclusive or exclusive methods of showing VAT on their invoices.

Originally companies were given two choices for the format of tax invoices — the exclusive basis reflecting the exclusive price, the VAT and the total price, and the inclusive basis reflecting only the VAT inclusive price and a statement to the effect that 10% VAT had been included in the price.

However, worries and representation, notably from Vatwatch, that some companies would add their profit margins to the inclusive price in spite of being able to claim the VAT portion back from Revenue as

an input tax credit, led to the amendment.

At that time Revenue also said the choice was creating difficulties as vendors were demanding different formats from suppliers, thus adding to the administrative burden inherent in VAT.

The amendment, gazetted on November 9 1991, took away the choice and said all tax invoices issued after April 1 1992 would be required to show the tax exclusive price, the tax and the total amount payable.

Alant said in the statement released at the weekend that the amendment would be scrapped because of pressure from small businesses which had changed their cash registers and invoices to cater for the inclusive system.

To adapt to the amendment would incur further expensive changes.

Circumstances had also changed since the introduction of VAT and Revenue was confident that vendors and suppliers had gained enough experience in the pricing of goods to make the original worry unfounded.

Tax experts said the whole issue was "much ado about nothing" but to wait until few days before the amendment was to take effect was inexcusable.

Most companies would already have made the adjustments.

MacKenzie said the same was bound to happen with the exemptions on foodstuffs which were due to be lifted on April 1.

# A key lesson — how to deal with your debtors

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31/3/92  
B10ay  
THERE were a number of lessons learnt from SA's recession. One of these, says KreditInform MD Ivor Jones, was that more companies learnt about risk management and categorising debtors according to the risk they represented.

"And as we move out of the recession, the need to categorise risk will remain important for companies wishing to boost their bottom line profits."

## Full study

Many companies took advantage of KreditInform's risk categorisation service, which involves a full study of the debtors' ledger. A report is produced on each debtor or on those in a certain section of the ledger with outstanding amounts over a specified level.

The exposure of each debtor is taken as a percentage of the full ledger, and each is categorised from low to high risk.

"Each debtor is placed

within a risk matrix, which in turn is split into five risk categories.

"Our next step is to consult with the client to discuss the spread of his debtors' book because existing policies may either be too restrictive or lenient when it comes to granting credit. The debtor exposure indicates whether the book is well balanced or distorted.

"In many cases we see that companies have few debtors which represent the majority of their sales revenues; often the 80%/20% theory holds true, because 80% of goods will be bought by 20% of the company's debtors," says Jones.

The next step is to advise the client about an information policy. He may need to have certain debtors monitored constantly, while others may need only an annual report. Those which seem to represent high risk to the client may need a credit limit review if their spending exceeds a specified level.

Also emanating from the risk categorisation process is advice on a collections strategy. Low risk debtors could simply require a "reminder letter", while those in the next category may need a phone call and a letter.

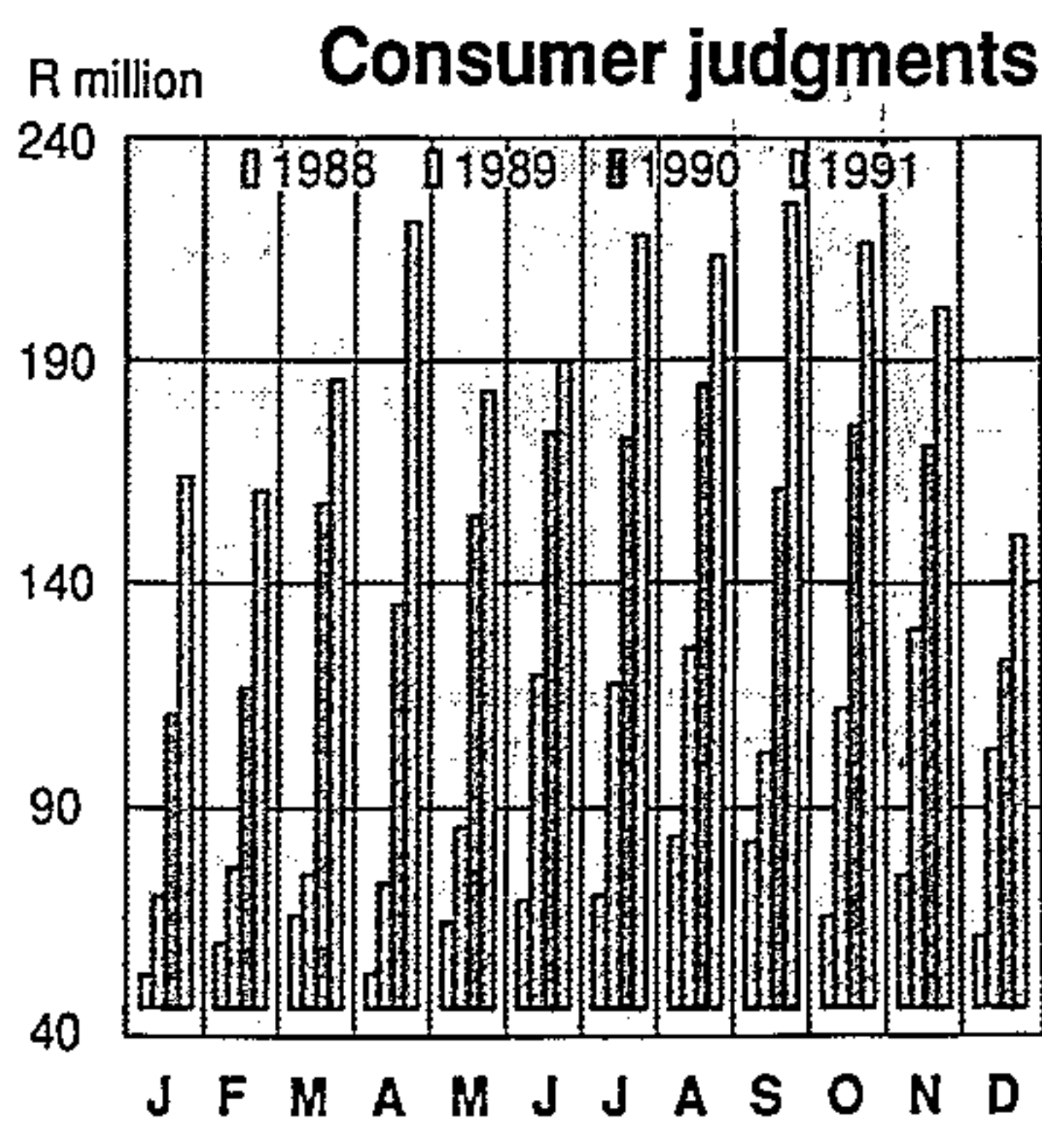
"The higher risk debtors will require frequent checking, cheque collection, or even for their accounts to be reconciled and a cheque collected immediately," he says.

## Opportunity

But an important opportunity which emerges from the categorisation process, is that certain debtors may prove to be perfect sales opportunities.

"If they are good risks, good payers and have a low exposure to the company, they could well represent good sales opportunities," he says.

"Knowing the risk of any debtor is key to the relationship between companies and their clients; if the debtor is a good risk, it



Graphic: FIONA KRISCH Source: KREDITINFORM

The growth in consumer judgments slowed a little in 1991 after two years of devastating growth rates of more than 60%; 1991 showed a relatively smaller 27% growth in judgments over 1990. The figure of 27% growth, while still very high, is considered to be an indicator of two particular trends. The first is that consumer spending has been lower in real terms for the past number of years as the recession has taken its toll. The positive and second trend is that consumer judgments are one of the first indicators of a slowdown in the economy.

is often worthwhile knowing to what extent his debts can be extended, instead of him dictating the levels."

As SA moves into a better economic situation, Jones says companies which concentrate sales efforts among others who are

good credit risks, are likely to do better.

Another outcome of the risk categorisation process is that clients may be advised about credit insurance for their high risk, high exposure debtors so risk levels are minimised.

# Cape Town market 'still attracting many investors'

B/D ay 1/4/92.

Reports by  
PETER GALLI

THERE are still many buyers looking for investments in commercial and industrial property in Cape Town despite political uncertainty and the recession, says Pam Golding investment properties MD John Pistorius.

"These buyers are from across the investment spectrum and include local institutions, big and small investors and entrepreneurs from upcountry and Namibia."

All were looking for "acceptable returns" and a major problem was to find suitable stock as there was an oversupply of A and B grade property in the CBD, the southern suburbs and the northern suburbs.

"Unless buildings are well let, investors are understandably nervous," Pistorius said.

Regarding prospects for the year, he said it was a tight market waiting for stimulus from an economic up-

turn, which could materialise only in 1993.

The Cape Town market was generally in a better shape than those in other major cities and would continue to grow in status as a preferred investment area, he said.

The "yes" vote in the referendum would mean increased buoyancy in the commercial and industrial markets and a return of foreign investors.

Pam Golding's commercial and industrial division, now known as Pam Golding Investment Properties, was aiming to expand its operations, Pistorius said.

"This expansion will take place particularly in the hotel and leisure sectors, where the company has expertise."

The company had employed more brokers and would be opening a sub-

branch in the northern suburbs. It would also increase its adspend.

Seeff, meanwhile, has seen its commercial and industrial brokerage grow over the past 30 months to 15 lease and sale brokers in Cape Town in addition to a valuation department.

"The Cape market is starting to move into an oversupplied situation and 60 000m<sup>2</sup> of space is coming online over the next six months. This will result in the A-grade and quasi A-grade market being oversupplied," said Seeff Organisation Holdings chairman Lawrence Seeff.

Baker Street Associates MD Rodney Timm said the Cape Town market was struggling, but had good potential. He said there was likely to be a demographic shift away from Johannesburg to Cape Town because professionals were looking for quality of life.

# Revamped Malbak on track

*B10cay 1/4/92*

THE restructured Malbak group reported a 29% rise in earnings from R118m to R152m in the six months to end-February after various disposals and acquisitions, a R430m rights issue, and reduced interest and taxation.

Executive chairman Grant Thomas said results for the six months placed Malbak on target to reach its forecast earnings of

*(180)*  
MARCIA KLEIN

117c a share for the full year.

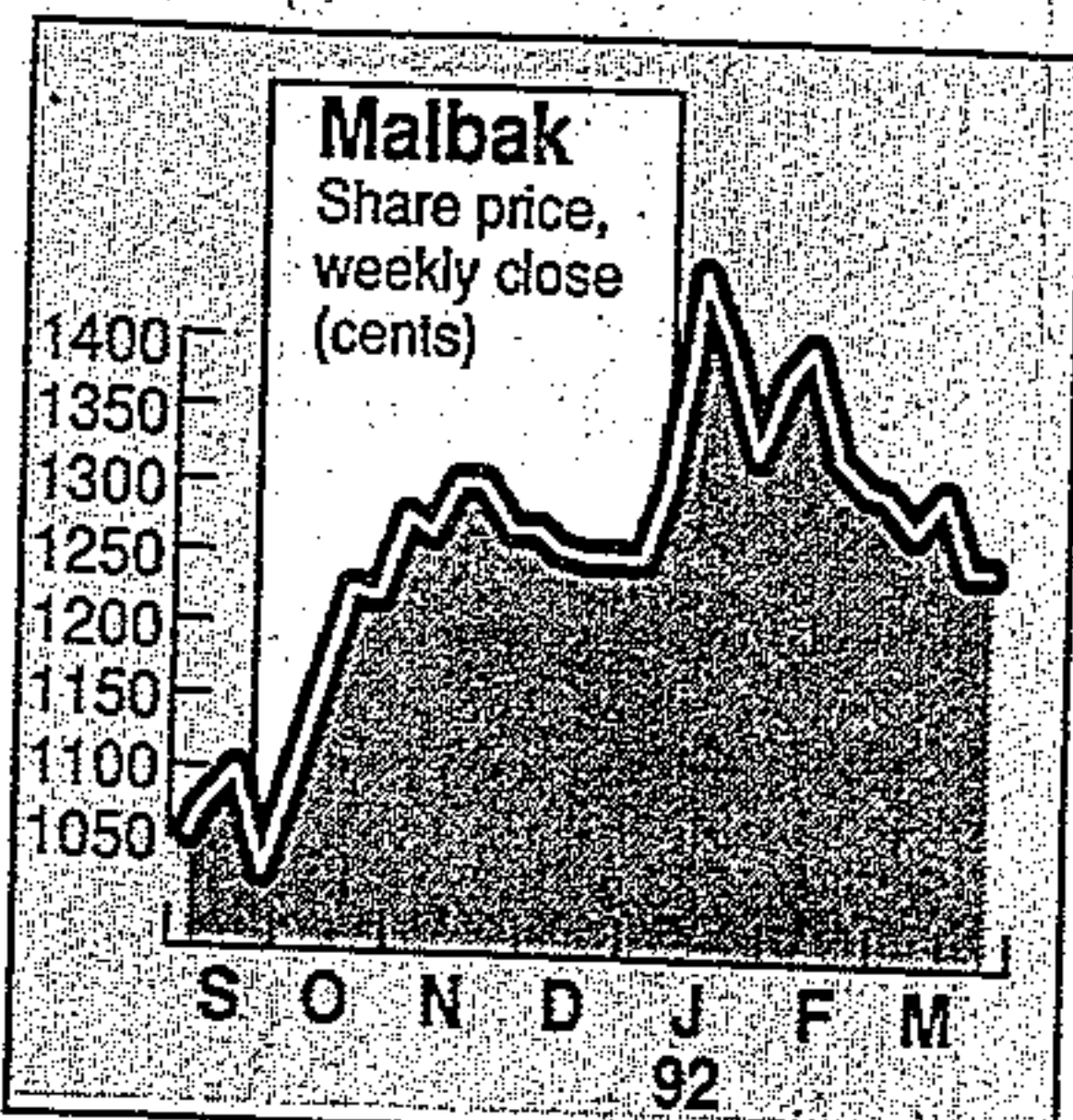
The 29% attributable earnings rise was reduced to a 3% decline in earnings a share to 55,1c (57,0c) on a significant increase in shares in issue. During the period, Malbak raised R430m in a rights issue, acquired Fedfood and SA Druggists, and sold its interest in Darling & Hodgson and 50% of its interest in Standard Engineering.

Group turnover rose 27% from R4,2bn to R5,3bn, and operating income increased 10% to R393m (R357m), as margins were squeezed from 8,5% to 7,4%.

But a 5% reduction in its interest bill to R85m, and a lower effective tax rate of 31,1% (35,5%), saw income after tax rise 23% from R173m to R212m. The dividend was maintained at 12,5c.

Thomas said most divisions performed satisfactorily, but the branded consumer products division, including Tedelex, Elerine and its motor operations, saw its earnings fall by more than 50%. This division contributed R17m or 11% of group earnings, after contributing R35m in the

□ To Page 2



Graphic: LEE EMERTON Source: I-NET

## Malbak *B10cay 1/4/92*

*(180)*  
□ From Page 1

previous year.

The health care division contributed R17m, after a R1m loss was attributed to Malbak in the previous year.

The acquisition of Fedfood resulted in the food division replacing the branded consumer products as the major contributor to group earnings. The division, comprising Kanhym and Fedfood, increased its contribution to the bottom line from R15m to R36m, 24% (13%) of group earnings.

The paper and packaging division, housed in Holdains, increased its earnings 7%, and its contributions to Malbak's attributable earnings declined from R29m in

1991 to R27m.

In the engineering and mining supplies division, which contributed R17m (R25m) to group earnings, Standard Engineering increased its earnings by 6%, while Haggie suffered from low demand.

The international division had done well, and MY Holdings (which returned to profitability), Eagle Freight and Protea International reported "exceptionally good results". Its attributable contribution grew from R3m to R12m.

Thomas said the group did not expect any significant upturn in demand in the second half.

FSI/W&amp;A FM 3/4/92

# Asset sales boost the balance sheet

The market was getting impatient for decisive action from FSI, specifically the sale of either its wholly-owned hosiery interests, or part of Gentyre to Continental. Though there was a cautionary more than six months ago, there is no sign of a deal with Continental yet, though it is believed that a technical agreement until 2005 has been signed. FSI sources sigh that Germans take their time and the Continental board is happy to take up to 18 months on the deal.

Another black mark, Edworks, seems to have been sorted out. It has been renamed Safshoe and new management installed under Hilton Nowitz and Henry Ogus, who brought a team with him from the old Bata.

And after government overruled the Competition Board's ruling to split up FSI's hosiery interests, allowing Burhose and Arwa to stay a single business, FSI was able to sell the lot to SA Hosiery Co, owned by Kiwi Brands, though there is speculation that US food company Sarah Lee is behind the deal.

FSI's operating company W&A got a good price — R200m — which cuts net borrowings by more than R100m to R765m. It's roughly double book value and values the hosiery division at about three times the market capitalisation of Frame Group.

Deputy chairman Terry Rolfe says that, had the deal taken place at the beginning of 1991, it would have lifted EPS by 4c to 83c. The buyer also took up about R37m liabilities. The deal was signed on December 24, but announcement was deferred pending the Competition Board ruling.

## Gearing trimmed

The hosiery sale and a revaluation of plant will trim W&A's gearing from 58% to 42%. FSI has been criticised for revaluing assets. It brings higher valuations into its balance sheet, which increases equity and, therefore, decreases gearing.

W&A has written down its Elcentre stake to market value, as it's accepted the offer to minorities, which contributed to a reduction in shareholders' equity from R765m to R717m. There is R215m of convertible debentures, R300 000 preference share capital and R384m minority interests in listed subsidiaries JD Group, Gentyre and Macphail.

Several other deals have improved W&A's balance sheet. According to chairman Jeff Liebesman, some non-strategic properties have been sold and most of the shares in Elgro Group realised. The JD Group debtors' book was sold for R414m to JD Sales, which is controlled by a consortium of banks.

A further R157m was invested in offshore acquisitions and funded abroad. The share of sales accounted for by foreign interests has

increased from 8% to 16%.

Liebesman ranks realising debt as one of the most important reasons for recent disposals, the first being to focus the business. Degearing is a consequence. On the manufacturing side W&A specialises in industrial consumables such as nuts and bolts, scaffolding and tyres, not in fashion or electrical goods. On the retail side, JD Group is a good trader, but is not in the banking business — hence the sale of the book.

Since July 1991, only cash sales from JD Group have been reflected in W&A's turnover, as JD Sales is not consolidated. Rolfe says that though the operating margin has been maintained at 10.4%, on an apples-to-apples basis it has actually increased.

W&A, with a p/e of 5.1, is slightly better rated than pyramid FSI, which sits on a 4.2 p/e. FSI's income is convertible debenture

## HOLDING UP

Year to December 31	1990	1991
Turnover (Rbn) .....	3,04	3,23
Operating profit (Rm) ....	317	335
Attributable (Rm) .....	113	129
Earnings (c) .....	95	79
Dividends (c) .....	42	42

interest and dividends from the bottom companies' income, funnelled through Waicor. This is used to pay its own redeemable pref dividend and bank overdraft interest, then ordinary and preferred ordinary dividends.

Until July 1990 it also held the Form-Scaff scaffolding interests directly. For this reason, management says that FSI's 1991 earnings of 47.2c are not comparable to the previous 110.4c.

The balance sheet, widely considered risky before, is now in a far better condition. W&A has made progress, but it may take time for the market to acknowledge this.

Stephen Cranston

## MALBAK

### Timeous deals

**Malbak's solid growth of 29% in attributable earnings over the past six months has gone largely against earlier market expectations and comes when a number of the group's subsidiaries have been feeling the full effect of falling consumer demand.**

Earlier interim results from companies such as Tedalex, which showed a bottom-line loss close to R6m, and lower earnings from Carlton Paper and Ellering, seemed to indicate the downturn was finally catching up

with the holding company. Instead, earnings, at R152m, have grown by nearly five times the rate shown between financial 1990 and 1991.

Of course, the structure of the company has changed a lot since last August's annual results. Fedfood and SA Druggists have been brought on board and Darling & Hodgson and half of Standard Engineering were sold. Because of the March year-end, Fedfood's and SA Druggists' performance cannot be seen in Malbak's interim results, but the food division has now become Malbak's biggest contributor, adding R36m (24%) of group earnings.

Executive chairman Grant Thomas says both Fedfood and SA Druggists will publish annual results for the last time in March, after which they will come into line with the group's August year-end.

The acquisition of the two new companies seems to have sharpened the focus of the group. Both are due to merge with existing Malbak companies and represent what could be a well-timed strategic investment in food and pharmaceuticals.

Thomas says the mergers should take place within the next six months. It seems clear the real value of both companies is in the critical mass they will bring to existing operations. For example, Fedfood's results are not expected to be outstanding, but combined with the recent good performance by Kanhym, will give Malbak a significant player in the food industry — third in size after Premier and Tiger.

Similarly, merging SA Druggists with Malbak's other health-care interests, could help to pull up what is now an underperforming division.

The other division to take a knock in the past six months is branded consumer products, where earnings fell by more than half. With the sale of certain interests and the R430m rights issue, Malbak is holding a cash balance of R673m (1991: R109m), of which about R550m is at the centre.

This, with what Thomas says was tight control of working capital and success in turning non-productive assets into cash, has brought gearing down from 49% to 28%, leaving a pretty healthy balance sheet. If cash is offset against borrowings, gearing falls to around 10%.

Working capital control is also apparent in the reduced interest bill, down 4.5% to R85m. Thomas says some of the cash pile will be used for specific projects, pointing to negotiations between Heinz and Kanhym.

He is especially pleased about the forecast for EPS of 117c for the year still being on track, despite an increase of nearly 100m issued shares from the acquisitions. This has

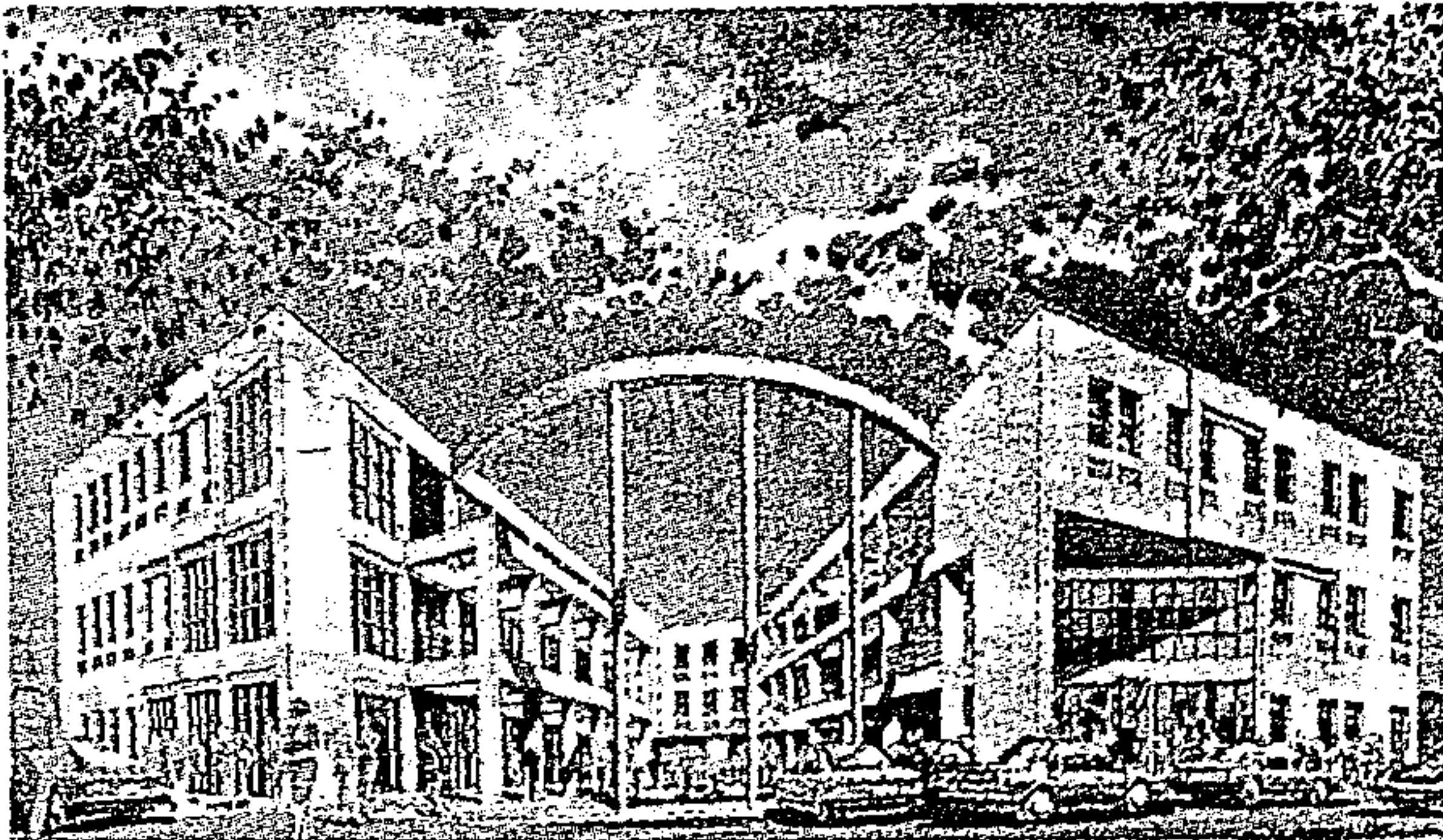
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diluted EPS, but only by 3% on a weighted average basis and 2% on a fully converted basis. This is after Malbak predicted a 6% drop in EPS on weighted average.

"A lot of people thought EPS would fall further when we began to issue additional shares," Thomas says. "I think those fears have now been laid to rest."

At 1 250c, the share price has been drifting downwards since January's 12-month high of 1 450c, following strong growth throughout 1991. For more than a year, Malbak's share has also outperformed the Industrial index, showing a significant rerating. On the strength of these results, the price should at least stabilise. *Shaun Harris*



Hutton Court, at the corner of Summit and Jan Smuts Ave, is due to come on line next year. It will offer 5 000m<sup>2</sup> of space in the niche Rosebank market.

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# Codesa gives industrial market a slight boost

Blouay 7/4/92

THE Codesa negotiations have created a sense of euphoria and given the industrial market a slight boost, says JH Isaacs (JHI) industrial leasing and sales director Wayne Wright.

"The Codesa negotiations have given the smaller industrialist some encouragement to move into the market," he says.

RMS Syfrets industrial division director Mike Brown agrees, saying 1992 began on a very positive note, with Codesa and widespread expectations of an interest rate drop creating optimism that was reflected by good industrial activity.

"Unfortunately, the volatile state of South African politics, influenced by continuing international pressure and violence, the Potchefstroom debacle and the referendum, created pessimism and general uncertainty," he says.

JHI has also seen a number of entrepreneurs moving into the market as they feel the time is right and that the market offers opportunities in areas like refurbishment.

**Demand 180**

"There are three areas of high demand in the industrial market: micro units of about 150m<sup>2</sup>, but situated in the right location; and space in the 600m<sup>2</sup> to 800m<sup>2</sup> and the 1 000m<sup>2</sup> to 1 200m<sup>2</sup> areas," he says.

The areas with the highest demand areas tend to be those based in the CBD because of the availability of public transport and access to freeways. Very little speculative development is taking place, with most activity being tenant driven.

A lot of companies, institutions and developers are planning now for the future.

Demand could move upwards with the lifting of sanctions, improved political sentiment and a drop in the interest rate if these factors continue to follow the path they have started on.

Also, the opening up of southern Africa as a trading and export partner is promoting a number of developments being planned now or 18 months down the line.

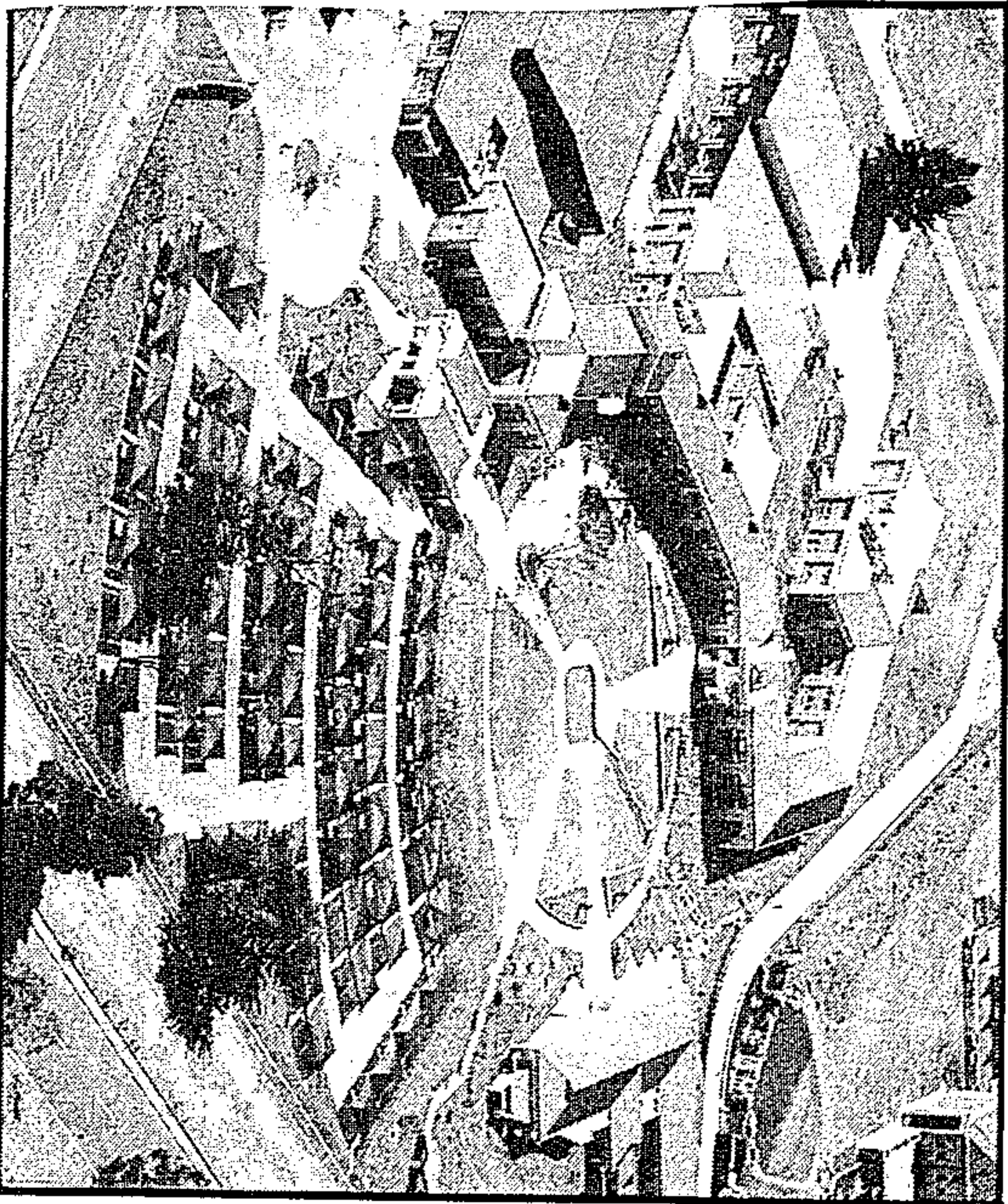
"There are serious buyers in the market from our neighbours in Africa. They have already taken up a fair amount of space on the commercial and distribution sides. Some units are combined office and warehousing or distribution facilities," Wright says.

The Midrand area is benefiting substantially from this business because of zoning requirements, as well as the nature of some of the operations.

deals not [unclear] [unclear]







Offices and factory designed by Talsgaard Carter for the DeBtech grouping of De Beers Industrial Diamond Division.

## Looking for new ways to win

A GLUT of space in the commercial and industrial market, combined with political uncertainty, have compounded depressed conditions to the point where property companies are looking for innovative ways of attracting new business.

Metboard property finance consultant Mike Knightley says that in order to strengthen the group's business and salvage the bottom line, it will have to be better able to meet client needs.

### Adjust

While participation mortgage bonds remain popular with investors, institutions must adjust their product to market demand if borrowers' requirements are to be met, says Syfrets property finance senior GM Derek Johnston.

Syfrets, which runs a part bond book of R1,2bn, has seen a strong market move away from tradition-

al part bond finance towards customised individual financing packages tailored to specific borrower needs.

Historically, the part bond has met investor and borrower needs, being both a financing and investment vehicle.

The trend away from part bonds is largely due to borrowers' reservations rather than investor sentiment.

While there is still demand for bonds, this is largely from individuals seeking investment and demand from borrowers is declining significantly.

"Numerous competitive financing vehicles have been developed lately and the borrower has little reason to involve himself in a highly regulated, inflexible, fixed period loan where he has to pay interest quarterly in advance," Johnston says. "Where this trend will

lead depends on whether alternative investment products satisfy the requirements of participation bond investors and whether borrowers will be prepared to sacrifice a lower rate for the flexibility and customisation of a product like a bank loan, says Johnston.

The key to success in the tough market is creativity in constructing deals, Pam Golding Investment Properties MD John Plistorius says.

### Broaden

"Investors need to broaden their vision and there are any number of options worth considering. For example, in the future we may see unlet factories or commercial properties being converted into sectional title residential units," he says.

"The demand for sectional title residential units, particularly in the R80 000 to R100 000 range, is unrelenting."

## Optimism expected to yield results

8/16/92 7/14/92  
THE referendum result has resulted in more optimism in the commercial, industrial and retail markets, but this will fall away if there is not seen to be progress, Board of Executors (Transvaal) director Mike Rosholt says.

"I am not sure if this optimism will filter through in increased demand for space as trading conditions remain tight, economic conditions depressed and interest rates high," he says.

However, the Budget was milder than expected and

any cut in interest rates will have a tremendous effect on the market. Local investor confidence is also expected to improve due to the referendum result.

"We believe this will be reflected in the syndication market. We recently completed a R35m syndication of three buildings — two in the Johannesburg CBD and one in Illovo — and response was good," Rosholt says.

Another BoE retail and office syndication in the Johannesburg area, which is well tenanted, will soon be

launched. However, private developers are battling to make margins.

While the institutions are still buying, the thrust over the next six months will be for investment property, with the industrial market more buoyant in this regard, Rosholt says.

While approaches from offshore merchant banking institutions have been made, nothing has materialised from this. "There are still perceived risks associated with investing in this country and we have not yet concluded any deals."

# Industrial tenants are hunting bargains

THE prevailing situation of static industrial rentals, with little opportunity for short-term growth, is giving many of the larger industrial users an opportunity to take advantage of conditions and lease more space or relocate.

"This is happening in industrial areas like the Gables, Cleveland, Mondi, Crown and Aeroton," Russell Mariott & Boyd (RMBT) industrial leasing director Simon Noyes-Lewis says.

There is very little development of new sites.

"Developers are tending to look at the redevelopment potential of older properties that they can pick up at bargain prices in the present market," says Noyes-Lewis.

"Redevelopment enables

lower rentals to be offered than would be possible with comparable new projects."

RMS Syfrets industrial division director Mike Brown says some of the older multi-level buildings have no redevelopment potential. They have seen no growth in rentals for the past five years.

"There is little to no demand for this space and its only worth is its residual value," he says.

"The industrial market is under pressure, with the country experiencing no economic growth, a static GDP, vacancy rates high and rental levels dropping."

Brown says, overall, the industrial market is underdeveloped relative to the office market, but has some optimism.

Several large institutions have recently bought large tracts of vacant land which they anticipate will increase in value and be taken up within nine months of the economy turning," he says.

## Surplus

Very little land is available to the north of Johannesburg, yet there is a surplus of mini-market space in the south.

If there was an overnight improvement in demand, existing available space in the south could accommodate up to 3000m<sup>2</sup>, say Brown and Noyes-Lewis.

Security is a motivating factor as to where companies locate their industrial property and many com-

panies have moved from traditional areas to new ones, Noyes-Lewis says.

"This is evidenced in the movement away from Wynberg to Eastgate. Wynberg is close to the township of Alexandra and the buildings are older and the roads more congested," he says.

"There has been no real movement of industrial rentals or vacancies over the last six months, although areas on the fringe of the various CBDs — away from the congestion and older buildings — still have potential."

Brown says industrial rentals have held firm on average over the last year to 18 months, but have regressed in real terms when seen against high inflation and interest rates.

# Eager market awaits return of investors

8/10/92 7/14/92

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DESPITE a glut of commercial and industrial space and tight economic conditions, the landslide "yes" victory in the referendum and a moderate budget has given the property industry renewed optimism.

As a result of the overwhelming support of the white voter for continued political reform, offshore companies are expected to begin investing in SA.

This will see industrial growth and increased demand for commercial and industrial property across the board. However, exactly how long this will take to materialise is the question.

In the meantime, the industry battles against high interest rates, a surfeit of space and limited demand.

In an effort to stimulate the market, novel financing schemes and alternatives are being found and promoted, with tenants and

borrowers alike being in a strong negotiating position.

Alternative markets and marketing techniques are also being used. The auctioning of property is an area that more and more brokers and companies are examining.

## Eliminates

In many cases, it is believed to be a more marketable tool that eliminates much of the delay associated with bids and offers and the price obtained is seen as a realistic market guide of the value of the property.

Many of the larger institutions, believing that initial economic growth will come from the industrial sector, are buying large tracts of industrial land and taking positions ahead of the upturn.

Despite the oversupplied market, areas of growth do exist and are being taken advantage of. One such area is refurbishment,

where the property is upgraded at a lower cost to a new development.

As a result, rentals can be targeted lower and, provided the development is well placed and caters for tenants' requirements, there is still good demand.

However, others argue that only cosmetic refurbishments are viable as structural refurbishment is often only marginally cheaper than a new development.

Certain industrial areas have also been targeted as growth areas, but the industry is divided as to exactly where the growth lies. Brokers disagree whether the mini-unit market is still a growth area or not.

Some feel that market is oversupplied and has no room for growth. They argue that growth lies in larger units and warehousing. Others feel that demand for larger space is restricted and any movement is in the

smaller area.

Conditions nevertheless remain cut throat, with brokers competing to let or sell space to a limited number of clients. However, clients are making the most of this position to negotiate the best rentals or price and the greatest number of incentives.

## Incentive

Long rent-free periods, discounted rentals and generous fitting allowances are all part of the growing list of incentives offered. Some existing tenants are using depressed rental levels to negotiate future rental terms.

While the general mood of the industry is more bullish, renewed local interest and foreign demand are essential to its recovery. While all the elements are in place for this, the time required for it to take place is unknown.

# Growth 'likely to be lower than forecast'

Bloddy 9/14/92

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SHARON WOOD

THE end of the recession could be in sight but growth would probably be about 0,5% this year and not the 1% expected earlier, Sacob chief economist Ben van Rensburg said at the release of the business confidence index (BCI) in Johannesburg yesterday.

The BCI had ticked up by 0,3% in March to 88,7 from 88,4. This was the first time the index had risen since May last year, when cautious hope that the recession had ended was dampened by the subsequent decline in business confidence.

Slowing inflation, higher new car sales, a slight increase in retail sales and lower insolvencies had pushed the BCI up in March. But the gold price had fallen, merchandise imports had declined during the month and the average level of share prices

on the JSE was slightly lower.

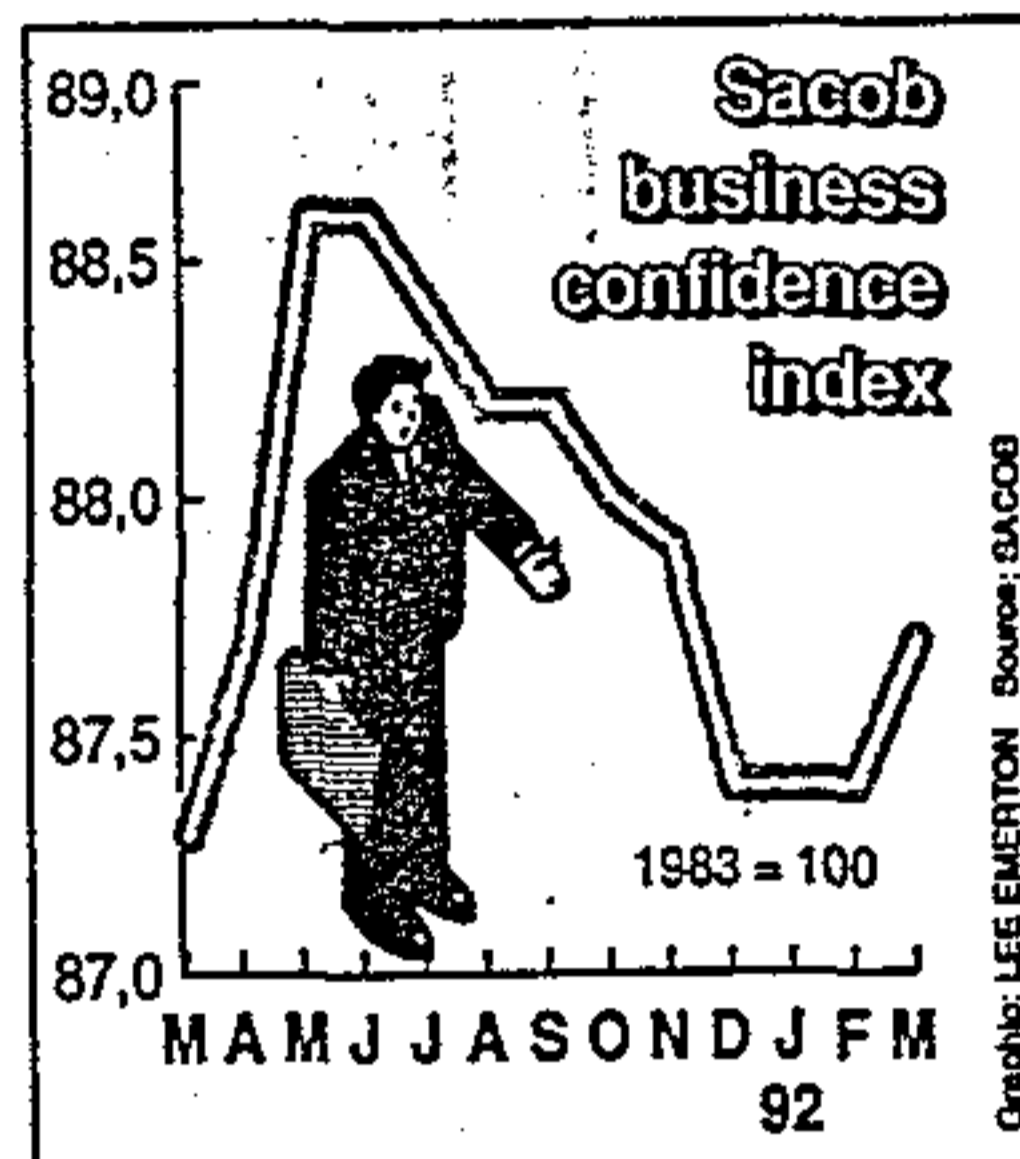
Van Rensburg warned that the business mood would remain fragile until more conclusive evidence showed an imminent upturn.

The referendum results and the Budget would have an important impact on the levels of business confidence and the economic environment during the rest of 1992, he said. The "landslide" referendum victory had buoyed the business mood but the Budget had been a disappointment because it had failed to address corporate tax rates and bracket creep.

Van Rensburg said Sacob was worried about the monetary policy stance later in the year because inflation was coming down, but slowly. "It is unlikely that there will be a significant further easing of monetary policy during the remainder of the year."

The referendum results had failed to filter through to business confidence in the manufacturing sector, which declined again in March, economist Keith Lockwood said. Manufacturers expected production and stock volumes to decline in March along with real capital expenditure and skilled employment.

An average decline of about 39% in unskilled employment and 20% in skilled employment was expected across the country in the next year.



## Think small with 'micro factories'

South 11/4-16/4/92

**H**ELP IS AT hand for entrepreneurs wanting to build businesses in an affordable and supportive environment. The Small Business Centre planned for Retreat East is the brainchild of the Small Business Development Corporation (SBDC).

The corporation has developed a series of these "industrial hives" countrywide. In the Western Cape, micro factories are operating in Blackheath, Paarl, Observatory, Athlone, Mitchells Plain and Philippi.

The latter is the latest development and aims to serve mostly the communities of Nyanga, Crossroads, Browns Farm, Mitchells Plain and Mandelay.

Mr Wolfgang Thomas, regional general manager of the SBDC in the Western Cape, said that in coming weeks it would "conduct a market survey in the area to establish exact needs and to consult with community and business leaders".

"Community participation is an important ingredient of a development process," he said.

The industrial hive concept entails the sub-division of existing large factories into smaller units, or the construction of individual small factory units.

Thomas said the development would focus on a range of small factories aimed at accommodating the upgrad-

ing of backyard businesses.

The location and size of the site allowed for a range of businesses. Anything from retailing, wholesaling and factory shops down to exhaust and tyre-fitting could be considered, he said.

An SBDC statement said tenants would benefit from premises at reasonable rates, as well as SBDC services such as loan finance schemes for viable businesses, networking opportunities, monitoring and training services and sub-contracts from larger enterprises.

"Some of the hives provide communal spraybooths and workshops equipped with the kind of machines that cannot normally be afforded by start-up businesses. These facilities can be hired by tenants on a coin-operated system," it said.

Project manager Mr John Morrison said phase one of the Retreat East complex could be completed by February 1993, depending on the results of the market survey.



CITY OF CAPE TOWN

## COMPANIES

### Republic of China scheme offered in SA

SA entrepreneurs wishing to establish their own factories could benefit from a low interest finance scheme offered by the Republic of China for the purchase of plant for more than 500 turnkey projects from that country. *Blom 13/4/92*

The scheme, already seven years old, but offered in SA for the first time at the Rand Show, has helped establish small to medium businesses in more than 100 countries and regions around the world, republic representative Kehsin Wu said.

The Republic of China Export-Import Bank provides three main types of medium- and long-term financing schemes for a maximum of seven years through its fixed rate relending facility, already available through SA's Standard Bank, Nedbank and First National Bank.

The schemes provide financing for up to 85% of the contract value and require at

*EW* EDWARD WEST *(180)*

least 15% cash payment. Interest is fixed between 7% and 8,5%. SA banks also charge a 1,5% premium a year. *(180)*

Once a decision has been reached on the product, the Republic of China government and industry-backed Package Plant Promotion Group provides detailed descriptions on the manufacturing process, the type of plant and equipment required, number of employees needed and names of suppliers of raw materials. *(180)*

This enables the businessman to decide on a project's feasibility, Wu said.

Until last week mostly blacks, particularly from Botswana, had expressed an interest in the scheme.

Wu said the Republic of China viewed SA as having vast undeveloped manufacturing potential.

# The down side of downsizing

STAR 13/4/92.

~~180~~ ~~180~~ ~~180~~

**D**OWNSIZING became a management buzzword in the '80s, when it was on the lips of every firm hoping to present a cuddlier image of the harsh business of cost-cutting by sacking people.

As companies have struggled to contain their labour costs in the face of recession, downsizing has come to be a catch-all term for plant closures, eliminating whole layers of management and even subcontracting large amounts of a firm's operations.

Take General Motors. It is doing all of those things after losing \$8,7 billion (£2,5,2 billion) in North

America last year.

That will mean closing 21 plants and cutting 74 000 jobs, nearly a fifth of GM's American workforce.

A new survey by Right Associates raises doubts that all the cutting and slashing have achieved much.

Of the 1 204 American companies it polled, three-quarters said they had downsized at some point during the past five years.

Of those, close to a third had handed out pink slips telling workers that they have been sacked to more than 500 employees.

But three-quarters of the firms that had downsized

said their financial performance had not improved

Only 18 percent of the firms surveyed bothered to explain to workers how job cuts fitted into the firm's future plans.

Around 75 percent of those employees who survived the cuts felt insecure. Raising productivity while morale slumps is not easy.

The biggest snag with downsizing, however, may be that most companies have little idea why they are doing it. Fewer than half of Right's sample saw their cuts as part of a more wide-ranging overhaul.

THE ECONOMIST



# Landlords cut rates

## to survive

PETER GALLI

LANDLORDS are having to offer lower-than-projected rentals and a variety of incentives to secure tenants and satisfy their demands because of a surplus of commercial space, Hyprop chairman Peter du Toit says in the latest annual report released yesterday.

"While there is a projected further excess of new accommodation due to come on stream in 1992, the local oversupply of space is nowhere near the levels found in the US and UK."

The oversupply of office space had been worsened by the authorities granting substantial office rights in former exclusively residential areas.

The retail industry, suffering under the worst recession since 1982, was concerned about the ability of consumers to support the new facilities.

"While prime, well established centres are well placed to weather present difficult circumstances, new centres seeking to establish their presence may have less room for error," Du Toit said.

Hyprop does not have any commitments at present for additions to its portfolio and is currently focusing on consolidation. Suitable opportunities that would enhance the portfolio were difficult to find, he said.

"This strategy will be revised when a sustained improvement in market conditions can be identified, which is expected to be towards the end of 1992."

Hyprop reported a total distribution of 70,93c a combined unit for the year to end-December from 65,43c previously, after improved turnover at R23,786m from R21,642m.

## Surge of interest in SA

Finance Staff <sup>STAN</sup> 14/4/92

A major surge of interest in South African companies by international concerns has been noted by business and credit information supplier ITC.

Commercial operations manager Carl Opperman says the first three months

of this year had witnessed a staggering 138 percent increase on the same

(180) (10)

Most of the inquiries channeled through ITC had focused on the petroleum, steel, pharmaceutical, textile and electronics sectors and came from Switzerland, Canada, the UK, Germany and Japan.

FEDERAL BUREAU OF INVESTIGATION

## Tax rates 'hinder investment'

SA WOULD have to bring its corporate tax rate in line with those of its main trading partners in order to attract foreign investment, Rand Merchant Bank chief economist Rudolf Gouws said yesterday.

He said a decline in the income tax rate on individuals in the past decade masked a significant amount of bracket creep; the average amount of tax payable by households had increased substantially. A higher direct tax burden on individuals had led to a decline in spending growth and a drop in net personal savings.

Lower levels of savings and investment had put pressure on the overall level of economic growth in SA.

"SA's fiscal competitiveness has diminished in the past decade and, since 1980, our main trading partners have lowered both their corporate tax rate and their rate of inflation while SA has done just the opposite."

Government had become a net absorber of savings and, as a dissaver, was borrowing more

in order to finance the cost of employing a growing number of civil servants. Spending requirements for the current fiscal year would continue to worsen the budget deficit.

Gouws said the inequalities which were the result of apartheid needed to be addressed urgently.

"If we address the redistribution issue too rapidly, this will be too punitive and there will be a re-acceleration of capital flight. On the other hand, if we do it too slowly, there will be demands made for more radical solutions to the problem," he said.

He expressed concern over the popular view that public works programmes should be introduced by a future government. Such programmes would not significantly address the unemployment problem but would have severe implications for tax rates.

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SHERIDAN CONNOLLY

# Rental prospects look up for industrial property owners

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Industrial property rentals are set to improve as confidence in the future of manufacturing grows.

Commenting on the latest findings of a survey by the South African Chamber of Business (Sacob) showing more favourable prospects for manufacturing, Neville Berkowitz, of The Property Economist, says:

"Investment in this sector in real terms after adjustment for inflation dropped from R8 billion in 1980 to R3,4 billion in 1986, recovering to R7 billion in 1990.

## Optimistic

"Attitudes expressed in the Sacob survey indicate that respondents are optimistic that there will be an increase in capital spending in manufacturing which should lead to an improvement in fixed investment this year."

Mr Berkowitz points out that real industrial rents, calculated after inflation has been taken into account, follow a

similar pattern as for investment in manufacturing.

"The growing investment in the sector as outlined by the Sacob survey implies an improving industrial rental market for property owners and developers."

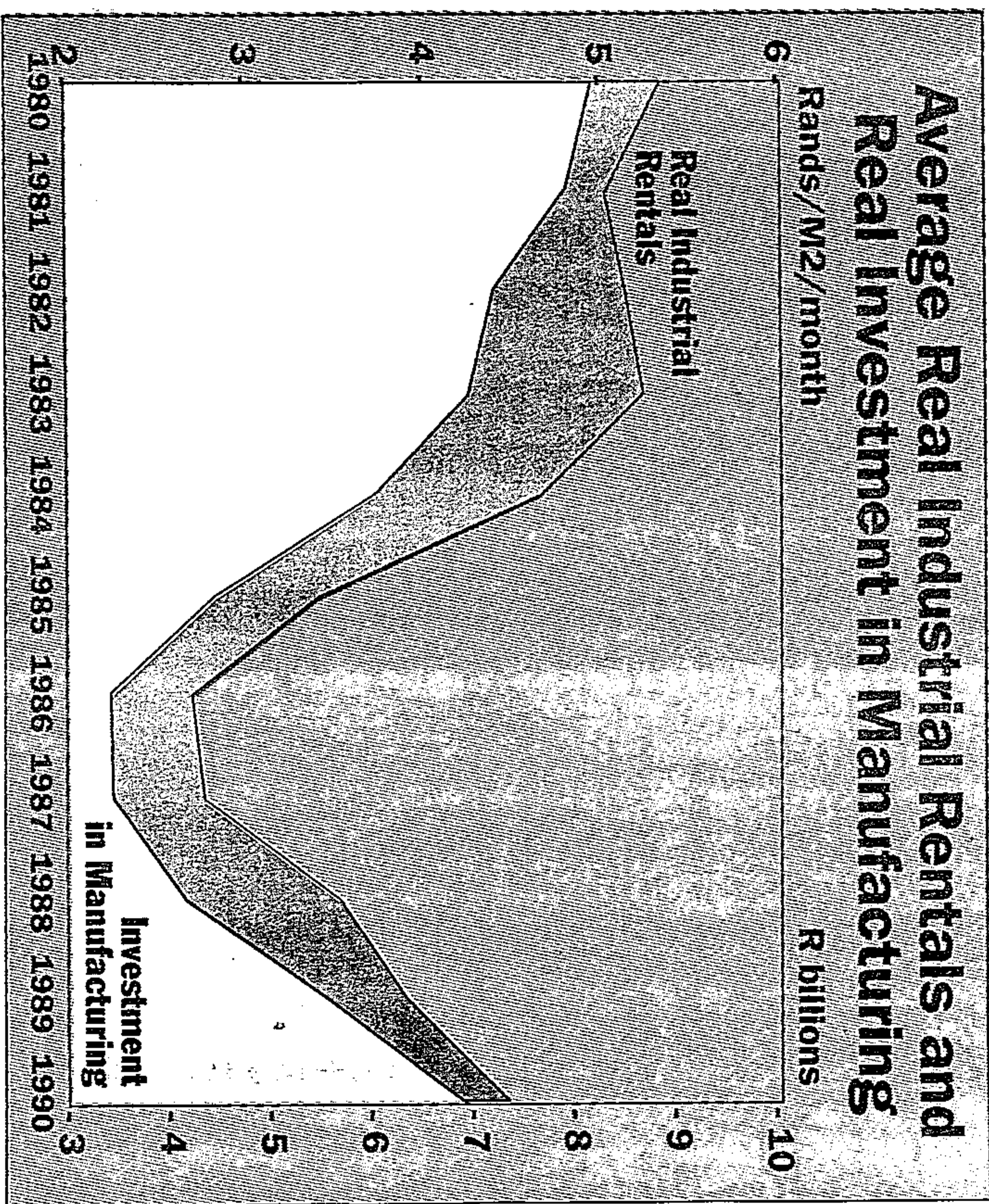
## Park space

Rising demand for industrial park space is also predicted by Roy van Litsenburgh, general manager of the E.P. Building Society Property Development Company.

"When a new political dispensation is finally achieved in South Africa labour-intensive manufacturing undertakings will play the primary role in solving the unemployment dilemma facing the country," he says.

Mr van Litsenburgh sees a desperate need for new entrepreneurs in the industrial market.

"They could, however, be short of capital and this is where industrial parks and mini-factories will play a crucial role," he says.



# Recession hits small companies

*BIDAY 7/4/92*  
THE length of the current recession had hit small companies hardest and liquidations in this group had reached record levels, Credit Underwriting Agency MD John Manners said at the weekend.

"A pattern has emerged relating to the large number of losses covered by credit insurers. About 75% of all claims are in the R5 000 to R25 000 bracket as more and more smaller companies are going out of business", he added.

This distinguishes the recession from the 1985/86 one where the depth of that recession meant the larger companies were hardest hit, Manners said.

"As the last recession was so sharp it took out large, well established companies.

"In this recession companies are not going into liquidation wholesale; rather they are gradually getting to the stage where they are unable to continue without

*(180)*  
WILLIAM GILFILLAN

any increase in business activity", he said.

Companies have been operating on lower turnovers for so long the ratio of costs to turnover has risen dramatically leading to cash flow constraints.

January to March is often a period in which liquidations are up as companies reopen after the Christmas break to find there is very little work in the market.

Although the number of claims in the credit insurance industry for liquidations and delayed payments has reached record levels, the value of claims has not reached the level of the previous recession.

"But hopefully liquidations will fall following the drop in interest rates last month given the close correlation between interest rates and liquidations," Manners said.

# Export firms warned to prepare for Europe

\$Times (Cape metro) 19/4/92

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WILL it be countdown or meltdown time for your company as it prepares an export drive to Europe in the short time remaining before Fortress Europe emerges at the end of the year?

Many companies are having their export hopes dashed because their products do not carry the EC mark of approval which certifies that they meet the European Community's stringent quality and safety specifications.

Products bearing this mark of approval will be cleared for import into any EC country from January 1, 1993.

The problem is that many South African companies have not taken the time and trouble to familiarise themselves with the EC legislation in the form of directives prescribing the technical requirements their products need to satisfy to be traded freely throughout the EC.

Products sold in the EC market, whether manufactured in EC countries or emanating from other countries, must comply with the requirements of the relevant directive or a national technical regulation which may exist in the absence of a directive.

There are situations where there are no directives — or they have not

yet been prepared — but where national technical regulations exist.

To become law throughout the EC, a directive must be incorporated into the laws of each member state, and in such cases all conflicting national laws must be withdrawn.

To help clear up confusion for South African companies, the Department of Trade and Industry has been holding a series of seminars throughout the country on the technical requirements for industrial products entering the EC.

At a seminar held at the Cape Chamber of Industries, Ben Ford from the Department gave the following steps a South African manufacturer must take if he wishes to export to the EC:

- Establish if there is a directive relating to his specific product and read it carefully. A list of directives is available from the Department.

- Establish the conformity assessment requirements.

- If there is no directive, he must establish if there is a national technical regulation covering the product he wishes to export to a particular EC country.

- If there is no directive or national

technical regulation and the product falls into the non-regulatory field, he must ask purchasers in the EC to stipulate their company's technical and other conformity assessment requirements.

Potential suppliers of industrial products to the EC should consult the Department of Trade and Industry in Pretoria or its regional office in the Western Cape, ☎ (021) 45 1508.

In the case of agricultural, veterinary or medical products contact the regional Department of Agriculture ☎ (021) 21 1370 or Department of National Health and Population Development ☎ (021) 948 8151.

The South African Bureau of Standards also gives valuable advice. Write giving full details to: Director-General, SABS (European Community Working Group), Private Bag X191, Pretoria 0001.

The SABS regional office can be contacted on ☎ (021) 689 5511. It can arrange to supply copies of the monthly SABS Bulletin, which contains helpful information on promoting quality and standardisation as a competitive tool.

## NEWS IN BRIEF

### Machines lie idle ~~(180)~~

ONE-FIFTH of SA's manufacturing capacity lay idle last year, says the CSS. (180)

Figures released last week showed that the average use of production capacity in 1991 in the manufacturing sector fell 1,2% compared with 1990. This left the average underutilisation of capacity at 19%. *Bl/day 21/4/92*

Largest capacity-use increases in 1991 were in the tobacco industry (93%), leather and its products (90,4%) and glass and glass products (89,9).

# Recession puts brake on manufacturers

STAR 21/4/92

By Derek Tommey

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The recession has sharply curtailed the output of the manufacturing sector, official figures show.

Although inflation last year was running around 15 percent, the value of total manufacturing output in current prices rose only R12,6 billion (7,6 percent) to R178,6 billion.

The output figures show that the processing of food remains the country's biggest industry. Last year it had an output worth R25,8 billion. This was an increase of R2,4 billion or 10,2 percent on the previous year's figure.

The second biggest industry was what Central Statistical Service termed "other chemicals" which probably embraces the oil refining sector. This industry had an output last year worth R24,4 billion, which was an increase of R2,6 billion or 12,0 percent on 1990.

Third in size was the motor vehicles and parts industry. It had an output last year of R16,5 billion. It was followed by the iron and steel industry with an output worth (R13,5 billion), then the metals industry with output worth R10,3 billion and the industrial chemicals industry with output worth R9,3 billion.

Best growth rate last year was achieved by the transport equipment industry. This excludes the motor vehicle and parts sector. Output of the transport industry sector grew by R353 million (or 25,6 percent) to 1,7 billion. This suggests an increase in sales of rail rolling stock and sea-going vessels.

Next best performance was put up by the "professional equipment" sector with a 21,4 percent growth in sales to R646 million.

This sector includes a wide range of products, but it seems likely that most of the growth came from growing sales of computers and other electronic equipment.

Output of the tobacco industry grew by 15,9 percent to R1,98 billion and that of the printing and publishing industry by 14,4 percent to R3,9 billion.

Sales by the beverages industry grew 13,8 percent to R8,2 billion and sales by the footwear industry 12,2 percent to R1,8 billion. Sales of "other chemicals" grew by 12,0 percent.

## Increases

Other significant sales increases (though well below the inflation rate) were achieved by the paper and paper products sector (11,4 percent), plastic products (10,7 percent), food (10,2 percent), clothing 10,0 percent, industrial chemicals (9,5 percent), wooden furniture (9,1 percent), glass products (8,1 percent), motor vehicles and parts (8,0 percent) and metal products (non-machinery (7,1 percent).

At the other end of the scale, the value of output of non-metallic minerals (mainly bricks and cement) rose by 3,4 percent, while the value of electric machinery produced grew by 1,8 percent, machinery by 1,2 percent and leather goods by 1,0 percent.

The iron and steel industry increased its sales by a meagre 0,26 percent or R35 million.

Negative sales growth were reported by the non-ferrous metal industry, the rubber products industry and the "other industries" (of which a large part probably comprises the armaments industry).

Sales by the "other industries" dropped by R216 million (10,9 percent) to R1,76 billion.



## Firms divided on market prospects

8/10/92 22/4/92  
WHILE opinions differ about the effect on the industrial market of economic and political factors, Logaro CE Gary Perlman says activity has come to a grinding halt.

"We are getting no inquiries for our own or other industrial space in Strijdom Park in Randburg, or Eastgate. Even the offer of lower rentals is not persuading people to take space," he says.

The reasons were a lack of confidence that the economy would show real growth, given the poor conditions, and high interest rates.

In addition, consumer

and industrial activity is static to lower at best, with the latest retail figures 4% down, reflecting that consumers are not spending and industrialists not expanding, Perlman says.

The economy needed a "kick start", on the lines suggested in the Nedcor/Old Mutual scenario.

"Also, the Reserve Bank policy of maintaining high interest rates has gone beyond effective management of the economy. This is now having a destructive effect, and has failed to control spiralling inflation."

But Taljaard Carter director Justus van der Ho-

ven feels Strijdom Park is showing "its true potential" as the best positioned industrial area in the country.

"This view is based on the R100m, 60 000m<sup>2</sup> industrial park we designed for Abland. The development is now 80% complete and has exceeded all expectations in both demand and rental rates, with gross rentals of R14/m<sup>2</sup> being asked."

Interest in the area was prompted by its easy access from Johannesburg's northern suburbs and the N1 freeway, as well as its good security.

H Lewis Trafalgar group MD Neville Schaefer says

the demand for industrial units is "not too bad", and the sector seems to have weathered the economic storm.

The industrial market was not as sensitive to economic factors as the office space market.

H Lewis Trafalgar administers property worth about R500m.

Seeff Organisation Holdings chairman Lawrence Seeff says institutions are channelling money into the industrial market as this will reflect the first uptake of space when the economy improves.

## BUSINESS BAROMETER

w/ mail 24/4 - 29/4/92  
**Recession hits manufacturers**

MANUFACTURING output is being (180) stunted by the recession with value having risen only 7,6 percent in the last year — way below the 15 percent inflation rate.

According to latest to Central Statistical Services figures, the transport equipment industry showed the best growth rate with output rising 25,7 percent to R1,7-billion. The professional equipment sector came next with growth of 21,4 percent which the CSS says is probably due to increased demand for computers and electronic equipment.

The food processing sector's R25,8-billion output — 10,2 percent up on the previous year — keeps its place as the country's biggest industry ahead of "other chemicals" which grew by 12 percent to R24,4-billion. The vehicles and parts industry followed with R16,5-billion and the iron and steel industry's output was R13,5-billion. In the metals industry, output was R10,3-billion and industrial chemicals recorded output of R9,3-billion.

# Export growth sees trade surplus climb

B/D ay 24/4/92

SHERIDAN CONNOLLY

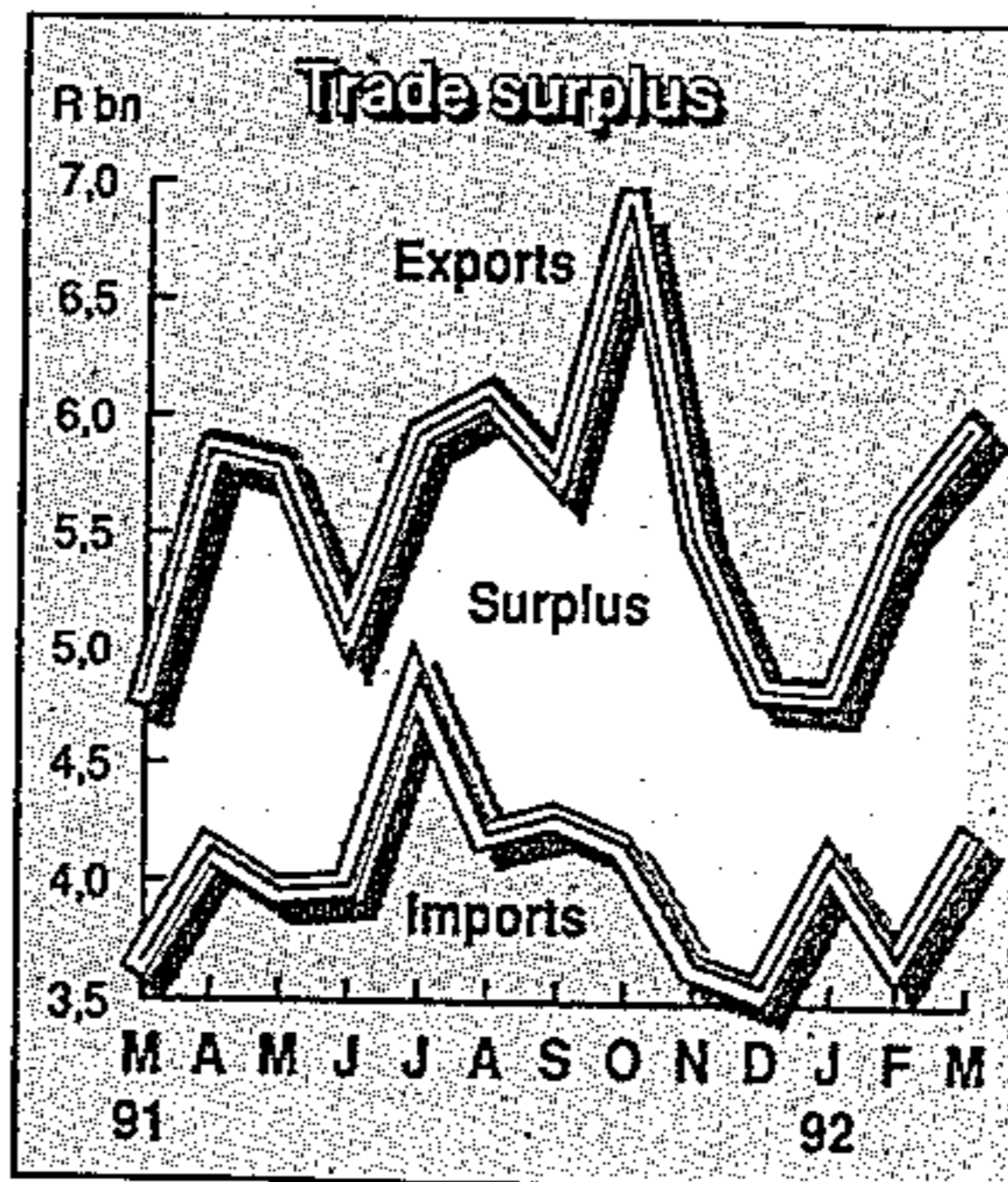
GOOD export performance in the first three months of this year saw the trade surplus 38% higher than the surplus recorded in the first quarter of 1991, figures released yesterday by the Customs and Excise directorate showed.

The trade surplus narrowed to R1,77bn in March from R1,89bn in February with a small rise in exports to R5,97bn compared with R5,58bn in February and R4,8bn in March 1991. Unclassified exports — mainly of gold and armaments — were also higher at R1,96bn in March from R1,87bn in February.

Total imports increased to R4,198bn in March from R3,68bn in February and R3,66bn a year ago. The rise in total imports reflected a steep rise in unclassified imports — mainly oil — to R644,9m in March as against R371,4m in February.

SA Foreign Trade Organisation (Safto) chief economist Bruce Donald said despite tough conditions in foreign markets, SA performed reasonably well. The 38% increase in the first quarter of 1992 brought the trade surplus to R4,4bn.

Exports grew 12% in nominal rand terms to R16,4bn in the first quarter compared with the same quarter last year while imports grew 5% to R12bn, he said.



Graphic: FIORA KRISCH Source: CUSTOMS & EXCISE

Donald said the biggest contributor to the export growth trend was the jewellery and precious stones category (mainly diamonds), up 79% in the first quarter.

Commenting on manufactured products, Donald said transport equipment had put in a remarkably strong performance in the first three months of the year, rising by 75%. "Other manufactured products" also continued their positive trend with plastics up 45%, chemicals 35% higher, and machinery re-

□ To Page 2

## Exports

B/D ay 24/4/92

cording an increase of 26%.

Donald said their sustained growth might be partly linked to the benefits that manufacturers obtained through the General Export Incentive Scheme (GEIS), and, in the case of the motor industry, the benefits gained through Phase VI of the local content programme. This trend was "assisting in the diversification of SA's exports away from their dependence on primary and minimally processed products".

The "statistical anomaly" created by massive imports of oil at the beginning of last year in response to the Gulf crisis was of particular relevance, he said. Excluding unclassified imports, imports grew 10% in nominal rand terms in the first quarter compared to the same quarter last year.

"Consistent with the recessionary conditions in the local economy, imports of industrial materials remained relatively static," Donald said.

□ From Page 1

## Revision of Companies Act expected

CAPE TOWN — A revision of Schedule 4 of the Companies Act, to require a more meaningful disclosure of financial information by companies, was expected to be promulgated this year, the Registrar of Companies said in his 1991 annual report tabled in Parliament yesterday.

He said the revision — completed last year — would bring SA more into line with international developments.

The report said that since the commencement of the Close Corporations Act in January 1985 to end-December 1991, a

*B/Occy* *24/4/92*  
LINDA ENSOR

total of 220 033 close corporations had been incorporated. Of these 31 777 were converted from companies. Last year 34 553 (38 937) close corporations were incorporated and 806 companies converted to close corporations.

A total of 5 445 (4 976) companies were deregistered last year and there were 1 150 (1 057) voluntary and compulsory liquidations.

180

# Exporters continue to

# fatten trade surplus

By Sven Lünsche

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Star 24/4/92

South Africa's exporters continued to perform well in the first quarter of this year despite the sluggish international economic environment.

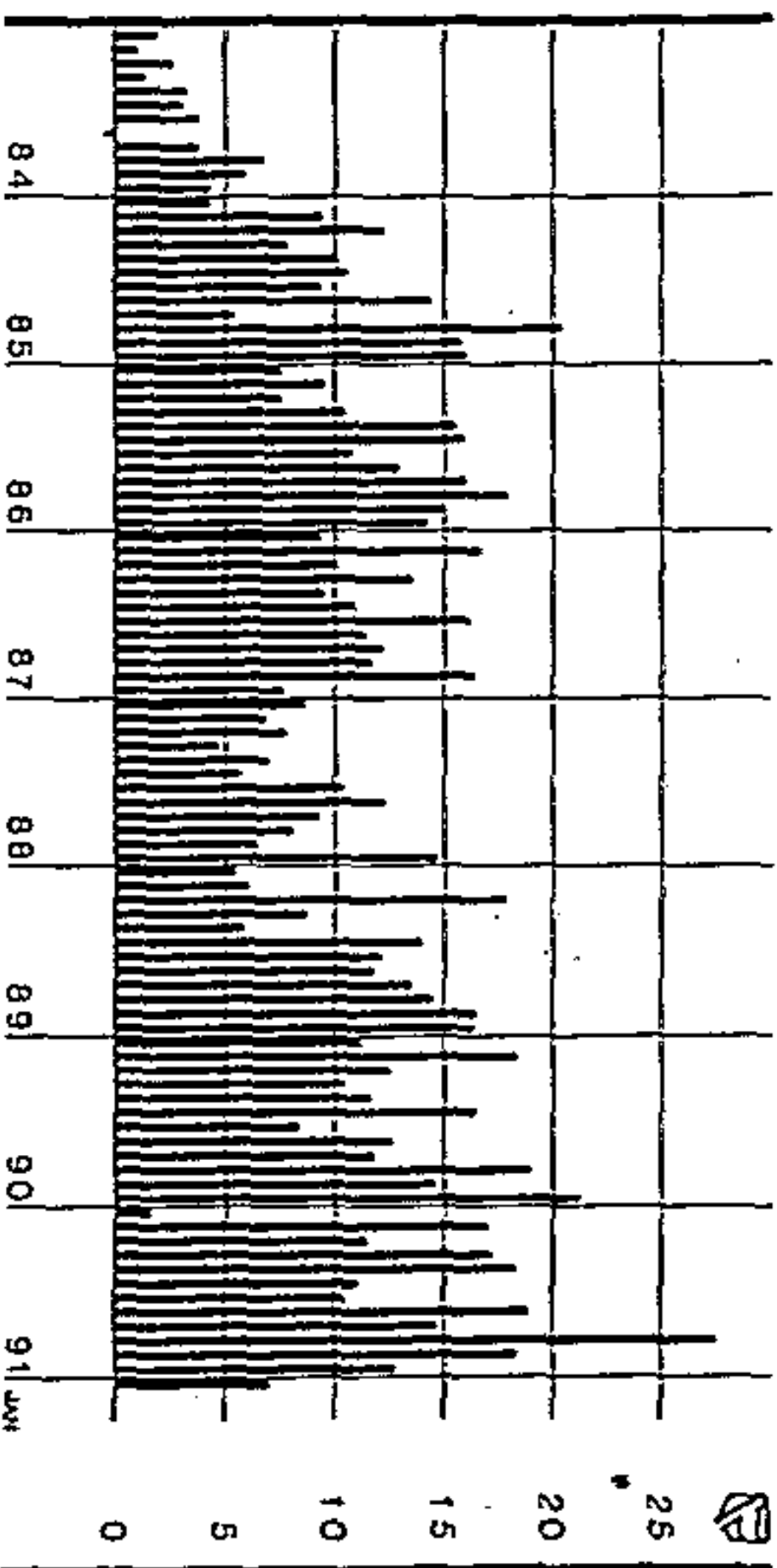
Exports grew by 12 percent in nominal terms to R16,4 billion, compared with R14,6 billion in the first three months last year, which lifted the trade surplus over the period by 38 percent to R4,4 billion (R3,1 billion).

Imports during the quarter rose by only five percent to R12 billion from R11,5 billion last year, which implies a significant decrease in real terms.

However, a statistical anomaly was created by the massive imports of oil at the beginning of last year ahead of the Gulf crisis.

If the unclassified import category (mainly oil) is excluded from the trade figures, imports showed a 10 percent rise in nominal terms during the quarter.

The improvement in exports was achieved despite the poor economic performance of the world's industrialised nations, which has depressed base and precious metal prices, SA's



The country's trade balance, including bullion, month by month in R'00 millions.

major export commodities.

This was reflected in the export categories unclassified goods (mainly gold), which were five percent lower at R5,9 billion (R6,2 billion) and base metals, down two percent to R2,1 billion (R2,2 billion).

### Main contributor

The biggest contributor to the export growth trend was the jewellery and precious stones category (mainly diamonds), which rose by 79 percent from R1,3 billion to R2,3 billion during the quarter.

Satto economist Bruce Donald suggests that given the poor conditions currently prevailing

Mr Donald says that the sustained growth of these categories may be partly linked to the benefits that manufacturers obtained through the government's General Export Incentive Scheme.

"In the case of the motor industry, Phase VI of the local content programme has undoubtedly contributed to the strong export growth reported by the category."

"This trend is particularly significant insofar as it is assisting in the diversification of South Africa's exports away from their dependence on primary and minimally processed products," Mr Donald adds.

### Imports

Turning to imports he says that consistent with the recessionary conditions in the South African economy, imports of industrial materials remained relatively static — imports of chemical goods only increased by five percent and those of base metals by six percent.

Machinery imports, the largest import category, grew by 15 percent to R3,7 billion (R3,25 billion), which Mr Donald suggests indicates replacement rather than expansion of capacity among South African industries.

### Blacks love sponsors too

180 (24/4)

Companies that sponsor the Olympic Games can expect overwhelming support from South Africans of all races, according to the second phase of the opinion survey conducted for the National Olympic Committee of SA. The survey, conducted by BMI, finds that blacks, coloureds and Asians are as enthusiastic as whites about Olympic sponsors — and in some cases, more so. 128

One might have expected greater cynicism among blacks, but there is little evidence of this. While 80% of whites feel that sponsoring companies deserve their business (*FM* April 16), 77% of blacks feel the same way. Coloureds (90%) and Asians (93%) are even more supportive. *FM 24/4/92*

Also, 67% of whites, 69% of blacks, 88% of coloureds and 92% of Asians say they become more positive towards companies which become sponsors. The scores are significantly higher than in any other country for which measures are available. *Tony Koenderman*

# Black Management Forum announces new award plan

SI Times (Cape metro) 26/4/72

By FRED ROFFEY

THE Western Cape branch of the Black Management Forum (BMF) has announced a corporate award scheme for companies "doing the right things for the right reasons".

It will be a pilot scheme for BMF branches countrywide, and companies will be assessed on a wide variety of factors conducive to black advancement including:

- The existence of an affirmative action programme.
- Training and development programmes for

blacks.

- The scope for black promotion within the company.

- Sensitivity to cultural norms and values which may not be similar to Western culture.

- The existence of black directors with executive powers on the company's board, and the number of non-executive directors.

Outside the workplace, the company will be assessed on the extent to which it adds its voice to broader issues, such as the

recent referendum, and the degree to which it employs sub-contracting in recognition of black-managed enterprises.

"It will no longer be acceptable for companies to carry on business as though they are in London, Amsterdam or Hong Kong. They will have to be much more African related," said the chairman of the BMF Western Cape, Mr Humphrey Khoza.

"However, we are not so naive as to think that the lack of black advancement at corporate level can be redressed immediately.

# 'Not in hurry to merge'

(180)  
C/men 26/4/92  
By S'BU MNGADI

THE National African Federated Chamber of Commerce will not rush into mergers with predominantly white business organisations.

This was Nafcoc President Sam Motsuenyane's message at the two-day annual conference of the Inyanda Chamber of Commerce in Durban this week.

He said though Nafcoc had found it desirable to participate in the National Business Forum and other joint initiatives, the chamber had to ensure that the black business community was not given the impression that they were equal partners when in fact they were not, he said.

"Our major task is to work for the closure of the growing gap that presently divides the black and white business communities," he said.



# Mine pay talks in crisis

**Y**et another set of major negotiations in the country, namely the mine industry pay talks, have been plunged into a crisis as a result of the violence against township residents.

National Union of Mineworkers' (NUM) president James Motlatsi last week led a walk-out from negotiations with senior Chamber of Mines (CoM) officials and warned that pay talks would not resume until bosses clarified their stand on violence.

Motlatsi's angry response follows reports that members of the notorious Koevoet anti-guerrilla unit formed to fight Swapo and its supporters in Namibia, had led the Boipatong massacre in which more than 40 residents were killed.

The Koevoet unit allegedly involved is based at Gold Fields' Greenside Colliery.

Last week Friday's talks, which were meant to discuss pay offers made by minebosses, failed to take off when the NUM demanded that the CoM stated exactly where it stood on the question of violence.

NUM negotiators also demanded that such an explanation of the CoM stand come from senior executives rather than negotiators. A meeting then took place between the union and employers at which CoM president Bobby Godsell stated his organisation's position.

But Motlatsi described this as nothing more than a rehash of minebosses' statements at the time of the President Steyn violence in which no one was directly blamed.

Godsell's statements made to the NUM team were rejected as inadequate and Motlatsi then led the walkout which brought the crucial wage talks to a halt.

According to the NUM, the use of mine property to house Koevoet members

appears to have become a pattern and the Greenside Colliery case is not unique.

The union says, the Rooiberg mine near Thabazimbi, also owned by Gold Fields, is known to have accommodated Koevoet members.

It is believed that these police were deployed in the area to counter NUM efforts to organise the rich platinum mines in the Rustenburg region.

Heavily armed Koevoet police are also known to have been based at the Swartklip shaft of JCI's Rustenburg Platinum Mine near Rustenburg. JCI confirmed the presence of the Koevoet unit at the mine but said police had used the mine to accommodate the men because a nearby police station did not have enough accommodation.

A police spokesperson, however, said that the mine had invited the Koevoet unit for the purpose of fighting crime in the area.

## Workers

But workers at the mine said they believed that the police unit had been brought to the mine to fight the union and the ANC.

And it is this link between Koevoet, the mining industry and the violence that the union wants cleared up before pay talks could resume.

The NUM says that the alleged use of Koevoet in the Boipatong massacre and the presence of this notorious unit on mine property must be seen in the context of the violence last year at Anglo American's President Steyn gold mine, where more than 80 workers were killed.

During the President Steyn violence, allegations of outsiders having been involved in the violence were made. At least one of the dead found at the mine, thought to have been one of the attackers, was not a mine employee. This ruled out the possi-

bility of the violence having been sparked off by "ethnic tensions".

It is also important to note that the President Steyn attacks followed the mass action campaign against Value Added Tax.

NUM officials commenting on the President Steyn killings, said at the time that the violence at the mine should not be seen as separate from the political violence plaguing the country's townships.

At this stage, it appears that even if the CoM responds adequately to the NUM demand, Gold Fields may still find itself being singled out for action by union members.

The company has already fallen into disfavour with its rejection, together with Anglovaal, of the NUM's profit sharing proposal aimed to augment low wages in the industry.

There remains the possibility that the NUM will declare a dispute with Goldfields, traditionally among the lowest payers in the sector, over both the profit sharing scheme and the presence of Koevoet police on its property.

Although tough "anti-union" policies have kept the NUM membership lower than at most other mining houses, workers could rally to the call for action around an emotionally charged issue like violence.

In the meantime, the NUM and the CoM remain poles apart on wages. The CoM has offered a R25 increase for marginal mines and a R31 hike for the richest mines.

In percentage terms this translates into increases of between two and eight per cent.

The NUM's demands stand at 15 per cent, down from its opening proposal for increases of 25 percent on gold mines.

Once again, Gold Fields is offering among the lowest increases, ranging from R31 to R71. Anglo, by comparison is offering between R40 and R73.

# Eskom backs trade union summit

ESKOM has not agreed to suspend the closure of certain power stations and its restructuring programme as was demanded on Monday by three trade unions.

Eskom said in a statement yesterday there had been some misunderstanding about Monday's accord reached between Eskom and the trade unions.

"In the understanding reached between Eskom, the National Union of Mineworkers, the National Union of Metalworkers of South Africa and the Electricity Workers Union some details were incorrectly reported," Eskom said in a statement.

Eskom pointed out that in its accord with Num, Numsa, and the EWU, it had not agreed to suspend its restructuring programme or the closing of certain power station units.

"Eskom and the relevant trade unions supported the formation of an Eskom/trade union summit where various issues of mutual concern, including restructuring, will be discussed," Eskom said.

This summit would include all trade unions representing Eskom employees.

On Monday night Eskom announced it had reached agreement with Numsa, Num and the EWU on a set of employee demands.

The agreement followed several hours of discussions between representatives of a group of about 3000 employees, who travelled from eastern Transvaal power stations to hold discussions with Eskom management at its headquarters in Sandton.

Eskom undertook not to retrench any employees until the manage-

ment of surplus staff had been discussed in the summit or a prior agreement had been reached.

The corporation said it would consider applications for voluntary retrenchment and use of voluntary retraining and redeployment strategies to deal with surplus staff.

Eskom undertook, where surpluses arose, to communicate to affected groups the options which were open to them. It would invite them to approach management to discuss options on a voluntary basis. It would not coerce any employees into accepting any specific option.

Eskom said the unions undertook not to discourage their members from engaging in such discussions. — Sapa.

## Eskom clarifies agreement

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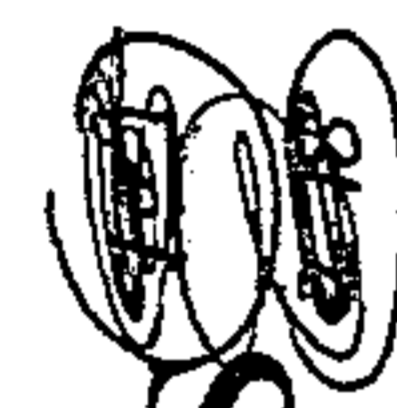
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It undertook not to retrench staff until the management of surplus staff had been discussed. — Sapa.

# ANC leader hints at necklacings

*BIP aug 27/4/92*



ANC regional leader yesterday threatened that Bophuthatswana could be made ungovernable through necklacing killings and bombs.

Sapa reports ANC western Transvaal leader George Mathusa told the funeral of former hunger striker Bushy Molefe in Phokeng township near Rustenburg: "In SA we did it through our necklaces and bombs; we can easily repeat it here."

Mathusa's comments were made as reports were received of at least 22 unrest-related deaths on the Reef at the weekend. The ANC also claimed yesterday Bophuthatswana security forces had injured residents in Phokeng in a raid.

Bophuthatswana police spokesman Col Dave George said he had no knowledge of anyone being injured by policemen. He said police had gone into Phokeng on Saturday night to investigate reports that ANC marshalls were "illegally" searching people and vehicles.

The marshalls were also reportedly ordering Phokeng residents to attend Molefe's funeral. Police found no evidence of the reports and nobody was arrested.

Witwatersrand police spokesman Capt Ida van Zweel said one man died in Sebokeng yesterday morning when municipal policemen fired at five

gunmen. Also in Sebokeng, police found a bullet-riddled body of a four-year-old child.

Sapa reports police and soldiers yesterday launched a massive search in Meadowlands, where at least two people were killed on Saturday.

Police spokesman Govindsamy Mariemuthoo said several firearms were found.

Three hostel residents were arrested for murder, one was arrested for possessing a homemade firearm and two for possessing ammunition.

Also in Soweto, five people were killed and two seriously injured in a panga attack on Saturday night. Four other bodies were also found.

In Alexandra police found the charred body of an 11-month-old baby among razed shacks. Four other people were also killed in the township on Saturday.

In Katlehong, on the East Rand, one person died and at least 40 were injured on Saturday afternoon in an attack on a group of mourners. Van Zweel said the mourners were travelling in three buses from Vosloorus to Katlehong. Three bodies were found in Vosloorus on Saturday.



Zambian Tourism Minister Lt-Gen C S Tembo officially opened the SA office of the Zambian National Tourism Board at Bruma Lake, Johannesburg, on Friday. Picture ROBERT BOTHA

## Zambia entices SA companies to show

SA companies have been guaranteed \$1m in foreign exchange allocations by the Zambian government to encourage participation in the Lusaka Trade Show in late July. *BIP aug 27/4/92*

Zambian Agriculture and Commercial Society chairman George Bender said at the weekend the dedicated foreign exchange allotment of \$1m was a guaranteed minimum. *(180)* He said the final figure could be consid-

MEREDITH JENSEN

erably more, depending on the number of SA companies which participated.

Among the SA companies already signed up are Afrox, Lasher Tools and BMW.

An exhibition spokesman said Zambians spent more than \$1m at last year's show and SA companies continued to receive orders throughout the year.

# Promising start to '92 bodes well for profits

Blomay 27/4/92

180

CORPORATE buyers of insurance may expect fewer and smaller hikes in their premiums if the recovery in the short-term industry is any indication.

Major insurers, which suffered losses in 1990, are expected to return to profitability.

SA Insurance Association chairman Brian Seach says this is a factor that should prevent large hikes in premium rates.

"After suffering mostly losses in 1990, the large risks segment of the market is expected to perform reasonably profitably for the year 1991."

This is partly due to there being few major catastrophes in 1991, with weather-related claims down to about 25% of the norm.

## Determined

"After suffering mostly losses in 1990, some leading insurance companies are expected to report a return to profitability when 1991 figures are known," Seach says.

Willis Faber Enthoven director (special services) Ian Ross says insurers are determined to improve their results and are carefully examining their prices and exposures.

"What is remarkable is that this turnaround has come about at a time of massive socio-political change and in a very shaky economic climate," says Ross.

While viewing the short term with some optimism, Seach, who is MD of Aegis, cautions that much will depend on this year being free of major catastrophes.

Better results will stem



BRIAN SEACH

from the growing awareness among insurers and brokers of efficiency and costs, the avoidance of duplication of effort and impending improvements governing insurance.

Still, he says, there is a sector of the market finding it difficult to correct problems prior to the disastrous 1990 year.

"But I have no doubt that they, through addressing

the individual areas of concern intelligently, will see a return to profitability in 1992.

"Moreover, the recent traumatic down cycle has hopefully made better insurance men of many and probably will produce a more logical and composed attitude in future."

He says this optimistic situation should not be viewed with complacency; insurers and insureds alike must accept the market is "extremely volatile".

Being in a business based on possibilities and probabilities, many insurers expect some losses due to fires and weather disasters.

He says this should be borne in mind when looking for improvements in results and rates.

Forecasts of continuing and perhaps dramatic socio-political change could herald a new and expanded area of crime this year, as well as the possibility of politically motivated destruction.

However, a gratifying factor of late is the growing awareness among the

whole insurance delivery system of improving efficiency and curbing costs.

"This bodes well for the consumer and I believe insurers and brokers will not be allowed to have excessively high cost ratios which the consumer has to bear."

Currently, about 40% of insurers have relative expenses of 10% of income, with 25% up to 14% and 35% between 14% and 20%.

## Reduce

Some brokers will need to reduce their share of customers' premiums to survive — unless they provide specialist cover, he says.

The new Insurance Act, which should be in place within a year or two, will bring new dimensions of efficiency, morality and competition to the market.

Most important will be changes to the rules governing the premium collection system, including its speeding up and ensuring brokers do not delay handing over premium monies.

# Export ventures are also new ways to lose money

3/10/92 27/4/92  
EXPORTERS should take care when embarking on new ventures in Africa and Eastern Europe, particularly in countries short of forex or that are bankrupt.

Local businesses should obtain corporate protection against credit losses amid mounting trade risks worldwide. Credit Guarantee Insurance Corporation of Africa strongly advises this in the case of goods to be delivered to lesser developed countries and those countries where businesses have no legal redress.

Also recommended is insurance against high risk in the UK, US and Europe where business failures have reached alarmingly levels or where illegal trade is taking place.

Many businesses are not fully aware of new and mounting risks as they take advantage of new trading prospects arising from the lifting of sanctions.

Credit Guarantee senior GM Mike Truter says businessmen should seriously consider the various forms of export credit insurance as the global recession worsens and as they deal increasingly with new trading partners in former communist countries "which have no commercial and insolvency laws".

He cautions that many businesses in Africa and overseas do

not have access to forex to pay for their imports. (180) (58)

Commercial risks are very much on the rise due to the world recession and other factors.

For instance, few realise that 50% more businesses failed in the US in the first half of last year compared with the same period in 1990.

In the UK, one in 50 active businesses was liquidated last year, while the number has increased sharply this year to 1200 businesses a week — a sharp rise of 50% on the 1991 UK average.

## Advantage

While the US has lifted sanctions, many US cities and states have not done so and importers there are thus able to take unfair advantage of unwary SA businessmen who have no recourse as long as sanctions are maintained.

Risk is greater on the domestic front as well where only about 11 500 — or 5% — of companies are insured against debtor losses.

Truter expects a continued escalation of business failures as the recession bites deeper.

Default judgments for the first quarter are already one-third up on last year, while business failures are up 15%.

# Orders roll in for Taiwan

B/day 28/4/92

**BUSINESSMEN** have ordered plant and machinery worth R2,5bn from Taiwan, after the country's launch at the Rand Show of a low-interest finance scheme for the purchase of plant, Taiwanese embassy press counsellor Charles Chen said yesterday.

Chen said all the items displayed at its Republic of China pavilion at the show were sold and actual business transactions at the site amounted to US\$450 000.

More than 200 people requested further information on specific projects.

The seven-year-old scheme was launched in SA for the first time at the Rand Show and was aimed at small- to medium-sized businesses.

The scheme provided financing for up to 85% of the plant price for turnkey projects with the buyer providing at least 15% cash. Interest was fixed from 7%-8,5% for a maximum of seven years.

Chen said the success of the exhibition indicated there was great scope for expanded international trade between the two countries.

SA Chamber of Business economist

EDWARD WEST

Keith Lockwood said the orders would be beneficial to the small- to medium-sized business sector. (180)

Long-term views of SA economic recovery and incentives offered by the scheme, such as low-interest rates, could have prompted such large SA orders in spite of the continuing recession.

## Serious

Technologically, SA's manufacturing plant had aged over the past five years and had generally fallen behind advances around the world, he said.

In contrast with other Far Eastern countries, Taiwan successfully targeted its economic development towards relatively low volume production of less significant products for niche export markets, Lockwood said. The establishment of the Bank of Taiwan in December, one of only few outside Taiwan, indicated the country was serious about increasing trade with SA.

# Intellectual property system held in high esteem

By Chris Slabbert

29/4/92

180

7

AN essential foundation for attracting foreign investments is an effective intellectual property system. SA is fortunate in having a system which is held in high esteem internationally and can meet this challenge.

About 40% of the approximately 10 000 annual patent filings and 11 000 trade mark filings originate from overseas.

## Stringent

SA has consistently ranked in the top 15 to 25 countries for the number of annual patent and trade mark applications — a rating maintained during the years of most stringent sanctions and international isolation.

Japan ranks top with about 400 000 filings a year, followed by the US, Germany and the UK. SA is on a par with Norway.

There are several reasons for this situation.

Firstly, there is a high regard for the judiciary handling intellectual property litigation.

Such litigation frequently involves foreigners and it is not uncommon for all the litigants in a matter to be foreign.

Secondly, practitioners in this specialised area of the law are well qualified. It is necessary to be an attorney to practise trade mark law, while only a patent attorney may practise patent law.

This means a patent practitioner, apart from being an attorney, must also have passed patent examinations to equip him to handle the varied and advanced technologies involved in patents such as electronics, pharmaceuticals and biotechnology.

The SA Institute of Intellectual Property Law gives free tuition to students

studying for the patent and trade mark examinations.

Intellectual property laws include those governing patents, trade marks and designs, which all require registration at the Patents, Trade Marks and Designs Office in Pretoria to secure protection, and copyright for which no registration system exists except for cinematograph films.

## Review

All these laws are under review by the Advisory Committee on Intellectual Property Law to ensure they take into account international legislative and technological developments in this area.

The Patents Act has been in force since 1979. It is modern and sophisticated

and is almost entirely based on the legislation of the European Patent Office, which has been adopted by many other countries.

Patent applications are not examined technically and take about 12 months to proceed to grant. Almost anything can be patented.

Trade marks, although intangible, are among the most valuable assets of a company. They are often worth many times the tangible assets.

In take-overs, it is quite common to pay several times the book value of a company for goodwill, of which trade marks usually comprise the most important element.

For example, Philip Morris bought Kraft for \$12,9bn, or four times the book value and Nestle bought Rowntree for \$4,5bn or five times the book value

(Economist, September 7 1991).

The present Trade Marks Act, in force since 1964, is being revised to extend the range of goods and to take into account market developments, and a new Act could come into being in a year or two.

## Provision

The Registered Designs Act, in force since 1968, is also being revised and is expected to make provision for the registration of functional designs as well as aesthetic designs, but to exclude spare parts from protection.

The Copyright Act, operative since 1979, is likewise being revised. Specific provision is to be made for the protection of computer programs which, as present, enjoy copyright protection by being treated by the courts as "literary works".

# Aid agencies the key to generous Kenya

B/day 30/4/92

GILLIAN HAYNE

MULTILATERAL aid organisations are one of the keys to SA's involvement in Africa because they have both the funds to undertake major projects and they pay in hard currency.

They are also looking increasingly to private enterprise, whose management and technical expertise is trustworthy, to fulfil the role previously undertaken by parastatals.

Kenya Equity Management operations director Michael Power says SA's re-entry into Africa has coincided with a radical change in philosophy by aid organisations. No longer are they prepared to support parastatals but increasingly want to co-invest with the private sector.

"There is plenty of money but not enough reliable delivery vehicles — private enterprises and financial intermediaries — which gives SA companies enormous scope and opportunity," he says.

But for SA companies to succeed they need a more adventurous spirit and need to be prepared to deal with the swings and roundabouts in African business.

Statistics show that the World Bank spent \$3,932bn in aid to Africa in 1990, while the EC has channelled about \$15bn.

Throughout Africa, aid organisations are still involved in large scale infrastructural developments

such as building roads, dams and hospitals.

Major organisations with leanings towards private enterprise co-investment include the US Agency for International Development and the European Investment Bank. British aid is channelled through the Overseas Development Agency and the Commonwealth Development Corporation.

Other major players are the International Finance Corporation (the private enterprise arm of the World Bank), the African Development Bank and German and Dutch aid organisations.

## Zones

One of the US Agency for International Development's activities in Kenya is its involvement in export processing zones. Companies operating in the zones are given extensive tax and other incentives but many Kenyan companies do not have the foreign exchange necessary to operate within the zones.

The agency swaps Kenyan shillings for US dollars, thereby giving Kenyan companies the opportunity to establish themselves.

There are virtually unlimited opportunities in agriculture, manufacturing, construction and tourism.

Power says although projects are put out to tender,

the best way to find out what projects are on the go is to cultivate relationships with Kenyan businessmen. For example, SA construction companies should get to know local architects and quantity surveyors.

SA companies are already involved in reinsurance, office supply and the leisure industry. Sun International chairman Sol Kerzner is rumoured to be planning a big project in Watamu, a village on the north coast.

Power says companies which process agricultural products are needed. Agriculture contributes 30% of Kenya's GDP but most of the produce is exported without value being added.

Kenya also acts as a regional manufacturer for its neighbours and is a major economic force.

Kenya Equity Management is one of Kenya's leading merchant banks, specialising in mobilising and co-ordinating project finance.

It is one of the few companies in the country which deals on an equity level. Power says equity finance is not common because it is not widely understood.

The company combines external and internal investment by bringing together Kenya's small but vibrant institutional investor market, the government and aid organisations. It also invests in the pro-

jects it co-ordinates and works closely with commercial banks which provide loan finance if necessary in a venture.

Other companies involved in project finance in Kenya include the fund for Economic Development for Eastern and Southern Africa (Edesa), a fund backed by many leading SA companies, and the Investment Promotion Service (IPS), a company within the Aga Khan group.

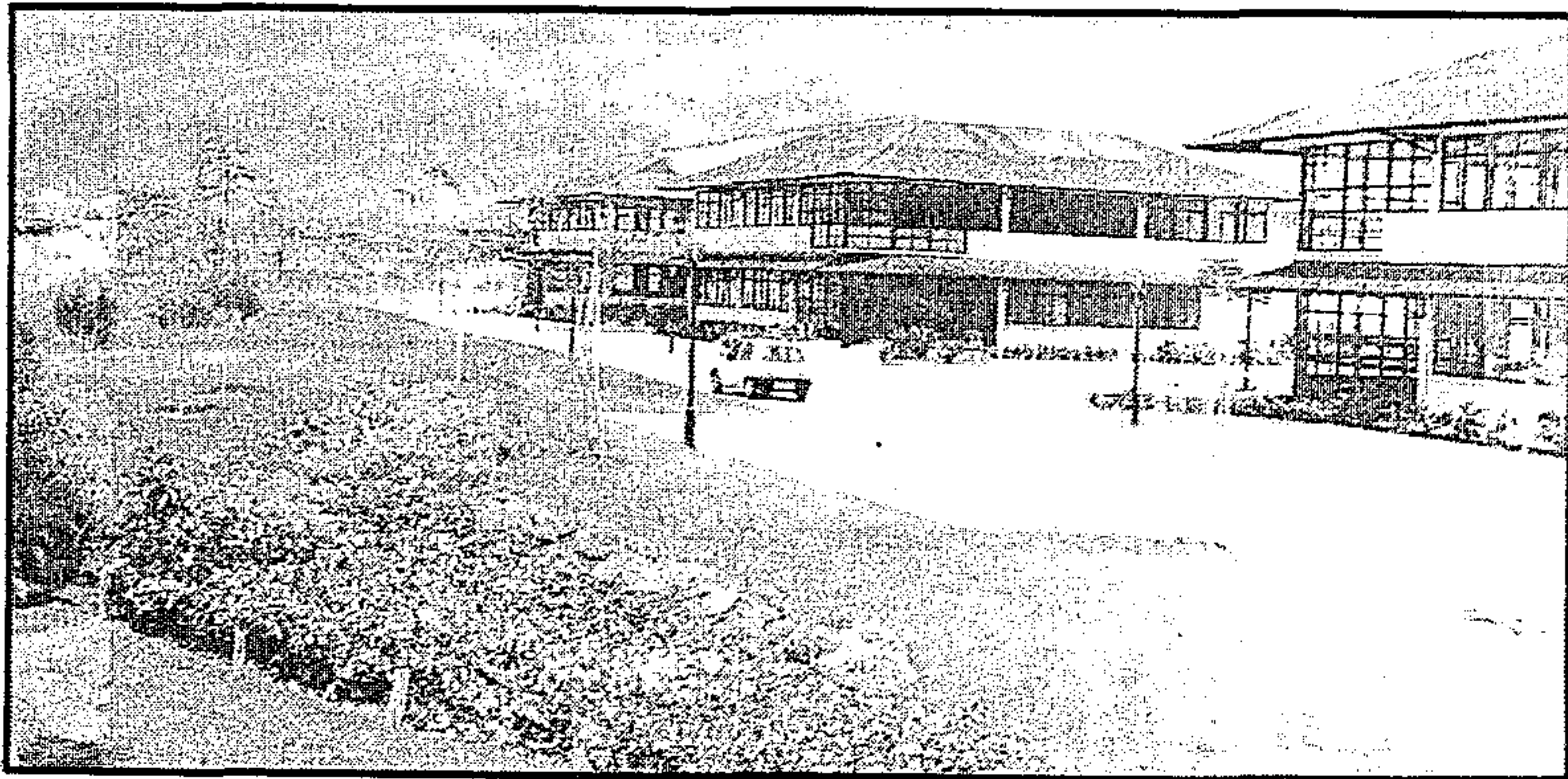
## Allowances

There are generous allowances for foreign companies establishing ventures. Capital allowances are given in the early stages and favourable tax treatments are granted.

Within Kenya's export processing zones the incentives are even greater. Companies are permitted to keep their accounts in foreign currency; are given a 10-year tax holiday and pay tax at only 25% for the next 10 years. They can repatriate their money at will with no restrictions on profit and dividend remittances; they are exempt from import duties on machinery, raw materials and intermediate inputs and are exempt from VAT.

There are also no restrictions on management or technical arrangements.

The corporate tax rate in Kenya is 37.5% and at present there is no capital gains tax.



Sameer industrial park, Kenya's first export processing zone.

# Amendment broadens scope of Income Tax Act incentive

B (pay) 30/4/92 180  
BARRY SERGEANT

THE key amendment to Section 37(e) of the Income Tax Act announced in the Budget broadens the scope of incentives aimed at encouraging investment in the industrial sector.

The amendment allows for the beneficiation of imported raw materials and immediate products which could be internationally competitive.

The original legislation restricted the incentives to the use of locally sourced minerals and intermediate products. Minister of Trade and Industry and for Economic Co-ordination Derek Keys says this will ensure the incentives reach more large-scale capital projects.

Section 37E of the Income Tax Act was first approved in September 1991 as a temporary measure aimed at promoting investment in industries geared to the beneficiation of locally produced minerals and intermediate products where substantial value was added. In addition, it was required that the project be internationally competitive and intended

to export more than 60% of output.

It was primarily aimed at helping project owners bridge prohibitive start-up costs.

It also provided for the accelerated deduction of the expenditure on qualifying machinery, installations, buildings and pre-production interest on cost.

Negotiable tax credit certificates are issued for deductions that cannot be immediately written-off against income.

## Definition

The latest amendments concern principally:

- The definition of beneficiation; that is, to provide for the inclusion of local and imported raw materials and intermediate producers;
- A new method of calculating value added to the value of the raw material or intermediate product; and
- Further amendments to

earlier government decisions already implemented.

A beneficiation process is defined as a process approved by a committee whereby any new material or any intermediate product is processed to yield any intermediate product or final product, if in the opinion of the committee:

(a) such a process will add at least 35% to the value of the raw material or intermediate product processed, such value added being determined in accordance with the formula —

$$\frac{A - (B+C)}{A} \times \frac{100}{1}$$

in which formula

- (i) A represents the ex-factory price of the intermediate product or final product produced by the taxpayer;
- (ii) B represents the cost of raw materials and intermediate product used by him in the production of such intermediate product or final product; and
- (iii) C represents the cost of electricity consumed by him in such production:

(b) such process will be carried on on a scale which makes it internationally competitive;

(c) at least 60% by value of the intermediate product or final product produced by such process will be exported directly or indirectly to a country other than a local country; and

(d) where the taxpayer intends acquiring any imported capital goods for use in such process, he will make use of any foreign terms credits which may be available for the purpose of financing the acquisition of capital goods, but excludes any process which is either a simple purification process in consequence of which the raw material or intermediate product in question remains unchanged except for the removal of impurities or a physical process resulting merely in a change of shape and any process which is a mining operation which is normally carried on in the course of mining operations;

(B) commencement date means September 12 1991.

## The removal of Section 24 benefits has hurt

THE steady removal of tax incentives has dented business in the project finance industry during the past few years.

Tax relief has been the central feature and attraction of project financing, but the urgent need for tax revenue has seen the authorities remove most of the incentives previously available.

### Removal

The most recent move by Revenue was the removal of the benefits given under Section 24 of the Income Tax Act, where projects were financed by suspensive sales agreements.

Banks and corporates relied heavily on this section to reduce the financing costs of projects.

Under Section 24 the finance charges of the credit agreement could be deferred to coincide with

cash receipts received by the seller from the buyer of the goods.

The banks were then able to transfer the tax benefits to the client in the form of lower interest rates.

At the time of the legislative changes, Nedbank said the effect of phasing out the old allowance could not be absorbed by the banks because of their low margins on these transactions but would have to be recovered from the corporate client through higher interest rates.

The scrapping of allowances has had a major effect on the commercial viability of plants. Revenue removed Section 12 (1) and (2) and replaced this with 12(b) which allowed for accelerated write-offs. In 1989 this incentive was also removed and replaced with section 12(c) which only allows

straight line depreciation of business assets.

This came at an inopportune time, says Standard Bank project finance GM Rob Wassenaar, because of the impending introduction of VAT and the general economic state of affairs.

"It all added up to a significant effect on the project finance industry.

"Some tax angles can still be looked at, but it is more difficult to structure cost effective schemes," says Wassenaar.

Revenue tends to attack schemes which are in line with the Tax Act and more cases are being taken to the income tax court. A lot of these are ruled in favour of Revenue, he says.

Players in the project finance industry differ in the chances they will take in providing tax breaks to their customers. Some banks are more aggressive, while others, like Standard Bank, are con-

servative because they believe they cannot take the chance of falling foul of Revenue.

The effect of the reduction of tax benefits has resulted in more subtle project financing, says Wassenaar. There is a move away from tax structures, towards addressing the broader needs of the clients. These include the wider areas like risk management, exchange rate risk and commodity prices.

### Need

Future tax changes are likely but players are not sure which way they will go. However, there is clearly a need for tax incentives to boost investment in general and project finance in particular, if urgently needed SA investment is to take off from its present stagnant levels.



Project finance

**SA differs in its tailor-made financing**

BANKS have different definitions, but it is generally accepted that in SA the function of project finance has differed from the international industry.

The main reason for this is that SA businesses have been faced with high tax burdens and project finance has traditionally been cheaper than other forms of finance because it has offered tax relief to the corporates.

During the past decade the emphasis in the project finance industry has been on reducing the corporates' tax burden through innovative financing packages.

The international definition of project finance, says Standard Bank's Rob Wassenaar, is financing a stand-alone project, looking only to future cash flows emanating from the project to service the debt.

In SA this has not really been the case, he says. Project finance has been tax-based structured finance. Projects have normally been underwritten by major projects and feasibility has not been of great importance.

Project finance started

in the late '70s and has developed through various phases in line with changes in domestic tax regulations, he says.

Nedbank defines project finance in its purest form as the financing of an independent project without recourse to the sponsors or promoters of the project.

The financier will evaluate the viability of the project and look to the proceeds of the project for the repayment of the loan, a spokesman says. "There is very little

scope for pure project finance in SA and therefore Nedbank includes under project finance all forms of structured finance which are in many cases asset-based lending."

**Differs**

Project finance differs from normal lending in that it is hardly ever a straight forward loan to a borrower with equal repayments.

The finance would be structured to maximise the benefits to the borrower while at the same time pro-

viding for the borrower's special requirements. One of these would be a repayment profile to match cash flow expectations.

It would most often involve specialised forms of lending like leasing. "The benefits to the borrower are that a financing structure is tailor-made to suit specific financing requirements."

The financing could be structured to include a moratorium on repayments during the construction and start-up phase and an esca-

lating repayment profile to cater for the project's expected cash flow.

The financier may pass the tax benefits on to the borrower through lower interest rates.

All of the major banks and merchant banks are involved in the industry. Wassenaar says smaller banks operate as boutiques because they do not have the financial muscle to get involved in bigger projects, and normally would have to syndicate larger projects. "But they are possibly more flexible because they are not tied to any way of doing things."

# Profit will be criteria for getting govt aid

Bipany 30/6/92

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BARRY SERGEANT

THE recent era of project financing in SA has witnessed the creation of some large economic units, perhaps highlighted in the past decade by Atlantis Diesel Engines (ADE) and Sappi's Ngodwana mill in 1980s.

A very recent proposed project financing is Anglo American's announcement of Eastvaal, the first new large, deep-level gold mine in decades. The past decade has witnessed a sea-change in the pathology of project financing, in adaption to changing economic, political and social circumstances.

For the future, the industrial sector of the economy will see the dominance of tax benefits in project financing displaced by the criterion of export competitiveness. The mining sector stands on an unchanged, if not slightly better, tax footing.

Both industrial and mining sectors will continue to be subject to the vagaries of international commodity price cycles and at least in some cases, anti-competitive measures by some economic blocs.

In SA, the demise of sanctions will hopefully see the overall emphasis change from "self-reliant" to truly internationally competitive. This is a tall order.

Projects with direct government backing (such as ADE and Mossgas) will continue to be dominated by the ad hocism associated with the sometimes incoherent reasoning behind such projects.

In the private sector, large-scale project financing will still be dominated by the expertise of large corporations and their ability to fund such projects

from a combination of internal cash flows, rights issues/loans, and favourable fiscal treatment (either direct tax benefits, or export-type incentives).

In isolated cases SA can expect sub-regional parastatal project financings with substantial private sector participation, such as the Lesotho Highlands project.

These projects are characterised by attempts to cater for long-term public demand, and a blend of financing from public coffers, the private sector, and global agency funds.

The financial and logistical details of projects can be very complicated. But the long-term bottom line is all that really counts. Sometimes, one of the factors in the project financing equation plays too important a role, and all other factors become subservient to it.

## Heyday

A classic example is Section 24 of the Income Tax Act, which in its heyday in the early 1980s, meant government paid 65% of the cash cost of a project.

The general principle of Section 24 was that 130% of the capital of a new economic unit (essentially industrial) could be written-off against profits.

What happened in practice was that some projects were so large that the sponsoring corporations had to "sell" tax allowances to other corporations that had spare profits to write-off.

This allowed for an accelerated write-off that went against the spirit of the original legislation. Over the years, govern-

ment appreciated the amounts of tax it was losing earlier than expected, and the benefits of Section 24 were steadily diluted.

In a somewhat related context, other projects were benefiting from a combination of "decentralisation" incentives. Though these policies have now been largely discredited, perhaps their demise is more a function of the central SA fiscus eventually coming under severe financial pressure, than anything else.

Finally, the other crucial ingredient in project financing over the past decade has been a number of changing and generous export incentives.

It is all different today (outside the mining sector). The development of internationally competitive industry in future will be dominated by the new, and now refined, Section 37 of the Income Tax Act.

In a nutshell, this incentive requires a large portion of a new economic unit's production to be exported and be internationally competitive.

Unlike Section 24, which applied to static situations, Section 37 is dynamic. The members of the project financing consortium must do far more pre-project research than before.

Section 37 will encourage very large and advanced projects, such as the Anglo American/Gencor proposed Columbus stainless steel joint venture.

Within the mining sector, cost of production as a measure of economic soundness will come to the fore as never before.

If this indicates bottom

line profits given revenues at the levels seen in the troughs of recent times, project backers will not be difficult to find. But experience in mining will continue to be critical.

The announcement of Eastvaal by Anglo American demonstrates this.

The new project will require every iota of mining expertise available at Anglo American.

However, financial details of the project financing were manifestly important to it being given the green light.

Because the new project is adjacent to Vaal Reefs, its production is to be considered replacement ore for Vaal Reefs.

## Allowed

For this and many other reasons, the R1,7bn cash cost of the new mine, will, according to Anglo American, only cost Eastvaal's shareholders R600m. One particular reason is that Eastvaal will be allowed to use Vaal Reefs' "tax base".

Tax considerations will continue to be important in mining — but tax benefits are useless unless profits are being made.

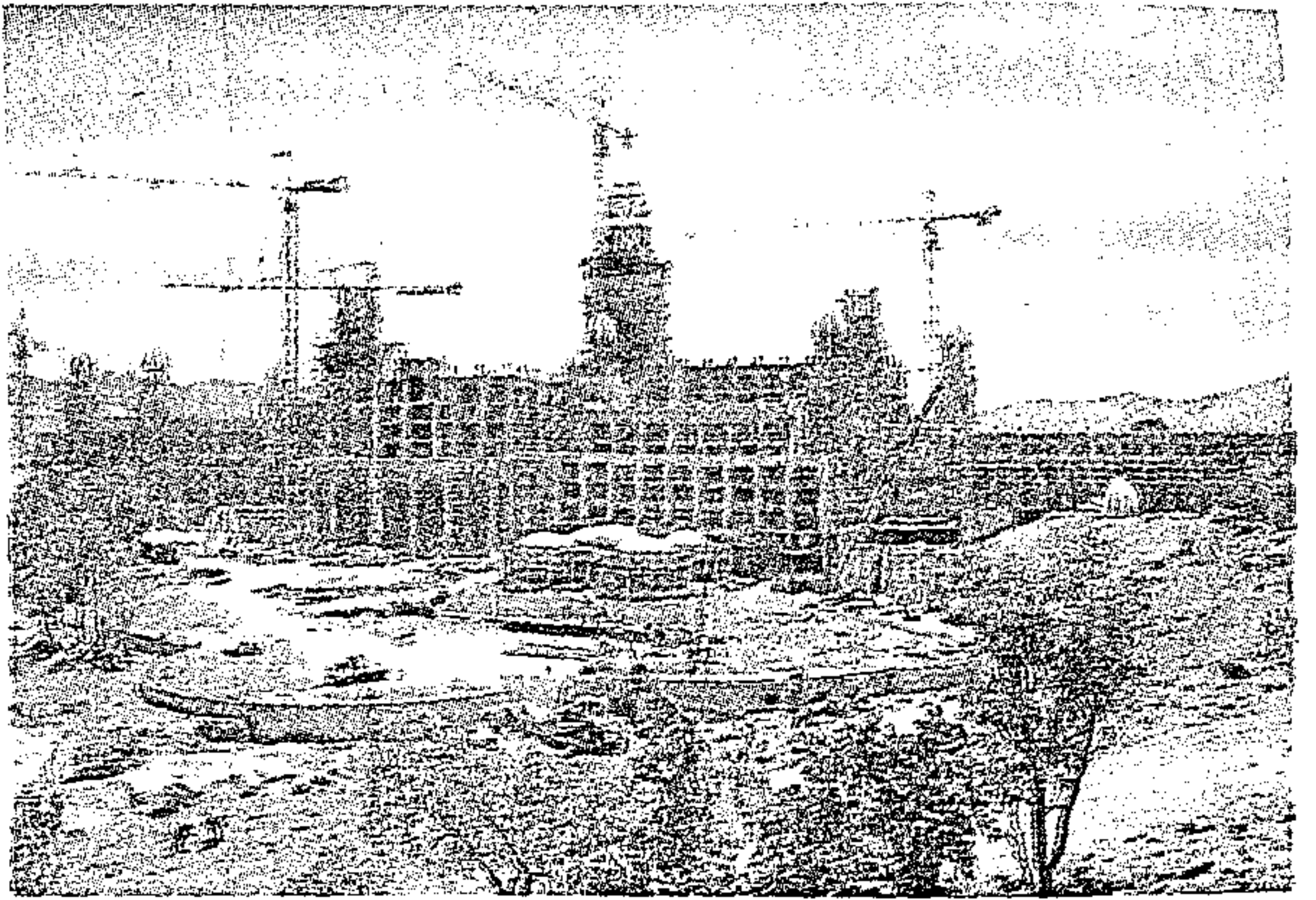
In project financing across the board, sources of capital will change in the future. For much of the past decade, private and public financial institutions offshore have not done much business with SA. This changes with the lifting of most sanctions. Unfortunately, a huge obstacle will hamper this: endemic domestic inflation.

It will not pay to raise funds offshore unless the project is generating a material portion of both sales and profits in a strong currency.

# Business Day SURVEY

THE recent era of project financing in SA has seen the creation of some large economic units like Atlantis Diesel Engines and Sappi's Ngodwana mill in the early-1980s. A recent example has been Anglo American's announcement of Eastvaal. But in the future, export competitiveness is likely to become the major criteria in project financing in the industrial sector.

SHARON WOOD reports.



A major project financing by any standards: the Lost City addition to Sun City in Bophuthatswana, the family silver of parent Sun International. The Lost City will have absorbed R750m when fully opened in December. Dubbed the world's largest resort construction, the project is being funded by internal cash flows, rights issues proceeds, borrowings and tax benefits arising from Bophuthatswana's favourable tax environment.

## SA needs to tout for more small investments

*81 Day 30/4/92* 180

LOW investor confidence and changing tax regulations have taken their toll on project finance during the past decade, but bankers believe the industry has a bright future.

Project financing of new plants and assets has taken a knock, says Standard Bank project finance GM Rob Wassenaar. But a number of big projects are being mooted.

### Perceptions

SA primarily needs smaller investment of between R10m and R20m but there are not many projects of this size coming through, he says. Investment decisions and related project finance depend on the world economy and foreign perceptions. In order to provide the industry with a fighting chance, the authorities will have to encourage smaller types of investment.

*Investment will probably be encouraged by the opening up of SA and busi-*

ness is now being exposed to new technologies.

There is also scope in the rest of Africa, says Wassenaar. But this does not necessarily mean that SA banking will rush off into the region.

Foreign banks will certainly be active in the project finance area but they cannot compete on the relationship side, where local banks have the advantage, he says.

"They will create a lot of competition. Local banks are not unhappy about this because they do not want to be in a stagnating market. Foreign banks will add another dimension to our activities," he says.

Wassenaar says the cost of SA capital needs to be brought in line with international costs. SA needs incentives to get investment going, he says.

"This must be done in a

*responsible manner and will hopefully result in viable projects with knock-on effects."*

A Nedbank spokesman says project finance is an ever evolving industry, where there are always new requirements, new opportunities and new challenges.

"The future for the project finance industry is very bright," he says.

There is a great need for capital investment in SA which will create opportunities for project finance.

### Attractive

Project finance is a very attractive business and therefore it can be expected that each major banking group will want a share of the action.

"There is, of course, the threat of international competition but Nedbank has geared itself to be amongst the leading players in SA,

*"We are well entrenched in the market and we intend to retain our presence," he says.*

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**provides**  
**advisory**  
**services**

B/day 30/4/92  
WILLIAM GILFILLAN

FBSA Corporate Finance, a subsidiary of French Bank of Southern Africa, provides clients with advisory services but not necessarily funding for projects, says MD Inus Prinsloo.

"FBSA Corporate Finance advises clients on a project's viability and its most efficient funding structure, but only advises on 'mega-projects'.

"We are currently investigating one project of over R500m and two others of over R300m."

FBSA advises on all aspects of a project's viability from the "risks through to the sensitivities", including the project's debt capacity.

Regarding a project's funding, Prinsloo says one has to ensure the funding is linked to the project's risks. "For example, if a project's revenues are dollar-related, then the project's loans should be dollar-based".

It also advises clients on an efficient tax and legal framework within which to fund a project.

"Vast opportunities exist to reduce the project's funding costs through efficient and correct structuring."

FBSA's clients are mostly international companies in SA involved in large capex projects.

Prinsloo says FBSA Corporate Finance adds value through "oiling the wheels of projects by advising on the efficient structuring of finance packages, thereby increasing the efficiency of the projects".

# Zulu king could get Codesa seat

*Sowetan*

*22/4/92*

By IKE MOTSEPE

AN agreement allowing Zulu King Zwelithini and other traditional leaders to take part in Codesa is on the cards.

The possibility of such an agreement was confirmed by the chairman of a Codesa sub-committee, the Rev TJ Mohapi.

It is expected that an agreement could be ratified by Codesa's management committee next Monday.

Mohapi confirmed that "a tentative agreement has been reached by the committee".

He said members of the sub-committee, who

include Inkatha's Dr Frank Mdlalose, Constitutional Affairs Minister Dr Gerrit Viljoen and ANC official Mr Jacob Zuma, all agreed that every province in the country be represented by 12 delegates and five advisers.

Codesa's daily management committee, the ANC and the SA Communist Party, however, denied last night that the sub-committee had reached agreement on the issue.

The chairman of the management committee, Mr Pravin Gordhan, said the sub-committee had not yet completed its work as it was still receiving submissions on the issue.

He said only Codesa's management committee was empowered to take decisions on the status of traditional leaders.

## Belede Mazwai dies

TEACHER Belede Mazwai, wife of Sowetan's day editor Thami Mazwai, died suddenly yesterday.

\* Full report - page 2.

● To page 4

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## Handful of projects overshadow the rest

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SOME projects have dominated project finance in the last two years — Mossgas, the Sna Pan soda ash plant in Botswana and the Lesotho Highlands Water Project.

Others still in the pipeline are Aiusaf's multi-billion rand expansion programme and the Columbus Stainless Steel project. In addition, the petrol-chemical industry could spend up to R15bn in the next five years.

In mid-1991 a soda ash and salt project opened in Botswana. It was a joint-venture project between the Botswana government and AECI, Anglo American Corporation and De Beers Holdings.

It is estimated to contribute 10% to Botswana's national export earnings.

The first phase of the R14bn Lesotho Highlands Water project began construction last year and is planned to be completed by 1997. Phase IA will cost R5,9bn.

Standard Bank and

First National Bank provided about R1,9bn in commercial loans for the project. Five major domestic banks put up a R1,5bn export credit.

Offshore funding will also raise \$500m. The World Bank has a hand in the project and will provide \$100m.

Earlier this year aluminium producer Aiusaf announced its intention to invest between R3bn to R4,5bn in a new aluminium smelter.

The project is still in the pipeline, along with the R2,5bn Columbus Stainless Steel venture.

Sasol plans to spend R900m on expanding its wax and paraffin facilities and the ammonia synthesis plant at Sasol 1. It will also upgrade the Natref refinery (R370m), anode-coke and liquid fuels project and a R320m acrylic fibre plant.

Engen could invest over R4bn within the next four years.