

IRON, STEEL

+ ENGINEERING

GENERAL

1986

EXPORTS

23 000 lost jobs in engineering and steel industries

The steel and engineering industries do not expect any meaningful turnaround in their overall performance until late 1986 at the earliest.

In its report on activities in 1985 and outlook for this year, the Steel and Engineering Industries Federation of SA says physical volumes of production in these industries declined by an estimated 6,4 percent in 1985

Major drops in output for 1985 were recorded in the automotive industry (drop of 30 percent), the machinery sector (22 percent), transport equipment (20 percent) and electrical machinery (13 percent)

"However these substantial drops in output are likely to be offset by stepped-up export efforts in the iron and steel basic industries, including the ferro alloy industry," Seifsa says

Employment statistics reflected a drop of more than six percent in the scheduled labour force, equivalent to a loss of about 23 000 jobs during 1985.

Domestic demand

Seifsa also says that primary steel producers expect domestic demand to drop by about 22 percent in 1985

However, increased export volumes targeted at 2,5 million tons are expected to contribute towards a relatively satisfactory year-round capacity utilisation.

Some revival in domestic demand is expected by mid-1986

The export-intensive ferro alloy industry experience good trading conditions in 1985, with output estimated at being up 8,5 percent

The metal fabricating and engineering industries had stringent conditions in 1985 and expected little increase in demand before the final quarter of 1986

The shipbuilding industry anticipated no change to its current strongly depressed conditions throughout 1986

Business conditions in the electrical machinery sector were at depressed levels in 1985, other than the electronics and telecommunications sectors, and no correction to these low activity levels are expected in 1986 — Sapa

RIH

Piping profits

189
20/6/86
F.M.H.M.C.

Extensive rationalisation, cuts in borrowings, concentration on profit margins and rising export income have produced a powerful recovery for Barlow Rand's engineering company, Robor Industrial Holdings (RIH). It was a recovery that few investors were expecting early last year and the share price has more than tripled from its January 1985 low of 95c. It is still one of the less highly rated engineering stocks, but a slowdown in the rate of earnings advance now looks likely.

As the scope for further improvements in operating efficiencies becomes more limited, the company will depend more on better

Barlow Rand engineering group Robor Industrial Holdings (RIH) has enjoyed a strong recovery in the face of weak markets, but earnings growth is likely to slow down until sales are stronger.

sales volumes. The recent steep pick-up in profits distracts attention from a disturbing fact: sales in real terms have steadily fallen since the group was created three years ago. Disappointing market conditions have se-

verely hampered Barlow's plans for its growth in engineering. When RIH was created during the restructuring of industrial interests in December 1983 the new company appeared to have something interesting. Investors saw the emergence of a major force, rivalled in the lighter end of the engineering industry only by Stewarts & Lloyds (since merged into Dorbyl).

Scarcely a year later the wheels had fallen off. Second-half profits for the September 1984 year dived and prospects looked grim. But through management's conscious efforts to improve returns, which included

selective rationalisation, recovery was almost as quick. The rebound started in the second half of the year to September 1985, when earnings per share (EPS) recovered to 24,9c compared to 7,3c in the first half, and continued in the 1986 first half, when interim earnings almost tripled to 21,5c a share.

Reflecting on the turnaround, MD Jack Crutchley notes "The ingredients were still there, but we had too much capacity in certain areas. There followed a period of consolidation, particularly at Wadesteel. By merging certain operations cost structures were reduced."

A number of top management changes could not have made matters any easier. Brian Connellan took over Derek Jacobs' position as MD before moving up to deputy chairman. Connellan was succeeded by Robor head Crutchley, who extended his predecessor's programme of rationalisation. Staff numbers were cut substantially in the 1985 year, business was selected on the basis of sensible margins, and stock and debtors became major focus areas.

Shrinkage was not achieved without considerable cost. RIH paid R42,1 m for Wadesteel and RIH International. Shortly after the purchase, Wadesteel's market collapsed and it had to cut turnover capability. Four Transvaal branches and its Welkom branch were combined with Robor's operations in those areas.

Apart from the operating loss at Wadesteel, which continued until the year to September 1985, the group had to increase borrowing facilities to fund the acquisitions from HLH. At end-September 1984, total borrowings had soared to R65,7m from R44,9m a year earlier. With interest paid rising to R14,6m, interest cover dropped to a meagre 1,9 times. Problems were not limited to Wadesteel. Rationalisation elsewhere included the closure of three MRT Bartons factories and the transfer of these operations to two Boksburg factories.

Little benefit from rationalisation was seen in the 1984 year, or indeed until about the middle of last year. But profitability was improving elsewhere. By trying to be the lowest cost operator in its various fields, the group began to enjoy better margins in the local market. Says Crutchley "Mike Gahagan, our group financial manager, put in systems which clearly identified profitable and least profitable product lines. We were ruthless in playing to our strengths and eliminating areas of weakness."

The rand has been a big help in boosting export income. The group had inherited a team of sound traders from Wolhuter. Much improvement has been derived from its dominance of SA's exports in this field.

By the 1985 second-half, signs of an improvement in group earnings were evident. Despite lower turnover even in rand terms, operating margins had widened. Interest paid was 40% lower than in the first half, and, importantly, gearing had been chopped to 0,22 from 0,53 a year earlier. The R38,3m reduction in borrowings to R27,4m arose

almost entirely from better working capital management. "There was a new discipline," says Gahagan. "We reduced the number of months' stockholding and cleared out stockpiles. We selectively took out customers on low profit margins and extended credit terms."

Although margins on exports are lower, the group is prepared to forgo part of these margins because of the quality of overall returns. Importantly, large export allowances have reduced the tax charge to a negligible amount. At end-March 1986, the operating margin had improved from the year-ago figure of 4,7% to 5,1%.

With benefits of rationalisation, greater efficiency, and both lower gearing and easier interest rates, RIH's 194% surge at the interim did not surprise. None of the subsidiaries, including Wadesteel, made losses and profitability improved throughout. On earnings of 21,5c (7,3c), the interim dividend of 8c was restored after being passed in 1985.

"We don't have any illusions that there's still an enormous amount of work to be done," says Crutchley. "The quality of our return should be better, in our view." One way management could improve returns would be to sell Robor's property, estimated to be worth R35m-R40m, repay all borrowings and perhaps pay a special dividend. But given the state of the property market, this may only be practical in a year or two.

Looking ahead, RIH's rate of improvement is bound to slow down. As Max Pollak & Freemantle analyst George Raftopoulos points out "The technical correction is over. RIH has had all the benefits from financial gearing and now we must wait for operational gearing to come through." His forecast of earnings for the full year of 45c looks about right and is in line with the board's expectations.

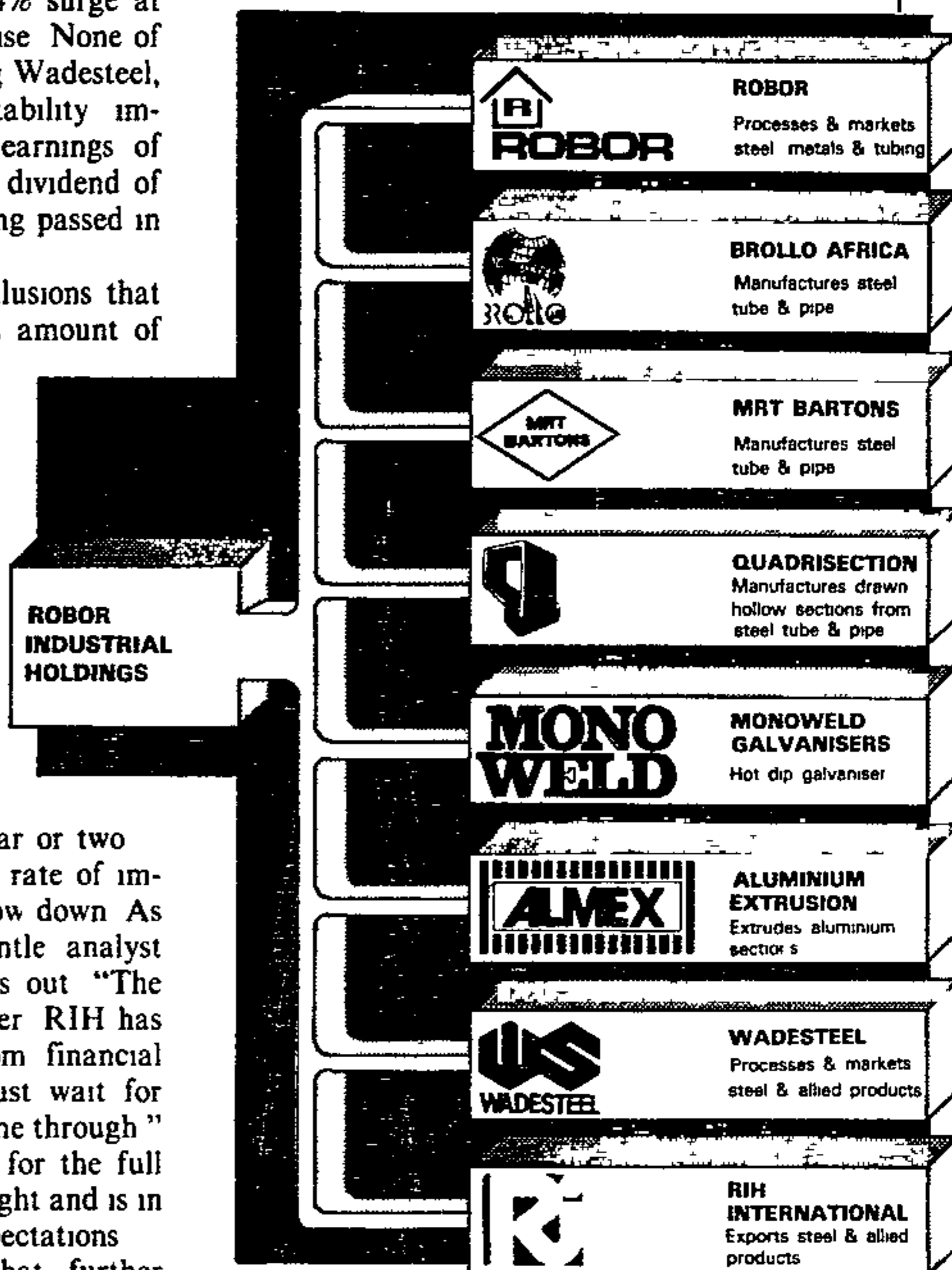
Crutchley concedes that further rationalisation opportunities are limited. Other than fine tuning, there's little to be done. So better volumes will have to return before earnings can accelerate again. However, no improvement is foreseen in the domestic market. Some 60% of business is with the severely depressed building and construction industries and the broad area called fabrication general engineering, where the end-user is difficult to identify.

RIH is, on the other hand, also geared to the mining industry, which probably accounts for 20%-25% of business, demand from this sector should remain steady. Agriculture, is the next biggest market, here again, demand is expected to be stable.

The go-ahead for the Mossel Bay project — there are now believed to be doubts about

its feasibility and timing — will benefit RIH. Although the group will not be directly involved, its products will meet part of the needs of contractors and sub-contractors. Low-cost housing also offers a major opportunity, but a stumbling block is the stringent requirements of municipal authorities. However, Crutchley is encouraged by the recognition from government that this is the route SA should take.

With the recent collapse of the rand, exports generally are looking more attractive. How much this is worth to RIH is unclear, as no details are forthcoming. Crutchley believes "the opportunities are enormous." As long as the export incentives are there, and the rand remains low, RIH's foreign market



vulnerability is limited to political events and the control of overseas unions over its products. Because of its wide export base, it is not dependent on any one country.

At 360c, the shares yield 5,1%, but the prospective yield will fall unless full-year earnings exceed 53c a share, given the policy of a 2,8 times dividend cover. Despite the resumption of an interim payment, total dividends could actually fall. Assuming an EPS of 45c, the prospective yield on a 2,8 times covered 16c total drops to 4,3% — still better than the engineering sector average of 3,6%. But the share's attractiveness looks to be longer term, when volumes recover. A sweetener is the possible bonus if the group can sell surplus property into a revived market.

Patric Ho

3/6/86 BUDDAY
189
Metal, engineering industries still in doldrums

Seifsa: the real recovery is still a long way off



REAL recovery remains a long way off for the metal and engineering industries.

Seifsa — the Steel and Engineering Industries Federation — said orders in the first half of this year were unsatisfactory, cut-price tendering was damaging profitability in the constructional and heavy engineering sectors, and rising costs of materials were damaging competitiveness, locally and on export markets.

In its review of the first half of 1986, Seifsa said "In addition, the relatively large degree of spare capacity as exists in many sectors of the overall economy continues to inhibit investment in any new capital equipment.

"Together with the threat of sanctions on exports, these constitute more factors impeding meaningful recovery in the metal and engineering industries."

Compared to the corresponding

DAVID FURLONGER
Industrial Editor

1985 period, these industries recorded a 2.4% production volume increase between January and June, against a 1.3% increase for the manufacturing industry as a whole.

Export-supported iron and steel producers achieved an average 9% gain. Steelmakers, in particular, found local demand weak and the report expressed concern at the effect sanctions would have on the industry by cutting off its growth area.

Ferro-alloy producers, who recorded positive volume growth in 1985, continued the trend this year. The industry anticipated that export volumes would be able to match the satisfactory 1.5-million tons of 1985.

The other sector to perform with credit was electrical machinery, which held production at last year's levels.

Other areas had a miserable six months. Transport equipment fell 17.9%, non-ferrous metals 7.4%, metal products, constructional and heavy engineering 5.5%, and non-electrical machinery 2%.

The report said constructional engineering, metal fabricating and shipbuilding all showed little sign of early recovery. Despite tentative signs of an upturn in the economy as a whole, domestic under-demand for steel and fabricated metal products, machinery and transport equipment would continue for the rest of the year. Any respite through exports was threatened by sanctions.

Trying to instil a note of optimism, the report said: "There are some prospects that a general broadening of economic recovery will stimulate demand for consumer durables and hasten the expected positive turn-around in the inventory cycle in the mining and manufacturing cycles."

Hong Kong bans SA iron and steel as Kodak closes its operations

NEW BLOWS TO ISOLATE SA

South Africa has been hit by new sanctions and more international moves to isolate the country.

Hong Kong has banned all iron and steel imports; Australia has tightened its visa requirements; Kodak has shut down its South African operations totally; and South Africa's participation in the Antarctic Treaty has come under intense pressure in the United Nations.

An announcement by the giant US Eastman Kodak corporation of complete withdrawal from South Africa, and a ban on any of its foreign operations from supplying company products in this country has come as a shock to industrial and commercial dealers who were expecting Kodak to follow General Motors and IBM with a management buy-out, reports Chris Moerdyk in Johannesburg.

According to the company's headquarters in the US, the decision to withdraw from South Africa was based on a combination of economic and political factors.

Last year the corporation lost a court battle which not only severely affected sales of instant film products worldwide, but it suffered severe setbacks in South Africa over a camera swap arrangement that raised a storm among consumers.

Atex Inc — a co-operative subsidiary of Kodak — also announced withdrawal from the South African market.

A spokesman at Atex (of Bedford, Massachusetts) confirmed this through a Johannesburg spokesman.

System used by many newspapers

"Atex is a Kodak subsidiary and as such will abide fully by the decision of our parent company. This means that after April 30 no Atex products — either hardware or software — will be sold in South Africa," the spokesman told Sapa. "Between now and that date we will, to the maximum extent possible, provide current support and assist our customers in positioning themselves for the future."

Atex systems are used by some newspapers owned by the Argus Group, SAAN and Nasionale Pers, as well as at the University of South Africa, Pretoria Technikon, Nasionale Boekdrukkery, and parthams in Cape Town.

Industrial film and photographic dealers contacted by The Star agreed that while the withdrawal of Kodak, which held 30 percent of the local market, was a short-term setback, they were confident the gap would be taken up, particularly by Japanese manufac-

Geoff Kinney in Canberra reports that South Africans who want to visit Australia will soon be forced to go to a third country to obtain an entry visa.

The Australian Government decided yesterday that consular facilities in Cape Town and Pretoria which provide tourist visas will be closed down. The facilities will be phased out of operation — commencing before Christmas.

The move will apply to all residents of South Africa, not only South African citizens. Government officials say the aim is to hinder white South Africans who want to holiday in Australia.

South Africans wanting to apply to immigrate to Australia will still be able to apply in South Africa, but under changes to immigration procedures they will face delays of up to 18 months.

Another blow to South Africa came from Hong Kong, where Sapa-AP reports that the Hong Kong Government has decided to impose additional economic sanctions on South Africa to protest against apartheid.

Starting tomorrow, it will ban imports of iron and steel from South Africa.

It will also call on financial and commercial institutions in Hong Kong to ban new investment and bank loans to Pretoria. And travel agents will be advised not to promote tourism to South Africa.

South Africa is also under fire in the United Nations.

Reuter reports that in New York last night, the UN Committee approved a resolution seeking the exclusion of South Africa from meetings of the 18 decision-making members of the 1959 Antarctic Treaty.

The vote 99 in favour, with Canada opposing it and Austria, Ireland, Luxembourg, Portugal and Turkey abstaining.

Another 21 countries did not take part in the vote.

Seifsa predicts tough conditions for 1987

DAVID FURLONGER
Industrial Editor

BUSINESS conditions in the metal and engineering industries are expected to remain difficult in 1987, says Seifsa — the Steel and Engineering Industries Federation.

In its annual review, it says the prospect of sustainable economic growth is uncertain because of instability caused by social and political change, sanctions and inflation problems

"Prospects for any real expansion in activity levels during 1987 are dependent on a continuing improved demand from the mining sector, increased replacement expenditures and the rebuilding of inventory stocks, additional demand arising from import substitution measures, and a sustaining of export earnings."

Apart from some base metal industries supported either by exports of increased mining industry demand, metal and engineering industries operated at relatively low levels of activity

"New order intakes were reported as unsatisfactory, severely competitive tendering was experienced in the constructional and heavy engineering sectors which operated at inadequate margins, and rising costs of materials adversely affected the competitiveness of the metal and engineering industries."

The review adds that major spare capacity in many parts of the industry inhibited investment in new capital equipment.

Even so, the review says there were some positive indicators. Statistics are expected to show the metal and engineering industries achieved growth of about 1% in production volumes during 1986, compared to 1.7% in manufacturing as a whole.

In particular, export-supported basic industries are likely to show 9% gain in sales, particularly ferro-alloy producers.

Elsewhere, the picture was less bright

Production in the transport equipment sector during 1986 is expected to show a 13.9% drop on 1985. Metal products are likely to show a 9% fall and automotive components 3.3%.

Employment, having dropped sharply in previous years, remained relatively stable in 1986. About 4 000 jobs were lost in the metal and engineering industries this year.

"They indicate that the labour force is tending to stabilise at a level of some 347 000 employees, compared with an employment peak of 454 000 at year-end 1981"

Output of primary steel products during 1986 is expected to total 8.8-million tons, compared to 8.4-million in 1985

Seifsa says primary producers expect increased domestic demand in 1987 but the possible effect of sanctions on exports make it difficult to predict overall production and capacity utilisation.

Ferro-alloy producers benefited from better world

steel production and a weak rand Ferro-manganese demand is expected to level out in 1987 "but prospects for overall ferro-alloy exports consolidating at a level of 1.5-million tons are still considered reasonable".

Secondary steel producers also enjoyed a reasonable export performance but this was balanced by continued deterioration in domestic demand, particularly in the construction and engineering sectors



BASIC METALS

1986

B & S is back on the rails after its high-speed revamp

SPAK
16/10/86. (189)

By Peter Farley

A revamped B & S Steel is heading back to the JSE boards this year under a new name, only a few months after being saved from the jaws of the liquidators by the Krok brothers

In a high-speed restructuring, the ailing furniture group has been sharply turned around by a combination of radical surgery and massive internal rationalisation

And new chief executive Solly Krok says that he expects the company to turn in profits of close to R3 million in 1987

But, while he paid tribute to the vision and conception of founder Clifford Gundle, Krok said that Gundle tried to do too much too quickly

"He attempted to build a min-Barlow Rand in two years, but was R100 million short of the capital he needed to succeed"

Gundle has, however, remained an integral part of the new structure — both as an executive and a shareholder. Krok says that Gundle is concentrating on the group's marketing structure, but will probably eventually resume the position of MD

Nevertheless, the speed with which the company has been put back on the rails bears testimony to its inherent strength and leaves it almost ready to go back on the acquisition trail

Since the restructuring some 25 million new shares have been issued, with the previous seven million shares consolidated on a 1:15 basis down to below 500 000. These are all expected to be re-listed in December — though this is subject to JSE approval, which has yet to be obtained.

Krok says that 7.5 million are to be privately placed at 80c a share, which will carry forecast earnings of almost 10c and a divi-

dend of a shade in five cents

At the moment the Krok family controls 75 percent of the company and the Gundle family almost 25 percent. A few minority shareholders left after the consolidation make up the balance

The net asset value of the company after the restructuring is around R13.6 million, or some 53c a share

In the course of the restructuring, Mr Cupboard and Concorde Cupboards ("the cause of the much of the problems with losses in excess of R12 million," says Krok) have both been sold

On the kitchen cupboard side the modern Brits factory has been shut down, with production efforts now concentrated at the Boksburg plant. It was a difficult decision, but with rent at Brits of more than R150 000 a month and the decentralisation benefits used up there was no option, according to Krok

The two operations and Lady-smith — steel furniture companies Furnsteel and Huski — have been bolstered by a commitment from government to support the factory with realistically priced tender contracts

Former MD Bert Davids has opted for "early retirement", but is continuing to help in the transition phase

Group turnover is projected at close to R60 million this year, but could extend by the December 1987 year-end if the company takes advantage of acquisition opportunities

It should prove an exciting ride, with the rationalisation of certain operations reducing capacity in the furniture market and improving margins for all participants. More importantly, strong management is now in place and rigid systems and controls appear to be working

FUN MAIL 3/10/89 (189)

SYLVIA AND PETER SMALLER

Steeling themselves

UME, the Cape Town steel merchant soon to be listed on the main board of the JSE, was founded almost "by accident" 45 years ago when Sylvia Smaller Winnikow and her late husband, Cecil, stumbled into the business

Today the company is the largest steel merchant outside the Transvaal After-tax profits this year were R2,6m and earnings per share rose from 7,1c in 1982 to 14,5c this year

Smaller Winnikow, chairman and joint MD with son Peter Smaller (38), says UME began when Cecil was on an officers' course in Pretoria and was asked by a colleague to find some copper tubing in Cape Town He scribbled the details on the back of a cigarette box without really understanding the technicalities But he found what his friend wanted — and more The business was born

"We called ourselves — rather pretentiously — Union Metal Exchange, had 100 letter-heads printed and rented a post office

box We offered things we didn't have to people we didn't know," she says, "but we must have been doing something right because the business succeeded"

She says that while her late husband was a "grassroots entrepreneur" and an accountant by training (as she is), he had "two left hands"

"So when Peter was born, we said the business needed an engineer The poor kid didn't have a chance From day one his destiny was decided"

Peter studied mechanical engineering at UCT rather reluctantly at first He decided to persevere for a year and switch to accountancy if he didn't like it Fortunately for UME, he did In 1968, when he was in his third year, his father died

"I would have preferred not to come straight into the family business, but there was no alternative," he says Mother and son agree they work well together, she with her experience and financial know-how, and he with the technical and trading skills

"Perhaps it's an unusual business relationship, but we respect each other and it's a

successful partnership," he says

In 1979 the business took off, says Smaller Based on research he had done into the optimum location for a steel distribution company in the western Cape while studying for an MBA in 1971, UME moved from Salt River to Bellville despite warnings that they'd burn their fingers

"But we considered our moves very carefully I think that's one of the successes of this business Whenever it came to a decision, we thought it out carefully," he says

There were obstacles along the way "but we saw them more as challenges, and where other people may have been discouraged, we used them as opportunities to develop ourselves"

Smaller Winnikow believes one of the most difficult decisions in her career was to go public — even though only 30% of the shares are to be offered After 45 years in the business, she is not even thinking of retirement "I'm dreading the day when I will have nothing to get up for," she says

In 1976, she married an Israeli diamond merchant and the couple maintain homes in



Smaller and Smaller ... getting bigger and bigger

Cape Town and Tel Aviv where they spend a few months a year She says "another dimension" of her life is her commitment to Israel

"For over 2 000 years the devout Jews have said in their prayers 'next year in

Jerusalem,' but here we sit in SA where it's nice and comfortable, so to live with myself I work hard at promoting Israel"

Her varied activities — including membership of the boards of governors of Tel Aviv and Haifa universities — give Smaller Winnikow's life "a nice mixture" and allow her to live "four lifetimes in one," she says

While not accepting the tag of "women's libber," she believes too much womanpower is wasted in SA through lack of opportunity and "this iniquitous double taxation I don't think women want to build roads and bridges, they want to be managing directors, and we are so short of people for managerial positions"

Her son, a former first league squash player, is married and has three children He likes boardsailing when he can get away to his west coast holiday home at Church Haven

But he's also very much involved in his business He is chairman of the Cape Town branch of the Institute of Steel Construction and an executive member of the National Steel Merchants Association ■

7/11/80

BUSDAI

189

Better-than-expected results from Metal Box

TIGHT controls on expenditure and assets enabled Metal Box SA to exceed its interim forecast of lower earnings and post better results for the year to end September.

Bottom-line earnings rose from 54,1c to 55,6c a share despite a near-doubling in the tax bill

But the better tone was reflected in the declaration of a final dividend of 14c to boost the total payout for the year by 9,1% to 24c (22c) a share

At the half year, earnings were

MERVYN HARRIS

down by 4%, but trading improved in the second half with turnover up by almost 19%. Turnover for the year rose 16% to R830,6m (R716m)

The strict controls and rationalisation translated the higher turnover into a 35% improvement in operating profit for the second half. This offset the 10% fall in the first half to give a rise of 9% on the year at R58,8m (R54,1m)

The higher profit, combined with effective cost management, generated a strong cash flow which

resulted in a reduction of borrowings of R45m. Finance costs fell from R13,1m to R10,5m

Pre-tax profits rose 19% to R54,5m (R45,7m), but the recovery was largely negated by an increase in the tax bill to R16,5m (R8,8m), mainly because authorities phased out capital investment allowances.

Despite the difficulty in fully recovering raw material cost increases, all divisions improved operating profits with the exception of the glass division, which recorded an increased loss for the year.

Faint, illegible text at the bottom of the page, possibly bleed-through from the reverse side.

Vertical strip of faint, illegible text on the right edge of the page.

Metal Box South Africa Limited



Registration No 04/01877/06

Directors: D Brown (Chairman) B N Gilson (Deputy Chairman) P L Campbell (Managing) J F Buchanan A F Buhrlen A J L Clark W A M Clewlow T Evans A Foster** B Kardol* Dr F H Lee D B McCartan P W Seddon** H A P Upton R C White A H Williams-Ashman P N Vercoe* (Alternate) Netherlands **British

Handwritten: JUDAY 21/11/86
189

PRELIMINARY RESULTS AND ORDINARY DIVIDEND ANNOUNCEMENT Year ended 30 September 1986

The audited consolidated results of the group for the year are as follows

GROUP INCOME STATEMENT

	1986 R000's	1985 R000's	% change
Turnover	830 659	716 027	16
Operating profit	58 842	54 167	9
Net finance costs	10 569	13 128	
Profit after finance costs	48 273	41 039	18
Income from investments	6 259	4 747	
Profit before taxation	54 532	45 786	19
Taxation	16 568	8 870	
Profit after taxation	37 964	36 916	
Attributable to			
— preference shareholders	50	50	
— ordinary shareholders	37 914	36 866	3
Number of ordinary shares upon which earnings per share is based (000's)	68 153	68 153	
Earnings per ordinary share (cents)	55,6	54,1	3
Dividends per ordinary share (cents)	24,0	22,0	9

effective control over working capital and relatively low capital expenditure. This fact, together with the slightly improved earnings, has led to the decision to increase the final dividend for the year.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements will be despatched by the end of November.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Wednesday 14 January 1987 at 11h00 at the offices of the Company.

On behalf of the Board

D Brown (*Chairman*)
P L Campbell (*Managing Director*)
6 November 1986

DECLARATION OF FINAL ORDINARY DIVIDEND NO 71

Notice is hereby given that a dividend of 14 cents per ordinary share has been declared and is payable to shareholders registered in the books of the Company at the close of business on 28 November 1986. The ordinary share transfer register will not be closed for purposes of this dividend.

Cheques will be posted to shareholders on or about 16 January 1987. The dividend is payable in the currency of the Republic of South Africa. Non-resident shareholders' tax at the applicable rates will be deducted from the dividends payable to any shareholder whose registered address is outside the Republic of South Africa.

By order of the Board
G V D Duffey (*Group Secretary*)
Sandton
6 November 1986

COMMENTS ON RESULTS

Earnings per share exceeded those of last year, which is an improvement on the forecast given at the time of issuing the interim report in May.

The 19% increase in profits before taxation reflects the benefits of tight cost control, rationalisation of certain production units and lower net finance costs due to much improved cash flows and lower interest rates. The benefit of these factors was, however, largely negated by the increased taxation charge resulting mainly from the phasing out by the authorities of the capital investment allowances.

Despite the difficulty in fully recovering raw material cost increases, all divisions improved their operating profits with the exception of the Glass division, which recorded an increased loss for the year.

The highlight of the year was the strong cash flow which resulted in a reduction in borrowings of R45 million brought about by the improved operating result,

REGISTERED OFFICE
Nampak Centre
114 Dennis Road
Atholl Gardens
Sandton
2196
(P O Box 784324
SANDTON, 2146)

TRANSFER SECRETARIES
Rand Registrars Limited
Corner Northern Parkway &
Handel Road
Ormonde
2091
(P O Box 82549
SOUTHDALE, 2135)



Member of the
Barlow Rand group

Pricing row strains sector relations

STEEL
INDUSTRY

-A Business Day Survey

RELATIONS between the primary and secondary steel sectors have of late become increasingly strained

The secondary sector is clamouring for Competition Board intervention, while the manufacturers — the Rolled Steel Producers (RSP) — say they are doing all in their power to keep prices within reason, and refute claims of price fixing

The Independent Wire Converters' Association (IWCA) says since the abolition of price control in July 1985, prices of wire rod and reinforcing bar have increased by 50%

Not so, says Iscor which is the main RSP member, and points to a 13-month period when prices remained stagnant

The independents say that two items, wire rod and reinforcing bar (73 10 10 and 73 10 40) represent over 20% of domestic steel production — about 1-million tons

Trade and Industries Minister Dawie de Villiers is on record as stating that the new policy of "selective tariff protection" would lead to greater competition and more flexible pricing

MICK COLLINS

This has not happened, says the IWCA

"His statement is contradicted by the facts. Cartels and exploitation of prices are the direct result of the new 'protection'

"Prior to July 1986, a reasonably competitive situation existed between the mills"

Representations by secondary industry that the *ad valorem* duty was defective were made to the Board of Trade, but so far nothing has happened

The IWCA now says the BoT is perceived as representing the interests of just the primary sector

Background to the dispute is complicated. The successful anti-dumping measures or *ad valorem* system of protection introduced in July 1985 effectively shut out all imported wire rod

But one has got to go back even further to when Haggie Rand took over the management of Iscor's wire interests, which had been making losses.

The IWCA claims that Cape Gate, operat-

ing under Iscor's "price umbrella" eroded the steel giant's wire interests, making privatisation necessary.

Then came the saga of the Zimbabwe company Lancashire Steel, which the independents claim was successfully shut out by "dubious means"

"The elimination of competition has taken place through differential pricing to subsidiaries and associated companies, and the prevention of cartelisation on end products until rationalisation is complete

"It is only a question of time before all wire products fall under the control of the cartel and prices harden in line with the RSP's concept of orderly administered pricing," says the IWCA

The independents now also claim the domestic price of reinforcing bar and wire rod is about R200/ton higher than it should be.

A decision on the furore is being awaited from government, which has declined to comment, saying the matter is still under investigation

UME shares offer closes today

Industrial Staff

AN offer of 5.4-million shares in Cape steel merchants UME Limited closes today, says the company

The offer of 2.3-million shares to the public and 3.1-million to staff and associ-

ates has been pitched at 130c, with a forecast dividend yield of 6.2% based on the offer price

A total of 18-million UME shares are expected to be listed in the industrial/engineering sector of the Johannesburg Stock Exchange as from December 4

Steel probe call

THE Independent Wire Converters' Association (IWCA) has repeatedly called on government to probe the pricing structures of the steel industry

It says the current price levels of R730 a ton for wire and reinforcing bar at the coast reflects the shutting out of imports and protection afforded to the producers by the Board of Trade

The IWCA says government and the public should not be misled by Iscor's claims that steel price increases have been a modest 13.8% a year.

IWCA chairman Robin Bosomworth has long championed the cause of the independents and says cartelisation flies in the face of Competition Board legislation.

He says "It illustrates the contradiction within government policy and the ineffectiveness of the authorities to withstand the pressure of powerful vested interests that profit from government protection.

"By definition, it creates an exclusive and privileged industry for the few."

Bosomworth says it is the prescription for social, political and economic failure.

He believes the best stimulatory package for all industry would be the relaxation of protectionism.

Invariably in an economic, social and political sense, he says, South Africans are overprotected at someone else's expense.

He says "Differentiating between the protection of vested interests and the individual is where wise government lies

"What the country needs is equal opportunity for all. The natural enterprise of individuals will do the rest

"In SA we are suffering from too much ideological protection, too much interference, too much paternalism and too much government."

ITC acts on imports

Industrial Staff

AS part of its ongoing re-examination of the US steel industry the US International Trade Commission (ITC) decided earlier this week imports of forged steel crankshafts from West Germany, UK, Japan and Brazil might be injuring domestic industry

The ITC findings were by votes of 6-to-0 in the anti-dumping act cases involving imports from West Germany, Britain and Japan, and by a vote of 5-to-1 in the separate countervailing duty inquiry covering the imports from Brazil

The imports last year from all four countries amounted to about US\$50m, according to ITC officials.

BODAY 9/6/86.

189
~~260~~

Steel giant reacts to allegations

Iscor issues 'open books' invitation

ISCOR has issued an open invitation to the Namibian government to "inspect our books" in the wake of allegations of abuse of mining concessions at its Imcor Zinc mine at Rosh Pinah

"We have nothing to hide," said Iscor MD Willem van Wyk

Iscor used the commissioning late last week of its R5m capacity expansion at Rosh Pinah to criticise Mr Justice Pieter Thirion's allegations of irregularities in the mine's pricing basis for zinc concentrates

Namibia's interim government's Mining Minister Andreas Shipanga said a committee was being appointed to draft a mining policy for the territory based on Thirion's findings

Secretary of Economic Affairs Piet Kruger told *Business Day* that with minor exceptions, Thirion's proposals were acceptable "A White Paper will eventually be drawn up to implement that policy," he said

HAMISH McINDOE

The Thirion Commission of Inquiry presented its report, which carries evidence of alleged over-mining, tax avoidance and transfer pricing by several SA companies, at hearings in Windhoek earlier this year

Iscor Senior GM (Mining) Ben Alberts said the commission had made no attempt to contact Imcor Zinc for information during its investigation

Alberts added that Iscor was drawing up a detailed submission to the inter-departmental Committee of Inquiry into the Thirion Report aimed at refuting the commission's findings against Imcor Zinc

Iscor holds a 51% stake in the mine with Kahan-family concern Moly Copper holding the rest. Production at Rosh Pinah rises by 25% to a milling capacity of 50 000 tons per month with zinc concentrate output rising by the same margin to 5 7000 tons per month

Facing a squeeze

Old car batteries are losing their appeal for the scrap metal trade. It is not worth merchants' while going out of their way to collect batteries because lead prices are so weak.

It is a sign of the squeeze that the scrap or secondary lead market faces in industrialised countries. Many secondary smelting and refining plants have been losing money since lead prices fell from an average US\$54.6c/lb in 1979 to 17.7c last year. In sterling, prices tumbled from £568/t to £307/t.

A few weeks ago, cash lead fell briefly below £240/t on the London Metal Exchange, a 10-year low. It has since rebounded back marginally above £300, but is still below last year's average.

The impact of low prices has been aggravated in the US by tough environmental legislation, which has raised operating costs beyond endurance for some companies. In the past three years, about 20 secondary plants have closed across the US, leaving 28. More might close after July 1, when a new Environmental Protection Agency rule comes into effect which will force smelters to take out costly extra insurance.

In Europe, environmental controls are less stringent. But five out of about 50 plants have closed since 1982. Some new smelters have been built in developing countries, but Western secondary refining capacity has fallen in the past three years by 650 000 t to 2.78 Mt, says the International Lead and Zinc Study Group (ILZSG).

The group says "It is now apparent that in many fully industrialised countries the secondary lead sector is undergoing a structural change, rather than passing through a particular severe cyclical downturn."

Secondary producers are more important in lead than almost any other metal — accounting for more than 40% of production. Their share grew steadily throughout the Sixties and Seventies on the back of the relentless expansion of demand for vehicles.

It was widely forecast that, buoyed by rising prices, secondary producers' share of the market would continue to grow to perhaps 50% as the increase in vehicle sales in developing countries encouraged the building of more recovery plants.

But the recession of 1980-1981 brought a fall in consumption from which the market has not yet recovered. Consumption in non-

Socialist countries last year was 3.9 Mt against 4.2 Mt in 1979.

Secondary production had to bear the brunt, falling from 1.9 Mt in 1979 to 1.6 Mt last year. The flow of lead from mines and primary smelters was virtually unchanged at about 2.5 Mt, despite the fall in prices. This was because a high proportion — about two-thirds of Western production — is produced from ores containing other metals, principally zinc and silver.

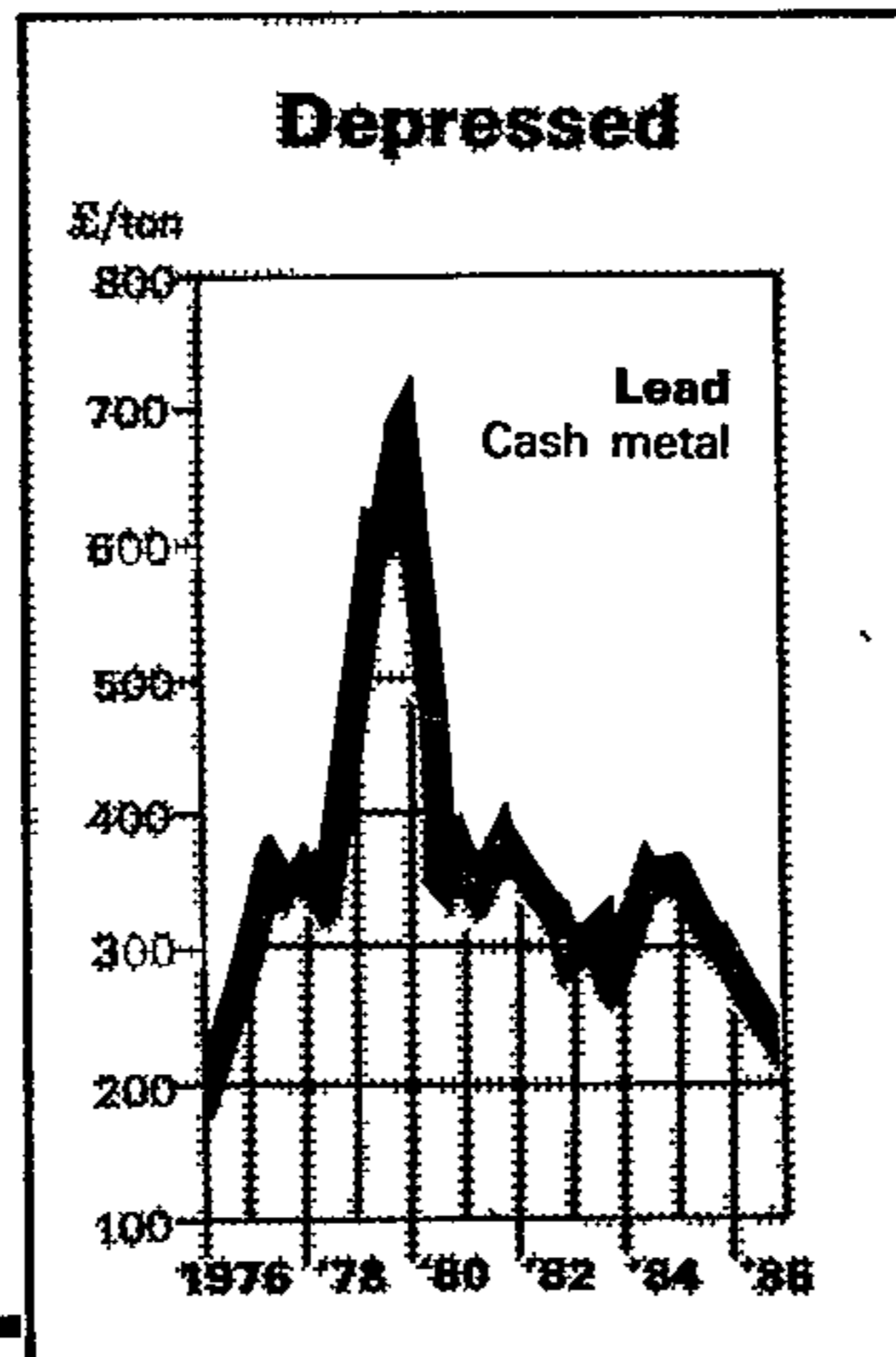
Rising zinc and silver production, in Canada, Mexico, Australia and elsewhere, will result in "involuntary" lead production regardless of the lead market.

This bodes ill for secondary producers. They had a rather larger share of the market in 1984-1985 than they might have expected, because of reductions in mine output in the US and Australia (because of strikes), and Canada. But in 1986, mine production is expected to recover.

The long-term picture looks no better. Since 1960 lead prices have fallen in real terms by more than 30% in US dollars. Only copper among base metals has declined more sharply. Zinc prices, by contrast, have actually risen about 10%.

Underlying this is the fall in consumption. In virtually every market except vehicle batteries consumption has fallen sharply — particularly the US, where environmental controls have been introduced most rapidly.

The ILZSG concludes that consumption will stay static or grow by 1% a year, at best, to the end of the decade, when it will still be below the 1979 peak. With refinery capacity well above consumption, there is likely to be continuing downward pressure on prices.



First dividend in 14 years

Iscor produces bumper profits

27/10/85 STAK
189

Pretoria Correspondent

Iscor has produced a bumper R185 million profit this year — probably the best in the corporation's history — and is to pay out a dividend for the first time in 14 years

Although a profit was expected, its magnitude — R185,3 million for Iscor Limited and R163,3 million after tax for the Iscor Group — will come as a surprise to many

For Iscor Limited, the major component of the Group, the profit is about 250 percent greater than its best performance in the last ten years when it totalled R77,4-million in 1980

It also totally dwarfs last year's R8,9 million profit

Without taking the diminishing value of the rand into consideration, this year's performance is arguably the best in the corporation's history

Details of the massive profit surge were spelt out by chairman's Mr Floors Kotzee in the annual report, released today

He said the profitability could

be attributed to an increase of 401 000 tons in steel products sales, higher income from iron ore exports, higher steel export earnings because of the low value of the rand and greater productivity and cost savings at all centres and subsidiaries.

R9-m tax

The group paid R9 million in tax, and Mr Kotzee said " it is therefore a pleasure to be in a position to announce that the Iscor Board has declared a 7,5 percent dividend on all classes of issued shares

"This dividend, which will amount to some R65 million, takes into account Iscor's dividend cover objective and is the first that Iscor has been able to pay to the State since 1972," he said

But in spite of the massive profit Mr Kotzee issued a number of cautions in his report

He warned that the negative effects of sanctions on Iscor exports, and the Group's profitability, made the future payments of dividends uncertain

Mr Kotzee said the oversupply of steel in the world market's continued, with demand increasing by only one percent in 1985. At the same time a number of developing industrial countries had entered the market, aggravating the world-wide problem of surplus capacity and low prices

The oversupply has led to a number of countries imposing trade restrictions, including import-export quotas, voluntary restraint agreements and concealed subsidies

He said domestic steel product sales had been affected by the weakening of the economic situation, and a three percent drop in local demand

While certain measures announced by the authorities, and import replacement, should have a positive affect on local steel sales, a recovery in the South African economic condition would largely depend on the degree to which the internal political stability could be ensured and business confidence regained

Iscor pays out ¹⁸⁹ R65m ^{Business Day} dividend

ISCOR has boosted group profits by 600% and paid its first dividend — amounting to R65m — to government in fourteen years ^{28/10/86} ^{24/9}

But loss through sanctions of two key steel markets since September means Iscor is unlikely to maintain this pace of earnings in its current financial year

In the year to June, pre-tax profits leapt to R172m from R24m

Turnover increased by 25% to R3,9m when steel sales rose by 400 000 tons to 5,7-million tons and the iron ore division had higher export earnings.

Describing the outlook for Iscor's bottom line in 1987 as uncertain, chairman Floors Kotzee told *Business Day* yesterday "The objective is to run our plants at full capacity — as we are doing now"

He said no detailed breakdown of Iscor's earnings would be disclosed in the wake of sanctions

But he re-affirmed Iscor's aim of routing steel tonnages, lost through European Community (EC), Japanese and US sanctions, to other markets.

31/10/86
FM

ISCOR

A spell of health

It was smiles all around in the Iscor boardroom when the iron and steel giant announced this week that pre-tax profits have soared to R172m in 1986, following a modest R33m in 1985

For the first time since 1972 Iscor has declared a 7,5% dividend on all classes of issued shares, putting a welcome R65m in government's pocket

But, admits Iscor chairman Floors Kotzee, this success could be short-lived "There is no doubt that sanctions could affect us negatively," he tells the *FM*, "and we don't expect more than a slight improvement in the domestic economy next year"

Sanctions already imposed by the US and European Economic Community will affect next year's results

It is no secret that exports have kept Iscor above water and the low rand has been a significant contributor to profits. Although detailed figures on exports are not available, it is widely assumed that about 40% of Iscor production is exported

But, says Kotzee, sanctions are not the only unpredictable element "As we offer secure employment, we have enjoyed good labour relations till now, but it is difficult to maintain relations with politicised unions who have little interest in the welfare of the company"

Improved productivity

Nevertheless, continued efforts to improve productivity, through new technology and market-orientated management policies was also an important ingredient of Iscor's improved returns. Labour productivity, measured against a base of 100 in 1980, improved from 117,8 in 1985 to 131,2 this year and management expects it to improve to 140 next year

Sales of finished steel products went up from 5,28 Mt to 5,67 Mt. The Vanderbijlpark plant now accounts for 62% of sales, while Newcastle, Dunswart and Cisco (the Cape Town Iron and Steel Works) also contributed. Only at the old Pretoria plant production declined last year, but liquid steel production increased at all five centres

Kotzee is non-committal on privatisation, but is convinced that Iscor can stand on its own feet in the private sector "We are run like a private company, so if the shareholders (Iscor is almost wholly owned by government) want to sell some shares, that's no problem," he tells the *FM*

Although Iscor is in principle committed to free market policies, it still wishes to enjoy a measure of protection against dumping

Kotzee believes the low rand and the 10% import surcharge, together with the tariff system, have kept out imports. The situation will have to be reviewed, particularly in the possible event of the removal of the import surcharge, he adds

In the meantime Iscor will carry on with

its capital expenditure policy. This should increase from last year's R335m to R400m — with work on the Kohle Reduktion Plant in Pretoria, a continuous slab casting machine at Vanderbijlpark, and the provision of electromagnetic stirring facilities at Newcastle

Capit Times
Iscor slag explosions 29/2/86 (189)

JOHANNESBURG — Red hot slag (metal waste) caused a series of four explosions at Iscor's Vanderbijl Park plant late on Saturday night, an Iscor spokesman said yesterday. The spokesman, Mr N Schoeman, said the explosions — which occurred at 10 40pm — were caused by the slag coming into contact with water on the outdoor dump after it had rained in the area. Mr Schoeman said no damage was caused and no one was injured in the blasts.

Foundry industry is in a severe recession

THE foundry industry has experienced severe recessionary conditions since 1985, with cutbacks in demand accompanied by a fiercely competitive market, says the annual report of Anglo American Industrial Corporation (Amic)

And Selsa figures for domestic ferrous casting production reflect a general industry utilisation level well below normal production.

Associated Chamber of Commerce (Assocom) figures up to June 1988 show total physical volume of manufactured production down in general, although the exchange rate has seen the value of sales for all manufacturing leap since last year

Still higher

An Assocom spokesman says 1990 manufacturing figures, on which the index of 100 is based, are still higher than those of 1988 and volume of production is still down.

This year's preliminary figures for total physical volume of all manufactured production list May's index at 93,2; June at 95,6, and July at 97,9, against the 1980 index of 100

The manufacturing index lists 1988 overall, 80
Feb 92,6
Mar 93,3
April 92,7
May 93,5

1980
Jan 80
Feb 94,6
May 101,4
April 96,6
May 99,7

Applied to the metals industry in particular, Assocom figures show

Total physical volume of manufactured production.
Steel May 86, 98; May 85, 94,
Non-ferrous metal industries May 86, 114,3, May 85, 104
Metal products excluding machinery May 86, 84,5, May 85, 87,7
Machinery equipment excluding electrical May 86, 73,1, May 85, 77

Production, value of sales.
(The Assocom spokesman says these reflect actual value of sales, from which inflation must be deducted and figures which are not available)

Total sales figures for all manufacturing
May 86, R6 776,5m, May 85, R6081,0m.

Steel May 86, R612,1m, May 85, R501,7m
Non-ferrous metal industries May 86, R166m, May 85, R145,6m
Metal products excluding machinery May 86, R468,6, May 85, R438,7m
Machinery equipment excluding electrical May 86, R332,6m, May 85, R291,1m

The Amic report said heavy

engineering giant Scaw Metals was able to take advantage of the weak rand in the export market. Although domestic demand for rolled steel products showed a decline last year, it was thus able to fully use available mill capacity

The outlook for foundry products this year remains uncertain and no significant short term improvement is expected

Sales of grinding media are expected to be steady, provided gold and platinum mining activities continue at stable and satisfactory levels

A slump

Springs-based Cumar Resistant Material MD Trevor Mingard says although there was a slump at the start of the year, business began picking up again in July

The company manufactures ceramic fibre and supplies the heavy engineering industry with refractory linings Fry's Metals MD Trevor Lake, whose company has a major market share of SA's lead and solder business, sees next year's business as remaining at more or less this year's levels

Johnson Matthey MD K E Davis believes sanctions offer opportunities of increasing business.

And a spokesman for Bosworth Steel Structures, which makes heavy engineering pulleys for mines and forgings, says despite cashflow problems turnover this year is up on 1985 to date

EAST RAND
Heavy Engineering

A Business Day Group

Edited by
MELANIE SERGEANT

Scaw Metals is forging ahead

SCAW METALS was formed in the 1920s. It moved to its Union Junction site, Germiston, in 1938 when demand for products increased so much it found its Eloff Street, Johannesburg, site becoming too small.

Production at the 49ha Union Junction site started in 1942, and included the manufacture of munitions. Scaw and subsidiaries employ about 4 000 people.

Products fall into three main categories: iron and steel casting, rolled steel products, and cast and forged grinding media

The company's production facilities include a direct reduction plant, steel melting and continuous casting plants, three rolling mills, steel and iron foundries, a machine shop, forging and casting plants for grinding balls, and a wheel plant

Well-equipped laboratory facilities ensure high standards of quality control.

The foundry division manufactures a large range of castings

Customers include Sats and the power-generation, cement, mining and general engineering industries

Licensing and technological agreements with major international companies, and Scaw's continuous programme of product development, have established the company as a key supplier of locomotive, passenger and freight-car components, cast-steel railway wheels, and specialised earthmoving equipment, such as excavator buckets and ground-engaging tools

Scaw's main subsidiary companies are Flather Bright Steels, a supplier of bright drawn bar; Scaw Ltd, which operates a grinding-ball plant and foundry in Zambia, and Rand Scrap Iron & Metal Company, which processes and markets scrap raw materials

Scaw has a 35,6% interest in Haggie Limited

Major capital projects scheduled for completion this year are the erection of a high-chromium ball plant and heat-treatment furnace, and the installation of a ladle furnace and related equipment to increase the capacity of the main No 3 melt shop

Union started small

WITH about 10 000 of its locomotives, coaches and special vehicles in operation, Union Carriage is one of the largest firms of its type in the southern hemisphere. But its Springs beginnings were small.

In the late 1950s SA Railways (now Sats) was anxious to encourage the establishment of a local carriage-building industry and sent out inquiries for 332 officials' and artisans' coaches

The Comeng Holdings group, of Australia, when tendering for these coaches, undertook that if its quotation was successful it would establish a factory in SA to build them — so Union Carriage was founded in December 1957

Probably the most difficult task was training artisans able to produce work of good enough quality

A contract for electrified suburban coaches called for two initial train sets, which were produced in 15 months and delivered in early 1961

Union built electric locomotives next — a logical move from building electrified suburban stock

The company was now supplying an increasing share of SAR equipment, so that SA's need to import railway rolling stock was over; in fact, Union started exporting by the mid 1960s

In 1969 a portion of the Comeng Holding shareholding was sold to Anglo American and General Mining, so although Comeng remains a major shareholder, the two local shareholdings place control firmly in SA.

Fry's lead in lead

FRY'S METALS is the largest lead supplier to industry in SA — in either refined soft or alloy form, says MD Trevor Lake

The company produces lead ingots and alloys from scrap metal, batteries, cables and battery plates and then resells the metal to major battery and cable manufacturer clients, including Willard, Chloride, Raylite, Sabat and Dixon

Apart from its Wadeville plant, Fry's has one in Port Elizabeth and another in Cape Town, as well as associated plants in the metals group in Krugersdorp and Zululand

The East Rand operation employs 150 people, of whom 40 are skilled

Volume produced at Wadeville is 25 000 tons a year

INDUSTRIAL PREMISES

Warehousing, factories and small business workshops, all of varying sizes and, at reasonable rates immediately available in Springs on the East Rand.

Contact Andre Bergh, **East Rand Warehousing**, 818-2167 for further details or to arrange to view premises.

INDUSTRIAL EQUIPMENT BARGAINS

70 x 3,35 metre vertical kiln complete with associated motors, gearboxes etc.

Contact Olly Bergh at **Celcon Developments**, Springs 818-2167 for further details or to arrange to view.

COMPUTERS

MIDDELBURG Steel & Alloys has taken another step towards inplant automation with the purchase of Data General's latest offering in minicomputer technology, the MV/20 000.

"To create a corporate database and control the movement of every order, utilising the same data, through the manufacturing process to invoicing has been our main objective to date," said Rob Tennant, systems development manager (steel division)

"Our aim now is to strive for inplant automation the likes of which can be seen only in Japanese steelworks."

A user of Data General systems for 10 years, MS&A had deployed more than R3m-worth of equipment by the end of last year, followed last month by the purchase from Reunert Computers subsidiary Perseus Computer Systems of the robot-designed MV/20 000 in a deal valued at more than R3.5m

In-house application programs have been designed for order processing, production planning, work-in-

progress control, finished stocks, planned maintenance and invoicing, as well as laboratory and quality-assurance control.

"When we bought the MV/10 000 in November 1983, we thought it would cope with our needs for years," said DP manager Chris Grobler. "However, our business growth since then has been substantial and we are running out of capacity for the steel division."

A good example of real-time production control is the link between the meltshop control room and the laboratory.

Steelmaker takes step to automation

BUS DAY 6/2/86. 189

Accurate analysis is critical to ensure the correct chemical composition of stainless steel. The Data General terminal in the meltshop control room is linked via the MV/10 000 to the X-ray spectrometer in the Laboratory, 0.5km away

Once a sample analysis is completed, the results are immediately stored in the MV/10 000, and additions calculated to enable the meltshop to continue the steel production process

"The system provides speed and accuracy the first time round and has

also improved raw material utilisation," said Tennant. "The meltshop program, which is parameter-driven for greater flexibility, was designed in conjunction with meltshop personnel to ensure that it was totally suited to its environment. This was the first area to be computerised due to the high benefits to be obtained from accurate additions, calculations and speedy analysis"

He attributes the high productivity achieved by his development team to three main factors. "Firstly, the Data General environment is simple to

Recession puts a nasty dent in Union Steel profit trend

11/1/86

STAR

189

Michael
Menof
on the
company
beat

For the first time this decade, Union Steel's impressive profitable trend has been wrecked by a massive loss, and no reversal is forecast for this year

Recession in the steel industry has taken its toll on the corporation which, with its massive infrastructure, is experiencing under-utilisation in some plants

Major cutbacks in the domestic engineering market has forced the group to turn to exporting for relief

Unfortunately, this is a bit late in the day, export prices are being slashed, in some cases resulting in unrecoverability of total fixed costs

Significant purchases of fixed assets and capital expenditure, coupled with last year's loss, saw borrowings up by 50 percent and the raising of an additional R20,8 million capital.

Turnover increased to R264 million (R239 million), due mainly to price increases. A net loss of R19,5 million (profit R13,97 million) resulted in a swing of almost 250 percent

Earnings per share were a negative 69,3c (positive 46,9c), and understandably no dividends were paid (7,5c). The net worth per ordinary share has fallen 20 percent to R2,77 at September 1985 (R3,48 per share)

Major declines

With the share price currently at 77c on the Johannesburg Stock Exchange, this represents a mere 25 percent of its net worth

Major declines in output during the past year in the automotive industry, machinery sector, transport equipment and electrical machinery has made Union Steel a victim of the recession. But could it have minimised the blow?

In his previous report, chairman Mr F P Kotzee foresaw a downturn but did not expect the massive loss

The group is engaged in two sectors, steel products and non-ferrous products. The latter withstood the downturn with a R10,9 million (R11,18 million)

profit contribution, while the former delivered a knockout punch with a R26,83 million loss (R2,79 million profit)

The 1985 loss was further aggravated by a R3,56 million write-off of unexplained operating expenses

Margins were under attack as major cost elements rose drastically due to inflationary pressures: electricity up 21 percent, imported refractory materials and alloys up 38 percent and maintenance spares up 20 percent

Depressed market

The meagre 7,5 percent sales price rise implemented from July 26 1985 was not enough sufficient to absorb such hefty cost hikes

The outlook for steel is bleak and uncertain, especially with the depressed domestic market. The export market will be exploited to a greater extent

With raw material prices and cost elements continuing to rise in a highly inflationary climate, selling prices will remain under constant pressure. This will have a detrimental effect on the profitability of all steel products, and the losses experienced last year will unfortunately carry on in 1986

According to the latest estimate, Mr Kotzee states that the markets for non-ferrous products will weaken considerably

The group's profitability will, to a great extent, be influenced by the successful operation on the new direct reduction and pelletising plants. The latter unit is functioning according to plan but the direct reduction plant faces under-utilisation

Mr Kotzee warns that further closures of uneconomic activities may be considered this year and that there is a downward pressure on prices of all products

The income statement lamented a disastrous 1985 with operating income of R5,12 million less than 2 percent of the R264 million turnover compared to operating income of R28,2 million or nearly 12 per-

cent of 1984's R239 million turnover

Increased depreciation of R9,1 million (R6,8 million) and financing costs of R13,87 million (R9,47 million) made the loss inevitable

Fixed assets increased almost 50 percent to R131 million (R92 million), which resulted in total borrowings (long-term, overdrafts and short-term) increasing 50 percent to R106 million (R70,4 million). Total financial costs rose in sympathy to R21,8 million compared to 1984's R13,1 million

With tax losses of R54 million at September 1985 and further losses predicted for this year, it will take a number of years before the tax man collects anything from Union Steel

My guess is that it will be about 1992-3 at the earliest before the receiver gets a cent

The working capital situation has deteriorated alarmingly from R27,9 million net assets in 1984 to a mere R2,2 million at September 1985

Rights issue?

The ratio of current assets to current liabilities has declined to 1,02 to 1 (1,37 to 1), while the ratio of current assets less stocks to current liabilities is now only 0,45 to 1 (0,60 to 1) primarily due to the R60,8 million stock at September 1985

Increased borrowings or another rights issue from ordinary shares this time will be necessary to fund this year's losses

I guess that before the year is out, a rights issue of one share for every one held at, say, 70c will be offered

This will raise about R20 million again which, hopefully, should be enough to fund the new losses

The board should get cracking, as the additional amount will also save interest

Some smart financial management, planning and a positive mental attitude is needed if this battered ship is to sail into calmer waters

STAR

nesday May 21 1986

3

4 500 steel workers on strike

189

By Sheryl Raine

More than 4 500 workers are on strike at four plants of Anglo American's Highveld Steel in Witbank after the dismissal of four colleagues

Plants affected by the Metal and Allied Workers' Union (Mawu) stoppage are Highveld Steel, Vantra, Rand Carbide, and Transalloys

"Workers are demanding the reinstatement of four workers dismissed after a national one-hour stoppage recently in protest against the Steel Engineering Industries Federation of SA's refusal to negotiate a living wage," said a union spokesman

Highveld Steel would say only that talks were continuing with the union

"All the workers who took part in the hour-long stoppage were given written warnings by the company," said the union spokesman

"Seven workers who already had warnings were then dismissed. The union's shop stewards appealed and three workers were reinstated"

Workers at the plants have objected to the dismissal of the other four and have accused the management of being dictatorial

By Sheryl Raine

3UP DAY 2/15/81 (187)

Steel workers strike

MORE than 4 500 workers are on strike at Highveld Steel plants in Witbank to demand the reinstatement of four workers who were dismissed after a national one-hour stoppage by thousands of metal workers in April.

An Anglo American spokesman declined to comment, but confirmed that talks with the Metal and Allied Workers' Union (Mawu) were taking place.

Mawu said plants affected by the strike were Highveld Steel, Vantra, Rand Carbide and Transalloys.

The one-hour stoppage by Mawu members in April was in protest against the wage offer of the Steel and Engineering Industries Federation of SA (Seifsa).

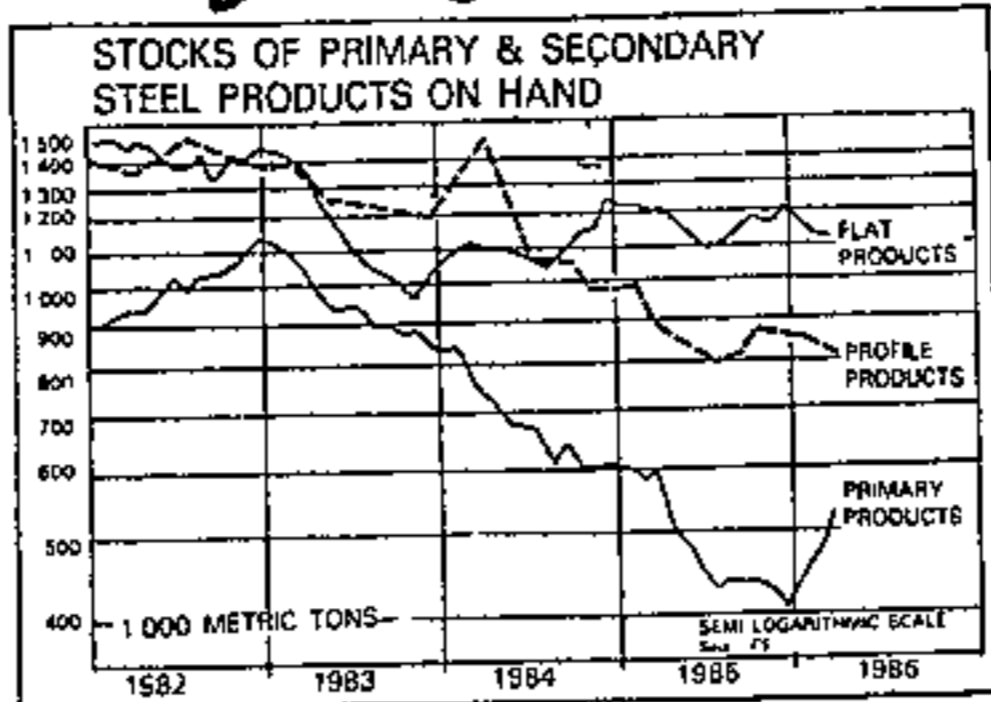
Mawu said workers who took part were given warnings by the company. Four workers who already had warnings were dismissed.

CLAIRE PICKARD-CAMBRIDGE

□ About 3 000 workers have been on a wage strike at seven Sentrachem factories in the Transvaal, Orange Free State and Natal for more than a week. Demands by the SA Chemical Workers' Union (Sacwu) include a R250 increase on minimum rates. The present minimum is R400 a month.

□ Nearly 2 000 Tembisa Town Council employees who went on strike on Monday are demanding a minimum wage of R700 a month. Sapa's Tembisa correspondent reports that workers also locked themselves inside the offices after management said pay would be deducted from workers who stayed away on March 14 to attend a funeral.

17/6/86
Bu > DAT



Steel stocks on hand ^(18%) down 7,9%

STOCKS of primary and secondary steel products on hand for March 1986 decreased by 7,9% compared with March 1985

Figures released by the Central Statistical Service in Pretoria yesterday show that stocks of primary, profile and flat products decreased by 11,0%, 5,9% and 8,0% respectively

The basic iron and steel industries were the main contributors to the decrease in primary steel products on hand

A general decrease occurred in the stock of profile products, and the decrease in the stocks of slabs (minus 4,9%), plates (minus 13,1%), tin plate (minus 39,7%) and flat products of stainless steel (minus 22,5%) were mainly responsible for the overall decrease in flat products

25/6/86 BU-047

Steelmen buy into future

189

MICK COLLINS

A TECHNOLOGY transfer from Japan is pushing SA's steel industry into the 21st century

An agreement between Kurosaki of Japan and Cullinan Refractories will see the introduction of high-temperature technology that has cost hundreds of millions to develop

Cullinan's market development manager John Carroll says the introduction of new-generation, high hot-strength castables will mean an initial saving for industry of R6m a year

"This new technology will be immensely important to the steel industry and other industries where extreme heat is used

"South African pyro process industries can now avail themselves of the

latest technology in monolithics at a fraction of the cost paid by users in other countries"

Chief executive Ed Harbuz says the agreement will allow Cullinan to manufacture a range of injection lance designs using new-generation refractories

"It's like going from the technology of the typewriter to that of the computer

"My company has joined the ranks of Kurosaki licensees for a product with properties until now unknown in the SA refractories industry"

The new range of castables will enable monolithic materials to be used in areas where castables could not be used previously

CONFIDENTIAL
C.M. Times 27/6/86 (189)

Mixed feelings over Iscor price

Own Correspondent

JOHANNESBURG — Rival steel producers are ready to follow Iscor in knocking 4% off the price of delivered steel to the Eastern Cape

However, industry officials yesterday expressed alarm at government's involvement in bringing down the price

Government's abolition of steel price controls last July had freed the industry to set its own levels, they said

Industry Minister Dawie de Villiers announced this week Iscor had bowed to a government request to cut its steel price to the Eastern Cape from October 1 in order to assist industry in the depressed region

concession

He said Iscor had agreed to bear part of the cost of transporting its steel from the Reef — a concession that will cost the corporation about R2m a year

In a guarded statement yesterday, Iscor would say no more than "government asked us to do something to assist industry in the Eastern Cape, and we agreed"

Other steel producers are already looking at ways of matching Iscor's price cuts to the Eastern Cape in order to remain competitive

Highveld Steel sales manager Ian Gunn said yesterday "It will certainly put pressure on

other producers We will probably have to match this eventually"

However unpopular among steel producers, the steel price cut — described by Dawie de Villiers as one of several measures being considered to alleviate economic problems in the Eastern Cape — is certain to be welcomed by industrialists in the region, particularly what remains of the motor industry there

Eastern Cape industry pays more for its steel than other regions because of the high cost of transport from Reef steel producers The Iscor concession means they will now pay the same price as industry in the Durban region

FIN MAIL

USCO 4/7/86

189

No fireworks

Given the benefits of a much improved local steel market, Union Steel Corp's (Usco) recovery hopes for the interim to end-March were dashed by unresolved teething problems at its new direct reduction plant. However, losses in the steel division have been reduced. In the previous year, the group ran up total losses of R19,5m, of which R26,8m was attributable to the steel division, at the interim the total figure was whittled down to R7,6m.

Despite a 35% drop in the non-ferrous division's despatches, group turnover increased by 20,8%, largely as a result of better local steel demand and higher billet exports. However, the group's copper and aluminium products markets were not as buoyant. Delays in capital projects hampered demand, and this resulted in "a substantial decrease

67

in profits of the non-ferrous division". One can only hope that operational problems at the direct reduction plant have been ironed out. The directors say that "modifications have been completed and it is foreseen that the plant will be operational during the last quarter of the financial year".

It is not clear, however, to what extent profits will improve once the plant can be fully utilised. Capital construction was completed last year and operating costs of R6,8m were written off against interim operating results. What, however, is the difference between last year's non-capitalised operating expenses of R3,6m treated as an abnormal item, and this year's R6,8m charged against operating results? Did Usco derive any benefit, although limited, from the new plant? Management was not available for comment.

The outlook for the second half looks more positive. Both the steel and non-ferrous divisions are expected to realise profits, although probably not substantial enough to wipe out first half losses. The biggest hurdle seems to be the group's ability to service its growing

USCO SINKS DEEPER

Six months to	Mar 31 '85	Sep 30 '85	Mar 31 '86
Turnover (Rm)	118,9	145,4	143,7
Operating income (Rm)	5,9	(0,8)	4,9
Depreciation (Rm)	4,4	4,7	5,5
Finance costs (Rm)	5,3	8,6	7,8
Group loss (Rm)	3,0	16,5	7,6

debt burden. At end-September, debt equity stood at 0,98 and has probably deteriorated, given the interim losses. Further, the interim results have not taken into account dividends totalling R1,4m declared on the prefs and convertible prefs. By year-end, pref dividends will be higher. Shareholders have given the go-ahead for the company to raise another R30m in the form of variable rate redeemable prefs. To date, R10m has been placed with financial institutions.

It will probably be some years before ordinary dividends are resumed. Usco's share price may, however, be near the bottom. At 60c, it has recovered slightly from its recent low of 55c. For investors prepared to take a longer-term view, it may be worthwhile paying the extra 30c for the 14% compulsory convertible prefs, currently priced at 90c. At least pref shareholders have some prospect of continuing to receive dividends in the meantime.

Patric Ho



Hiveld bounces back with record profits

HIGHVELD Steel & Vanadium's rebound continued in the six months to June.

The corporation hit record interim sales and profits

The interim dividend has been raised to 10c (8c) on a 57% jump in earnings a share to 42,4c (27c)

Hiveld directors expect second-half profits to be even higher, given reasonable industrial peace and limited impact from any additional trade sanctions

The group derived substantial benefits from exports with the lower rand
Local demand for all group products

13/8/76
BUS DAY
LIZ ROUSE
189

showed a marked improvement in the opening months of the years

It remains to be seen whether the stimulatory package will result in some increase in economic activity.

World steel consumption is expected to remain static this year Hiveld is, therefore, banking on increasing local sales.

Directors say the increase in domestic

● To Page 2



Hiveld hits record profits

sales suggest inventories have been run down as steel shipments are more in line with consumption

The world vanadium market showed a marked improvement, resulting from a better balance between supply and demand. Consequently, free market prices rose substantially

The corporation raised prices and sold its total vanadium production in the past six months. The market should remain in equilibrium for the rest of the year

Hand Carbide and Transalloys operated at full capacity as a result of steady demand in world markets for silicon and manganese ferro-alloys

11/8/76
BUS DAY
189

● From Page 1

Hiveld's turnover increased by 24% to R377,5m (R304,4m) in the six months to June and pre-tax profit more than doubled at R40,1m (R18,9m)

Attributable profits, after deferred tax of R10,1m, were up 56% at just more than R30m (R19m)

Hiveld's capital expenditure is at its lowest in years, amounting to only R7,3m in the past six months with R5,7m committed for the rest of the year

As a higher final dividend appears on the cards (if directors are correct in predictions), Hiveld shares offer solid value at the current level of 645c

R50 000
prize for
steel use
plan

3000A
20/10/80 (189)

DAVID FURLONGER
MIDDELBURG Steel & Alloys has embarked on a three-year plan to increase local sales of its stainless steel and 3CR12 alloy.

By launching a competition to find "the best thought-out plan" for its products, the Barlow Rand company hopes to increase production by 5% and re-route some of its exports to the local market.

The Think-Bank Programme, which offers a top prize of R50 000, invites companies to submit "virtually any proposal" which will increase SA consumption of stainless steel or 3CR12.

According to a brochure landing on businessmen's desks today, Middelburg has set aside what it describes as massive resources to help potential customers.

These may be used to provide extended credit, pricing concessions, technical and marketing assistance and other forms of aid.

The brochure adds that the programme is designed to create jobs in the steel fabrication industry, earn foreign currency from new exports and encourage greater self-sufficiency.

However, according to programme director Kotie Smith: "It's not a totally Good Samaritan project to help others. There's also a good deal of enlightened self-interest to help ourselves."

He says the programme is designed to increase local sales over three years. "We won't increase tonnages at once. It's a developmental thing."

Middelburg now produces 100 000 tons of stainless steel a year, of which about 15% is 3CR12. Smith hopes the Think-Bank will stimulate production to 105 000 tons.

"As local sales increase, so we can play about with our import/export ratio. We would rather the local market developed than export steel."

Forging ahead from humble beginnings

30/03/87 11/9/86

TSWANA Steel of Hammanskraal, Bophuthatswana, has forged ahead from humble beginnings in 1974 with turnover and profits growing in leaps and bounds

During the company's first financial year in 1975, turnover was R80 000, and for the year to end-February 1986, this mushroomed to R12,9m

And Tswana Steel MD Div de Villiers says turnover for the 1986 year, up to the end of August, has already reached R9m

Because Tswana Steel is in a decentralised area, tax will be paid only from the 1988 financial year

Pre-tax profit history is

PRISCILLA WHYTE

- R198 000 in 1981,
- R127 000 in 1982,
- R213 000 in 1983,
- R291 000 in 1984,
- R353 000 in 1985,
- R409 000 in 1986

189
199

De Villiers estimates pre-tax profit at R800 000 for this financial year to end-February 1987

Originally Tswana Steel produced coat-hangers and spooled bailing wire for lucerne and hay

The production was switched from coat-hangers to steel beds and the group now holds between 70% and 80% of the steel bed market. De Villiers says the turnover in beds is be-

tween R500 000 and R700 000 a month

The group also produces brick reinforcing wire, as well as nail wire and bailing wire

De Villiers says the company makes 10% of the wire for the local market, which has a total turnover of R5m a month. About 8% of the company's wire output is exported

Tswana Steel holds about 10% of the sheet metal market, and its turnover in this area is between R250 000 and R400 000 a month

The company employs 560 people, of which 25 are white

The shareholders are Div de Villiers with 44%, Wally Walters 20%, Anton Lotter 18% and Lesia Groenewald with 18%

Trident contests ruling

11/9/86 LIAM EGAN *gus D.M.*
THE Rand Supreme Court is hearing
an application by Trident Steel
challenging the validity of an in-
dustrial-court ruling delivered
earlier this year.

Trident Steel seeks a ruling declar-
ing *ultra vires* an earlier ruling of
the industrial court in favour of
the Steel Engineering and Allied
Workers' Union and 39 of its mem-
bers.

The application before Mr Justice
L W Ackermann lists as respon-
dents D G John, the union and the
39 dismissed Trident Steel em-
ployees.

It appeared from court papers that
John ruled on December 9 last
year, in his capacity as presiding
officer of the industrial court, that
the dismissal of the 39 employees
constituted an unfair labour prac-
tice.

Trident Steel is appealing to the
Rand Supreme Court against
John's ruling that the 39 workers
were to be reinstated and that
their wages be back-paid for the
period from their dismissal on
August 3, 1984, to the date of judg-
ment.

Trident Steel MD Ernest Behr
claims John's ruling was "so un-
reasonable in the light of the cir-
cumstances surrounding the
workers' dismissal as to deem it
ultra vires".

Behr claims in his founding affidavit
that John's judgment of appeal
contradicted an earlier ruling by
another presiding officer of the
industrial court in favour of Tri-
dent Steel's dismissal of the work-
ers for refusing to work overtime.

The hearing continues today.

Advocate Brian Doctor, assisted by Rob Pierrot,
appear for the applicant Advocate Martin Brds-
sey, assisted by John Brand, appear for the
respondent

DAVID FURLONGER
Industrial Editor

PRIMARY steel producers have been accused of profiteering and threatening the future of secondary industry

While Iscor and fellow producers say price increases are being maintained below the rate of inflation, customers say increases are actually running at nearly twice the inflation rate

And while producers say individual products' prices have increased only twice this year, certain industries claim prices have risen three or four times

The Board of Trade confirmed this week it was considering an application from the Rolled Steel Producers Association — the central steel producers' group — to increase tariff protection against imported steel

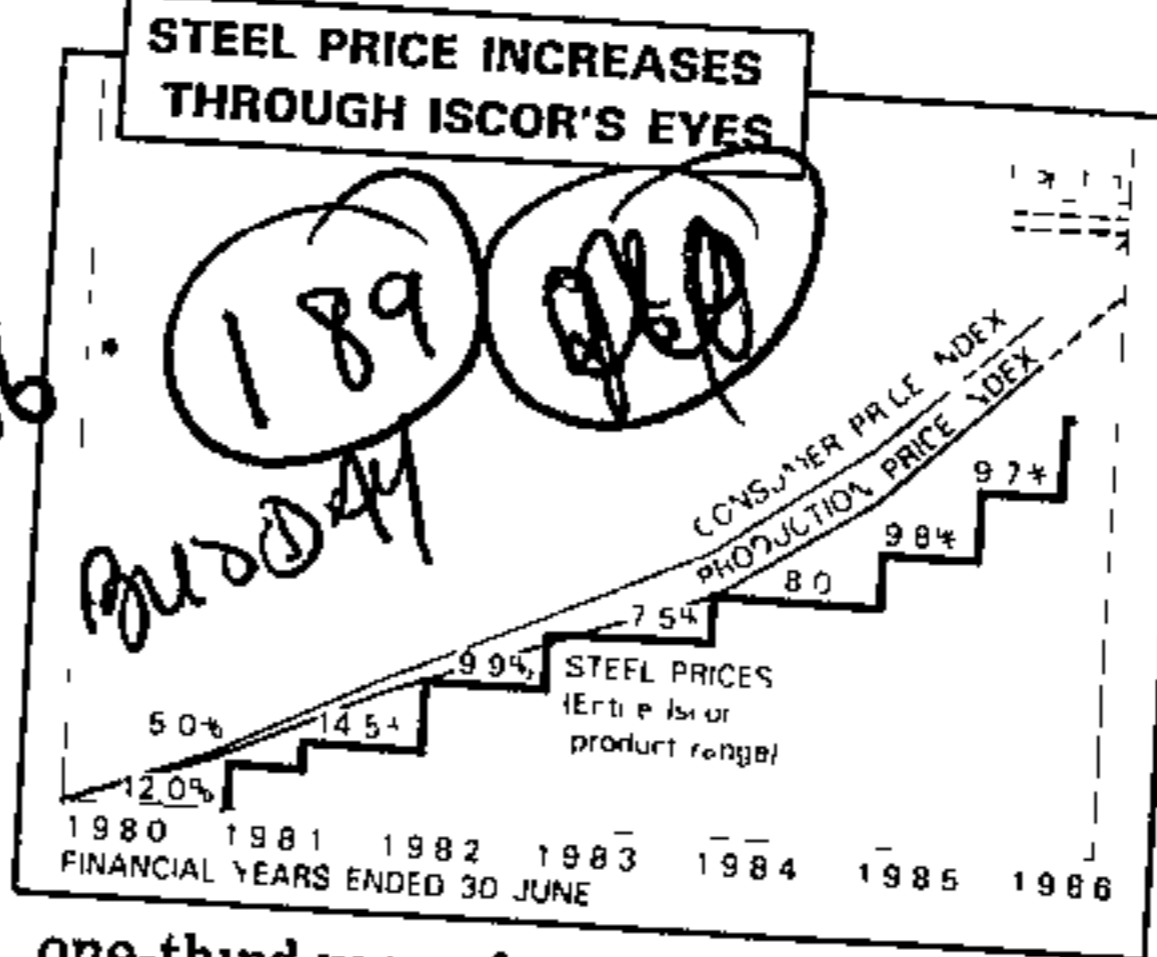
Steel producers say that price increases since July 1984 have averaged 13% a year Critics say that is a simplified calculation

As soon as the government abolished price controls on July 26 last year, producers cancelled discounts and other price incentives

As a result, some industries faced an immediate real price increase of 12% or more Since then, there have been at least two official price increases — of an average 9% and 9,5% Compounding those two, and adding in the real increase resulting from discounts being cancelled, some customers are paying

Increase wrangle

STEEL PRICE INCREASES THROUGH ISCOR'S EYES



one-third more for their steel today than they were 14 months ago

Chris Pond, financial director of Bruce Fairlie Steels, said yesterday "Our prices have risen by between 25% and 30% in the last year We have countered about four or five increases

● To Page 2

Steel price disagreement rages

already this year, with each item rising about three times."

A Cape-based wire converter said "Independent converters in secondary industry claim price increases of up to 40% since July 1985 through price increases and the elimination of discounts"

He said the price of delivered wire rod to the Western Cape had risen from R480 a ton in mid-1985 to R730 following the latest price increase this week

He added "We're being squeezed out, forced out of business so that the Rolled Steel Producers can make their profits"

An Iscor spokesman said yesterday that short-term price comparisons were misleading

"By being selective on which months

you use for comparison, any increase can be made to look dramatic," he said "Statistically, it is correct to say prices are much higher than July 1985 Realistically, you can't calculate that way"

He said that since July 1984, prices have increased by an average 13% a year — although this figure does not take account of the added rise caused by the abandonment of discounts Prior to that, according to Iscor figures, increases since 1980 have been consistently below the inflation rate

On the question of delivered prices of steel to the Western Cape, he added "That's not just our price It also includes other costs, such as railage"

● From Page 1

BUDAY

189

4/19/86

Steelmetsals hit by higher bills for tax and interest

LIZ ROUSE

STEELMETALS has cut its annual dividend by 5c to 15c, as higher interest and tax costs reduced bottom-line earnings by 23% to 46c a share in the year to June.

The Anglovaal group's engineering and contracting company experienced difficult trading conditions. Although turnover rose by 6% to R54,7m (R51,8m), it declined in real terms.

Strong performances by the divisions serving the engineering-consumables and contracting markets accounted for an 11% rise in operating profit to R4,9m (R4,4m), but the rise in pre-tax and pre-interest profit was limited to 8% at R5,1m (R4,7m).

Higher costs of replacement stock and abnormally high year-end debtors — stemming largely from substantially higher June sales — raised Steelmetals' working-capital needs and borrowings, which stood at R14,2m (R8,6m) at year end.

Interest charges rose to R2,1m (R1,6m) and tax increased by 26% to R1,6m (R1,3m).

Directors say the capital-equipment divisions experienced more-difficult trading conditions because of severe curtailment of fixed-investment expenditure in the public and private sectors. Competitive pricing squeezed margins and some divisions "did not contribute to the profits".

Divisions working in the non-capital-goods sector continued to perform well and increased their turnovers and contributions, while the contracting division concluded a number of major contracts and made a contribution to profits.

The outstanding-order position of this division has shown a slight improvement.

Directors are cautious about prospects for 1987. The benefit of any stimulatory measures will depend, among other factors, on the extent and rate at which excess capacity in the economy is absorbed.

'Terrible tragedy' if coal companies fail to beat sanctions

TOWNS IN FEAR

1891
1891

w/c Angus 9/18/86
Weekend Argus Correspondent

WITBANK. — Two Eastern Transvaal towns, Middelburg and Witbank, fear there could be a "terrible tragedy" if the coal mining companies and steel producers in the area fail to beat sanctions. Their future depends on it.

Councillors fear there could be poverty in the former boom towns which have managed to ride out the recession more successfully than many other towns and cities so far.

Municipal officials said they were waiting for the mining houses and steel producers to say what the future holds in store for residents

The Chamber of Mines has warned that effective coal sanctions could lead to a loss of about a third of the 110 000 jobs in the industry and would affect the lives of 200 000 people

Retrenchments

Already, the mines have said that an undisclosed number of workers would be retrenched soon because of reduced exports. Export sales by members of the Transvaal Coal Owners' Association are down 17 per cent compared to last year.

"At this stage any views are purely conjecture, but if sanctions by the United States, European Economic Community and Japan are mandatory and effective, the economic impact on these towns will be very serious," said Mr Mike Hawarden, a former chairman of the collieries sub-committee of the Chamber of Mines

"One is talking about 44-million tons that are at risk, our total coal exports"

"It depends how successful South African companies are in penetrating alternative coal markets. It is very difficult. Coal is a highly visible product and easily fingerprinted," he said

Jobs were not being affected immediately because such overseas buyers as Denmark had rushed to buy as much South African coal as possible before legislation was introduced preventing this

Concerned

There had also not been a significant impact on the flow of coal to Richards Bay, he said. But prospects for next year looked "far worse" and employers were "very, very concerned"

Mr John Hall, chairman of Rand Mines's Middelburg Steel and Alloys, the biggest employer in Middelburg, said the company "would do anything it can to maintain a full level of employment"

Cape Times 15/9/86

Seifsa says sanctions will harm 500 000

By DAVID FURLONGER

JOHANNESBURG — International embargoes on SA steel and coal exports would cost the country's metal industries over 90 000 jobs — and force over 500 000 people into starvation

The warning, from Seifsa — the Steel and Engineering Industries Federation — is the latest shot in a last-minute battle by the country's steel and coal industries to stave off sanctions

European foreign ministers meet in Brussels today, when they are expected to endorse a provisional sanctions package which includes an embargo on imports of SA steel, iron, coal and gold coins

Delegations from the steel and coal industries were in London last week to meet politicians and other decision-makers, while a R250 000 series of newspaper advertisements warned the British public of the effect sanctions would have on SA's blacks

'Total sanctions assumed'

Seifsa's latest warning estimates a direct loss of 47 500 jobs if steel export routes dry up, and a further 46 000 from the effect on metal industries of the collapse of coal export markets

Seifsa director Sam van Coller said yesterday the estimates were based on the assumption of total sanctions against South Africa

The survey was conducted by Seifsa's economic division among the 4 000 employer bodies linked to the federation

A full-page Seifsa advertisement appeared in British national newspapers on Friday

The advertisement depicts a smiling black girl with telescopic gun-sights centred on her heart. It is headed "You can be sure, sanctions against South Africa will find their mark"

90 000 jobs at risk — Seifsa

Last-ditch bid to stave off sanctions

(189)
250
250
BUDDAY

INTERNATIONAL embargoes on South African steel and coal exports would cost the country's metal industries over 90 000 jobs — and force more than 500 000 people into starvation.

The warning, from Seifsa — the Steel and Engineering Industries Federation — is the latest shot in a last-minute battle by the country's steel and coal industries to stave off a growing international call for anti-SA sanctions.

European Foreign Ministers meet in Brussels today, when they will decide whether to endorse a provisional sanctions package which includes an embargo on imports of SA steel, iron, coal and gold coins.

Delegations from the steel and coal industries were in London last week to meet politicians and other decision-makers, while a R250 000 series of newspaper advertisements warned the British public of the effect sanctions would have on SA's blacks.

Reacting to all the activity, a Foreign Office spokesman said yesterday: "They have left it very late to put their case."

DAVID FURLONGER
Industrial Editor

Seifsa's latest warning estimates a direct loss of 47 500 jobs if steel export routes dry up, and a further 46 000 from the effect on metal industries of the collapse of coal export markets.

With many breadwinners supporting five or six dependents, that would remove the only source of income for over half-a-million people.

A Seifsa spokesman said "The estimated combined loss of 93 500 jobs represents over 20% of all employees in the metal industries. An accurate estimate of the impact of these cutbacks on other areas of economic activity is difficult to make, but it can be assumed that it will be significant."

"Taking into account the current level of excessive unemployment in the country, as well as the large number of dependents of each breadwinner, it becomes clear that an increasing number of people would be subjected to severe poverty."

● To Page 2 →

500 000 people face starvation

and starvation as a result of sanctions." Seifsa director Sam van Coller said yesterday the estimates were based on the assumption of total sanctions against South Africa. The survey was conducted by Seifsa's economic division among the 4 000 employer bodies linked to the federation.

An estimated 455 000 people work in the country's metal industries, of whom 355 000 are in blue-collar "scheduled jobs". Between 70% and 75% of all workers are black.

A full-page Seifsa advertisement appeared in British national newspapers on Friday, three days after a more low-key newspaper appeal by the coal industry.

The Seifsa advertisement depicts a smiling black girl with telescopic gun-

sights centred on her heart.

Under the heading, "You can be sure, sanctions against South Africa will find their mark", the advertisement warns that 2.5-million people in SA and surrounding states are directly cash-dependent on workers in the metal industries.

Warning that sanctions will cost many blacks their jobs, it states that many will be forced to return to countryside "devastated by successive years of drought".

"It will be the end of the road. Women and children, the aged, and the workers themselves will be faced with grinding poverty and, in many cases, certain starvation."

(189)
From Page 1
BUDDAY
250
250

23/9/86 BUS DAY

Steel producers jolted by bans announcement

THE ban imposed on iron and steel imports from SA, announced first by the European Community (EC) and followed by a similar announcement from Japan, has severely jolted SA's steel producers, even though the ban has been threatening for some time.

And despite the subsequent confusion over how effectively these sanctions decisions will be implemented, they are being taken extremely seriously, says Iscor spokesman Piet du Plessis.

As a result of the prolonged recession in SA and depressed domestic demand, steel producers such as Iscor have been concentrating on exports to maintain their viability.

It has been variously estimated that closure of the EC and Japanese markets could cost SA's steel industry at least R300m a year and place about 50 000 jobs in jeopardy.

"We are not contemplating shutting down plants and laying off people yet. Our strategy is to keep the

CHRIS CAIRNCROSS

steel plants operating, but it's a difficult situation," Du Plessis says.

Iscor is currently increasing its efforts to seek out alternative foreign markets for its products, particularly in the Far East.

The strengthening of the rand on foreign exchange markets is not destined to help this effort much and, with the sanctions effort looming closer, exporters have started calling on government to take steps to ensure the rand rate does not strengthen too significantly.

Although the situation remains unclear, the sanctions ban does not extend to iron ores.

□ Iscor notes that its mining opera-

tion at Sishen is working to full capacity, but this isn't sufficient, on its own, to secure the viability of the Sishen-Saldanha rail link.

The rail link continues to operate at a loss, despite strenuous efforts by SA Transport Services to increase use of the line. Capacity of the line and bulk port at Saldanha could top 20-million tons a year.

Iscor's usage continues to amount to about 10-million tons a year, or about 700 000-800 000 tons a month. Use of the line has been broadened to include concentrates from Gold Fields' Black Mountain mining operation, and ores from Associated Manganese.

Plans are now in the pipeline to extend the services at Saldanha Bay.

22/9/86 FIN MAIL

SANCTIONS

189

Iscor options

Iscor, the parastatal responsible for 75% of local steel production, is constantly under the spotlight. Some see it as a prime candidate for privatisation while others accuse it of concentrating too much on exports, thereby forcing local steel users to subsidise overseas sales.

As Iscor steel emerges as a prime candidate for sanctions, local fabricators have renewed their arguments that lower steel prices would enable them to compete on world markets, ensuring that Iscor steel continues to get into foreign countries, albeit in a new guise.

However, Iscor MD Willem Van Wyk, while non-committal on privatisation, says allegations that exports are subsidised by local sales are unfounded, as no sale is made which does not contribute to profits.

"We are a business," he tells the FM. "We do not accept an order if the additional revenue is less than the additional expenditure."

Van Wyk says Iscor does not expect to make the same profit on every unit. That would mean lost export opportunities and the inability to keep all its plants working at full capacity.

"Even if sanctions force South African producers to sell at rock-bottom prices, Iscor will not sell steel at a loss merely to preserve markets," he says, adding however that



Iscor's Van Wyk ... no sales without a profit

"there's some room for manoeuvre, thanks to the low value of the rand."

Since the currency collapse, many steels previously considered to be unobtainable locally have been replaced by local products.

Iscor is trying to widen its marketing efforts to minimise the effect of sanctions, which Van Wyk admits, "will limit the scope for exports."

Last year more than 40% of total production of 5,5 Mt was exported.

Free marketeers criticise Iscor for continuing to advocate protection for the industry. Van Wyk, however, says Iscor competes with other SA steel companies on a free market basis. However, he says it must be protected from overseas predators which are subsidised by their governments to dump surplus capacity. But now the weak rand means even the dumping price can be beaten.

by Iscor

The world industry still has to recover from the overcapacity dating back to the early Seventies when steel consumption forecasts were far too high.

Last year Iscor made a small operating profit of R30m, thanks to a steady reduction of unit costs, and it exceeded 1980 production levels for the first time.

Does this make it a candidate for privatisation? Van Wyk is adamant that Iscor should remain a single unit and is firmly

against "hiving off" the most profitable units.

"Iscor is an integrated structure in which the mines, plants and marketing organisation work best as a co-ordinated whole. Some parts are less profitable than others but are still vital components, and I think that it is legitimate for the government to consider the national interest before it gives the private sector a greater stake," he says.

Van Wyk adds that government will not make many friends if it sells Iscor to a few

rich individuals or corporations at a low price, and he cannot see great demand from smaller investors. "With so many profitable companies on the boards it's unlikely that many investors will want to add Iscor to their portfolio."

Iscor thus seems set to remain a parastatal for some time. Van Wyk claims privatisation would in any case have little effect as it is run like a private sector company anyway, and a divorce from the State "will make no difference."

Still spending

Sanctions or not, Iscor is maintaining its programme to upgrade and modernise its plants

However, the R343m earmarked for capital projects this year is not designed to increase capacity. Rather, it is aimed at ensuring better utilisation of existing capacity.

Iscor's GM planning and new development, Keith Prince, tells the *FM* the investment programme is aimed at replacing and upgrading facilities to provide higher quality and productivity as well as to reduce costs.

Projects now under construction include

- A continuous caster and continuous sheet annealer at Vanderbijlpark;
- The new Kohler Reduktion plant at Pretoria; and
- The introduction of electromagnetic stirring on the existing casters at Newcastle

FINANCIAL MAIL SEPTEMBER 26 1986

Also on the stocks is the modernisation and upgrading of the Vanderbijlpark mills

As pollution standards improve, Iscor also has to implement tighter controls. New projects to combat pollution from older plants are also being prepared.

Yet Iscor's capital expenditure is a far cry from levels of just 10 years ago, when R1-R1,5 billion (in money of the day) was spent on the Newcastle works between 1972 and 1976.

In contrast, Highveld Steel is in a consolidation stage, says MD John Hall. "We suffered indigestion after the commissioning of our second iron ore plant in late 1985. Since then, we have spent money on only routine upgrading — about R20m a year" ■

Wire converters clamour for reductions

Iscor assailed over pricing

PRICES of certain steel products should be R200 to R400 a ton cheaper, says the Independent Wire Converters' Association (IWCA), which has called for a government probe into pricing structures.

In a second telex within a week to the Competition Board, the IWCA said yesterday government and the public should not be misled by Iscor's Press statement that steel increases had been a modest 13,8% a year

The IWCA said if it couldn't get results from the overworked Competition Board, it would take the debate to Parliament

It said the reversal from a competitive to an administered pricing system — cartelisation — flew in the face of Competi-

MICK COLLINS

tion Board legislation.

"It illustrates the contradiction within government policy and the ineffectiveness of authorities to withstand the pressures of powerful vested interests that profit from government protection

"By definition it creates an exclusive and privileged environment for the few"

It was the prescription for social, political and economic failure

"The system of list prices is a legacy of administered prices inflated over a number of years and bears little relation to international and export prices"

It said the removal of 20% discounts to industry by the

189
Rolled Steel Producers (RSP) and all subsequent increases had resulted in an actual price increase of 50% since the abolition of price control in July 1985

"This is a fact and must translate as a ripple effect through to the building, farming and industrial sector

"What is happening, in effect, is that the mills have, after many years, stopped competing in favour of Iscor's 'orderly marketing system' and the increases reflect the catching-up process"

It said "The current price levels of R730 a ton for wire and reinforcing bar at the coast merely reflect the shutting out of imports and the recent protection afforded producers by the Board of Trade"

BASIC METALS

EXPORTS

1986

MICK COLLINS

THE success enjoyed by the steel sector is largely the result of the dedication and pioneering spirit of its founder members, who combined to form the Constructional Engineering Association (CEA), which is celebrating its golden jubilee this year.

In his annual review chairman R G Schmetz said it was unfortunate the jubilee should be celebrated at a time of depressed business conditions and social unrest.

"However, it is clear when reviewing our achievements of the past 50 years that our industry is versatile and innovative, and has

successfully overcome its problems in the past, and has always been equal to the challenge of the times".

The industry relied, he said, on continuing capital investment particularly in the fields of industrial expansion, transport equipment and energy production.

"Being relatively labour-intensive we have a strong potential for job creation which is so essential for the ongoing welfare of our

country at this particular time

"All we need is the opportunity to play our part in the development of infrastructure and in industrial expansion".

This might entail a government-sponsored programme of import replacement and appropriate incentives such as those which existed during the Second World War and the period of reconstruction which followed.

"Our industry has a long history

of diversification

"The association started as a group of firms which fabricated simple steel structures. Their capability developed over the years into the fields of armament production, ship-building and into a wide field of heavy engineering construction including boilers and power stations, petrochemical and steelwork plants".

Schmetz said a classic example of how steelwork fabricators moved into the field of import re-

CEA founder members' drive has lead to success

placement was the transport equipment industry which was established

"This now covers the complete range of locomotive, coaching stock and goods wagon manufacture. All this equipment was previously imported

"Against this background there can be no doubt that members of our association still possess the enterprise and skill to meet the needs of the country for years to come."

Business Day 21/11/86

189

STEEL
INDUSTRY

A Business Day Survey

Sanctions may hit Iscor profits

WITH sanctions no longer a threat but a firm reality, a repetition of Iscor's profit performance of the past year could be in grave jeopardy.

Fundits have long forecast the local market is not an ideal arena for growth and, with the advent of sanctions, the steel giant's overseas excursions look likely to be curtailed.

If this is not bad enough, world steel markets are set to peak in about two years after experiencing a dismal 1% growth in demand last year.

Oversupply has led to a panic situation in many countries with voluntary restraint agreements, anti-import measures, subsidies and quotas being the order of the day.

Iscor's group profits climbed to R172m this year from R24m last year on a 25% turnover increase to R3,9bn in its fiscal year to June 31.

The criteria for this remarkable turnaround were sharp rises in steel sales and higher income from iron ore exports.

Since the introduction of sanctions Iscor will no longer publish detailed breakdowns of its operations, but it is thought

Improvement for Middleburg Steel

MIDDELBURG Steel & Alloys achieved a major improvement on the results of the previous financial year with both steel and alloys divisions improving their performance.

This earnings increase reflected worldwide economic stability — contrary to the forecast a year ago of a cyclical decline in the company's principal markets.

Poor prices in the export markets and the depressed state of the SA economy were major factors in preventing the expected return to profitability.

The alloys division achieved excellent results ahead of expectation. Prices in US dollar terms eased slightly, but this was offset by the weaker rand. Production capacity was fully utilised throughout the year.

MICK COLLINS

60% of its production — about 3-million tons — will go for local consumption.

With the motor industry, SA Transport Services (Sats), Escorn and other major consumers reporting a low level of activity, the corporation was lucky to escape with a 3% drop in local demand after a fall of 13% in 1985.

SA ranks 14th in the world in steel-making ranks, with Iscor exporting to over 80 countries.

Foreign exchange earnings for the 1985 fiscal year amounted to R923m, against R488m previously.

Industry experts say last year's earnings should have passed the R1bn mark as most of the corporation's 400 000 ton increase in production to 5,7-million tons was set for the export market.

The loss of 582 000 tons in US exports and an import quota of 350 000 to the European Community countries will hit Iscor hard.

Sishen's iron ore exports increased marginally by 3,4% to 9-million tons again on undisclosed earnings.

Improvement for Middleburg Steel

Capital expenditure, apart from replacement items, related to the integration of computerised information systems and the pollution control programme.

Cash flow generated during the year was sufficient to finance increases in current and fixed assets, and a significant surplus enabled borrowings to be reduced.

Prospects for 1987 indicate growth in earnings. This predictor, made against the background of a business and political environment which makes forecasting difficult in the extreme.

In the short term, sanctions will have little impact on the company. In the longer term, however, customer fears of increasing political turbulence could encourage alternatives to SA as a source of raw materials.

Edited by MELANIE SERGEANT

21/11/86
Sophisticated and valuable SA asset

THE SA steel construction industry has developed into a valuable national asset well able to cater for the country's varied and sophisticated requirements.

The sector has experienced phenomenal growth since companies undertook the erection of the first light structures at the turn of the century.

Today, using the latest technical expertise, companies involved in steel construction compare favourably with their counterparts overseas, while some local projects are among the largest in the world.

In a jubilee report on the past 50 years, the Construction Engineering Association (CEA) says the success of the sector owes much to the dedication and pioneering spirit of its founder members.

Although steel structures had been fabricated in SA since the start of the 20th century, virtually all unworked steel used in fabrication had to be imported.

"This is why first fabrication shops opened at the coast. Development on the Witwatersrand rapidly increased demand for steel construction and by the 1920's well-known firms such as Alpheus Williams & Dowse and Wade and Dorman were fully operative in Johannesburg."

The decision to establish a steel plant in SA, Iscor, in the early 1930's gave the budding steel construction industry its first chance to fabricate really heavy structures.

Dorman Long, of England secured

the contract to design, build and erect the steelwork. A heavy fabrication shop was especially established in Germiston by the Union Construction Company, and substantial portions of the Iscor plant were fabricated there.

Since then the plant has been greatly expanded and the plant is now part of the Dorbyl group.

Rapid industrial expansion in the years between 1930 and 1940 saw companies expand their capacity to supply the buoyant market with steelwork.

The CEA jubilee report says groups of skilled structural draughtsmen and artisans had to be recruited from overseas to fulfil the need for skilled labour. "A number of these stayed on to make substantial contributions to the development of the engineering industry in SA."

The CEA lists among the great industrial pioneers names such as J M Osborne, regarded as the founder of the Dorbyl group and A Gardner Williams, whose family was notable for its connection with the De Beers diamond industry in Kimberley.

"Mention must also be made of Ben Caddy, secretary of the SA Boiler-makers' Union, who was a towering figure among trade union leaders of the day.

"Were it not for the vision and enterprize of men such as these, and the spirit of teamwork they generated between employers and employees, the industry could not have diversified and developed as it has to meet the country's needs."

Iscor steels itself for sanctions

CASTING a pall over Iscor's record profits posted this week is the prospect of a wrenching bottom-line drop in the current term.

The local steel market is not an arena for growth, and a run of steel sanctions from key trading partners since last month threatens Iscor's foreign earnings.

If this is not headache enough, the world steel market is set to reach a plateau over the next two years after a demand rise of a mere 1% in 1985.

And the oversupply in the world steel industry has led to a barrage of anti-import measures — quotas, voluntary restraint agreements and subsidies. The net effect for Iscor in fiscal 1987 would appear

to be an earnings drop, and the chance of government receiving a share dividend hanging in the balance — R65m was ploughed into State coffers by Iscor last year.

Iscor's group profits climbed to R172m from R24m on a 25% turnover increase to R3,9bn in its fiscal year to June 31.

The pathfinder for this remarkable performance was a sharp rise in steel sales and higher income from iron ore exports, coupled with good house-keeping and productivity improvements, the chairman's review says.

Post-sanctions Iscor will not publish detailed breakdowns of its operations, but it is thought about 60% — more than 3-million tons — of its steel sales are consumed locally.

Despite Pretoria's attempt to re-activate the economy, Iscor chair-

HAMISH McINDOE

man Floors Kotzee has noted with concern a 25% slump in motor sales, a declining property market, and expenditure curbs by Sats, Escom and Water Affairs.

Generally low economic activity caused a 3% drop in local steel demand after a 13% fall in Iscor's 1985 fiscal year.

On the flip side, Iscor expects to clinch a "substantial share" in the construction of Soekor's off-shore fuel rig at Mossel Bay and is developing new speciality steels for the project, says MD Willem van Wyk.

Kotzee adds that Middelburg Steel & Alloys and Highveld Steel & Vanadium could not make the steels need for the rig.

Iscor will not raise its steel prices again this year. Despite heavy sniping from steel converters, Iscor insists that hikes have been pegged well below the inflation rate — and without a sacrifice to profitability.

SA ranks about 14th in the world steel-making league, with Iscor exporting to about 80 countries.

Foreign exchange earnings on Iscor's steel exports in fiscal 1985 amounted to R923m, against R488m previously. Last year's foreign earnings may have passed the R1bn mark, because most of Iscor's 400 000-ton increase in steel product sales to 5,7-million tons was probably landed overseas.

This year's loss of 582 000 tons of steel to the US under Washington's import-restraint agreement with Pretoria, and an import quota of

about 350 000 tons to the European Community (EC), will hit Iscor — and others — hard.

As the review quietly puts it: "Economic sanctions by traditional trading partners will affect Iscor detrimentally. However, alternative markets have been developed and will be utilised to best advantage."

On the iron ore front, Iscor increased marginally its Sishen exports by 3,4% to 9-million tons — again on undisclosed earnings (1985 revenue R246m).

As matters stand, the iron mandate on sanctions does not cover iron ore. But heavy oversupply and pricing pressures from EC and Japanese steelmakers are expected to adversely affect producers' bargaining stance when talks start early next year for the key 1987 delivery, says Iscor GM (mining) Ben Alberts.

Iscor increased sharply its pig iron sales to 501 000 tons from 181 000 tons in fiscal 1985 — it is not clear, however, what percentage of this will be lost through sanctions this year.

The corporation's capex bill rose by R125m to R355m, but all projects are to be limited to the modernisation and rationalisation of facilities.

"We're not increasing capacity," Van Wyk says.

No major steel-related capital projects were completed last year. Van Wyk discloses, however, that the hot-strip mill at the Vanderbijlpark works will be modernised at a cost of R300m over the next four years.



Iscor — the iron giant enmeshed in publicity

DAVID FURLONGER

FEW companies are in the wars more than Iscor

Barely a month goes by when the Iron and Steel Corporation is not enmeshed in some sort of publicity — be it international lawsuits and trade disputes, or domestic accusations of price-fixing and irresponsibility

It is difficult for the Pretoria-based corporation to be anything but headline material. Almost wholly government-owned, it controls 75% of the domestic steel market and exerts a major influence on the purse-strings of a large proportion of SA's secondary manufacturing industry

According to Iscor's critics, it has influence which is not used responsibly. Most heavy industries use steel in one form or another. When Iscor and its fellow steel producers raise prices, therefore, the ripple effects are felt far and wide.

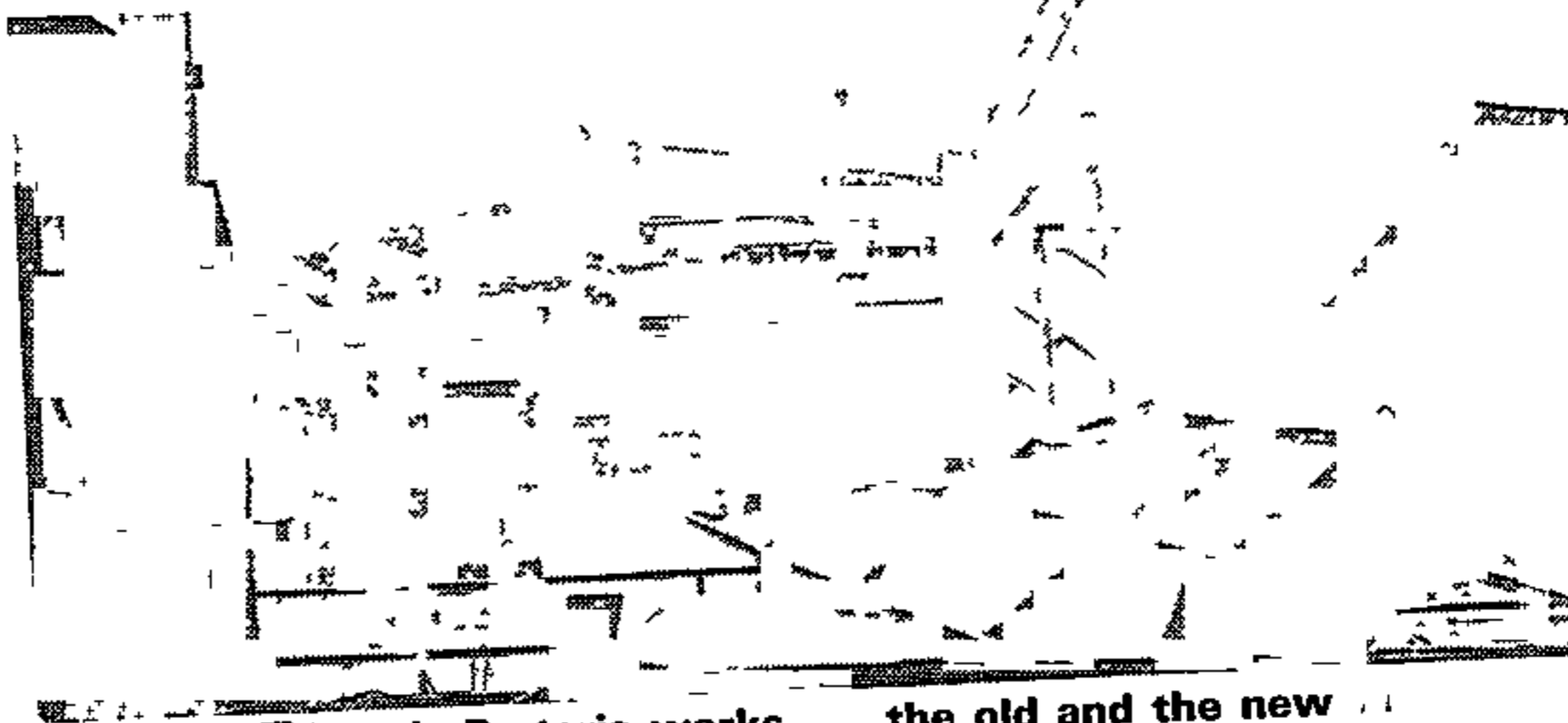
Accusations of pricing irresponsibility reached new heights last year when government lifted price controls on steel. When Iscor and its fellow producers immediately announced an end to price discounting, there was uproar.

While producers disputed the eventual figures, customers claimed this decision, in addition to a formal price increase of up to 10%, effectively raised prices by 25%. Two further price increases since then have not quieted the clamour.

Iscor officials, however, insist the corporation's price increases have remained consistently below the inflation rate.

According to MD Willem van Wyk: "In the past number of years, increases in the price of SA's steel have been kept below the inflation rate, despite the fact that price increases of our inputs weren't below the inflation rate."

While it continues to defend local trading policies, Iscor's attention has



□ Iscor's Pretoria works . . . the old and the new

recently been drawn into more global matters. It faces a two-pronged problem: involvement in a R750m international lawsuit, and dangers of sanctions against SA products.

The lawsuit, in which Iscor and two Iranian businessmen have launched claims and counter-claims in Pretoria and London, comes to court for the first time this month in the Pretoria Supreme Court. The dispute is over the bones of a company, Iscor-Iran Ltd, set-up to market Iscor steel in Iran during the days of the Shah.

While lawyers sort this out, Iscor management's most pressing concern is the future of its export programme. To counter slack local demand, the corporation is exporting significant quantities of steel world-wide.

Nearly half Iscor's production is targeted for export. Foreign sales earned Iscor R923m in its last financial year. Earnings this year were expected to exceed R1bn.

Growing sanctions threats against SA could damage a large part of that export business. Europe and the US, both about to slap import bans on SA iron, steel and coal, are important Iscor customers, and there are doubts about whether new markets can be found.

Says Van Wyk: "We hope we will move all our tonnage. We don't want to cut production, but it is very diffi-

cult to move elsewhere. There is a 30% world steel surplus.

"For the last two years, we have broadened our export base to widen the options and have made inroads where we are still allowed. We have based our strategy on this."

Long-term planning, however, is also based on a reduction in export exposure.

"This year we will produce a record tonnage. There is an assumption that local demand will eventually pick up again, and as that occurs, we will need to export less to maintain production levels."

Maintaining those levels is vital to the future of Iscor's plants at Pretoria, Vanderbijlpark and Newcastle. The corporation has created no additional steel-making capacity for years, and present capital expenditure programmes are aimed at better use of existing facilities.

Most of the current R343m expenditure is being spent at the Vanderbijlpark works. At Pretoria, progress on the R110m KR iron-making plant is on schedule — and within budget.

While the corporation continues to make the headlines, one area where Iscor no longer features is in the Pretoria sky. Since installing new arc furnaces last year, Iscor believes it has conquered the pollution problem that used to choke the city.

Handwritten notes: "RANS" and "189" circled, with "APR 186" written above.

Samancor's record profit performance may be a one-off

STEPHEN ROGERS

SAMANCOR'S record profit performance last year illustrates the extent to which the devalued rand can benefit export-orientated groups

Although sales volumes showed little change and dollar prices of certain commodities actually declined, the fall in the rand enabled Samancor to more than double attributable income to R227,6m.

However, with the volatility of the rand, last year's extraordinary per-

formance could be a one-off. Chairman Steve Ellis, in the annual report, said a reduction in profits this year must be expected.

Dollar prices of most commodities seemed to have bottomed out but over-supply might prevent any significant recovery this year. Manganese ore supply contracts for the 1986/87 year are being negotiated at prices 5%-6% lower than last year's

On the domestic front, the high level of inflation is eroding Samancor's export competitiveness. Ellis said the recent 25% rise in Escorn's tariffs would have a "marked effect"

SAMANCOR

on the profitability of the ferro-alloy industry. Railage costs had also become a cause for concern

Furthermore, with its R120m tax loss apparently used up, the group's tax burden should increase substantially this year. Some relief, however, could come if capital commitments of about R100m materialised

Last year manganese ore sales increased 8% to 3,3-million tons, of which about 65% was exported. Dol-

lar prices, marginally higher than in the previous year, started to soften towards the end of the year.

Excess world supply of manganese alloys weakened the dollar price but the group boosted its sales by 35% - 80% of production was exported

The charge-chrome market is weakening as are prices. Samancor has lost market share and charge-chrome sales declined to 280 000 tons from 300 000 tons.

After publication of the year-end results, the share price climbed to a high of 935c, but slipped to 800c before recovering to its present 830c.

FIN NUKU 20/6/85

FERROUS PRODUCTION

Foundry blues

189

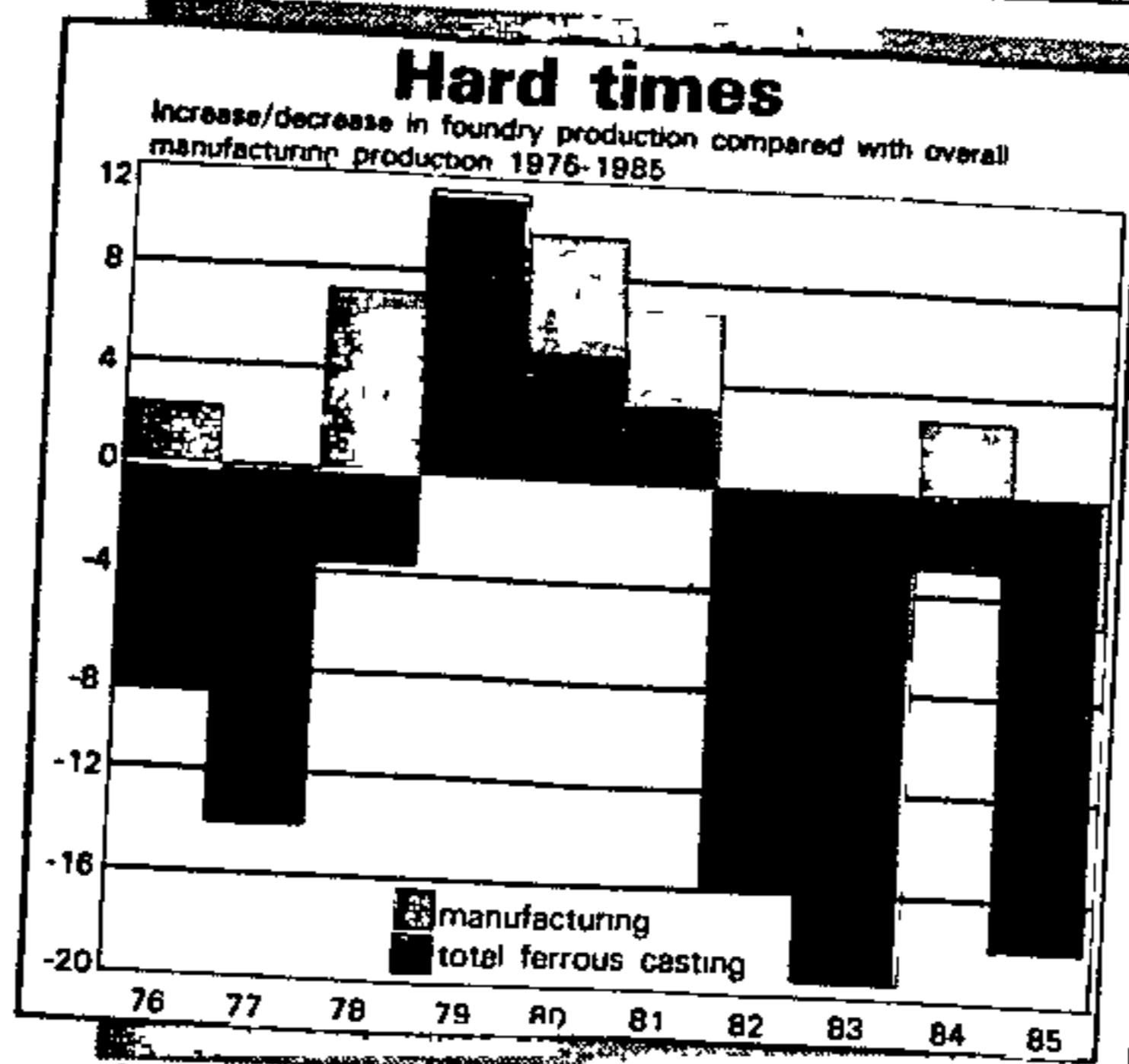
However tempting it might be to blame the poor state of the South African ferrous casting industry on the recession, it's more accurate to say that it is undergoing radical structural change, like the industry in the rest of the world

In many areas iron and steel have been replaced by plastics, composites and ceramics. The heady days of high demand in the Sixties and early Seventies have gone.

The output of iron and steel castings in SA is less than half what it was in 1975, and the Steel and Engineering Federation of SA (Seifsa) says the industry has not yet reached the bottom. It certainly sees no turnaround this year.

Seifsa's annual report on South African ferrous casting production in 1985 paints a grim picture: there was a 31% fall in output for the automotive industry last year and a drop of 19% in both the machinery and transport equipment sectors. This resulted in a fall of 24,7% in iron castings and a 1,6% reduction in steel castings.

Total ferrous casting production has fallen from 601 800 t in 1975 to 295 000 t in 1985, a decrease of 50,9%. In the same period grey iron production fell from 296 000 t to



129 000 t, a fall of 56%. There were decreases for every year, except between 1979 and 1981.

Foundry Association chairman George Stroebel, who is also GM of the GEC foundry, says much work in the past came from the production of brake blocks for the railways, but these are now produced with ceramic fibre.

Exports have helped certain steel foundries in Natal and the border area, but this has not helped grey iron sales, where there is competition from the Far East and South America and exporters have to pay high shipping costs.

Stroebel says the only hope would seem to be a dramatic improvement in automotive work.

The industry is also hampered by a lack of skilled manpower and by the need to import most of its technology, says GEC technical manager Christo Hattingh. But there are still improvements to be made in foundry technology, where SA lags behind the rest of the world.

In spite of the gloom there are some bright signs in some sectors of the iron and steel industry, particularly for stainless steel.

Middelburg Steel marketing manager Leo Melvill says his company has a full order book and, because of the weak rand and political pressure, South African companies are turning away from imports towards domestic producers.

As the *FM* pointed out recently (*Business* May 16), Iscor is expected to break even after a R23m profit in 1985. This was be-

cause the decline in the local market was offset by doubled exports, despite import curbs by major markets in Europe and the US.

Unfortunately, as the Foundry Association points out, grey iron producers are unlikely to share in the export bonanza.

X

ISCOR FIN MAIL

16/5/86
189
250

Harder times

Trade winds are still blowing Iscor's steel exports at a record clip, but falling local sales are likely see another steep fall in the steel-maker's profits for the year ending next month

Officials are keeping the wraps on figures until audited accounts are released in October. But industry watchers believe Iscor is looking at break-even in the current reporting period after notching up taxed profits of R23m on turnover of R3,1 billion last year. The 1984 bottom line was R92m.

Broadly, Iscor has been hit by higher input costs, inflation and falling activity in the construction and consumer durables sector. This year's R200m capex bill will also weigh heavily.

On the local sales front, senior GM (Steel) Nols Olivier reckons Iscor will fall short of the 3 Mt target by some 6% this year and he expects the hangover to last well into the 1987 financial year.

But the low rand and increased penetration of highly competitive export markets — despite stringent import curbs by major mar-



Iscor's Olivier ... short of local target.

kets in Europe and the US — will probably save Iscor from posting a loss this year.

The corporation pushed up its steel export target by 13% this year, from 2,5 Mt to 2,8 Mt. A total of 2,4 Mt was shipped in the nine months to March 31.

The steelmaker more than doubled exports last year in an effort to offset the slump in local steel consumption caused by the recession (*Business* November 1 1985). "We aim to keep overseas sales around the present level," says Olivier.

As matters stand, political sniping at SA has not affected Iscor's foreign performance. Olivier says the number of buyer countries has increased from 66 to 80 in the last year, with sales in the Far and Middle East "doing well."

Olivier is tight-lipped about recent sales inroads behind the Iron Curtain, particularly to Hungary. But he does admit to "sounding out export opportunities in eastern Europe." China, too, is seen as a market with great potential for future steel sales. ■

THE MOVE

200 km will be charged at 12c a unit of 14 seconds, and more distant calls will be charged at normal trunk rates.

Phone rental could be more attractive than outright purchase. Monthly rentals could be as low as R225 a month, says

Further price fall is expected

BUD DAY
189

SA ferro-alloys boom cut in face of competition

3/1/86

THE ferro-alloys boom of the past two years, caused by strong volume demand from the West's steel industry, rising dollar prices and the fall of the rand, is tapering off as SA producers compete with new capacity brought on stream elsewhere in the world.

Prices of ferro-chrome have dipped by 3c/lb in 1985 from their high of 44c/lb and could fall to 38c/lb this year, depending on the extent to which SA producers cut prices in an attempt to hold market share.

The dip in ferro-manganese prices has varied from country to country. But in the US market, the world's largest, prices have fallen from \$360/ton to \$330/ton.

John Gomersall, MD of Middelburg Steel's ferro-alloys division, and John Muller, Samancor's GM manganese, agree that 1986 will mark a fall in export prices and volumes of ferro-chromium and ferro-manganese — by far the major exports of SA's ferro-alloys industry.

A sliding dollar could halt the drop in ferro-alloys prices, but if growth in the world's steel industry in 1986 slackens, this could also depress prices. Falling dollar oil prices may, however, improve the West's growth prospects in 1986, and exert a positive influence on ferro-alloys demand. In particular, the US ferro-

CHRISTOPHER MARCHAND

chromium market remains strong

But the rand's continuing fall this year should cushion the effect of softer international markets. And the fact that most ferro-alloys exporters take 12-month forward cover on at least part of their export sales means the full benefit of the rand's 33% plunge in the second half of last year has still to impact fully on profits.

The rand's collapse has also made SA the most price-competitive ferro-alloys exporter in the world, and Muller and Gomersall agree that a rand below \$0,70c should enable SA to retain its competitive edge.

Politically-inspired boycotts could impair the growth of ferro-alloys exports. Few countries are likely to increase their reliance on SA supplies in the present unsettled state, even if SA is the cheapest supplier.

Reliability though has been one of SA's strongest marketing cards, and this has not been affected. Comments Muller: "We have immense supply strengths. Our infrastructure is well developed, and our mining operation is strong and competitive."

"Even though our customers have expressed concern, we don't see the political situation as materially affecting our business."

Both Gomersall and Muller see as bullish the prospect that ferro-alloys markets in future may avoid the boom and bust cycles which characterised their fortunes in the last 10 years.

The world's carbon steel industry, which accounts for 95% of demand for ferro-manganese, is likely to grow at a stable 1% a year in the rest of the Eighties. This follows the traumatic capacity shake-out of the early-1980s and should provide manganese with steady if slow growth.

Longer-term demand in ferro-chromium will be stronger. The swing to more expensive speciality and stainless steels, which offer better quality and a longer-lasting product lifecycle, could boost world consumption of ferro-chromium by 3% to 4% a year.

Gomersall believes that future growth in ferro-chromium will lie in specialised sectors. In SA, mining industry demand for ferritic steel plate (a steel containing 12% chromium) has doubled in the last four years.

Overseas, Gomersall sees solid growth in world automotive industry demand for Middelburg's new 3CR12 technology (a new corrosion resisting ferritic steel).

He notes: "From the manifold right through to the exhaust pipe, the entire system can be made from ferritic steel. In Japan, ferro-chromium demand has greatly gained from more use of stainless steel roof-sheeting and cladding."

Gomersall thinks medium-term global growth in speciality steel and ferro-chromium consumption could amount to 3% to 4% a year. "If some of these successes in the greater use of ferro-chromium can be duplicated in other countries, there could be even more exciting growth potential ahead," he declares.

SA possesses the world's largest reserves of chrome ore, about 55%, so it could be well placed, if it got its political house in order, to supply a growing ferro-chromium market.

SA eyes Europe as EEC lifts grip

SOUTH AFRICAN steel manufacturers are looking with interest towards Europe where, after massive layoffs, capacity cuts and billions of rands in government aid, the steel industry has entered a new era of deregulation.

SA steel exporters have long found themselves shut out of several markets as subsidies and other protective measures have given European producers a head start.

But now industry experts and officials at the European Economic Community (EEC) Commission offer a new picture of the industry as it leaves the EEC's cartel regime and moves into a period of partial deregulation that began on January 1.

Six years of EEC-mandated restructuring have brought many steel companies into the black after years of losses. The

industry's capacity utilisation rate has increased to about 70% from a low of 56%.

Government aid has helped most companies reduce their financing charges as a percentage of revenues to about 5%.

But the outlook for the market is uncertain. A cyclical downturn in demand for steel in Europe is forecast to begin in the second half. New US trade restrictions complicate the picture by putting a ceiling on EEC exports to the US.

US restrictions affecting 15 nations besides the EEC may throw more steel onto the world market. And a lower dollar is expected to squeeze profit margins.

Officials at the EEC commission, who are supervising the industry's deregulation, say they are determined to use whatever

tools necessary to make the market regime work.

These include sanctions to prevent the payment of any covert government aid, a close monitoring of steel prices and production, and incentives to encourage loss-making producers to leave the steel business.

In defence of the new market regime, the commission is taking a tougher line on the trade front.

"These new rules have external as well as internal implications," Peter Sutherland, the EEC's competition commissioner, said.

"We fully expect the US steel industry and government to take due account of this contribution by the community and to ensure that protectionist measures are not allowed to hinder free and fair competition by European steel exporters," he said.

The EEC's new deregulation policy includes a ban on the payment of all government operating and investment subsidies to the steel industry, a gradual liberalisation of production quotas and the suspension of a system of minimum prices.

The policy allows a limited amount of government aid for research and development, environmental protection and redundancy costs in certain specific instances.

The policy follows a period of production quotas, minimum prices, mandatory reductions in production capacity and massive payments of government aid.

About 250 000 people, or nearly 40% of the workforce of the steel industry, have lost their jobs through cuts since 1980. — AP-DJ

The table below contains faint, illegible data, likely a continuation of the article's content or a separate report. The text is too light to transcribe accurately.

FINAL

EXPORT INCENTIVES

(189) 2/1/86

Coming on course

A fair wind is blowing for a new export incentive deal for SA's ferro-alloy producers. It is aimed at making the industry more energy-efficient and at ending disparities which have given some producers bigger incentives than others.

At the same time, however, any re-drafting of government's mineral beneficiation aid must not run foul of the General Agreement on Tariffs and Trade (Gatt), especially in the run-up to the September round of world trade negotiations.

The scheme will form part of the Kleu Committee's report on the whole question of government incentives for exporters, some of which are illegal under Gatt's subsidy code. The ferro-alloy producers are punting a package they hope will be acceptable to both Pretoria and Gatt.

With some 95% of SA's ferro-alloy production destined for foreign markets — earning R1,4 billion in foreign exchange last year — the impact on exports must be considered paramount.

Most government rebates on ferro-alloy shipments to the US are already banned as a result of a countervailing action six years ago.

Broadly, the existing incentive formula is based on the producers' export volumes and input costs. All told, a good 30% of the incentive applies to electricity costs. And here lies the rub: the producer who uses most power gets the biggest energy rebate.

Because JCI-owned Consolidated Metallurgical Industries uses a low-energy process it gets a smaller energy rebate than, say, Samancor.

True, high electricity rebates in the early Seventies generated growth in SA's ferro-

alloy industry. But the current rebate hardly fits with Escom's restructuring efforts to clip expenditure.

"The low rand has made ferro-alloy producers look recession-proof," allows Samancor manganese division GM John Muller. "But past experience shows there will be a rougher tomorrow, and already there is heavy cost-push on the energy bill."

Bigger benefits

Two years ago, the Ferro-Alloys Producers' Association (Fapa) and the Minerals Bureau handed government a scheme that gave bigger benefits to energy efficient producers. It's been sitting there ever since.

The Kleu Committee will hopefully change this. Fapa held informal talks with the committee late last year and the Private Sector Economic Advisory Committee has completed most of its information gathering from the producers.

The FM understands the committee's guidelines were handed to Trade and Industries' Minister Dawie de Villiers last week and the go-ahead for an investigation, say Pretoria sources, is "expected soon."

Much sensitivity, warns Basie Kleu, who heads the probe, is riding on government's export incentive re-write. Right now, he says, "we have to bear in mind what is acceptable to Gatt's subsidy code."

SA is not a signatory to the code but government has said it intends to sign some time in the future. But with the rough ride SA is getting overseas, the chances of a signing at the annual September talks look bleak. ■

26/3/86 Star

Senator proposes Bill to stop SA steel, coal exports to US

By Alan Dunn

The Star's Foreign News Service
WASHINGTON — A US senator has proposed legislation to stop South Africa's billion-rand steel and coal exports to America

The move, contained in a Bill now before the Senate Finance Committee, contains a prohibition on trade which means roughly R1,1 billion to the Republic each year.

But one of the avenues open to South Africa and other opponents of the Bill could be to lobby for exports of chromium, vanadium and platinum to be included in the Bill — thereby depriving the US of a major source of these crucial metals

A congressional source close to Senator Paul Simon, a democrat from Illinois who is author of the Bill, said there was some interest among other senators in the legislation.

Congressional feelings are that the Bill is not likely to come up for consideration for some time, with its future later this year depending largely on developments in South

Africa

If it did come up for debate, the source said, it had a good chance of picking up support from both Democrat and Republican senators, chiefly because it was a limited action with domestic and international consequences for the steel and coal industries

Also included in the Bill is fluor-spar. Passage of the Bill is likely to be complicated by an agreement on steel between South Africa and the US, limiting exports to America

In January 1984, the countries entered a voluntary restraint agreement on steel, governing the quantities to be exported by South Africa. This obviated the US government imposing a quota on South Africa

It is believed South Africa exports about 550 000 tons of steel to the US, annually, worth roughly R1 billion

Coal is not a major market for South Africa, very seldom topping the \$20 million mark. According to official US statistics, America imported 612 000 tons of coal from

South Africa in 1984, and 662 000 tons in the first three-quarters of last year

Presenting the Bill to the Senate, Senator Simon said the prohibition was "designed to send a signal to the government of South Africa that it should modify its racial policies or face further economic isolation"

"It is clear that South Africa's unjust and immoral system of apartheid must end. The only question is whether it will end peacefully or with more and more violence," the senator said

"The United States should continue to make clear that we disapprove of that policy and push toward its peaceful termination. This Bill can be part of that push," senator Simon said.

He added that Americans must recognise that the US could not impose a solution to South Africa's problems. The future of the country would be decided by black and white South Africans, "but we should take steps to discourage the active complicity of Americans in the apartheid system," he said

Taxation knocks FS gold mines

JOHANNESBURG — The beneficial effects of the higher average rand gold price of R27 118 a kg achieved by the Free State mines, administered by Anglo American Corporation, were reduced by substantially higher taxation and State's share of profit of R391,7m (R304,6m).

This rise was partially attributable to lower capital expenditure of R114,4m (R162,9m).

Production

The shorter quarter also resulted in lower production figures for the quarter.

Area mined dropped to 972 000 m² (994 000 m²) and tonnage milled declined by 148 000 tons to 516 600 tons.

Consequently gold production fell by 1 297 kg to 27 157 kg.

Total costs rose by R6,1m to R388,1m and unit costs were generally higher.

The average cost in rand per ton milled rose

6,4c to R77,71 a ton milled.

The higher rand gold price has resulted in Free State Geduld recording a 20,4 percent increase in pre taxed profit to R83,6m.

Lower capital expenditure down to R10,6m (R32,7m), led to an increase in the provision for taxation and State's share of profit to R45,1m (R21,4m), a 110 percent increase.

This resulted in a decline in profit after tax of R9,4m to R38,5m.

Gold production declined by 9,5 percent to 6 525 kg.

This was a result of a slight decrease in grade to 5,55 g/t (5,91 g/t) and a 9,7 percent decline in area mined to 249 000 m².

Tons milled at 1 178 000 were down by 3,6 percent while unit costs rose to R86,8 a ton milled a 4,9 percent increase.

President Brand's profit before tax at R89,2m rose by 16,2 per

cent. This was largely attributable to the higher rand gold price.

However, the rise in provision for taxation and State's share of profit to R21,2m (R1,8m) saw a 9,1 percent decrease in profit after taxation to R67,9m.

The previous quarter included a R8m tax free dividend from Welkom.

Capex

Capital expenditure dropped by R6,7m.

Production results were generally lower this quarter with tons milled decreasing by 27 000 to 852 000 tons.

However, this was offset somewhat by an increase in grade to 6,32 g/t (6,21 g/t).

Area mined declined by 4 000 m².

Gold production at 5 386 kg showed a decline of 1,3 percent due largely to the shorter production quarter.

Unit costs rose by seven percent to R78,65 a ton milled.

The high rand price of gold produced a 37,1 percent increase in President Steyn's pre tax profits to R88,4m.

However a higher provision for taxation and State's share of profits of R48,4m contained the after tax profit to a 17 percent increase on the previous quarter to R40m.

Capital expenditure decreased to R12,1m (R18,1m).

Production results showed a slight decline with tons milled down by 3,7 percent to 973 000 tons.

There was a slight rise in grade to 5,85 g/t (5,6 g/t) and this helped maintain gold production at 5 690 kg an eight percent decline on the previous quarter.

Costs

Unit costs rose by R4,95 to R80,29 a ton milled.

Western Holdings profit before taxation rose a massive 38,8 percent but a higher provision for taxation and State's share of profit of R52,1m (R12,1m) resulted in a 4,1 percent decline in after-tax profit to R78,2m (R81,6m).

There was a decline in production largely due to the shorter production quarter and this saw a 1,6 percent drop in tons milled to 2 165 000 tons.

Grade declined to 4,41 g/t (4,56 g/t) and these factors contributed to the 4,8 percent drop in gold production to 9 556 kg.

Unit costs were contained at R85,09 a ton milled (R63,70 a ton milled), a two percent increase.

Capital expenditure dropped to R41,2m (R54,9m).

Slimes

Joint Metallurgical Schemes' profit decreased slightly. This was partially caused by the shorter production quarter.

Profit at R20,9m was down by two percent on the previous quarter.

Slimes treated were down 6,4 percent to 1 153 000 tons resulting in a lower gold production of 785 kg (835 kg).

Uranium oxide production was reduced by 10,7 percent to 140 710 kg. However, acid production rose to 88 726 tons (88 227 tons).

— Sapa

Rand steady at \$0,4365

JOHANNESBURG — The rand closed steady at \$0,4360/70 after a quiet and uneventful trading day slightly up from a sharply lower \$0,4343/53 close here on Tuesday mainly due to a weaker dollar and a steady gold price dealers said.

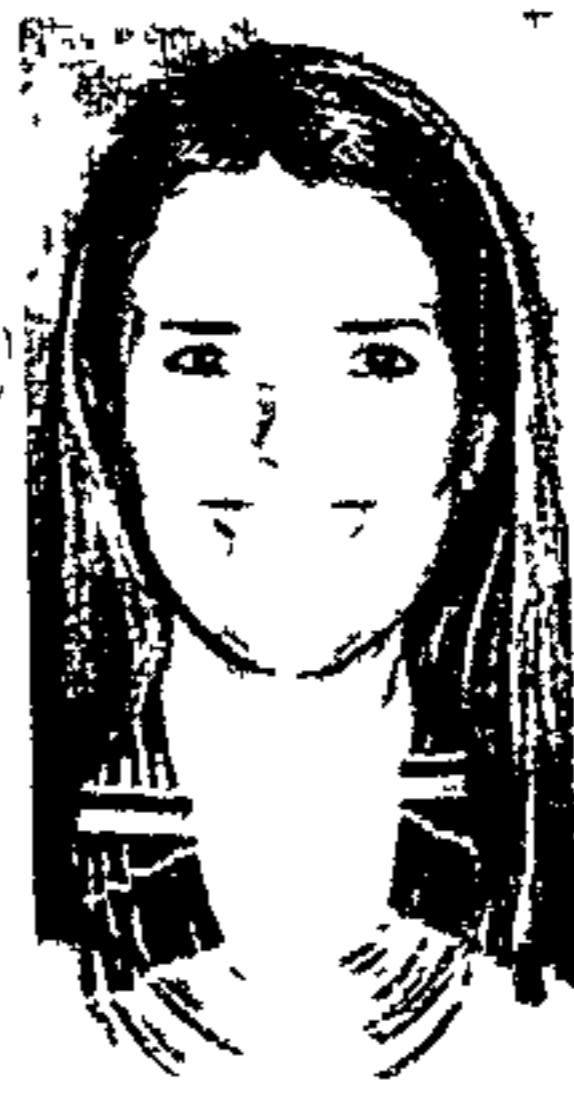
It opened trading at \$0,4350/60 in fairly nervous conditions in reaction to its steep decline on Tuesday amid strong dollar demand but failed to recover further in steady two-way trading.

The financial rand closed slightly lower at \$0,3275/3325 against \$0,3300/50 close on Tuesday.

Against other major currencies, the rand closed at

US 04360/70
UK 3,2060/0400
Germany 1,0400/20
Switzerland 0,8790/8810
Netherlands 1,1750/80
France 3,1905/55
Japan 84,40/60

— Reuter



Mrs Niki Basson has returned as public relations officer to the Heerengracht Hotel in Cape Town after a 12-month stay in the United States.

Unless otherwise stated all financial news in this issue was compiled by Paul Dold and sub edited by Godfrey Heynes.

Iscor's steel exports up 50%

dropped by 414 871 tons to 2 929 729 tons compared with 1984.

This was the obvious consequence of an economy still caught up in recession, and the resulting slack demand.

However, the gentle stimulatory policies now being followed gave some hope of a recovery in domestic demand.

If there was one, Mr Olivier stressed, it would not be before the second half of 1985.

Export steel sale rose sharply by 936 229 tons to 2 426 722 tons.

There were indications that the dollar price was hardening and for certain products, prices had already increased by from five to ten dollars a ton.

"Production volumes are being maintained and we believe the outlook for the whole of 1985 is promising."

"Mr Olivier said all three plants were working to capacity with full employment."

No lay offs had been necessary in 1985.

Fraser's boosts turnover

JOHANNESBURG — Fraser turnover reached a record level in the first three months of its financial year, being some 27 percent up on the same period the previous year.

The Smart Centre Credit Clothing division performed particularly well in the first three months, with a turnover increase of 166 percent, with the aid of the newly acquired Top Centre clothing chain.

The chairman, Mr Donald Campbell, predicts that turnover for this year is likely to top 1985.

Fraser's furniture division has made a remarkable recovery since hire-purchase restrictions were lifted last year.

— Sapa

NATIONAL BANK LIMITED

Results and dividend announcement

For the year ended December 31 1985 which are set out below

1985	1984
3 267 916 (2 929 350)	2 710 636 (2 507 776)
338 566 (157 318)	202 860 (87 106)
181 248 (94 643)	115 754 (38 876)
86 605 17 052	76 878 9 905
103 657 (13 041)	86 783 —
—	(15 349)
90 616 (60 925)	71 434 (55 124)
29 691	16 310

72 531 61 363	58 025 57 227
R 913,0m R18 704,3m R16 908,4m R15 068,1m	638,1m 16 669,4m 15 276,6m 13 706,1m

Dividend in issue 168,9c 151,6c

FINANCIAL MAIL (189)

Minding quality

Foreign efforts to end the importation of poor quality steel are not likely to add another brick to the protectionist wall facing some sectors of SA's steel industry

South African exporters, already facing a tougher-than-expected year for foreign sales, are confident that their quality exceeds standards already applied, and will continue to do so

The UK steel industry, for one, is pushing for more quality assurance schemes (QAS) to raise the standard of imports. A QAS exists for reinforcing steel and one has just been introduced for the welded tube sector, amid strong speculation that the move is blatantly anti-import

While there can be no question about the merits of demanding good quality, argues the authoritative *Metal Bulletin*, "the charge of unfair use of quality schemes against foreign competition is worrying"

As matters stand, import quotas apply to a wide range of foreign steel products shipped to the EEC and US. But not for tube and pipe.

Financial Mail April 4 1986

Instead, says SA Steel Tube and Pipe Manufacturers' Association CEO Hylton Godwin, "we have a gentleman's agreement with EEC countries not to overship."

But he does not rule out changes to the system in the growing protectionist climate. Non-tariff barriers, for instance, are already widely used in Japan to shore up the home industry against imports

But on the quality front there are few worries. SA's tube and pipe exports generally meet the standards of the buyer country, and Iscor's senior GM (Steel) Nols Olivier tells the *FM*: "Most of SA's primary steel specifications are the same as those in the UK, West Germany and the US."

On paper, reckons Godwin, the UK's move against sub-standard imports could "blow away some clouds hanging over the industry's export prospects"

Over-specification is seen as one of the major problems with QAS. *Metal Bulletin* cites the case of one quality systems manual in the special steel sector which requires the approval of some 29 different bodies. It takes anything from a day to a week to complete all the checks

And it was over-specification on the US Defence Department's contracting arrangements that pushed the cost of an aircraft coffee machine to an absurd \$7 600. ■

2/11/86 BUSDAY 189

Iscor keeps a constant watch on price policy

MICK COLLINS

DESPITE claims from the independent secondary steel producers of unwarranted price hikes, Iscor is sticking to its guns

The steel giant says pricing policy is constantly monitored and the corporation aims to stay in a profit-making position

Dealing with the subject extensively in its annual report, Iscor says "Up to the abolition of price control on primary steel products on July 26, 1985, Iscor's steel prices had remained unchanged for 13 months. On that date a differentiated price increase of a weighted average of 8% on all steel products, excluding tinplate, was applied"

It says a further increase, which came to a weighted average of 9.8%, was applied over a period of three months, from January to March 1986

Iscor's tinplate prices on a delivered basis were increased by 9.5% on April 1, 1986, which the organisation says was the first increase in two years

"Price increases since the last one announced by government in July 1984, up to March 1986 came to a weighted average of approximately 11.5% per annum. This shows that Iscor has made a positive contribution towards combating inflation by maintaining the prices of steel products on a reasonable level, without forfeiting profitability"

Backlog position worsened

The corporation gives some other examples of its pricing, saying since 1980 the steel price index has been lower than the consumer price index throughout

"Even directly after a steel price increase the backlog persisted, and the position worsened because of the steady rise in input costs resulting from general inflation until the next steel price increase came into effect

"However, Iscor has largely counteracted this continuous backlog situation in respect of income by deliberate management actions to increase internal operational efficiency and improve productivity"

The report says from around 1982, Iscor's domestic prices have been lower than published overseas domestic prices in most cases, especially compared to those of the US

Investments in new and replacement projects amounted to R335m for the year

"Capital expenditure was once again limited to those projects which will increase efficiency, effect cost savings and improve product quality

"All the capital required for these projects was met from internally-generated funds, and it was consequently not necessary to make use of any new external financing sources"

It says the standstill arrangements in respect of SA's foreign debt and no direct effect on Iscor

SA STEEL exporters, already hard-hit by a prolonged industrial downturn, are facing a tough challenge with recent announcements of American sanctions against SA

The problem is compounded by the fluctuating rand/dollar exchange rate and general uncertainty about SA's political future and economic fate as perceived by the international community

John van Reenen, MD of one of SA's largest specialised steel merchants, Van Reenen and Nicholls, said a third factor had come on the scene of late — that of the emergent steel-producing nations such as Korea and Brazil

He said "Americans can turn to alternate suppliers, such as these countries, because they are considered 'safer' and more reliable. This comes as a major disappointment to SA producers and merchants because local steel is said to be comparable to the best produced anywhere in the First World"

He said his company's foothold in the US market was being eroded and would slow down next year's growth

Van Reenen said "Americans have distorted impressions of the SA scenario which have seriously affected local exporters

"There certainly are sympathetic Americans who are prepared to forge constructive relations with

Demand for special steels creeping up

SPECIAL steels distributors have had an increase in demand this year despite major price increases in the steel industry, says Steels MD Bruce Fairlie

"There is an ongoing demand for special steels as these provide certain properties that structural and commercial steels do not," he says

"At the same time, the face of local manufacture is shifting and many manufacturers are gearing up to produce goods locally now more than ever, particularly as a result of sanctions"

Manufacturers are also exercising tighter control over raw materials they use "For example, specifications for pumps used in the mines are now be-

Exporters will face a tougher challenge in the future

SA but they have been precluded from pursuing these because of sanctions legislation"

Van Reenen said the onus for not buying SA steel was being placed on the importer. He said "If a US firm knowingly buys SA steel products it is liable to a fine of \$1m, therefore we cannot even contemplate selling in the US because the risk factor is too high"

As a result of US developments, Van Reenen estimated his company would lose about 30% of its potential export base from next January. That negative trend was likely to become more severe in the future

He said his company was turning to new export markets but competition was tough, especially from East and West European suppliers, many of whom were still resorting to dumping

The company had also established a foreign export base to ensure it could retain a large portion

of its US market share

The US relied on imports for 25% of its annual steel consumption or about 25-million tons a year, five times greater than Iscor's annual production

Van Reenen said while that was a positive trend for his company's export market, it came as a disappointment to the local labour scene

He said "Instead of being able to employ 75 South Africans, our new venture overseas has created 75 jobs for foreigners"

Aside from the sanctions issue, exporters had to deal with a widely fluctuating rand. Van Reenen said. "It is difficult to give firm quotes to hold for prolonged contract periods

"One doesn't really know from one day to the next what the rand/dollar exchange rate will be

"Our competitors with stronger currencies have an immediate advantage over us"



□ FAIRLIE

Right technology at the right price

THE right technology at the right price is the core of Swiss-based Applied Research Laboratories (ARL) success with its 3360 and 3460 optical emission (OE) spectrometers on the SA market.

With more than 125 OE instruments installed to date, ARL claim it is the leading supplier in its field to the Southern African steel and foundry industry

The company says the ARL 3360 Foundry's analyser is the most compact and low-cost OE spectrometer on the market, and, says Glyn Allcock, MD of Arlabs, the local ARL subsidiary, any foundry can afford the 3360

The 3360 determines quantitatively the concentrations of up to 24 elements in iron, steel, aluminium and copper bases. The elements are determined simultaneously, and a full analysis — comprising two runs and printout of the averages — takes one minute

The 3360 and 3460 were introduced in 1985. Allcock says "You don't need a sledgehammer to drive a tack. But if you're a metals producer, you're faced with a similar problem: you need accurate metals analysis but the available systems are too expensive, too complex and offer capabilities far beyond what's needed, it's overkill, and it drives overheads sky high.

COMPANIES

UME making public offer of 2,3-m shares



● SMALLER

UME, the Cape's dominant steel merchandiser, which processes and distributes a wide range of primary steel products, is coming to the market through a public offer of 2,3-million shares at 130c each.

According to the prospectus published in today's *Business Day*, the shares stand on a prospective earnings yield of 12,8% and a dividend yield of 6,2% for the 1987 financial year to September

UME will have a total of 18-million shares in issue when it makes its debut on the engineering board of the JSE on December 4

The Smaller family, which has 100% of the equity, will be selling its shares to the public. 3,1-million have been set aside for directors, staff, business associates and institutions.

Standard Merchant Bank is underwriting the issue. The sponsoring brokers are Simpson Frater, Martin & Co

BRIAN ZLOTNICK

With UME's important Steel Service Centre operating at about 50% capacity and with gearing below 30%, the group does not need an injection of fresh funds.

The five-year track record shows that UME has ridden out sluggish conditions in fine style

While, in real terms, turnover has not advanced, and with the overall market shrinking in volume terms, UME has increased share, says joint MD Peter Smaller

Turnover is not disclosed for competitive reasons. Only about 3% of turnover is made up of exports, says chairman and joint MD Sylvia Smaller Winnikow, the mother of Peter Smaller.

So, if UME finds that it can no longer export because of sanctions, profits will be hurt only marginally

More importantly, management has shown that it was able consis-

tently to extract improved returns on sales, with income before interest and tax rising from R2,6m in the 1982 financial year to R4,9m in 1986. For the 1987 year, the forecast is for R5,7m

Taxed profits have grown at a compound annual average of 20% over the five-year period

It is understood institutions have shown considerable interest in the stock at 130c after first putting a price of 140c on the shares

Given past poor performances of many steel-orientated companies and their share prices, UME has probably had to pitch the price at the lower end of the scale

Moreover, management had to take into account that investor enthusiasm for new listings is showing signs of abating.

UME is well-placed and structured for growth, particularly if the Mossel Bay oil and gas project gets off the ground.

G Vincent products escape EC sanctions

ANTHEA DUIGAN

WITH the imposition of sanctions, G Vincent has found itself in the fortunate position of having products which are not subject to the sanctions imposed by the European Community

Over the past three years a shrinking in local demand prompted the company to embark on an extensive export drive. The benefit of the drive has been reaped over the past 18 months with a 2 000% increase in export turnover

G Vincent, which manufactures cold rolled steel sections for the building and allied industries, has numerous manufacturing divisions

Turnover over the past 10 years has increased from R5,8m to R30m. The volume of steel processed through the Elandsfontein factory has increased from 10 000 tons to 36 000 tons/year

Much of the increased production can be attributed to the company's many machines, which are designed and manufactured in-house by G Vincent staff.

In 1984 the company's single factory facility became too small, so a new factory site in Elandsfontein was bought and a modern expandable factory built to house certain rolling mills and the heat exchange division

In the middle of this year the company acquired an automatic steel servicing plant, which has opened new avenues for both the domestic and the export markets

No manpower is required once the steel sections or fabricated components have been loaded on to the mechanical handling system

From cutting, the material moves off automatically to be drilled to any pre-determined configuration. A multi-head drill performs swiftly and accurately

After the drilling stage the material is either ejected from the automatic line or continues to the shot-blasting wheelabrator, where surface cleaning can be completed to the correct specification. The final stage is the painting booth,

where the material is primed prior to packing and despatch

The plant is suitable for all structural steel fabrication and volume-oriented component manufacture

Although repetitive volume is most suitable for the production facility, one-off jobbing is possible

The usual product range of cold-formed steel profiles includes GV long-span galvanised and pre-painted roofsheeting, structural profiles such as lipped channels, zeds, tophats, angles and numerous specials

The Rondo range of suspended ceilings and Broadwall demountable partitions are manufactured. Cable trunking, electric support systems, permanent shuttering and many others are supplied to the building industry

Specialised and ultra-heavy rollings bring heavy duty truck chassis members and railway rolling stock components into the product range

Initially the company quoted through local agents for export inquiries and secured orders for roofsheeting for the Indian Ocean islands

As a result of a survey visit to study steel-framed buildings in the Far East, some valuable contacts were made and after many visits, long-term exclusive distributorship agreements for suspended ceiling grids and demountable partitioning grid components were signed in Hong Kong and Taiwan

However, the great impetus to export endeavours was in 1985, when the completed range of products including cold-formed structural sections, cable trunking and special purpose sections were placed at the Spring Fair in Cologne.

G Vincent has diversified in order to obtain the maximum contribution for its asset base, and is continually looking for a bigger market for its products

Steel, agriculture will be hardest hit, say experts

189

STEEL and agriculture would be punished most by planned US economic sanctions, but the blow could be softened by well-tried tactics of semi-clandestine trade, business experts said in Johannesburg yesterday.

The US bought \$78,2m of steel products and \$65,5m of farm goods among its total imports from SA of \$2,17bn last year.

Association of Chambers of Commerce of SA economist William Lacey said: "Sanctions are not new to us, and there are people in the business of evading sanctions that seem to do it pretty effectively."

"The business community with its ingenuity will try to beat them."

Analysts said manufacturers had various ways of issuing false certificates of origin.

Business consultant Michael Perry, who has more than 60 blue chip companies as clients, said SA had been busting sanctions since the '60s.

He said: "The result is that 54% of our (export) trade is semi-clandestine, meaning no data is available on the country of origin."

On paper, the US sanctions are the most comprehensive attempt yet to pressure Pretoria to scrap apartheid.

Besides agriculture and steel, they include a ban on coal, computers and new investment

Perry said SA would need to boost exports to clandestine partners by only 16% to offset the impact of even a total US trade embargo.

Business sources said SA's secret trading partners, dealt with directly or through middlemen, included countries in Eastern Europe, the Middle East and Asia.

SA Life Assurance chief economist Johan Louw said "Made in Southern Africa" instead of "Made in South Africa" could be exploited to "the greatest extent" by industries

Louw said overproduction of steel by world producers could make it difficult to find alternative markets.

Industry sources said the US sanctions could cost SA up to 500 000 tons

of steel exports a year.

Iscor, the giant government-run iron and steel company which accounts for more than 70% of local steel production, said the ban was a setback.

A spokesman said: "We have been involved in other overseas markets for some time and we will try to use these markets more. Our main export markets are widely spread."

The already depressed agricultural sector, which employs millions of black workers, will be further weakened by the sanctions.

Analysts said agriculture accounted for 7% of total SA exports last year and fruit, wool and sugar were especially vulnerable

Sugar-growers alone will lose about \$14,4m under the US ban. — Sapa-Reuter.

Steel scrap to beat bans into Japan

30/9/80 ~~WEDNESDAY~~ ~~189~~

SA steel scrap and waste exports worth about R7m a year will continue to be landed in Japan despite sanctions, according to the Metal Merchants' Association (MMA).

Describing ferrous scrap as a "featureless commodity", an MMA source said yesterday exporters would continue with shipments to Japan in the face of an embargo on SA steel im-

HAMISH McINDOE

ports.

He said: "Tokyo's steel import ban will be virtually impossible to police in the case of steel scrap. Broadly, SA scrap loses its origin as break-bulk vessels load at various points around the world en route to Japan."

SA ferrous scrap imports to Japan were expected to reach the 45 000-ton mark this year, he added.

Bans on the import of SA steel scrap were included in the recent European Community (EC) and Japanese steel sanctions.

Meanwhile, the MMA is to oppose an application by the Non-Ferrous Metal Industries Association (NFMIA) to impose a 15% *ad valorem* duty on non-ferrous scrap exports — covering mostly copper alloys, aluminium and lead.

The MMA is to file its objections to

the Board of Trade and Industries and the Department of Customs and Excise before the end of the week.

The duty was gazetted on September 5 and becomes law by mid-October unless overturned on the strength of the MMA's submission.

On paper, lower local scrap prices would safeguard industry jobs and maximise foreign exchange earnings through value-added exports.

10/9/86
ISCOR has adopted a wait-and-see policy after the Independent Wire Convertors Association (IWCA) appeal to the Competition Board yesterday that alleged irregularities in steel prices be investigated.

An Iscor spokesman said he could not comment on certain aspects of Press reports and would wait for an official communication from the board.

A spokesman for the Competition Board said yesterday the board had received representation from the IWCA and was giving attention to it "I cannot comment further at this stage"

The Iscor spokesman said if local firms wanted to import steel rather than buy from Iscor, they were welcome to do so, although Iscor would not allow steel to be dumped in this country

(2/30) (18/9) BUD DAY
Iscor waits for price probe

MICK COLLINS

"I have looked at price lists and am unable to confirm the IWCA statements that 'Iscor exports wire rod at \$210 a ton (fob) and we are expected to pay R730 a ton in Cape Town' and that 'Iscor will not even supply us with steel at export prices for reprocessing and export, despite sanctions threats' "

This was incorrect, he said

"It is part of our marketing policy to assist exporters. We do negotiate special prices to help people exporting steel products"

The accusations were made very broadly, he said "Our overseas marketing operates independently of our internal marketing, and prices vary considerably overseas

in different areas

"Iscor does not dump steel overseas, but it does alter its prices according to the market involved"

He denied IWCA allegations that steel prices had risen by 50% since the abolition of price control in July last year and said the rate had been a modest 13,8% a year

"The inflation rate is much higher than that. Industry should remember that for a 13-month period, July 1984 to August last year, there were no increases in the price of steel

"Our input costs increased but we did not raise our prices to customers. We have decided to have two increases a year in future, but at a much smaller percentage rate."

Convertors call for urgent probe into higher steel price

SECONDARY steel manufacturers yesterday called on the Competition Board to investigate urgently the activities of the Rolled Steel Producers' Association (RSPA).

In a strongly worded telex to board chairman Sier Naude, the Independent Wire Convertors' Association said it wished to draw attention to an effective 50% increase in domestic steel prices since the abolition of price control in July last year.

"These shocking price increases, despite record export earnings, reflect arrogance and irresponsibility of the cartel (RSPA) and the degree of protection afforded it."

"Justification for the elimination of discounts, and the recent succession of price increases by private-sector producers Davsteel and Scaw Metals, is that they are merely following Iscor's lead."

The communique said many steel convertors would collapse as a direct consequence of these actions.

MICK COLLINS

"The above reflects the strategy and the government's industrial Board and the failure of the Competition Board and the Board of Trade to create an environment where secondary industry can develop and contribute to the economy."

The IWCA also expressed its frustration at misguided economic policies and the power and influence of certain vested interests.

"We would be better off moving our factory to Europe or Asia, where we could buy cheap Iscor steel subsidised by SA industry and the consumer. Steel is delivered overseas 20% cheaper than in Cape Town."

In the country's interests, government needed — as a matter of urgency — to take a hard look at the steel industry to see who needed protection from what. The IWCA said.

"We would also like to inquire from the Board of Trade whether it will grant exemption from the farcical ad valorem system so that we can purchase steel at internationally-recognised prices (fob) and we are expected to pay R730 a ton in Cape Town Iscor will not even supply us with steel at export prices for reprocessing and export, despite sanctions threats."

Iscor could not be contacted for comment last night.

189 "THE VITAL" higher steel price

Board of Trade whether it will grant exemption from the farcical ad valorem system so that we can purchase steel at internationally-recognised prices (fob) and we are expected to pay R730 a ton in Cape Town Iscor will not even supply us with steel at export prices for reprocessing and export, despite sanctions threats."

Iscor faces R178m international battle

ISCOR is locked in a R178m international legal battle over the assets of a company created to market its steel in the Middle East

Two Iranian businessmen — Sami Abdulnabi and Ahmed Aazam Zangueneh — are suing Iscor for \$70m in SA and the UK.

Iscor has launched a counterclaim for the same amount in SA but there is confusion over the present state of play in London

Iscor says it has lodged a counterclaim there but lawyers for the Iranians deny this. They say the corporation has merely lodged an application to delay the Iranians' own claim.

The dispute stems from a partnership between Iscor and the Iranians 13 years ago to market Iscor steel in Iran and elsewhere in the Middle East. It was agreed the two sides would share profits equally.

Iscor says there was a further agreement to participate as shareholders in a company, Iscor-Iran Ltd, incorporated in Iran, and to extend their activities through the formation of other companies

The corporation says it notified its

DAVID FURLONGER

two partners in 1980 — the year after the Shah of Iran was deposed — that it was terminating the agreement

In February 1981, the Iranians lodged a \$70m claim against Iscor in SA and the UK for money they said Iscor owed them

Lawyers for the Iranians say they offered to pay \$500 000 towards the costs of an SA commission of inquiry into the affair but Iscor did not respond

Iscor officials, however, say they were not aware of such an offer

The SA court hearing, including Iscor's counterclaim, is scheduled to start next month in the Pretoria Supreme Court. The outcome of the London applications is less certain.

An Iscor spokesman last night insisted the corporation had filed a counterclaim there, asking for a legal declaration that the partnership is ended, and for the return of money allegedly owed by the Iranians

The Iranians' lawyers, however, said Iscor had not lodged a counterclaim but had applied for a stay of the Iranians' own application

S. TIMES 29/6/86

SA chrome laughs at sanctions

189

By Don Robertson

SOUTH Africa's R1-billion a year ferrochrome industry is virtually sanction-proof because of its dominant position in the world supply picture.

SA is the major source of chrome for Japan, America and much of Europe and any interruption in supplies would cause chaos in their stainless-steel industries and a huge loss of jobs

Deon Toerien, senior marketing manager of Samancor's chrome division, says "Foreign stainless-steel industries would have to close if they were forced to stop importing from South Africa Scandinavian countries, which are mostly self-sufficient, would be the only ones able to maintain production in the event of supply problems"

If sanctions were imposed they would have to be selective and exclude ferrochrome, he says.

Capacity

However, revenue from ferrochrome exports is expected to fall by about 5% this year because of an increase in world supply.

Production facilities which came into operation last year, particularly the 100 000-ton a year Outokumpo plant in Finland, have resulted in a modest decline in prices, although the supply/demand balance has not been drastically upset

Prices received by SA producers have fallen from 44 US cents a pound in the first quarter of 1985 to 40c But, says Mr Toerien, "they appear to have stabilised and will probably remain there for the rest of the year"

"It has suited us to follow prices down in an effort to keep out new production and prevent producers of ferromanganese from switching their furnaces to ferrochrome

"At current prices I believe most international producers are running at a loss Because of the weak rand, we continue to operate profitably"

SA supplies about 50% of world ferrochrome production of 1.9-million tons Estimated offtake this year is about 1.85-million tons

Ferrometals, the chrome producer in the Samancor group, has capacity of 300 000 tons and has a 49% interest in the Tubatse ferrochrome project in the North-Eastern Transvaal which produces 140 000 tons, giving the combined operation about 25% of world output

Ferrometals position in the market will be strengthened by the commissioning in August of an intermediate carbon charge-chrome furnace at a cost of R14-million

28/5/86 BUW DAY

Move comes after US restrictions

'Irritant' for SA if Canada acts on steel imports

THE door to North American steel markets closed a little further yesterday with the news that Canada may add steel products to its import control list.

Canada's federal government has instructed the Canadian Import Tribunal to reach a decision on carbon steel products within two months and on speciality products within four months.

Trade Minister James Kelleher said the proposed measure would give the steel industry quick access to information needed to protect itself against dumping and subsidies.

The Canadian move follows a US decision to limit steel imports. SA was one of several countries to sign a voluntary trade agreement (VTA) early last year limiting the level of exports to the US.

Total SA steel exports to the US last year were estimated at about 580 000 tons, accounting for 0.42% of US steel consumption.

Industrial Staff

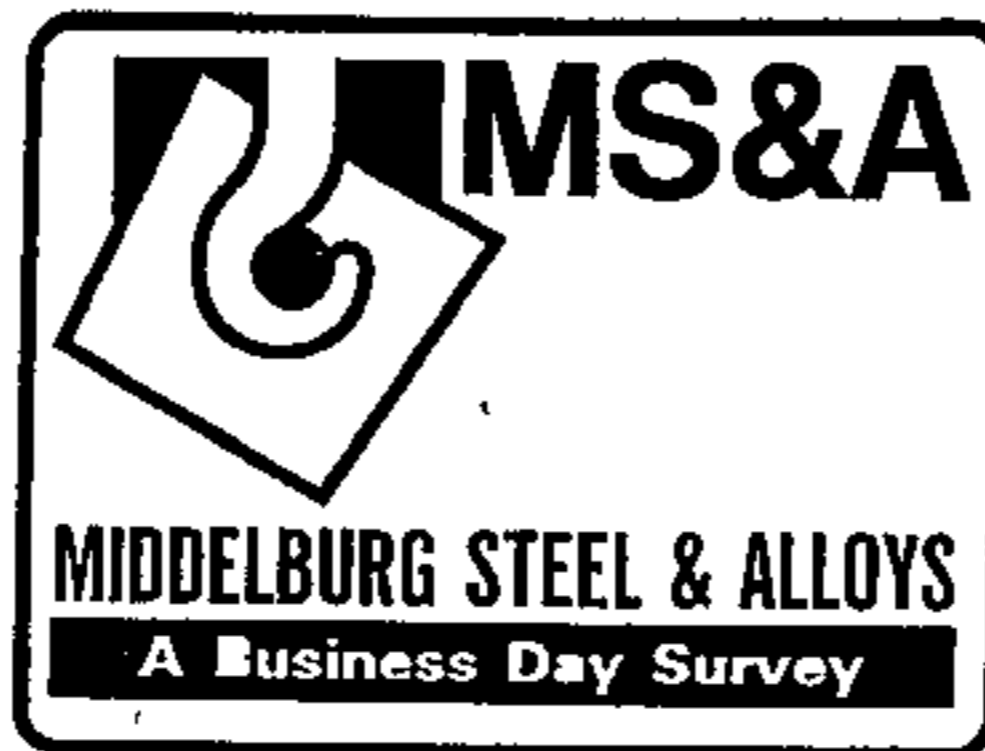
SA steel industry officials said yesterday they were unaware of any complaint by Canada of SA companies dumping steel on to the market.

Iscor, which accounts for about 75% of SA steel exports to Canada, described the potential new limitation as "an irritant rather than a catastrophe" for SA steel producers.

A spokesman declined to give figures for SA steel exports to Canada but described them as "relatively small". He added, however, "We would like to do business wherever we possibly can."

He added that Iscor steel sales — both export and local — were on target for the first nine months of the corporation's financial year.

Iscor was exporting to 80 countries, and exports were expected to be slightly ahead of the 1.93m-ton budget estimate. Current sales were down on the previous year, the spokesman said.



Check the life cycle

DESPITE the fact that ordinary grades of stainless steel cost R3 500-R4 000 per ton — four to five times as much as carbon steel (and 3CR12 two and a half times as much) — it can be more economical to use stainless steel

The explanation for this lies in the concept of life-cycle costing

While the initial outlay for the stainless steel product may be greater, the cost of building a corrosion allowance into a carbon steel product and of coating the product over its life may well be greater

SA Breweries has published an interesting life-cycle costing example concerning maintenance procedures for stainless steel piping

Considerable economic advantages were achieved by treating the installed pipe *in situ*

The project was 7km of stainless steel piping in a brewery at an initial cost of R490 000 for untreated pipe, compared with an initial cost of R527 000 for piping which had been passivated (surface treated).

The untreated pipes had a life expectancy of 13 years whereas that of the installation was 30 years. This meant that the pipes would have to be replaced twice during the life of the plant.

A replacement cost equal to the initial cost of the untreated pipe, escalated by 15% a year was used to determine replacement cost.

The other of the equation in the calculation was a maintenance cost (to re-passivate) of R37 000 every five years. What everyone loses sight of in this example is the fact that the R500 000 investment today is going to cost R3m in 13 years and R18,5m in 26 years.

But it's not until one evaluates the alternatives using life-cycle costing that the right solution becomes evident.

98/5/1e

Commitment by all staff spells success

THE buzz and excitement within MS&A is the principle factor that characterises the company in new MD John Gomersall's mind.

"There is tremendous enthusiasm and commitment, and this stems from the style of management within the organisation," he says. "(Chairman) John Hall has played a major role in leading the company into a relaxed and informal style which nurtures this enthusiasm. There is no bureaucracy or politicking. There is a genuinely participative approach that brings out the best in everybody."

Gomersall cites MS&A's loss management, value management, quality circles, quality assurance programmes, industrial relations and training as examples of the overlay of concern about human relations which defines the uniqueness of the company.

Although referring to them as programmes, Gomersall emphasises that at MS&A they are a part of everyday life at all levels in the company.

"At one time we had the worst safety record in the industry," he says. "We decided to rectify that, and instituted a safety campaign which culminated in all three of our divisions winning Noscars — the top safety award presented by the National Occupational Safety Association."

This is one example of how the loss management programme works. Every incident of equipment damage, employee injury or material wastage is investigated and solutions are proposed.

"Any loss is the responsibility of management," Gomersall says. "You cannot blame the employee if he has not been trained or equipped to do the job properly."

Similarly, the value management philosophy is directed at brain-storming problems in a

TONY KOENDERMAN

disciplined environment

Over 40% of the MS&A work force belong to quality circles, a concept borrowed from Japanese management. The circles meet to find solutions to problems they encounter at the work face, and then make presentations to senior management of the problems and their proposed solutions.

"There is tremendous enthusiasm for quality circles among both black and white workers," says Gomersall. "They get no financial rewards — merely the satisfaction from being involved in problem-solving. One thing is certain about quality circles: they won't work if you don't have a participative style of management."

MS&A management is also proud of its industrial relations record. "We have very good policies which spell out what management expects, though most of the time we hope we won't have to resort to the rule book," says Gomersall.

"Our byword is respect for the individual."

An indicator of the company's success is given by the honours it has won. In 1984 the Krugersdorp alloys division won a National Productivity Award for its performance over a 10-year period. The following year MS&A won the State President's Award for Export Achievement, evaluated on the previous three years' performance.

"It is not a part of company policy to try and win awards," says Gomersall. "These are things we would do anyway. But we are proud of them because they reflect our performance."

Great attention is given to training. Divisional training facilities have been set up to provide specific on-the-job

training and education within each division, to meet their specific needs.

"We are now starting to see tremendous benefits coming out of our training programmes," says Gomersall.

"The identification of training needs flows from all the programmes I mentioned earlier and is very bottom-line orientated. Training, supplemented by the more conventional educational training, induction programmes and industrial relations training, is part of daily life."

He notes what he calls "tremendous cross-pollination" of ideas arising out of the high quality of communication within the company, between disciplines and moving through the management levels.

While there is a strong marketing orientation in MS&A, this is not to the detriment of other disciplines, says Gomersall.

"While our chairman has a great interest in marketing, he has encouraged people from the other disciplines to run with the ball themselves. This is very much a bottom-line company, in which tight financial control has become a byword."

"The one thing that is incredible is the financial understanding that exists a long way down the line — and in every department. There is attention to cost control, the correct investigation of new technologies and purchase of capital equipment, feasibility studies."

"The company has been tremendously successful in its marketing, customer profile and image. Our research and development programmes over the last five years are now bearing fruit and the company is on the threshold of introducing new technology in ferrochrome manufacture."

After travelling the world, Leo formed part of MS&A's 3CR12 success story

THERE has been an inevitability about Leo Melvill's career and a thread that runs through it is spun of metal

Everything he did — and some of it was by chance — was a step towards eventual involvement with MS&A, the country's only manufacturer of stainless steel and 3CR12.

Born in Trinidad of South African parents, he went to preparatory school in England, spent the war years in Canada and came to SA to complete his education at King Edward School in Johannesburg.

Double Blue

After matriculating, it was a B.Sc in Geology at Rhodes University, work in mining exploration and Canada and then on to Cambridge in England for an MA in metallurgy.

He came away with a double Blue in squash and swimming.

Back in SA he worked first for Iscor then went to Boart Hard Metals. A major problem was the overheating of the diamond drilling crowns which caused the diamonds to sink back into the metal.

Melvill and his men used nickel to improve the high temperature properties of the drillheads, and this brought him into contact with the International Nickel Company (Inco). Soon he was working for them.

Inco, as producers of nickel, were

developing worldwide markets for nickel, mainly in stainless steel and coinage. One of their aims was to get someone to start manufacturing stainless steel in SA.

Meanwhile Robor, one of the first companies to be taken over by Barlows, were diversifying out of carbon steels into speciality steels and Melvill, with his special knowledge of this medium, joined them in 1965.

When Southern Cross produced the first stainless steel at Middelburg, Melvill, still working for Robor, was at the opening ceremony. Southern Cross was subsequently taken over, with Rand Mines, by Barlows in the early Seventies.

It was only a matter of time before he joined what is now MS&A, which grew out of Southern Cross.

Melvill is now marketing director.

Springbok

In his 11 years with MS&A (he is now 55), he has seen the company open by new markets in the wine, sugar, mining and other industries.

And, of course, he has played a role in the success story of the MS&A-developed corrosion-resisting 3CR12.

Melvill, married with two daughters and two sons, was twice South African squash champion. He represented the country in the UK and at home captained the Springbok team in a series against Great Britain.

□ MELVILL... ex-Springbok

189 27/5/86

Total inplant automation is the aim of computer division

MS&A has taken another step towards its goal of inplant automation

The R500m turnover company, to extend its computerisation with the purchase of Data General's latest offering in minicomputer technology, the MV/20 000

Leading industrial technology in the company's steel division has been extensively enhanced during the past three years by the innovative computer programmes designed in-house

The division recently reached a milestone — the flow of data throughout the entire division, from orders receiving to dispatch and invoicing

"To create a corporate database and control the movement of every order, utilising the same data, through the manufacturing process to invoicing has been our main objective to date," says information system manager Chris Grobler

Our aim now is to strive for

inplant automation the likes of which can presently only be seen in Japanese steelworks

Users of Data General systems for 10 years, MS&A had deployed more than R3m worth of equipment by the end of last year, followed in January by the purchase from Perseus Computer Systems of the robot-designed MV/20 000 in a deal valued at over R3.5m

The company's management is totally committed to computerisation in its manufacturing and production processes — a commitment which is mirrored by the computer department, where extensive development work is carried out

In-house application programmes have been designed for order processing, production planning, work-in-progress control, finished stocks, planned maintenance and invoicing as well as laboratory and quality assurance control.



□ GROBLER .. looking ahead

Political solutions will ensure long-term growth, says Rosholt

BARRY BAXTER

MS&A produces two types of chrome alloys — charge chrome and low carbon ferrochrome — both essential components in the production of stainless steel

About 90% of production is sold overseas and export revenues from the alloys division have made a very significant contribution to the company's remarkable profit turnaround

Yearly export tonnages are now running at 250 000 tons of charge chrome and 35 000 tons of low carbon ferrochrome

Main foreign customers are steelmakers in Western Europe, the US and Japan. Western European customers take around 50% of the export totals of each product, users in the US and Japan share the remaining tonnages almost equally

Day-to-day overseas marketing of the alloys is in the hands of Chris Rosholt, who spends most of his time on the international road, winning friends and customers for the company

Rosholt was interviewed on the day (May 19) of the SADF excursions into Zimbabwe, Zambia and Botswana. As we spoke, foreign governments were beginning to censure SA for the raids and restart the international rumblings about trade sanctions. Did Rosholt fear such action?

"Of course all exporting companies are concerned about sanctions," he replied. "But in the case of ferrochrome, SA has some insurance. The country has 80% of the world's reserves of chrome and SA producers have around 50% of the world's production capacity for charge chrome. Also, half of the chrome reserves are under the control of Rand Mines which is, like ourselves, within the Barlow group.

"Although our customers are naturally concerned about the perceived instability of the situation in SA, it is not possible in the short-term for them to diversify their sources of supply from an area which is such a dominant producer of the material they want

"All this puts local producers in a strong position, but we are far from complacent and well aware that long-term solutions to political problems must be achieved if any company in SA is going to be able to sustain long-term export growth"

Estimates of worldwide growth in the production and use of stainless steel are generally around 3% per annum, with some more optimistic analysts talking about 5%

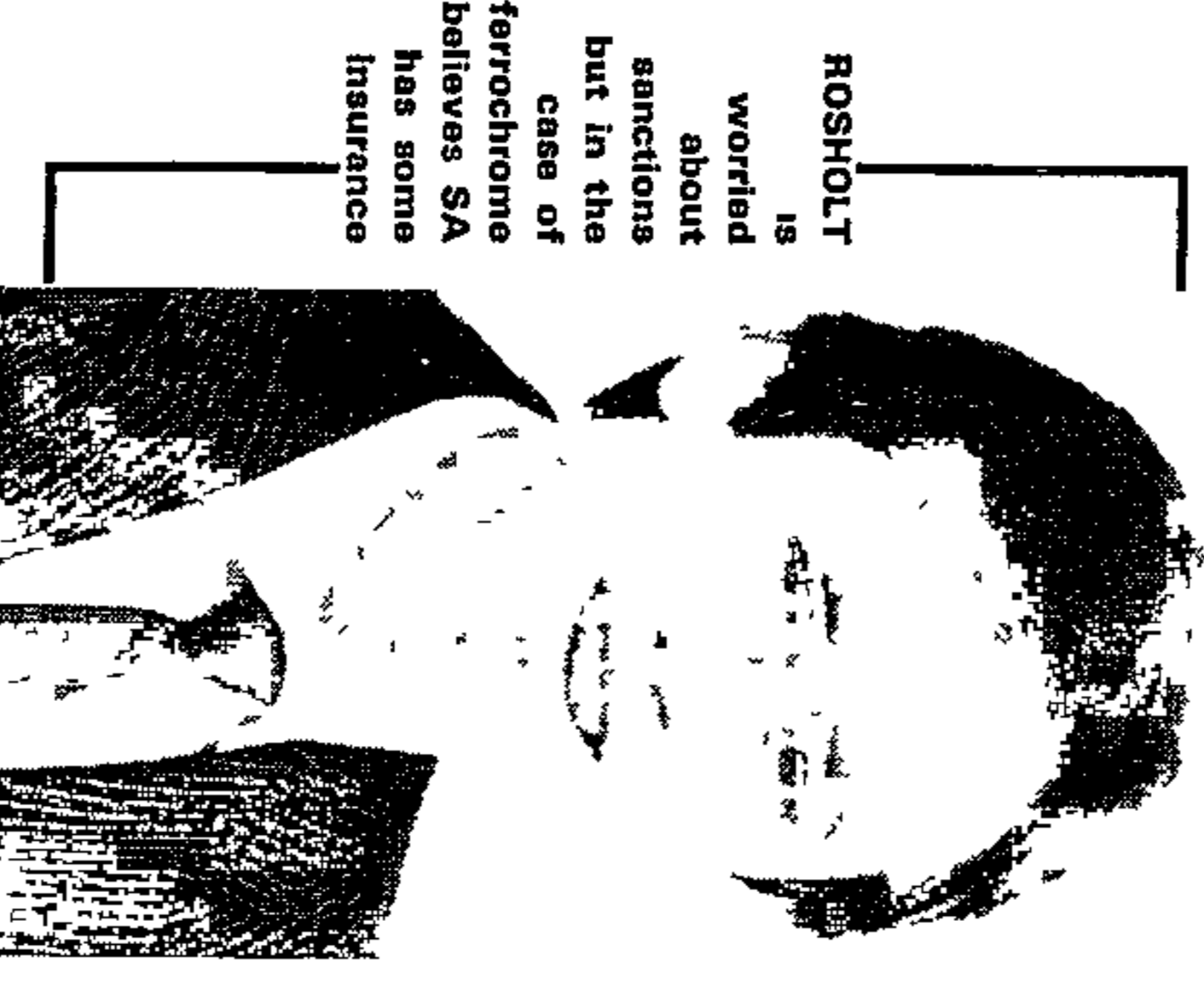
THE rand's collapse has outdated the tariff protection formula applied to steel and MS&A has applied for a revision of the reference price.

South African stainless steel is protected by a formula tariff based on a reference price. If imported steel is dumped in SA that price is based on a formula

Rosholt believes growth is assured. "The use of stainless steel worldwide is growing," he says. "It is not bio-degradable and although the initial cost is higher than other steels, users realise that for many applications the low maintenance costs of stainless steel spread over the much longer life soon compensate for the higher price"

He considers Japanese producers of stainless steel constitute a prime growth area for exports of SA ferrochrome

"Until now, Japanese steelmakers have



ROSHOLT is worried about sanctions but in the case of ferrochrome believes SA has some insurance

strongly supported their own producers, even though that policy was costing them a lot because of the high costs of domestic production. Their motivation was partly to secure a domestic source of supply and partly loyalty to their associate companies

"Cutting back on local production in favour of imports was made more difficult for the Japanese because of their concept of lifetime employment for workers in factories and mills. The extra costs of the local product were absorbed almost as a social cost, but the recent strengthening of the yen has sent their price of local production so high that the concept is starting to fall away and we have discerned a trend to greater Japanese imports of ferrochrome"

Rosholt has been concentrating on the Japanese steel producers for some time

"MS&A started doing business in Japan more than 10 years ago and in that time has put a lot of effort into developing good relations with customers in an area where reliability, service, and competitiveness are of paramount importance," he says

"I believe these relationships are now very strong and will pay us many further dividends"

North America and Australia are other markets Rosholt is studying

Sometimes during their export efforts, Rosholt is confronted by problems caused by MS&A, which is SA's only producer of stainless steel, exporting the finished product as well as chrome alloys, and often to customers in the same countries!

"The team marketing the stainless steel and myself work somewhat independently, and it can be something of a corporate egg-dance at times," Rosholt laughs

The alloys division's relatively strong position against sanctions has been demonstrated by the steel and alloy trades. Some countries have made noises against steel imports from SA, but have realised their own steel mills could not continue to operate without alloys from this country

The division employs around 1 400 people and production is at two locations: the main plant at Middelburg produces all the low carbon ferrochrome and 60% of the charge chrome, a plant at Krugersdorp produces the balance of the charge chrome

The Krugersdorp plant has a plasma-arc furnace which, when it was commissioned in 1984, was the world's first commercial furnace employing such technology. This plant's strength is that it can produce differentiated grades of ferrochrome

Until 1969, the technology for making stainless steel relied on low carbon ferrochrome, which generally had a carbon content of 0.05%. The introduction in 1969 of the Argon Oxygen Decarburisation Vessel made it possible to utilise the cheaper, but relatively high carbon content (6% to 8%), charge chrome and remove the excess carbon during the production process

This gave a tremendous boost to demand for charge chrome which progressively replaced the low-carbon product. Although low carbon ferrochrome is still a final additive in the production of stainless steel, it is used mainly for foundry applications and in the production of alloy steels



Three factors forced losses into profits

FEW companies have managed to capitalise in the export markets with the cheap rand as well as MS&A

"We came back from a loss of R19.9m in 1983 to breakeven in 1984 and a profit of R52.5m in 1985 — and I am not unhappy with the way 1986 is looking," says chairman John Hall

"Although the alloys division has made good profits, the most encouraging thing has been the way the steel mill has trod out its technical problems

"It is a highly sophisticated operation with massive teething problems which were not fully anticipated. It required incredible dedication by those people to pull it around

"It is now a superbly run mill capable of supplying the best materials in the world and to remain in business in today's conditions is no mean achievement

"If the mill can hover around the breakeven situation in the worst conditions I have ever seen, then an economic recovery in SA and in world prices will turn it into a real money-spinner"

Three factors played a part in the turnaround: improved volumes from the new stainless steel mill, a rise in world ferro-

chrome prices as a result of strengthening demand during the 1983-85 world economic recovery, and finally the collapse of the rand, which boosted the rand value of export sales

"At the tail end of the commissioning problems in 1984 the steel division was not doing at all well," says financial director Jim Tennant

"Volumes were improving but, ironically, as the steel division's production came right, dollar prices came off, so recovery was delayed

"Market conditions were also tough in SA with customer warnings about our late deliveries, quite a lot of imported steel came in against us

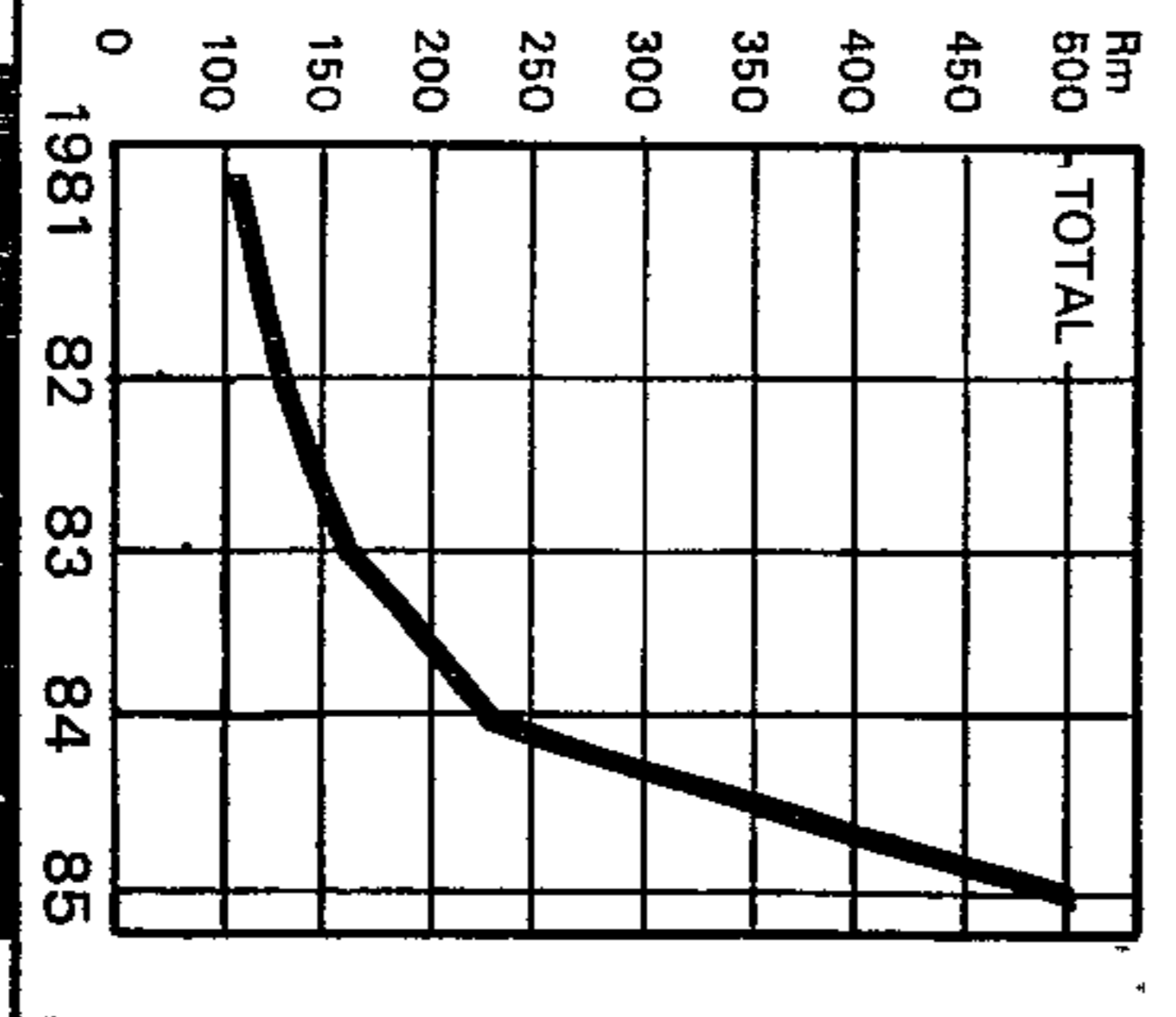
"The market needed convincing that supply could be relied on"

In spite of stainless steel prices weakening

DRAMATIC TURNAROUND

	(Rm)	1985	1984	1983
Turnover		506	239	168
Profit before interest and tax		66.9	8.7	-9.6
Profit after tax		52.5	0.5	-19.9

TURNOVER



internationally, world volumes were at a high level. But the big impact was in alloys, where the world economic recovery also caused dollar prices to rise at a time when sales volumes were climbing

Finally, says Tennant, "the rand fell out of bed"

How important is a cheap rand to MS&A success?

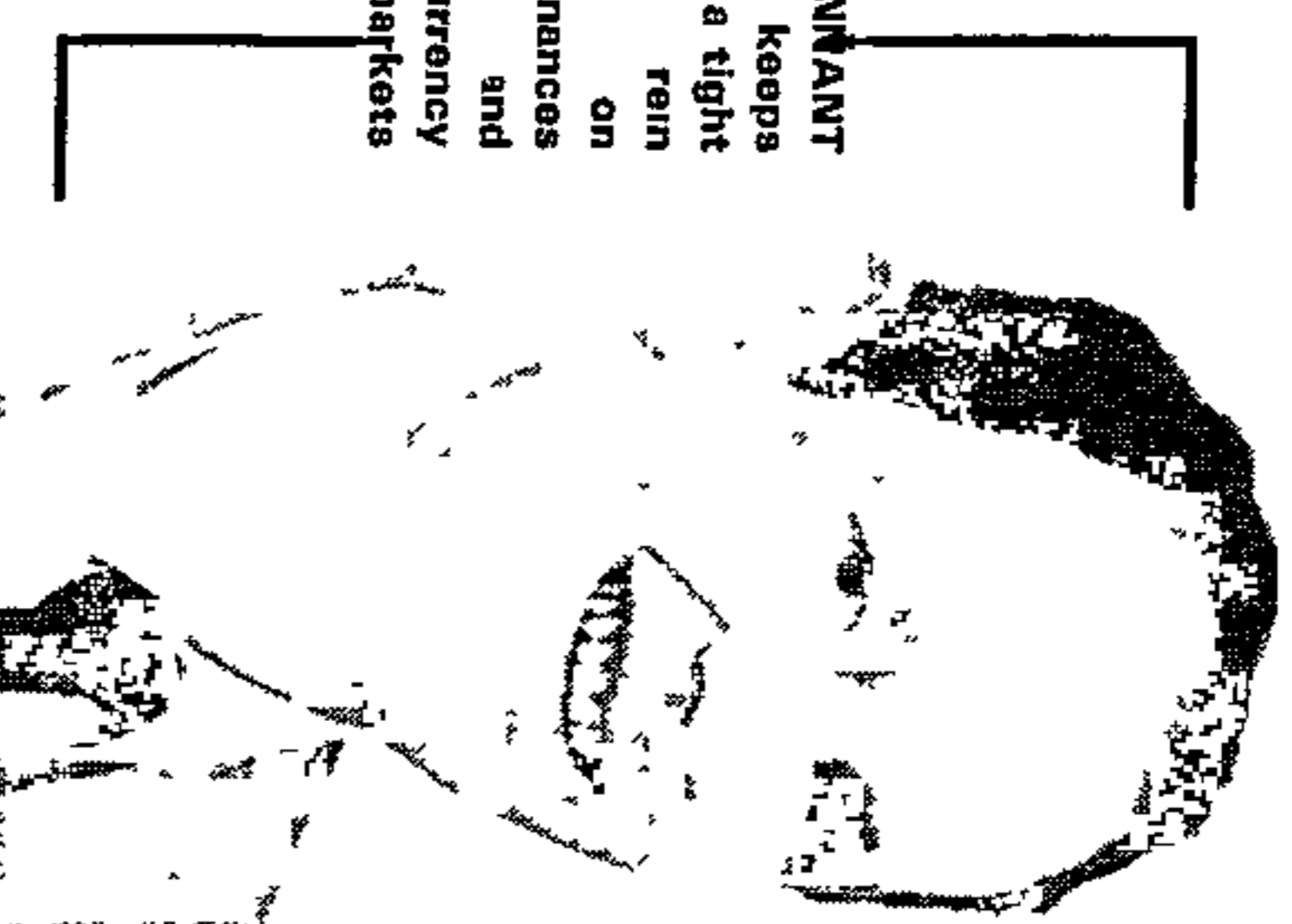
"We were helped by the devaluation of the rand but I always think of currency gains as funny money," says Hall

"When you have the inflation rates we have you eventually run out of areas where you can improve productivity. About 40% of our inputs are subject to administered prices"

"Very few overseas ferrochrome producers competing against us for share are making money. Some producers are now closing because they can't compete on price

"We also have the advantage of being very close to our ore reserves and coal supplies. Many of our competitors have to transport

TENNANT keeps a tight rein on finances and currency markets



the chromium ore and that makes them uncompetitive

"On the stainless steel side, we believe we are cost-competitive with most overseas mills — even though ours is a relatively small mill by international standards

Despite the success of the export drive, however, MS&A's executives feel they badly need an upturn in the local market. Every viable mill in the world requires a stable and strong domestic market

"We saw the local market growing at a very fast rate back in 1979, and with all the turmoil we have had in the last four years the country has probably seen no growth at all. So a lot of major capital projects were shelved," said Tennant

"We now have a mill that is just waiting for the local market to recover"

The decision to build the R200m mill was justified on a local market of 40 000 tons a year, with a total production capability of 60 000 tons in the justification. The original intention was to gradually reduce exports as the local market grew

With current production at 90 000 tons a year, the mill is well poised for local growth

The mill was designed so that for small additional capital outlays large incremental tonnages can be obtained

Tariff protection outdated

ported product.

If the material lands at the reference price or above the ad valorem duty, protection is a modest 15%.

"It worked well on the basis of the reference price is based

be effective in penalising dumping," says marketing director Leo Meyill. "But when the reference price was set, the rand was worth \$0.90."

At current rand values, the reference price is based

"This is further complicated by the fact that we buy our nickel in dollars at world prices — even though it is produced locally — so our production cost has risen. We are caught in a cleft stick in that we have cost pressures but cannot raise our own prices because this would allow imports into the market"

MEMBERS OF THE SA STAINLESS



□ Cold rolling stainless steel at Middelburg

Exports account for Over 50% of production

DESPITE a growing worldwide trend towards protectionism, MS&A is exporting most of its alloy production and currently more than half its steel output to 48 countries around the world.

"We do not deceive buyers as to source — the end user always knows the product is South African," says export sales director Colyn Butcher. "They come back and ask for repeat orders."

Butcher notes that MS&A has been in the export business for 16 years. "We had to get into it because our original plant was very hot-rolled based and the cold-rolled steel market is the dominant sector."

"Over the years we have gradually expanded as capacity became available. When we had the big expansion three years ago, it was where we became able to export cold-rolled steel, for which there is a ready market throughout the world."

Protectionism is an ever-present concern, however. SA sales to the Economic Community are under quota, with the additional handicap that there are separate quotas for each country instead of an overall quota for the whole community. This can make it difficult to satisfy a large order from one country.

The US also operates a quota system. With opportunities limited in these two major markets, MS&A has had to develop alternative markets in the Far East, Latin America and the Middle East.

While stainless steel exports have become significant in the last couple of years, Middelburg is careful to avoid breeding on the toes of its ferrous customers who might see it as competing with them in the stain-



□ BUTCHER capacity was expanded

less market. Stainless exports are, in any event, destined to decline as the local market picks up.

There is fierce competition from other stainless steel producers, notably Japan, Finland, Spain, Germany and Britain. "We have to be competitive to survive," says Butcher. "We tailor our product into each market, producing to their specifications. If they want Imperial gauge dimensions, we make it for them. The whole of the Far East still uses Imperial measurements."

"We also manufacture to DIN (German), Imperial, JIS (Japanese) and AISI (United States) specs. There is a very small variation between these specs

"The Brazilians are very active in all export markets. Emerging countries like Korea sell into Japan in a big way. Mexico and Brazil have their own stainless steel factories, so you can only sell to them what they do not produce. Taiwan has restricted tonnage because they have recently put in a facility."

But at a time when the domestic market is so depressed, exports are vital. In the half-year to March, MS&A exported 55% of its production.

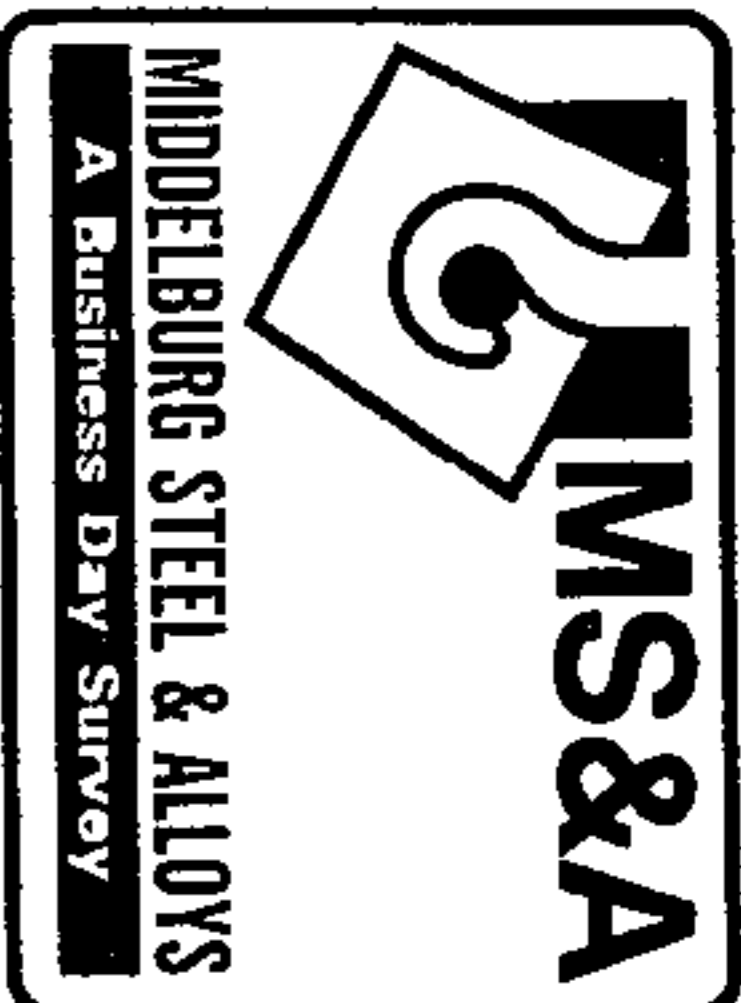
In a heavily over-supplied world market, however, there is a fierce battle for every order. Critical to success are the close relationships built up with the company's network of foreign customers in 16 years of exporting.

"Orders are won on price, service and quality," said Butcher. "But we believe personal relations play a very large part in holding on to customers."

This, more than anything, has helped Middelburg to cope with growing political animosity to SA. But the main worry seems to be fears over continuity of supply rather than ideological objections.

"Most of our customers order on a monthly basis and don't carry big stocks. They tend to ask why should we do business with you if there is going to be a hassle."

MS&A has responded with a campaign of intensified customer contact — visits to their countries and bringing them to SA. There are agents in every market, and even in normal times each one is visited two or three times a year. "One of our representatives saw 40 customers in 11 days abroad," says Butcher.



Fabricators get all the assistance necessary

IN ITS programme to expand uses of stainless steel, MS&A has a policy of assisting and encouraging fabricators — although it doesn't aim to do this fabrication itself. "We provide technical assistance, design assistance, and even marketing assistance," says MID John Gomersall.

"However, we have been a little disappointed with the progress. Much of the fabricating industry has problems competing in the local market with low-priced imports."

"That is something to which we are giving a lot of attention."

The problems of exporting fabricated products are even more severe, but there have been some success stories.

Incentives

"The problem of competition from low-priced imports and the exporting of manufactured goods is not a problem that is unique to the stainless steel industry," says Gomersall. "We really need to address these problems."

"I am not sure that the whole raft of export incentives will solve the problem. The major factor influencing businessmen in SA in this connection is the uncertainty of the rand exchange rate."

"This is largely brought about by the influence of our gold export earnings. Manufacturers tend to be fair weather exporters, going abroad only when the domestic market is depressed and the rand is low."

"If the authorities could isolate the impact of the gold price and manage a more stable trend in the rand exchange rate, it would enable the small businessman to maintain exports even during good times."

Not one retrenchment at MS&A during recession

THE mill at Middelburg implemented a R200m expansion programme a few years ago and a few teething problems occurred which were a major headache.

The problems have been successfully overcome and the mill now performs efficiently.

Tony Bagnall, operations manager of the steel division, explained that both the success of the mill operations and job preservation at Middelburg were due to four basic beliefs against which every decision and action is measured.

- Quality of product,
- Customer service,
- Respect for the individual, and
- Safety.

These beliefs are never compromised under any circumstances and they are interlocked in that each is necessary one to the other.

MS&A, which in a volatile international business environment strives to avoid retrenchment, takes pride in not having had to retrench a single worker during the present recession and actually added R750 000 to its bottom line in the process of job preservation.

One example is the recent launching of a project called Operation Diamond to save the jobs of people who



□ BAGNALL no compromising

would otherwise have been retrenched because of difficult trading conditions.

"Measuring ourselves against the four beliefs, we did not feel we could retrench people at this time, and yet

we did not want to impose a loss of dignity by holding on to redundant staff in what would amount to an act of charity," said Bagnall.

"Operation Diamond came about in the search to find a solution to the retrenchment problem which did not compromise the four beliefs."

"We had been aware for some time that our older waste dumps contained recoverable materials which in the early stage of operations could not have received priority treatment. "Now we have taken a closer look and decided to divert otherwise redundant personnel to the recovery task. In the difficult times we are now experiencing, this has become of prime importance."

The three objectives of the operation were to reduce purchases of new raw materials, improve the company's profit and to improve conditions for employees.

So far, the recovery operation has netted R750 000 which has enabled the company to finance the construction of improved employee facilities.

"We see this as an example of the achievement of the art of the possible. The results of Operation Diamond made good old-fashioned business sense on the one hand, and on the other contributed to staff loyalty and workforce stability."

Sales technique is not all plain sailing

THE sales technique for 3CR12 has always been market-oriented demand-pull. Before any new application for the product is contemplated, considerable prototype testing is undertaken.

The product is new to the engineering industry, and prototype testing provides engineers with the experience needed to perfect design and operation.

A growth acceleration programme to build on the rapid growth of 3CR12 in the market was undertaken late in 1982. This was designed to increase the awareness among end users of the properties and range of products available.

One of the high-visibility promotions was the sponsorship of a yacht in the Cape-to-Uruguay race in 1984. "It takes a lot of courage when you are losing R20m a year to sponsor a yacht, as John Hall did," says marketing director Leo Melvill. "But the sales grew during the whole period of that race."

"We are very development oriented. We don't have a lot of salesmen but we have a lot of people in product

and market development. That leads us into being promotionally oriented. "We encourage our local customers to export their fabricated products. We have an active programme to do this."

"We have done some fairly novel things marketing-wise. When we wanted to put the new mill in we took the whole industry on the Windsor Castle from Durban to Cape Town to explain the benefits. That was John Hall's idea. He has tremendous marketing flair."

A travelling road show moved around the mining centres displaying products manufactured from 3CR12, current technology relating to welding, cutting and so on, as well as comprehensive technical information.

During this period, important capital expenditure decisions turned to take place over the following 18 months were on the drawing boards of many mining groups.

The efforts put into a successful product promotion by all suppliers and manufacturers ensured speci-

cation of 3CR12 at the drawing board stage. Mining companies became aware of a large pool of fabricators available.

This road show was followed up with a buyers' guide or product index, providing information on the range of 3CR12 products as well as suppliers and stockists.

The overall effect has been of a classic targeted marketing programme. Specific market segments were identified, and user acceptance gained by thorough prototype testing.

Teamwork between universities, research establishments, the production department, sales, marketing, distribution, fabricators and government has provided a unique marketing package.

If there has been any key to the success of 3CR12 it lies in two specific areas — planned project management and thorough communication with the market place.

MS&A's three distributors are Faragista, Jackson's Metals and Robor

Revolutionary new steel holds key to the future

27/5/86. Bus Day (189)

GREAT hopes are pinned on 3CR12, a revolutionary new low-chrome stainless steel which is more corrosion resistant than conventional stainless steel but stronger and only 60% of the cost.

It is with 3CR12 that MS&A's main hopes rest for future expansion of the world chromium market.

"In the long term we see a 1% penetration into the world chromium steel market which will double the world demand for ferrochromium," says marketing director Leo Melvill.

The name 3CR12 may seem a mouthful but it derives from the technical description of the product, which is a titanium stabilised chromium-containing, corrosion-resisting steel, with roughly 12% chromium. It was developed as an alternative material where mild and low-alloy structural steels have inadequate corrosion resistance. Coatings such as paint or galvanising are inappropriate because of mechanical, thermal or chemical degradation.

"We position it in the market somewhere between coated carbon steel and ordinary grades of stainless steel," says Melvill.

"3CR12 is a lean stainless steel, with a chromium content of 11.5% to 12% compared with 18% in conventional stainless steel. It is an industrial steel rather than a type used in consumer products.

"It is a volume metal which would be used for an underground ore car, for example, or for wheelbarrows, while pure stainless steel would be used for such products as hospital equipment, milk churns and cutlery."

New and potential markets for 3CR12 include industrial grid flooring (especially in chemical plants), containers for the railways which are already being constructed with the metal, exhaust systems, and even home braais.

Most 3CR12 in SA is being utilised in the mining industry for such diverse products as flooring, handrails, ore cars, loading station steelwork and buntons.

Some recent applications (both here and abroad) of interest to industry are spirally-welded tube, coach frames and bodies, heat recuperators, animal feed hoppers, beet sugar

equipment, and industrial cooling equipment.

All these areas previously involved high maintenance and plant shutdown costs due to corrosion.

"You don't just sell stainless steel," says Melvill.

"You have to create an atmosphere to sell it. We rely heavily on the person who is converting it into a product."

"In selling 3CR12 you have got to sell the ore car or the industrial flooring. In materials handling such as underground ore handling, the 'sh-deability' of 3CR12 is important."

A coating is only as good as its weakest point, says Melvill. "Once you chip it, you have rust. But 3CR12 is corrosion resistant all the way through."

Typical of the best applications for 3CR12 are where there is wet abrasion, for example in coal handling — you don't have to have a hard steel to resist abrasion — and in sewage plants. As Melvill says: "You want the plant to last and to be maintenance-free."

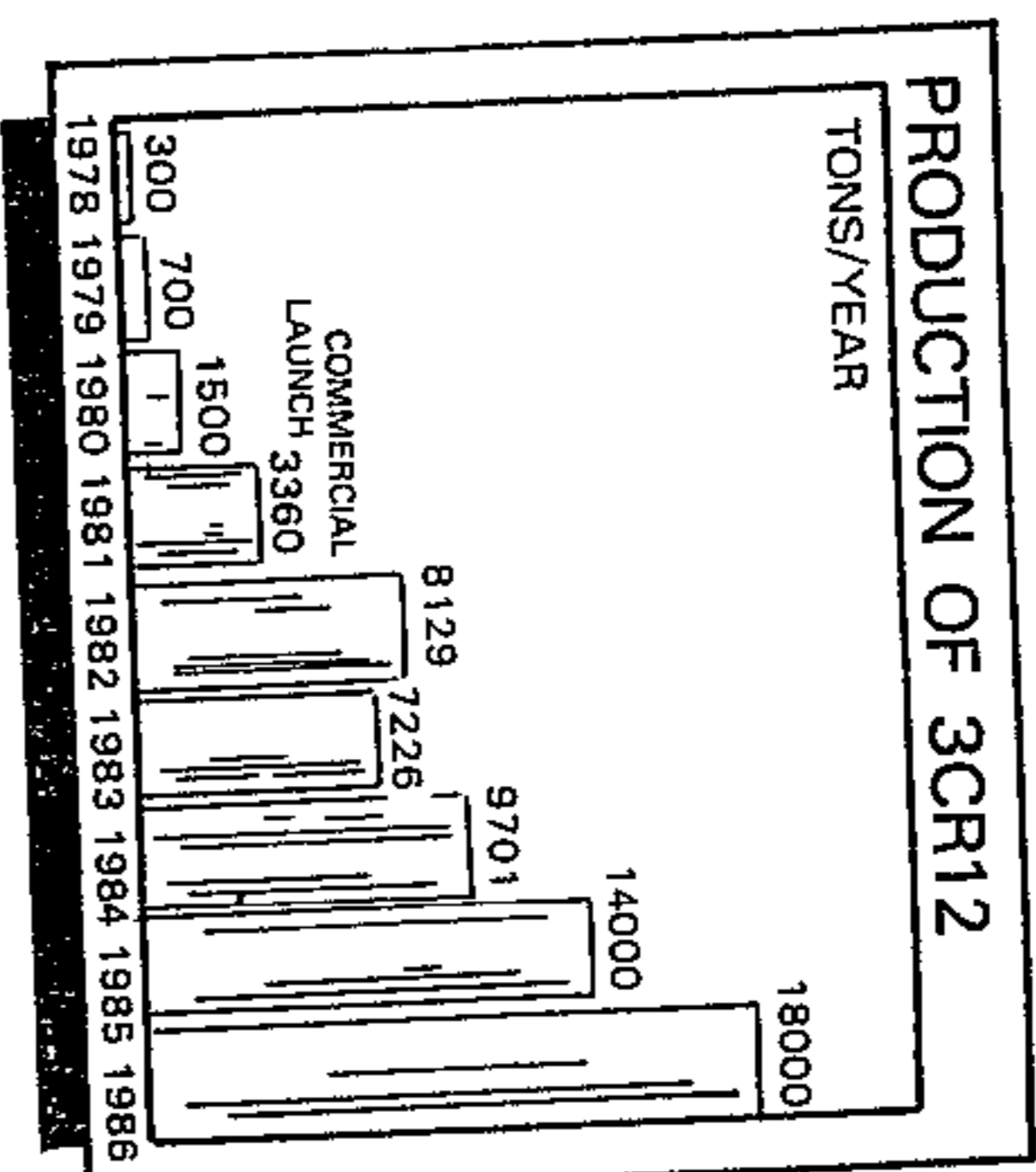
Similar products have been produced elsewhere in the world in thin-gauges, but the thicker gauges of 3CR12, with its good weldability, are unique.

American producers previously used a similar (but not identical) system for exhaust systems, but when it was rolled thicker it had a brittle weld.

"The secret," says Melvill, "lies in both the technique of manufacture and the ingredients."

The first trials in the field used to get brittle fracture cracks on a cold Highveld morning. This is because the whole research was in terms of ferritic structure. The problem was solved when the research dictated a move away from a ferritic to a duplex structure, which combined to give strength, ductility, toughness and corrosion-resistance.

Chromium provides hardness and corrosion resistance in the form of a layer on layer of oxide film which



reforms when damaged. The development of 3CR12 has taken a decade from conception to commercial production, and has cost millions of rands.

MS&A was originally motivated to do the research in order to find ways of increasing consumption of chromium.

"I started in our own labs in Mid-delburg but because the programme became so comprehensive we brought in Wits, Cape Town and Pretoria universities. We had to carry out research related to production while simultaneously carrying out basic research on welding, corrosion and fatigue," said Melvill. "Something like 90% of the work was done in SA."

"We put the first 300 tons of the material into the market in 1978, and we expect a 36% increase in sales this year. In 1978-80 we were not marketing the steel, but sold it for prototypes and built up a case study of about 2 000 prototypes. The steel was launched commercially in 1981."

"Then, in 1983 we switched from ingot production to slab production which created a new set of problems which had to be solved."

Melvill says it is impossible to calculate how much it cost to develop 3CR12. MS&A spends about R2m a year on research and development, but this accounts for only a portion of the total development cost.

"All one can say is that it cost millions," he says.

There's a place in the sun for all, says MS&A chairman John Hall

(189)

TONY KOENDERMAN

tion, which was subsequently taken over by Rand Mines.

In 1970 he joined MS&A as marketing director, rising to MD in 1974. He became alternate director of Barlow Rand in 1976, a full director in 1978, chairman of MS&A in 1982 and now, as a member of the Barlow Rand executive committee, has taken on the additional responsibility for human resources and public affairs within the whole group.

In his leisure time, Hall plays golf and tennis and sails a keelboat on the Vaal. "Business takes up a lot of my life," he says. "I try to spend as much time as I can with my family. But I find it extremely difficult to balance time between business, friends and family." He's interested in music, with catholic tastes. "I like Beethoven, Mozart, pop — anything and everything."

He also "loves the bush". The gregarious Hall who adopts an informal first-name-terms style of management, must take much of the credit for the marketing drive of MS&A (unusual in a primary manufacturer). He regards the establishment of the company's international network as his greatest achievement.

"When I look over the steel division, marketing was in a mess. I used to spend five to six weeks at a time travelling around the world up to six times a year. So I had a great deal of satisfaction in establishing an international marketing network and seeing it function."

"That was my greatest thrill. I had

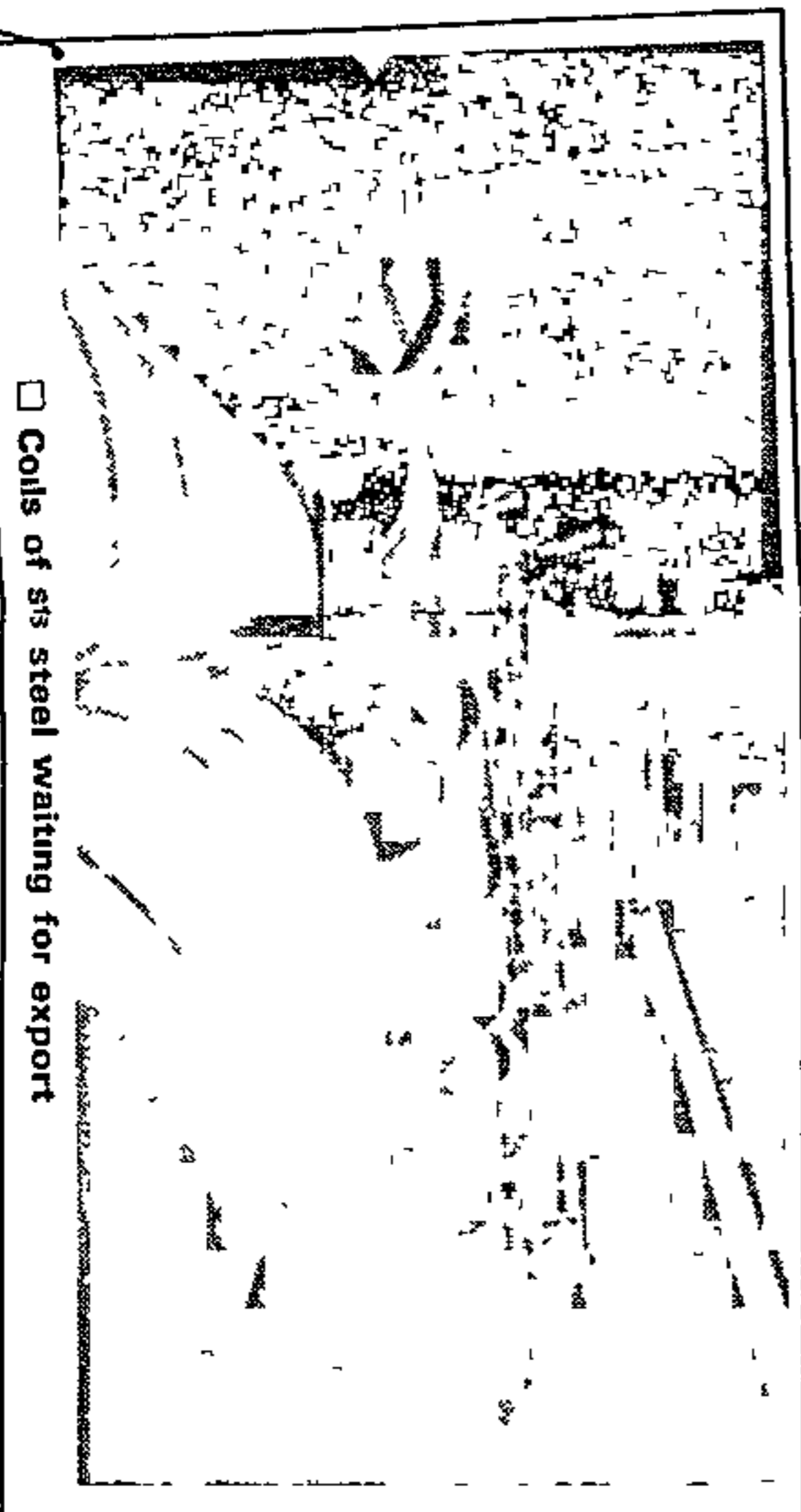
MS&A chairman John Hall has a simple business credo: "Plan for the worst and hope for the best." It's a credo which has helped the company turn its profit and loss account around in the last three years.

"In our business, where the volatility of export markets can turn around fairly quickly, you have got to keep your finger on the pulse," he says.

Hall, who describes himself as a died-in-the-wool capitalist, also believes fervently in giving people a fair deal.

"I feel very strongly that everybody should have his place in the sun," he says. "On one level, it translates into wage levels. Our philosophy is that you pay more to get more of the other way around."

"I have great faith in people. They behave the way you would expect them to behave, so you should live high expectations. Within a company one must create an environment where people know they can progress whatever their race."



Coils of 3CR12 stainless steel waiting for export

Another achievement Hall recalls with pride was getting the new steel mill accepted. "At R150m, it was at that time (1978) the biggest single investment in Barlow Rand's industrial history." The same mill today would cost R500m to R600m.

The international relationships Hall built up have remained very constant, and are one of the great strengths of the company today.

"The strong thread of people runs through all of this. Constant confirmation that people everywhere are much the same. They have common value systems with an overlay of cultural conditions that must not be emphasised beyond reasonable perspective. You get to understand people through the cultural differences," he stresses.

On SA's future, Hall is philosophical. "One has got to try and play the percentages," he says. "I try not to be too optimistic. I take the view that everybody, black and white, does not really want to see the country destroyed. We all have a common goal. There is a place in the sun for everybody."

"There has got to be some *modus vivendi*. Power has got to be shared." Hall argues that whites have a significant power base in their technical and management skills, while black labour is also a power base. "So in terms of the dynamics of power, there are many areas where the scales are reasonably balanced."

"There are enough common skills and enough muscle on both sides to arrive at a solution without a holocaust."

never really travelled before. To realise that people are much the same everywhere — to develop those markets was mind-bogglingly satisfying.

"Subsequently, doing a similar thing with alloys was also very satisfying."

"I have always been backed by superb lieutenants and incredible technical skills in the company."

Subsidised courses aid welders

TO MEET the demand for properly-trained 3CR12 welders, MS&A and the SA Institute of Welding (SAIW) now offer a 3CR12 welder training course.

Partially subsidised by MS&A, the five-day course covers conventional welding process and concentrates on the specific requirements of 3CR12. In addition to actual welding, associated requirements relevant to 3CR12 fabrication are covered.

The cost of the course to employers is R150 per welder.

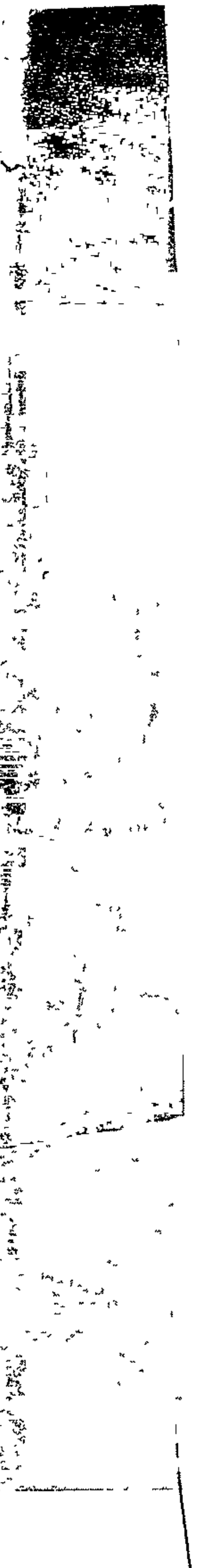
Training can take place at the SAIW premises in Johannesburg or at employers' premises.

Priority will be given to employers who are (or in the near future will be) actively involved in 3CR12 fabrication and usage.

The first two courses have recently been completed and others are planned for the future.

Details of forthcoming courses can be obtained from Bill Scurr of MS&A (011) 783-2060 or Chris Smallbone of the SAIW (011) 970-3380.

Employees must have dreams, too, says MD Gomersall



1 11% chromium, typically used for kitchen sinks

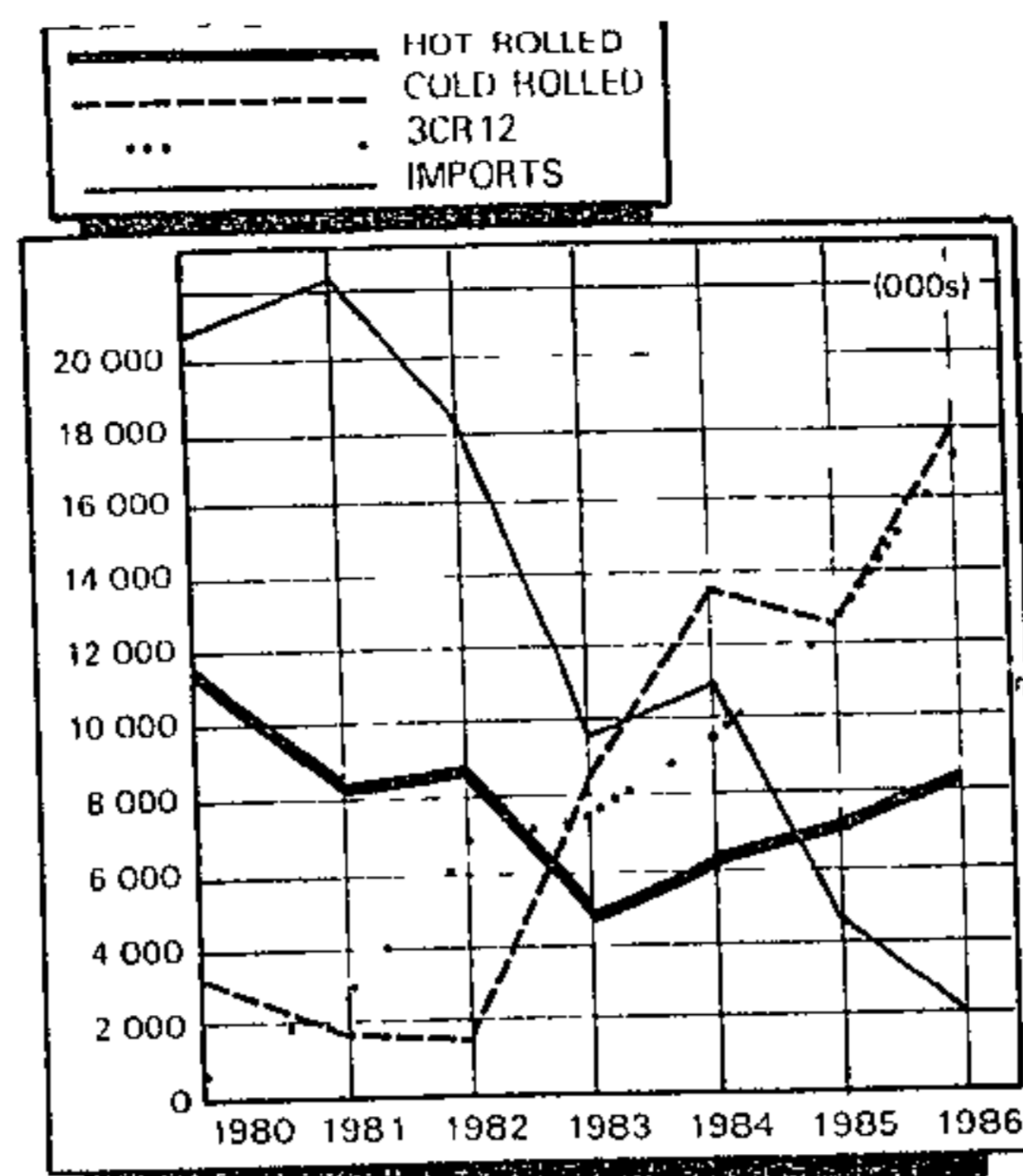
2 18% chromium, 8% nickel The most popular grade, used for wine and beer tanks, food processing

3 18% chromium, 10% nickel, 3% molybdenum This has higher corrosion resistance, and is used in chemical plants, synfuel plants, oil refineries and the like

In addition, there are a host of more sophisticated materials MS&A produces 30 to 40 grades, many of them specifically to suit British, German, US and other international specification codes

The SA market has been in the doldrums since 1984, but has shown the beginnings of a recovery this year The market is divided into two distinct categories

1 Hot rolled plate — fabricating on a jobbing basis for various process units for chemical plants or where high temperatures and corrosive environments are involved



—The development of existing and new products,

—The encouragement of exports of fabricated products,

—The continued growth of 3CR12, and

—Improved market awareness of stainless steel

The housing market alone offers great scope There is a housing backlog in SA of 500 000 units On average, each household will consume something like 22kg of stainless steel

Other areas of expected growth including fencing, razor tape and roofing, particularly in coastal and industrial environments

The trend to stainless steel exhausts on motor cars in parallel with stricter pollution legislation is already apparent in the US and Europe, and SA motor manufacturers are offering stainless exhausts to gain a competitive edge There has also been a significant move to car trailers made out of 3CR12

MS&A (PTY.) LTD

NOCULANTS AND
PRE-ALLOYS FOR
THE FOUNDRY
INDUSTRY
FERROUS AND
NON-FERROUS
SCRAP
CHEMICAL RAW
MATERIALS

Weak rand benefits mill

● FROM PAGE 14

RMB Alloys Its sole objective was to benefit SA chrome ore reserves, a high percentage of which was owned by Rand Mines (RM), now part of Barlows Rand, which had 40% of world chrome ore reserves

The stainless steel operation, started in 1966, concentrated on stainless steel plate and limited quantities of sheet

During the period 1963-86 the company has grown to produce 15% of world ferrochrome requirements and 30% of SA's total production It also exports stainless steel to 48 countries and satisfies 90% of the SA market The remaining 10% is made up of specialised imports

In 1979 the decision was taken to expand the steel operation from 24 000 tons a year capacity to the present 90 000 ton annual capacity The modern new mill, moreover, has the ability to be expanded to an annual capacity of 150 000 tons with the expenditure of a relatively small amount of additional capital

Hall does not disclose MS&A's return on the R400m of capital employed, except to say that it is "very satisfactory at the moment" However, it is believed to be approaching 20% — a level with which few comparable companies could compete

The company is conservatively geared, with a debt equity ratio of about 0,60, which is "on target", according to financial director Jim Tennant But he adds "With the perceived increase in

interest rates coming by the end of the year we will want to get that ratio down."

Enlightened labour policies have ensured good industrial relations among the company's 3 600 employees There have been no retrenchments during the current recession — and work stoppages are rare

"We pay way above minimum wages, but we get higher productivity from our people," says Hall "And if somebody performs badly, we take him away for retraining."

What of the future? Newly-appointed MD John Gomersall believes in five years MS&A's output of alloys (including the company's own consumption for steel manufacture) could be 350 000 to 400 000 tons of charge chrome a year and 40 000 to 50 000 tons of low-carbon chrome

"Alloys output will have to grow to maintain world market share," says Gomersall. "There are also a lot of new technologies being investigated for incorporation into our activities That is essential if we are to maintain our competitive cost edge"

The steel mill has scope for an increase in capacity, but this is not envisaged in the short term

"The steel mill has overcome the teething problems of establishing a major plant within an existing operation," says Gomersall "It is a state-of-the-art plant and is on the road now to establishing a bottom-line track record

"In the next few years it will come into its own"

More 3CR12 seminars planned

PARALLEL to the 3CR12 welder training course, MS&A and the SAIW are jointly running a series of countrywide seminars on the fabrication of 3CR12 — covering, in addition to welding, storage, cutting, forming and post-weld cleaning

Problems associated with incorrect fabrication are also included

These seminars, aimed at designers, draughtsmen and specifiers, have been so well supported that the first three — held in Durban, Johannesburg and Welkom — were over-subscribed

The next seminars are planned for June and will be held in other centres as well.

company," he says. MS&A is highly respected in the ferrochrome and stainless steel industries of the world and is regarded as one of the leaders in terms of its image, technologies, customer service, product quality and variety.

"It is my dream to see that respect maintained, to see MS&A remain a leader in all respects," he says.

Gomersall believes the way to achieve that is to allow the employees to derive fulfilment within the company.

"They must have their dreams, ambitions and goals, too.

"This is not a formal management-by-objectives approach, but there has got to be excitement. In the end the success of the company is a culmination of the individual successes of all the people in the team."

Internationally, MS&A has an almost unique position. There is only one other ferrochrome producer in the world, a Finnish organisation, which also has its own stainless steel division.

"So when we are looking at a customer's ferrochrome needs,"

GOMERSALL newly-appointed MD

says Gomersall, "we understand the language they use. The fundamental business philosophy of MS&A is to benefit the ore mined by Barlow Rand — which owns 30% of the world's chromium reserves.

"One of our aims is to see further beneficiation of our stainless steel into fabricated products. We should export fabricated products rather than stainless steel."

British-born Gomersall came to

after serving articles with a firm of accountants.

In 1971 he left the auditing profession and joined Barlows. He spent 18 months with Robor, and soon after the Barlows/Rand Mines merger moved to MS&A as financial accountant.

In the last 14 years he has seen the company grow as he moved up through administrative manager, group financial manager, group financial director, and in April 1984, MD of the alloys division.

"We decided that the group was getting too big to run with only one executive team so (chairman) John Hall appointed a separate MD for each division," Gomersall recalls.

From the beginning of this month, he has been overall MD of MS&A.

Now 40, Gomersall was married in 1973 and has two children. He plays a vigorous game of squash and "the occasional game of business golf. I scratch a bit, but I don't let it get me down. I really enjoy it."

He's "very much a family man," likes pottering around the home doing woodwork and home improvements.

Sassa's objectives have changed over the years

THE Southern Africa Stainless Steel Development Association (Sassa) was formed in 1964.

Initially its prime function was the dissemination of technical information to the industry and its markets in order to ensure the correct use of stainless steel.

Today its overall objective is to maximise the correct use of stainless steels and other high performance alloys and to promote the development of the SA stainless steel industry.

Membership, totalling about 150 companies, includes the raw material producer, foundries, distributors, fabricators and converters associated with the use of stainless steel.

Sassa represents over 90% of the total activity of the stainless steel industry.

The association's activities involve promotions, research and development, government liaison on matters such as tariff protection, improved productivity programmes, export promotion, market research, training and education, handling technical enquiries and providing product and service information via Beltel.

Sassa recently organised industry conferences in Cape Town and Durban, where speakers included Chief Minister Buthelezi, Prof Brian Kantor, *Financial Mail* editor Nigel Bruce and the SA Foreign Trade Association's Ann Moore.



COINAGE offers a small but interesting area of development for the use of chrome-based alloys. The Chromium Centre is working with the SA Mint in examining the possibility of producing a stainless steel coin instead of the more traditional nickel for the export market.

This could be a worthwhile service to Third World countries in Africa because stainless steel is considerably cheaper than the pure nickel coins currently in circulation in SA.

Among countries which already produce chrome coins are Italy and Brazil.

Guide was compiled for OFS miners

MS&A HAS compiled a report on the current usage of 3CR12 corrosion-resisting steel in the OFS gold mines.

It is intended as a reference guide for people in the gold mining industry who are working with or specifying 3CR12 and has been distributed through the materials engineering committee of the Chamber of Mines and Gencor Group Laboratories.

All those named in the report have indicated they would be happy to discuss the performance of 3CR12 in their area of the mine with anyone who is considering using the material.

In order to help specifiers to order 3CR12 items and plate, a list of local suppliers is included at the back of the report.

There is also a section on where 3CR12 should not be used.

Guidelines on the fabrication of 3CR12 are available from MS&A.

Copies of the report are being circulated to all engineers and foremen on the OFS mines and additional copies are available from Middelburg Steel & Alloys (Pty) Ltd, PO Box 781815, Sandton 2146.

Similar reports on the Klerksdorp and Carletonville areas will be compiled in the near future.

CONGR
MIDDE

27/5/86. BU DAY

189

Bennie's electrifying changes are aimed at cutting overheads

THE MS&A alloys division, which competes on all the world markets for the sale of its ferrochrome, is turning the production technology wheel about a full turn in its efforts to reduce costs

Competition in the world market is in quality and costs. And at MS&A electricity at about R4m a month is the biggest single cost item.

The company is now examining the possibility of using pulverised coal ignited by oxygen to produce the massive energy required to manufacture the alloy. This is in line with the worldwide movements, since electricity costs are a major problem for all producers.

For MS&A to keep up with its competitors it must follow all

trends and research all avenues. "MS&A has an advantage which it intends to make full use of," says alloys division works manager John Bennie.

"We are able to produce a wide menu of ferrochrome products, using Transvaal chromites."

"These are low carbon ferrochromium, charge chrome (known as high carbon ferrochrome), and ferro-silicochrome."

"The advantage is that we can — unlike many of our competitors — give our customers a wide range of ferrochrome for the production of stainless and specialty steels."

Ferrochrome alloys were first produced at a pilot plant at Driehoek, Transvaal in 1960.

Low carbon ferrochrome exports were commenced in 1962. The MS&A location was selected for a major ferrochrome plant the following year and the first concrete was poured in January that year.

MS&A was chosen because of the availability of cheap ground, and it was on the railway line to the export port of Maputo (then Lourenco Marques). It was also close to ore deposits, power stations and a reasonably abundant water supply. Labour from nearby Lebowa was in plentiful supply.

Since Mozambican independence, the port of Maputo has become unreliable but, fortunately, there is a reasonable route to Richards Bay Production of ferrochrome at MS&A



□ BENNIE has an advantage

started in 1964 and a logical step was to establish a stainless steel mill which produces a customer for the ferrochrome on the doorstep. Up to 1974, only low carbon ferrochrome was produced and in that year charge chrome was established as the major product line.

3CR12 presents opportunity to develop stainless steel market

THE stainless steel market is essentially what MS&A is all about.

Some 50% of its turnover comes from production of ferrochrome alloys — the main raw material for producing stainless steel — and the rest from producing stainless steel.

The development of 3CR12, a "leaner", less corrosion-resistant stainless steel, represents a significant opportunity to develop the market.

Presently, world stainless steel demand of 8-million tons represents only about 1% of the world carbon steel demand, a market of 700-million tons a year.

"Our whole philosophy is that if we can penetrate another 1% of the carbon steel market through the activities of a lower cost, volume product we will double the demand for chromium," says MS&A marketing director Leo Melvill.

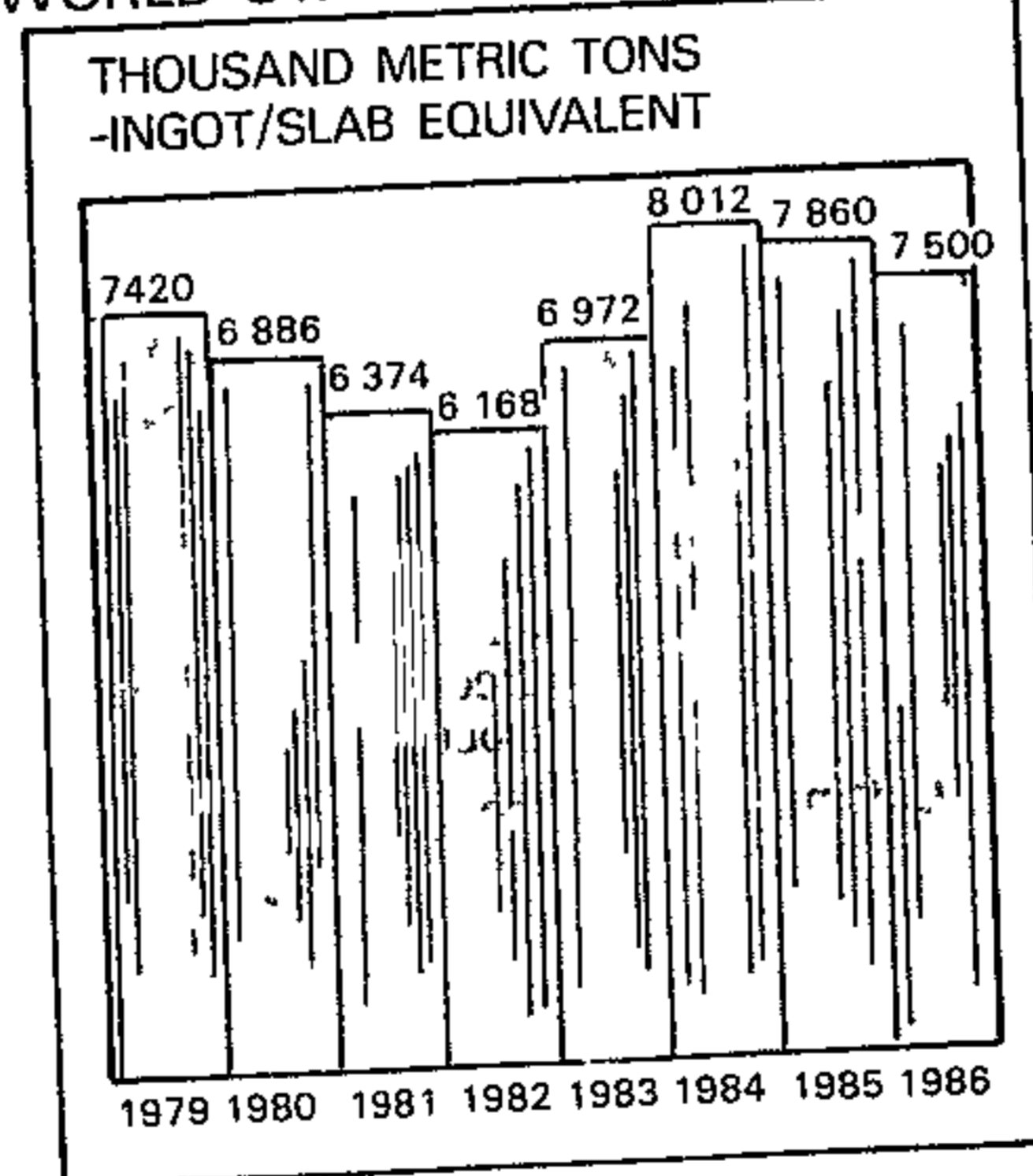
"In pursuit of the objective of selling our chrome, we license people to make our steel. We ask for only a small royalty, because our main aim is to make the chromium sales. This is what we are doing with 3CR12. We first export to get the market going and then we license it. Already, it has been licensed in Australia and Germany."

"We have proved 3CR12 in SA and demand is growing in Australia and Europe."

But a lot of work has to be done. For example, there are no structural design specifications for the material, so MS&A is sponsoring a three-year research programme in the US, jointly with some professional bodies, which is aimed at developing these guides. The programme is updating stainless steel design codes as well as 3CR12.

There are three main grades of stainless steel

WORLD STAINLESS STEEL MARKET



This is essentially the capital projects market — Sasol, fertiliser plants, Mossel Bay, synfuels.

That market is running at 7 000 tons to 8 000 tons a year, though it has been as high as 12 000 tons when Sasol 2 and 3 were under construction.

"It has come up a long way from the depths," says Melvill. "At one time it was only 3 000 tons a year. Although capital project construction provides the big boosts, there is a fair base load of maintenance-related business thereafter."

LOCAL SALES TONNAGES
(FLAT PRODUCTS)

2 Cold rolled sheet and coil. This tends to be more consumer product orientated. The aesthetic appearance of stainless steel is important, as are hygiene and cleanability.

Major products are holloware, cutlery, kitchen sinks, dairy and food containers, wine tanks, beer tanks, pharmaceutical equipment — anywhere where product purity is important. A key aspect is that stainless steel is maintenance-free.

MS&A's share of the SA flat products market has risen from the 20% enjoyed with the previous mill to 80% when the new mill started and 90% now.

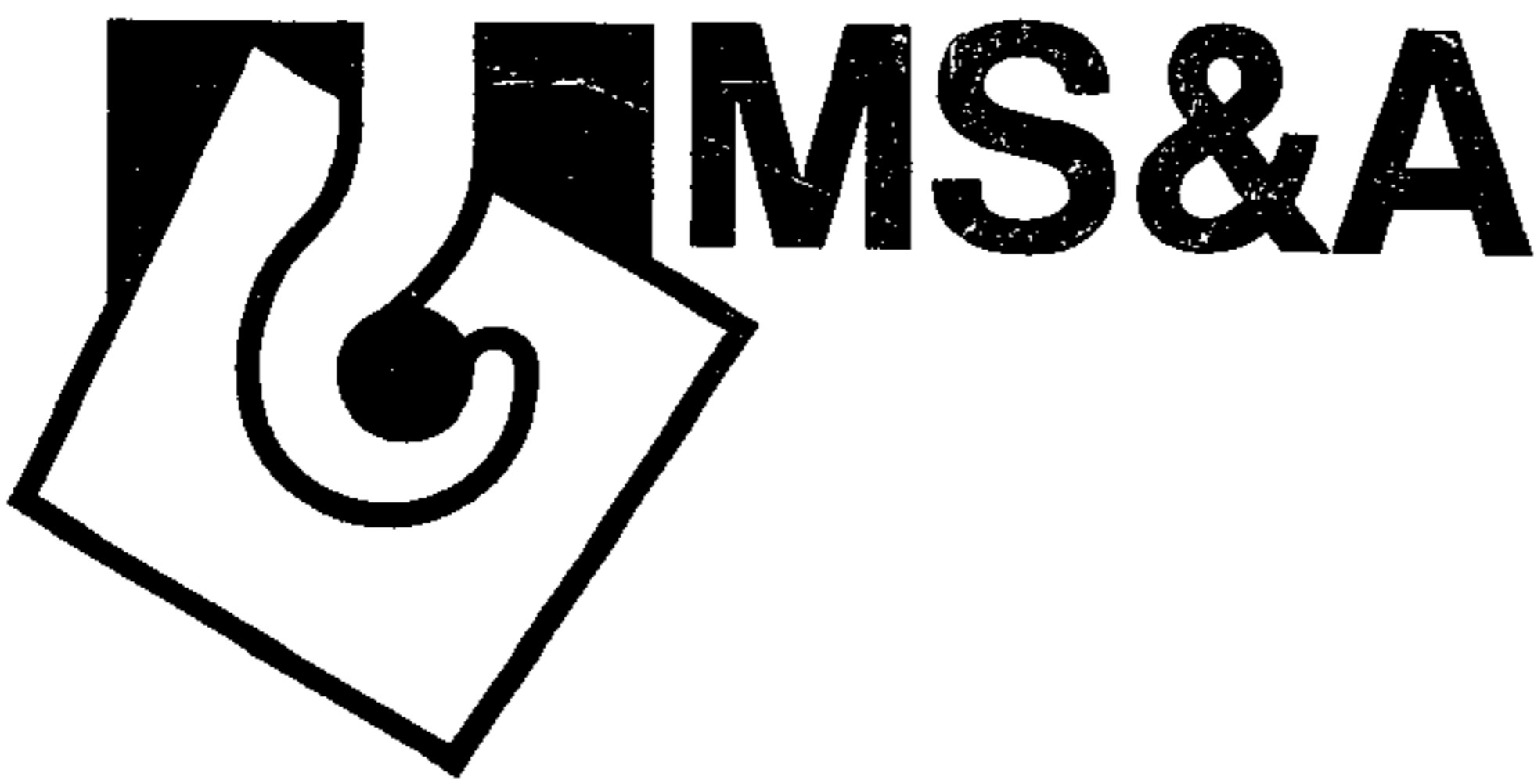
However, the local market is capable of absorbing only 40% of the mill's current production. "We need to sell at least 50% of our output into the local market, and preferably 60%," said Melvill. "So it is vital to grow our domestic market. Most of that growth will come from 3CR12."

"You don't make as much money on exports. In the depressed conditions of the world market, everybody has been using marginal pricing, and dumping is taking place."

The distribution system is very important because stainless steel is a high-value product and can tie up a lot of money in stocks and debtors. The three distributors, Fagersta, Jackson's Metals and Robor, provide tremendous support in the market place and supply the back-up service of fasteners, nuts and bolts, welding electrodes and the like.

The growth potential is enormous. With the current SA per capita consumption of 1,2kg of stainless steel a year, there is a lot of ground to be made up before this country rises to the Western world norm of 5kg per capita annually.

It is expected that this growth will come from



MIDDELBURG STEEL & ALLOYS

A Business Day Survey

MIDDELBURG Steel & Alloys (MS&A), the recipient of this year's *Business Day* Business Achievement Award, has shown remarkable growth in the face of severe recessionary conditions.

In this special survey, Deputy Editor TONY KOENDERMAN examines the reasons for this, and looks at the company's future prospects.

MS&A use weak rand to telling effect

Business Day
27/5/86
189

IN THE last three years, Middelburg Steel & Alloys (MS&A) has tripled its turnover to more than R500m, turned around from a R20m loss to a R52m profit, and increased export earnings by more than 200%

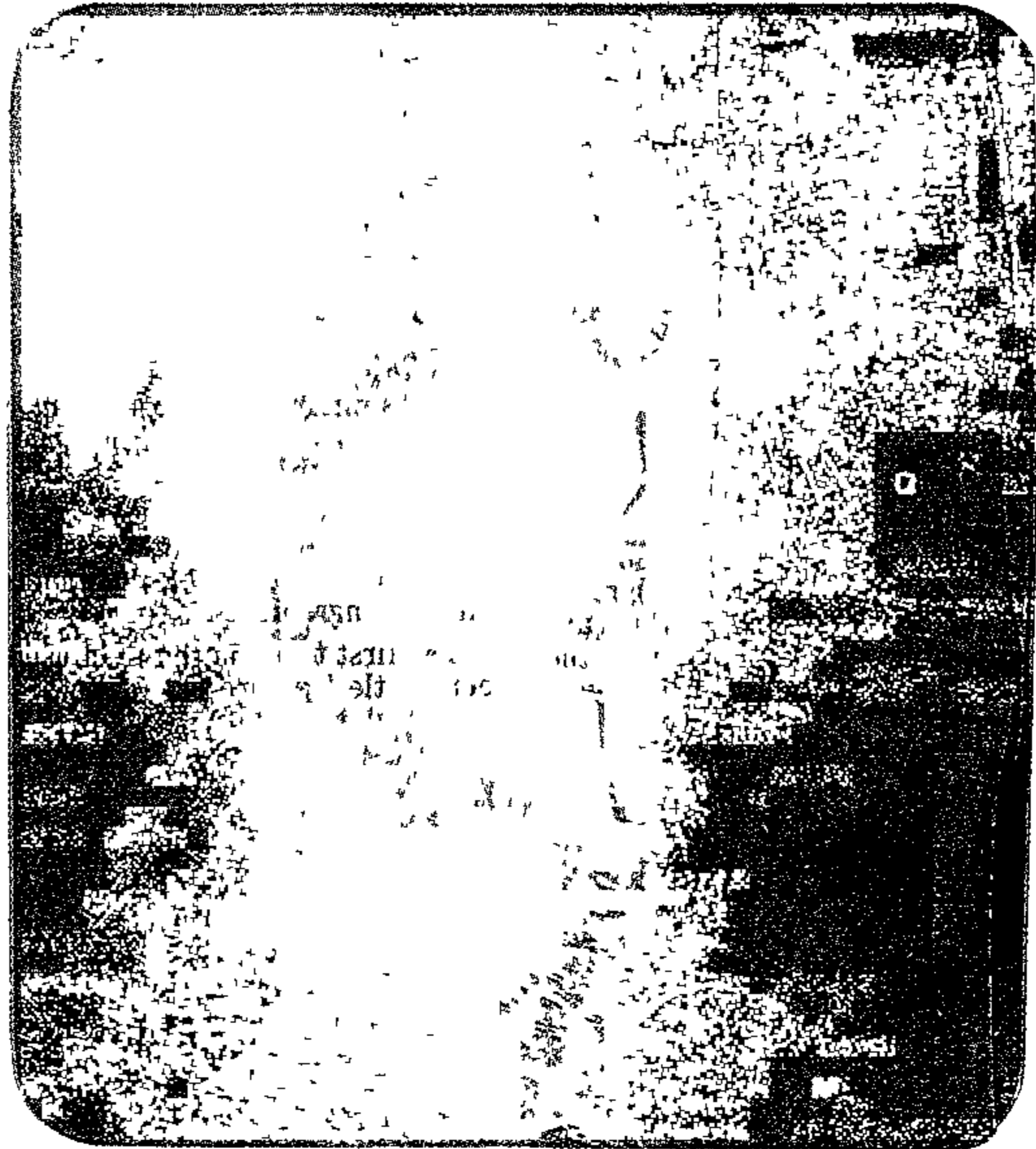
In the depths of the worst recession in SA history, it has been able to benefit from the weakness of the rand, and has not had to retrench a single worker

The turnaround was to a degree fortuitous the collapse of the rand made exports more profitable, while world demand was in a recovery phase But MS&A's ability to capitalise on this is based on 16 years of building an international export network of agents.

MS&A produces and markets stainless steel as well as three chromium alloys (the main raw materials for making stainless steel).

While the alloys division is primarily an export business (90% of its output is exported), the steel division was intended to satisfy the needs of the local market But the severity of the recession has caused domestic market stagnation and the export of stainless steel has become critical to keep the company out of the red

"The steel plant was finally commissioned at the end of 1984 during a severe recession, which placed a heavy dependence on exports," says chairman John Hall. "While the export volumes were good, world prices have not been attractive in spite of the weak rand "Although the steel and alloys divisions make roughly equal contributions to turnover, the alloys division is still the major pro-



Tapping a ferrochrome furnace at Middelburg

TONY KOENDERMAN

fit earner But the main potential for earnings growth rests with the steel operation."

Surviving in the export market has not been easy during a time of increasing hostility to SA

"Obviously, there are people who are worried about this country,"

says Hall. "People question our ability to be a reliable source of supply I find myself repeatedly reassuring them that that is possible But most of our customers are well wishers and understand that we are doing the best we can"

The company started in 1963 as

● TO PAGE 16

Seifsa says exports keep steel

THE export market for steel products has kept production of ferro-alloys and primary steel on the upward path amid gloom in other sectors of the metal and engineering industries

Production in 1985 dropped 15%, compared to the peak 1981 year, but the export-intensive ferro-alloy industry — one of the five largest producers in the world — has performed consistently

LINDA ENSOR

Last year output rose to 1.5-million tons — 4% over 1984 and 29% over 1982. In its latest quarterly report the Steel and Engineering Industries Federation of SA (Seifsa) predicts this year's production volumes will remain at last year's level

and ferro-alloys sales buoyant

Exports have also helped increase production volumes of primary steel. Output for 1985 was 8.5-million tons, of which 45% was for export — an increase of 10.2% on the previous year and not far below the record 8.9-million tons in 1980. The export performance was not matched locally, with domestic demand dropping by about 22% during 1985.

The first quarter of 1986 showed sales 6% below expectations. On the bleaker side has been the consistent and dramatic decline in ferro-casting production from 457 000 tons in 1982 to an estimated 326 000 tons last year. The first quarter of this year showed continued depressed levels of activity.

centre of its constitutional master plan, and reform initiatives launched from this basic premise, talk of multiracial legislatures is a little too much for Pretoria to swallow — at present

The Indaba, however, is not talking of secession for Natal — or of blacks in Natal-KwaZulu giving up any aspirations they may have to participation at the centre. Natal would still be very much a part of SA and, as such, any proposals emanating from the Indaba would have to fit, constitutionally speaking, with the rest of the country.

It does imply, perhaps, that the constitution might have to be redrawn to make it fit. That's not the worst thing that can happen. For many, the tricameral parliament has always been regarded as a temporary measure or ruse. In future, even government might consider a federal constitution, which makes "local options" like KwaNatal less unthinkable.

Initial reports from the Indaba indicate it has already run into an early obstacle. The problem is that the principal negotiators — the elected, but soon to be phased out Natal

Provincial Council, and the KwaZulu Legislative Assembly — face an odd deadline. If government presses ahead and replaces the Natal exco with a nominated exco, with the coming of the regional services councils in June, it could damage the credibility of the discussions. Consequently, government is being asked to delay the implementation of its own constitutional package until the talks are concluded.

This could prove a shrewd move on government's part — if acceded to. After all, government could well consider incorporating elements of the Indaba's recommendations into its own plans for second-tier government.

And certainly, if the Indaba comes up with proposals that at least seem workable, government would have great difficulty in rejecting them out of hand. In the highly charged political atmosphere of the day, there is a need to reward moderate initiatives — of which the Indaba is clearly one. Also, the eyes of the Western world will be on Pretoria. The "Natal option" appears to have much support abroad, and if govern-

ment throws it out it could well expose its reformist intentions as a sham. It can't afford that.

Of course, it is entirely possible the Indaba will come up with diffuse proposals. A common litany among blacks is that there are no credible forums where they can negotiate their constitutional future with dignity.

If the Natal Indaba retains some credibility — with government participation — it could well provide a safety valve for black political frustrations and take some of the impetus out of the vicious cycle of violence and repression we appear to be caught up in.

Moreover, it could be good for the cause of negotiation in general. Having sat around the table together and tested what could be achieved mutually, the participants may well have paved the way for further negotiations at a higher level.

By implication, if it succeeds in turning the proposed National Statutory Council discussions into a full-blown Indaba on a national scale, where there are no non-negotiables, then its achievements will not have been wasted. ■

HIGHVELD

The margins narrow

After faltering badly in 1983, Highveld Steel and Vanadium's profits took on a white-hot glow in 1985. And the key to its recovery over the past two years was the strength of export markets. In the year to end-December exports reached a new high of R372,5m (R219m) and boosted group turnover to R662,1m (R450,2m), also a record. Despite the weakness of the local steel market, earnings a share improved to 58c (38,9c), which allowed a 7c increase in the year's total dividend to 24c.

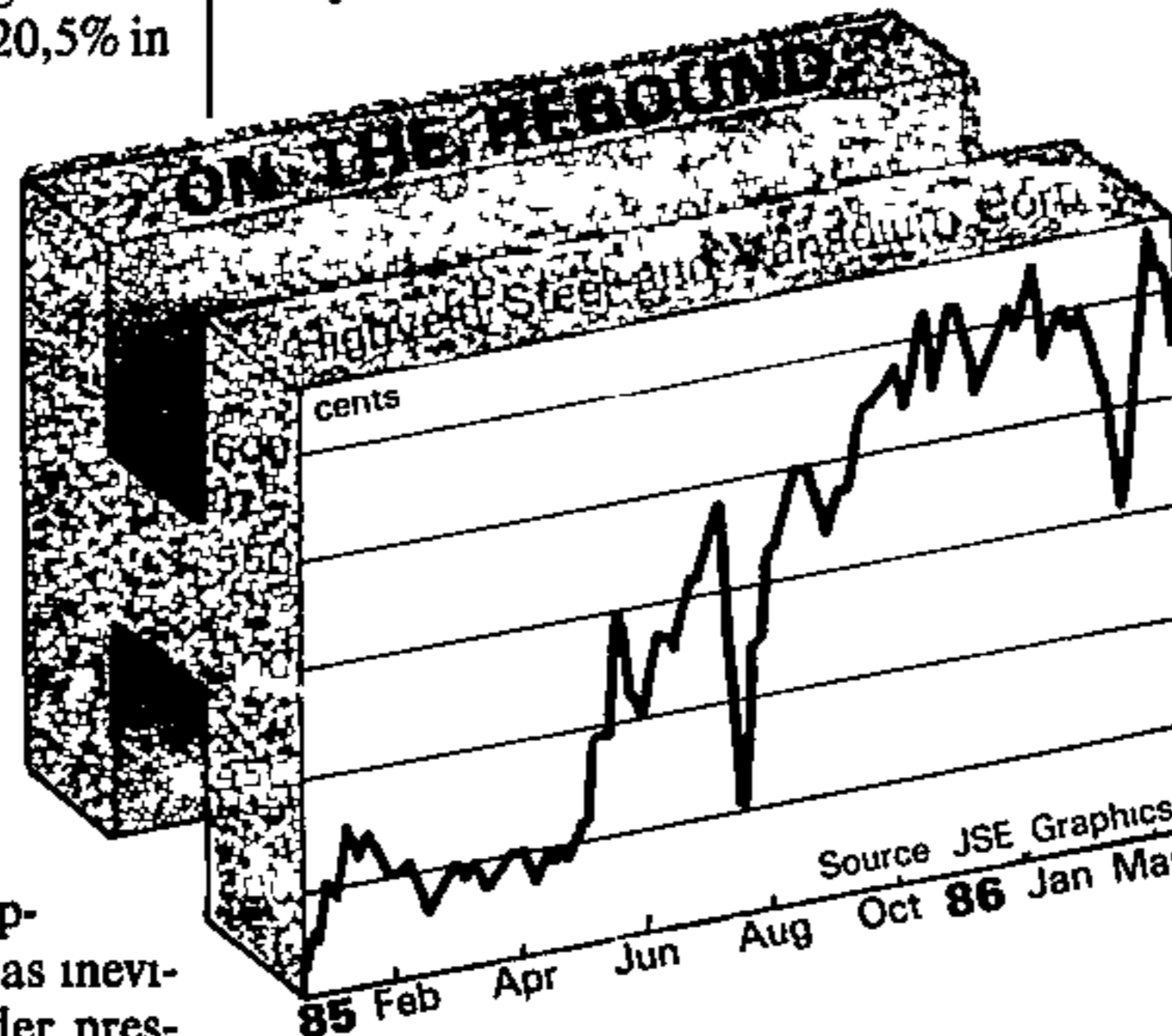
A worrying factor, though, is the lower contribution of the local market, which has traditionally been more profitable than exports. While overall sales have improved, the operating profit margin has narrowed. Even with the higher rand contribution from exports, the operating profit margin has dropped to only 11,2%, compared to 20,5% in 1982.

What's happened is that local inflation has climbed so rapidly that the profitability of the domestic market is being eroded. Most disturbing is the way electricity and railage costs have escalated. Both cost elements are major components in the production of steel and ferro-alloys. While the CPI increased by 259% in the 10 years to November 1985, electricity and railage costs have advanced by 476% and 323% respectively.

With domestic prices not even keeping pace with the inflation rate, it was inevitable that margins would come under pres-

On the face of it, with fat profits, Highveld's share price has definite upside potential. But until the local market recovers, the company will remain heavily dependent on exports and will therefore be extremely vulnerable to sanctions.

sure. The effects might even ripple into the export market. Chairman Leslie Boyd notes, with concern, that if the disparity between the South African inflation rate and that of its major trading partners continues, it "will soon negate the temporary export advantages arising from the weak rand, and will result in South African products being uncompetitive overseas."



World steel production and consumption in 1985 was marginally higher than the year before. In the US, though, production dropped by 4% while its consumption remained little changed, with imports making up the difference. However, the pressure of steel imports reached levels which prompted US steelmakers into attempts to limit imports. This resulted in voluntary restraint agreements (VRA) with SA and other major steel exporting countries. As most bilateral trade agreements were finalised by end-1985, a more stable US steel industry is foreseen.

But Highveld's US market potential will be restrained, since the VRA system was determined according to imports into the US during the 1981-1983 period. Nonetheless, the US remains Highveld's most important foreign market.

In any steel operation there are three phases: mining, steel making, and finishing. Traditionally the US has been strong in all three. One analyst notes, however, that with the emergence of cheaper producers like Brazil and South Korea, the Americans have concentrated their efforts on finishing. Further, they have allowed those countries to take stakes in US companies, thereby securing cheap resources.

The weak rand contributed much towards the strength of Highveld's exports worldwide. As a result its second iron plant — mothballed in 1983 because of poor demand — was commissioned in the second half of 1985. This led to more effective capacity utilisation with consequential cost benefits.

ECHOES OF HISTORY

It is, perhaps, more than mere coincidence that the Durban City Hall has been chosen as the venue for the historic Natal "Indaba."

Across the street, the old Post Office building, then the City Hall, performed a similar function some 78 years ago in October 1908, when heads of state gathered for the National Union Convention.

Their deliberations were fruitful indeed and culminated in the country being led into Union two years later and more firmly into the bosom of the Commonwealth. The significance of that earlier political milestone was not lost on Durban's mayor, Stan Lange. Quoting from the opening address of his counterpart of the time, he noted how he hoped from their deliberations "a South African constitution will be evolved that will prove acceptable to every colony, and that will materially hasten development and prosperity of the whole sub-continent."

No doubt there are those who cherish similar hopes for the Indaba today.

With a historic precedent of that status, it is understandable that a conscious air of expectancy should surround this latest convention initiative. Though essentially dealing with regional issues, it could well have an impact beyond Natal's borders.

As the delegates gathered, however, the scene outside the City Hall did not quite reflect the importance of the occasion. The brigades of Inkatha youth that one has come to expect at these events

were absent, along with their banners and sloganeering.

The Hall itself stood proud and serene, now that the traffic has been banished from Church Street and the approaches to the building paved.

Inside, the atmosphere was different. The mood of the curious onlookers seemed to contrast with the sombre, almost

leaden presence of the delegates seated around the horseshoe table. It was as if they seemed to sense destiny calling.

Light from the stained glass windows of the baroque building streamed down as Chief Mangosuthu Buthelezi took his place at the podium to explain Inkatha's and the KwaZulu government's involvement. Behind him the crazy patchwork map of homeland KwaZulu in white Natal, like the splashes on a painter's palette, was a graphic reminder of the pressing need for unification.



Buthelezi ... 'a long process'

A difficult road lay ahead, the chief minister told his audience. The Indaba, should it be successful, was only the beginning of a long process towards the normalisation of South African society along democratic principles.

There was a strong body of opinion, he noted, which believed the time for dialogue, reconciliation and negotiation had passed and that the only political options open were violent ones.

But "We say such a moment has not yet come." More than anything else, Inkatha's presence at the negotiating table underscored that

table, what can we expect this regional initiative towards power-sharing to yield?

The answer, no doubt, will be revealed only once the talking is over and formal recommendations emerge.

On a more immediate level, government has already recognised the need for some form of shared administrative responsibility for Natal and KwaZulu. There is a loose working arrangement between the two administrations, and a Bill, which will formalise that into a statutory joint executive, is currently before parliament.

What the Indaba backers envisage, how-

ever, is that this co-operation should eventually lead to a total fusion of the two administrations into a single, multiracial, administrative and legislative body. And this is where they part company with the NP.

It cannot be said that the central government is oblivious to the practical advantages of shared administration in Natal-KwaZulu in areas of overlapping interest, such as roads, traffic, hospitals and game conservation. The cost savings alone will probably be enormous. The facilitating Bill is therefore likely to pass unhindered.

But with ethnicity still very much at the

Setting the scene.



As a soothing antidote to the work of the day and the thrills of the night, what better than a tropical retreat of flamingos, pools, swaying palms, superb cuisine and exquisite indulgence?

That's Sun City's magnificent Cascades Hotel, just a flutter away from the casino, the Superbowl and the golf course.

Swim into the Grotto for a soothing cocktail. Dine in the incomparable Peninsula Restaurant. Enjoy luxurious accommodation and attentive service in a setting of breathtaking luxuriance.

And discover why South Africa's top businesses are flocking to Sun City.

SUN CITY CONFERENCES

Don't settle for less.

PHONE (011) 783-0771



Sun International

GREY PHILLIPS | INTON MUNDEL & BLAKE 77834

But profits this year will be reduced by the full-year effect of finance charges, previously capitalised, and the associated depreciation charge. It may, however, be compensated by lower interest rates and reduced borrowings MD John Hall tells me that one of Highveld's prime objectives in 1986 will be to lighten its debt position

The high debt equity ratio of 1,06 (1,15) at end-December is showing signs of improvement. At the same time, the capital expenditure commitment of R4,4m is the lowest it has been for years. Hall confirms that further capital expenditure will be limited to a minor scale in 1986.

World steel consumption in 1986 is forecast at about the same level as the 718 Mt in 1985 Boyd expects that as a result of the weakening of the dollar against other major currencies, an improvement in the dollar price will take place.

He adds that the higher dollar price will, to some extent, "offset the effects of inflation

On the domestic scene, steel products should become more competitive with quantitative import controls being replaced by the tariff structure system Hall notes that "the removal of import controls at US60c would have been a disaster for the local industry."

However, it is difficult to foresee, in the next year at least, the rand strengthening to anywhere near that level

But as the rand improves, Highveld's coastal market becomes more vulnerable to competition from imports High railage costs will offer some protection to its strongest domestic market, the Reef

Ferro-alloy divisions, Rand Carbide and Transalloys, both had satisfactory 1985 results All three ferrosilicon furnaces at Rand Carbide operated at full capacity throughout the year, while Transalloys' four submerged arc furnaces operated at capacity for the major part of the year producing silco-manganese. Medium carbon ferro-manganese demand was low and the two furnaces only

ment-type steel products Hall confirms that the go-ahead given to the Mossel Bay synfuel project will also be good for Highveld's market, but its impact on profits will not be felt this year

Mossel Bay and other synfuel projects aside, the outlook for the local industry is not promising. It is significant to note that a big steel user like Dorbyl is looking elsewhere than market growth — at overhead cuts and rationalisation benefits — for an improvement in earnings

Looking ahead, Boyd expects earnings in 1986 will at least equal those in 1985, provided the overseas market for billets is maintained, and as long as any upturn in the rand



MD Hall ... not actively going for acquisitions

and a strengthening of the rand on Highveld's competitive position in world markets for steel"

The outlook for vanadium is more bullish While world consumption is not expected to be higher than 1985, the closure of certain plants in Finland and Arkansas in the US should decrease international supplies Because of Highveld's dominance as a supplier, estimated at about 50% of free world supplies, production can be controlled to influence international prices

Already prices of ferrovanadium and vanadium pentoxide on major markets are higher than those at end-1985 With the rand expected to remain low in 1986, Highveld will be looking at better returns

The Chinese are a "wild card" because they are unpredictable, but they have become a recognised supplier to the Western world However, their large vanadium stockpile is said to be unfavourably situated and they tend to be erratic suppliers to the world market

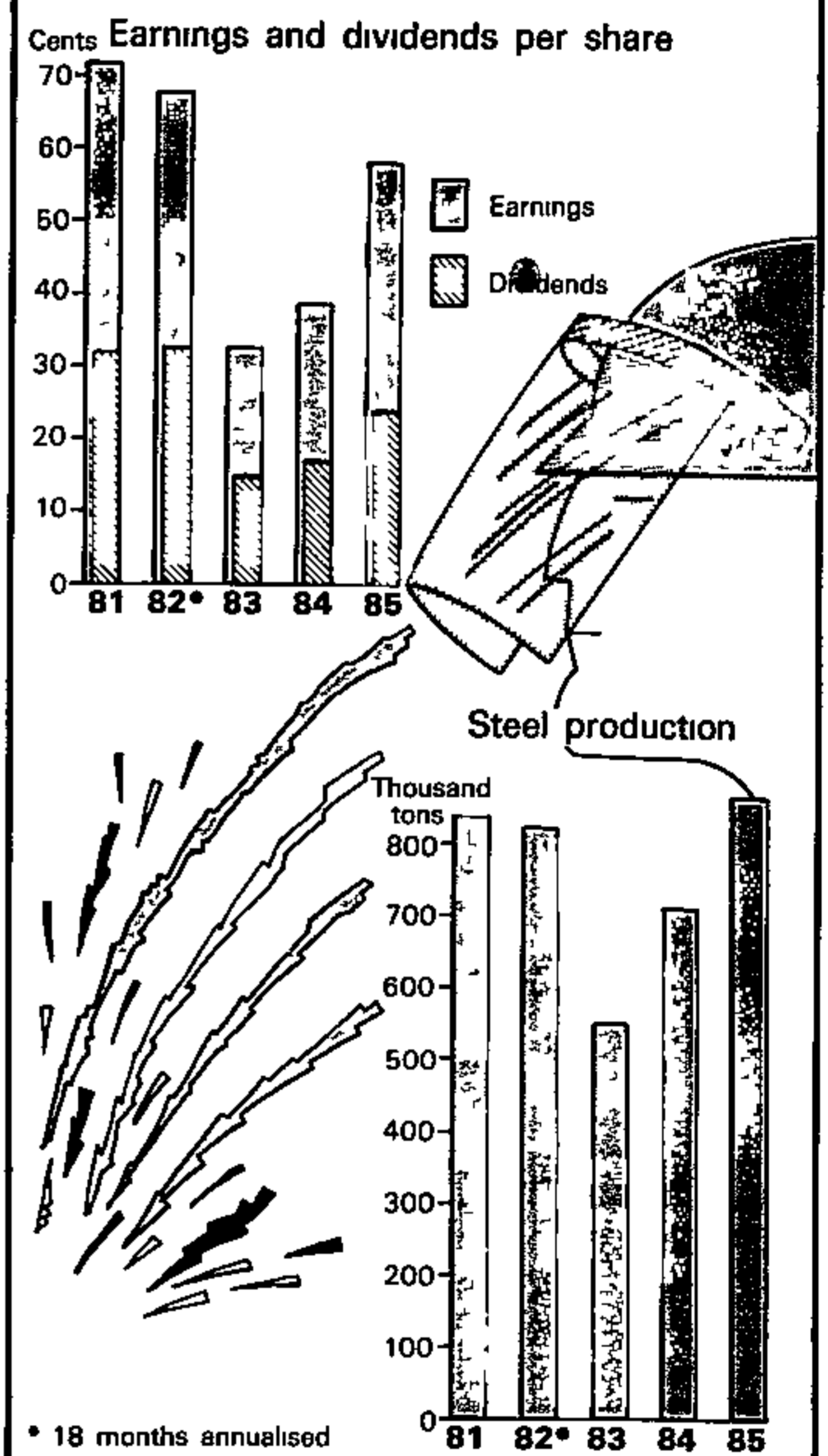
operated at about 30% capacity

During the year Highveld acquired the remaining 35% interest in Transalloys Although this acquisition, together with a new 100% stake in containers and closures manufacturer, Rheem, accounted for most of the R9m extraordinary write-off, they increased earnings by about 8c in 1985 Hall says their performance in 1986 will be in line with that of steel

Despite the two acquisitions last year, Highveld is not actively on the acquisition trail Hall says, however, that they will not turn away strategic investment opportunities. Highveld could have been after Ucar for some time — which would have given it an even greater share of the vanadium market — but Union Carbide have instead sold out to a management consortium

There must be more optimism now that oil prices have dropped even further Certainly, industrialised countries will be looking at better growth prospects accompanied by greater demand, especially in capital invest-

GLOWING COMEBACK



is matched by increases in dollar prices Analysts agree with Boyd's prognosis, but the extent of their forecasts vary from 62c to 70c a share, with dividends ranging from 25c to 28c

At 560c, even the share's current dividend yield of 4,3% is above the industrial sector's 3,9%, whereas a year earlier its yield was substantially below the industrial average On this basis, the share looks to have definite upside potential

However, the market has been apprehensive The share was marked down by 40c from 600c last week Until the local market recovers, Highveld will remain heavily dependent on exports and could therefore be vulnerable to sanctions

Patric Ho

MACHINERY AND

EQUIPMENT

1986

(THERE IS ONLY ONE CLIPPING
DEALING WITH EXPORTS IN
THIS CATEGORY - BUS DAY 29/1/86)

Machine tool firms threatened on all fronts

FRED STIGLINGH

THE machine tool industry is facing threats on all fronts, including a declining market, overstocking and the invasion of second-hand equipment.



A market worth more than R250m-a-year in 1983 is now estimated to be worth between R60m and R120m.

"It's not a very lucrative business to be in right now," says Rodney Cook, sales director for Drury Redman

The influx of second-hand and repossessed machines forced the 83-year-old company to "go second-hand" six months ago, buying equipment, reconditioning and reselling.

Machine tools is a strategic industry, says Cook, as it affects most manufacturing processes, in particular cars, engineering, metal-working, machining and machine-maintenance, and also production of most components in finished articles

About 80% of the market — US, Japan, Europe — is import-orientated, with the local market concentrating on less sophisticated machines and accessories.

Burkhard Herrmann, MD of Retecon and vice-chairman of the Machine Tool Merchants' Association of SA (MTMA), says second-hand machines pose no threat to local industry. Buyers, he says, are either overseas traders, or SA entrepreneurs selling to overseas companies

"We welcome the export and the shrinking of local capacity," says Herrmann, "as it creates scarcity of available machining capacity and boosts acceptance of new orders"

The over-supply of low- and medium-technology machines in SA, he says, is offset by a boom in Europe and, to a lesser degree, in the US

"Delivery times for new equipment from overseas have shot up from six months to 14 months ex-factory, creating a tremendous demand internationally for second-hand equipment"

A further advantage, Herrmann says, is that second-hand export from SA gets rid of outdated technology

Local overstocking, he says, is the long-term effect of machine tool merchants misjudging the market after soaring demand from the metal-working industry in 1980 and 1981

"Effectively the SA machine tool industry has been in a slump since February 1982, with a small boom around October 1983"

It is the worst slump in 40 years, he says, and estimates that potential machine tool capacity has been reduced — as a result of businesses closing down — by as much as 50%



The machine tool business has weakened so drastically since 1982 that traders' cash resources simply do not allow ordering of large quantities of stock

Agents are further aware of accelerated technical changes which rapidly outdate stock machines, and they are wary of high interest rates and fluctuating exchange rates

Manufacturers should plan for their needs long in advance, and in greater detail, says Herrmann

On the positive side, the clear trend towards computer numerically controlled (CNC) machine tools is one answer to the skilled labour shortage

Herrmann says CNC enables the skilled labourer to be used to greater advantage — being responsible for five or more machines, operating from the work-planning office

A further overseas development is the move in manufacturing to small batches, which has led to flexible-manufacturing systems. This makes it possible to switch from machining of one product to another at short notice

Until now, local manufacturers could not always invest in machines to the same extent as overseas counterparts, as much smaller production runs are required in SA

BOB TAIT

At the coalface

Quiet, conservative and cautious, Bob Tait, new MD of Joy Manufacturing, has a hard act to follow. He replaces flashy, brazen former captain, Ian Heron, who turned this

FIN MAIL
7/3/86
189

SA was not an easy one. "The picture we see and hear about this country in the US is so bad, I had to come here and have a look before making a decision

"The positive factors for me are the philosophy of constructive engagement and that Joy is a Sullivan Signatory. We believe we are setting an example by being here." Tait is a committed Republican and a corporate animal

But, he adds, "the company could not be optimistic about its future were it not for the progressive posture of SA's coal producers," which, combined with the fact that Joy is constantly trying to develop more efficient mining systems, makes for a fairly stable market. Its newest product, a continuous-haulage system which does away with the old-fashioned and time-consuming interrupted-haulage system, should be well-received

by at least the captains of the coal industry who are always hungry for improvements. Nevertheless, like most other industries, Tait can only predict modest growth over the next few years. "It's been difficult for anyone to run a business here because of the swings in the rand rate and because of the phenomenal rate of inflation. But the market has remained steady. Our answer is to manage around the problems" ■

ARGUS 16/5/80

Two fresh blows rock Eastern Cape economy

The Argus Bureau
The Argus Bureau
189
192
189
TWO fresh blows have rocked the hard-pressed Eastern Cape economy — Corobrik is closing its Port Elizabeth operation and Steelmobile in Uitenhage is shutting down

ing exercise, according to a spokesman

Its shutdown represents one of the most dramatic reversals in the Eastern Cape's recent catalogue of misfortunes

Corobrik's closure is expected within days and Steelmobile's at the end of the month. About 200 people are expected to lose their jobs

The closure of Corobrik would probably be a mothball-

WAITING LIST

Four years ago, Corobrik had a three-month waiting list on deliveries. Last year Corobrik nationally reduced production by 40 percent and cut salaried staff by 15 percent.

A recent report issued by the University of Port Elizabeth showed private home building in the Eastern Cape had experienced one of the most serious declines in the country

According to an industry source, between 15 and 20 whites and between 40 and 50 blacks are employed there

At Steelmobile, 147 people will lose their jobs. About 12 of these are salaried employees while the rest are hourly-paid

OTHER JOBS

The plant, site and the machinery are being sold, the plant manager of Steelmobile, Mr Richard Roper, said today

He said the workers had been told in January that the plant would close at the end of May to give them time to look for other jobs. They had been given severance pay

Most of the hourly-paid operators and labourers had been unable to find alternative work in the area

16/5/86: SPARK (189) (189)

Two E Cape firms to close

TWO companies in the Eastern Cape announced they were closing yesterday as government decided to appoint another committee to investigate serious problems of the region

Corobrik and Steelmobil are to shut their Eastern Cape plants this month

In a statement released in Parliament, Constitutional Development and Planning Minister Chris Heunis said it had been decided that a special task team was to be appointed under the leadership of his department to give urgent attention to a variety of chronic problem areas in the Eastern Cape

To be known as the Eastern Cape Stra-

CHRIS CAIRNCROSS

tegic Development Team, it will be chaired by Frans Scheepers, chief executive director of the Department of Constitutional Development and Planning

On Friday Corobrik in Port Elizabeth is to mothball its plant because of the decline in demand for bricks, causing more than 100 workers to be laid off. Four years ago the same company had a three-month waiting list on deliveries

Steelmobil, built in 1982 to supply Ford, will close at the end of the month. A total of 147 workers are to lose their jobs

Benefits galore

FIN MAIL
189
16/5/86

It's hard to believe that any manufacturer would pass up an opportunity to improve labour productivity by 40% and reduce inventory from six weeks to five days

Such are the gains noted by a GEC subsidiary which has adopted the new manufacturing management strategy called Just-In-Time (JIT). However, most SA manufacturers seem to be ignoring the potential

GEC production manager Dave Carstens says GEC Small Machines has also benefited in other ways. Lead times have been cut and quality has improved since JIT was introduced

"Rejects or rework of the final product used to run at about 40%, but for the last six months it has been less than 1,5%." Rewinding of motors has been cut from 7%-8% to less than 0,5%

All this was achieved in a factory operating in a deep recession under extremely competitive conditions. Now JIT is being extended to GEC's 11 other manufacturing sites

Among the handful of other local companies which use the technique, Toyota, Rowen Engineering, Fedmech, MSN Products and Wilson-Rowntree all report similar improvements

JIT is a strategy for improving quality, service and cost by the elimination of wasted time and resources in the total business process. It rejects accepted wisdom that long runs and high inventories provide the most efficient use of production resources

Rather, the theory goes, short lead times coupled with flexibility translates into maximum quality, minimum cost and ontime delivery. It achieves this by constantly attacking all forms of waste

JIT theory identifies seven types of waste, of which the major element is time. Others include overproduction, unnecessary motions by people or equipment and defective materials at all stages of production. It requires constant attention to waste, leading to greater productivity and higher quality

Explains JIT consultant Warwick Johnson, of Plossl & Johnson "It requires new thinking which is frequently the opposite of traditional practices. The challenge is to create an environment where unit costs do not depend on quantity

"The term JIT is a classic example of widely used jargon grossly misunderstood by too many people. Some believe it is the English equivalent of the Japanese word 'kanban' (an indicator board system which tells workers what to do next). Others think it describes what happens in a process plant"

He stresses, however, that JIT's goal is to provide the product at the time the customer needs it. The objective is not to reduce inventory, but to improve cost, quality and service

Reduced inventory is a consequence of shorter lead times

Another misconception of JIT, says Toyota manufacturing director George Davidson, is that the manufacturer just shifts his inventory problem on to the supplier

"First," he explains, "one needs a steady flow of materials through the plant. Thereafter, the objective is to get the supplier to manufacture and deliver your requirements just in time"

JIT differs from another industry buzzword, Manufacturing Resources Planning (MRP II), in that it is primarily concerned with steady rates of production as opposed to supplying bulk orders on specific dates

Most local companies which have started on the JIT journey report impressive benefits

MSN Products, an Altech group manufacturer of printed circuit boards and micro-electronic assemblies, began to implement JIT last September. MD Peter Verrall reports that, in nine months, the output of each

of between 42% and 92%, depending on the product mix. The main objective is to become competitive on the export market, says Mason

One of the problems facing manufacturers in SA is the increasing difficulty in competing in the world markets

In the last four years, manufacturing's contribution to GDP has shrunk by about 1% against a growth target of 4%-5% a year set in last year's White Paper on industrial growth strategy

At a time of falling domestic demand, local manufacturers have fallen out of step with general manufacturing efficiencies worldwide, believes Johnson. Productivity in Japan between 1973 and 1983 grew by 7,2%. In the same period, the US lagged behind with a productivity growth rate of about 2%

This trend has, however, been reversed. In 1983, US manufacturers outperformed Japan by increasing productivity by 6%, while Japan's productivity growth rate was 5,7%

Comparative local figures from the



Manufacturing ... searching for efficiency

employee has increased 38%, inventories are down 26%, the rejection rate at final test has been cut by 75% and orders delivered on time increased from 82% to 96%

The company has also saved 30% of space. "This has enabled us to defer factory extensions for two years. Furthermore, JIT has provided us with a new tool in the marketplace leading to a growing order book," says Verrall

Fedmech project director Reg Mason has re-engineered the company's Potgietersrus agricultural implements plant according to JIT principles. This has resulted in a 20% reduction in labour and an increase in output

National Productivity Institute show that between 1981 and 1984, manufacturing productivity fell 0,8%. Coupled with a production price index currently growing at over 20%, this is clearly a cause for concern

If it is not reversed, it could put the skids under any export-led recovery. JIT could be the answer, believes Wits Professor John Bicheno. He says there are 4 000 companies in SA each employing over 75 people that could benefit from JIT

"JIT," sums up Carstens, "is a move to simplicity, and the chance of failure is low". The biggest attraction is likely to be that because JIT is a strategy the cost is minimal

Production slides by another 17,7% ^{9/6/86} ^{BUD DAY} ~~17,7%~~ 18%

A MAJOR output drop of 31% in the automotive component industry has sent production figures for the ferrous casting sector sliding downwards

With no turnaround seen for 1986, the sector is fiercely competitive and the industry utilisation level is substantially below normal production

Results of a Steel and Engineering Industries Federation of SA (Seifsa) report show that produc-

tion dropped from a peak of 601 800 tons in 1975 to a low of 295 500 in 1985, a decrease of 50,9%. Compared to 1984, this reflects a drop of 17,7% in total tonnage

Figures released (see table) by Seifsa reflect the volume-sensitive nature of the industry and its reliance on strong activity levels in the mining, building and construction sectors

A spokesman for Seifsa said several foundries made strenuous efforts during 1985 to develop an export market in quality castings

"Despite the weakness of the rand, penetration of foreign markets proved difficult"

He said drops of 19% in both the machinery and transport equipment sectors had resulted in severe cutbacks in demand

"Notwithstanding the large under-demand for castings, a number of SA foundries have embarked on new technology developments

"This will put them in a position to meet any turnaround in demand for high-quality products"

Percentage Increase (Decrease) year on year in Foundry Production compared with overall Manufacturing Production — 1981 — 1985

	1981	1982	1983	1984	1985
MANUFACTURING	6,9	(2 8)	(6 5)	3,2	(5,4)
TOTAL Ferrous Casting	2 9	(16 1)	(19 6)	*(2 3)	(17,7)
Steel Casting Tonnages	(4,3)	(5 5)	(16 3)	*(2 9)	(1,6)
Iron Casting Tonnages	5,6	(19 9)	(21 0)	*(2 1)	(24,7)

* Revised

MAY VEHICLE SALES

FIN MARK
20/6/86 (189)

CARS

LIGHT COMMERCIALS (Up to 5 000 kg)

	1985 Jan-May	% of Market	1986 Jan-May	% of Market	1986 May	% of Market
Toyota	19751	23,74	19079	27,34	3923	28,52
Corolla	13152	15,81	12495	17,91	2506	18,22
Cressida	6511	7,83	6510	9,33	1402	10,19
Other	88	0,11	74	0,11	15	0,11
VW	12152	14,61	12222	17,52	2703	19,65
Golf/Jetta	8626	10,37	10451	14,98	2337	16,99
Passat	2568	3,09	1110	1,59	229	1,67
Audi	958	1,15	661	0,95	137	0,99
Samcor, MMI & Ford	17210	20,69	13486	19,33	2147	15,61
Mazda 323	3000	3,61	3598	5,16	632	4,60
Mazda 626	3135	3,77	2213	3,17	5111	3,72
Peugeot (All makes)	1125	1,35	337	0,48	—	—
Tredia	1271	1,53	882	1,26	—	—
Other	29	0,04	—	—	—	—
Escort	3419	4,11	3112	4,46	199	1,45
Granada	337	0,41	175	0,25	21	0,15
Sierra	4894	5,88	3169	4,54	784	5,70
Mercedes-Benz ...	8889	10,69	6979	10,00	1558	11,33
Honda	4687	5,63	3509	5,03	853	6,20
Mercedes-Benz	4082	4,91	3457	4,96	697	5,07
Other	120	0,14	13	0,02	8	0,06
Nissan	6002	7,22	5707	8,18	1134	8,25
Skylite	1591	1,91	1883	2,70	416	3,03
Langley/Pulsar	4150	4,99	3441	4,93	656	4,77
Stanza	1	0,00	—	—	—	—
Laurel	215	0,26	359	0,52	58	0,42
280 ZX	4	0,01	11	0,02	1	0,01
Other	41	0,05	13	0,02	3	0,01
GM	7192	8,65	4817	6,90	1109	8,06
Opel Rekord/ Commodore/Senator	2396	2,88	1465	2,10	341	2,48
Opel Ascona	1294	1,56	229	0,33	53	0,39
Opel Kadett	3501	4,21	3123	4,48	715	5,20
Other	1	0,01	—	—	—	—
BMW	5234	6,29	5323	7,63	1020	7,42
5 Series	739	0,89	737	1,06	136	0,99
7 Series	510	0,61	360	0,52	68	0,49
3 Series	3971	4,77	4210	6,04	812	5,90
Other	14	0,02	16	0,02	4	0,03
Renault	4154	4,99	2126	3,05	152	1,11
Renault 5	670	0,81	1	0,00	—	—
Renault 9/11	3457	4,16	2109	3,02	152	1,11
Other	27	0,03	16	0,02	—	—
Other	87	0,11	35	0,05	8	0,06
Jaguar	51	0,06	10	0,01	2	0,02
Rover	4	0,01	—	—	—	—
Range Rover	13	0,02	7	0,01	—	—
Mini	1	0,00	2	0,00	—	—
Lancia	18	0,02	16	0,02	6	0,04
May total	13754	(7,95% down on *14942 last year)				
Jan-May total	69774	(16,12% down on *83187 last year)				
Apr total					14231	

	1985 Jan-May	% of Market	1986 Jan-May	% of Market	1986 May	% of Market
Toyota	13325	39,66	12055	40,33	2579	40,38
Nissan	6310	18,78	6662	22,29	1380	21,61
Samcor, MMI & Ford	5990	17,83	5777	19,33	1107	17,33
GM	5034	14,98	3063	10,25	793	12,42
VW	2153	6,41	2221	7,43	517	8,10
Leyland	301	0,90	106	0,36	10	0,16
Mercedes-Benz	55	0,16	5	0,02	1	0,02
May total	6387	(5,69% up on *6043 last year)				
Jan-May total	29889	(11,05% down on *33602 last year)				
Apr total					5965	

MEDIUM COMMERCIALS (5 001 kg to 7 500 kg)

	1985 Jan-May	% of Market	1986 Jan-May	% of Market	1986 May	% of Market
Toyota	460	22,12	592	30,24	119	35,31
Samcor, MMI & Ford	766	36,83	620	31,67	80	23,74
GM	336	16,15	306	15,63	70	20,77
Nissan	293	14,09	268	13,69	36	10,68
Mercedes-Benz	224	10,77	172	8,78	32	9,50
May total	337	(5,87% down on *358 last year)				
Jan-May total	1958	(5,87% down on *2080 last year)				
Apr total					336	

HEAVY COMMERCIALS (7 501 kg and over)

	1985 Jan-May	% of Market	1986 Jan-May	% of Market	1986 Mar	% of Market
Mercedes-Benz	1400	31,98	1022	35,46	221	41,94
Toyota	517	11,81	451	15,65	85	16,13
Magnis/Nissan	487	11,12	318	11,03	65	12,33
GM	532	12,15	304	10,55	39	7,40
MAN	327	7,47	181	6,28	37	7,02
Leyland	275	6,28	227	7,88	29	5,50
Samcor, MMI & Ford	418	9,55	216	7,50	20	3,80
ERF	140	3,20	77	2,67	17	3,23
Malcomess-Scania	70	1,60	68	2,36	10	1,90
Int Harvester	94	2,15	5	0,17	2	0,38
Foden	19	0,43	8	0,28	1	0,19
Hestair	24	0,55	5	0,17	1	0,19
May total	527	(35,65% down on *819 last year)				
Jan-May total	2882	(34,17% down on *4378 last year)				
Apr total					583	

* Includes models withdrawn from the SA market

Not much to gain from new price

EVE POST
189
27/6/86
~~189~~

CAR PLANTS in the Eastern Cape stand to gain little from the new steel price announced by the Government this week

Volkswagen, which supplies body pressings to Mercedes Benz in East London, has its steel delivered at R4 a ton less than the new delivered price of steel to be introduced on October 1, and General Motors says the cost benefit will be R10 a vehicle — at best.

The delivered price of steel to Region D will be reduced by between R18 and R30 a ton from October 1.

Port Elizabeth industrialists have appealed for a national equalisation of the steel price for years

VW's Press relations manager, Mr Ronnie Kruger, said "Our steel is brought by road from Is-

cor and the delivered cost to us is R64 a ton — R4 less than the delivered price for steel brought in by rail after October 1"

Mr Paul Morgan-Smith, a director of GM, said GM obtained most of its steel from a PE supplier who railed coils of steel to the city from Iscor. The supplier had substantial stocks of steel on hand and it would be some time before the impact of the lower railage was felt.

GM's in-plant pressings comprised only a small portion of each vehicle.

Much work was done by component suppliers, and the degree to which they passed on benefits from the new price would have an impact on the cost of completed vehicles. Other cost increases to component manufacturers might overtake the new price benefits.

"The maximum benefit we can see is R10 a vehicle, and that will only be effective if all the steel came by rail — which it doesn't — and if the supplier provides all the steel, which he doesn't, because we also buy steel directly from Iscor."

A spokesman for Mercedes Benz said they bought no steel. Their body pressings were made by Volkswagen and other parts by component manufacturers.

Mr J Fehrsen, managing director of Dorbyl, and a member of the Eastern Cape Strategic Development Team, welcomed the introduction of a uniform steel price for Region D.

Port Elizabeth's industrial development officer, Mr Andre Crouse, also welcomed the concession, saying "It's up to us now to make use of it."

FURNIVAL 27/6/86

ARMS MANUFACTURE

Aiming high

Local industrialists are seldom slow to take advantage of a market opportunity. And so it is with the current shortage of firearms in the country (*Business* June 20)

After the virtual eclipse of the private armaments industry in the last six years, three SA companies have set their sights on producing handguns to meet burgeoning demand. With prices of imported weapons soaring, retailers have welcomed the move.

"There is a definite need for locally-made pistols," says one retailer. "We are virtually out of stock, and many imported weapons are too expensive for the local market."

He cites the price of a Colt 45, imported from the US, where the price jumped from R150 in 1975 to R3 000 this year. In just three years the price has increased by 328%.

Currently all handguns available to the public are imported, with the exception of a 6,35 mm semi-automatic pistol made by the Durban-based First National Firearm Manufacturing Company (Finat).

Finat is now expanding to manufacture a 45 and a 9 mm pistol. "The 45, a copy of the Colt, is already being supplied in small quantities," says Finat MD Barry Miller.

Varan's locally-made PMX 90 is also similar to the Colt, except that it has a 17-round magazine, says David Clark, MD of the manufacturer, Clarbex.

The law demands that every locally-made weapon must be proofed by SABS. Six Varan pistols have already passed the test and another 50 will go for proofing this week.

The 9 mm semi-automatic pistol will sell for about R981, says Clark. "Orders already exceed our capacity, but we're increasing production from 200 a month to 800."

Also expected to reach retailers in the next two months is a .38 Special revolver made by Republic Arms. "We have had about 500 proofed and they should sell for about R700," says Republic Arms administration manager Bob Hay.

The embryo small-arms industry which emerged some years ago faced a setback in 1979 when questions of safety were raised. But this time round retailers hope the bugs will have been sorted out before the weapons reach the shops. ■

Tough times, but ADE keeping its chin up

N/B MRS 26/7/86 (189) (SA)

By DEREK TOMMEY
Financial Editor

IN spite of being one of the companies that have been hardest hit by South Africa's four-year-old recession, ADE — the Atlantis Diesel Engine Company — is keeping its chin up and fighting back strongly against the odds.

Envisaged as a being major stimulus to the development of the Western Cape, ADE was designed to meet a market requiring more than 30 000 diesel engines year. But since it started production in 1983 it has seen its projected market crumble under the onslaught of the country's worst recession since the 1930s. As a result this year it will sell, if it is lucky, only about two-thirds of the engines it was expected to build.

But a tour of the company's premises revealed that ADE's management is far from being downhearted.

"We have just finished recruiting an additional 100 people for the two foundries which are now running full out on a two shift-basis," Mr Wally Rautenbach, ADE's director of marketing said.

A man with a life-long experience in the manufacturing side of the motor industry, Mr Rautenbach was quietly optimistic as he discussed the company's problems and prospects.

In 1981 South Africa's farmers had a bumper year. The maize crop was a record and so was the price. Farmers rushed to buy tractors in order to reduce their tax bill. Farmers are allowed to write off 100 percent of the cost of their tractors against their income tax. In that year 25 000 tractors were sold in South Africa, Mr Rautenbach recounts.

But the good times did not last. Inflation soared, interest rates rose and the farmers found themselves squeezed as selling prices failed to equal production costs. On top of this came the drought which further demoralised the farming community, and tractor sales slumped.

"This year the general expectation was that the market would bounce back to 8 000 tractors," said Mr Rautenbach, somewhat ironically. But unfortunately for the tractor manufacturers and ADE this

now seems most unlikely to be realised.

"At the moment we are looking at sales this year of 5 000 units. The year 1986 is turning out to be disastrous for the tractor industry," he said.

Mr Rautenbach expects little improvement in the tractor industry for some time.

"Even if farmers get good rains the tractor market is not likely to reach double figures for the next three or four years," he said.

Ultimately in the early 1990s he envisages that the market may reach 12 500 units. But he is doubtful that it will ever again reach 15 000 units, once regarded as the normal market size.

The truck market is in many ways in a similar plight to the tractor market. Since 1981 spending on transport equipment has fallen by 40 percent, and spending on equipment falling with ADE's range has slumped 50 percent. At the same time the slump in the exchange rate of the rand has greatly increased the cost of imported components and the prices of transport equipment.

Initially the truck market this year was expected to be about 11 000 heavy vehicles and 6 500 medium trucks. "ADE's current forecast is about 8 000 heavy vehicles and 5 000 medium ones," Mr Rautenbach said.

The heavy vehicle forecast is a far cry from the 20 000 plus visualised when ADE was planned.

Part of the reason for the slump in ADE's sales was destocking by manufacturers. Most like to keep about nine months' supply of equipment in stock. But when the market starts contracting they cut back and continuing cutting back each time the market strinks further.

The result is that stocks in the hands of manufacturers have been cut by half.

However, while manufacturers' stocks were adequate at present, they won't be if Finance Minister Barend du Plessis's stimulatory package started to work, said Mr Rautenbach.

If this led to people wanting new trucks many manufacturers could be short of stocks.

BUS DAY

189

African Cables back to profits

26/9/86

BRIAN ZLOTNICK

AFRICAN Cables has made a dramatic return to taxed profits of R4,4m against the previous year's loss of R1,1m in the financial year to June

In view of the sharp improvement in profitability, which exceeded management's expectations, a final dividend of 12c (nil) a share has been declared to raise the total to 12c (nil) for the year.

The strength of the turnaround is reflected in operating profits of R8,6m (loss of R682 000) on only a R11m increase in turnover to R91,3m

Directors attribute the performance to turnover gains in its profit-generating segments, and effective cost control.

With the group enjoying a much better cash flow, the interest bill dived to only R70 000 from R1,5m and interest-received more than doubled to R574 000 (R204 000).

After taxation of R4,3m, earnings a share came through at 19,9c (loss of 4,7c)

19/11/86 BUSDAY

189

MERVYN HARRIS

Drivetech coming to the market

DRIVETECH, a distributor and manufacturer of mechanical power transmission products, is coming to the market by way of a private placing of 2,4m shares at 75c a share.

The shares are due to be listed on the JSE's Development Capital Market on Thursday November 27

The core business of the company is distributing Tsubakimoto Chain products with the mining and sugar industries each absorbing about 40% of turnover

Net income after tax has risen from R96 000 to R531 000 in the past five years and is forecast to rise to R875 000 or 10,2c a share in the financial year ending February

1987, and R1,2m or 12,8c a share in 1988

The forecast dividend of 5c a share for the current financial year puts the shares on a generous yield of 6,7% on the issue price. The forecast payment of 6c for the 1988 financial year will yield 8% on the issue price

Executive directors Andre Lombard and Rob Bartlett expect to maintain good organic growth from the group's traditional pro-

ducts. While it would always be looking at new acquisitions, particularly in related fields of business, the immediate objective was to consolidate and develop its newly acquired subsidiaries

Local manufacture to Tsubakimoto's high international standards will further improve the company's position in its market.

Steps have already been taken to protect the group's supply of products in the event of economic sanctions being imposed.

Cape Times 11/12/86 (189)

Macadams buys three firms

Deputy Financial Editor
MACADAMS — the Cape Town-based manufacturer and distributor of bakery and confectionery equipment — listed on the Johannesburg Stock Exchange in September — has made three major acquisitions

Joint MD Arnold Resnick announced yesterday that it had acquired B Joffe Manufacturing (Pty) of Epping, which makes catering equipment, for R1,6m

Dominant share

He said Macadams had also acquired Status of Port Elizabeth, which specializes in bread-making equipment, and a Reef firm, Omega Bake Equipment and Omega Shop Equipment.

Together, the three will expand Macadams' already dominant share of the bakery equipment market and extend the scope of its operations into the much larger catering equipment market

Resnick sees import replacement as a major opportunity

Joffe, which is one of the largest food equipment manufacturers in the Cape, employs 100 people in a 10 000 m² factory in Epping and has an annual turnover of more than R4m

It has started producing, under licence, a range of ovens previously imported by Macadams

It has been acquired from MCB Distributors, part of the Murray & Roberts group

The purchase was financed through the issue of 1m new ordinary shares at 50c each and a cash payment of R1,1m

The shares are being placed with Ronnie Price and family, which gives them a holding of 7,5% of the issued share capital of Macadams

They also have an option to acquire a further 1m shares at 60c a share

The Status operation has been bought for R10 000 in cash and 20 000 new ordinary shares

will be moved to Cape Town and incorporated into Joffe Manufacturing as a new bakery equipment department

Omega has been bought from Theo Kyriacou, well known in bakery circles, in a R500 000 deal

This will be financed by the issue of 650 000 new shares at 53c each and a cash payment of R155 000

Mr Kyriacou will join Macadams' board

'Highly strategic'

Resnick said yesterday that the three acquisitions were "highly strategic, positioning us ideally for future growth and market share"

They would also strengthen the group's presence in the important Transvaal marketplace

Although the acquisition of Omega is effective from November 1, the acquisitions of Joffe and Status are with effect from February 1, 1987



Macadams financial director Kevin McEvoy, left, with chairman and joint MD Arnold Resnick.

IRON, STEEL +
ENGINEERING
GENERAL

1986

23 000 jobs axed in metal industry

STAR 7/11/86

189



By Mike Siluma

About 23 000 metalworkers lost their jobs in 1985, underlining the continuing downturn in an industry battered by depressed domestic demand, inflation and reduced spending

This is according to the Steel and Engineering Industries Federation's (Seifsa) review of economic activity in the metal industry last year

It said the number of jobs in the industry had dropped from 454 000 at the end of 1981 to 352 000 last year

Seifsa said the political and social situations in South Africa had aggravated the strong recessionary conditions in the industry, leading to a decline last year in production volumes of 6,4 percent compared with 1984 and 17 percent in contrast with 1981

The industry's automatic components sector was expected to record a drop of 30 percent compared with 1984, the machinery sector 22 percent, transport equip-

ment 20 percent and electrical machinery 13 percent

It was expected, however, that the reduced production would be offset by increased export efforts in the iron and steel industries

The Seifsa review predicted depressed conditions would continue to plague the construction engineering sector through most of 1986, with heavy engineering experiencing a recovery only in the second half of the year

No recovery in shipbuilding was expected this year

Turning to labour relations, the review said the recession and inflation had hindered stable collective bargaining and made annual wage negotiations extremely difficult

It said taking into account the instability associated with political and social change, the slowing down in public and private sector expenditure and the high inflation rate, Seifsa did not anticipate a turnaround in the metal industry's overall performance until late in the year

Heavy industry sheds more than 100 000 jobs

Seifsa sees few signs of an early upturn

BUS DAY 7/1/86

189

MORE than 23 000 jobs were lost in the recession-hit steel and engineering industry last year, according to the annual review of the Steel and Engineering Industries Federation (Seifsa)

Seifsa says employment in the industry has dropped by more than 100 000 — from 454 000 to 352 000 — since the recession began at the end of 1981

On the outlook for the current year, Seifsa does "not expect any meaningful turnaround in the industry's overall economic performance until late 1986 at the earliest"

The review says the recession in all manufacturing sectors, other than in the export-supported base

Own Correspondent

metals sector, was aggravated by unrest

"Employment statistics reflect a drop of over 6% in the labour force, equivalent to a loss of some 23 000 jobs during calendar year 1985

"Major drops in output for 1985 were recorded in the automotive industry (down 30%), the machinery sector (22%), transport equipment (20%) and electrical machinery (13%)

"These substantial drops in output are likely to be offset by stepped-up export efforts in the iron and steel basic industries, including the ferro-alloy industry," Seifsa says

Seifsa also says that

□ Primary steel producers expect domestic demand to drop by about 22% in 1986, but increased export volumes targeted at 2.5-million tons are expected to contribute towards a relatively satisfactory year-round capacity utilisation. Some revival in domestic demand is expected by mid-1986.

□ The export-intensive ferro alloy industry experienced good trading conditions in 1985, with output estimated at being up 8.5%.

□ The metal fabricating and engineering industries had stringent conditions in 1985 and expect little increase in demand before the final quarter of 1986.

□ The shipbuilding industry anticipated no change to its current strongly-depressed conditions throughout 1986

Boraine intends tak-

in getting rid of apartheid,

Boraine added ment wa

Company-level bargaining at issue

BU > DM

Seifsa declares historic dispute with 4 unions

14/2/86

(189)

(189)

(189)

SEIFSA has taken an unprecedented step in recent labour history by declaring a dispute with four unions affiliated to the SA council for the International Metalworkers' Federation (IMF).

The employer body says it is declaring a dispute because employer organisations in the metal industry have given a commitment to negotiating at industry level on establishing future collective bargaining arrangements.

This commitment includes discussing union demands for bargaining at plant and company level.

At the same time one IMF union, the Metal and Allied Workers' Union (Mawu) is seeking, through dispute action, to persuade individual Seifsa members to negotiate on this issue at company level, Seifsa says.

Mawu is in dispute with more than 50 employers over their refusal to consent to company-level bargaining on issues now set at industry level.

Seifsa believes the IMF unions are seeking to make gains outside the agreed negotiating forum, before industry-level negotiations, scheduled for February 26, have begun.

"This places employers in the situation where they cannot meet their commitments to negotiate in a fair and proper manner. Seifsa believes the IMF affiliates, in these actions,

CLAIRE PICKARD-CAMBRIDGE

are undermining the collective bargaining process," Seifsa says.

The unions Seifsa is in dispute with are the Mawu, SA Boilermakers' Society, Engineering Industrial Workers' Union and the Steel, Engineering and Allied Workers' Union.

Seifsa says the four unions have been acting acting under the umbrella of the local council of the IMF.

General-secretary of the SA council of the IMF Brian Fredericks said yesterday the IMF unions would examine the situation and decide today what strategy to adopt.

He said the IMF unions supported Mawu in its ongoing struggle for plant and company level bargaining.

Seifsa's declaration of a dispute comes as a member company, ASEA Electric, faces a strike in demand of company-level bargaining at four of its plants in Pretoria and Rosslyn.

The strike began on Monday and a Supreme Court interdict was granted on Wednesday restraining Mawu members from "overnighting" on company premises or intimidating fellow workers.

Seifsa has asked Mawu to defer disputes it has declared with employers in the industry over company-level bargaining, until discussions on the matter have been held at industry level.

Seifsa in dispute with 4 unions

THE Steel Engineering Industries Federation of South Africa is in a dispute with four trade unions affiliated to the South African Council of the International Metalworkers' Federation.

17/2/86
Seifsa, acting on behalf of its members, said the grounds for the dispute were that the IMF unions had obtained a commitment from the employer organisations in the metal industry to negotiate, at industry level, on the future collective bargaining arrangements in the industry, including the question of negotiations at company level.

The four unions which are affiliated to the IMF are the Metal and Allied Workers Union (Mawu), the Steel Engineering and Allied Workers Union (Seawu), the South African Boilermakers Society (Sabs) and the Engineers' Industrial Workers Union (Eiwu).

In a statement, Seifsa said one of the unions concerned was seeking, through dispute action, to per-

suade individual employers who were members of the employer organisations to negotiate on the same issue at company level.

The dispute by Seifsa marks the beginning of the battle in the metal industry over plant level bargaining between unions and the companies. The fight had already started when about 900 workers at Asea Electric in Pretoria went on strike.

The strike is a sequel to the demand by Mawu to negotiate wages and working conditions at the factory floor. The union has declared disputes with 80 companies in the Transvaal on the same issue.

Some metal industry firms are hoping a meeting on February 26 to discuss sectoral bargaining could help prevent confrontation with the Mawu.

Asea's managing director Mr Clive Jandrell commenting on the coming meeting said: "Reform is clearly in the air".

SOWETAN

War of words starts between Seifsa, unions

1972/86 SOKJETAN

189

THE battle of words has already started between trade unions in the metal industries and employers before the parties meet to discuss vital issues affecting the 300 000 workers in the industry.

The Steel Engineering Industries Federation of South Africa (Seifsa), which represents employers, has declared a dispute with four trade unions affiliated to the International Metalworkers Federation (IMF)

Seifsa said one of the unions concerned was seeking, through dispute action, to persuade individual employers who were its members to negotiate issues at the shop floor level

However, IMF's secretary Mr Brian Fredericks has accused employers of playing a game in trying to resist proposals their unions have made concerning collective bargaining in the industry.

The talks take place this week.

CUSA

• The Council of Unions of South Africa's (Cusa) joint executive committee met at the weekend and made important decisions on the future of the federation. Cusa's president Mr James Mndaweni said they did not like to release details of the meeting at this stage.

• Cusa and the Azanian Confederation of Trade Unions (Azactu) meet again on Sunday to discuss various issues, including examining common ground for future co-operation.

• The Black Domestic Workers' Association is to hold an important

WORKERS' DIARY — By JOSHUA RABOROKO

meeting in Soweto on Sunday. BDWA's general secretary Mr Terrence Phiri says this meeting will cover matters such as exploitation of members by employers, possible legal action against some employers and further relationships with other organisations.

Members are urged to attend

NUM

• A seminar on effective negotiation is to be held in Johannesburg, starting on February 25. Speakers include National Union of Mineworkers (NUM)'s general secretary Mr Cyril Ramaphosa, University of South Africa's Professor Nic Wiehahn, *City Press* editor, Mr Percy Qoboza, African Bank's Mr Moses Maubane and experts on labour.

• The Minister of Manpower, Mr P T C du Plessis, is to talk at a ceremony where awards will be made to top 15 qualifying artisans of 1985. The occasion will be held at the Wanderers Club next Wednesday

• About 90 employees who downed tools after the alleged assault on a worker by a supervisor at a factory in Jacobs have resumed work. The president of South African Allied Workers' Union, Mr Ashley

Shezi, said the workers went back after management had met the workers' committee and promised a subsequent meeting with the workers soon.

• The Industrial Court judgment finding Natal Die Casting Company guilty of an unfair labour practice has been sent for review to the Supreme Court. A company spokesman said an application has been made and the company will not reinstate the sacked 112 workers pending the Supreme Court's decision

Inquest

• The inquest into the death of leading trade unionist, Mr Andries Raditsela resumes in the Johannesburg Magistrate's Court next Monday

• The strained relationship between retailers OK Bazaar and the Commercial Catering and Allied Workers' Union will be normalised soon.

The company applied for an urgent Supreme Court order restraining the union from organising a nationwide strike. In reply to the court action the union denied that it intended to call a national strike

• Members of the Black Health and Allied Workers' Union who went on strike at E J Atcock Pharmaceutical company in

Krugersdorp have returned to work after management agreed to reinstate their colleague.

• The African Miners and Allied Workers' Union is to join either the Cusa or Azactu, the union's general secretary, Mr Vuyani Madolo, announced this week.

Mr Madolo said this resolution was taken at a special meeting of the union. For a long time they felt they should affiliate to one of the two federations



CUSA's president Mr James Mndaweni.



MANPOWER Minister, Mr P T C du Plessis ... to talk at ceremony.

CITY/P 23/2/86.

Teaching welders to make profits

THE Small Business Development Corporation Limited is holding a one-day productivity clinic for metalwork manufacturers at the Industrial Park in Orlando West on February 26

The course - which forms part of the SBDC's range of advisory services - will be led by Anthony Stocking, Metals Engineering Unit Manager at the National Productivity Institute

It is aimed at helping metalwork manufacturers - like welders - to achieve better profits by working more efficiently. Practical examples on how to solve productivity problems in a small manufacturing business will be given

"If small manufacturers want to cut costs, they must learn how to work smarter, not only harder," said SBDC's Development Services General Manager Mike Smuts

The course - which is free of charge - will start at 4pm and end at 7pm. Entry forms can be obtained from Mary Hlatshwayo at ☎ 643-7351

Metalworkers strike in Natal, Transvaal

Thousands of metalworkers in the Transvaal and Natal stopped work at noon yesterday in protest at the detention of trade unionist Mr Moses Mayekiso

The workers were heeding a call by their union, the Metal and Allied Workers' Union (Mawu), to demand his release

Mr Mayekiso, Mawu's Transvaal secretary, was detained on February 21 in Alexandra

Mawu said in a statement that it was pleased with the response to the call

Industrial areas affected by the stoppage were Johannesburg, Brits and Rosslyn, Pretoria, Durban, Pinetown and Maritzburg in Natal

The union said the Rosslyn workers were also staying away in response to a stayaway call against the detention of students in Soshanguve township

Workers in the Kew and Wynberg industrial areas stayed away to attend the mass funeral in Alexandra

In Natal workers held lunch-hour demonstrations at factories organised by Mawu

Sapa reports that police fired teargas to disperse the demonstrators. One person was arrested

The union claimed Mr Mayekiso's detention had been extended after his initial 14-day period of detention — in terms of the emergency — had expired.

It said the lifting of the emergency would be meaningless if

the State used other security legislation to deal with opposition

● About 600 members of the Chemical Workers' Industrial Union (CWIU) at Dunlop in Benoni, who were on strike over another issue, also demanded that their management put pressure on the Government to release Mr Mayekiso

The CWIU workers are demanding the reinstatement of two cleaners dismissed by a security company servicing Dunlop

Security Guard

A CWIU spokesman said that in solidarity with Mr Mayekiso, the strikers were demanding that Dunlop management telex the Minister of Law and Order, Mr Louis le Grange.

The workers want Dunlop to reinstate the two cleaners

They also asked the company to dismiss a security guard accused of escorting the fired cleaners off company premises.

A union spokesman accused management of aggravating the situation by refusing a union organiser access to company grounds while allowing security police to come in.

Dunlop's director of industrial products, Mr B H Beebee, said the union had not followed the stipulations of its recognition agreement with the company when taking up the issue.

But all the allegations made by the union were being investi-

gated. As for Mr Mayekiso, Mr Beebee said the company could not interfere in police matters and did not have all the facts concerning Mr Mayekiso's detention

● Several Plascon Evans paint production units are still experiencing strikes organised by the SA Chemical Workers Union (Sacwu) in sympathy with striking workers dismissed from two of the company's factories recently.

According to a statement by Plascon issued yesterday, meetings have been held with Sacwu officials and shop stewards in an attempt to resolve an on-going wage dispute and to discuss the issue of dismissed workers

The company has sent telegrams to shop stewards inviting them to return to the negotiating table to resolve the situation and, hopefully, get workers back to work.

● The Star's Bloemfontein correspondent reports about 160 workers at Unipepe Factory, in the Hamilton industrial area in Bloemfontein, might resume work today after talks between management and local representatives of the South African Allied Workers' Union

The workers have been on strike since Tuesday morning. The manager, Mr J Wolmarans, said the reasons for the stoppage were being investigated

The main concern seemed to be the recognition of the union

The factory manufactures cement pipes



Homeland residents tell Press of assaults

By Mike Siluma

The Metal and Allied Workers Union (Mawu) has blamed the Government for alleged assaults on Garankuwa residents by Bophuthatswana police

The union's Transvaal secretary, Mr Moses Mayekiso, told a Press conference at Mawu's Johannesburg headquarters last night that the union viewed the arrest and assault of people in Garankuwa and other parts of Bophuthatswana as a product of South Africa's homeland system

He said "We regard as very serious the situation where the

Bophuthatswana authorities are opposed to any union activity and the mere wearing of a union T-shirt can lead to assault and even death"

Union member Mr Andrew Molepyane spent two weeks in hospital after an attack

Mawu has many members living in Bophuthatswana but working in the border industries. A member, Mr Jeremiah Moropa, was one of three people on whose behalf a habeas corpus order was successfully

Left An alleged victim of assaults by Bophuthatswana police shows scars left by beatings Top Mr Andrew Molepyane (right) was one of the applicants who successfully applied to the Bophuthatswana Supreme Court for an interdict restraining the territory's police from unlawfully assaulting and arresting Garankuwa residents Bottom The Catholic Archbishop of Pretoria, the Most Rev George Daniel (right) and unionists at a Press conference where applicants described their ordeals allegedly at the hands of homeland police

● Pictures by Kevin Carter

Metal union accuses Govt

applied for at the weekend

The conference came only hours after the Bophuthatswana Supreme Court granted an order prohibiting police from unlawfully detaining and assaulting residents

The Catholic Archbishop of Pretoria, the Most Reverend George Daniel, who was the first applicant, was at the conference Other applicants were union officials and assault victims.

It was alleged that most of

those assaulted or arrested were Mawu members, parishioners of the Roman Catholic Church or students

Archbishop Daniel claimed that police entered church premises in Garankuwa and beat up church members On hearing of the outcome of the court application, he said he was "very glad"

Union officials claimed, however, that Mr Moropa had been released only briefly then re arrested for a court appear-

ance tomorrow on a charge of obstructing justice

The union warned it would not accept his continued deflection and would consider civil action against the Bophuthatswana police

Reiterating Mawu's (and other emergent unions') opposition to removals, they condemned alleged police assaults at Brits location where residents are resisting being removed to Bophuthatswana

The union officials said what was happening in Bophuthatswana was experienced in other homelands in different forms

SPAR 11/3/86 189

Wednesday, March 12 1986

Strikes hit companies in Pretoria

STRIKE action involving about 1 000 workers has hit companies in Pretoria in the past few days.

Hundreds of workers have been fired, others face dismissal, many have downed tools, while still others are back at work pending arbitration.

More than 500 striking employees at Asea Electric in Pretoria West were given an ultimatum yesterday to return to work today or be dismissed.

MD Clive Jandrell said the workers at the Pretoria West plant were now on an illegal strike. He said the dispute between the Metal and Allied Workers' Union (Mawu) and Asea had been settled.

The 100-strong workforce at Isowall, in Waltloo, is still on strike. Transvaal secretary of the General and Allied Workers' Union Issy Moto has stated that attempts to establish a formal relationship with management have been unsuccessful.

Workers are demanding that three dismissed colleagues be re-instated and that the wheels for *bona fide* negotiations be put into gear.

The 400 workers from Maizecor Industries in Waltloo, who downed tools last week, are back at work. Negotiations between the Food and Beverages Workers' Union and management are, however, continuing.

The workers are demanding that a supervisor who allegedly assaulted a colleague be dismissed.

A union spokesman said the supervisor had been temporarily suspended for 14 days, pending arbitration.

Gypsum Industries, which fired 240 workers after a strike, has hired temporary staff to keep the plant operating.

MD Gordon Fraser said they still had to decide whether to rehire dismissed workers.

A Building, Construction and Allied Workers' Union shop steward said a lawyer had been appointed to investigate. — Sapa.

Mawu work stoppage analysed

Metal firms opt for 'no work, no pay' policy

3-DAY 12/3/86
189

CLAIRE PICKARD-CAMBRIDGE

MOST employers in the Transvaal metal industry avoided disciplinary action and adopted a policy of "no work, no pay" during SA's first co-ordinated industrial action over the detention of a worker leader on March 5.

This was the finding of the Labour Monitoring Group at Wits University, which monitored a stoppage called by the Metal and Allied Workers' Union (Mawu) to protest the detention of Mawu's Transvaal organising secretary Moses Mayekiso.

In the past, stoppages were called over the deaths in detention of trade union leaders Neil Aggett and Andries Raditsela.

The group saw the latest action as an index of the "growing commitment of organised labour to act over political issues".

The monitoring group found over 58% of Mawu's Transvaal members stopped work at noon on March 5 — some for 30 minutes, others for a whole day. Many other metalworkers who were not Mawu members responded to the call.

In Kempton Park and Johannesburg, metal factories reported an almost 100% stoppage and in Brits 80%. One company gave workers the afternoon off with pay.

Significantly, many employers responded to Mawu's request to them to contact Law and Order Minister Louis Le Grange to call for Mayekiso's release. Mayekiso was released last Friday, along with other state of emergency detainees.

The survey found most metal employers were hostile to the use of industrial action for non-factory ends, but pragmatically recognised the power of organised labour and its involvement in political issues.

The monitoring group isolated two general attitudes among employers to political strikes:

There were those hostile to political strikes, who refused to give workers any time off.

Then there was a small but significant number who were becoming openly sympathetic to political demands of organised labour.

The survey was based on interviews with 130 Transvaal employers. There was a 20% non-response rate. Pretoria, the Vaal and Witbank were excluded and percentages were calculated on the basis of Mawu membership in the regions concerned.

The employers' position of "no work, no pay" during political strikes is fast becoming the norm in most industries.

A recent survey conducted by *Labour Bulletin* found only six of 66 firms affected by a stayaway in Maritzburg last year planned to pay workers who were away. None said they would be taking further action against absentee workers.

Labour consultant Gavin Brown said the policy of "no-work, no pay" and no disciplinary action would probably be adopted by most employers in response to employees who refused to work on May Day.

Mawu work stoppage analysed

Metal firms opt for 'no work, no pay' policy

B-DAY 12/3/86
189

CLAIRE PICKARD-CAMBRIDGE

MOST employers in the Transvaal metal industry avoided disciplinary action and adopted a policy of "no work, no pay" during SA's first co-ordinated industrial action over the detention of a worker leader on March 5.

This was the finding of the Labour Monitoring Group at Wits University, which monitored a stoppage called by the Metal and Allied Workers' Union (Mawu) to protest the detention of Mawu's Transvaal organising secretary Moses Mayekiso.

In the past, stoppages were called over the deaths in detention of trade union leaders Neil Aggett and Andries Raditsela.

The group saw the latest action as an index of the "growing commitment of organised labour to act over political issues".

The monitoring group found over 58% of Mawu's Transvaal members stopped work at noon on March 5 — some for 30 minutes, others for a whole day. Many other metalworkers who were not Mawu members responded to the call.

In Kempton Park and Johannesburg, metal factories reported an almost 100% stoppage and in Brits 80%. One company gave workers the afternoon off with pay.

Significantly, many employers responded to Mawu's request to them to contact Law and Order Minister Louis Le Grange to call for Mayekiso's release. Mayekiso was released last Friday, along with other state of emergency detainees.

The survey found most metal employers were hostile to the use of industrial action for non-factory ends, but pragmatically recognised the power of organised labour and its involvement in political issues.

The monitoring group isolated two general attitudes among employers to political strikes

There were those hostile to political strikes, who refused to give workers any time off,

Then there was a small but significant number who were becoming openly sympathetic to political demands of organised labour.

The survey was based on interviews with 130 Transvaal employers. There was a 20% non-response rate. Pretoria, the Vaal and Witbank were excluded and percentages were calculated on the basis of Mawu membership in the regions concerned.

The employers' position of "no work, no pay" during political strikes is fast becoming the norm in most industries.

A recent survey conducted by *Labour Bulletin* found only six of 66 firms affected by a stayaway in Maritzburg last year planned to pay workers who were away. None said they would be taking further action against absentee workers.

Labour consultant Gavin Brown said the policy of "no-work, no pay" and no disciplinary action would probably be adopted by most employers in response to employees who refused to work on May Day.

no took ms tors. aid not ask the nor did we

Chamber in firm stand on weapons

By Sheryl Raine

The Chamber of Mines says disciplinary action will be taken against any employee, whether white or black, found carrying unauthorised weapons of any nature on mine property.

In a statement released yesterday the Chamber responded to a resolution adopted by the National Union of Mineworkers (NUM), which called on the Chamber to clarify its position regarding threats by white mineworkers in Witbank to arm themselves.

The union also adopted a resolution giving the mining houses 14 days in which to force Mr Arrie Paulus, General Secretary of the Mineworkers' Union, to retract statements he allegedly made regarding white miners in Witbank being forced to arm themselves after black unrest.

"The Chamber expects the NUM to take immediate steps to discourage violence. Mine managements will not permit employees to carry weapons of any nature at work unless specifically authorised to do so," the statement said.

The statement said the Chamber deplored comments allegedly made by Mr Paulus and asked him to retract the statement attributed to him. Mr Paulus could not be contacted for comment.

Detained sisters still being questioned

Sisters Marion and Debbie Sparg, arrested this week in connection with limpet mine attacks on three police stations, are still being questioned.

Police have not excluded the possibility of further arrests.

It is not known when the sisters will appear in court. Both are being held under section 29 of the Internal Security Act and they do not have to appear in court within any stipulated time.

In addition to questions about the alleged attacks on Cambridge police station in East London, John Vorster Square police headquarters and the Hillbrow police station, Miss Marion Sparg is also being interrogated about the 1981 bombings of PFP offices in Johannesburg.

and s
last n
tion r
In
home
throw
A p
alight
At
River
set on
At
park,
destr
fire.

Deadlock on De Jonge, say Dutch sources

The Star's Foreign News Service

THE HAGUE — Negotiations over the future of Mr Klaas de Jonge, still in the sanctuary of the Dutch Embassy in Pretoria, have reached deadlock, according to sources close to the Dutch Foreign Ministry.

This was due to South Africa's decision to charge Mr de Jonge under the Terrorism Act, said sources.

The Dutch ministry had hoped Mr de Jonge would be charged with illegal possession of arms, which would have resulted in an acceptably light sentence.

The charge under the Terrorism Act had ruled out this solution, said the sources.

Return-to-work order is lifted

By Mike Smit

Three strikes involving about 3 000 metalworkers in Pretoria and the East Rand continued yesterday with one of the affected companies suspending a return-to-work ultimatum.

The electric division of Asea Electric Ltd said yesterday it had shelved the ultimatum to about 580 workers, pending urgent negotiations today.

About 900 workers at Asea's electric and cable divisions in Pretoria have been on strike since February 10. The union wants plant-level bargaining.

On the East Rand, the strike by 2 000 workers at two Haggie Rand plants entered its sixth day yesterday. Workers want wages talks and the recognition of May 1 as a paid holiday.

At G B Engineering and Pan African Shopfitters, also on the East Rand, 300 workers are still occupying two factories despite a weekend Supreme Court order. The workers oppose plans to retrench 150 men.

Probing the nerve-ends of history

189

27/3/86

WEEKLY

PROFESSOR WEBSTER'S study of the labour process in South African foundries may strike the man, or woman, in the proverbial Yeoville bus as a rather obtuse subject, but it touches the nerve-ends of the country's socio-economic history.

The plot is what that man in the Father Christmas beard said all history is about class struggle.

This particular struggle takes place within South Africa's developing foundries and involves a chiefly white craft union, the Iron Moulder's Society (IMS), from 1896, and a chiefly black emerging union, the Metal and Allied Workers Union (Mawu), from 1973

Webster examines worker resistance in the context of technological change, the reorganisation of work and the struggle for control in the workplace, and the overall political framework of a racist society

In so doing he adds a valuable contribution to the debate on working class politics — a subject high on the list since the formation of the Congress of South African Trade Unions (Cosatu) last year.

It is due to factors outside the workplace, such as the country's colonial origins and the struggles of the working class in Britain, that one sees the emergence in South Africa at the end of the 19th century of two working classes — a well-organised, immigrant white labour aristocracy and a weak, poorly paid black workforce.

Webster shows that by protecting his craft within a racist society, the white labour aristocrat found himself in a contradictory position. He occupied a privileged position within a racially discriminatory society, yet was vulnerable to the "cheap, unorganised black labour force" ever ready to undercut the white worker

CAST IN A RACIAL MOULD by Eddie Webster (Ravan)

Crucially, the IMS stood between the capitalist and his restructuring of the labour process into mass production — and where it was best organised, the society was in the best position to protect its members, its trade, and its control

From World War I the process of de-skilling started as machines began to replace the skilled white workers. Between 1932 and 1950 there was massive investment in new technology, following the technological innovations in Europe and the United States

Throughout this shift to mass production and, later, monopoly capitalism, the IMS was forced to make concessions to defend its privileges and protect its jobs — opening membership to coloureds in 1937, and accepting mechanisation and increasing craft dilution

The last line of defence for a union which was becoming increasingly a benefit society was racial job reservation

"The process of mechanisation and job fragmentation since 1944 had turned the vast bulk of white wage earners into either supervisory and white collar workers or semi-skilled machine operators with no other bargaining power than their colour. The very necessity of formalising their protection by resorting to the colour bar was a measure of their defeat," says Webster.

In the end, it was the new methods of production which not only destroyed the position of the craft worker, and thus an essential component of worker control over production, but opened up new contradictions — a breach into which Mawu stepped in a new battle for control in the foundries

The new "crisis of control" was two-sided. At

the workplace, attempts at more sophisticated means of control of black workers were met with resistance from emerging unions

In the society as a whole, resistance in the townships forced the state to look at means of restructuring the overall labour strategy through, for instance, the Wiehahn and Riekert reports and the subsequent labour reforms

Yet, says Webster, "attempts at deracialising in the workplace, unless they are accompanied by deracialisation in the society at large, will lead to a widening, and not a narrowing of demands in the workplace"

"The transformation of the labour process has created the potential for mass-based industrial unions while failing to provide the conditions for their political incorporation"

This is the contradiction which Webster holds, in what is the crucial thesis in his book, provides the basis of a working class politics. Now, says Webster, all that is required is finding a form and content for that politics. It is precisely this process that Cosatu has been actively engaged in since its formation.

"Cast In a Racial Mould" provides an important new perspective on unionisation in the seventies and eighties, and, despite the seemingly colourless (excuse the pun) subject and the theoretically foreboding introduction, is a good read for non-industrial sociologists.

It might not grab the man in the Yeoville bus, but the man in the Putco bus might well find it a worthwhile addition to his library

Philip van Niekerk

By ZB MOLEFE
THOUSANDS of black metal

workers are expected to hold countrywide mass rallies tomorrow in the biggest campaign the SA industry has ever seen.

The rallies - which will be concentrated in Port Elizabeth, Witbank, Germiston and the Vaal - will take place on the eve of the industry's Industrial Council wage negotiations on Tuesday.

The IC will negotiate with metal workers' unions over wages and working conditions.

In a tense atmosphere in the industry, the Metal and Allied Workers' Union has become the moving force behind tomorrow's rallies.

Mawu national organiser Bernie Fanaroff briefly mapped out a broad outline of the metal workers' struggle - which has been highlighted by a seven-point action program.

The IC negotiations - which will see the unions challenging the Steel and Engineering Industries' Federation of SA - will centre on six main demands.

These are.

- A R3,50c per hour minimum wage
- A 40-hour week without loss of pay
- May Day (May 1) to be a paid holiday
- The right to strike without dismissal
- Six months maternity leave with a job guarantee.
- No Seifsa factory to make products for sale to the police and army. Instead products should be made for the benefit of all people.

"Seifsa, this year we fight!" said a Mawu pamphlet publicising the demands.

Confident

A confident Mawu believes its hand will be strengthened because high-level talks have been going on between itself and other metal workers' unions.

These are the National Automobile and Allied Workers' Union, the Motor Industry Combined Workers' Union and the SA council of the International Metalworkers' Federation.

Explaining the campaign in detail, Fanaroff said the metal workers' fight is not with the IC as such - but with the six or so giant corporations which control the industry in-SA.

These include Anglo American, Barlow Rand, Gencor, Haggie Rand, Samancor, Dörbyl and Highveld Steel, which dominate the industry.

"After our campaign last year there was misunderstanding. Many, including newspapers, believed we were fighting for plant-level bargaining," said Fanaroff.

All levels

"But it is our belief that we must bargain at all levels. We will do so for areas such as sectoral bargaining.

There will also be geographical bargaining. Some coastal employers claim they can't pay inland wages," said Fanaroff.

This, he said, raised the question of employers' ability to pay better wages in the industry. According to world standards, the SA metal industry - in which wages amount to 9-14% of total costs - still pays little, said Fanaroff.

"Our negotiations are going to be tough," he promised.

"Even with the 18% inflation hitting the country, we still maintain that the bigger companies have the ability to pay," he said.

To back his argument, Fanaroff cited Gencor - which last year improved its earnings by 25% to R79-million - and Samancor, the largest producer of ferrochrome, which last year improved its before-tax earnings from R15-million to R99-million.

On Wednesday, April 16, Mawu will report back on the IC negotiations to all metal workers.

April 17 will see the "first day of action" of Mawu's campaign - but, for the moment, the union declined to discuss the precise form it would take.

Students at Turloop destroy beer

More than 10 000 cans of beer were destroyed on the University of the North (Turloop) campus at the weekend when students hijacked a bottle-store truck

The action was taken to enforce the boycott of cans — a campaign launched some months ago in the wake of the firing of Metal Box workers in the Hammanskraal area.

Hundreds of students gathered round the campus playing fields on Friday as the beer cans were dumped on the turf and driven over repeatedly. The students insisted that they were not looting for personal gain.

The driver of the truck, Mr Jackson Chauke, said he was travelling from Pietersburg to Tzaneen when he was stopped at a crossroads. "The people said the cans were no longer wanted and we should go to the campus to hear what the students say. They told me they were comrades, not tsotsis. They were not after money — all they wanted was the cans."

After the load had been destroyed the truck was returned to the driver.

● The wholesale price of the beer was about R7 000

Recession casts dark cloud over metal industry

Tough bargaining faces negotiators at the metal industry's annual wage talks, which begin today in Alberton and affect more than 300 000 workers.

The talks take place against a backdrop of an industry severely battered by the recession. Indicative of this has been the loss of about 23 000 jobs in 1985 alone and the continued depressed production levels.

Represented at the negotiations will be the employer body, the Steel Engineering Industries Federation of SA (Seifsa), and 15 trade unions which are linked to either the SA co-ordinating council of the International Metalworkers Federation (IMF) or the Confederation of Metal and Building Unions (CMBU).

The IMF unions' membership is largely semi and unskilled, while those in the CMBU are for artisans.

Although the industry's wage agreement is meant to ensure some form of stable employer-worker relations in the industry, indications are that it may only succeed partially.

With workers demanding an increasingly higher pay to meet the spiralling cost of living, and most

The current recession will cast a dark cloud over the metal industry's annual wage talks which begin in Alberton today. The negotiations will decide whether or not there will be any peace this year between employers and a workforce numbering upward of 300 000.

MIKE SILUMA reports.

companies pleading poverty as a result of the economic downturn, an agreement satisfactory to the unions seems remote.

The unions accept that most companies could have been badly affected by the recession. But some, like the 30 000-strong, IMF-affiliated Metal and Allied Workers' Union (Mawu), point out that pay rises during the past few years have lagged behind the inflation rate by nearly eight percent.

Another point raised by Mawu is that while the annual negotiations set minimums to accommodate the smaller and less profitable companies, some of

the larger ones, especially those operating on the export market, had made good profits as a result of the weak rand. Mawu says those benefits should be passed on to the workers.

It is those companies that workers will approach for increases over and above those decided during the annual wage negotiations.

Last year's wage talks were not any easier, with the unions — except Mawu — signing the agreement only after three months of hard bargaining. Virtually all unions signed the agreement "under protest".

This year, Mawu, which has refused to sign the agreement every year since it joined the industry's industrial council in 1983, has tabled demands which include a new minimum wage of R3,50 an hour plus an across-the-board 50c rise, the recognition of May 1 as a paid holiday and that Seifsa companies should cease doing business with the army and the police.

Seifsa director Mr Sam van Collier has declined to comment on the talks, but the employer federation has acknowledged that recessionary conditions made it difficult to reach an agreement during last year's wage talks.

WAGE negotiations between metal workers' unions and the employer body, the Steel and Engineering Federation of SA (Seifsa), resume today in Alberton. *Sowetan 15/4/86*

The talks will focus on demands for a minimum national wage increase affecting about 450 000 workers in the metal industry.

Also participating in the negotiations with Seifsa will be the Metal and Allied Workers' Union (Mawu), the SA Boilermakers Society and the Steel, Engineering and Allied Workers' Union of SA

Mawu recently launched a campaign to win support among metal workers for its demand for — among other things — a R3,50-an-hour minimum wage

Meanwhile, the SA Allied Workers' Union is to meet management at Roamer Rand where about 50 workers were sacked after going on strike over wage demands. The meeting will take place at the company's Kempton Park plant tomorrow, according to a Saawu spokesman

- Workers at Ullman Brothers in Industria resumed work yesterday after staging a one-day strike over wage increases

Fired

A spokesman for the Transport and Allied Workers' Union of which the workers are members, confirmed that the striking workforce had returned to work

- More than 800 workers are still on strike at Amigo International Textiles in Newcastle. They are protesting "slave wages", some receiving as little as R15 a week, according to the Textile Workers' Union

The workers have been on strike since late March

- About 1 700 workers at BTR Dunlop's plants in Natal and Transvaal continued their strike

By LEN MASEKO

yesterday, demanding the reinstatement of six of their colleagues fired during stoppages at the plants.

The Dunlop management in Durban had not responded to the *Sowetan* inquiries about the labour dispute by late yesterday

- About 50 workers at Unico Chemical in Johannesburg downed tools recently, demanding recognition of their union by management and wage increases

The workers are demanding recognition of the SA Chemical Workers' Union (Sacwu).

- More than 200 Mawu members at Barlow Rand's Kew plant have been "sleeping in" at the company's premises since March 20. They are demanding the reinstatement of a colleague

450 000 DEMANDING HIGHER PAY

SOWETAN, Tuesday, April 13, 1986

CAPC Times
17/4/86



Unions now much more politicized

By PHILLIP VAN NIEKERK

THE extent to which the political mood in the townships has permeated the labour scene can be seen in this year's pay talks at the metal industrial council, the country's largest collective bargaining forum

The talks kicked off on Tuesday against the background of a recession which had decimated the country's foremost manufacturing industry. From a high of 450 000 workers employed by affiliates of the Steel and Engineering Industries Federation of South Africa (Seifsa) in 1982, there are about 300 000 left today.

Yet the blight on jobs has not led to more acquiescence on the part of workers. The metal industry, second only to the mining sector, has seen an extraordinary upsurge in worker militancy this year.

In the country as a whole, there were almost as many working hours lost to industrial action in the first three months of this year than in the whole of last year, which was itself a record year.

At 10 plants metalworkers have occupied their factories and refused to budge until their demands were met, or, as happened at one plant, until management has driven them off the property with police and dogs.

The longest factory sit-in, at Haggie Rand, lasted more than three weeks.

At the forefront of this activity has been the 40 000-strong Metal and Allied Workers Union (Mawu), an affiliate of the Congress of South African Trade Unions (Cosatu) and a participant in the metal talks which began this week.

Mawu's mobilization of workers around the pay talks has been notably different in style for the old factory-by-factory approach which characterized the now defunct Federation of South African Trade Unions (Fosatu).

The union has held mass meetings in the townships, drawing as many as 10 000 to a meeting in the East Rand on Saturday.

New politicized unionism

As the largest black union on the council and the most militant, Mawu has put forward a set of proposals this year which have left more than a few employers aghast and wishing for the good old days when recognition agreements and more pay were the limit of worker demands.

One of the union's key demands is that Seifsa affiliates stop producing armaments and provisions for the police and the military.

This goes to the heart of the new politicized unionism, which was expressed by one shop-steward: "We value our jobs and will fight for them, but freedom comes first."

Given the current township mood, it is probably an accurate indicator of the sentiments of black workers in the industry, but is a demand which Mawu is unlikely to win this time around.

Employers don't believe they should be told what they should produce and the item is unique on the agenda of demands.

Mawu's demand for a paid holiday on May Day has been largely defused with Seifsa agreeing to a policy of "no work, no pay" on May 1, which will be the country's first proposed national general strike for a quarter of a century.

With Inkatha gearing up for a mass turnout for the launch of the United Workers Union of South Africa (Uwusa) in Durban on May Day, Cosatu holding rallies throughout the country and the National Union of Mineworkers in dispute with the Chamber of Mines over workers taking the day off, Seifsa has probably chosen wisely to keep out of the way on May 1.

On the issue of wages it appears unlikely that Mawu, which has refused to sign the industrial council agreement since it joined the council in 1982, will agree this year.

Seifsa's current offer of about 14 to 15 percent for workers on the bottom rungs and nine to 10 percent for workers at the top is good in comparison to last year, when Seifsa started by offering no increases, but comes after three years of below-inflation increases.

An issue which has so far proved explosive in the industry is the forum for negotiating wages. There has been widespread industrial action over the demand for plant-level bargaining which Seifsa is opposed to, and this is likely to remain hot.

The issue is likely to be further complicated this year by Seifsa's support for sectoral bargaining, as opposed to a single industrial council agreement. Mawu is opposing this fragmentation, saying that the industrial council should set one minimum for the entire industry with plant-level bargaining setting rates over and above that minimum.

Mawu's trade union allies in the council are few and far between. The predominantly white, skilled unions negotiate under the flag of the Confederation of Metal and Building Unions (CMBU) and share little common political ground with Mawu.

But even the local committee of the International Metalworkers Federation (IMF), formed to provide a joint bargaining unit for the largely black, unskilled and semi-skilled unions, has failed to reach agreement. One of its leading lights, the SA Boiler-makers Society, is caucussing with the CMBU unions.

Instead Mawu is seeking its support outside the council, among the other affiliates of Cosatu and, crucially among the residents of the townships

Friction all round

The annual wage negotiations at the metal industry's industrial council kicked off on Tuesday. Their outcome will affect more than 300 000 workers and 9 000 employers — and they promised once again to highlight conflict between employers and unions, as well as divisions among the unions themselves.

Last year, unions affiliated to the SA Coordinating Council (SACC) of the International Metalworkers' Federation formed a new power bloc and submitted uniform demands. This year they have failed to present a united front. Various conflicts between them perhaps explain why, and raise questions about the unions' commitment to the SACC.

SACC affiliate, the Metal and Allied Workers' Union (Mawu), has initiated a highly orchestrated, high-profile campaign. Other affiliates are either acting on their own, or have re-established old alliances.

The perennial conflict over priorities between the SACC unions and the other major grouping — the artisan unions affiliated to the Confederation of Metal and Building Unions (CMBU) — seems set to flare again. The mainly black SACC unions have always put a higher premium on wage increases for their unskilled and semi-skilled members, the CMBU, not surprisingly, has pursued the interests of its skilled members with greater vigour.

All this is reflected in the six different sets of wage proposals submitted to the Steel and Engineering Industries Federation of SA (Seifsa). Three — those from the CMBU, the rightwing Mineworkers' Union (participating for the first time) and the Iron and Steel Union — are, however, almost identical. In the absence of a united SACC approach, two unions affiliated to both the SACC and the CMBU — the SA Boilermakers' Society and the Engineering Indus-

trial Workers' Union — have associated themselves with the CMBU proposals.

Boilermakers' general secretary Ike van der Watt says his union has tried to find a compromise between the conflicting needs of skilled and unskilled workers, which are represented respectively by the established and emerging unions. The CMBU wage proposals are, he says, in line with his union's "common wage policy," which involves closing the wage gap.

CMBU proposals include a minimum hourly wage for the industry of R2,81 (48% up on current levels) to R6,25 (20%) for the highest. In terms of the proposal, the unskilled-skilled ratio would be reduced to 4,5:10 compared to the present 3,6:10. They propose, in addition, individual increases equivalent to the agreed increase for each respective category. Another proposal is a three-hour reduction in the working week to 42 hours.

However, this is not enough for the two unions representing most organised black workers in the industry. Both Mawu and the Steel, Engineering and Allied Workers' Union (Seawu) demanded a minimum wage of R3,50 an hour — an 84% increase — and guaranteed increases of 50c across-the-board. Both are also demanding maternity benefits and a paid holiday on May Day.

Mawu, in addition, has asked for a 40-hour week, the right to strike without fear of dismissal, and a bar on sales of products to the SAP and SADF. The union staged mass rallies around the country last weekend and planned a one-hour work stoppage on Thursday as an extra show of strength.

Seifsa traditionally does not comment to the press during the course of negotiations. But it is unlikely to come anywhere near meeting even the most modest of the wage demands.

This year's negotiations face another serious hurdle. Talks over restructuring collective bargaining in the industry have been dragging on for months. A meeting last Friday was inconclusive. Mawu has been in-

volved in two strikes over the issue and has threatened more, while Seifsa has declared a dispute with the SACC over union campaigns for company-level bargaining. And the CMBU unions have proposed that the

Industrial Council agreement be amended to facilitate decentralised bargaining. These machinations will clearly hinder the already difficult task of reaching agreement.

Last year, it will be remembered, the talks

reached deadlock at an early stage. When agreement was finally reached with most of the unions, Mawu refused to sign. Don't be surprised if the same happens this time round. ■

Wage talks affect 300 000 employees

189

By Sheryl Rame

Annual wage negotiations which will affect more than 300 000 employees in the metal industry are scheduled to resume in Alberton today

Represented at the negotiations will be the employer body, the Steel Engineering Industries Federation of SA (Seifsa), and 15 trade unions which are linked to either the SA co-ordinating council of the International Metalworkers Federation (IMF) or the Confederation of Metal and Building Unions (CMBU)

The IMF unions' members are largely semi and unskilled, while those in the CMBU are artisans

This year the Metal and Allied Workers Union, an IMF affiliate, has demanded

- A minimum wage of R3,50 an hour
- A guaranteed 50c an hour personal increase
- The reduction of the working week to 40 hours
- The right to strike without being dismissed
- Six months' paid maternity leave

For three years Mawu has refused to sign the wage agreement

SA workers must find justice, says head of metalworkers federation

STAR
29/4/86
189

The establishment of democracy and economic and social justice for South African workers lay in the hands of South Africans themselves, said Mr Herman Rebhan

Delivering the keynote address at the congress, Mr Rebhan said "The revolt in the townships and the magnificent campaign of pressure in the United States have made South Africa the Number One issue in the world"

The pressure by the American labour movement on the Reagan Administration had forced a re-think of policy and ideas in the US

"Constructive engagement is dead and the American people have woken up to the dishonesty and equivocation of the administration's policy on southern Africa

"But we should pause before we believe that the future of South Africa will be settled by the White House or Congress in Washington"

While American companies had a big stake in South Africa, its involvement was dwarfed by direct and indirect investment of British, German and Japanese capital in the country

This put the British, German and Japanese Governments in a position where they could play an important role in putting pressure on South African authorities

Unfortunately those governments had shown themselves to be profoundly hostile to trade unions and to the development of democracy in countries from which they drew profits

"So a bigger burden falls upon the shoulders of trade unions outside South Africa to agitate, to organise and to educate against the evils of the apartheid system

"But we must be extremely clear. Democracy and economic and social justice for South African workers will be the work of the people inside the country," said Mr Rebhan.

The head of the powerful International Metalworkers' Federation (IMF), Mr Herman Rebhan, yesterday made clear his organisation's position on South Africa. Mr Rebhan was addressing about 200 delegates to the second congress of the IMF's local co-ordinating council. Some of the unions are due to merge shortly to form what is likely to be the biggest metalworkers' union in South Africa MIKE SILUMA reports.

The IMF supported the principle of one person, one vote in a democratic state, and would support all appropriate and relevant pressure, internally and externally.

It would maintain pressure on the multinationals which "exploit the workers of South Africa, helped by the apartheid system"

Turning to industrial relations, Mr Rebhan said his federation wanted to see the development of full collective bargaining processes

"This has to take place within the context of the individual company, as well as within the industry"

He could not understand the employers' federation's refusal of what were normal collective bargaining procedures in all other countries

"It is no use sitting on the national (collective bargaining) body if at the level of the firm unions are not recognised, shop stewards are victimised and the company refuses to enter into full recognition and bargaining relationship with the unions," Mr Rebhan warned

● Before deliberations began at the congress yesterday, delegates observed a moment's silence in honour of Metal and Allied Workers' Union (Mawu) member, Mr Mpumelelo Kortman, who was buried yesterday after being allegedly killed by police about two weeks ago

The conference ends on Wednesday

CLAIRE PICKARD-CAMBRIDGE

EIGHT metal unions are to hold talks to establish a giant union to represent their workers

The decision was taken at a conference of the council of the International Metalworkers' Federation (IMF) in Johannesburg earlier this week

The Motor Industry Combined Workers' Union (Micwu), the National Automobile & Allied Workers' Union (Naawu) and the Metal & Allied Workers' Union (Mawu) report good progress in the merger talks

However, the formation of the giant union will be a complicated task, which is an important, but longer-term aim

The question of disinvestment proved more controversial

The council voted in support of international pressure aimed at

BUSDAY 2/5/86

Metal unions talk on merging forces

eliminating apartheid Unions agreed to obtain a mandate from members to formulate a clear policy on disinvestment before the end of 1986

The question of political policy is an issue which has not yet been thoroughly debated within the council

However, a motion was carried which included not affiliating to any political organisation Unions nevertheless resolved to take up political struggle — if it was in the interests of workers — through their membership and through alliances with progressive community and political or-

ganisations

Mawu's David Madupela said unions faced the danger of being used by political organisations and being left to bear the consequences of certain actions

"We have seen Zambian and Zimbabwean political organisations obtain what they want, but then suppress the unions who helped them to power," he said

Other resolutions were

- To fight to establish a living minimum wage in the metal industry
- To work for effective co-operation by affiliates in collective bargaining

Inflation, labour unrest contribute to lay-offs

BUDAY 8/5/86

Metal, engineering industries hit hard

189

METAL and engineering industries have laid off 25 000 workers since the beginning of 1985 — and nearly 25% of the total workforce in the last five years.



From the peak production year of 1981, when 454 000 worked in production processes, employment at the end of March this year had plunged to 350 000

Seifsa — the Steel and Engineering Industries Federation — says inflation, shrinking order books and labour unrest have brought heavy industry to its knees

Its latest quarterly survey says the sector is in desperate straits, with no sign of early recovery

“Contrary to recent statistics published by the Reserve Bank indicating that a fairly broadly-based economic upturn began during the fourth quarter of last year, most firms in the metal and engineering industries continue to operate at depressed levels of activity with no real recovery trends apparent”

A survey of conditions in the first three months of 1986 revealed reduced levels of new orders, “severely” competitive tendering in the construction and heavy engineering sectors, and soaring costs of materials

The Seifsa survey says physical volume of production in the metal

DAVID FURLONGER
Industrial Editor

and engineering industries in 1985 was 7.7% down on 1984 and 15% down on the peak year of 1981

Major drops in output, compared to 1984, were in the motor component industry (31%), machinery and machine tools (19%), transport equipment (18%) and electrical machinery (11%)

“Reports to Seifsa during the first quarter of 1986 show no correction to these depressed levels of output and suggest that these sectors, together with the foundry industry,

have yet to bottom out, says the survey

Export markets offer a rare ray of hope, with exports expected to be maintained “at the satisfactory levels of last year”

Taking an optimistic guess at where local recovery might first be seen, the survey adds “There are some prospects for improved demand, with a better year for the agricultural sector, a possible general broadening of economic recovery with increased sales of consumer durables, and an expected positive turnaround in the inventory cycle in mining and manufacturing sectors”

May 9 1986

Some 25 000 jobs lost in metal trade

Most firms in the metal and engineering industries were operating at "depressed levels" and some 25 000 jobs had been lost in the past 15 months, a survey says

The survey, conducted by the Steel and Engineering Industries Federation of South Africa (Seifsa), indicated this was due to an "under demand" in the domestic market, inflation and instability in the labour relations area

The estimate of workers in production processes in the metal and engineering industries as at the end of March 1986 was 350 000, a decrease of 104 000 jobs since the year ending 1981, the survey said

SCARCITY OF ARTISANS

However, despite the oversupply of artisans in the basic metal sector, there was a scarcity in certain categories of skilled artisans, particularly in the construction and heavy engineering sectors

The Seifsa survey confirmed that during the first quarter of 1986 new order intakes remained poor, severely competitive tendering was being experienced in the constructional and heavy engineering sectors and rising costs of materials were adversely affecting competitiveness on both the domestic and international markets

It added that prospects for the remainder of this year remained uncertain

Seifsa statistics showed that physical volumes of production in the metal and engineering industries decreased by 7,7 percent for the calendar year 1985 as compared with 1984, and some 15 percent when contrasted with the peak production levels achieved in 1981

The survey suggested that the outlook for the balance of this year seemed to be uncertain, but there were some prospects for improved demand with a better year seen for the agricultural sector, a possible general broadening of economic recovery with increased sales of consumer durables, and an expected positive turnaround in the mining and manufacturing sectors — Sapa

THE

Metal workers' unions ban overtime as pay talks fail

STAR By Mike Siluma

Two metal industry unions, representing more than 40 000 workers, have imposed a national ban on overtime from Monday

The unions — both belonging to the local co-ordinating council of the International Metalworkers' Federation (IMF) — have included in their demands that the industry cease the production of equipment for the police and the army

A spokesman for one of the unions, the Metal and Allied Workers Union (Mawu), said yesterday that members of both Mawu and the Electrical and Allied Workers' Trade Union had decided to stop working overtime in protest that the employer body, the Steel Engineering Industries Federation of SA (Seifsa), failed to meet wage and other demands made by the unions, which included

- A "living wage" of R3,50 an hour and an across-the-board 50 cents-an-hour increase.
- The recognition of May Day as a paid holiday
- The reduction of the working week to 40 hours

Steelmen back overtime ban

20/5/85
by Mike Siluma
The Steel, Engineering and Allied Workers' Union (Seawu) yesterday backed a ban on overtime in the metal industry, imposed by two unions last week.

The Metal and Allied Workers' Union and the Electrical and Allied Workers' Trade Union called for the ban after wage talks with the Steel Engineering Industries Federation (Seifsa) deadlocked

The unions have more than 50 000 members

Spokesmen said the ban would be in force until employers acceded to demands tabled by the unions during wage talks which began last month

3 000 WORKERS IN WAGEDISPUTES

LENMASEKO

ABOUT 3 000 workers were involved in work stoppage over wage demands in the metal industry yesterday.

Two companies, Barlow Rand and GEC, are locked in disputes over wage demands made by metalworkers' unions at plant-level. About 3 000 workers are presently involved at two Barlow Rand group subsidiaries, Fuchs and Barlow Rand Appliances in Alrode, and GEC plants on the Reef.

The disputes have roots in union demands outside the annual wage negotiations between the Steel Engineering Industries Federation of South Africa (Seifsa) and the metalworkers' unions.

At Barlow Rand Appliances, workers are demanding an hourly wage increase of R1,50; a bonus for R75, long service benefits

Demands

The striking GEC workers are demanding across-the-board hourly wage increases ranging from 50 cents to R1,50.

These demands are in addition to wage proposals submitted by unions affiliated to the International Metalworkers' Federation at Seifsa-level. The IMF unions,

Mawu included, are demanding a minimum wage of R3,50 an hour.

The unions, which include the Metal and Allied Workers' Union, are pressing for negotiations at company-level.

Meanwhile the South African Black Municipal and Allied Workers' Union has condemned the dismissal of its 1 000 members at the Tembisa Council. The union has warned that workers at other local authorities would go out on solidarity strikes.

ity strikes.

Sabmawu general secretary Mr Philip Dlamini told the *Sowetan* that some strikers had been ordered to vacate council-owned houses in the area. "The workers who have been ordered out the council houses are those on the fire brigade and the ambulance service," he said.

Boycott

Local residents had resolved to intensify a rent boycott in a bid to force the council to set-

tle the dispute, Mr Dlamini said

The town council fired the 1 000 workers after they took part in a strike over wage demands and better working conditions. According to Sabmawu, the minimum salary earned by a council employee was R280 a month.

Other work stoppages were:

- Concor group was hit by strikes at its Johannesburg, Cape Town and Westonia plants

yesterday. Members of the Building Construction and Allied Workers' Union at Concor are demanding hourly wage hikes.

- Workers at six Pioneer Ready Mix Concrete are still out on strike. They are protesting "unfair dismissal".

Workers told the *Sowetan* that they had been dismissed, but this could not be confirmed by late yesterday. Pioneer plants affected by strikes are in Pretoria,

- The wage strike by about 3 000 workers at Sentrachem subsidiaries is still on.

- About 400 members of the General and Allied Workers' Union are involved in pay disputes with Securitas at Florida.

Strike

- A number of workers at Supervision Cleaning Services have downed tools, but the *Sowetan* could not establish the reasons for the action.

The Brushes and Cleaners Workers' Union is investigating the matter.

- The Black General Workers' Union (Blagwu) and Raceec company in Witbank has reached an agreement over retrenchments which were to be effected this month.

ARBU 29/5/86

NATIONAL/INTERNATIONAL

189

Wage talks for 350 000 metal workers to resume

Labour Reporter

WAGE talks affecting 350 000 employees in the metal industry face rough waters when they resume next week

At issue are wage demands and a proposal that companies which want to pay more than minimum rates should negotiate these individually with unions

Four unions solidly reject proposals by the employer body, the Steel and Engineering Industries Federation of South Africa (Seifsa)

Unions in the Council of Mining and Building Unions (CMBU) are not satisfied with the proposals but would be prepared to accept them if other needs are met.

Three of the unions which reject the proposed wages — the Electrical and Allied Workers' Trade Union, Metal and Allied Workers' Union and Steel, Engineering and Allied Workers' Union — have imposed overtime bans and declared a dispute with Seifsa

The fourth, the Engineering Industrial Workers Union, is waiting to see how the negotiations go

Employer proposals would lift minimum wages at the top to R5,77 an hour, down to R2,18 for the lowest paid. Every worker, including those receiving more than the minimum, would get the grade increase. These range from 28c an hour at the bottom to 56c at the top

Unions rejecting the offer demand a minimum of R3,50 an hour.

Spokesmen said that Seifsa's offer was below the inflation rate and did not offer a living wage to the lowest-paid workers

Mr Ben Nicholson, director of CMBU, said the proposal for individual negotiations could be the make-or-break issue

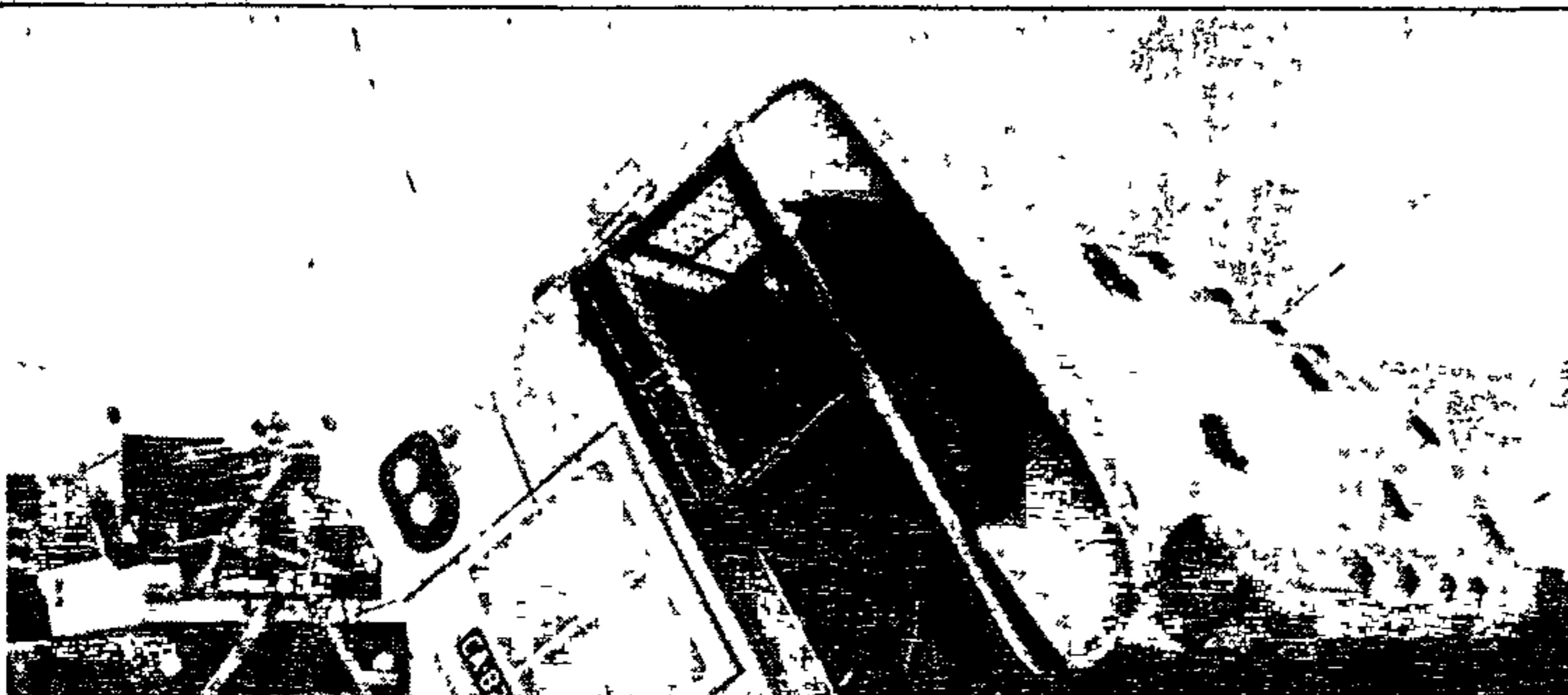
"We are not satisfied with the wage proposals. But we recognise the position of the industry and if the employers remove certain pinpricks we will accept them

Unions are also asking for a 42-hour week, down from 45 hours. Mr Nicholson said this would help to create employment in an industry in which many plants are already working short-time

● Seifsa has proposed that the Government investigate making May Day a public holiday

The issue is one of the union demands in wage talks in the metal industry

Seifsa has asked the Government to appoint a commission to investigate public holidays by August and report in January



SA metal workers to decide on disinvestment

Labour Reporter

THE South African council of the International Metalworkers' Federation has asked its members for guidance on disinvestment.

The council is affiliated to the international body which has 15 million members in 75 countries. Any policy formulated in South Africa is likely to be accepted as guiding federation policy about disinvestment.

A resolution at a recent council congress called on its nine member unions to canvass the views of their 200 000 members before the federation makes a policy decision.

Apartheid

The resolution said that the council supported international pressure aimed at the immediate elimination of apartheid.

"The demand for the withdrawal of foreign investment from South Africa is recognised as a means for creating such pressure and the council has a duty to formulate policy on this vital matter.

"Affiliated unions therefore undertake to obtain a clear mandate from their rank and file membership to facilitate the formulation of such a policy on disinvestment."

Unions have until the end of the year to report back.

Mr Brian Fredericks, council secretary, said a factual report on disinvestment would be prepared to help unions reach a decision.

The South African council has nine member unions and is affiliated to the federation, which has headquarters in Switzerland.

A decision in South Africa to support disinvestment would have international repercussions. Affiliates in other countries would move to exert pressure on their governments and employer bodies to disinvest.

STW 5/6/80

Metal industry pay talks resume

Pay talks affecting about 350 000 employees in the metal industry are scheduled to resume today.

At the centre of the talks are not only wage demands but proposals that companies wanting to pay more than the minimum rate negotiate additional increases individually with unions

Four unions involved in the wage talks have rejected offers made by the Steel and Engineering Industries Federation of South Africa (Seifsa)

Unions belonging to the Council of Mining and Building Unions (CMBU) have said they are not satisfied with the offer.

STAND

Unions belonging to the International Metalworkers Federation have taken a stronger stand

Three reject the proposed wages — the Electrical and Allied Workers' Trades Union, Metal and Allied Workers' Union and Steel, Engineering and Allied Workers' Union — and have imposed overtime bans and declared a dispute with Seifsa

The fourth, the Engineering Industrial Workers Union, is waiting to see how negotiations progress

Seifsa has offered to raise minimum wages to R2,18 an hour at the bottom of the wage scale and R5,77 at the top

The union demand is R3,50 an hour.

ARBUS 9/6/86

189 ~~188~~ ~~187~~

Friday ~~188~~ deadline for metal workers

By DICK USHER
Labour Reporter

FRIDAY is D-day for 350 000 workers in the metal industry when their response to employers' latest wage proposals will be made known.

Three unions in the negotiations have rejected the proposals completely, the others are dissatisfied with the offer but are canvassing members for their feelings

The latest proposals, made last week, are for a 60 c an hour increase at the top of the scale, raising the hourly wage to R5,81, down to a 30 c increase bringing the lowest paid workers to R2,20 an hour.

Union spokesmen said employers had said this was the final offer

They were disappointed at employers' refusal to address the living wage issue for lower paid workers

"Refusal to sign the agreement would present major problems," said one unionist.

"Built-in benefit structures depend on a worker being a member of a union party to the agreement. If we don't sign members could be without benefits and the unions could lose their stop order rights

"That is why we are going back to our membership to explain all the implications and ask for a mandate on the proposals"

Employers have proposed an increased holiday bonus Unions were seeking a 13th cheque but employers have produced a formula which will give this by 1990

Another problem within the negotiations — the dispute declared by three unions — will be discussed at a monthly meeting of the Industrial Council tomorrow

Seifsa in a bid to avert strike

20440000
10/6/88

THE Steel Engineering Industries Federation of SA (Seifsa) is to meet today in an attempt to avert a strike involving about 300 000 workers in the metal industry.

This follows the failure by Seifsa — representing about 9 000 employers in the industry — and the affiliates of the SA Co-ordinating Council of the International Metalworkers' Federation (IMF) to reach agreement on wage proposals during negotiations last Friday.

This is the third time these two parties have reached a stalemate since the annual wage

By
**LEN
MASEKO**

negotiations began in April

• Metalworkers at Steel Reinforcing and Trading in Steeledale downed tools yesterday in demand for an hourly wage increase of R1 across-the-board

Increase

The wage strike by about 3 000 Sentrachem workers entered its fifth week yesterday. Members of the SA Chemical Workers' Union de-

mand a R250 across-the-board pay increase

Sacwu members have been asked to attend an urgent meeting on Saturday in Johannesburg, where the plight of Sentrachem workers will be discussed. The meeting will be held at Lekton House, 5 Wanderers Street. It starts at 9am

• Seawu yesterday reported that its 70 members at McCoils in Maraisburg had downed tools in protest against "the unfair dismissal" of their two colleagues

Slept

Nearly 300 workers at the Sasko Milling company in Bon Accord near Pretoria, have gone on strike in protest against the company's decision to retrench 42 of their colleagues

The employees, all members of the Food and Allied Workers Union, went on strike last Friday and have staged a sit-in and slept at the company's premises since then

Altech in great shape says CE

ALTECH'S prospects for this year are encouraging, and the group is well positioned to take advantage of any improvement in the economy, says CE Bill Venter

With substantial cash balances — bank balances and deposits of R61,8m (R84,6m) at the February year-end — and a healthy order-book, the group is in excellent shape, he says in the annual report

The sectors in which Altech is involved are performing well, and turn-around prospects for problem areas are good. There is considerable potential in recent acquisitions and new products

PRISCILLA WHYTE

Altech made an offshore acquisition early in financial 1986, which resulted in revenue from abroad contributing about 8% to group turnover. The new international company will not, however, affect earnings because it is self-financing and the purchase did not involve the issue of new shares.

Altech acquired Motorola's SA operations for an undisclosed sum. Motorola has more than 33% of the SA market for two-way-radio and paging systems, an area which has promising growth potential.

Agreement has also been reached with the Tongaat-Hulett group for the purchase of the entire shareholding of Tongaat Electronics.

Venter refers to a survey of the SA electronics industry which says the market for electronics is on the threshold of a growth phase.

Turnover in the electronics industry was about R4,3bn last year and is expected to escalate to an annual, uninflated turnover of R13,5bn by 1994 — at which stage electronics should account for 14% of total manufacturing sales, compared with 6,4% last year.

Venter says innovation and exports remain group priorities.

Altech's balance sheet has strengthened, with a current ratio of 2.1 (2.1) and borrowings falling to R7,8m (R9,5m), rendering a borrowings-to-fixed-capital percentage of 3,9% (5,8%).

STAR

r Thursday June 12 1986 (189) 3

Mawu set to clash with metal bosses

A major confrontation is brewing in the metal industry, the Metal and Allied Workers' Union (Mawu) warned yesterday after annual pay talks with employers deadlocked.

In a statement, Mawu said final deadlock was reached yesterday at a meeting of the metal industry industrial council over wage increases and conditions of employment.

"The Steel Engineering Industries Federation of SA (Seifsa), the employers' association, declared that it had made its final offer and was not prepared to move," said Mawu.

"Three unions, Mawu, the Electrical and Allied Workers' Trade Union and the Steel Engineering and Allied Workers' Union, declared that they could not accept Seifsa's final offer."

Other unions involved in the negotiations said they would inform the council of their position tomorrow.

Mawu has called on Seifsa to change its way of thinking.

"Seifsa has claimed to be in the forefront of those pushing for reform, but figures show that wages in the industry have not improved since 1975. Reform with continuing exploitation is meaningless."

Seifsa could not be reached for comment.

FUN MAIL 29/8/86

SANCTIONS

Protection posturing

Behind international sanctions pressures against apartheid and the State of Emergency lies a strong element of economic self-interest for major Western nations. For if SA were to be pushed out of major minerals markets, competitors like the US and Australia would have a virtual free hand.

"An analysis of the Democratic Party's sanctions Bill shows that three major industries have been targeted: coal, steel and uranium. In all three, struggling US industries would benefit tremendously if South African competition is outlawed. The Bill therefore boils down to pure protectionism — cloaked with the moral posturing of anti-apartheid activism," says Barlow Rand financial director Evert Groeneweg.

Groeneweg says South Africans who take part in strident calls for sanctions as "a way to end apartheid" are in fact helping these Western interest groups to sink the economy and remove it as competitor.

"Once the economy is destroyed, there will be little content to any political power in the new dispensation these people are striving for. It is in the interest of all South Africans to protect the economy against the ravages of international groups who do not have the interests of all South Africans at heart," adds Groeneweg.

Australia is another country clamouring

for sanctions which would directly benefit by the removal of SA from the international minerals marketplace. "These elements of economic self-interest have been hidden, it is time that all South Africans wake up to the real threat," he says.

To counter this, a campaign must be launched to create an awareness of the inter-linking economic interests of this country's peoples, and exports must be stepped up all round.

"Once we lose our markets, any government will be hard-pressed to regain them. These international economic self-interest groups are going all out to sink us on world markets — and all South Africans will be the losers," says Groeneweg.

He adds that the focus on political aspects of the campaign against SA has overshadowed economic realities. Sanctions have become such an emotional international issue that SA will have to take the strongest economic actions — increased exports, an awareness campaign among all population groups that their jobs, economic future and very survival are at stake once sanctions begin to bite — to counter the threat.

"Protectionism is again — wrongly, as in the Thirties — becoming the vogue internationally to save jobs and struggling economies. Even were SA to announce tomorrow that one-man-one-vote would become policy by next year, this would not stop the sanctions bandwagon. We *must* increase exports to retain our foot in international markets," says Groeneweg.

Measures to increase the stake of all population groups in the economy have become important to provide an economic and political future for SA. "The whole population must understand what is at stake," says Groeneweg. ■

Strike looming?

The metal industry may face its first-ever concerted and widespread wage strike by black workers. But even if this fails to materialise, there are strong doubts whether any agreement struck at the metal industrial council will be sufficiently representative to satisfy the Department of Manpower.

This follows the breakdown of attempts at the council to settle the disputes three trade unions have declared with the Steel and Engineering Industries Federation of SA (Seifsa), and the rejection of the employer offer by another union.

The Metal and Allied Workers' Union (Mawu), the Steel, Engineering and Allied Workers' Union (Seawu), and the Electrical and Allied Workers' Trade Union of SA (EAWTUSA) declared disputes in April. Of the five dispute options available to them, all agreed to continue negotiations.

When talks resumed on June 5, Seifsa returned to the table with a slightly improved offer. It added 2c to its previous offer of a 28c an hour increase for workers in the lowest job category, and 4c to its offer of 56c an hour for the top category. This would make the minimum and maximum hourly rates R2,20c and R5,81 respectively. Various other improvements to leave bonuses and Sunday overtime rates were also offered.

The reaction of the 15 unions involved in the negotiations once again reflects differences between those representing skilled workers, and those with unskilled and semi-skilled workers. Except for the SA Boilermakers' Society, all the unions in the Confederation of Metal and Building Unions have accepted Seifsa's proposals. So have the Yster en Staal Unie and the Mineworkers' Union. The Boilermakers' Willie Coetzee says the union will only formulate its response when its executive committee meets early next week. However, signalling that the union is unlikely to accept, he says "We still think the offer is unacceptable and that Seifsa can improve on it."

Seifsa's offer has failed to placate Mawu, Seawu and EAWTUSA which are demanding a minimum wage of R3,50 an hour and a 50c across-the-board increase. And the small

Engineering and Allied Workers' Union (EAWU) has said it is also not prepared to accept the offer.

In a move to place pressure on Seifsa, Mawu members last Thursday staged a demonstration strike which seems to have lasted for a few hours in some plants and for the whole day in others. Mawu claims almost all its members in metal plants in Natal and the Transvaal downed tools.

Action committee

Mawu, Seawu, EAWTUSA and EAWU, which together represent about 80 000 workers, have formed an action committee which will be meeting soon to consider their next step. If they decide on a joint strike, it could have a serious effect on the metal industry. Industry sources think it still possible that Seawu, EAWTUSA and EAWU could lower their demand. But even if they do, there is not a great deal of optimism that Mawu will follow suit.

The strong measure of dissent in the council raises questions about whether the council's agreement will be sufficiently representative for the Minister of Manpower to extend it to the entire metal industry. Sources say that if enough unions agree, the minister will extend the agreement. If not, there could be problems, although dissenting unions would be free to express their views to the minister on whether the agreement should be extended.

20/6/86 BUS DAY - 189

Metal and engineering firms table new wages offer

EMPLOYERS have tabled a new wage offer for 350 000 employees in the metal and engineering industry in an attempt to resolve the disputes and deadlocks existing between the employer body and six unions.

The unions represent nearly 130 000 workers and their response — which will be relayed to employers at a special Industrial Council meeting in a week's time — could indicate whether a wide-

spread strike is in the offing.

Nine of the 15 unions on the council have accepted the offer, but sources believe Manpower Minister Pietie du Plessis would be unwilling to extend the agreement to the entire industry if many unions refused to be party to it.

The Steel and Engineering Industries Federation of SA (Seifsa) met the unions on Friday to confirm it was improving wages for workers on lower grades

Minimum increases offered range between 32c/hour on the lowest unskilled grades to 60c at the top. This amounts to increases of between 17% and 11.5% and puts the new minimums at between R2,22 and R5,81 an hour.

Talks began in April and several unions declared disputes after the second

round of talks.

The Metal and Allied Workers' Union (Mawu), the Steel, Engineering and Allied Workers' Union (Seawu) and the Electrical and Allied Workers' Trade Union of SA (Eawtusa) — in deadlock with Seifsa — have stuck to their original demand of a minimum of R3,50/hour.

The SA Boilermakers' Society (Sabs), the Engineering and Allied Workers' Union (Eawu) and the Eastern Province

CLAIRE PICKARD-CAMBRIDGE

and Border Engineering and General Workers' Union are now also in dispute with Seifsa.

□ MICK COLLINS reports Mawu will this week hold its first national congress which is expected to focus on the deadlock in national wage negotiations in the metal industry.

More than 300 delegates are expected to attend the Johannesburg meeting.

REPORT ON WAGE TALKS

BY LEN MASEKO

FOUR metalworkers' unions are to report back to their members on improved wage proposals offered by the Steel Engineering Industries Federation of SA.

The unions are the Electrical and Allied Trade Union, of SA, Metal and Allied Workers' Union, Steel Engineering and Allied Workers' Union, and Engineering and Allied Workers' Union.

Rejected

All have rejected Seifsa's improved offer of R2,22 (bottom grade) and R5,81 (top grade) minimum wage an hour.

The unions, which have formed a joint action committee, have been unbending in their demand for — among other things — a minimum wage of R3,50 an hour.

body's original offer was R2,18 (bottom grade) and R5,77 (top grade). During their last meeting on June 26, the employer body and the four unions again reached a stalemate. Also involved in the two-month-old wage

makers Society. Other unions involved in the wage talks had agreed to sign the Seifsa wage agreement.



THE Australia Ambassador to South Africa, Mr R N Birch (left) was herof the day when he presented books and video tapes to children at the SOS Village in Emmerdale. Children from the township will also be able to use these gifts. Mr Dave Jackson, national director of the SOS Children's Village Association, is on the right.

189
SOWETAN
1978
a source said Seifsa was supposed to implement pay increases in the industry today.

A spokesman for the four metal unions, Mr Tommy Oliphant, told the *Sowetan* yesterday that these unions would report back to their members in a series of meetings. The unions' action committee is due to meet on July 8 — a day before another round of negotiations with Seifsa — to decide on further action.

Bargaining

"The employers have agreed to grant time off to union members at their plants so that they can be addressed by union officials about the wage proposals," Mr Oliphant said.

The four unions are also campaigning for shopfloor bargaining as opposed to the current industrial council system.

BU > DAT
2/7/86
**Sabs suggests
that pay offer
be accepted** *189*

CLAIRE PICKARD-CAMBRIDGE

THE SA Boilermakers' Society (Sabs), which claims 45 000 members in the engineering and metal sector, recommended yesterday that members should accept an improved wage offer tabled by employers last week

Sabs is one of six unions which have been in dispute or deadlock with the employer body, the Steel and Engineering Industries Federation of SA (Seifsa)

The Metal and Allied Workers' Union (Mawu), which is in deadlock with Seifsa, will discuss the offer with members at its congress in Johannesburg this weekend. But it is unlikely that Mawu will accept the offer.

The response of the six unions will be relayed to Seifsa at a special industrial council meeting next Wednesday.

Nine of the 15 unions on the metal and engineering industrial council accepted an earlier offer from Seifsa. Seifsa's latest offer is between 11,5% and 17% and puts the new minimums at between R2,22 and R5,81 an hour.

BUZZ DAY. (1401)
4/7/80
Strike (189)
ballot (355)
weighed

CLAIRE PICKARD-CAMBRIDGE

A DECISION on strike ballots by 44 000 Metal & Allied Workers' Union (Mawu) members, who are deadlocked with employers over wages, will be made at the union's congress today and tomorrow.

Mawu leader Berne Fanaroff told the congress yesterday a decision would be made about continuing Mawu's overtime ban — in protest against the Steel & Engineering Industries Federation of SA's (Seifsa) wage offer

He said real wages of metalworkers had not improved since 1975 and that Mawu's demands, including a minimum of R3,50 an hour, were reasonable

Although many small companies were struggling, bigger ones employing over 80% of the workers had increased profits every year

Seifsa has recommended that members should implement minimum increases of 32c to 60c an hour, which will put new minimums at R2,22 to R5,81 an hour.

Fanaroff said Seifsa had a big problem because there was clearly a "split within its ranks". Many employers were prepared to pay more, but there were some companies which either could not or would not

□ Marcel Golding, of the National Union of Mineworkers, told the conference that mining employers, in particular, had been silent about the detention of unionists. He said mineworkers worked more than 100 hours a fortnight and were among the lowest paid in SA.

Seifsa outlines priorities

By D. M. (189)
7/7/86

EVEN NESSET

AN URGENT need for an industrial policy programme exists in the steel and engineering sector to guide it to greater productivity

This need and many others were highlighted at the inauguration of a joint Steel & Engineering Industries Federation/National Productivity Institute (Seifsa/NPI) unit on at the weekend

Consensus was reached about the main areas to be addressed by the unit in the forthcoming year

These included developing an overall industrial policy for Seifsa, which

would lay down guidelines on issues of general importance to member companies, and working out a strategy to improve two-way communication between management and workforce

Other priorities included establishing a central data bank with inter-firm comparisons, assessing the effectiveness of training funded by the Seifsa training fund and lobbying more actively for a general upgrading in educational levels

Workers' Trade Union of SA (EAWTUSA)

The agreement provides, among other things, for 32c/hour minimum increases for workers in the lowest job categories, and a minimum wage in the industry of R2,22 an hour. Workers in the top artisan grades will receive increases of 60c/hour, bringing the minimum hourly rate up to R5,81.

The ball is now in the minister's court. He has to decide whether to gazette the agreement, and whether — in view of the three unions' stand — to extend it to cover non-parties. But it is believed that the last-minute decision of the 45 000-strong SA Boilermakers' Society to support the agreement will remove any doubts. Minister Pietie du Plessis would have about fully implementing the agreement.

Boilermakers' president Ike van der Watt says his union made acceptance conditional upon employers agreeing to resolve a number of matters which have become major stumbling blocks to collective bargaining in the metal industry. The Steel and Engineering Industries Federation of SA (Seifsa), is be-



Manpower's Du Plessis . . . ball in his court

lieved to have acceded to this condition.

The Boilermakers' concerns include

□ Levels of collective bargaining. Although talks on this question have been going on for some months, they remain unresolved. Van der Watt believes that, until the issue is resolved, unions will continue to refuse to sign the agreement. He warns that this could eventually lead to the collapse of the council.

□ Job structures. The union believes that the agreement contains too many categories of employee. It wants them to be redefined and reduced, and

□ Wage structures. Van der Watt says that the R5,81/hour minimum for the top grade is completely unrealistic. "You will not find an artisan working for less than R6,50 an hour," he says. He believes the industry's wage structure is distorted and that the differential between unskilled and skilled workers' wages is too wide. At present unskilled workers' wages are about 30% of those of artisans. They should be no less than 45%, he says.

Meanwhile, Mawu — the most militant of the metal unions — has said it intends to start holding a series of strike ballots among its 30 000 members. Seawu and EAWTUSA have not yet made it clear whether they, too, will follow Mawu's path. But both have been reported as saying that even though they are not prepared to give the nod to the agree-

ment, they will not raise objections to it being gazetted.

The issue of extending the agreement is a double-edged sword for the dissatisfied unions. In theory, non-extension would mean that employers would not be obliged to observe any of the agreement's minimum standards for the three unions' members.

On the other hand, if the agreement is extended, it would mean that the unions would forfeit the opportunity to strike legally on an industry-wide basis, or in any of the local-level negotiations which are in progress or due to begin soon. This is because the Labour Relations Act outlaws strike action during the currency of an industrial council agreement. Exacerbating this situation right now, as a Mawu spokesman bitterly points out, is that the emergency regulations prescribe heavy penalties for the incitement of unlawful strikes.

In various plant or company-level negotiations thus far, Mawu has received offers of increases close to, or even above, 40c/hour. In some cases it has reached agreement, although deadlock is likely in others. ■

FIN MAIL 18/7/86 (189)
METAL WAGE TALKS

Pietie must decide

A new industrial council agreement for the metal industry is due to be submitted to the Minister of Manpower within days, without the backing of three of the council's 14 union parties.

Two of the dissenting unions — the Metal and Allied Workers' Union (Mawu) and the Steel, Engineering and Allied Workers' Union (Seawu) — represent the majority of the industry's unionised black workers. The third is the smaller Electrical and Allied

K615 23/7/88 (189) (129)

'Labour Day' holiday move

By DICK USHER, Labour Reporter

ATLANTIS Diesel Engines is among the latest employers to support a paid "Labour Day" holiday

A clause in its newest wages and conditions of employment agreement says the company supports the view of the Steel and Engineering Industry Federation (Seifsa) that there should be a paid public holiday called Labour Day and that if representations to the Government are unsuccessful Seifsa will negotiate with unions the basis on which Labour Day 1987 will be a paid holiday in the industry

It also favours a commission of inquiry into the Public Holidays Act but, as there are already enough public holidays, feels a new holiday should replace an existing one

Public holidays should be more evenly distributed throughout the year and where possible should fall either on a Friday or a Monday

The agreement gives a 10 percent increase in wages at the top of the scale and up to 15 percent for the lowest-paid workers

The general secretary of the Industrial Engineering Workers' Union, Mr Leslie Davadoss, said the agreement was moving towards a concept they favoured — that other workers' wages should be established as a percentage of artisans' wages and that any negotiations should maintain that proportion

The agreement also provides for re-employment where there is a suitable vacancy of a female employee who has left to have a baby if she applies within six months of leaving and even if the vacancy arises after the six-month period

Where this is done the worker will be regarded as having unbroken service

Strike ballots to be held in metal industry

By DICK USHER
Labour Reporter

ARGUS
28/7/86

STRIKE ballots are to be held soon in the metal industry, according to a spokesman for the Metal and Allied Workers' Union (Mawu)

Mawu is one of three unions which have declared a dispute with the employer body, the Steel and Engineering Industry Federation of South Africa (Seifsa), over this year's wage negotiations. The others are the Steel, Engineering and Allied Workers' Union and the Electrical and Allied Workers' Trades Union.

The new Industrial Council agreement for the industry is due to be submitted to the Minister of Manpower, Mr Pietie du Plessis, soon. He must then decide whether to extend the agreement to non-parties — the three unions.

Under the Labour Relations Act strikes are outlawed during the term of an Industrial Council agreement. But it is possible for unions that already have plant-level agreements to go on legal strikes, one reason for Seifsa's resistance to bargaining that takes place below the Industrial Council level.

The independent unions want the power to negotiate better deals than the council agreement provides with individual companies they argue can afford it. They want Seifsa to agree to plant-level bargaining throughout the industry.

The three unions declared a dispute early in the negotiations, with Mawu demanding R3,50 an hour.

The employers' final offer was R2,22 an hour minimum, a 32c an hour increase. Workers in the top artisan grades will get 60c increases, bringing the minimum to R5,81 an hour.

29/7/80 (189) 189

Overtime ban as workers seek pay rise

Labour Reporter

WORKERS at Renak, a circuit-board factory in Diep River, have decided on an overtime ban in support of their demand for a living wage.

The factory is part of the Plessey group and falls under the metal industry Industrial Council, but is also involved in negotiating plant-level procedural, grievance and maternity agreements with the Electrical and Allied Workers' Trades Union of South Africa (Eatwusa)

Workers said they decided on the ban yesterday.

They are demanding a R3,90 an hour minimum. They have been offered R2,30

Workers said some sections of the factory worked up to 30 hours' overtime a week

Eatwusa is one of three metal industry unions in dispute with the Steel and Engineering Industries Federation of South Africa over this year's wage negotiations

Mr A J Chisholm, managing director of Renak, said he had not been told officially of the move and preferred not to comment until he had.

Cape Times 1/8/86

Workers back after firm agrees to talk

Labour Reporter

WORKERS at the Renak electronics factory in Diep River returned to work yesterday after striking for one day in protest at the company's failure to respond to their demand for a minimum wage increase

A spokesperson for the Electrical and Allied Workers' Trades Union (EAWTU), which has more than 80 percent membership at the plant, said the strike was called off when management agreed to discuss wage increases with the union

The union is demanding an increase in the minimum wage from R2,30 an hour to R3,90 an hour

The factory — part of the multi-national Plessey group — has been troubled by industrial action since Monday when the workers introduced an overtime ban to support their demand for a living wage, and refused to work shifts

Apart from the fact that the shift system would undermine the overtime ban, the mainly female work-force did not want to work night shifts because of the disruption this would cause to their family life, the union spokesperson said

EAWTU has also accused Renak of trying to recruit scab labour from among engineering students at UCT to work the shift system

The managing director of Renak, Mr A J Chisholm, said management had agreed to meet the union and did not want to comment further on industrial action being taken at the plant.

W/C-AR604 16/1/86

Metal 189 187
industry 2126

LABOUR AFFAIRS
DICK USHER

SOME swift footwork by the Electrical and Allied Workers' Trade Union (EATWU) has produced interesting developments in the metal industry locally

The union was formed earlier this year, after lengthy negotiations between the two, from an amalgamation of the Electrical and Allied Workers' Union and the Electrical and Allied Trades Union with a national membership of about 25 000

EAWTU is one of three unions which declared dispute with the employer body, the Steel and Engineering Industry Federation of South Africa (Seifsa) early in negotiations for a new industrial council agreement for the metal industry

The agreement which was finally concluded, without being signed by the three unions in dispute, provided for a R2,22 minimum wage in the industry. The unions rejected this in line with their demands for a "living wage" in the industry

The dispute and the existence of an industrial council agreement does not preclude plant level negotiations for better conditions at individual factories and EAWTU had been organising at Renak, a Diep River circuit board factory and subsidiary of the British multinational Plessey, where it recently gained majority representation

The living wage question immediately emerged as an issue in negotiations between the union and management

Although workers are paid above the industry minimum due to experience and length of service they said they had to work overtime to earn a reasonable wage and maintain production schedules

Their basic demand is for wages which would maintain their standard of living without having to depend on overtime pay and that management should employ more workers rather than requiring the existing workforce of about 80 to work overtime

They demanded a R3,90 an hour minimum while the company offered R2,30 an hour, later increased to R2,60. The union also wanted pro rata increases for workers on scales above the minimum

Experts in the field have difficulty in defining a "living wage" but agree that existing standards of minimum living levels and supplemented levels are unsatisfactory

Not only are they standards drawn up without reference to what workers consider necessary to their lives, but they make little provision for emergencies and no allowance for the accumulation of surplus funds

Dissatisfaction with the negotiations led to workers declaring a ban on overtime and stopping production twice in the past two weeks. This week the union declared itself in dispute with management

A union spokesman said management had refused to provide factual information to back their claim that they could not afford the increases demanded and that increases above their offer would render their products non-competitive

He said the union regarded management's refusal to open their books as a lack of good faith and that it would enter an unfair labour practice action in the Industrial Court if management persisted

He said the union was prepared for the matter to go to conciliation. If that failed the way would be open for a possible legal strike

Legality of strike ballot questioned

1965 21/11/66
Labour Reporter

THE Metal and Allied Workers Union (Mawu) is to go ahead with a strike ballot on the metal industry wage dispute although the legal position has become uncertain.

Three unions declared a dispute with the Steel and Engineering Industries Federation (Seifsa) early in this year's wage negotiations over their demand for a "living wage" of R3,50 an hour minimum while Seifsa's final offer was R2,22

A spokesman for the union said the Minister of Manpower would gazette the Industrial Council agreement on Friday, extending it to non-parties. The three unions have not signed the agreement.

AGREEMENTS

He said that under the Labour Relations Act a legal strike was not allowed during the term of an Industrial Council agreement. But industrial relations experts argue that legal strikes may be possible in factories that have individual plant-level agreements.

The Mawu spokesman said a large number of plant-level agreements had been negotiated recently where workers had gained more than the minimum set out in the Industrial Council agreement.

This could make it difficult for workers to go out on a national issue.

FINMAIL (189) (188)
METAL INDUSTRY WAGES 1986
22/8/86

Gazetting a contract

The metal industrial council's main agreement, setting minimum wages and working conditions for the 350 000 workers in the industry for the year ahead, will be gazetted on Friday and come into effect next Monday. All that remains to be seen now is what course of action will be adopted by the five trade unions that have refused to back it.

The main feature of the agreement — in which the Steel and Engineering Industries Federation of SA (Seifsa) is the employer party — is its provision for workers in the lowest job category to be paid a minimum wage of R2,22/hour and for top grade artisans to get a minimum of R5,81/hour.

Two factors appear to have influenced the decision by Manpower Minister, Pietie du Plessis, to gazette the agreement. One was the late decision by the SA Boilermakers' Society to endorse it, the other was the fact that none of the five dissenting unions objected to it being published and extended to cover non-parties to the council.

The five dissident unions are the Metal and Allied Workers' Union (Mawu); the Steel, Engineering and Allied Workers' Union (Seawu), the Electrical and Allied Workers' Trade Union of SA (EAWTUSA), the Engineering and Allied Workers' Union (EAWU), and the Eastern Province and Border Engineering and General Workers' Union (EPBEGWU).

A few weeks ago, it seemed certain that a strike by at least some of the dissenting unions was in the offing. Now, however, that prospect appears unlikely — especially as the agreement will be enforced from Monday, and strikes during the term of an agreement are prohibited.

EAWTUSA's Tommy Oliphant says the union's national executive committee will meet next month to decide on whether to hold a strike ballot. Meanwhile, the union will concentrate on company-level negotiations for improvements on Seifsa's offer. Some progress has already been made. At Siemens, where an agreement was bargained jointly with Mawu, the company has agreed to pay a minimum wage of R3/hour at five plants.

Attempts to contact Seawu failed, but the union is experiencing an internal power struggle, which probably means it is in no position to orchestrate a strike. According to labour consultant Steve Bunce, the possibility that either EAWU or EPBEGWU will strike is remote.

The wild card in the pack is Mawu. This militant union was the one most observers expected to strike. But there is little doubt that the State of Emergency, under which large numbers of its officials have been detained, placed serious obstacles in its path. However, Mawu's Bernie Fanaroff says the union decided last weekend to conduct a strike ballot early next month.

In the interim, Mawu has reached agreements with a number of companies aside from Siemens to pay higher wages than those provided for in the agreement. Crown Cork has agreed to pay R3,10/hour at two plants, Barlows Manufacturing will pay R3/hour at two plants, Robert Bosch has settled on R3,40/hour, and Steelmobil has acceded to a demand of R3,50/hour.

Will Mawu strike? Bunce believes the union has lost a great deal of its initial momentum, but does not completely rule out the possibility — especially in the Vaal Triangle where rent evictions could influence workers. ■

Workers wait after labour walkout row

189
184
187
188
Sept 1986
86
Staff Reporter

PRODUCTION has again been disrupted at Renak, a Diep River circuit-board factory where workers have been in dispute with the management for weeks

The disruption followed a walkout on Monday over employment of university students and casual labour for night and weekend shifts

Renak workers imposed an overtime ban in July in support of wage demands

Workers said yesterday that when they returned to work yesterday they were given letters saying their actions were a serious breach of discipline. They were also told to attend individual interviews with the management

Instructions

Some workers accepted the letters. Others refused and said they would not attend the interviews

The management then told them to stay in the cloakroom. They spent most of the day awaiting further instructions

They said a delegation saw the management on Monday and were promised their grievances about students and casual workers and new security systems would be investigated

They said the management threatened that "instigators" of Monday's action could be prosecuted under the Public Safety Act

The dispute declared with Renak by the Electrical and Allied Workers' Trade Union on August 13 is nearing the end of the 30-day "cooling-off" period required by the Labour Relations Act

This could be followed by a strike ballot

No. R. 2005 19 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

MEUBELNYWERHEID, WES-KAAPLAND —HERNUWING VAN VOORSORGFONDSOOREENKOMS

Ek, Mattheus Willem Johannes le Roux, Direkteur Mannekrag, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van Goewermentskennisgewings R 2013 van 11 Julie 1969, R 421 van 15 Maart 1974, R 74 van 16 Januarie 1976, R 2043 van 14 September 1979, R 838 van 30 April 1982, R 2597 van 30 November 1984, en R 1231 van 20 Junie 1986, van krag is vanaf 1 Oktober 1986 en vir die tydperk wat op 31 Maart 1987 eindig.

M. W. J. LE ROUX,
Direkteur: Mannekrag.

No. R. 2006 19 September 1986

WET OP ARBEIDSVERHOUDINGE, 1956

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID —HERNUWING VAN ISPA-SUBGROEPOOREENKOMS

Ek, Mattheus Willem Johannes le Roux, Direkteur Mannekrag, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van Goewermentskennisgewing R 1579 van 19 Julie 1985, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1987 eindig.

M. W. J. LE ROUX,
Direkteur: Mannekrag.

DEPARTEMENT VAN OPENBARE WERKE EN GRONDSAKE

No. R. 1939 19 September 1986

WET OP BOUREKENAARS, 1970 (WET 36 VAN 1970)

KENNISGEWING INGEVOLGE ARTIKEL 7 (6).—
WYSIGING VAN MINIMUM GELDE

Ek, Lourens Albertus Petrus Anderson Munnik, Minister van Kommunikasie en van Openbare Werke maak hierby ingevolge artikel 7 (6) van die Wet op Bourekenaars, 1970 (Wet 36 van 1970), bekend dat ek die voorsiening in die Bylae hiervan kragtens artikel 7 (3) (b) van genoemde Wet gemaak het.

BYLAE

Vervanging van klousule 10 van Goewermentskennisgewing R. 90 van 16 Januarie 1981.

1. Klousule 10 van Goewermentskennisgewing R. 90 van 16 Januarie 1981 word hierby deur die volgende klousule vervang:

“10. Tussentydse gelde en gedeeltelike dienste.

10.1 Tussentydse gelde wat gevorder word, word op die toepaslike geldeskale en die verdeling daarvan soos in Tabel III of IV uiteengesit, gebaseer.

10.2 Indien 'n opdrag beëindig of opgeskort word nadat diens A of dienste A en B, soos in Tabel III of IV uiteengesit, voltooi is, word die gelde vir sodanige dienste ooreenkomstig die toepaslike geldeskale en die verdeling daarvan bepaal.

No. R. 2005 19 September 1986

LABOUR RELATIONS ACT, 1956

FURNITURE MANUFACTURING INDUSTRY
WESTERN CAPE —RENEWAL OF PROVIDENT
FUND AGREEMENT

I, Mattheus Willem Johannes le Roux, Director Manpower, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices R 2013 of 11 July 1969, R 421 of 15 March 1974, R 74 of 16 January 1976, R 2043 of 14 September 1979, R 838 of 30 April 1982, R 2597 of 30 November 1984, and R 1231 of 20 June 1986, to be effective from 1 October 1986 and for the period ending 31 March 1987

M. W. J. LE ROUX,
Director: Manpower

No. R. 2006 19 September 1986

LABOUR RELATIONS ACT, 1956

IRON, STEEL, ENGINEERING AND METALLURGICAL
INDUSTRY —RENEWAL OF ISPA SUBGROUP
AGREEMENT

I, Mattheus Willem Johannes le Roux, Director Manpower, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notice R 1579 of 19 July 1985, to be effective from the date of publication of this notice and for the period ending 30 June 1987

M. W. J. LE ROUX,
Director Manpower

DEPARTMENT OF PUBLIC WORKS AND LAND AFFAIRS

No. R. 1939 19 September 1986QUANTITY SURVEYORS'S ACT, 1970
(ACT 36 OF 1970)NOTICE IN TERMS OF SECTION 7 (6) —
AMENDMENT OF MINIMUM FEES

I, Lourens Albertus Petrus Anderson Munnik, Minister of Communications and of Public Works, hereby make known in terms of section 7 (6) of the Quantity Surveyors' Act, 1970 (Act 36 of 1970), that I have made the provision in the Schedule in terms of section 7 (3) (b) of the said Act

SCHEDULE

Substitution of clause 10 of Government Notice R 90 of 16 January 1981

1 The following clause is hereby substituted for clause 10 of Government Notice R 90 of 16 January 1981

“10 Interim fees and partial services

10.1 Interim fees charged shall be based on the appropriate fee scales and the apportionment thereof as set out in Table III or IV

10.2 Should a commission be terminated or deferred after the completion of service A or services A and B as set out in Table III or IV, the fee for such services shall be determined in accordance with the appropriate fee scales and the apportionment thereof

CA. 6 7/10/63 24/9/86
1764/353 (62) 189

British backing in SA 'wage struggle'

Labour Reporter

BRITISH workers, Labour MPs and a wide range of anti-apartheid movements have pledged to support South African workers "in their struggle for a living wage", according to the general secretary of the Electrical and Allied Workers' Trade Union (EAWTU), Mr Brian Williams.

Mr Williams has returned to Cape Town after 10 days in Britain where his campaign for solidarity between the labour movements in the two countries received widespread coverage.

He went to Britain earlier this month after EAWTU had levelled accusations of "union-bashing" at a Cape Town factory owned by the British Plessey group.

● The EAWTU has secured increases of between 45 and 60 percent to the minimum wage at three Plessey-owned factories in Cape Town — Laingsdale Engineering, Renak and Plessey South Africa Ltd.

The wages negotiated by the union will benefit all workers, including non-union members.

The EAWTU yesterday sharply criticized other unions with minority membership at the three plants for claiming that they had been instrumental in securing the increases.

3/10/86 (189) STAT

Metal industries are shackled

By Frank Jeans

The metal and engineering industries continue to be shackled by the combined effect of over-capacity, sluggish investment and the sanctions threat

The workforce has taken a beating with a loss of 30 000 jobs in the past 18 months. It is estimated that there are at present 348 000 people employed in metal and engineering compared with a peak of 450 000 at the end of 1981

In its review of conditions for the first half of this year, the Steel and Engineering Industries Federation of South Africa (Seifsa), says "A drop in the labour force of this magnitude and the combined impact of insufficient domestic demand as well as inflation pressures on labour relations further underscore the difficulties facing Seifsa's manufacturing sectors"

On a more positive note, however, the federation says that despite recessionary conditions, the industries, in total, managed to achieve "some marginal reversal" last year

Statistics for the middle of this year indicate that Seifsa sectors overall were able to report a small but positive growth of 2,4 percent for the first half of 1986, compared with 1,3 percent for total manufacturing

An encouraging point was the nine percent improvement in export-supported iron and steel basic industries for the six months to June

Ferro alloy producers also recorded positive growth in production volumes last year, and this trend has been maintained so far this year

Production statistics at mid-year

reflect the following pattern as compared with average levels for 1985

- A drop of 17,9 percent in the transport equipment sector;
- A drop of 7,4 percent in non-ferrous metals,
- A drop of 5,5 percent in metal products, including construction and heavy engineering.
- A drop of 2 percent in broad based non-electrical machinery

Referring to the general patchiness of trading, Seifsa adds "New order intake continues to be unsatisfactory

"Furthermore, severely competitive tendering is being experienced in the construction and heavy engineering fields, and rising costs of materials are adversely affecting the competitiveness of the manufacturing sectors both on the domestic and international markets"

125 000 jobs lost in two industries

By DICK USHER
Labour Reporter

THE economic slump has cost at least 125 000 jobs nationwide in the building and civil engineering industries.

The stress in the industries is reflected in losses posted by major companies

Darling & Hodgson disclosed losses of R78-million in the 18 months to June and Murray & Roberts announced a loss of R14.5-million after profits of R43-million last year and R62-million in 1984.

Employment figures have slumped from about 390 000 to

about 265 000, affecting all categories of workers but unskilled and semi-skilled most severely.

Building industry sources said employment was down from a high of about 270 000 in the boom period and Mr Kees Lagaay, executive director of the South African Federation of Civil Engineering Contractors, said employment was down about one-third

The tight market has led to intense competition for contracts and spokesmen said some large firms were tendering "very competitively" to win

jobs and keep jobs for staff they were unwilling to lose

In the Western Cape building industry between 8 000 and 10 000 workers have lost jobs, but spokesmen said the slump appeared to have levelled out

Building industry unionists, who are preparing for this year's wage negotiations, said a large proportion of the losses incurred by larger companies happened overseas. Murray & Roberts and LTA had large losses in Australia

They said there was no reason why these losses should influence wage demands in South Africa

Curbs will hit 'at least 30 000' steel jobs

By Sheryl Raine

At least 30 000 jobs are in jeopardy in the steel and related industries following decisions abroad to press ahead with sanctions and bans on imported South African steel, says a leading trade unionist

Mr Ike van der Watt, president of the SA Boilermakers' Society, said the employers' body in the steel industry, the Steel, Engineering Industries Federation of SA (Seifsa) had estimated the impact of sanctions on jobs. Their figures indicated that about 49 000 jobs would be directly affected in the steel-producing sector, and a further 43 000 in industries which service the steel industry

"Perhaps this figure of more than 90 000 is slightly exaggerated but I estimate at least 30 000 jobs will be in jeopardy in the next 18 months as a result of bans on South African steel exports," said Mr van der Watt

IMPACT ON MINERS

These figures follow estimates by the Chamber of Mines collieries committee. The committee found that bans on local coal imports could result in the loss of 30 000 jobs for blacks in the coal mines. Since each mineworker is estimated to provide for an average of five dependents, a further 150 000 people could be affected

"Some companies have already made plans to beat the boycott of South African steel but the embargo on exports is going to affect us tremendously," said Mr van der Watt

The SABS is one of the unions which has opposed sanctions. Mr van der Watt said the main objective of sanctions was to cripple the economy. "If this happens, then trade unions will also be crippled"

Mr van der Watt said he believed South Africans would at first be lulled into a false sense of security over the impact of sanctions

"In the short term they may even be to South Africa's advantage and may create employment in industries which will work towards manufacturing locally what used to be imported. Ultimately, however, no country can operate in isolation"

Metal industries battle to survive 5-year slump

13/10/88

STAR

189

By Frank Jeans

The steel and engineering industries, battling to survive a fifth year of slump conditions and hard hit by the imposition of overseas sanctions on iron and steel, have mounted a high pressure advertising campaign overseas and approached ambassadors of the country's major trading partners in a bid to turn the situation around

This was said by Mr R Mason, president of the Steel and Engineering Industries Federation of South Africa (Seifsa) at the annual general meeting today

Spelling out the difficulties facing industry today, particularly as a result of the political situation, Mr Mason said there had been a strong spillover into the workplace with frequent stayaways, work stoppages and strike action to the point where the maintenance of normal production levels became extremely

ly difficult

"While the State of Emergency had resulted in a marked reduction in industrial action, the detention of many trade union leaders had a very negative impact on the functioning of industrial relations procedures," he said

"However, present indications are that, in most areas, industrial relations structures are now returning to a degree of normality"

Urging the Government to move forward in achieving a more just society, the Seifsa president said the decision to impose sanctions on iron and steel would have a "direct negative impact on our industry"

"Seifsa has strongly opposed this action through an overseas advertising campaign and representations to ambassadors of our major trading partners," he said

Referring to the recessionary conditions, Mr Mason said the failure of the expected upturn in the economy to materialise meant that the slump within the metal industries was now in its fifth year

On the one hand, those sectors involved in consumer durables, agricultural machinery and the development of the country's infrastructure, have had to function well below capacity, while on the other, the traditional exporters such as steel and ferro alloys and those sectors servicing the gold mining industry have experienced buoyant conditions

Returning to the labour question, Mr Mason said "Despite the criticism of Seifsa for its alleged inflexibility on plant bargaining, there is today considerable commitment to the Industrial Council on the part of all trade unions

"This is not to say that all problems have been resolved and it is evident that much distrust from the past has to be overcome

"The major trade unions representing black workers have been prepared only to make agreements in the council to a very limited extent

"Many factors are playing their part in this, not the least of which is the extremely difficult and prevailing political and economic conditions. Probably the fundamental problem is the failure of the parties in the council to resolve the question of levels of bargaining."

Another area of concern for Seifsa is the "limited progress in training" non-white apprentices and figures reveal that during 1985 only 331 blacks, 278 Asians and 316 coloured people entered the industries, compared with 2 837 whites

SUS DAY
14/10/86

~~189~~

19

189

DAVID FURLONGER
Industrial Editor

RACIALLY-segregated technical training in the metal and engineering trades must stop, says Seifsa (Steel and Engineering Industries Federation) outgoing president Reg Mason.

He told Seifsa's annual meeting yesterday that of 3 762 new apprentices indentured in 1985, more than 75% were white. Only 331 were black, 316 coloured and 278 Asian.

He said Seifsa had expressed its concern to education authorities at the continued provision of theoretical instruction at technikons and technical colleges on a segregated basis.

"This situation is unacceptable to industry."

Mason said that with the metal industries into their fifth year of recession, political actions were making a desperate situation worse.

Detentions of trade union leaders

Segregated training 'must go'

had damaged industrial relations, although it appeared these were now returning to "a degree of normality".

Of the international sanctions campaign and refusal of foreign banks to roll over SA's short-term loans, he said: "These extremely regrettable actions are now clearly a factor in increasing tension and polarisation in our country. Sanctions on iron and steel will have a direct negative impact on our industry."

Mason was succeeded as Seifsa president yesterday by Keith Jenkins.

STEEL AND ENGINEERING

Stronger metals

Another sign of economic recovery has emerged — this time in the steel and engineering sector

The Steel and Engineering Industries Federation of SA (Seifsa) reports that, in contrast to the strong recessionary conditions of 1985, output in the metal industries grew 2,4% in the first six months of the year. This is well ahead of the 1,3% increase in total manufacturing.

But relief could be short-lived. The biggest growth, of 9%, was achieved in the export-supported iron and steel base industries which will be hit by some of the sanctions decisions.

More promising for the long term is the stable position of the ferro-alloy and electrical machinery sectors, which maintained their good 1985 performances.

Ferro-alloy producers expect to be able to match last year's 1,5 Mt total exports, and the growth of electronics and telecommunications through import substitution and exports has helped stabilise electrical machinery.

The main problem, Seifsa says, is the relatively large degree of spare capacity, which continues to inhibit investment in new capital equipment.

Predictably enough, transport equipment manufacture performed worst of all, recording a drop of 17,9% in the first six months of 1986. The non-ferrous metal sector declined 4% in the same period.

Seifsa's survey of business conditions shows that the level of new orders continues to be unsatisfactory, and cut-throat margins are still commonplace in the construction and heavy engineering sectors.

Hopes in these industries appear to be pinned on a general economic recovery ■

22/10/86

NEWS FOCUS

WEDNESDAY

Metal industry set for new look

189

ALAN FINE

A SERIES of meetings between the Steel and Engineering Industries Federation of SA (Seifsa) and metal industry unions over levels of collective bargaining is likely to change the face of union/management ties.

The talks began after years of union agitation for the right to bargain at decentralised levels. Earlier this year, Asea and Haggie Rand faced lengthy strikes by Metal and Allied Workers' Union members over the issue.

The unions argue that, within this diverse industry, some companies — particularly the larger ones — can afford more than the standards laid down by the industrial council, and they should be obliged to negotiate improvements.

SA Boilermakers' Society president Ike van der Watt argues that only plant-level bargaining would permit unions to address the large pay gap between skilled and unskilled wages.

Seifsa, which represents nearly 4 000 employers of more than 300 000 workers, had all along resisted these pressures. It had argued that the industrial council was the best forum for bargaining on major aspects of working conditions.

Seifsa has now agreed, in principle, to decentralised bargaining. But while this represents a major shift in policy, vital details remain to be resolved.

Seifsa proposes that provision for in-house or sectoral bargaining units may be set up, provided it is by mutual agreement, the new unit must be exempted from the main agreement to avoid double negotiations, although this does not exclude the possibility that whole

Employers and unions in the metal industry are engaged in talks to create a mutually acceptable collective-bargaining system which would supplement the existing industrial-council structures

clauses of the main agreement be incorporated, and the new unit must be set up before main negotiations commence.

The proposals further detail the timing of decentralised negotiations. The crux of Seifsa's stand is that companies should not have to bargain at two levels; those involved in decentralised bargaining should be exempted from centralised bargaining; and unions should not be able to fall back on the main agreement should it turn out more favourable than in-house or sectoral settlements.

But the unions believe the main agreement should contain minimum conditions applicable to all, to be used as a base upon which to build at a decentralised level.

In addition, they have expressed fears that Seifsa's proposals could spell the end of the industrial council. Despite its perceived deficiencies, the council contains vital safeguards for workers, particularly those employed in small firms.

Seifsa director Sam van Coller says Seifsa's proposals aim at retaining a strong main agreement.

The council, he says, "is a stabilising mechanism for the industry. It gives employers a greater degree of certainty about the future and it ensures that minimum standards of industrial-relations behaviour are upheld".

He concedes, though, that if localised bargaining becomes too widespread, the future of the council could be at risk.

2. CLAUSE 4.—PROVIDENT FUND

- (1) In subclause (9) (b), substitute "80 per cent" for "65 per cent"
- (2) Insert the following new subclause (9) (c)
- "(c) Every member referred to in subclause (7) (a) who has had 25 years' continuous service in the Industry shall, in addition to the bonus referred to in paragraph (a), be entitled to a bonus equal to 20 per cent of the benefits payable in terms of subclause (7) (a) or (a) bis, whichever is applicable. Provided that the Management Committee may, in its discretion, and on the recommendation of an actuary, vary or cancel such bonus"
- (3) In subclause (9), renumber the existing paragraphs (c), (d), (e), (f) and (g) to read (d), (e), (f), (g) and (h)

Signed at Port Elizabeth, on behalf of the parties, this 7th day of July 1986

D. J. F. LINDE,
Member of the Council

O. J. FOURIE,
Member of the Council

L. M. VAN LOGGERENBERG,
General Secretary of the Council

No. R. 2232

LABOUR RELATIONS ACT, 1956

IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY—AMENDMENT OF SICK PAY FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby—

- (a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 November 1990, upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and the employees who are members of the said organisations or unions; and
- (b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clauses 1 (1) (b), 2 and 5, shall be binding, with effect from the second Monday after the date of publication on this notice and for the period ending 30 November 1990, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

NATIONAL INDUSTRIAL COUNCIL FOR THE IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY

SICK PAY FUND AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Automotive Parts Production Engineers' Association
Border Engineering Industries Association
Cape Engineers' and Founders' Association
Constructional Engineering Association
Domestic Appliance Manufacturers' Association of South Africa
Edge Hand and Small Tool Manufacturers' Association
Electrical Engineering and Allied Industries Association
Electronics and Telecommunications Industries Association

2. KLOUSULE 4.—VOORSORGFONDS

- (1) In subklousule (9) (b), vervang "65 per cent" deur "80 per cent"
- (2) Voeg die volgende nuwe subklousule (9) (c) in
- "(c) Elke lid in subklousule (7) (a) bedoel wat 25 jaar ononderbroke diens in die Nywerheid gehad het, is benewens die bonus in paragraaf (a) bedoel, geregtig op 'n bonus gelyk aan 20 persent van die bystand betaalbaar ooreenkomstig subklousule (7) (a) of (a) bis, watter een ook al van toepassing is. Met dien verstande dat die Bestuurskomitee na goeddunke en op aanbeveling van 'n aktuaris so 'n bonus kan verander of kanselleer"
- (3) In subklousule (9), hernoem die bestaande paragrawe (c), (d), (e), (f) en (g) om te lui (d), (e), (f), (g) en (h)

Namens die partye op hede die 7de dag van Julie 1986 te Port Elizabeth onderteken

D. J. F. LINDE,
Lid van die Raad

O. J. FOURIE,
Lid van die Raad

L. M. VAN LOGGERENBERG,
Hoofsekretaris van die Raad

No. R. 2232

24 Oktober 1986

WET OP ARBEIDSVERHOUDINGE, 1956

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID—WYSIGING VAN SIEKTEBYSTANDSFONDSOOREENKOMS

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby—

- (a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 November 1990 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of verenigings is, en
- (b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalinge van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (b), 2 en 5 met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 November 1990 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer.

P. T. C. DU PLESSIS,
Minister van Mannekrag

BYLAE

NASIONALE NYWERHEIDSRAAD VIR DIE YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID

SIEKTEBYSTANDSFONDSOOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Automotive Parts Production Engineers' Association
Border Engineering Industries Association
Cape Engineers' and Founders' Association
Constructional Engineering Association
Domestic Appliance Manufacturers' Association of South Africa
Edge Hand and Small Tool Manufacturers' Association
Electrical Engineering and Allied Industries Association
Electronics and Telecommunications Industries Association

Engineers' and Founders' Association (Transvaal, Orange Free State and Northern Cape)
 Fire Protection Industries Association of South Africa
 Forging Association of Southern Africa
 Gate and Fence Manufacturers' Association of the Transvaal
 Heavy Engineering Manufacturers' Association
 Iron and Steel Producers' Association of South Africa
 Lift Engineering Association of South Africa
 Light Engineering Industries Association of South Africa
 Materials Handling Association
 Natal Engineering Industries Association
 Non-Ferrous Metal Industries Association of South Africa
 Plastics Manufacturers' Association of South Africa
 Plumbers and Engineers Brassware Manufacturers' Association
 Port Elizabeth Engineers' Association
 Precision Manufacturing Engineers' Association
 Pressure Vessel Manufacturers' Association of South Africa
 Radio, Appliance and Television Association of South Africa
 Sheetmetal Industries Association of South Africa
 S.A. Agricultural and Irrigation Machinery Manufacturers' Association
 S.A. Association of Shipbuilders and Repairers
 S.A. Electro-Plating Industries Association
 S.A. Fasteners Manufacturers' Association
 S.A. Foundry Association
 S.A. Industrial Refrigeration and Air Conditioning Contractors Association
 S.A. Machine Tool Manufacturers' Association
 S.A. Radio and Television Manufacturers' Association
 S.A. Reinforced Concrete Engineers' Association
 S.A. Tube Makers' Association
 S.A. Wire and Wire Rope Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

Amalgamated Engineering Union of South Africa
 Amalgamated Society of Woodworkers of South Africa
 Electrical and Allied Workers' Trade Union of South Africa
 Engineering Industrial Workers' Union of South Africa
 Iron Moulders' Society of South Africa
 Mineworkers' Union
 Radio, Television, Electronics and Allied Workers' Union
 S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society
 S.A. Electrical Workers' Association
 S.A. Engine Drivers', Firemen's and Operators' Association
 S.A. Yster-, Staal-en Verwante Nywerhede-Unie

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry, to amend the Agreement published under Government Notice R 998 of 23 May 1986 (hereinafter referred to as the "Re-enacting Agreement")

PART I

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Iron, Steel, Engineering and Metallurgical Industries—

- (a) throughout the Republic of South Africa, excluding the port and settlement of Walvis Bay;
- (b) by all employers and employees who are members of the employers' organisations and trade unions respectively

(2) The terms of this Agreement shall not apply to—

- (a) employees employed by the employers referred to in subsection (1) who, whilst being allowed in terms of the registered scope of a trade union which is a party to this Agreement to become members of such a trade union, are not members of such a trade union, and
- (b) employees other than those employed by employers referred to in subsection (1).

2. SPECIAL PROVISIONS

Substitute the following for section 3 of the Re-enacting Agreement

"The provisions contained in section 9 of Part I and in Part II (as amended by section 6 hereunder) of the Agreement published under Government Notice R 2032 of 9 October 1980, as amended, extended and re-enacted by Government Notices R 881 of 1 May 1981, R 1205 of 25 June 1982, R 1378 of 1 July 1983, R 1882 of 31 August 1984, R 223 of 8 February 1985, R 2051 of 13 September 1985, R 2365 of 18 October 1985 (hereinafter referred to as the Former Agreement), shall apply to employers and employees "

Engineers' and Founders' Association (Transvaal, Orange Free State and Northern Cape)
 Fire Protection Industries Association of South Africa
 Forging Association of Southern Africa
 Gate and Fence Manufacturers' Association
 Heavy Engineering Manufacturers' Association
 Iron and Steel Producers' Association of South Africa
 Lift Engineering Association of South Africa
 Light Engineering Industries Association of South Africa
 Materials Handling Association
 Natal Engineering Industries Association
 Non-Ferrous Metal Industries Association of South Africa
 Plastics Manufacturers' Association of South Africa
 Plumbers and Engineers Brassware Manufacturers' Association
 Port Elizabeth Engineers' Association
 Precision Manufacturing Engineers' Association
 Pressure Vessel Manufacturers' Association of South Africa
 Radio, Appliance and Television Association of South Africa
 Sheetmetal Industries Association of South Africa
 S.A. Agricultural and Irrigation Machinery Manufacturers' Association
 S.A. Association of Shipbuilders and Repairers
 S.A. Electro-Plating Industries Association
 S.A. Fasteners Manufacturers' Association
 S.A. Foundry Association
 S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
 S.A. Machine Tool Manufacturers' Association
 S.A. Radio and Television Manufacturers' Association
 S.A. Reinforced Concrete Engineers' Association
 S.A. Tube Makers' Association
 S.A. Wire and Wire Rope Manufacturer's Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

Amalgamated Engineering Union of South Africa
 Amalgamated Society of Woodworkers of South Africa
 Electrical and Allied Workers' Trade Union of South Africa
 Engineering Industrial Workers' Union of South Africa
 Iron Moulders' Society of South Africa
 Mynwerkersunie
 Radio, Television, Electronics and Allied Workers' Union
 S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society
 S.A. Electrical Workers' Association
 S.A. Engine Drivers', Firemen's and Operators' Association
 S.A. Yster-, Staal- en Verwante Nywerhede-Unie

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid, om die Ooreenkoms gepubliseer by Goewermentskennisgewing R 998 van 23 Mei 1986 (hierna die "Herbeksigtigingsooreenkoms" genoem), te wysig

DEEL I

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word in die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerhede—

- (a) oral in die Republiek van Suid-Afrika, uitgesonderd die hawe en nedersetting van Walvisbaai,
- (b) deur alle werkgewers en werknemers wat onderskeidelik lede van die werkgewersorganisasies en die vakverenigings is

(2) Hierdie Ooreenkoms is nie op die volgende persone van toepassing nie

- (a) Werknemers in diens by werkgewers in subklousule (1) bedoel wat, hoewel hulle ingevolge die geregistreerde bestek van 'n vakvereniging wat 'n party by die Ooreenkoms is in aanmerking kom vir lidmaatskap van so 'n vakvereniging, nie lede van so 'n vakvereniging is nie, en
- (b) werknemers, uitgesonderd dié in diens by die werkgewers in subklousule (1) bedoel

2. SPESIALE BEPALINGS

Vervang klousule 3 van die Herbeksigtigingsooreenkoms deur die volgende

"Klousule 9 van Deel I en Deel II (soos gewysig by klousule 6 hieronder) van die Ooreenkoms gepubliseer by Goewermentskennisgewing R 2032 van 9 Oktober 1980, soos gewysig, verleng en herbeksigtig by Goewermentskennisgewing R 881 van 1 Mei 1981, R 1205 van 25 Junie 1982, R 1378 van 1 Julie 1983, R 1882 van 31 Augustus 1984, R 223 van 8 Februarie 1985, R 2051 van 13 September 1985, R 2365 van 18 Oktober 1985 (hierna die "Vorige Ooreenkoms" genoem), is van toepassing op werkgewers en werknemers "

3. GENERAL PROVISIONS

Substitute the following for section 4 of the Re-enacting Agreement:

"The provisions contained in sections 3 (as amended by section 5 of the Re-enacting Agreement), 4 to 8, 10 to 15 (as amended by section 4 hereunder) and 16 of Part I and Part III of the Former Agreement (as amended by section 6 hereunder), shall apply to employers and employees"

4. SECTION 15.—GENERAL PROVISIONS RELATING TO CONTRIBUTIONS AND BENEFITS

In subsection (4) (f) substitute the words "twenty-six weeks" for the words "thirteen weeks" wherever they occur

5. PART II OF THE FORMER AGREEMENT

SCHEME A

(A) SECTION 1.—MEMBERSHIP

Substitute the following for section 1—

"(1) Membership of Scheme A shall be compulsory for and be limited to—

- (a) all employees employed on any of the classes of work scheduled in the Main Agreement at an hourly wage of not less than the rate prescribed from time to time for Rate DDD class of work,
 - (b) apprentices, irrespective of their wage rate; and
 - (c) all employees employed in operative processes in receipt of a wage equivalent to not less than the hourly rate prescribed from time to time in the Main Agreement for Rate D class of work whether paid weekly or monthly, excluding any payment for overtime, who are members of the trade unions
- (2) Notwithstanding (1) above, an employer may, in respect of his employees employed in the Industries whose wages are not specified in the Industrial Council Agreements but who are receiving remuneration at a rate equivalent to not less than the hourly rate prescribed from time to time in the Main Agreement for Rate D class of work whether paid weekly or monthly, excluding any payment for overtime, by mutual agreement make application to the Fund to accept contributions from himself and those employees (or any of them) in accordance with the provisions of section 2 of this Part. Upon receipt of such application, the Management Committee may agree to receive contributions from that employer and the provisions of the Agreement shall thereupon *mutatis mutandis* apply to the employer and the employees concerned and be observed by them as though applied by section 1 of Part I"

(B) SECTION 2 —CONTRIBUTIONS

In subsection (1) substitute the following for the existing table

"Wage group per week	Amount per week
Over R287 ...	c
Over R262 and up to R287	30
Over R208 and up to R262.....	26
Over R182 and up to R208.....	24
Over R153 and up to R182	22
R153 and under... ..	19
	14"

(C) SECTION 3 —SICK PAY BENEFITS

In subsection (1) substitute the following for the existing table

"Actual wage group per week	Sick pay benefits 1st to 30th week
	Per week
	R
Over R287	112
Over R262 and up to R287	100
Over R208 and up to R262	80
Over R182 and up to R208.....	69
Over R153 and up to R182	57
R153 and under	49"

6. PART III OF THE FORMER AGREEMENT

SCHEME B

(A) SECTION 2.—CONTRIBUTIONS

In subsection (1) substitute the following for the existing table

"Wage group per week	Amount per week
Over R287	c
Over R262 and up to R287	30
Over R208 and up to R262	26
Over R182 and up to R208	24
Over R153 and up to R182	22
Over R133 and up to R153	19
Over R114 and up to R133	14
R114 and under.....	12
	10"

3. ALGEMENE BEPALINGS

Vervang klousule 4 van die Herbekragtigingsooreenkoms deur die volgende

"Die bepalinge vervat in klousules 3 tot 8, 10 tot 15 (soos gewysig by klousule hieronder) en 16 van Deel I en Deel III van die Vorige Ooreenkoms (soos gewysig by klousule 6 hieronder), is van toepassing op werkgewers en werknemers"

4. KLOUSULE 15.—ALGEMENE BEPALINGS BETREFFENDE BYDRAES EN BYSTAND

In subklousule (4) (f) vervang die uitdrukking "13 weke" deur die uitdrukking "26 weke" waar dit oral voorkom

5. DEEL II VAN DIE VORIGE OOREEKOMS

SKEMA A

(A) KLOUSULE 1 —LIDMAATSKAP

Vervang klousule 1 deur die volgende—

"(1) Lidmaatskap van Skema A is verpligtend vir en beperk tot—

- (a) alle werknemers in diens in engeen van die klasse werk in die Hoofooreenkoms gelys teen 'n uurloon van nie minder as die loon soos van tyd tot tyd in die Hoofooreenkoms vir Loon DDD klas werk voorgeskryf,
 - (b) vakleerlinge, ongeag hul loonskale, en
 - (c) alle werknemers in diens in werkprosesse wat 'n loon ontvang ekwivalent tot nie minder as die uurloon soos van tyd tot tyd in die Hoofooreenkoms vir Loon D klas werk voorgeskryf, ongeag weekliks of maandeliks besoldig, uitgesonderd besoldiging vir oortydwerk,
- (2) Ondanks (1) hierbo, 'n werkgewer kan, ten opsigte van sy werknemers wat in die Nywerhede werksaam is en wie se lone nie in die Nywerheidsraadooreenkoms vasgestel is nie, dog wat 'n loon ontvang teen 'n loon ekwivalent tot nie minder as die uurloon soos van tyd tot tyd in die Hoofooreenkoms vir Loon D klas werk voorgeskryf, ongeag weekliks of maandeliks besoldig, uitgesonderd besoldiging vir oortydwerk, by die Fonds aansoek doen om bydraes van hom en van sodanige werknemers (of engeen van hulle) ooreenkomsig klousule 2 van hierdie Deel aan te neem, mits daar onderling in dier voege ooreengekom is. By ontvangs van sodanige aansoek kan die Bestuurskomitee instem om bydraes van sodanige werkgewer te ontvang, en die Ooreenkoms is daarna *mutatis mutandis* op die betrokke werkgewer en werknemers van toepassing en moet deur hulle nagekom word asof dit by klousule 1 van Deel I op hulle van toepassing gemaak is"

(B) KLOUSULE 2 —BYDRAES

In subklousule (1) vervang die bestaande tabel deur die volgende

"Loongroep per week	Bedrag per week
Oor R287	c
Oor R262 tot en met R287	30
Oor R208 tot en met R262	26
Oor R182 tot en met R208	24
Oor R153 tot en met R182	22
R153 en minder	19
	14"

(C) KLOUSULE 3 —BETALING VAN SIEKTEBYSTAND

In subklousule (1) vervang die bestaande tabel deur die volgende

"Werklike loongroep per week	Siektebystand 1ste tot 30ste week
	Per week
	R
Oor R287	112
Oor R262 tot en met R287	100
Oor R208 tot en met R262	80
Oor R182 tot en met R208	69
Oor R153 tot en met R182	57
R153 en minder	49"

6. DEEL III VAN DIE VORIGE OOREENKOMS

SKEMA B

(A) KLOUSULE 2 —BYDRAES

In subklousule (1) vervang die bestaande tabel deur die volgende

"Loongroep per week	Bedrag per week
Oor R287	c
Oor R262 tot en met R287	30
Oor R208 tot en met R262	26
Oor R182 tot en met R208	24
Oor R153 tot en met R182	22
Oor R133 tot en met R153	19
Oor R114 tot en met R133	14
R114 en minder	12
	10"

(B) SECTION 3 —SICK PAY BENEFITS

In subsection (1) substitute the following for the existing table

<i>"Actual wage group per week</i>	<i>Sick pay benefits 1st to 30th week</i>
	<i>Per week</i>
	R
Over R287	112
Over R262 and up to R287....	100
Over R208 and up to R262	80
Over R182 and up to R208	69
Over R153 and up to R182	57
Over R133 and up to R153	49
Over R114 and up to R133 ...	42
R114 and under	35"

(C) SECTION 4 —FUNERAL BENEFIT

Substitute the following for the existing table

<i>"Actual wage group per week</i>	<i>Funeral benefit</i>
	R
Over R124	420
R124 and under	270"

Signed at Johannesburg for and on behalf of the parties this 14th day of July 1986

C. J. M. PRINSLOO,
Chairman
B. NICHOLSON,
Vice-Chairman
A. O. DE JAGER,
General Secretary

No. R. 2233 **24 October 1986**

LABOUR RELATIONS ACT, 1956

IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY —AMENDMENT OF METAL INDUSTRIES MEDICAL AID FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which related to the undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 31 December 1990, upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and employees who are members of the said organisations or unions.

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

METAL INDUSTRIES MEDICAL AID FUND AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

- Automotive Parts Production Engineers' Association
- Border Engineering Industries Association
- Cape Engineers' and Founders' Association
- Constructional Engineering Association
- Domestic Appliance Manufacturers' Association of South Africa
- Edge Hand and Small Tool Manufacturers' Association
- Electrical Engineering and Allied Industries Association
- Electronics and Telecommunications Industries Association
- Engineers' and Founders' Associations (Transvaal, Orange Free State and Northern Cape)
- Fire Protection Industries Association of South Africa.
- Forging Association of Southern Africa
- Gate and Fence Manufacturers' Association of Transvaal
- Heavy Engineering Manufacturers' Association
- Iron and Steel Producers' Association of South Africa

(B) KLOUSULE 3 —BETALING VAN SIEKTEBYSTAND

In subklausule (1) vervang die bestaande tabel deur die volgende

<i>"Werklike loongroep per week</i>	<i>Siektebystand 1ste tot 30ste week</i>
	<i>Per week</i>
	R
Oor R287	112
Oor R262 tot en met R287	100
Oor R208 tot en met R262	80
Oor R182 tot en met R208	69
Oor R153 tot en met R182	57
Oor R133 tot en met R153	49
Oor R114 tot en met R133	42
R114 en minder	35"

(C) KLOUSULE 4 —BEGRAFNISBYSTAND

Vervang die bestaande tabel deur die volgende

<i>"Werklike loongroep per week</i>	<i>Begrafnisbystand</i>
	R
Oor R124	420
R124 en minder	270"

Namens die partye op hede die 14de dag van Julie 1986 te Johannesburg onderteken

C. J. M. PRINSLOO,
Voorsitter
B. NICHOLSON,
Ondervoorsitter
A. O. DE JAGER,
Hoofsekretaris

No. R. 2233 **24 Oktober 1986**

WET OP ARBEIDSVERHOUDINGE, 1956

YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID.—WYSIGING VAN MEDIESE HULPFONDSOORENKOMS VIR DIE MATAALNYWERHEDE

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalinge van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Desember 1990 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

MEDIESE HULPFONDSOORENKOMS VIR DIE METAALNYWERHEDE

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

- Automotive Parts Production Engineers' Association
- Border Engineering Industries Association
- Cape Engineers' and Founders' Association
- Constructional Engineering Association
- Domestic Appliance Manufacturers' Association of South Africa
- Edge Hand and Small Tool Manufacturers' Association
- Electrical Engineering and Allied Industries Association
- Electronics and Telecommunications Industries Association
- Engineers' and Founders' Association (Transvaal, Orange Free State and Northern Cape)
- Fire Protection Industries Association of South Africa
- Forging Association of Southern Africa
- Gate and Fence Manufacturers' Association of the Transvaal
- Heavy Engineering Manufacturers' Association
- Iron and Steel Producers' Association of South Africa

Lift Engineering Association of South Africa
 Light Engineering Industries Association of South Africa
 Materials Handling Association
 Natal Engineering Industries Association
 Non-Ferrous Metal Industries Association of South Africa.
 Plastic Manufacturers' Association of South Africa
 Plumbers and Engineers Brassware Manufacturers' Association
 Port Elizabeth Engineers' Association
 Precisions Manufacturing Engineers' Association
 Pressure Vessel Manufacturers' Association of South Africa
 Radio, Appliance and Television Association of South Africa
 Sheetmetal Industries Association of South Africa
 S.A. Agricultural and Irrigation Machinery Manufacturers' Association
 S.A. Association of Shipbuilders and Repairers
 S.A. Electro-Plating Industries Association
 S.A. Fasteners Manufacturers' Association
 S.A. Foundry Association
 S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
 S.A. Radio and Television Manufacturers' Association
 S.A. Reinforced Concrete Engineers' Association
 S.A. Tube Makers' Association
 S.A. Wire and Wire Rope Manufacturers' Association
 S.A. Wrought Non-Ferrous Metal Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers organisations"), of the one part, and the

Amalgamated Engineering Union of South Africa
 Amalgamated Society of Woodworkers of South Africa
 Electrical and Allied Trades Union of South Africa
 Engineering Industrial Workers' Union of South Africa
 Iron Moulders' Society of South Africa
 Mineworkers' Union
 Radio, Television, Electronics and Allied Workers' Union
 S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society
 S.A. Electrical Workers' Association
 S.A. Engine Drivers', Firemen's and Operators' Association
 S.A. Yster-, Staal- en Verwante Nywerhede-Unie

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry,

to amend the Metal Industries Medical Aid Fund Agreement published under Government Notice R 2829 of 27 December 1985 as amended by Government Notice R 714 of 18 April 1986

1. SCOPE OF APPLICATION OF AGREEMENT

(1) Except as otherwise provided in this section, the terms of this Agreement shall apply to and be observed throughout the Republic of South Africa, excluding the port and settlement of Walvis Bay, by all employers and employees in the Iron, Steel, Engineering and Metallurgical Industries who are members of the employers' organisations and the trade unions respectively

(2) The term of this Agreement shall not apply to employers and their employees who are participating with the employer in any scheme providing medical benefits in existence as at 18 July 1966, to which the employer concerned contributes part of the contributions for each employee who is a member of the scheme and otherwise covered by this Agreement, while such scheme continues to operate and the said employer and employees continue as participants in the scheme and the employer continues to pay part of the contributions for each such employee

(3) Notwithstanding the provisions of subsection (2), the terms of this Agreement shall apply to employers and employees in respect of any employee who is not covered by, or ceases to be covered by, a fund referred to in that subsection.

2. SECTION 9.—CONTRIBUTIONS

In subsection (2), substitute the following for the existing table.

"Wage group	Weekly wage	Member only	Member plus 1 or 2 dependants	Member plus 3 or more dependants
		M	M 1 or 2	M 3 +
1	Up to R179	R 7,45	R 10,25	R 11,50
2	Over R179 and up to R255	8,70	11,65	12,90
3	Over R255	9,55	12,75	14,00 "

Lift Engineering Association of South Africa
 Light Engineering Industries Association of South Africa
 Materials Handling Association
 Natal Engineering Industries Association
 Non-Ferrous Metal Industries Association of South Africa
 Plastics Manufacturers' Association of South Africa
 Plumbers and Engineers Brassware Manufacturers' Association
 Port Elizabeth Engineers' Association
 Precision Manufacturing Engineers' Association
 Pressure Vessel Manufacturers' Association of South Africa
 Radio, Appliance and Television Association of South Africa
 Sheetmetal Industries Association of South Africa
 S.A. Agricultural and Irrigation Machinery Manufacturers' Association
 S.A. Association of Shipbuilders and Repairers
 S.A. Electro-Plating Industries Association
 S.A. Fasteners Manufacturers' Association
 S.A. Foundry Association
 S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
 S.A. Radio and Television Manufacturers' Association
 S.A. Reinforced Concrete Engineers' Association
 S.A. Tube Makers' Association
 S.A. Wire and Wire Rope Manufacturers' Association
 S.A. Wrought Non-Ferrous Metal Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die eenkant, en die

Amalgamated Engineering Union of South Africa
 Amalgamated Society of Woodworkers of South Africa
 Electrical and Allied Trades Union of South Africa
 Engineering Industrial Workers' Union of South Africa
 Iron Moulders' Society of South Africa
 Mynwerkersunie
 Radio, Televisie, Electronics and Allied Workers' Union
 S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society
 S.A. Electrical Workers' Association
 S.A. Engine Drivers', Firemen's and Operators' Association
 S.A. Yster-, Staal- en Verwante Nywerhede-Unie

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid,

om die Mediese Hulpfondsooreenkoms vir die Metaalnywerhede, gepubliseer by Goewermentskennisgewing R 2829 van 27 Desember 1985, soos gewysig by Goewermentskennisgewing R 714 van 18 April 1986, te wysig

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Behoudens andersluidende bepalings in hierdie klousule, is hierdie Ooreenkoms van toepassing en moet dit oral in die Republiek van Suid-Afrika, uitgesonderd die hawe en nedersetting van Walvisbaai, nagekom word deur alle werkgewers en werknemers in die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerhede wat onderskeidelik lede van die werkgewersorganisasies en die vakverenigings is

(2) Hierdie Ooreenkoms is nie van toepassing nie op werkgewers en hul werknemers wat saam met die werkgewer deelnemers is in 'n skema wat mediese bystand verskaf en wat bestaan het op 18 Julie 1966, en waartoe die betrokke werkgewer 'n gedeeltelike bydrae maak ten opsigte van elke werknemer wat lid is van die skema en andersins deur hierdie Ooreenkoms gedek word terwyl sodanige skema in werking bly en genoemde werkgewer en werknemers voortgaan om deelnemers in die skema te wees en die werkgewer voortgaan om 'n gedeeltelike bydrae ten opsigte van elke sodanige werknemer te betaal

(3) Ondanks subklousule (2) is hierdie Ooreenkoms van toepassing op werkgewers en werknemers ten opsigte van werknemers wat nie gedek word deur 'n fonds wat in daardie subklousule bedoel word nie, of wat ophou om daardeur gedek te word

2. KLOUSULE 9.—BYDRAES

In subklousule (2), vervang die bestaande tabel deur die volgende.

"Loon-groep	Weekloon	Stegs lid	Lid plus 1 of 2 afhanklikes	Lid plus 3 of meer afhanklikes
		L	L 1 of 2	L 3 +
		R	R	R
1	Tot en met R179	7,45	10,25	11,50
2	Oor R179 en tot en met R255	8,70	11,65	12,90
3	Oor R255	9,55	12,75	14,00 "

Signed at Johannesburg for and on behalf of the parties this 21st day of July 1986

C. J. M. PRINSLOO,
Chairman

B. NICHOLSON,
Vice-chairman.

A. O. DE JAGER,
General Secretary

Namens die partye op hede die 21ste dag van Julie 1986 te Johannesburg onderteken

C. J. M. PRINSLOO,
Voorsitter

B. NICHOLSON,
Ondervoorsitter

A. O. DE JAGER,
Hoofsekretaris

No. R. 2234

24 October 1986

LABOUR RELATIONS ACT, 1956

IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY.—AMENDMENT OF ENGINEERING AND ALLIED INDUSTRIES EMPLOYEES MEDICAL AID FUND AGREEMENT

I, Pieter Theunis Christiaan du Plessis, Minister of Manpower hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 16 February 1990, upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and employees who are members of the said organisations or unions.

P. T. C. DU PLESSIS,
Minister of Manpower.

SCHEDULE

NATIONAL INDUSTRIAL COUNCIL FOR THE IRON, STEEL, ENGINEERING AND METALLURGICAL INDUSTRY

ENGINEERING AND ALLIED INDUSTRIES EMPLOYEES' MEDICAL AID FUND AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Association of Electric Cable Manufacturers of South Africa
Automotive Parts Production Engineers' Association
Border Engineering Industries Association
Cape Engineers' and Founders' Association
Constructional Engineering Association
Domestic Appliance Manufacturer's Association of South Africa
Edge Hand and Small Tool Manufacturers' Association
Electrical Engineering and Allied Industries Association
Electronics' and Telecommunications Industries Association
Engineers' and Founders' Association (Transvaal, Orange Free State and Northern Cape)
Fire Protection Industries Association of South Africa
Forging Association of Southern Africa
Gate and Fence Manufacturers' Association of the Transvaal
Heavy Engineering Manufacturers' Association
Iron and Steel Producers' Association of South Africa
Lift Engineering Association of South Africa
Light Engineering Industries Association of South Africa
Materials Handling Association
Natal Engineering Industries Association
Non-Ferrous Metal Industries Association of South Africa
Plastics Manufacturers' Association of South Africa
Port Elizabeth Engineers' Association
Precision Manufacturing Engineer's Association
Pressure Vessel Manufacturers Association of South Africa
Radio, Appliance and Television Association of South Africa
Sheetmetal Industries Association of South Africa

No. R. 2234

24 Oktober 1986

WET OP ARBEIDSVERHOUDINGE, 1956

YSTER-, STAAL-, INGENIEURS-, EN METALLURGIESE NYWERHEID —WYSIGING VAN MEDIESE HULPFONDSOOREENKOMS VIR WERKNEMERS IN DIE INGENIEURS- EN AANVERWANTE NYWERHEDE

Ek, Pieter Theunis Christiaan du Plessis, Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 16 Februarie 1990 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die Wysigingsooreenkoms aangaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is.

P. T. C. DU PLESSIS,
Minister van Mannekrag.

BYLAE

NASIONALE NYWERHEIDSRAAD VIR DIE YSTER-, STAAL-, INGENIEURS- EN METALLURGIESE NYWERHEID

MEDIESE HULPFONDSOOREENKOMS VIR WERKNEMERS IN DIE INGENIEURS- EN AANVERWANTE NYWERHEDE

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Association of Electrical Cable Manufacturers of South Africa
Automotive Parts Production Engineers' Association
Border Engineering Industries' Association
Cape Engineers' and Founders' Association
Constructional Engineering Association
Domestic Appliances Manufacturers' Association of South Africa
Edge Hand and Small Tool Manufacturers' Association
Electrical Engineering and Allied Industries Association
Electronics and Telecommunications Industries Association
Engineers' and Founders' Association (Transvaal, Orange Free State and Northern Cape)
Fire Protection Industries Association of South Africa
Forging Association of Southern Africa
Gate and Fence Manufacturers' Association
Heavy Engineering Manufacturers' Association
Iron and Steel Producers' Association of South Africa
Lift Engineering Association of South Africa
Light Engineering Industries Association of South Africa
Materials Handling Association
Natal Engineering Industries Association
Non-Ferrous Metal Industries Association of South Africa
Plastics Manufacturers' Association of South Africa
Port Elizabeth Engineers' Association
Precision Manufacturing Engineers' Association
Pressure Vessel Manufacturers' Association of South Africa
Radio, Appliance and Television Association of South Africa
Sheetmetal Industries Association of South Africa

S.A. Agricultural and Irrigation Machinery Manufacturers' Association
 S.A. Association of Shipbuilders and Repairers
 S.A. Electro-Plating Industries Association
 S.A. Fasteners Manufacturers' Association
 S.A. Foundry Association
 S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
 S.A. Machine Tool Manufacturers' Association
 S.A. Radio and Television Manufacturers' Association
 S.A. Reinforced Concrete Engineers' Association
 S.A. Tube Makers' Association
 S.A. Wire and Wire Rope Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisations") of the one part and the

Electrical and Allied Workers' Trade Union of South Africa
 Engineering Industrial Workers' Union of South Africa
 Radio, Television, Electronics and Allied Workers' Union
 S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry, to amend the Agreement published under Government Notice R 1002 of 23 May 1986 (hereinafter referred to as the "Re-enacting Agreement")

1. SCOPE OF APPLICATION OF AGREEMENT

(1) Except as otherwise provided in this section, the terms of this Agreement shall apply to and be observed throughout the Republic of South Africa, excluding the port and settlement of Walvis Bay, by all employers and employees in the Iron, Steel, Engineering and Metallurgical Industries who are members of the employers' organisations and the trade unions, respectively

(2) The terms of this Agreement shall not apply to—

- (a) employees whilst they are participating in the Metal Industries Medical Aid Fund in force for the time being,
- (b) an employer and his employee who were participants with the employer in any scheme providing medical benefits which was in existence prior to 7 February 1975 (and in which the employer of those employees was on the said date a participant) and to which the employer concerned contributed not less than 50c per week for each employee who was a member of the scheme and otherwise covered by this Agreement, while such scheme continues to operate and the said employer and his employee continue as participants in the scheme and the employer continues to pay a contribution of not less than 50c for each such employee per week

(3) Notwithstanding the provisions of subsection (2), the terms of this Agreement shall apply to employers and employees in respect of any employee who is not covered by, or ceases to be covered, by, a fund or scheme referred to in that subsection

2. GENERAL PROVISIONS

Substitute the following for clause 3 of the Re-enacting Agreement

"The provisions contained in sections 3 (as amended by section 4 of the Re-enacting Agreement and further amended by section 3 hereunder), 4 to 6 (as amended by section 4 hereunder) and 7 to 19 of the Agreement published under Government Notice R 296 of 15 February 1980, as amended, extended and re-enacted by Government Notices R 1344 of 27 June 1980, R 887 of 1 May 1981, R 1209 of 25 June 1982, R 1381 of 1 July 1983, R 470 of 9 March 1984, R 1885 of 31 August 1984, R 229 of 8 February 1985, R 2057 of 13 September 1985 (hereinafter referred to as the "Former Agreement"), shall apply to employers and employees

3. SECTION 3.—DEFINITIONS

In the definition of "employee" substitute the figure "R2,85" for the figure "R2,48"

4. SECTION 6.—MEMBERSHIP

In subsection (1), in the definition of "unscheduled employee", substitute the figures "R2,85", "R128,25" and "R555,75" for the figures "R2,48", "R111,60" and "R483,60" respectively

Signed at Johannesburg, for and on behalf of the parties, this 14th day of July 1986

C. J. M. PRINSLOO,
Chairman

B. NICHOLSON,
Vice-Chairman.

A. O. DE JAGER,
General Secretary.

S.A. Agricultural and Irrigation Machinery Manufacturers' Association
 S.A. Association of Shipbuilders and Repairers
 S.A. Electro-Plating Industries Association
 S.A. Fasteners Manufacturers' Association
 S.A. Foundry Association
 S.A. Industrial Refrigeration and Air Conditioning Contractors' Association
 S.A. Machine Tool Manufacturers' Association
 S.A. Radio and Television Manufacturers' Association
 S.A. Reinforced Concrete Engineers' Association
 S.A. Tube Makers' Association
 S.A. Wire and Wire Rope Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

Electrical and Allied Workers' Trade Union of South Africa
 Engineering Industrial Workers' Union of South Africa
 Radio, Television, Electronics and Allied Workers' Union
 S.A. Boilermakers', Iron and Steel Workers', Shipbuilders' and Welders' Society

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir die Yster-, Staal-, Ingenieurs- en Metallurgiese Nywerheid, om die Ooreenkoms gepubliseer by Goewermentskennisgewing R 1002 van 23 Mei 1986 (hierna die "Herbkrachtigingsooreenkoms" genoem), te wysig

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Behoudens andersluidende bepalinge in hierdie klousule, is hierdie Ooreenkoms van toepassing op en moet oral in die Republiek van Suid-Afrika, uitgesonderd die hawe en nedersetting van Walvisbaai, nagekom word deur alle werkgewers en werknemers in die Yster-, Staal-, Ingenieurs-, en Metallurgiese Nywerhede wat onderskeidelik lede van die werkgewersorganisasie en die vakvereniging is

(2) Hierdie Ooreenkoms is nie van toepassing nie op—

- (a) werknemers terwyl hulle deelnemers is in die Mediese Hulpfonds van die Metaalnywerhede wat vir die oomblik van krag is,
- (b) 'n werkgewer en sy werknemers wat saam met die werkgewer deelnemers was in 'n skema wat mediese voordele verskaf en wat bestaan het voor 7 Februarie 1975 (en waarin die werkgewer van dié werknemers op genoemde datum 'n deelnemer was) en waartoe die betrokke werkgewer weekliks minstens 50c bygedra het ten opsigte van elke werknemer wat lid was van die skema en andersins deur hierdie Ooreenkoms gedek word, terwyl sodanige skema in werking bly en genoemde werkgewer en sy werknemers voortgaan om deelnemers in die skema te wees en die werkgewer voortgaan om 'n bydrae van minstens 50c per week ten opsigte van elke sodanige werknemer te betaal

(3) Ondanks subklousule (2), is hierdie Ooreenkoms van toepassing op werkgewers en werknemers ten opsigte van werknemers wat nie gedek word deur 'n fonds of skema wat in daardie subklousule bedoel word nie, of wat ophou om daardeur gedek te word

2. ALGEMENE BEPALINGS

Vervang klousule 3 na die Herbkrachtigingsooreenkoms deur die volgende

"Die bepalinge vervat in klousules 3 (soos gewysig by klousule 4 hieronder), 4 tot 6 (soos gewysig by klousule 5 hieronder) en 7 tot 19 van die Ooreenkoms gepubliseer by Goewermentskennisgewing R 296 van 15 Februarie 1980, soos gewysig, verleng en herbkrachtig by Goewermentskennisgewings R 1334 van 27 Junie 1980, R 887 van 1 Mei 1981, R 120 van 25 Junie 1982, R 1381 van 1 Julie 1983, R 470 van 9 Maart 1984, R 1885 van 31 Augustus 1984, R 229 van 8 Februarie 1985 en R 2057 van 13 September 1985 (hierna die "Vorige Ooreenkoms" genoem), is van toepassing op werkgewers en werknemers

3. KLOUSULE 3.—WOORDOMSKRYWING

In die omskrywing van "werknemer" vervang die syfer "R2,48" deur die syfer "R2,85"

4. KLOUSULE 6.—LIDMAATSKAP

In subklousule (1), in die omskrywing van "onngelyste werknemers" vervang die syfers "R2,48", "R111,60" en "R483,60" deur onderskeidelik die syfers "R2,85", "R128,25" en "R555,75"

Namens die partye op hede die 14de dag van Julie 1986 te Johannesburg onderteken

C. J. M. PRINSLOO,
Voorsitter

B. NICHOLSON,
Ondervoorsitter

A. O. DE JAGER,
Hoofsekretaris

3ER 22, 1986

Progress in labour talks says Seifsa

189

0 0 22/11/86

Dispatch Reporter

EAST LONDON — The Steel and Engineering Industries Federation of South Africa (Seifsa) had made some progress in their negotiations with trade unions during the past year, the federation's director of labour, Mr Derek Harris, said here this week.

Speaking at the annual meeting of the Border Engineering Industries Association, Mr Harris said the federation was trying to establish what was expected of industrial agreements.

The federation's present negotiations with trade unions concerned maternity leave, wages, levels of bargaining and job structures

Seifsa was trying to define which areas should be used for bargaining at company level and which should be bargained for at national level, he said

The outgoing chairman of the Border Engineering Industries Association, Mr Stan Smith, said in his chair-

man's report that wage negotiations had been "extremely" difficult this year.

"It was quite a relief when agreement was reached in July and, although the new rates were published in the August gazette, all employers were urged to implement the new rates from July 1," Mr Smith said

He said the Border area had endured stiff opposition from trade unions as delegates here had held out for lower wage rates for the area.

Although this was not achieved, exemption was obtained to pay lower rates to all new employees

Mr Smith said another issue this year had been that of the various levels of collective bargaining.

A suitable area in East London was being sought to enable apprentices to participate in institutionalised training, he said

Mr John Saunders was elected chairman for 1987 at the meeting

Thumbs down

23/11/86
CP Correspondent 189

AN application by the Border branch of the SA Allied Workers' Union for an order directing Border Boxes to commit itself to a recognition agreement with the union, has been dismissed by the Border Industrial Court.

Border Boxes argued that the court was not empowered to grant relief forced by Saawu in terms of Section 43 of the Labour Relation Act and that Saawu did not have valid representation

● Meanwhile Saawu has again signed a recognition and procedural agreement with Border Metal Box

Saawu Border secretary Boyce Meltafa said the agreement covered disciplinary action, grievances, maternity, retrenchment, dispute and industrial health and safety.

METAL PRODUCTS

1987

Building boost for a newcomer

By Peter Schafer

MEWA, a manufacturer of stainless-steel products, will seek a listing on the Johannesburg Stock Exchange main board through a private placing to raise R2,5-million

The offer will open on August 6 and close on August 27

Mewa hopes to be listed in the building and construction sector on September 15

Mewa, which has operated in the Cape for more than 60 years, supplies the building trade. Turnover to February this year was R9-million and taxed profit was R1,1-million. It operates from an 8 000m² factory in Epping, outside Cape Town, and has a staff of 300

Upturn

Chairman and joint managing director Eli Rabie says the upturn in the building industry, coupled with the Government's package for housing, is boosting demand for Mewa products. Increased expenditure on facilities for black education and medical facilities is expected to have a similar effect.

Mr Rabie says "Because of the upturn in demand, we are expanding our product range and have begun manufacturing items previously imported. We are also introducing production processes and steel alloys that will result in more cost-effective use of raw materials and factory resources."

Growth

The company, one of the first in the industry to be awarded the SA Bureau of Standards mark for its products, receives its raw materials from SA and foreign rolling mills. It sells to a wide spread of sanitaryware and builders' merchants, and State departments.

Founded by Cape Town engineer C B Marks, Mewa has pioneered the use of stainless steel in Southern Africa. Major growth followed the Second World War.

Mewa was brought in 1963 by the Rabie family of Cape Town and is fully owned by it. The family relaunched the business by expanding its distribution network as well as its product range.

Company heads for JSE

Building upturn boosts Mewa

Cape Times 30/7/87

189

BY JANE ARBOUS

THE upturn in the construction industry is providing a strong boost for Cape Town-based Mewa — the country's No 2 manufacturer of stainless steel products — heading for a listing on the main boards of the JSE in September.

Chairman and joint MD Eli Rabie said yesterday the increase in construction activity, which started in the second half of last year, had been rapid and although levelling off now, it was still on an upward curve.

Rabie cited schemes such as the Blue Downs coloured housing project coupled with the government's recently announced expenditure programme on black housing. The construction of black schools was also a major growth area.

The "boom" would continue, he said.

So much so that Mewa is expanding its product range and is already manufacturing items previously imported.

"We are also introducing new production processes and steel alloys that will result in cost-effective use of raw materials and factory resources.

"Production is already at full capacity and part of the reason for seeking a listing is to raise the working capital to increase capacity through the installation of additional equipment.

"Such fundings would also be used for selected acquisitions in fields complementary to our business."

The first move after the listing, on September 15, after a private placing to raise R2,5 m between August 6 and 27, is likely to be the acquisition of a distribution network.



Eli (left) and Ernest Rabie, the joint MDs of Mewa Holdings, which is heading for a main board listing.

Another element of the listing is a share-benefit scheme, which, unlike many companies, is being extended to all levels of staff. The only qualification is that the employee must have at least three years service, but out of a complement of 290, 70% qualify for the substantial share offer. The shares will be given free, but employees have to pay part of it back at issue price within a specified number of years.

Mewa, which is more than 60 years old and one of the first in the industry to be awarded the SABS quality mark for its products, was bought by the Rabie family in 1963 after they founded Western Steel 40 years ago.

It sources its raw material from both local and foreign rolling mills, and sells to a wide range of sanitaryware and builders' merchants and State departments.

Turnover for the year to February 28 this year was just over R9 m, yielding an after-tax profit of R1,12 m.

MENTAL PRODUCTS

EXPORTS

1987



FM. 6/2/87

JEWELLERY INDUSTRY (189)

Hassles at home

The Jewellery Council of SA (JCSA) is at last making headway in its battle to promote SA's Cinderella jewellery industry — and to grab a bigger share of the multi-billion international jewellery market

Local manufacturers have griped for years that countries like Israel, India, Belgium and Italy earn billions of dollars annually by beneficiating and re-exporting South Afri-

can gems and precious metals

On February 10 JCSA executive director Tim Davidson presents the council's case for new measures to promote the fledgling industry to the review committee on State assistance for mineral beneficiation (*Business* January 23) This follows intensive discussions with several State departments over the past year

At the heart of the case is a call for government to scrap immediately the 35% *ad valorem* duty on locally-manufactured jewellery, which, with 12% GST, puts an effective 51% duty on local products Manufacturers claim these measures alone have practically strangled the industry at birth

The council is also calling for the scrapping of the gold ratio, which demands that a minimum of 20% value be added to exportable gold jewellery Italian manufacturers, for example, who produce some 200 t of gold jewellery a year, have to add only 7% value

Government will also be asked to provide financial aid to the local industry This will enable it to compete with countries like Israel, where the State provides export credits as well as subsidised working capital

Robert Schwartz, MD of Schwartz Jewellers, SA's only international jewellery group, says SA has lost billions in jewellery exports over the past 18 years by failing to expand local manufacture

Since the imposition of the *ad valorem* duty in 1968 the local industry has shrunk, in real terms, to just 5% of its size 18 years ago

And, adds Schwartz, many entrepreneurs have left the country and valuable employment opportunities have been lost

While SA diamond cutters and polishers now employ some 2 000 workers, the Israeli industry employs some 18 000 India officially employs about 500 000 and Belgium's diamond cutting industry provides work for 10 000

Israel, India, the US and Belgium export cut and polished diamonds worth some \$3 billion a year South African sales are worth a mere \$100m

While SA is the world's major gold producer it used less than 1 t of its own gold for jewellery manufacture last year In the same year it imported about 10 t of gold jewellery in its expensive beneficiated form — a ridiculous anomaly

The worldwide industry used about 1 400 t of gold in jewellery manufacture and international jewellery turnover is estimated at \$200 billion a year

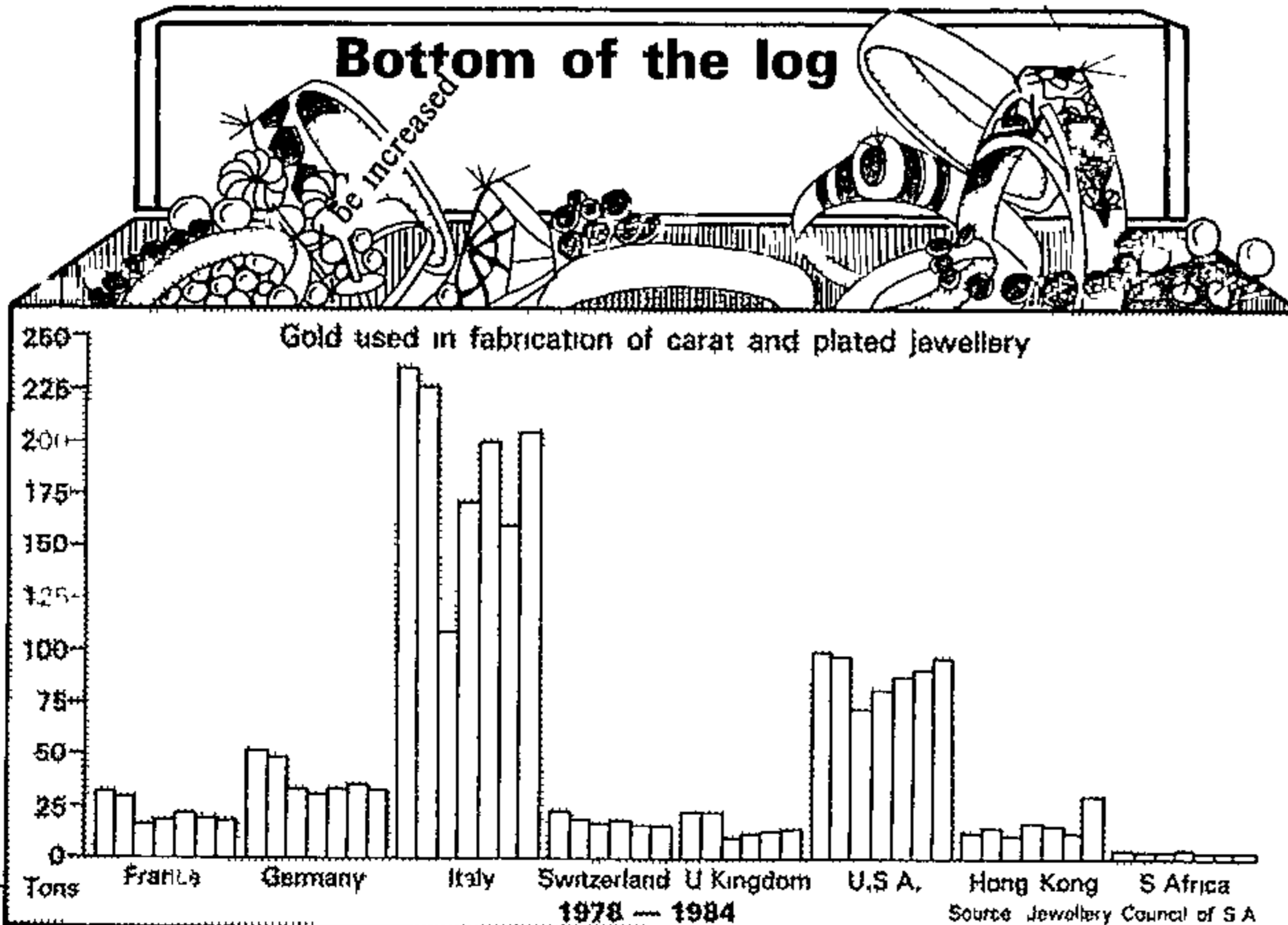
As Davidson says, the South African industry is the world's "laughing stock" while the country contributes the lion's share of Western gold production, controls 80% of the international diamond trade through De Beers' Central Selling Organisation and produces 70% of the world's platinum Hopefully, this could change

Davidson tells the *FM* that initial response from Minister Danie Steyn's new Department of Economics and Technology is "unbelievably positive" Department of Mineral and Energy Affairs (DMEA) director-general Louw Alberts, who says beneficiation can increase the value of gold by 1 000%, is also very supportive, he adds

Sweetening the pill a little more, the Chamber of Mines has given the JCSA a sizeable grant to promote the gold jewellery industry This is the first substantial support from the mining industry — and it could open the door to more help for the Cinderella industry

But probably the greatest hope for a new order lies in Davidson's contention that the *fiscus* would cover its receipts from the current unpopular taxes several times over if the industry really took off

Bottom of the log



'Serious under-utilization'

**Foundry output
down by 43,7%**

CAST TONNAGE 7/7/87 (189)

JOHANNESBURG — The output of South Africa's ferrous casting production industry has shrunk to only 43,7% of what it was in 1975, according to a production index compiled by the Steel and Engineering Industries Federation (Seifsa)

Both steel and iron castings production were at a 10-year low in 1986 and early indications during the first quarter suggested that output might be even lower in 1987, despite a modest upturn in other sectors of the metal industry, according to results of the 1986 production survey of the industry, Seifsa said in a report yesterday

Continued low levels of production in the automotive component industry, as well as in the transport equipment and machinery sectors, had severely restricted demand for ferrous castings, leaving production capacity in the industry seriously under-utilized, it said

In addition, competition from other materials such as plastic, composites and ceramics continued to present a challenge to the ferrous casting industry

"Nevertheless," it said, "a number of South African foundries, aiming to improve the local content in the automotive industry, as well as other areas, have upgraded their technological capabilities significantly

"The need to meet reliable delivery requirements and to produce components of the highest standard have prompted considerable investments

in plant, equipment and systems, and these foundries are in a position to take advantage of any turnaround in demand for high quality foundry products"

Seifsa said that, following the trend being experienced by major industrialized countries, ferrous casting production in South Africa had decreased from a high of 601 800 tons in 1975 to a low of only 263 600 tons in 1986, a drop of 56,2%

Particularly alarming, it said, was the drop in grey iron castings by 63,4% since 1976. Grey iron castings represent 65% of all types of iron castings

While a number of foundries had made concerted efforts during 1985 and 1986 to develop export markets, high inflation, the increased value of the rand, as well as sanctions and boycotts, had hindered progress

In addition, while raw castings when exported were eligible for export incentives, at present machined castings were not — and export markets generally required finished castings

Seifsa said iron castings in 1986 had shown a drop of 11,1% from 1985, while steel castings had fallen by 10,2%

"The total annual tonnage for 1986 of 263 600, a drop of 10,8% from the previous year, indicates that the industry remains severely depressed and will require a major upturn in the economy in order to return to reasonable levels of production," said Seifsa

— Sapa

BASIC METALS

1987

F
G
er
e
T
J
i
a
a
T

Ca ate
ces
and

Highveld Steel & Vanadium results set all-time high

CAPE TIMES 11/3/87

189
~~278~~

ain
the
egal
ty,
can

JOHANNESBURG — Highveld Steel & Vanadium Corporation's results for 1986 were the best ever with record performances in all areas, says chairman Leslie Boyd in his annual review

Earnings per share increased to 85c (58c) and attributable profit was R60 144 000 after providing for net financing charges of R35 411 000, depreciation of R34 918 000 and deferred taxation of R33 000 000

'Inflation'

Group turnover of R816 337 000 was at a record level, Boyd says. Although margins showed an improvement over 1985, the inflationary trend with regard to the major operating cost elements continues to be a cause for concern. Boyd says group earnings for 1987 will be at a satisfactory level, but lower than the record results of 1986.

Overall SA steel consumption showed an increase over 1985,

Boyd says. The high level of activity in the mining sector helped to maintain the demand for steel in the first 10 months of 1986.

To restore profit margins under constant pressure from increases in power, railage and raw materials, Highveld had increased the domestic prices of structural sections by about 9,5% in the first quarter of 1986 and by a further 12% in August.

Boyd says the loss of important markets in the EEC and the US due to legislation banning the import of SA steel products, presents a challenge to management to place the steel in other areas.

World steel consumption in 1986 was 721 million tons and the International Iron and Steel Institute forecasts a similar level for 1987, Mr Boyd says. An increase in steel consumption in developing and communist countries will, however, be offset by a corresponding decrease in the Western industrialized coun-

tries, a trend expected to continue for the foreseeable future.

'Slack demand'

The supply/demand position for vanadium was favourable for producers in the early months of 1986 but in the second half of the year there was some slackening of demand, the main causes being lower steel production in industrialized countries and the fall in demand for steel products for the oil industry, Boyd says.

World vanadium production capacity is still believed to be adequate to cater for any foreseeable demand. When new projects are being studied, the inevitable impact on price of an oversupply position should be carefully considered.

Highveld's Rand Carbide and Transalloys divisions continued to make significant contributions to the group performance, Boyd says — Sapa



189 11/3/87
HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

CHAIRMAN'S REVIEW

RECORD PERFORMANCES FOR 1986

— MR LESLIE BOYD



It is pleasing to report that during the year under review the group's financial results were the best ever, with record performances in all areas. Earnings per share increased to 85 cents compared with 58 cents in 1985. The attributable profit was R60 144 000 after providing for net financing charges of R35 411 000, depreciation of R34 918 000 and deferred taxation of R33 000 000.

The group's deferred tax provision has increased to R135,2 million, and this should ensure that the tax charge in later years does not absorb a disproportionate amount of income earned in those years.

The income statement for 1986 reflects an extraordinary item arising from the conversion of Transalloys to a wholly owned subsidiary.

During 1986 the group issued R80 000 000 redeemable preference shares in Highveld and R65 000 000 in Rheem South Africa (Proprietary) Limited, with a corresponding reduction in the offshore loans raised during 1985.

Group turnover of R816 337 000 was also at a record level, and although margins showed an improvement over 1985, the inflationary trend with regard to the major operating cost elements continues to be a cause for concern.

In view of the results achieved, a final dividend of 20 cents per share has been declared. The total dividend is 30 cents per share compared with 24 cents per share in 1985.

STEEL

Apparent total world steel consumption in 1986 was 721 million tons, and although the International Iron and Steel Institute forecasts a similar level for 1987, it is worth noting that an increase in the apparent steel consumption in developing and communist block countries will be offset by a corresponding decrease in the Western industrialised countries. This trend is expected to continue for the foreseeable future.

In South Africa the high level of activity in the mining sector helped to maintain the demand for steel in the first 10 months of 1986. There was the usual seasonal decline in domestic demand in the final months of the year, but overall South African steel consumption showed an increase over 1985.

In the first quarter of 1986 Highveld increased the domestic prices of structural sections and flat products by about 9,5 per cent and again by 12 per cent in August. This was necessary in order to restore profit margins which have been under constant pressure from increases in power, railage and raw materials.

During the year, legislation was introduced in several countries prohibiting the importation of certain South African products including all steel products. The measures became operative in the European Economic Community on September 27 1986 and, in the United States, legislation passed on October 2 1986 became effective on December 31 1986. Clearly the loss of these important markets presents a challenge to management to place the steel in other areas.

VANADIUM

The supply/demand position for vanadium was favourable for producers in the early months of 1986 but in the second half of the year there was some slackening of demand. Lower steel production in industrialised countries and the fall in

demand for steel products for the oil industry were the main causes of the reduced usage.

China's future role in the world vanadium market is still an unknown factor in the total supply/demand situation, but overall world vanadium consumption during 1987 is expected to be similar to the 1986 level.

World vanadium production capacity is still believed to be adequate to cater for any foreseeable demand and when new projects are being studied the inevitable impact on price of an oversupply position should be considered carefully.

FERRO-ALLOYS

Overseas markets for ferrosilicon improved steadily during the first half of the year and sales during this period were satisfactory in terms of both volume and price. During the second half of the year, despite prices declining in sympathy with the general downturn of steel production in the major producing countries, sales volumes were reasonable.

Demand in the overseas markets for silico-manganese remained firm throughout the year. Prices increased during the first half of the year as the United States dollar depreciated against most major currencies, but tended to weaken towards the year end.

Both Rand Carbide and Transalloys continued to make significant contributions to the group performance.

RHEEM

Overall Rheem showed improved results over the previous year and is well positioned to meet the challenges of 1987.

MANPOWER

The group's personnel strength averaged 7 430 compared with 7 133 in 1985. Labour turnover remained low at 10,3 per cent per annum.

The annual negotiations of the group's house agreement were again prolonged, but agreement for 1986/87 was eventually reached with all the unions associated with Highveld, and this has brought a further reduction in the wage gap as measured by the ratio of the highest hourly paid rate to the lowest hourly paid rate. The ratio is now 2,6:1 compared with 2,7:1 last year and 5:1 in 1971. It is encouraging to note that the emergent unions in the metal industries are beginning to acknowledge the advantages and benefits of centralised bargaining.

For the period under review the corporation continued to train apprentices at the same rate as in 1985. The total number of apprentices remained at 300, of whom 53 were black. The Artisan Training and Recognition Agreement for the Metal and Engineering Industries (ATRAMI) continues to be an important avenue towards the training of artisans. At present, 60 employees are undergoing training, 48 of whom are black. To date, 47 black artisans have been trained by the corporation and the group currently employs 44 black artisans.

The removal of influx control is welcomed and the whole question of urbanisation has now become an important aspect for the authorities and the private sector to address to ensure that the urbanisation process develops in an acceptable manner. It is unfortunate however that the Group Areas Act remains intact as this will

prevent the normalisation of society. It would be better to allow economic factors to determine housing issues and social associations, as the current regulations lead to unnecessary duplication of infrastructure and higher capital costs.

The corporation's intention is that affirmative action towards job enhancement and career development will receive increasing attention in the coming years. This is essential to ensure greater black participation in the free enterprise system and to reduce the shortage of professional and managerial skills in South Africa.

OUTLOOK

Forecasting in the present situation is extremely difficult because it is clear that major changes in the socio-political field are required before overseas pressures are removed. It is therefore essential that the Government expedite the reform process and it is hoped that the white electorate will give this clear message at the forthcoming general election.

It has been disappointing to note the number of the country's black leaders who have advocated sanctions and disinvestment. There is no doubt that this support had a major impact on the international campaign. These actions are shortsighted and extremely harmful to all South Africans and to the economy in both the immediate and long term. Firstly, they cause unemployment and hardship among the black people whom they are intended to help. Secondly, markets lost through sanctions will be difficult to recover when in the longer term the situation is normalised. Thirdly, there is no evidence to suggest that foreign companies which have been forced to disinvest will return to South Africa. Their contribution may therefore be lost forever. Finally, it would appear that these actions have caused the South African Government to retard the reform process and the measures advocated are thus failing in their objective of bringing apartheid to an end. It is essential that these black leaders recognise this failure and reverse their positions on this important issue.

In the group's export markets it is expected that sales of vanadium and ferro-alloys will be satisfactory but as mentioned earlier, new areas need to be developed for some of the steel products. Most economists are forecasting a growth rate of 3 per cent for the South African economy in 1987 and domestic sales should show a further increase over 1986. It is expected that the appreciation of the rand will be offset to some extent by increasing US dollar prices for the group's exports as the year progresses. Group earnings for 1987 will be at a satisfactory level but are expected to be lower than the record results of 1986.

GENERAL

I would like to thank the managing director, John Hall, the management and all employees for their efforts during what has been an excellent year and I am sure they will rise to the challenges that face them in 1987.

The full text of Mr Boyd's statement and the annual report for the 12 months ended December 31 1986 are obtained from Consolidated Share Registrars, 40 Commissioner Street, Johannesburg 2001.

The annual general meeting of members will be held at 44 Main Street, Johannesburg, on Friday, May 8 1987 at 11h45.

Sanctions dilemma for Highveld

5744
14/3/87
189

Teigue Payne

Sanctions imposed on South African steel products by the European Economic Community and the United States late last year are apparently an important factor in the expectation of Mr Leshe Boyd of Highveld Steel and Vanadium that group earnings in 1987 will be lower than the record levels achieved in 1986

Boyd says in his chairman's statement that the loss of these important markets "presents a challenge to management to place the steel in other areas"

In the year ending December 31, earnings per share increased 46 percent to 85 cents (58 cents in 1985) Group turnover was a record R816 million, and attributable profit was R50 million after providing for finance charges of R35,4 million, depreciation of R34,9 million and deferred tax of R33 million

Mr Boyd says world steel consumption is expected to remain constant this year, with increase in consumption of developing and communist countries being offset by decrease in consumption of Western industrialised countries - a trend expected to continue for the foreseeable future

There was a slackening in demand for vanadium in the second half, he says Prices for ferrosilicon declined in the second half, but sales volumes were reasonable Demand for silicomanganese was firm, but prices weakened towards the end of the year

Mr Boyd says calls for sanctions are shortsighted and extremely harmful to the South African economy in the immediate and long term The actions result in unemployment and suffering

Markets lost will be difficult to recover when the situation is normalised, the companies which disinvest are unlikely to return and their contribution will be lost forever, and the reform process is apparently retarded by the actions

FINANCE

S Africa can't afford to ignore privatisation

Market Foundation recently



environmental engineer, to
services, and Harry
Fauconnier, group senior
safety prompted two of its
However, Gencor's
approved for use on South
units have now been
three imported brand
With the extended
South Africa using the
Gencor mines are
from the United States
Ernie Mine Serv
workers on two
1985 trained and
anticipation of
Concerned at
and to all other
apply to all
refugees
have to cart
proceeding
this year,
Now, the
program
research
introdu
Origin
them
work
TJ
indi
est
d
b

Gencor

Agreement is signed

THE Black General Workers' Union yesterday signed a recognition agreement with an Isando steel company.

The national organiser of the union, Mr Phosakuwa Mashele, said his union had more than 80 members at the Racec Industrias in Isando, Kempton Park, which employs about 120 workers.

The company's management agreed to annual wage negotiations on Seifsa rates and the election procedure of shop stewards at the company, according to Mr Mashele.

S. W. M. N. 17/3/87

Improved prices give some hope to Rooiberg investors

By Teigue Payne

Improved conditions on the international tin market should provide some hope to investors in Rooiberg Tin — provided the rand does not strengthen against sterling

Late last year Rooiberg announced a one-third cutback in production by reducing its mining activities by about 50 percent and concentrating on its richest "C" mine.

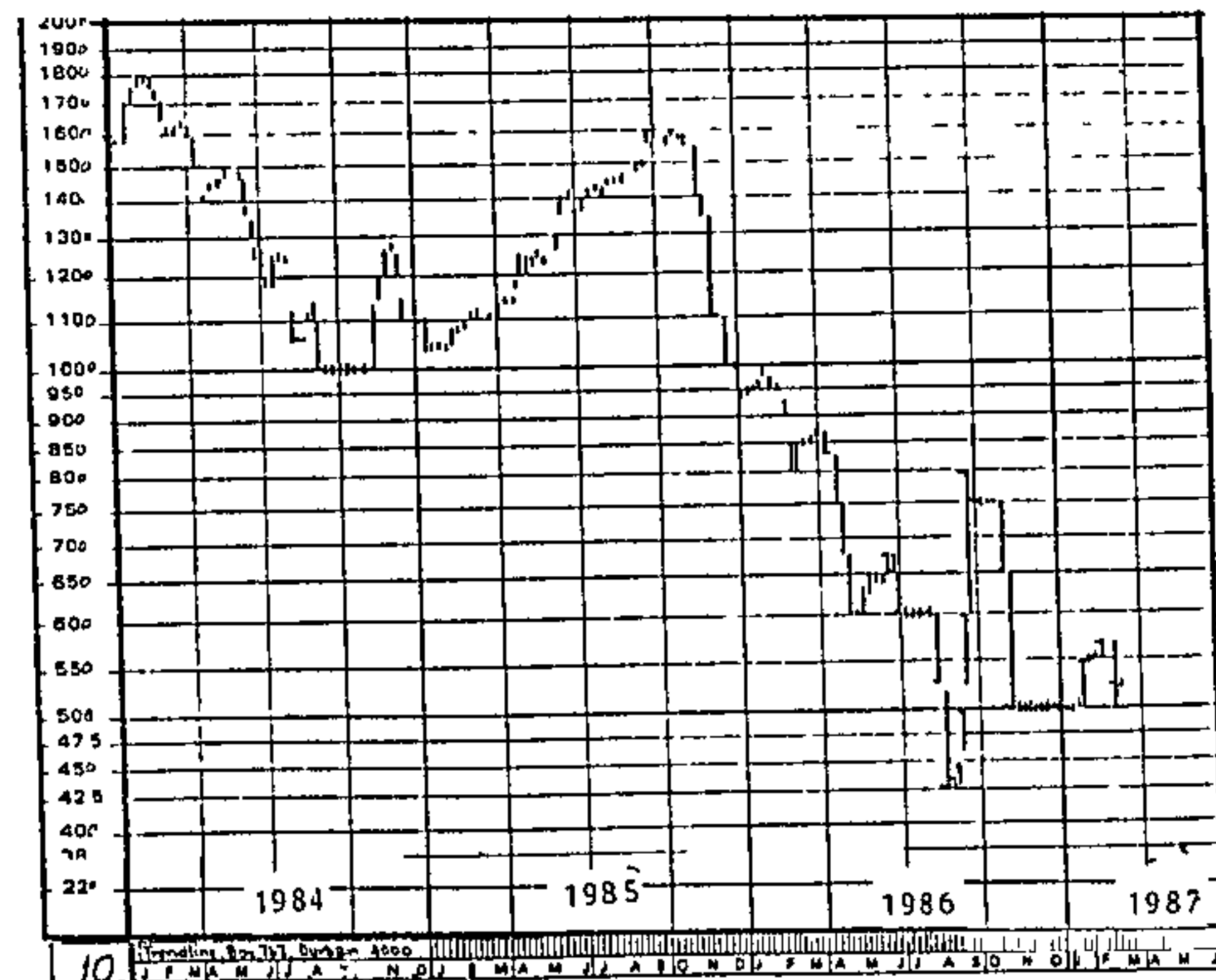
The announcement followed the collapse of the price support programme of the International Tin Council, which sent prices plunging from about £9 000 a ton in October 1985 to a low point of about £3 600 in July 1986

The £3 600 July price was equivalent to about R14 000. Although the tin price strengthened slightly thereafter to about £3 800 in early October when the cutback decision was taken, because of the strengthening in the rand, the price for Rooiberg had dropped to about R12 500 a ton.

Almost immediately after the cutback decision, the sterling tin price rose sharply to around £4 500. Because of the stronger rand, the improvement was noticeable, but not as sharp. The price to Rooiberg rose to about R14 400, and has remained there since.

The scenario emphasises how vital the rand's movements are to Rooiberg.

At the time of the collapse, total trading stocks of tin were 83 000 tons, but since then these stocks have reportedly been reduced to 61 500 tons at the end of December. However, of that



Rooiberg's share price mirrors the falling tin price.

stock, 41 000 tons are understood to be in the very firm hands of Bumiputra Bank of Thailand, the Malaysian Bank and the Bank of Tokyo.

Two of these banks are in producing countries, and none is likely to sell large quantities of tin in a way detrimental to the market. While it had been thought the banks might start offloading tin when the price reached £4 000, this has not happened. Brokers believe they may start selling when the price reaches £5 000 a ton.

The London Metal Exchange suspended tin trading following the collapse, and is not likely to resume for some time because it is involved in a tangle of court cases about the matter. The so-called Rotterdam "free market" price is not determined by "open

outcry" but is quoted twice weekly by the London Metal Bulletin, from information its editors receive.

Since the local market cannot absorb Rooiberg's production, it exports slightly more than half of this, and both its domestic and export sales are on the basis of the free market price.

The widely held perception that the free market price of tin will rise is based on large cutbacks in world production.

World average cost of tin production is about £6 000 a ton — about 27 percent above the current price. In 1986, according to the International Tin Council (ITC), production was lower than consumption for the first time in several years.

This year, the ITC, which rep-

resents all major producing countries except Brazil, has agreed to cut production further, from 103 000 tons last year to 96 000 tons.

Brazil, not an ITC member, is the major unknown in the calculation. It is reportedly not cutting back on its production last year of 25 000 tons, and may produce more this year, to become the world's largest producer.

London-based Warburg Securities believes the long-term price of tin could stabilise at around £6 000, and that the range of price in 1987 could be £4 300 to £5 500, with an average of £4 800.

● Rooiberg's production cutback was planned to bring it back to profitability. The company will not have made a profit last year and is unlikely to be trading profitably yet, since the cutback is not likely to have been completed. Operating costs will not be established before the cutback is complete, but the mine reportedly has the potential to produce profitably at current price levels. If the improving tin market is accompanied by a steady or weaker rand, the company should thus soon start trading profitably.

The company's shares fell steeply after the December 1985 collapse, and particularly after the October cutback announcement. Earnings will in future be on the basis of one-third lower production, but with the shares at about 525c currently, the potential for recovery is strong, especially on long term prospects.

Cautious optimism in the tin industry

(189)
S.M.A. 3/13/87

Teigue Payne

The worldwide scaling back of tin production following the 1986 tin crisis and the steady reduction of tin stocks give grounds for "cautious optimism" that the price will advance moderately in 1987, Rooiberg Tin chairman Peter Janisch says in his annual review.

After an operating loss of R,7 million in the year ended December, Mr Janisch expects profits will be restored this year, but cannot make a dividend forecast (no dividend was declared in 1986, 100c was declared in 1985)

Because of the tin crisis Rooiberg, in October last year, announced a scaling back in operations and of production by about a third. Production is now being concentrated on "C" mine, with the other three mines on a care and maintenance basis. Staff has been cut from 2 556 in 1985 to 1 400 last year.

Following the cutback, Mr Janisch now reports that there are signs of a return to profitability.

There is hardly a glimmer of hope at sister mine Union Tin, however. The company ceased uderground mining and dump retreatment in 1986, following the tin crisis. An operating loss of R1,8 million was incurred in the full year.

Staff has been reduced to 15 people. Mr Janisch says at present there are no plans to restart tin production, but the company's cash resources are

being conserved against such a future possibility.

□□□
Tsumeb Corporation reports sharply reduced taxed profit of R15,9 million in the year (R39,7 million in 1985). There was a 15 percent increase in the milling rate. Sales of copper and silver were below production, and total sales revenue was R18 million below the 1985 figure at R191 million. Operating and other costs rose 8,6 percent, and gross profit was R19,2 million (R50,8 million).

Gold Fields Namibia, which holds 47 percent of the company, took over administration of the mine from Newmont Mining at the beginning of this year.

O'okiep Copper chairman Dru Gnodde says the future of the copper price remains uncertain but is unlikely to see a major rise. The returns of local copper companies is dictated by the rand exchange rate. The rand/dollar rate has moved against O'okiep and the company has launched a major productivity campaign to prevent major increases in cost.

The company received a lower copper price in 1986, but more copper was sold so that net profit was 13,7 percent higher at R11,6 million. The company repaid a large loan and Mr Gnodde says there should be substantial interest savings this year.

Union Steel SA loss R1,7m

CALL TIMES S/6/87
189
JOHANNESBURG — The Union Steel Corporation of SA has again reported a loss for the six months to March 31, but the directors say in the interim report they expect the results for the year to September 30 to show "a noticeable improvement" on the previous year when a net loss of R4,5m was recorded

Operating income in the first half rose to R6,68m (1986 R4,88m), but depreciation and finance costs meant a net loss of R1,7m compared with a net loss of R7,55 m in the 1986 period

The directors said the loss sustained by the steel division exceeded the 1986 figure, and was due to lower export prices and the stronger rand/dollar exchange rate

The non-ferrous division showed increased profits on all product groups. Depreciation for the six months was R1,95m lower than in 1986

Finance costs decreased by R2,097m, which could be attributed to lower interest rates and the issuing of variable rate redeemable cumulative preference shares — Sapa

CAE Temb 21/7/87 189 (189)

Iscor workers start wage strike

JOHANNESBURG. — Nearly 7 000 metalworkers at the Iron and Steel Corporation (Iscor) plant in Vanderbijl Park started a legal wage strike yesterday after annual wage negotiations at the plant became deadlocked.

A spokesman for Iscor management said about 6 400 workers were involved representing about 30% of the plant's workforce — Sapa

CAPE TOWN 22/7/87
R9

Iscor strike widens

Own Correspondent

JOHANNESBURG — Another 150 Iscor workers joined 6 500 of their colleagues on strike yesterday as the action spread from the Vanderbijl Park plant to the corporation's Glen Douglas dolomite mine near Meyerton.

And, according to the National Union of Metalworkers of SA (Numsa), about 1 000 members at Samancor in the Eastern Transvaal stopped work yesterday after the dismissal of an undisclosed number for their participation in last week's industry-wide metal strike.

Iscor management yesterday said they had no intention of improving the 34c-an-hour wage offer which triggered the action.

An Iscor spokesman said the company could continue for "a couple of weeks" without suffering ill-effects.

CAPE TOWN 23/7/04 (152) (100)
Striking workers fired (189) (250)

JOHANNESBURG. — The National Union of Metalworkers of South Africa (Numsa) is planning legal action to protect about 2 000 members who have been threatened with dismissal at Samancor plants in Meyerton and Witbank. Numsa spokesman Dr Bernie Fanaroff said a number of workers had been dismissed and others issued with warnings at Samancor's Ferrometals plant after the national strike in the metal industry last week.

17266
6/8/82
189

Iscor and Numsa for talks on pay strike

The Argus Correspondent

THE National Union of Metalworkers and Iscor management were due to meet today to try to resolve the 17-day legal wage strike by up to 7 000 workers at Iscor's Vanderbijlpark works

The talks follow an Iscor ultimatum to the workers to return today or be fired

The union has criticised Iscor's "unseemly rush" to dismiss the strikers

A spokesman said "It is unacceptable for workers engaged in legal strike action to be pushed to decide between continuing their action and loss of their employment"

In a telex to Iscor yesterday, the union suggested that industrial council procedures be used to resolve the dispute

POSTAL WORKERS

An Iscor spokesman confirmed receiving the telex but said management would not comment in view of today's meeting

● Postal workers in the Cape and Transvaal today continued a strike which began on Monday over various issues

A union spokesman said about 10 000 workers had stopped work in protest against a Post Office application for a Supreme Court interdict restraining the Post and Telecommunications Workers' Association from "influencing" workers to strike.

The application, made last week after a two-day national work stoppage, was expected to be heard in the Pretoria Supreme Court today

SW-7-25 12/18/87 (189)

Strikers return

JOHANNESBURG

Between 6 400 and 7 000 striking workers at Iscor's Vanderbijlpark plant began returning to work yesterday after an agreement between the National Union of Metalworkers of South Africa and Iscor management

Both parties agreed the workers, who had been on a legal strike for 22 days, should return to work — Sapa

BASIC METALS

EXPORTS

1987

MINERAL EXPORTS

Action at last

The specific exclusion of 10 vital strategic minerals from the US boycott list, contained in a special directive sent to Congress last week, underwrites South African exports worth some R4 billion a year

But, even more important in the eyes of the local mining industry, it confirms the US's reliance on supplies from SA and its commitment to continued purchases

In a bid to sweeten the pill for Congress, the administration commits itself to developing a programme to reduce dependence on SA. But the chances of this happening in the short term are negligible

"If an important new discovery was made today it would probably take 10 years to set up refining facilities," says Aiden Edwards, president of SA's Mintek. "In many cases, exploitation and refining would be uneconomic and in some cases there are no known substitutes"

He believes the time SA has won, and the considerable cost advantages enjoyed by many local minerals, must now be used to increase the appeal of South African commodities

The US moves lend added urgency to the old call for greater beneficiation of raw materials, with the added benefits of increased export value and greater local employment (*Business* January 16). And, believe it or not, something is being done

A top-level government committee is about to review State assistance for mineral beneficiation, with the aim of spurring the private sector into action

Current State assistance includes a 25% electricity rebate, but a 25% rebate on transport costs was abolished in April 1982

Edwards was appointed chairman of the inter-departmental committee, which holds its first meeting in mid-February. Committee members will be drawn from the Department of Mineral and Energy Affairs, the Department of Trade and Industry (DTI), Dame Steyn's new Department of Economics and Technology and Mintek

It has long been Edwards' view that greater beneficiation of SA's chrome, vanadium, titanium, manganese, gold, platinum and other minerals could double current export earnings to R60 billion a year (at 1985 prices) over the next decade

"At last we're starting to move," Edwards tells the *FM*. "All the signs are very positive and we have every intention of moving quickly"

Transport savings on the export of more refined products alone could provide a powerful stimulus, says DTI deputy director-general Frans Scheepers. An *ad valorem* levy on the export of raw minerals would be

another spur to beneficiation

Says Scheepers "We will have to look into these matters. While government has helped promote beneficiation since the Reynders Commission's report in 1972, an examination of further co-ordination in this field is now indicated"

But while it is essential to create more opportunities, he doubts whether government can do better than make beneficiation a more attractive proposition for industrialists

Government also has to evaluate the viability of specific projects, industries and sectors before granting concessions, he adds. Basie Kleu, chairman of the committee investigating export incentives, tells the *FM* beneficiation also forms part of his brief

Mintek is now undertaking major research



Mintek's Edwards ... new drive to add value

and development into increased platinum beneficiation. It is also examining the jewellery industry for which SA has a virtual monopoly on diamond, platinum and gold production, but produces less than 0,1% of the world's jewellery

"We have the technological leadership to find new uses for our mineral riches," says Edwards

"But the State must play a major role in R & D developments. Once this is done, the private sector will invest. And unless we wake up, cheaper substitutes for some of our minerals could be developed"

23/1/87
STEEL SALES FINMAIL

Going domestic

Faced with hostile export markets, SA steel manufacturers are looking increasingly to domestic sales. But even at home possibilities

are limited

Highveld MD John Hall says it's too early to forecast 1987 performance but confidence has not yet reached a level to attract capital development of any note

"Consumer booms have little impact on our sales," he tells the *FM*, "and capital expenditure cuts by government aren't helping us either"

But, as stocks aren't high, Hall expects any real increase in market activity to be reflected in sales, and steel companies are doing their best to hold prices

Econometrix chief economist Azar Jammine says demand for steel correlates more closely with the demand for investment goods than for consumer goods and he expects gross domestic fixed investment to grow no more than 0,8%

However, Econometrix has revised its forecast for the increase in iron and steel industry production. In the last quarter last year the prediction for 1987 was 2,5% but the latest growth forecast is 2,74% — assuming exports remain constant

This could mean a growth in local sales for Iscor after two years of decline — local sales fell 3% last year and 13% in 1985

But Robin Bosomworth, MD of steel exporter-importer Robco, says there's no future for the secondary industry. There has been a 50% increase in the cost of rolled steel since price control was abolished and primary producers have a destructive two-tier pricing policy, he claims

Complains Bosomworth "It would make sense for us to move from Cape Town to Taiwan. A ton of South African wire rod and reinforcing bar steel costs the Taiwanese \$210 (R440) but the local man pays R730. Even if steel is beneficiated for export we're still charged the higher rate. This has enabled Iscor to maintain a positive cashflow of R600m — about R100 per ton"

However, UME joint MD Peter Smaller is much more bullish. "There's bound to be some stimulation of the economy in the election run up and the private sector is taking advantage of the low interest rates to restock steel products. I can also see more import replacement"

With projects like Mossel Bay on the cards Smaller expects a 5% growth in steel demand

Steel and Engineering Industry Federation of SA director Sam van Coller is reluctant to estimate production increases. He says some large steel consumers like gold mines are doing very well, but any real turn-around would have to come from a recovery of the vehicle industry and a general revival in infrastructural activity

HAMISH McINDOE

SCRAP metal traders are strongly opposing a move by steelmakers to impose a 25% duty on exports of scrap steel.

The Metal Merchants' Association (MMA) will submit today to the Board of Trade and Industries its objections to the duty, which it slates as protectionist.

The Rolled Steel Producers' Association (RSPA), representing the country's 10 primary steelmakers, and Cape-based Atlantis Diesel Engines (ADE) jointly applied for the duty on the grounds of a shortage of scrap steel.

The duty was gazetted last month and is expected to be activated soon unless the board recommends in the MMA's favour to have it dropped.

RSPA and Iscor chairman Floors Kotzee yesterday dismissed as a "senseless argument" the MMA's claim that the duty was anti-free-trade on the grounds that the world steel market was already highly protectionist.

He said a local shortage of scrap steel justified a barrier to exports.

MMA (ferrous scrap) chairman David Loewenthal said: "I'm not aware of any

Objection to duty on exporting scrap steel

works stopping because of a ferrous scrap shortage. Why should the companies that generate scrap have to subsidise the steelmakers?"

He said a high proportion of products was being exported, "thereby increasing the valuable foreign exchange earned compared with that of the sale of steel scrap".

About 150 000 tons of scrap steel are produced annually in the Western Cape.

5/Day 30/1/87

189

...tigation...

Handwritten: P/M 20/3/87
189

HIGHVELD STEEL

Steel curtain

Activities: The group processes steel, vanadium products, ferro-alloys, carbonaceous products and metal containers and closures

Control Anglo American Industrial Corporation holds 51,7% of the equity

Chairman: L Boyd, managing director J Hall

Capital structure: 70,8m ords of R13 500 var rate red cum pref shares of 1c Market capitalisation R368,3m

Share market. Price 520c Yields 5,8% on dividend, 16,3% on earnings, PE ratio, 6,1, cover, 2,8 12-month high, 720c, low, 475c Trading volume last quarter, 659 000 shares

Financial: Year to December 31

	'83	'84	'85	'86
Debt				
Short-term (Rm)	44,2	49,6	17,5	31,6
Long-term (Rm)	200,0	240,0	275,0	150,0
Debt equity ratio	0,90	1,09	1,06	0,70
Shareholders interest	0,39	0,35	0,31	0,40
Int & leasing cover	2,6	2,0	2,2	3,8
Debt cover	0,21	0,21	0,25	0,75

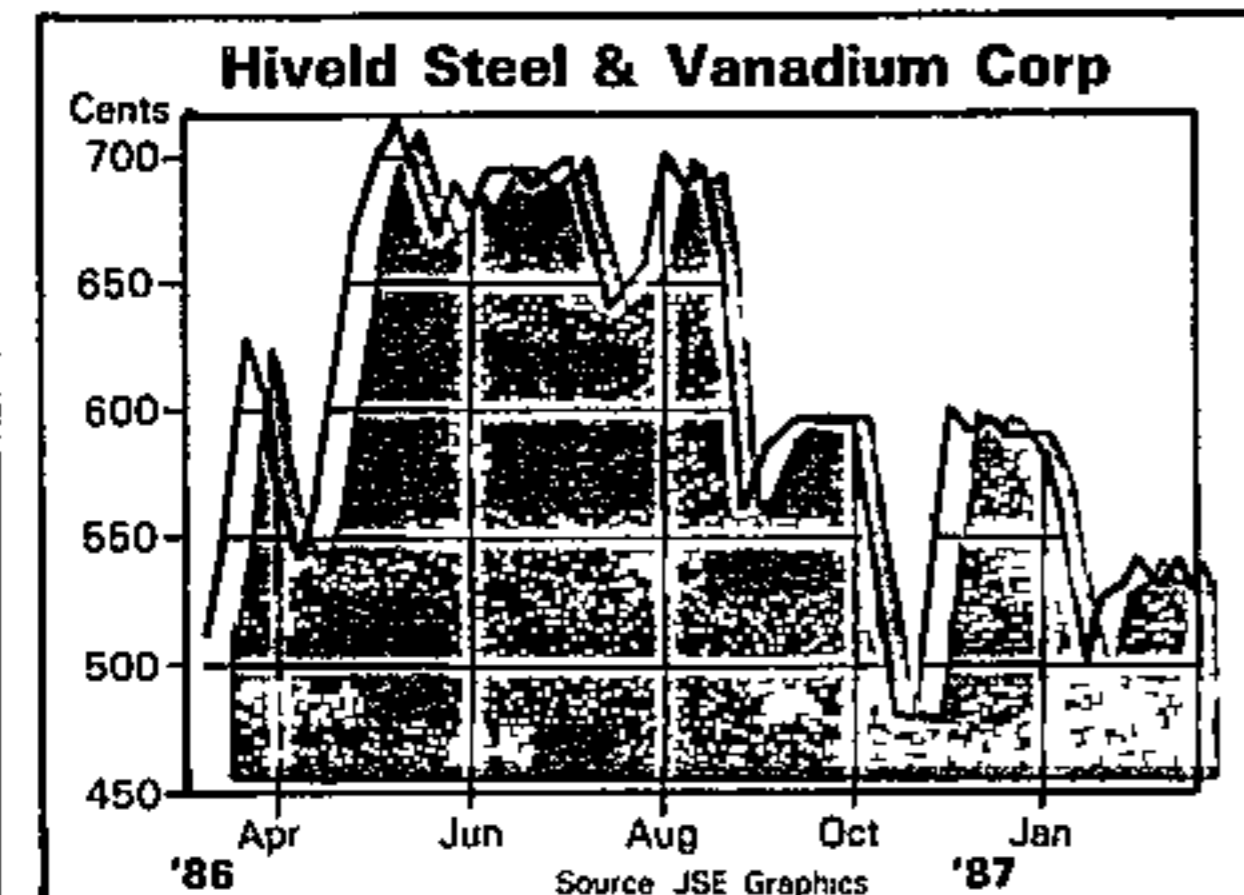
Performance

	'83	'84	'85	'86
Return on cap (%)	5,4	7,5	8,3	14,1
Turnover (Rm)	281	450	662	816
Pre-int profit (Rm)	38	57	74	133
Pre-int margin (%)	13,3	12,7	11,2	16,3
Taxed profit (Rm)	23,8	28,6	40,5	64,9
Earnings (c)	33	39	58	85
Dividends (c)	15	17	24	30
Net worth (c)	378	368	390	436

American and European sanctions on the products of Highveld Steel have led management to place harsh curbs on information contained in its annual report. No production figures are being released, and any talk of exports, which at last count made up about 50% of sales, is strictly taboo.

While it is conceivable that companies forced to restrict the flow of information might be down-rated in the market, chairman Leshe Boyd contends "The rating of a share ultimately depends on a company's track record, so I don't believe our share will be adversely affected by the reduced information."

As yet, steel is the only Highveld product affected by sanctions, and Boyd says he is not concerned about the other products at this stage. The world depends on SA for its



vanadium, manganese and ferro-alloys, so these are not as vulnerable as steel. Boyd says there are no suppliers that could take the group's place in world markets in the short to medium term, but there is cause for concern in the longer term, he says, if appropriate political reforms are not made in SA.

Despite the imposition of sanctions in the second half of last year, Highveld's turnover in the six months to December was 16%



Highveld's Boyd . . . seeking new markets

higher than in the first half, and earnings mirrored those of the first half. At interim, the prediction was for a better second half, but lower dollar prices for ferro-alloys, a slackening in demand for steel on the domestic market in the last two months of the year, and reduced demand for vanadium intervened.

Nevertheless, the group operating margin increased from 11,2% in 1985 to 16,7%. Boyd says that while dollar prices of certain products deteriorated, a weak rand ensured that rand receipts did not necessarily follow the weaker trend. He says the weak rand was a major factor helping to broaden the operating margin, while the higher level of activity in the group (turnover was up by 23%) and the domestic steel price increases of 9,5% in February and 12% in August also contributed.

On prospects for 1987, Boyd says world steel consumption should be at much the same level as last year (721 Mt), while domestic steel demand should continue to rise

because of vigorous activity in the gold mining industry and expectations of 3% growth in the economy. Highveld expects steel demand to grow by a similar percentage. Boyd says price increases will depend on the costs passed on by utilities such as Escom and Sats. Highveld's prices rose by between 3%-5% in the first quarter, and prices will be reviewed again later in the year.

It is a little early, says Boyd, to estimate the likely level of vanadium and ferro-alloy demand this year, as sales teams have only recently left for Europe, but the indications are good. Vanadium prices have firmed and there are signs that dollar prices of ferro-alloys will rise and volumes should be maintained.

But while the prospects look encouraging, Boyd concedes it is going to be a challenge to management to find new markets to replace those closed by sanctions. "The strength of the rand is also a problem as it will make it more difficult for us to be competitive," he says. "That will be off-set, to a certain extent, by increases in the dollar prices of commodities in world markets."

No major capex is planned in 1987, so debt should reduce. Finance charges rose in 1986 as previously capitalised finance charges on the second iron plant, which was commissioned in 1986, were brought into account. The group's tax rate should also remain low — only deferred tax was provided for in 1986, and Boyd says the group is unlikely to pay normal tax for several years hence.

The share is well off its 12-month peak, indicating investor concern about sanctions. But there are some who lay store by the group's expertise as an exporter, and who believe the share could be worth buying. In addition, the stock represents a good currency hedge for those who expect a further weakening in the rand.

Kerry Clarke

HAGGIE

Cast-iron profits

Haggie had to face difficult conditions in the 1986 year, but the company showed it could continue to produce good results even in these circumstances. Earnings were up by 18%, compared with a 9% rise at the interim stage. While the bottom line was aided by a fall in the variable rate preferred dividend to R3,9m (R5,5m), profit growth emerged largely at operating level.

Chairman Ian Haggie attributes the solid performance to "the continued high level of activity in the mining industry, and an ex-

Activities. Main interests are light engineering and metals distribution, reclamation and manufacture of semi-fabricated metal products, steel wire and steel wire rope

Control Gencor and Amic each hold 36%

Chairman: I S Haggie, managing director J S Feek

Capital structure: 19,2m ords of 20c and 42m variable rate cumulative redeemable prefs
Market capitalisation R460,8m

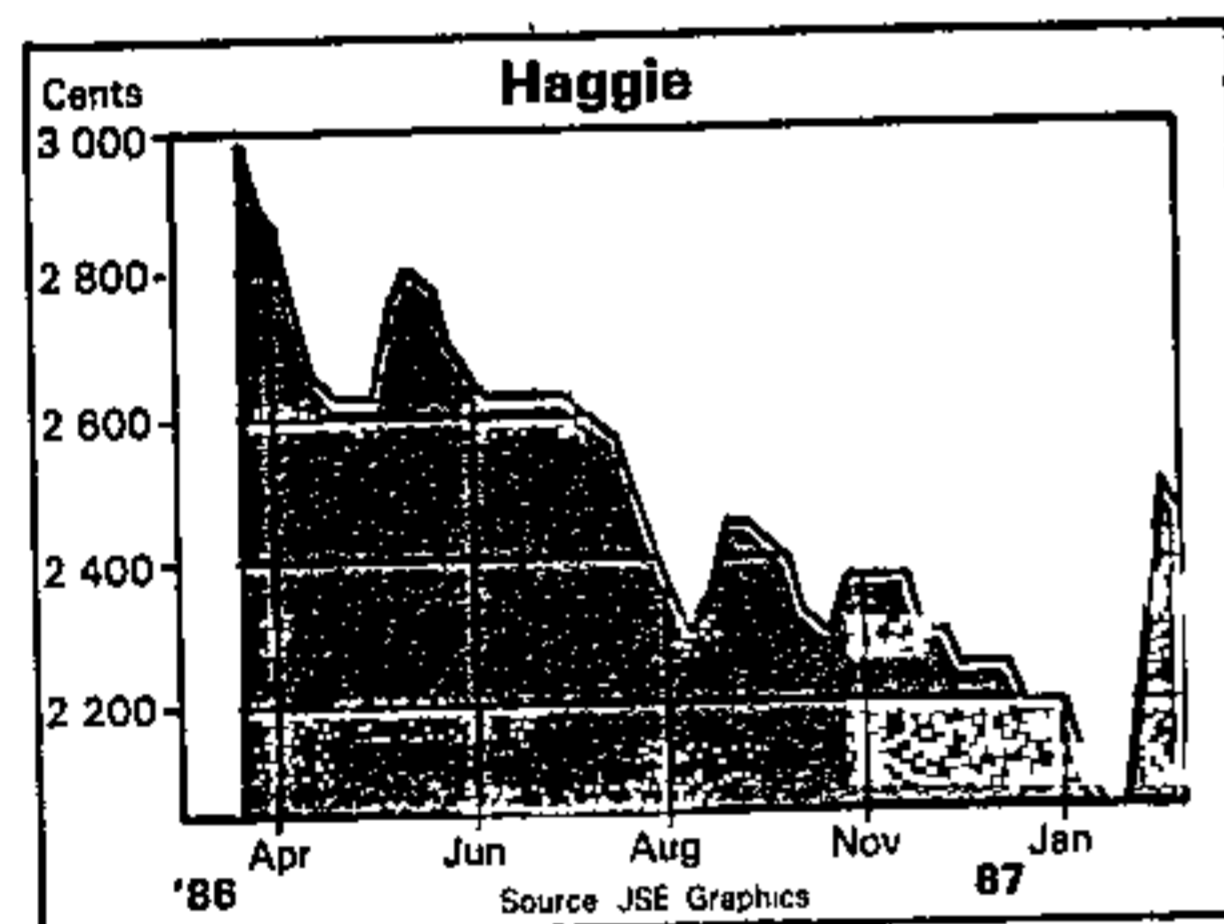
Share market: Price 2 400c Yields 4,0% on dividend, 9,9% on earnings, PE ratio, 10,1, cover, 2,5 12 month high, 3 000c, low, 2 050c Trading volume last quarter, 53 000 shares

Financial: Year to December 31

	'83	'84	'85	'86
Debt				
Short-term (Rm)	2,2	30,9	26,3	19,5
Long-term (Rm)	7,8	8,5	12,5	13,8
Debt equity ratio	0,21	0,31	0,29	0,23
Shareholders' interest	0,65	0,62	0,60	0,64
Int & leasing cover	17,4	19,6	10,1	11,2
Debt cover	4,2	1,4	1,6	2,2

Performance

	'83	'84	'85	'86
Return on cap (%)	17,9	14,4	16,4	18,2
Turnover (Rm)	325	462	598	707
Pre-int profit (Rm)	49,4	63,6	79,0	93,1
Pre-int margin (%)	15,1	13,7	13,1	12,9
Taxed profit (Rm)	33,1	37,6	47,9	59,3
Earnings (c)	142,5	159,6	201,6	237,4
Dividends (c)	70	73,5	85	95
Net worth (c)	786	1 023	1 145	1 321



change rate which favoured exports, enabling the group to maintain and, in some instances, improve its volumes "

Haggie Rand, the steel wire rope subsidiary, had to cope with a three-week strike in March, but this division benefited from the strength of the mining industry Demand from the mines offset the low offtake from building, civil engineering and electrical re-tilation industries, resulting in higher than expected capacity utilisation

The steel wire company, Consolidated Wire Industries, continued to be hurt by depression in the agricultural sector, and low demand from the electrical cable industry But thanks to stronger demand for security fencing and "increased sales to previously unprofitable markets," the company achieved better capacity utilisation, thus increasing profitability

This subsidiary continues to suffer the impact of US sanctions, although MD John Feek points out it has been seeking alternative markets since 1982, when sanctions first became a reality "The new markets will

offset the loss of US sales, but will require time to develop to their full potential," he adds

Feek is not pessimistic about the coming year "It will be difficult selling South African products on international markets, though we continue to be competitive by international standards," he says A strong rand brings problems for the group, as exports of commercial wire will be squeezed at an exchange rate above US50c

Locally, Feek expects "the mining industry should be a solid performer, operating at more or less the same levels as in 1986 There is a very responsible relationship between the mining houses and various suppliers, enabling us to plan the workload "

Planning is vital for capital expenditure programmes According to Feek, "we can never be completely up to date on technology We are currently in the third year of a six-year programme for Haggie Rand, and one of our other businesses has a five-year programme In 1987, capex should be about the same as last year and about R26m is due to be spent in each of the next three years "

Despite the capital-intensive nature of the industry, one of Haggie's strengths is its low gearing of only 23% when calculated on gross borrowings, this would fall further when account is taken of the R24m cash balances Another is its rationalisation programmes and tight controls Feek's main challenge is keeping managers motivated. He does not expect any quantum leaps for the company, rather a series of incremental gains As far as takeovers are concerned, Feek plans to continue a conservative approach "We are not in pursuit of companies, but will look at those which are compatible with group activities "

Haggie has recorded average annual earnings growth of 18,5% since 1983, placing it among the JSE's most solid performers Though its price is still below the R30 recorded in March last year, it has improved from R20,50 to R24 since results were announced last month As there seems no reason why Haggie should be on a lower rating than the sector average (it is on a dividend yield of 4% against the sector's 3,3%), the share should continue to gain investment support

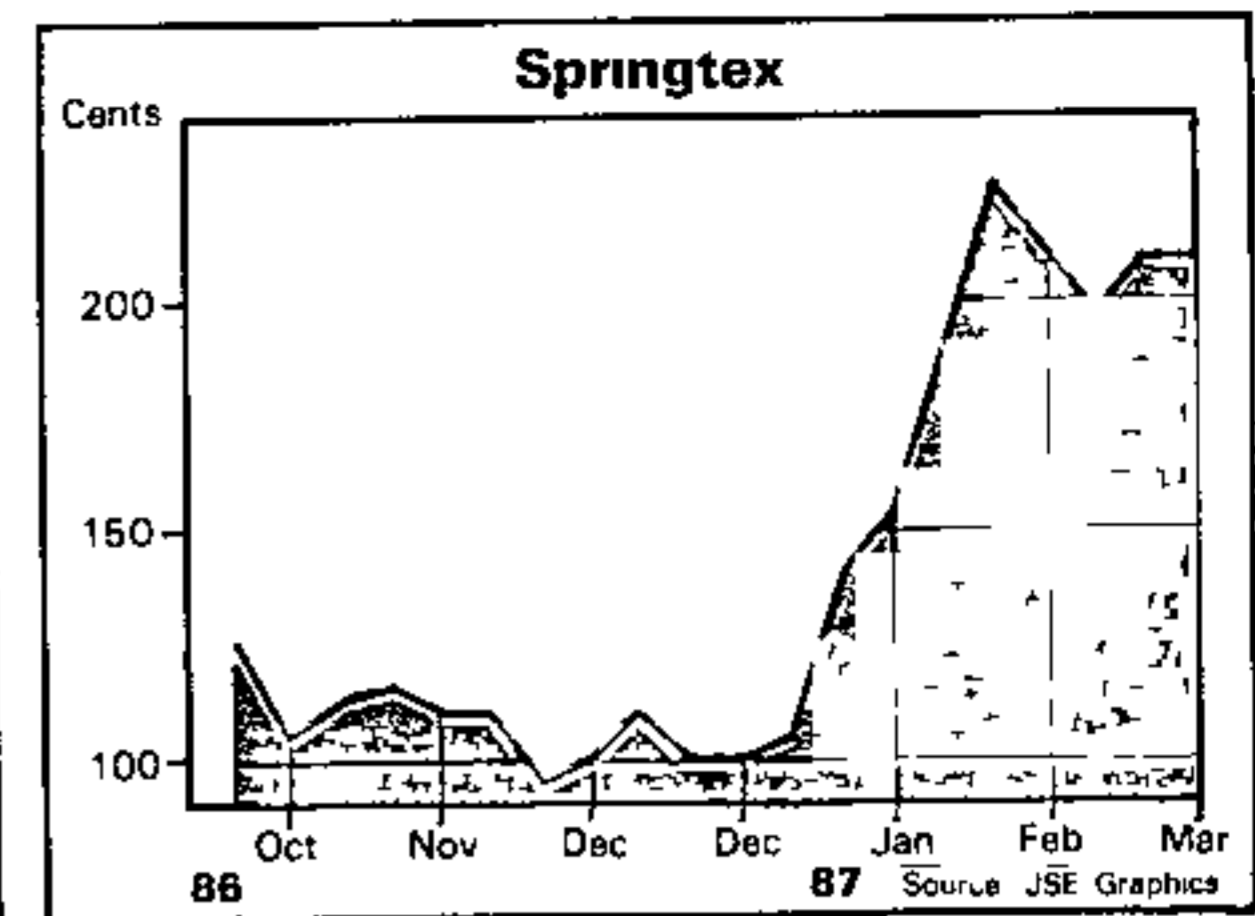
Pat Kenney

SPRINGTEX

Direct selling

Chairman Michael Teixeira is not specific about the company's growth prospects, saying only that profit will be considerably higher But analysts are expecting earnings of around 18c a share this year, 36% higher than forecast

Their bullish forecast is based on the perception that the direct selling company, relieved of its R5,1m debt, could be on a sharp growth track Since its listing in October, Springtex has strengthened its direct selling base through acquisition of the Natal and



Transvaal Table Charm companies, and by establishing a mail order division

Table Charm, which sells crockery, cutlery and glassware, is expected to have an immediate and favourable impact on earnings, while the mail order division will prob-

Activities: Involved in the marketing of household textiles, crockery and glassware on a direct selling basis

Control: The directors control 55% of the issued shares

Chairman: Michael Teixeira

Capital structure: 13m ords of no par value
Market capitalisation R28,3m

Share market: Price 205c Yields 6,5% on earnings, PE ratio, 15,5, 12-month high, 240c, low, 88c Trading volume last quarter, 3,6m shares

Financial: Year to December

	'86
Debt	
Short-term (Rm)	1 823
Long-term (Rm)	0,075
Debt equity ratio	0,29
Shareholders' interest	0,51
Int & leasing cover	11,5
Debt cover	0,70

Performance

	'86
Return on cap (%)	19
Turnover	165*
Pre-int profit (Rm)	2,5
Taxed profit (Rm)	1 267
Earnings (c)	13,4
Net worth (c)	48,9

* Using 1985 as a base of 100

ably start contributing to profits in 1988. "For the current year, we will have the benefit of substantial savings on interest payments," says Teixeira, "now that net factoring debt of around R5,1m has been repaid in full "

One aspect which may trouble investors is the bad debt exposure concerning outstanding accounts of more than R10m at end-December "The nub of our business is selling but the key is collecting the cash," says Teixeira "However we are satisfied that our provision for doubtful debts is more than adequate "

The share looks fairly priced at 205c, on an earnings yield of 6,5%, a marginally lower rating than Housewares, which yields 4,1%, and a lower rating than the retailing sector, which yields 5,4%

Cherilyn Ireton

189

Boost on way for SA steel

Post Correspondent

JOHANNESBURG — Sanctions-hit South African steelmakers may be heading for a short-term boost in steel slab exports because of a European Economic Community (ECC) shortage.

A metal industry source in London says a demand for slabs has forced ECC steelmakers to concentrate on supplying their own markets.

Brazil has been named as one country that may be turning to SA for more steel slab imports.

SA's steel export figures have been a closely guarded secret since the US, Japan and the ECC imposed steel and iron ore embargoes late last year.

Steelmakers also refuse to comment on exports, but Iscor last month commissioned a R120 million slab caster at its plant.

In another development, Middelburg Steel and Alloys may be jockeying to fill a shortage of stainless steel plate in Brazil, whose steelmaker is said to be having difficulties meeting home-market demand.

SP
12/6/82

Seifsa pessimistic about future

189
7/17/87
S. Day

Steel production in the doldrums

BOTH steel and iron-castings production in SA were at a 10-year low in 1986.

And indications during the first quarter suggest output might be even lower in 1987, says the Steel and Engineering Industries Federation.

Ferrous-casting production has shrunk to 43,7% of what it was in 1975.

Following the trend being experienced by major industrialised countries, ferrous-casting production in SA has decreased from a high of 601 800 tons in 1975 to a low of 263 600 tons in 1986 — a drop of 56,2%, Seifsa says in its quarterly review

Particularly alarming is the 63,4% drop in grey-iron castings since 1976. (Grey-iron castings represent 65% of all types of iron casting.)

While a number of foundries made concerted efforts in 1985 and 1986 to develop export markets, high inflation, the increased value of the rand, as well as sanctions and boycotts have hindered progress

In addition, while raw castings when exported are eligible for export incentives, at present machined castings are not — and export markets generally require finished castings.

MICK COLLINS

Continued low levels of production in the automotive-component industry, as well as transport-equipment and machinery sectors, have severely restricted demand for ferrous castings, leaving production capacity in the industry seriously under-utilised.

In addition, competition from other materials such as plastic, composites and ceramics continues to present a challenge to the ferrous-casting industry, Seifsa says

"Nevertheless a number of foundries, aiming to improve the local content in the automotive industry as well as other areas, have upgraded their technological capabilities significantly."

Seifsa says iron castings in 1986 showed a drop of 11,1% from 1985, while steel castings fell by 10,2%

"The total annual tonnage for 1986 of 263 600, a drop of 10,8% from the previous year, indicates the industry remains severely depressed and will require a major upturn in the economy in order to return to reasonable levels of production"

GOVERNMENT has staunched the flood of SA scrap metal being sold overseas by offering large price discounts to local steel-makers and other scrap users

Govt set for discounts scrap

189
BT Day
15/7/81

HAMISH McINDOE

Scrap will also have to be offered for sale locally before export permits are issued

The move, however, is being vigorously opposed by metal merchants who fear lower local scrap prices may cost the industry about R50m a year.

A powerful lobby of steel non-ferrous scrap users urged government last year to impose heavy duties on exports to overcome a local scrap shortage

The Department of Economic Affairs and Technology late last month accepted the Board of Trade and Industries (BTI)

recommendation to give local users of non-ferrous scrap a 15% discount on prices quoted in the London "Metal Bulletin" and steel scrap users a 7,5% discount on international prices.

It was learned yesterday the Metal Merchants' Association (MMA) would challenge the move in the Rand Supreme Court later this week, but the association would not comment on the BTI's recommendations

Govt moves to staunch scrap metals outflow

(189)
D)

17/7/87

Dispatch Correspondent
JOHANNESBURG

The government has staunched the flood of South African scrap metal being sold overseas by offering large price discounts to local steelmakers and other scrap users

Scrap will also have to be offered for sale locally before export permits are issued

The move, however, is being vigorously opposed by metal merchants who fear lower local scrap prices may cost the industry about R50 million a year

A powerful lobby of steel and non-ferrous scrap users urged government last year to impose heavy duties on exports to overcome a local scrap shortage

The Department of Economic Affairs and Technology late last month accepted the Board of Trade and Industries (BTI) recommendation to give local users of non-ferrous scrap a 15 per cent discount on prices quoted in the London Metal Bulletin and steel scrap users a 7,5 per cent dis-

count on international prices

A BTI spokesman said the move would not stop scrap exports "It just means that local users get first option of scrap consignments at a preferential price. Export permits will only be given if there are no takers"

The Rolled Steel Producers' Association (RSPA), representing the country's 10 primary steelmakers, and Cape-based Atlantis Diesel Engines called late last year for the imposition

of export duties to help alleviate the local shortage of steel scrap

Noting that the world steel market was already highly protectionist, steelmakers dismissed as a "senseless argument" claims by metal merchants that the duties, which are now replaced by price preferences, are anti-free trade

The chairman of Anglo American-owned Scaw Metals, Mr Richard Bowstred, said "The steel industry was losing substantial tonnages of scrap to overseas. Because of high railage rates to the Reef we could not afford to pay the price of much-needed scrap generated on the coast"

South Africa's ferrous and non-ferrous scrap exports are not monitored by the trade authorities and there are no reliable industry estimates

MACHINERY AND
EQUIPMENT

(NO EXPORTS)

1987

12/1/87 BLDG 189

Tractor sales roll down steadily

MICK COLLINS

TRACTOR sales have continued to slide with January figures indicating no improvement on last year's dismal performance

Tractor manufacturers who earlier predicted increased sales this year of between 4 800 and 5 500 units, have now begun to revise their projections downwards

Fedmech again topped the sales list with 113 tractors sold Total sales among the country's 10 manufactur-

ers was only 368 units

The second-best performer was Ford with 94 units, followed by John Deere with 42 and Vetsak with 34.

January sales were 9% down on December's figures and a 13% drop on sales for January 1986, figures released by the SA Agricultural Machinery Association (Saama) showed.

Some manufacturers believe there

is little hope of sales breaking through the 5 000 mark Last year 4 726 units were sold — 20 000 less than the peak year of 1981 (24 862).

With the exception of combine harvesters, agricultural machinery sales were also badly down in January.

"This proves yet again that when farmers suffer, so do the manufactur-

ers of agricultural equipment", Saama chairman Bill Hubbard said

Employment in the tractor manufacturing industry dropped from a high of 4 073 in 1981 to 2 140 late last year

"Early season expectations of an exceptional maize harvest this summer have receded as hot, dry condi-

tions have wilted the plants in large areas of the summer rainfall region

"An excellent winter wheat crop in the eastern Free State could have influenced farmers to replace ageing combine harvesters, since manufacturers report four times as many sales during January over the same month in 1986 — 16 as opposed to four," Hubbard said

Malcomess (9 units), Case IH (5) and Vetsak (2) were the only companies to report in this area

18/11/87 SUNDAY (189) (12)

Black & Decker ponders pull-out

By Jim Srodes: Washington

PREMIER tool-maker Black & Decker is considering pulling out of South Africa, but a company spokesman denies that any firm decision has been made.

The Maryland-based company is under pressure from shareholders to end its South African presence, even though it is a small by most US corporate standards. Black & Decker has no manufacturing plant in SA and employs only 44 people for marketing and distribution.

Nevertheless, at the company's annual meeting this month the SA business will be raised when shareholders vote on a motion offered by an anti-apartheid group to force the company to pull out.

Similar proposals have been introduced in the past year by shareholders of most major US corporations with SA ties. The proxy proposals are usually voted down, but they are sometimes successful in that they bring the SA question to management's attention.

A Black & Decker spokesman says political pressure is being taken into consideration, but the deciding factor in whether the company remains in SA will be economic.

"Whether we stay depends on the economic situation in South Africa," says Black & Decker vice-president Barbara Lucas.

"Our operation there is extremely small and does not contribute much to our overall sales. It has been only marginally profitable for the past few years."

Miss Lucas says the company is aware of its obligations to its 44 SA employees, many of whom had been with it for more than 20 years.

Improved sales for materials handling

NORMAN SHEPHERD

BULK materials handling equipment suppliers extended sales last year while warehousing and unit-handling concerns lost their grip on customers and the mobile equipment sector was down in the dumps.

SA Institute of Materials Handling national education officer John Scott said bulk equipment sales had increased about 30% last year compared with 1985, and much of the growth came from mine investments

Engineering & Management Services materials handling engineer Derek Hill and Arrow Engineers national product manager Mike Cradock said companies had cut spending on warehousing

"Three to four years ago everyone said automated warehousing was the way to go. The problem is that the equipment is not cheap and people need to know what lies ahead before spending R4m," said Hill.

Cradock said business would probably pick up towards the end of this year as mines would need storage equipment for plant and raw materials.

An industry spokesman said the mobile equipment market had grown since 1977, peaked in 1981, dropped off before peaking again in 1983/84, and had dropped off again.

Rough haul for ADE over its ^{star} 'obsolete' ⁽¹⁸⁴⁾ engines

By Frank Jeans ^{25/2/81}

A clash looms between road hauliers and the makers of Atlantis engines over what is claimed to be the continued production of obsolete, heavy vehicle engines

While truckers attack the "totally unacceptable" situation, a spokesman of Atlantis Diesel Engine in the Cape declined to comment ahead of a Board of Trade and Industries decision soon on the level of local content in industry.

Strongly interested in any new proposals is the Public Carriers Association, which believes there is an urgent need for a reassessment of the ADE production range

Heavy-duty diesel engines made by Atlantis in the Cape are obsolete by international standards, says Mr Ian Moss, chief executive of the Public Carriers Association

The production of more up-to-date engines, too, he claims, is in danger of being deliberately delayed if ADE is not permitted to introduce model derivatives on the introduction of a local-content programme for heavy vehicles

"In terms of the agreement between ADE and Daimler Benz, all the latest design and technological improvements in the South African range of engines are made available to ADE immediately they are released," says Mr Moss.

"However, Atlantis is still producing the 352V, engine which has been superseded by the 366 and 422V and which, in turn, has been taken over by the 442"

Advantages of the new engine include reduction in specific fuel consumption and improved power, which means there are fewer gear changes and less strain on engine and driver

"A policy which might deny such improvements to the South African transport industry is totally unacceptable whatever its motivation," says Mr Moss

"This is all the more so when one realises that the 442 is a derivative of the 422 and can apparently be produced by Atlantis almost immediately at low additional cost"

The operators of goods vehicles throughout South Africa are the end-users of ADE engines and the buyers of more than 70 percent of all vehicles to which the 400V series engines have been fitted during the past 18 months

Mr Moss believes these operators, who spend R200 000 and more on a vehicle, demand the most up-to-date engines and it is within the power of Atlantis to produce them at a reasonable cost. It poses the question: What reason can there be for not supplying them?



MR IAN MOSS

... unacceptable policy

"Do we really believe that an obsolete, antiquated transport fleet is in the national interest?" asks Mr Moss

His association's view is that heavy-vehicle operators should work in collaboration with Atlantis and the vehicle makers to decide what engines should be produced in the interests of the country

"This view has been communicated to the Government for urgent consideration," says Mr Moss

A spokesman at Atlantis said "The whole matter is under review and is therefore sub judice. We can make no further comment at this stage"

Another market source, on the other hand, makes the point that the introduction of modified engines willy-nilly would only confuse the market, apart from the fact that there would be substantial additional costs for the vehicle manufacturers

"It should be remembered, too, that the South African market is tiny in comparison with that of Europe, where the Daimler Benz group is probably turning out about 500 000 engines a year," he says

**Metal Box:
140 could
lose jobs
at closure**

WIK
28/2/89
189
EAST LONDON
Approximately 140 jobs could be lost when Metal Box South Africa closes its plant in East London at the end of September.

In a statement yesterday, the company's divisional chairman, Mr Raymond White, said the depressed state of the liquid packaging market in the Eastern Cape could no longer sustain the plant

Mr White said every effort would be made to place as many employees as possible in other group companies, and consultations to this effect would be held with trade unions

He said the closure would not affect customers because orders would be placed through Johannesburg, as in the past, and redirected through other production plants — Sapa

John Deere votes to stay on in SA ^{27/3/73} ^{Dee} ⁽¹⁸⁹⁾ ⁽⁶⁾

SHAREHOLDERS of US tractor manufacturer John Deere have defeated a move by anti-apartheid activists to get the company to quit SA.

A board-room battle at Deere's headquarters in Moline, Illinois, has resulted in the company reaffirming its commitment to stay in SA.

In a statement released in Johannesburg yesterday, the company said shareholders voted overwhelmingly to continue operations in Nigel.

"The stay-in-SA vote was taken at the company's annual meeting. Of votes cast, 69% voted against the resolution and 17% in favour, while 14% abstained."

MICK COLLINS

The company restated its commitment to advancing fundamental change in SA.

"We are an important force for change in Nigel, where we are located, and in Duduza, the township where most of our black employees live. Our leadership and financial support have been instrumental in bringing blacks into the economic life of the area."

John Deere SA MD Bill Hubbard said he was satisfied with the result of the vote.

"It's reassuring to see shareholders

backing management's long-term commitment in SA. It is particularly gratifying in the light of the disinvestment by so many companies."

"Although a representative of the state commended the company on its SA social responsibility activities, he nevertheless called for its withdrawal."

"In its resolution, the state submitted it did not believe that selling its shares as a statement of abhorrence of apartheid would have any effect other than to harm present and future pensioners. Therefore, New York would not sell its shareholding in Deere."

ntly in line was declared (1985 20c) Sapa

Dorbyl's Atlantis plant sold to IDC

JOHANNESBURG — Dorbyl Automotive Products (DAP) has sold its Atlantis-based forging plant to the Industrial Development Corporation for an undisclosed sum, effective from March 1, the company announced yesterday

The Dorbyl Atlantis Forge, will from now on be managed by Atlantis Diesel Engines for the IDC It manufactures crankshafts and camshafts for ADE

In a joint statement, issued in Johannesburg yesterday, Mike Smithyman, chairman of DAP, and Hartmut Beckurts, MD of ADE, said that the transaction was part of the rationalization programmes of their companies

Smithyman said "This transaction will not affect the status of our Uitenhage forging plant, which will remain in the DAP family as it services the general automotive and industrial markets

"We feel, therefore, that it makes good business sense to concentrate our management effort in Uitenhage and to transfer the specialized Atlantis Forge to ADE," Smithyman said

Beckurts stated that all employees at the Atlantis forging plant would be joining ADE now

"No one will lose his or her job as a result of this move," Beckurts said — Sapa

Chr. Times 3/3/87

ES
189
ESL

capl time 6/3/87

Natl Bol earnings up 80% a share

JOHANNESBURG. — Earnings of at least 170c a share for the year ending June — an 80% improvement on last year — are forecast by National Bolts, the leading manufacturer and distributor of industrial fasteners.



The forecast is included in the company's interim results, for the six months to December, which show a 7% increase in turnover to R59,8m. Operating margins improved and the operating profit rose by 16% to R7 714 000.

Profit attributable to ordinary shareholders rose by 122% to R4 140 000, and earnings per share were up by the same percentage, from 36,6c to 81,4c.

MD Jossie Marcus said here today: "We are particularly proud that this further improvement comes off an already substantial earnings base.

"Development of integrated computerized systems for greater efficiency continues, as does the development work on more effective fastening systems.

Export prospects

"Export prospects remain favourable, despite the fact that the rand value of exports has been depressed by currency fluctuations.

Chairman Jeff Liebesman said: "The directors' previous forecast of a 40% increase in earnings for the year is proving conservative.

"An increase of at least 80% is now forecast, notwithstanding the fact that the anticipated level of improvement in local-market demand has not yet materialized."

Today's results extend the improvement that started immediately the current controlling shareholders took over Natbolt in January 1984.

If the forecast for the full year is realized, earnings per share will move from a loss of 56c in the year during which control changed, to a profit of 3,8c in the first year under the new management, profit of 95,1c in the following year, and a forecast 170c-plus in the current year. — Sapa

CAPL - 10/15
6/3/87

Haddons shares earn 45,6% more

189
189



JOHANNESBURG — Haddons increased its operating income by 54,4% to R17,74m (R11,49m) and earnings for shareholders rose by 75% from R3,99m to R6,98m

Based on the weighted average of shares in issue, earnings per share increased by 45,6% per share to 197,2 cents (135,4 cents)

In its audited results for the year ended December 31, Haddons, the leading supplier of paper, printing and converting machinery to the printing industry, reported a growth in earnings of 75%

Turnover increased by 58% over 1985

According to group managing director Frits Waldeck, there was a 40% increase in existing turnover and the acquisition of the business interests of Photra holdings contributed the remainder

Productivity programme

Waldeck said the increase in income was partly due to a long term employee productivity improvement programme implemented four years ago

Net income for the year after taxation was R6,88m (R3,89m) while interest paid increased by 11,6%

An unchanged final dividend of 37 cents per share was declared which, together with an interim dividend of 30 cents per share (27 cents) brings the total dividend for the year to 67 cents, an increase of 4,7%

Haddons announced that negotiations in principle have been concluded whereby the company will purchase the controlling interest in Kymmene-Star (Pty) Limited, which would enable the group to obtain a greater share of the fine coated paper market

Provided that political and economic events do not further negatively affect the South African economy, it is anticipated that earnings should grow in the year ahead

189
Biday
13/87

Metal Box fund under discussion

ALAN FINE

SA employers will be approached by trade unions for talks on the creation of provident fund schemes modelled on the Metal Box SA Alternative Benefits Programme

And initial indications are that they will respond favourably.

The Metal Box fund, which will be established later this year, is seen as the most advanced to date

It was negotiated by the Metal and Allied Workers' Union, the Chemical Workers' Industrial Union and the Paper Wood and Allied Workers' Union.

The trustees will comprise equal numbers of management and employee representatives, and a portion of the fund's assets could be channelled into "socially useful" investments such as black housing.

The fund will provide extremely generous and wide-ranging benefits. They include retirement, death, re-trenchment and disability benefits

Members will also be entitled to a loan to purchase or improve his/her own home. Members will get 90% pay for up to a year for any temporary disability, including illness. There are also funeral benefits.

Initial responses from, among others, the Steel and Engineering Industries Federation of SA (Seifsa) and Nampak have been positive.

Seifsa director Sam van Coller says the organisation has appointed a high-level sub-committee to investigate the question of employee benefits, "with a view to preparing ourselves for talks with the unions".

The existing metal industry industrial council, which covers 340 000 workers, administers pension funds with R2,6bn in assets.

Van Coller, writing in his personal capacity in the book *SA — The Road Ahead*, has called for joint management-labour efforts to create alternative social security schemes.

A spokesman for Nampak, the majority shareholder in Metal Box, says he has "no problem" with the fund.

ADE to make a splash with marine engines

ADE plans to make a splash with its marine engines, which will in future form part of its standard production programme

Dave Walker, chief engineer, applications, of ADE's Perkins plant said the company will provide these engines "off the shelf" whereas in the past they were imported, or a conventional industrial or agricultural engine was "marinised" for sea use and supplied to order.

"Since virtually all ADE's engines are suitable for marine applications," says Gerolf Frantzheld, ADE's manager, application engineering, in the Daimler-Benz division, "it makes sense that we should go for the marine market"

The marine market is extensive considering South Africa's nearly

3 000km coastline and sophisticated harbours

ADE has already supplied marinised engines to yachts like Atlantic Privateer, tugs and a catamaran and marine versions of the more powerful 400 series for boats have been built and an order placed for the top-of-the-range ADE 424TIV12 engine with an output of 480 kW

The difference between marine and conventional engines is to be found mainly in the cooling system

In marine engines, engine water is cooled through the use of sea water. They include, as standard components, water-cooled exhaust manifolds and turbochargers and air-to-water intercoolers which form an integrated cooling system suitable for connection to a keel cooler or raw water heat exchanger

Projected turnover doubled

Macadams buys

Aloe Catering

Cape Times 16/3/87
189

MACADAMS, the country's largest supplier of bakery equipment, is back on the acquisition trail

In its fourth strategic move since listing on the Johannesburg Stock Exchange in September of last year, the aggressive, Cape-based company has acquired Aloe Catering from the Albrecht family trust

With a current turnover in excess of R10m, Aloe Catering manufactures and supplies catering equipment to institutions and organizations such as hospitals, mines and the Defence Force

Branches

The company operates nationally and has branches in Cape Town, Johannesburg and Durban

Macadams itself specializes in the manufacture, import and refurbishing of a wide range of bakery and confectionery equipment. The company has branches throughout SA

The acquisition, which is effective from April of this year, now give Macadams a strategic place at the upper end of the country's industrial catering equipment industry, and will be made — subject to the approval of the JSE committee and that of the shareholders — via the issue of 2,24m Macadams ordinary shares. The equivalent of R2,55m at 114c a share

This brings the total number of Macadams ordinary shares in issue to 15,39m

Kai Albrecht, the present chairman of Aloe Catering, will be appointed to the Macadams board

As a result of the shares to be issued

for this deal, his family will hold an effective 14,5% share in Macadams

Unidev has undertaken to take up a portion of these shares if required to do so by the Albrecht family

Projected group turnover for the year to February 28, 1988 now more than doubles to R30m from the anticipated R14m for the financial year to February 28, 1987

The Macadams board is also forecasting a 140% increase in profits after tax for the financial year ending February 28, 1988 — as a result of both the acquisition and of certain synergistic manufacturing benefits that will arise therefrom

Earnings

The forecast earnings per share for the year ended February 1988 rises from 9,1c to 11,1c while net asset value rises from 32,2c to 42,1c a share

Macadams chairman Arnold Resnick says that the Aloe acquisition will enable Macadams to broaden its activities through two distinct divisions — bakery and catering — both of which will be supplied from within the group

"We will now be able to offer clients — from the largest institutions such as hospitals, mines and the Defence Force which form the Aloe customer base, down to single retail outlets — with a turnkey service including design, manufacture and installation," he said

Resnick also said that Macadams was working on a further acquisition, details of which would be announced shortly

S
E
H
E
E
E
V
M
F
E
R
e
a
t
(
V
A
C
J

189
FM 2/13/87

MINETEC

More baskets

Activities: Engaged in the manufacturing, importation and distribution of capital and consumable mining equipment primarily to the coal mining sector

Control: The executive directors control 58% of the equity

Chairman: Allan Hodgson, managing director James Martin

Capital structure: 11,2m ords of 1c each
Market capitalisation R8 4m

Share market: Price 90c Yields 2,2% on dividend, 4,5% on earnings, PE ratio, 18,2, 12-month high, 90c, low, 28c Trading volume last quarter, 2,96m shares

Financial. Year to December 31

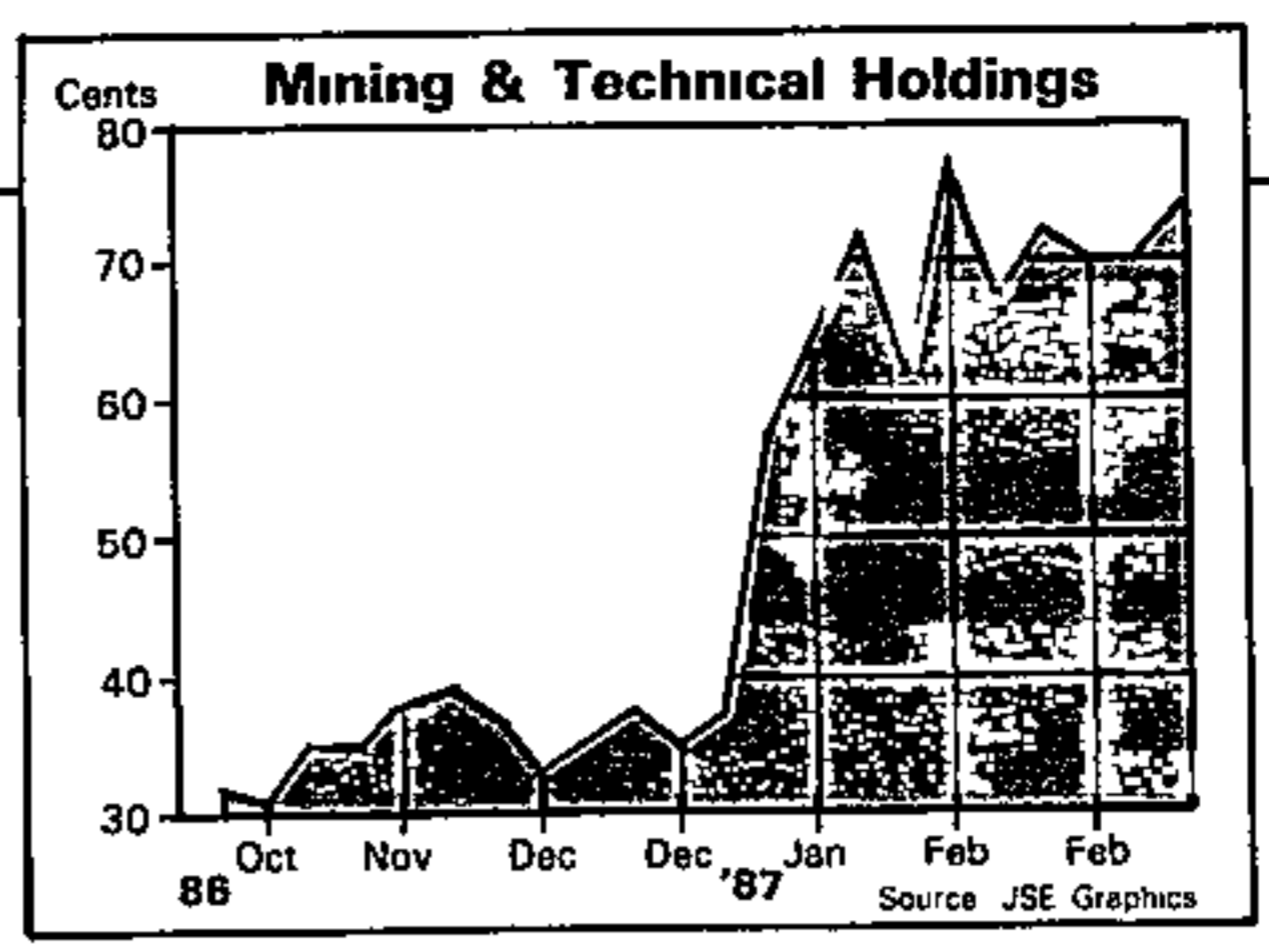
	'86
Shareholders' interest	0,892
Int & leasing cover	5,7

Performance:

	'86
Return on cap (%)	19
Turnover (Rm)	8,3
Pre-int profit (Rm)	0,892
Pre-int margin (%)	10%
Taxed profit (Rm)	0,462
Earnings (c)	4,12
Dividends (c)	2*
Net worth (c)	13,5
*Annualised	

Following a spate of acquisitions after its listing five months ago, Minetec plans to consolidate new interests, drawing maximum earnings from them. In the meantime, management is not averse to further deals, and already two further acquisitions have been mooted

With the purchase of gold mine supplier Kudu Mining (since renamed Springbok Mining), Angcon Technologies and the patent on a drill steel extractor, chairman Allan



Hodgson believes Minetec has a good base from which to operate. "We now want to make these companies work," he says "Any further expansion (beyond the two being looked at) will stretch our management"

The mining equipment group was listed on the DCM in October. In the year to end-December, it paid a dividend of 0,5c on earnings of 4,12c a share. The dividend was calculated on a pro rata basis for the final quarter and would have translated into a dividend of 2c a share had the group been listed for the full year. Hodgson says a minimum cover of two times will be maintained in future.

Hodgson paints Minetec as one of the more conservative members of the DCM. With no debt and plenty of growth potential, it certainly ranks among the more impressive ticky stocks. On an earnings yield of 2,2% and a dividend yield of 2,2%, it is better rated by the market than both its comparable competitor, Danech, and the average for the engineering sector. However, the share looks overpriced at levels above 75c.

At year end, the group had almost R1m in the bank. "We are in the fortunate position where we have a lot of cash and we will certainly try to stay out of borrowings," says Hodgson

Future growth is expected to come from both the coal and gold sectors. Subsidiary Springbok Mining — which makes components and spare parts for the gold mining industry — is expected to make a meaningful contribution to profits during the current year. In the medium term,, Minetec's earnings could also be boosted by sales of coal cutting equipment, which it will start manufacturing later this year. This will allow the group to compete in areas where it was previously uncompetitive because of pricing, says Hodgson.

While Minetec's traditional source of earnings has been from the coal sector, its broadening spread of activities should reduce vulnerability to coal export sanctions. Minetec is still exposed to export collieries, although Hodgson notes that a "disproportionately higher value of sales" come from non-export operations such as Escom and Sasol-linked collieries

Cherilyn Ireton

bs

n in 1982, it in time'.

maandeliks se Spoorwee markamer-, vlagsmanne e Republiek

onsultative

BLUE CIRCLE

Off the floor

FLM 27/3/87
189

Activities: Manufacture and supply of basic materials to construction and building industry
Manufacture and distribution of engineering products

Control: Blue Circle Industries PLC (UK) and Darling & Hodgson Limited each hold 42,2%
Chairman and Managing Director: T G Coulson

Capital structure: 27,5m ords of 50c Market capitalisation R241m

Share market: Price 875c Yields 4,4% on dividend, 8,3% on earnings, PE ratio, 12, cover, 1,9 12-month high, 900c, low, 385c Trading volume last quarter, 272 000 shares

Financial: Year to 31 December 1986

	'83	'84	'85	'86
Debt				
Short-term (Rm)	48,8	45,1	59,7	36,2
Long-term (Rm)	108,2	121,2	126,9	97,6
Debt equity ratio	0,97	0,89	0,98	0,86
Shareholders interest	0,46	0,51	0,44	0,44
Int & leasing cover	1,6	1,4	1,1	1,7
Debt cover	0,16	0,15	0,15	0,27

	'83	'84	'85	'86
Performance				
Return on cap (%)	9,9	13,0	9,9	10,9
Turnover (Rm)	296	194	291	301
Pre-int profit (Rm)	35,0	47,8	42,9	41,4
Pre-int margin (%)	11,8	24,6	14,7	13,8
Taxed profit (Rm)	11,2	18,6	4,7	13,0
Earnings*	53,4	80,9	17,1	72,6
Dividends (c)	38,5	38,5	11,0	38,5
Net worth (c)	756	808	679	673

* Excluding extraordinary items

After the loss of 1985, when earnings dropped by 81%, Blue Circle regained much of the lost ground in the 1986 year. The most favourable aspect of the recovery was that the largest improvement came at operating level, trading profits jumped by R12,2m to R41,4m. But what remains worrying is that interest-bearing debt did not fall much, and the group is still highly geared. This problem needs to be resolved before shareholders can really breathe easily.

There is little doubt that progress has been made with the operations. Cost reductions in the cement division, brought about by the use of only two of its modern kilns, boosted its operating margin to a record 30%. Market demand did not provide any help, as capacity utilisation in the division fell to a mere 50%. The value of sales declined by 5% from the levels achieved during the 13-month period for 1985.

Less encouraging was the performance of the materials and engineering divisions, where price competition in their markets kept operating margins close to 5%. Management says it is making efforts to redress the situation in these divisions, currently providing 64% of group turnover but only 22% of pre-tax income.

The materials division, which supplies

basic construction materials including ready mixed products, sand and stone, was re-shaped last year to make its activities more focused and geographically structured. Ash Resources was transferred from the materials to the cement division and the shareholding in Embecon SA was sold. It is expected that these steps will improve profits in 1987 on a maintained sales volume.

The engineering division's manufacturing side has experienced difficult trading conditions and price discounting, but started 1987 with a good order book and is optimistic on profits. Engineering trading has suffered mixed fortunes, however, Hubert Davies secured a substantial order for trackless mining equipment and significantly increased trading profit. Champion Road Machinery is to be restructured.

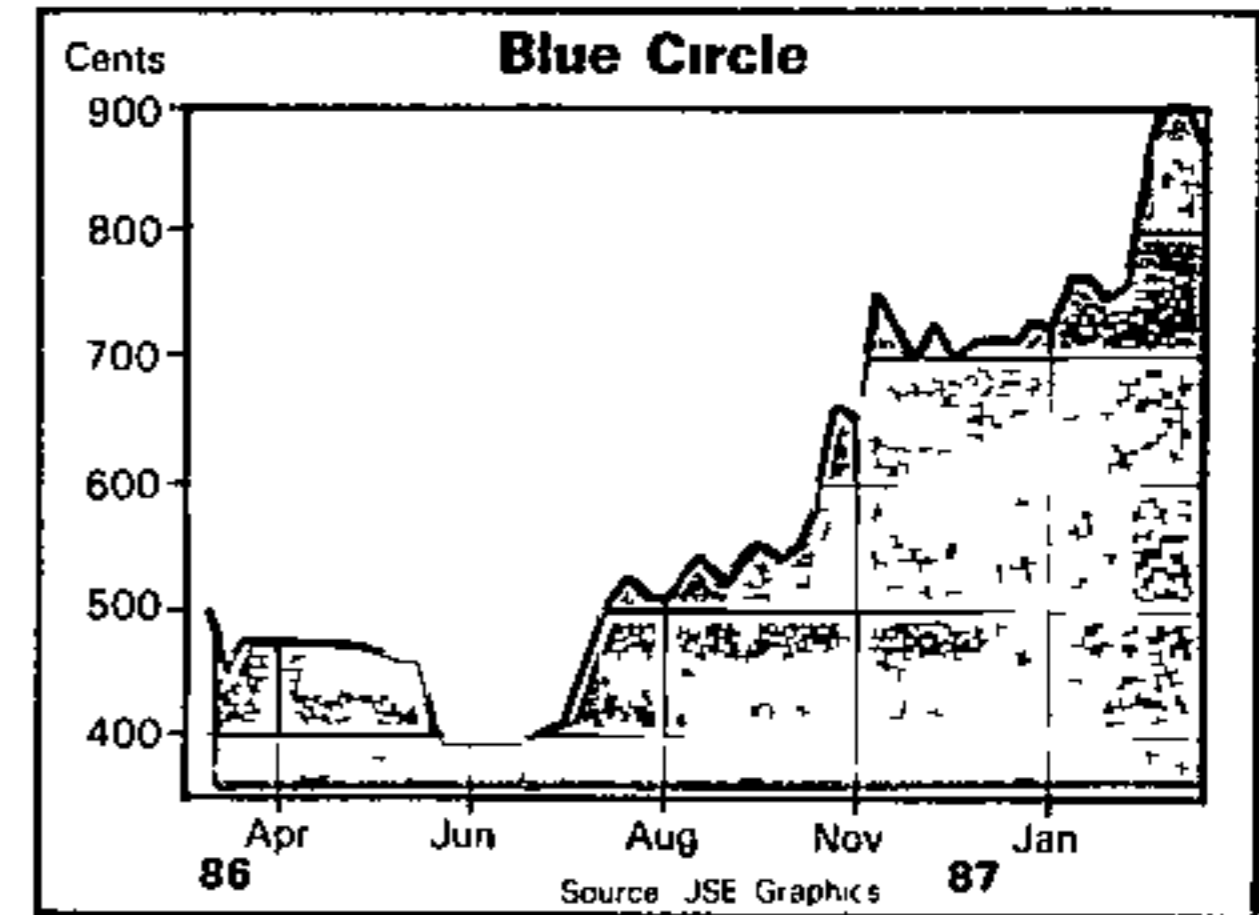
A comparison of these divisions' performances with the cement division highlights the advantages of the price and market sharing practices long enjoyed by cement producers.



Blue Circle's Coulson ... now for the balance sheet

However, regulations prohibiting market sharing arrangements in the industry were enacted in 1984. Producers were granted a two-year exemption from May 2 1986. In this period, Blue Circle is required, in consultation with the Competition Board, to consider changes to its marketing methods. One effect could be greater competition, including price cutting.

Cement division MD David Bath says that despite encouraging signs, such as government plans for increased spending on roads and housing, and progress on the Lesotho Highlands Water Scheme, no significant improvement in demand for cement is expected until the general level of capital investment



revives, "and we see little prospect for this in 1987"

Executive chairman Trevor Coulson evidently sees the balance sheet as a priority. Debt equity on gross borrowings, at some 86%, is well above gearing levels of the group's competitors. Even if year-end cash holdings are taken into account this still leaves gearing at 76%, and the cash, in fact, dropped from R24,8m to R14,5m last year.

Coulson notes that with capital expenditure and working capital requirements low, cash flow will further reduce borrowings and thereby interest charges. "It is imperative that borrowings and the resultant finance charges must be reduced to the lowest level possible in as short a period as is consistent with maintaining the long term structure and future of the business," he says.

He forecasts earnings of at least 100c a share in 1987, on roughly maintained sales volumes. The share price is now more than double the 410c low after the final dividend was passed in 1985. Analysts say that given a moderate economic recovery, Blue Circle's 1987 year-end earnings could be higher than expected, giving the share some attractiveness at its current price of 875c.

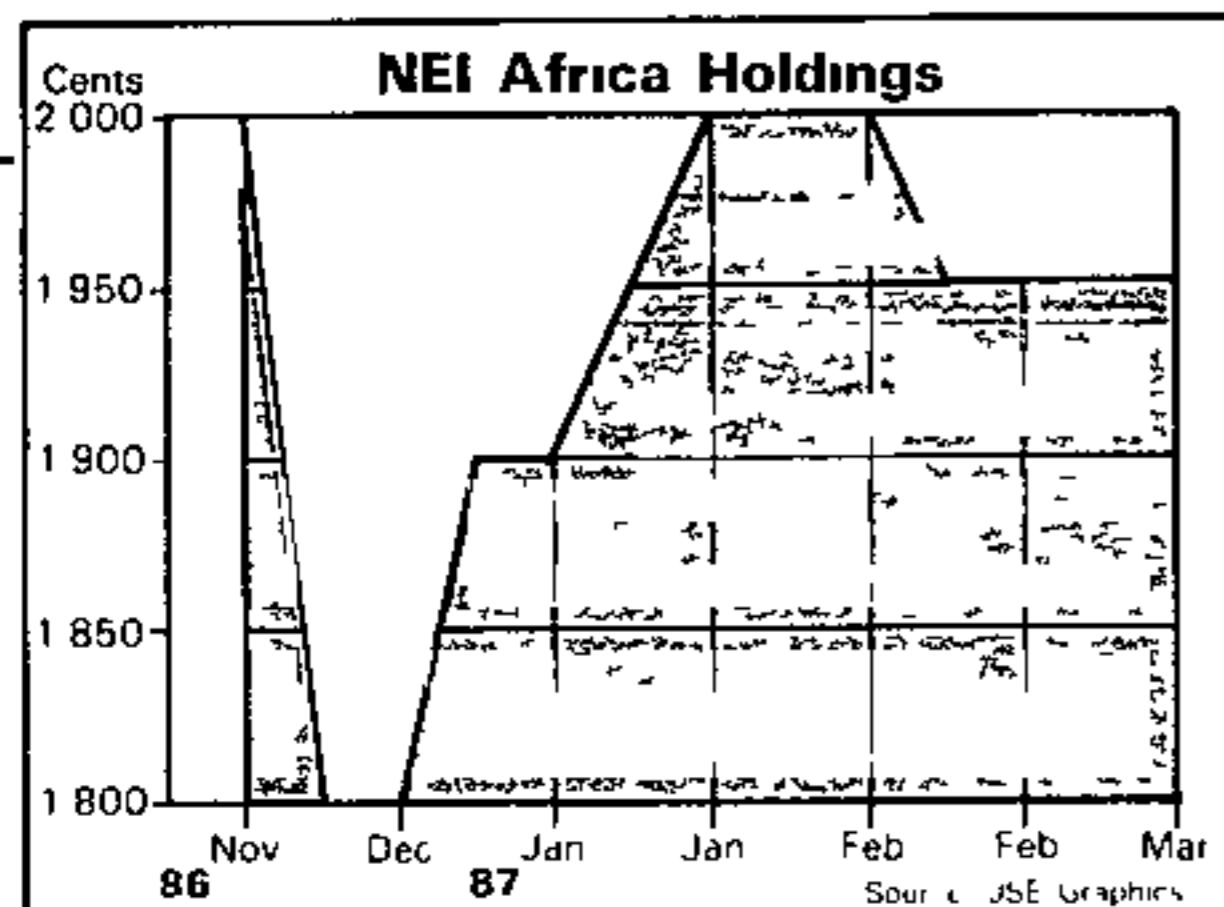
Medium-term prospects are enhanced by a growing number of new capital projects. And Coulson notes that in 1985 the group completed a five-year, R200m expansion of cement capacity, and 80% of its capacity is now among the most modern in the world.

Dave Edwards

NEI

Long pipeline

In view of the difficulties it had to face in 1986, NEI's 7% rise in earnings a share seems creditable, even though it's a long way from the 18% increase posted in 1985. The slower rate of growth partly explains why the company intends, through acquisitions, to decrease its dependence on heavy engineering subsidiary ICAL.



Activities: Holding company with subsidiaries engaged in manufacture, supply and maintenance of energy conversion and distribution equipment

Control: Northern Engineering Industries (UK) is the ultimate holding company

Chairman: L G Abrahamse, managing director, H M L Bieber

Capital structure: 5,9m ords of 50c each
Market capitalisation R230,1m

Share market: Price 3 600c Yields 4,4% on dividend, 10,2% on earnings, PE ratio, 9,8, cover, 2,4 12-month high, 4 475c, low, 3 600c

Financial: Year to December 31

	'83	'84	'85	'86
Debt				
Short-term (Rm)	28 8	36 0	59,3	72,5
Long-term (Rm)	8 5	10,9	10,3	7 7
Debt equity ratio	0 58	0 60	0 74	0 59
Shareholders interest	0 46	0 48	0 45	0 47
Int & leasing cover	4 3	4 6	3 69	3 71
Debt cover	0 4	0 7	0 41	0 33

Performance

	'83	'84	'85	'86
Return on cap (%)	22,5	24 0	19,4	15,9
Turnover (Rm)	210	205	294	327
Pre-int profit (Rm)	31,6	39,0	40,3	41 4
Pre-int margin (%)	15,1	19,0	13,7	12,7
Taxed profit (Rm)	16,5	16,7	20 5	23,1
Earnings (c)	310,6	312,7	367,9	391,9
Dividends (c)	115	130	145	160
Net worth (c)	1 212	1 372	1 633	1 985

ICAL contributed 47,3% to operating income in 1985. In 1986, before the new acquisitions were included for a full year, this was reduced to 33,8%. The directors note in the annual report that, "while the company has a substantial order book for utility boilers carried forward from previous years, there was a total absence of major industrial projects in 1986."

While ICAL operates in the heavy end of the market, group MD Blitz Bieber contends that, "rather than be dependent on the cyclical movement of this end of the industry, with long lead times, we want to even this out with increasing dependence on other markets, such as transport, mining or electrical."

In view of NEI's conservative accounting policy on long-term contracts, Bieber says there is still "the major portion of profits to be brought to account, and the current lack of demand may never actually influence profits in future years. We still have long-term contracts running into almost the middle-Nineties. In the meantime, we are building up more and more short-term capability in the after-market side."

NEI has bought Cutler-Hammer (now CHI Control), franchises for Eaton and Fuller transmissions, Mack trucks and Powerguard automotive filters, and assets of

H G Meissner and its subsidiaries. There was rationalisation, with the Fiat-Allis earthmoving equipment franchise being sold. Bieber expects EPS to increase about 15% for a full year as a result of all the acquisitions, which will go some way towards compensating for the fall in exports.

When a major contract ended last year, exports fell 81% to only 3% of turnover. Bieber says that he "does not see too many problems in finding other projects." In the meantime, as was the case last year, the group is dependent on increased contributions from other divisions.

CHI is fitting in well with subsidiary Revrolle Parsons (RP), and in seven months contributed 8,6% to the year's operating income. RP overcame manufacturing problems with a new switchgear and is reducing the order backlog. Sharp cost increases for certain components and stiff competition affected profitability in 1986, but there should be an improvement in the current year, as record orders were taken in the past year, at reasonable margins.



NEI's Bieber ... long-term contracts

Strong competition was also experienced by Power Engineers, resulting in pressure on margins, but this division nevertheless increased its contribution to income from 0,5% to 2,6%. The order book for 1987 is "satisfactory" and an improvement in profitability is expected.

Contribution to operating income by the diesel division improved from 21,6% to 29,4% and, with the additional franchises, performance should improve in the present year.

Group borrowings have climbed sharply, though mainly in trade finance. The issue of additional shares through the floating of NEI Africa Holdings, which owns 56% of NEI, has, however, brought down the debt equity ratio. The holding of the British parent has been reduced to an effective 30%, though it still has control via a 53% stake in NEI Africa Holdings. Bieber doesn't regard this as a disinvestment, even though the British company was paid R58,9m for selling 47% of

NEI Africa

NEI fell from R44,75 to a low of R36,50 in the second half of last year, and has recently fallen to R36, with a 4,4% dividend yield against the sector average of 3,3%. Though there may be better performers in the short term, in the long term the long lead on contracts for ICAL should provide profits for some years to come.

Pat Kenney

HOUSEWARES

Beating budget

Activities: A holding company whose subsidiaries are involved in marketing exclusively designed merchandise, primarily crockery, cutlery, cookware, glassware and linen on a direct selling basis.

Control: Directors control 61% of the shares in issue.

Chairman and group managing director: Melvyn Gutkin

Capital structure: 22,4m ords of 1c. Market capitalisation R64,9m

Share market: Price 290c Yields 1,7% on dividend, 4,3% on earnings, PE ratio, 23,4, cover, 2,5 12-month high, 315c, low, 65c. Trading volume last quarter, 2,5m shares

Financial: Year to December

	'86
Debt	
Short-term (Rm)	1,8
Debt equity ratio	0,33
Shareholders interest	0,37
Int & leasing cover	24
Debt cover	2,8

Performance:

	'86
Return on cap (%)	34%
Turnover	227*
Pre-int profit (Rm)	5,1
Taxed profit (Rm)	2,8
Earnings (c)	12,4
Dividends (c)	5
Net worth (c)	24,4

* Using 1985 as a base of 100

Investors may well question why direct selling group, Housewares, has a better rating than its Cape-based competitor, Springtex. Both of the JSE newcomers appear inherently similar - both sell crockery, glassware, linen and cutlery on a direct sales basis, both have recently acquired mail order divisions and both are expecting earnings to rise by more than 30% in the current year.

Yet despite these similarities, the market has favoured Housewares which, in the year to end-December, reported a 34% return on assets against Springtex's return of 19%. Housewares chairman Melvyn Gutkin expects this rate of return to be maintained for the current year, perhaps explaining why the share is on a p e of 23,4, compared with the 15,5 of Springtex.

Although Gutkin forecasted a 30% growth in earnings in his annual review, sales for the first quarter are approximately 40% ahead of last year's, hinting that earnings may well exceed the 16c a share targeted for the current year. Housewares' policy is to main-

Computers 'hardest hit'

B/day 27/3/87

Exports survive sanctions

SANCTIONS may erode US computer sales to SA but other export opportunities identified by a confidential US government report released before the Anti-Apartheid Act are virtually intact.

The report, compiled by the US Foreign Commercial Services (FCS) and published in Johannesburg last July, rates SA's export potential for US computer, telecom, medical and mining equipment

A US government source says computer exports will be "cut away" by export licensing requirements under the Act and the effect of IBM's pullout "But SA is still a good market for the other categories," he says

AECI's computer processing divi-

HAMISH McINDOE

sion sources virtually all its imported content requirements from the US It expects no supply disruptions

Retailers of PC equipment have not experienced any supply shortages but there are strong signs of consumer resistance to US products

Says Joffe Associates MD Joan Joffe "More use is being made of Taiwan as a supplier - and there's no anti-SA feeling there"

To what extent corporate SA is putting a brave face on its prospects for an unbroken US supply-line for computers is hard to gauge

The FCS report notes that in 1986 "important purchases were made and orders placed for large installa-

tions by previously loyal users of American computers Hitachi was a particular beneficiary"

It says nearly half of SA's computer imports were sourced from the US in 1985, with IBM's turnover estimated at R300m

Latest US sanctions are likely to affect US telecommunications exports only if they are deemed computer equipment

It is understood that the Department of Post and Telecommunications has not altered its buying policy since US sanctions

While there is no specific US embargo against mining equipment, most mining houses will not comment on their foreign purchases

Merger means bright handtool future

THE merging of Lasher and RW Tools into Lasher Tools has seen the emergence of the largest handtool manufacturer in SA

New CE John Sherratt says the company is now a wholly-owned SA company as a division of Metkor Industries Metkor bought out Lasher from its US parent to complement its own RW Tools

He says "The rationalisation brought about by the buy-out means

MICK COLLINS

that the Lasher factory in Germiston is moving its production activities to the RW plant in Vereeniging, while we have concentrated our sales and admin in Germiston We have retained our Ladysmith factory"

He says being part of the giant Metkor group now gives Lasher access to the latest steel technology

He says "We intend staying ahead

through research and development and by incorporating the latest technology into our products"

Sherratt feels the relatively small SA market is over-traded

He says "I feel strongly that we, as manufacturers, should share our facilities where possible It doesn't make sense to start manufacturing a range already being produced locally, and with limited demand"

g
i-
s
ll
y
id
il
to
e-
n-
is
to
e-
ns
ks
rt-
he
SA
irs
ns
ng
re
air
ms

V
I
F
h
b
o
t
c
v
t
M
d
s
t
n
b
o
n
w
h
S
S
w
t
n
y
d
a
c
n
I
R
E

MBSA aggrieved

Atlantis Diesel Engines' (ADE) intention to upgrade its medium-powered 350 engine range, which it hopes will be available by 1989, has landed it in hot water with some truck manufacturers

Plans "still in the pipeline," to upgrade the powerful 420 range of engines have so far not been criticised, but the same cannot be said for the proposed upgraded 350 range

ADE's run-in with the industry goes back to 1985, when it informed manufacturers that it would upgrade its 350s and make them available in 1987

Most objected, saying the cost of re-engineering trucks was unwarranted. After being assured that the old range would still be available, their objections centred on the timing of the change. Trucks powered by the 350s they were then selling were either new on the market, or halfway through normal sales cycles

They pressed for a two-year delay — and got it. Ironically, this hurt Mercedes-Benz of SA (MBSA) most. Mercedes-Benz has the closest SA links with Daimler Benz, licensor of ADE's truck engines

On the strength of the original announcement, MBSA, which was about due for a model change, designed a new range to accept the upgraded engines — and planned to start marketing them in 1987

"Now we are two years behind and have been forced to keep selling the old range for two years longer than we intended to, simply because the timing didn't suit some OEMs (original equipment manufacturers) and they pressured ADE to delay introducing the new engines," says MBSA's Adolf Moosbauer.

"If ADE announces it will introduce an upgraded range in two years, it must stick with that. It cannot please all OEMs"

Bert Wessels of Toyota, who heads the National Association of Automobile Manufacturers' (Naamsa) truck and bus committee, says ADE's original announcement sparked off a lot of debate and it was decided that more time was needed before the new range was introduced

But the initial gripe, that the cost of re-engineering products would outweigh the relatively minor benefits that could be reaped from fitting the upgraded 350s, later fell away

"Only the bore, the inlet and outlet manifolds, the cylinder heads and the positioning of some controls will change, not the engine mountings," says Wessels. "When the OEMs recalculated they discovered that re-engineering would not be all that costly. It's up to them to decide if they want to change. Naamsa members are now waiting for technical details"

Toyota had launched a new range some time before the initial announcement

Nico Vermeulen, executive director of Naamsa, says ADE will soon have to make prototypes available to the industry, which will need 12 to 15 months before it can market trucks with the new engines

He gives another slant to the dispute. "OEMs won't be compelled to fit locally-made engines when the new local content programme is introduced. If they prefer to fit the overseas engines the trucks were designed for, they will be able to do so, but will have to make up local content some other way"

ADE, he says, initiated the upgrading of the 350s, but private hauliers pressured it to upgrade the 420s

Hartmut Beckurts, MD of ADE, says the Board of Trade, which specifies what ADE may make, will first have to approve the change. He expects it to discuss the change at its meeting this week "and to decide". Clearly, however, the industry regards the outcome as a foregone conclusion

The new medium-sized engines will be known as the 360 range and the high-powered ones the 440 range. The 360s will be slightly more powerful and fuel-efficient than the equivalent 350s, but the 440s will be appreciably more powerful and fuel-efficient than their predecessors

rt

Unidev to lead Prestige buy-out

CAPC-Toms 22/4/87

Financial Staff

HARD on the heels of its move to acquire a major stake in Quantum Finance Limited, Cape-based Unidev Limited yesterday announced that it is to lead a management buy-out of the Prestige Group of South Africa.

And the local consortium plans to list Prestige on the JSE later this year.

In terms of the deal, Unidev and senior members of Prestige's local management team will acquire the entire issued capital of Prestige from its United Kingdom parent.

Members of the Prestige team involved include MD Angus Snowden, new business director Nigel Edmunson, commercial director Johan Deale, financial director Gavin Wiggett, and technical director Richard Dyson.

Prestige is a major manufacturer of domestic products, including kitchen utensils and bakeware products, which are sold through hypermarkets, supermarkets, discount stores and wholesalers under the Prestige, Skyline and Ewbank brand names.

According to Unidev's MD Geoff Grylls, Prestige's historic annual pre-tax profit has shown consistent growth to above R1,5 m.

"Depending on economic and market circumstances, we would anticipate that the listing of Prestige will have a significant effect on the net asset value and earnings of Unidev's shares during the current financial year."

Grylls also disclosed that Unidev and the Prestige management intended to hold at least 50% of the company's eq-

uity after its listing and to hold this as a long term strategic investment.

"Our participation in the Prestige buy-out is very much in line with our intention of deploying our resources in strategic shareholdings in private and unlisted companies with attractive, above-average yields in the medium and long term."

"Certainly, the cash generated through the realisation of our existing capital assets together with the highly competent and diverse management strengths established through recent acquisitions have given us ample resources to attain our objectives.

"We will thus continue to identify those opportunities where small companies with strong management in their fields require additional capital and wider management input to bridge the gap in their growth to becoming a large company."

The Quaestor statement points out that the Prestige acquisition is the second of the two major transactions mentioned in announcements made by Unidev on March 19 and 23 and on April 15 of this year.

The Prestige Group's activities in South Africa date to 1970, when the company acquired 80% of local household goods manufacturer EFI Products.

The remaining 20% was acquired in 1976.

Prestige in the United Kingdom is, in turn, owned by Gallaher Ltd, which is 100%-owned by American Brands in the US.

9110 7mB 6/5/87 (184)
A MAJOR US corporation, American Brands, has announced that it is to sell-off the last of its assets in SA. A statement issued yesterday said its UK-based subsidiary Gallaher Ltd is to sell Mono Pumps — one of the largest pump manufacturers in SA with 360 employees. The decision means that the US consumer packaging giant, which had over 900 employees in SA in 1986, will no longer have any interests in SA. The company sold its interest in agriculture machinery suppliers G North & Son in 1986.

□ □ □

IN London, equities stood mostly lower in late trading after a firmer start but the higher opening on Wall Street was lending some support to leading shares, dealers said. The market opened firmer on hopes that another half-point cut in base rates was imminent, but action by the Bank of England in the money market yesterday dampened expectations of an immediate cut and prices drifted lower.

□ □ □

J L Kuiper has been appointed a broking member of the Johannesburg Stock Exchange and becomes a director of Ivor Jones Roy & Co Inc with effect from today. C Vounou has been appointed a broking member of the JSE and becomes a director of Martindale Stacey Trollip Inc. M J Fisher has changed his status from that of a non-broking member to that of a broking member and became a director of Menell Jack Hyman Rosenberg and Co Inc with effect from May 1.

□ □ □

BARLOW RAND PROPERTIES (Barprop), on a turnover of R17,6m in the six months to March, returned an after tax income of R3,6m against R3,9m for the same period last year. An interim dividend of 4,09c was declared, compared with 3,75c for the year ago period.

□ □ □

ZIMCO HOLDINGS, the newly formed group consisting of the merged operations of Zimro & Cookson (SA) has bought the controlling 51% stake in Zimco Macdem Holdings from the Macdem group. Now it plans to expand its manufacturing plant to take advantage of export opportunities.

□ □ □

THE Lithosaver Systems public offer has received massive investor support and was over-subscribed 191,7 times. "The result of the offer is fantastic," said executive chairman of the group John Pepper.

□ □ □

SA's internal copper price for electrolytic wirebars was fixed lower at R2 963,43 a ton for May against R3 019,43 for April.

□ □ □

FRENCORP'S pre-taxed profit increased to R2,7m for the year ended February from R1,4m for the same period last year. Writing in the annual report, the directors say earnings per share before non-trading items increased from 38c to 96c. A final dividend of 10c (1986 3 cents) was paid.

□ □ □

RECENTLY listed road transport operator Longdistance Ltd has acquired 80% of Cape Town-based D J Breytenbach Transport (Pty) Ltd. The acquisition was by way of a cash and shares consideration and is expected add R650 000 to group after-tax profit, now projected at R2 450 000 for the year to February 29, 1988.

CHE-TIME 8/5/87 (700) 189

Afrox lifts

earnings 68%

JOHANNESBURG. — Afrox has lifted earnings for the six months to March by 68%, to 52,6c (31,4c) a share.

The improvement was achieved on an increase in turnover of 14% and trading profits of 34% after charging extra depreciation on revalued assets — which eliminates the effects of inflation.

This extra depreciation amounted to R4,5m.

The level of borrowings dropped dramatically and with the decline in interest rates, has helped earnings. However, the tax rate has increased and the company is now paying 50% tax.

Peter Joubert, MD, said the improved profitability was the result of greater market penetration, the opening of new markets, the development of new applications and a continuing tightening of controls on cost, as well as a substantial reduction in interest.

“An area of disappointment was the hospital division, which produced lower profits than the first half of last year,” he said.

Joubert ascribes this to medical aid tariff increases being substantially lower than the cost inflation rise. Against steeply escalating costs for hospitals, medical aid societies have only granted single figure tariff increases at long intervals over the last few years.

Joubert warned that the rate of growth would be slower in the second half of the year. Nevertheless, over the full year, he expected the company results to be well up on those of last year. — Sapa

I
V
f
r
T
T
B
O

35% ^{CAC. Tim is 13/5/87} increase in
Metal Box earnings ¹⁸⁹

Own Correspondent

JOHANNESBURG — Metal Box increased earnings by 35% to 32,2c (23,8c) a share for the half year to March 31, 1987, as the improvement in the economy boosted sales and exports rose

The interim dividend has only been raised 20% to 12c (10c) a share as the directors caution that second half earnings growth is expected to be at a slower rate

A feature of the results was the sharp 45% rise in operating profits to R42,1m (R29,1m), only R16,7m below last year's figure for the full year, on a 17% increase in turnover to R487,8m (R418,5m)

Benefits arising from the closure of Mono Transvaal and other rationalizations, coupled with the higher sales volumes, resulted in better margins

A further positive impact on the results was the much improved performance of the glass division, which achieved breakeven at the operating level

Finance costs almost halved to R3,7m (R7,1m) due to lower borrowings — now 16% of total shareholders' funds against 20% a year ago — the decline in interest rates and a strong cash flow

Profit after finance charges leaped 74% to R38,4m (R22m), but reduced income from investments — down from R3,4m to R2m — limited the rise in pre-tax profits to 59% at R40,4m (R25,4m)

Bottom line profits were further reduced by the tax bill more than doubling to R18,4m because of the withdrawal of capital investment allowances. This resulted in taxed profits rising 35% to R21,9m (R16,2m)

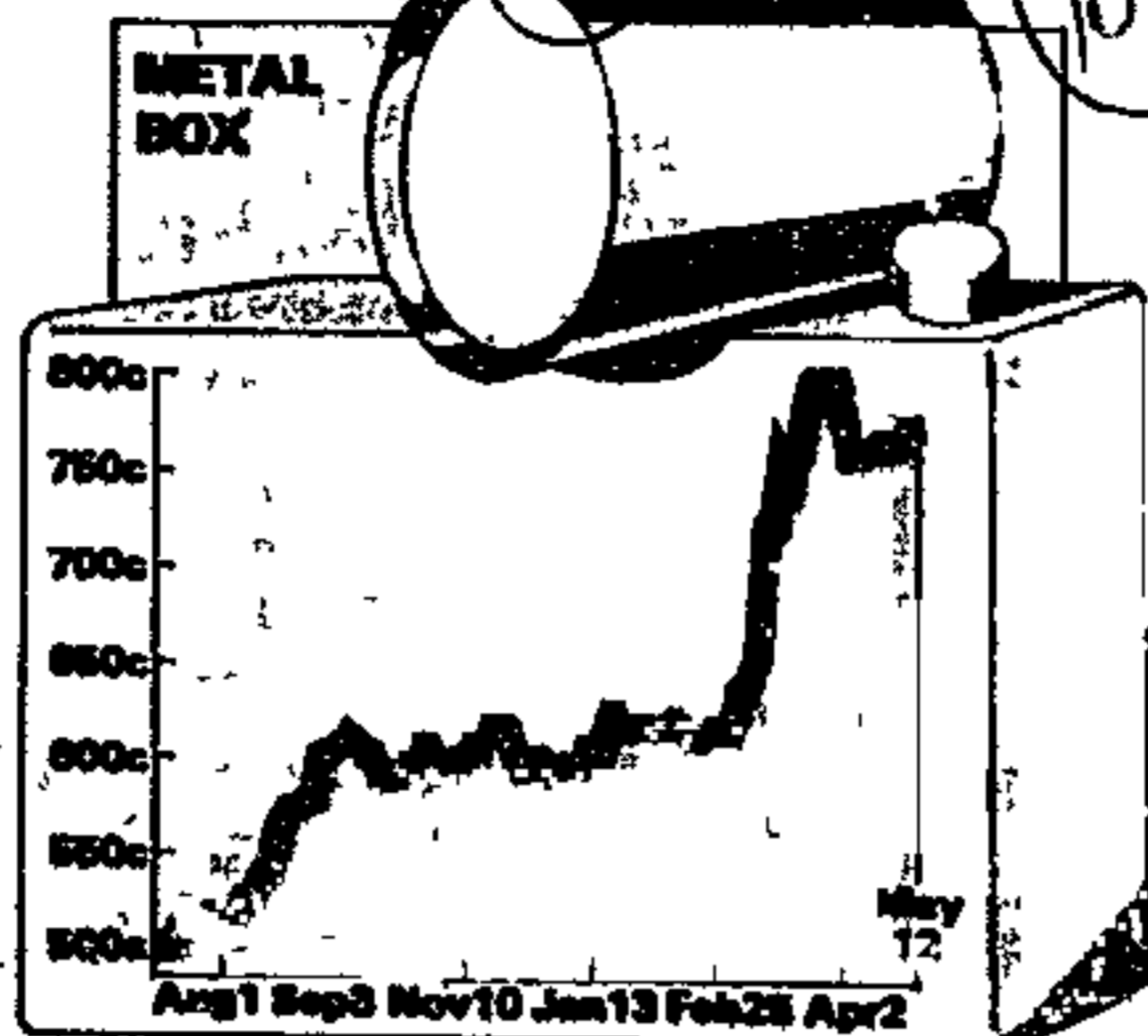
The balance sheet remains strong while capital expenditure of R21,46m for the current financial year is R6m lower than in the previous year

Metal Box shares closed unchanged yesterday at 775c, 25c off last month's peak of 800c. The shares hit a low of 500c in July last year

Metal Box earnings up 35%

B1 Day (189)

MERVYN HARRIS



METAL BOX increased earnings by 35% to 32,2c (23,8c) a share in the half-year to March, boosted by the improving economy and rising exports

The interim dividend has been raised by only 20% to 12c (10c) a share because the directors feel second-half earnings growth will be at a slower rate

A feature of the results was the 45% rise in operating profits to R42,1m (R29,1m), only R16,7m below last year's figure for the full year, on a 17% in-

● To Page 2 →

Metal Box earnings show 35% improvement

crease in turnover to R487,8m (R418,5m)

Benefits arising from the closure of Mono Transvaal and other rationalisations, coupled with the higher sales volumes, resulted in better margins.

A further positive impact on results was the much-improved performance of the glass division, which achieved break-even at the operating level

Finance costs almost halved to R3,7m (R7,1m) thanks to lower borrowings — now 16% of total shareholders' funds, against 20% a year ago — the decline in interest rates and a strong cash flow

Profit after finance charges rose 74% to R38,4m (R22m), but reduced income from investments — down from R3,4m

to R2m — limited the rise in pre-tax profits to 59% at R40,4m (R25,4m).

Bottom-line profits were further reduced by the tax bill more than doubling to R18,4m because of the withdrawal of capital investment allowances. This resulted in taxed profits rising 35% to R21,9m (R16,2m).

The balance sheet remains strong, while capital expenditure of R21,46m for the current financial year is R6m lower than in the previous year

Metal Box shares closed unchanged yesterday at 775c, 25c off last month's peak of 800c. The shares hit a low of 500c last July

(189) ← ● From Page 13/5/87

270 Delta locomotive workers may lose jobs

The Argus Bureau

PORT ELIZABETH. — About 270 employees at the Aloes electromotive division of Delta Motor Corporation may be laid off following completion of a contract for 45 locomotives.

Delta's director of personnel and public affairs, Mr George Stegmann, said while every effort would be made to keep employees on the payroll, every worker at the Aloes plant was "in the same boat"

Mr Stegmann, who could not say how many would be laid off, added that the company had no option as it was not expecting orders for locomotives in the near future

Alternatives

Completion of the present order, scheduled for December, would end existing contracts with South African Transport Services

Adapting Delta's locomotive manufacturing plant for other work, including the Mossel Bay gas project, was under investigation

However, Mr Mike Leibrandt, public relations officer for Soekor, has warned that Port Elizabeth is unlikely to benefit from Mosgas contracts this year

Design work

The first contract, expected to be awarded next month, will be for detailed design work. Construction contracts would go out only next year, he said

"We don't expect the early contracts to benefit Port Elizabeth. It will only be next year when the construction contracts are awarded that Port Elizabeth will come into the picture"

Construction was due to begin in 1988

Off the bottom

After bumping along the bottom for three years, Atlantis Diesel Engines (ADE) is back on the recovery trail. It should break even this year "and may even do better," says MD Hartmut Beckurts.

While refusing to discuss earnings, Beckurts says the 13 500 engines it expects to make this year should put it back in the "comfort zone of 12 000-16 000 units a year."

In addition, ADE no longer relies purely on engine manufacture for its income. Export of components, sale of spare parts to local outlets, its grey iron and aluminium foundries which are now operating comfortably on full shift, day are now also contributing meaningfully to revenue.

ADE hit an all-time low last year of 11 400 units — 6 500 truck engines, 4 000 tractor engines and 900 "other engines."

The forecast for this year is 13 500 units — 9 200 for trucks, 3 200 for tractors and 1 100 "other."

"Ideally, we would like to ship more than 20 000 units a year," says Beckurts. "We should be there soon. Our long range forecast shows that demand will rise to 25 000 units by 1990-1991. Obviously, this will depend on the extent of the recovery in the economy and the automotive industry."

"More good news," says Beckurts, referring to engines ADE makes under licence to Daimler-Benz of Germany, "are the recent buying signals from the market indicating that the cost premium has diminished and that the ADE engine is now priced close to or lower than similar imported truck engines."

This is because the value of the rand against the D-mark (DM) dropped from 2,5 1-2 1 some years ago to less than 1:1. It now costs a lot more in rands to import engines from Germany.

"Had there been no premiums, we could have still brought in the Japanese engines

given the investment that's been made." BMW MD Walter Hasselkus says the local company came out of the red last October, and is now making a small profit. Market share for the first quarter of the year rose 7.5% for the

new car and commercial vehicle sales could strengthen in unit terms by 8%-12% in 1987 compared with 1986, to a grand total of somewhere between 190 000 and 196 000 units overall. ■

OCCUPATIONAL SAFETY

Making it work

Improved safety in the workplace is saving businessmen money.

Statistics released by the Workmen's Compensation Commissioner show either reductions in, or the maintenance of compensation insurance premiums for the past 13 years, coupled with record merit rebates to employers with favourable claims experience.

National Occupational Safety Association (Nosa) MD Bunny Matthysen released the latest figures from the commissioner in his annual report last week.

He said there had been a drop from 4% to 2% in the number of workers suffering disabling injuries and a reduction in assessment rates for 77 of the 105 designated classes of industry and commerce insured under the State Accident Fund (which does not include members of the Chamber of Mines insured under the Rand Mutual Fund).

A further 12 classes remained constant, while 16 increased.

The average (unweighted) assessment rate for all industry dropped from R1,15 to R0,85/R100 wages. Merit rebates of more than R39m were a new record, with R60m earmarked for the new year.

These figures paint a much brighter picture.

Matthysen attributed the favourable results to the upgrading of managements' safety-related skills, the input of various government inspectorates to employers and the optimum maintenance of Workmen's Compensation claims costs and overheads.

Both Matthysen and Nosa president Don Carroll, general operations manager of Afrox, stressed the need for improved safety education, saying that safety should be a mandatory subject in the curricula of all schools.

Only in this way could SA significantly reduce its enormous annual cost of accidents, including its road traffic accident rate which is among the highest in the world. ■

TOURISM

Foreign help

SA's tourism industry is alive and well — whatever sanctioners may believe.

Evidence abounded in Durban last week at Indaba '87, the SA Tourism Board's (SATB) fifth annual shopwindow on the country's tourist attractions. A cross-section of the 300 international visitors interviewed by the *FM* were unanimously confident that

After-tax income rises by 83%

Macadams pays maiden dividend

Cape Times 2/6/87 189

By JANE ARBOUS

CITY-BASED Macadams, one of the country's largest suppliers of bakery and catering equipment, has declared a maiden dividend of 2c after taxed profits exceeded the prospectus forecast by 17%

In the results for the financial year to February 28, published today, net after tax income rose by 83% over the previous year to R728 000

It was achieved on a turnover of R15m — up 30% on last year's figure and 9% up on forecast

The results also show that net income before interest and taxation amounted to R1,5m. Of this, interest accounted for R619 000 while tax took a further R178 000.

Earnings a share in the past year were 8c.

Strategic acquisitions

Commenting yesterday, chairman and joint MD Arnold Resnick said he was confident that the company would more than double income after tax in 1987/88. Performance since year-end was "on line", he added.

Since its recent listing, Macadams has made a number of strategic acquisitions, absorbing BJoffe Manufacturing (one of the largest catering and fast food equipment manufacturers in the Cape), the PE-based Status factory, Omega Bake Equipment, Omega Shop Equipment, and more recently, Aloe Catering Equipment.

However, Resnick said the results were achieved without the benefits of the acquisitions and the accumulation would be felt in the coming year.

Omega has strengthened the group's

distribution spread on the Reef and has provided entry to the growing delicatessen bakery and convenience store market

Aloe Catering concentrates on the manufacture and supply of mass feeding equipment to institutions and organizations such as hospitals, mines and the Defence Force

Separate entity

The Macadams board believes, however, that the companies should address a much broader spectrum and it will seek opportunities in the hotel, restaurant and fast food industries

As these areas have major growth potential, research and development is being undertaken using existing expertise and facilities to design equipment for their specific requirements

Aloe will continue to be marketed as a separate entity but its manufacturing division is being integrated into the Joffe operation to become Macadams Manufacturing (Pty) Ltd

Resnick said the Aloe deal was only concluded in the course of the current financial year and did not figure in last year's results. Similarly, the Joffe and Status acquisitions only became effective in the final month of the financial year and, consequently, their impact on results was negligible

On prospects for the current financial year, Resnick pointed out that the market for the group's bakery equipment products and services was continuing to grow with new demand coming from the rural areas

"This, coupled to our entry into the catering equipment industry, points to a further phase of rapid and sustained growth"

BID
18/6/87

Acquisition of two firms costs Danech R4,3m

DANECH Mining Supply has made two acquisitions, at a total cost of R4,3m, which will boost earnings in the year to September by 10%, CE Neville Parry says.

Danech, and its pyramid, Danech Investments (Dicor), have acquired a Cape-based materials handling operation, Belting and Sprockets, in return for the issue of 750 000 new Danech shares valued for the transaction at 240c a share — or R1,8m in total.

Zenith Electrical, a Johannesburg-based distribution operation is costing the group R2,5m — Danech will issue 1,1-million shares at 225c a share.

In order to maintain the Dicor 51% control of Danech, the vendors in both transactions will receive as payment about half of the new issue of Danech shares, while Dicor takes up the remainder.

PETER STACEY

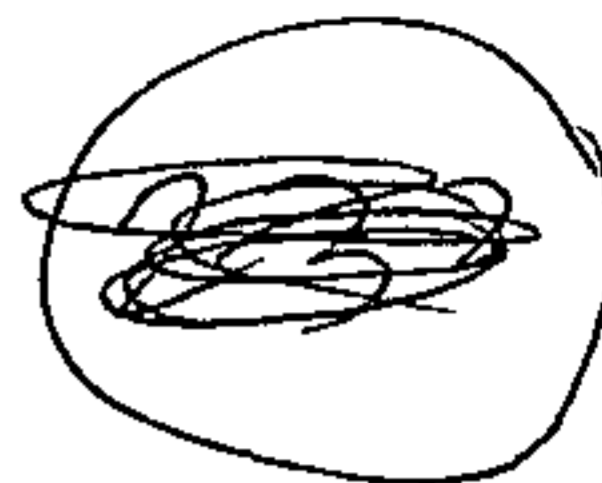
Dicor will issue shares to make up the balance of the consideration. Parry calculates the deals will enhance current year earnings by 3c a share, to 33c.

The acquisitions are conditional on JSE approval of the listing of the new shares. This has been applied for.

Belting and Sprockets has as its major markets the mines in the northern Cape and the canning industry.

Its 34 outlet distribution network stretches from Sishen/Saldanha to Mossel Bay — an attractive target growth area.

Parry says Zenith, which has already been merged with the group's Comet Electrical operation, is the first step in a major restructuring and expansion of its electrical division.



189

Business Report

Chubbs' profits show 66% gain

Cape Times 26/6/87
189

By JANE ARBOUS

ALTHOUGH there are signs of an upswing, tight controls, rather than a solid recovery in trading operations, continued to keep Chubb Holdings' head above a partially depressed market during the past financial year

In the year to March, Chubb saw a taxed profits advance of 66%, declaring a final dividend of 20c to bring the year's total to 27c — a 58% increase on the previous year

Earnings per share increased 62,7% to stand at 66,4c

Trading since year-end has improved and the company is confident that it is well-placed to take advantage of it this year

Turnover of the group increased by 13,4% compared with 11,1%

Although all divisions showed an increase in turnover, the turnover of the physical division and a segment of the fire security division declined in real terms — in line with expectations due to the depressed state of the large project market

According to group financial controller Gert Bezuidenhout, the company has cut back and trimmed as far as it can to sit out the bad economic period

Continuing to show strength, turnover of the electronics security division increased by 38% "mainly as a result of organic growth"

Trading profit increased by 51,3% while margins increased significantly from 7,4% to 10,0%, showing the results of the company's productivity drive

Interest charges continued their decline over previous years and at R876 000 were 41,5% below last year

The net borrowings position throughout the year changed to a net cash position of R4 365 000 by the year-end, consequent on the continued tight control over working capital

This enabled pre-tax profits to leap by 93,7% to R7 204 000 compared with the previous year. Tax charges accounted for 50% of the pre-taxed profits, resulting in an attributable profit of R3 602 000 — an increase of 66,1%

Tax dispute ^{29/6/87} hits ¹⁸⁹ Otis divs

Billay
OTIS ELEVATOR shareholders are to be denied the hefty dividend payments of the past because of an unfavourable ruling from the Receiver of Revenue

Otis, which pays the bulk of its earnings to shareholders in the form of dividends, was ordered to pay R6,8m to the Receiver by the end of April after a dispute over deferment of a R6,5m tax liability

While the amount has been provided for in the company's balance sheet, a

CHERILYN IRETON
restricted cash flow meant the group had to take out an R8,2m overdraft to fund the payment

"In these circumstances the board has deemed it prudent to forego the interim dividend," says chairman Adriaan Louw, who had spelt out the possible scenario in last year's annual report

Profits permitting, the group should resume dividend payments in 1988

Model changes planned by VW

189
Cue Post
14/7/87

By RALPH JARVIS
JOHANNESBURG — Exciting plans aimed at improving still further Volkswagen of South Africa's product offering were announced at a national convention here today

Introducing the new range, VWSA managing director Mr Peter Searle said the VW/Audi range was being restructured and rationalised to achieve sharper focus based on sound economical criteria

The plans include

- The dropping of the present Passat range
- The introduction of a 1,8l Audi 400
- The introduction of South Africa's own Volkswagen Fox
- A new Jetta CL₁ 16-valve executive model
- The introduction of 100% galvanising of all Audi body shells
- The arrival in the luxury market, probably in mid-1988, of the Audi Turbo

Mr Searle said an all-new Passat was due to be launched in Germany but in South Africa it had been decided not to replace the Passat because of the R100 million investment that would have been needed and which would not have been economically justifiable

The gap left by the departing Passat will be

filled by the Jetta 16V Executive model, a luxury performance model and brother to the Golf 16V Executive, and the new entry-level Audi 400

The Audi 400 will have the same body shell as the Audi 500 range but will be powered by a smaller, 1781cm³ 4-cylinder engine producing 70kW at 5200r/min and torque of 150N m at 3500r/min

This engine is claimed to push the Audi 400 to a top speed of about 170km/h and from 0 to 100km/h in 8,5sec

The new Fox seems to be a marriage between the popular Citi Golf and the former Passat — like a Golf I with the old Passat boot — and will be available in 1,3l and 1,7l form

The Fox is expected to be the least expensive of all models in South Africa's three-box (sedan) market

The galvanising of all Audi bodies, which has been done by Audi AG in Germany since 1985 and by Porsche over the past 10 years, will carry a six-year unconditional warranty

Mr Searle told the convention that the Audi Turbo — launched into the luxury market at about R60 000 — would be the new flagship of the marque in South Africa

17/7/87

MINING EQUIPMENT (789) HAM

Copco stays put

Despite its strong Swedish ties and concomitant political pressures, local mining equipment supplier Delfos & Atlas Copco is determined to stay on in SA. The reason is simple — SA is the world's major market (and laboratory) for mining equipment.

Furthermore, Atlas Copco's (AC) largest competitor in the mining technology field is a South African company, Boart International

(BI) Clearly AC cannot allow BI to steal a march on it

"The most important mining market in the world today is in this region. Our continuing presence is of central importance," says AC group president Tom Wachtmeister in the Swedish group's latest annual report. "For both humanitarian and commercial reasons, AC is greatly interested in the peaceful development of southern Africa," he adds.

BI is controlled by Anglo American Industrial Corporation (Amic) and is the holding company for numerous other Boart companies in the mining equipment and drilling fields.

While Delfos & Atlas Copco (D & AC) is controlled by a variety of South African shareholders (80%), the Swedish AC has a 20% stake. The strong South African stake is reflected in a recent comment by D & AC MD Mario Pellegrino. "It is not a question of being here to stay. We belong here."

Pellegrino says the total size of the markets in which D & AC is active is probably around R500m-R600m a year. An estimate by BI of the size of the market in which both it and D & AC compete is R340m a year.

SA is where the Swedish AC group does an enormous amount of product development. Once refined, the technology is channelled into AC markets in the US, Canada, Germany, Italy and France, to name a few. D & AC deputy MD Magnus Gillo says AC is involved in over 200 countries worldwide and has done much pioneering work in the drilling field in SA.

Says Gillo "Numerous US multinationals have seen fit to divest from SA, but in most cases these companies only sacrificed some 1%-2% of their international turnover. That is certainly not the case with AC's presence in SA. In fact, in the supply of mining equipment, D & AC is by far the biggest manufacturing facility in the AC group."

"SA is where the action is. We also supply mining equipment to Zambia, Zimbabwe and Namibia from our South African base. If AC ever divested, it would lose these markets too."

D & AC is heavily involved in the construction of Jumbo drilling rigs for either shaft sinking or development work. Gillo estimates that it holds over 50% of the market in SA, with the Finnish firm Tamrock as the only other competitor. D & AC also supplies drill steels where Gillo estimates its market share at about 33%. According to him, BI is the dominant operator in this area. ■

(189)

Little-known giant On the road to JSR

By David Carte

LONGMILE, a R400-million-a-year tyre, silencer, fashion, nuts and bolts conglomerate, is heading for one of the bigger listings of the year on the Johannesburg Stock Exchange.

The little-known Cape-based giant is offering 10-million shares at 230c each to institutions and the public, bringing the number in issue to 50-million.

The issue price capitalises the company at R115-million. Institutions will take up 8-million shares and the public the balance.

Longmile had sales of R361,9-million and pre-interest profit of R27-million in the year to June 1987. Taxed profit was R13,4-million, or 17c a share.

The issue price is thus 13,5 times historical earnings.

The company is looking for sales of R446,4-million in the current year and pre-interest profit of R40-million. Taxed profit is expected to be R19-million, or 24c a share, so the company is going for 41% earnings

growth. Longmile is the holding company for SA's biggest tyre-retreaders and the second-biggest silencer maker and fitter.

To complete an unlikely portfolio, it also has interests in high-fashion women's clothing and industrial fasteners.

Executive deputy chairman Nick van den Bergh admits it is an unusual mix, but he says it works and he has been able to persuade Old Mutual that it does.

Old Mutual and Common Fund will pick up 6% of the equity. Mr van den Bergh breaks profits down: tyres 45%, silencers 25%, clothing 15% and fasteners 15%. He expects the non-tyre businesses to grow fastest.

He says of the tyre business: "It is more exposed to industry, mining and trucking than passenger-car trends. We have the big three brand names in tyre retreading — Master-tread, Trentyre and Bandag — and we are the single largest retreader

and new-tyre distributor in SA. "Our chairman, H.F. 'Pottie' Pottier, started this business in 1948. He and his son-in-law David Ribbons built the business up."

"I got to know him and the company as its auditor. In 1981, he asked me to join him, so I left Pim Goldby and the accounting profession to become his deputy."

Mr van den Bergh says: "We had all our eggs in one basket and it was time to diversify. In an acquisition phase, we looked at many types of businesses and settled on some classy top names in women's fashion — Raoul Fashions, Cavalier Fashions Park Avenue, Lingette and Wolpe Fashions."

"These brand names have a reputation for high quality and we deliver on time. As a result, production is mostly pre-sold."

"We also bought Grappel & Silencer Services, one of the biggest makers and distributors of exhausts in SA and a pioneer in stainless-steel exhausts. Another acquisition was Utility Fasteners, one of the few companies in SA competing against National Bolts

"Although interest rates have been negative in real terms, we have not been afraid to borrow for acquisitions. But we always make sure that cash flow and interest cover are adequate."

"Initially, therefore, there were heavy acquisition expenses and some teething problems. Now the acquisitions have settled down into high-quality business units."

Decentralised

Reflecting that post-1982 acquisitions took time to come right, the track record is slightly less impressive than the projected one, earnings a share in the past five years reading 7c, 13c, 14c, 13c, 17c.

Interest costs rose from R2,8-million in 1983 to R5,9-million in 1985 and fell to R4-million in 1987. Pre-interest profit of R27,6-million covered interest 6,9 times.

Each division has a managing director and the group is decentralised, although head office plays an active role.

Mr van den Bergh says one of the secrets of Longmile's success is its



Nic van den Bergh ... an unusual mix

tight financial control. "Several key men have accounts that tell us virtually from minute to minute what is going on."

The R23-million proceeds of the listing will go to the vendors, including Mr van den Bergh, who are moving over for the institutions and the public.

"'Pottie' was not so keen on the listing and was not prepared to be diluted, so to allow the public to participate, David Ribbons has let his holding fall from 46% to 29% and mine will decline from 7,1% to 4,5%. After the listing, 'Pottie' will have 46%, the public 14%, Old Mutual 6% and Dave Ribbons and I the rest. We still have enough of a stake to keep us hungry."

SAUNDERS

HEAVY VEHICLES

Makers caught short

With or without the Mercedes-Benz (MB) strike, major manufacturers of heavy commercial vehicles say they are quite unable to meet the unprecedented upturn in demand for heavies

For its part, MB is back in production as far as commercial vehicles are concerned, using white staff. As at the end of last week, says MB CE Sepp van Hullen, production was running at 50% of capacity and he expects it to be up to 100% by the end of the current week

However, Des Gush, who heads up Toyota's heavy vehicle division, says his group is experiencing bottlenecks in the supply of components — notably engines from ADE but also parts from Japan

"Even if we wanted to we could not take advantage of MB's misfortune. We simply didn't anticipate the turnaround in demand and have been caught short of stock"

Gush says it could take up to six months

FINANCIAL MAIL SEPTEMBER 25 1987

indicated that it had offered the work force an increase that would amount to 37% at the lowest level of employment but that the National Association of Automobile Workers Union (NAAWU) is now demanding increases of between 50% and 67%

MB has stated that it is treating the strike purely as an industrial relations dispute, but it seems increasingly that the strike is largely politically motivated, given the recent statements by union leaders that MB, "though a multinational, is no better than South African white supremacists"

Though MB has reaffirmed its commitment to remaining in SA, and East London in particular, the possibility does arise that the company could be pressured into pulling out of the eastern Cape in the same manner that Ford left Port Elizabeth following a politically motivated strike

Moreover, while MB is laid lame by the strike, the opposition is using the opportunity to gain ground.

John Jessup, member of the board of management responsible for marketing at BMW, says sales of the BMW 5-series have recently risen from 5-7 a day to an average of 12 a day, while sales of the 7-series have risen from 7-8 a day to around 10 a day. Nevertheless, he refuses to establish a link between BMW's rising sales and the MB strike

"Whether this has anything to do with the strike at MB or whether it's more a response to a natural upturn in the market is anyone's guess," he tells the *FM*

Further, Jessup makes the point that, as far as the new 7-series is concerned, production is only running at the rate of 5-6 cars a day, so BMW cannot meet demand anyway.

August unit sales of MB actually held up well, which would indicate that the company must have had quite a lot of stock on hand.

But obviously this situation cannot continue for the duration of the strike. Eventually MB supply bottlenecks are bound to have a strongly negative effect on the group's future sales

FM 18/9/87

189

MINING EQUIPMENT

Local bits and pieces

South Africa has always been strong in mining equipment manufacture. Now it's getting stronger — thanks to rationalisations in the business and the American disinvestment climate.

While one swallow does not make a summer, recently merged mining equipment manufacturer Baker Hughes Mining Tools (BHMT, formerly Reed Mining Tools) will soon be working to 100% local content — and it is adamant it is staying put.

BHMT forms part of US mining giant Baker Hughes (BH), recently created by the merger of Baker International and Hughes Tool Company. Hughes, again, was founded in the early part of the century by Howard Hughes Senior, father of eccentric millionaire Howard Hughes Junior, who invented the cone-shaped roller design rock bit still in use around the world.

The merger should benefit SA since the local company is the best growth and profit operation in the multinational's 41-country network. Its success was recently exemplified by the manufacture of the world's largest raise-boring system.

BH apparently has no intention of divesting. Although its policy is to make its component companies self-sufficient, it will continue to provide vital research and

development (R & D) backup. In fact, some 30% of its R & D funds are devoted to products specific to SA.

While the local content in most BHMT products is far advanced, up to now blast-hole bits were assembled from US kits. However, the merger has given added impetus to expansion.

Says BHMT MD Kevin Engelsman: "Taking advantage of a worldwide depression in oil field work we managed to pick up manufacturing equipment for a song. In addition we have just brought in R1,5m worth of equipment from France and Belfast to

expand local manufacture of blast-hole bits up to 100% local content.

"We are in the process of moving our manufacturing operations to a new group facility in Jet Park and by the end of the month will be installed at a cost of only R500 000. This means that for an initial investment of only R2m we will have ensured our presence here in the event of sanctions."

As forgings, dies and tools still have to be manufactured for the new lines, full local manufacture will only be available in 12 months.

With the raise-boring business accounting

for R20m a year in SA (R23m if Zambia is included) and blast-boring — currently slightly depressed by the impact of sanctions on coal exports — with the potential to grow to around R15m a year, BHMT is well placed.

Its 50% market share could well increase, should the local manufacturing capability make its products more competitive — or sanctions cut off alternative supply lines.

BHMT exports around the world and provides essential equipment for such unlikely projects as underground oil storage systems in Norway.

MINING VEHICLE SALES