

MANUFACTURING — IRON, STEEL, ENGINEERING etc.
(GENERAL)

1994

40 000 petrol station jobs at risk

Unions ready to block fuel deregulation

BIDAY 10/11/94

BIDAY 10/11/94

189

MICK COLLINS

TRADE unions are set to oppose any form of deregulation of the oil industry, a matter being investigated by the National Economic Forum

A spokesman for the National Union of Metalworkers of SA (Numsa) said the probe, being conducted by the forum's Liquid Fuels Task Force, could have grave implications for employment

At immediate risk are the 40 000 forecourt attendants employed at 5 000 garages who could see their numbers dwindle with the introduction of self-service

Numsa national secretary Bernie Fanaroff, who represents Cosatu on the task force, says the federation would oppose deregulation, mainly because of massive job losses. "Deregulation overseas has led to the closure of between 50% to 60% of service stations, which in SA's case would lead to the loss of 50 000 to 60 000 jobs, including workshop and office personnel"

Numsa believed that it would also have an unfair effect on black-owned stations as well as on the smaller outlets and would lead to monopolies in certain areas

"International experience has also shown that the petrol price may come down in the first year or two but thereafter it climbs," he said

Motor Industries Federation executive director Vic Fourie said the federation, which represents the interests of the service stations, would resist the deregulation of the fuel industry and, by implication, the introduction of self-service

"We have looked at the situation overseas and seen the displacement of service station workers. The protection of jobs and job opportunities is our business

"We do not believe it would be in the interests of the fuel industry or the man in the street to have total deregulation. The provision of fuel in SA is done efficiently and at a relatively low price"

The federation, which has two representatives on the task force, expects the task force to resume sitting soon, and a statement could be issued in due course.

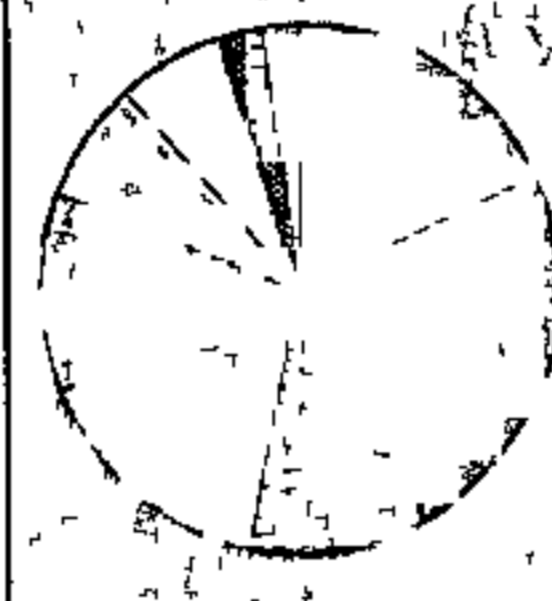
"We still believe that sanity and common sense will prevail," Fourie said

Mineral and Energy Affairs deputy director-general Gert Venter, who also serves on the task force, said job creation did not fall within his department's ambit

"You may be aware, however, that the economic forum has initiated, with government funding, certain job creation projects. No specific arrangements have therefore been made to accommodate

To Page 2

Market share by oil companies 1992



Shell	18,2	Caltex	18,2	Engen	17,0
BP	15,3	Total	12,2	Sasol	7,7
Trek	6,6	Zenex	2,6	Sonap	2,2

Graphic: KAREN MOOLMAN Source: THE MOTORIST

Deregulation

BIDAY 10/11/94

From Page 1

pump attendants in the event of deregulation. It may also be premature for such action before a decision on regulation has been taken.

"Judging from the comments received by the department on its report on the fuels industry, it is clear that most consumers are still in favour of regulation," he said.

However, industry sources say 1994 could possibly see the introduction of self-serve stations, albeit on a limited scale.

The oil industry is also keeping the issue behind closed doors. Caltex corporate planning manager Ian McPherson said recently the company was taking part in the probe, but he could not comment yet.

Shell communications and media manager Koosum Kalyan said her company was involved in the investigation, but to comment at this stage would pre-empt the outcome of the negotiations

However, Engen CE Rob Angel was bullish on the prospect of deregulation and said SA was moving forward into a new environment of exposure to world forces and free-market principles

"Engen fully supports non-protectionist policies, and free and fair competition," he said in the company's annual report. To embrace deregulation fully "it is critical that the total regulatory mechanism be dismantled to ensure adherence to these principles", he said.

Numsa discusses continuing strike

BIDAY 10/11/94

MOST car manufacturers return to work today, after the Christmas recess to find out whether last year's strike by the National Union of Metalworkers of SA (Numsa) at Toyota and Samcor will continue and spread throughout the industry.

A decision on whether the strike will go ahead is expected to be taken by shop stewards at plants today.

About 19 000 workers could join any industrial action planned in the sector.

The strike began after companies deducted tax on ex gratia payments last year. Numsa said the deductions were not part of the wage agreement signed by parties at the National Bargaining Forum.

Last year Numsa chief negotiator in the sector Gavin Hartford said the union would await the outcome of a Receiver of Revenue decision on the validity of the tax deductions.

When the Receiver confirmed that employers were required to deduct tax from year-end gratuities, Hartford said he would discuss the union's next move with workers and shop stewards once the plants re-

ERICA JANKOWITZ

opened this year (189)(RE)

Numsa negotiations co-ordinator Les Kettleas confirmed last week the issue would be discussed when plants reopened.

Toyota was forced to close a plant two days before its scheduled shutdown last year because of the strike.

Samcor lost about three days' production after workers went on strike.

Automobile Manufacturers Employers' Association vice-president Harry Gawandam said last year he was not optimistic about how Numsa would respond to the Receiver upholding the employers' decision to deduct tax.

Volkswagen spokesman George Platt said he hoped the company would not be drawn into the dispute, but said he was aware shop stewards would be discussing the issue today.

Volkswagen had not been affected by the disputes last year and he hoped the company would remain unaffected.

2 800 accept Iscor package

ARG 14/1/94 (189)
The Argus Correspondent

PRETORIA — About 2 800 Iscor employees over the age of 50 have so far opted to accept an attractive once-off retirement package offered to them by the steel giant

But an Iscor spokesman said they expected the final tally of employees who accepted the package to be about 3 000

Iscor has also indicated that in addition to employees who had accepted the early retirement package, a limited number of other posts might be ra-

tionalised at the corporation's Pretoria Works during this year

Over the past three years, 2 500 posts were rationalised at the Pretoria Works. Only 459 employees had to be retrenched after natural attrition, transfers and early retirement packages, the spokesman said

About 4 000 Iscor employees over the age of 50 qualified for the retirement package offered to them at the end of September last year

Going up! as Otis profits soar 51 pc

(189) ARC 24/1/94
MARC HASENFUSS
Business Staff

OTIS Elevator Company shrugged off a depressed local construction industry in the year to end November — with profits going up 51 percent to R15,4 million

Directors attributed the results under review to the effects of domestic restructuring and the growth in export activity

Restructuring and exports bolstered margins and helped Otis transform a 10 percent dip in sales to R168 million into a 36 percent increase in operating profit at R27 million

Interest received added R371 000 to bottom line, while the tax bill increased by 21 percent to R13,6 million

The balance sheet also looks solid, showing off Otis' enviable gearing position. Long term borrowings hardly figure at a measly R84 000 (last year R371 000).

There were no predictions for the year ahead. However, the more than 100 percent increase in the dividend payout to 52c a share suggests that profits are heading for the top floor

In addition, punters are giving the share their undivided attention. Otis added 50c to a new high of R6 on Friday

■ The executive directors of waste management and materials handling group Fraser Alexander have acquired the bulk of Rembrandt's 39,2 percent stake in Fralex, the group's holding company, for just over R28 million

Fralex's executive directors secured 5,2 million of Rembrandt's 6,3 million share holding in Fralex, paying R4,50 a share

Most of the balance of 1,1 million Rembrandt-held shares has been acquired by the Fralex Share Trust

The acquisition was funded by Rand Merchant Bank and Nedbank, who

will have a minority interest in the new company. Fralex is controlled by the Daly family and the group's senior executives under a long-standing shareholders' agreement

Fralex and Fraser Alexander chief executive Peter Flack said that by increasing its stake in Fralex, the controlling consortium was demonstrating its complete confidence in and commitment to the group

The executive directors had pledged their personal assets to the funding of the purchase, he said

"Ownership of a far larger equity stake in the group would provide them with a heightened incentive to ensure that it prospered"

Mr Flack said the group's financial strength, the soundness of its businesses, the stability of its markets and management's intensified dedication augured well for its ability to speed up the recovery process already evident at Fraser Alexander after three years of recession

Rembrandt managing director Thys Visser said the decision to agree to the disposal of its interest in Fralex was based on the recognition that the two groups' development strategies were divergent

The disposal is in line with Rembrandt's strategy of obtaining a greater degree of focus in its investment portfolio

"While Fralex has been a rewarding investment for Rembrandt, the businesses in which it is involved do not fit into the long-term growth plans of our overall mining and industrial interests," he said

■ The Johannesburg Stock Exchange terminated the listing of Pretoria-based Digoco Mining on Friday after the company failed to comply with JSE requirements

These requirements related to the provision of an independent valuation of the group's mining assets and the provision of details of a proposed financial restructuring

Numsa quits fighting against tax issue

3/24/94 112194

ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) yesterday resolved not to pursue its fight for non-taxation of ex gratia payments, Numsa official Gavin Hartford said (189)

The decision was taken by Numsa's national shop stewards council

Hartford said the car and tyre agreements were the only two negotiated by Numsa which included ex gratia payments aimed at narrowing the gap between low- and high-wage companies over a three-year period

However, the shop stewards decid-

ed to push for tax to be deducted in a fair and equitable manner by insisting it was not calculated on a once-off basis, but was smoothed over a period. Some companies, which had deducted up to 40% tax, would be requested to resubmit it on an incremental basis, Hartford said.

In addition, Numsa shop stewards resolved not to entertain further ex gratia payments as a method of achieving pay parity in the sectors.

'Major threat' to R7bn Alusaf plant

Own Correspondent

JOHANNESBURG — The decision by leading aluminium producers to cut production in order to boost prices could pose a major threat to Alusaf's new R7,3bn Richards Bay smelter

The local producer yesterday reacted guardedly to this week's decision by the world's six leading aluminium manufacturers to reduce production by between 1,5m and 2m tons a year

Russia, the EC, the US, Norway, Canada and Australia took the decision in a bid to bolster flagging aluminium prices

Alusaf MD Rob Barbour said if a price rise prompted other countries to reactivate plans for new smelters it would not be good for the Richards Bay development

The Hillside facility is due to start up next year with full production being reached by 1996. The plant will add 446 000 tons in new capacity — equivalent to 4% of world production

"If the price does go up now it could lead to new smelters being built. This we would rather not see."

The metal closed at \$1 247 a ton in London yesterday from Monday's \$1 227

"This whole development has us in a bit of a cleft stick. We would rather

prices recovered later than sooner. If prices do rise it would not be in our interest at this stage." However, Barbour added it was hard to envisage how Western producers could organise the cutbacks

As part of the plan, about 500 000 tons of Russian aluminium is to be taken off the world market. This would involve 300 000 tons of capacity cuts by Russia for three months starting yesterday and another 200 000 tons in the next three months

Companies in the other countries in the group are to cut output voluntarily

Sapa-AP reports the US Aluminum Association in Washington said this week it supported the agreement, which should restore balance to the aluminium market without undermining operations and jobs

Much of the glut has come from the former Soviet Union, which increased exports last year to 1,6m tons from 300 000 in 1990

In exchange for the Russian cuts, the EC would lift measures against imports from Russia and the US would drop any anti-dumping actions it was considering. US production had been slashed 20% over the past two years because of Russian sales

189 EJ 2/2/94

IN THE late 1970s Enoch Godongwana was a Transkei-based migrant worker looking for work on the Witwatersrand while dodging police (not always successfully) on the lookout for pass offenders. This week Godongwana arrived permanently in Johannesburg to take up the post of general secretary of the National Union of Metalworkers of SA (Numsa) — the country's second-largest union.

Godongwana is one of the growing band of worker leaders who climbed quickly through trade union ranks learning skills and gaining political experience from colleagues. And those skills and experience are going to be tested to the full as Numsa and the trade union movement generally seek to develop an appropriate relationship with a nominally friendly government and get to grips with the new, more competitive, international economic order.

Numsa's membership stood at almost 238 000 at Cosatu's congress last year, about 16 000 below that of the NUM. But over the longer term Numsa can hope to become the largest, with the NUM operating in a declining sector while Numsa has the potential advantage of organising in a sector that could lead SA's hoped-for export-driven growth.

Godongwana's approach promises to be very different from that of his predecessor, Moses Mayekiso, who is heading for Parliament. Mayekiso has been little more than a figurehead since his election to the post in 1989 while still in prison and facing charges of treason.

Some blame this on Mayekiso's own failure to give his union work priority while also remaining active in the civic movement and SACP, of which he is a central committee member. Others say he was a victim of circumstance when he was acquitted he found all the key Numsa functions occupied so had no choice but to turn to other activities.

Whatever the case, Godongwana has resigned from his position as a member of the SACP PWV regional executive (though not from party membership) to concentrate on

The new man in Numsa's hot seat faces a balancing act

ALAN FINE and ERICA JANKOWITZ

(189)

Biko 4/12/84

Numsa work. The leadership switch is welcomed by senior colleagues, who see a strong general secretary as crucial. They rate highly Godongwana's strategic ability — something which began to appear lacking in Numsa in recent years.

Outlining the challenges he sees for labour over the next few years, Godongwana outlines what might be called the union movement's version of a "back to basics" campaign.

Godongwana sees the period as requiring careful and strong leadership. It will be a time of challenges, opportunities and dangers as Cosatu strives to maintain its independence while co-operating with the new government on matters of mutual interest. This balancing act will severely test the union movement's leadership, weakened by a shift of top people to Parliament, regional legislatures and the public service. Numsa alone is set to lose 21 officials.

He believes Cosatu has overstretched its resources by trying to tackle too many issues at once. Its priority, and Numsa's, must now be to strengthen organisation on the ground and focus on issues that directly affect membership.

This, he says, is necessary to recapture members' faith and loyalty, which had been lost as unions focused on complex and arcane National Economic Forum negotiations on, for example, tariff policies,



□ GODONGWANA

the National Manpower Commission, and political negotiations.

"Only then will we succeed in maintaining our position as a key player," Godongwana says. Without discounting the impor-

tance of the tripartite forums on which Cosatu is represented, Godongwana clearly feels Cosatu and its affiliates have lost the grassroots support that made them strong, unified and militant forces in the 1980s.

He feels Cosatu should remain party to the forums, but should concentrate more on worker issues. "If you compare the importance of the National Manpower Commission with that of the National Economic Forum, the commission must come out on top because of the labour issues it deals with," he explains.

This includes shop-floor and industry restructuring designed to limit the disadvantages the new world economic regime holds for workers. Last year Numsa devised and tabled a whole new approach to wage bargaining in the motor assembly, tyre and engineering sectors with its three-year plan for grading, training and career path focus. The union went some way to achieving its goals with all sectors agreeing to grade reduction, blurring the artisan/labourer divide and establishing industry training boards.

Godongwana attended a school in the Transkei. He arrived on the East Rand in 1975 as one of many job seekers armed with little more than a matric certificate. His first brush with the law was in the same year when he was arrested for a pass offence and ordered to leave the area

within 72 hours. Shortly afterwards he found employment and gained the right to remain in the area, but as a "temporary sojourner".

During 1980, as a dispatch clerk at engineering firm C H Funke, Godongwana joined Numsa's predecessor, the Metal and Allied Workers' Union. He was quickly voted a shop steward and became a member of the union's national executive in 1982. He was appointed a full-time official the following year.

His political development was multifaceted. Growing up in the Transkei in the 1970s, Steve Biko's stamping ground, he was influenced in the early years by the black consciousness philosophy. Later, joining an affiliate of the then Federation of SA Trade Unions exposed him to the "workerist", nonracial union philosophy. The third strand was the SACP, which he admits to having joined in 1984, though he is reticent about discussing his underground political work. His outlook is avowedly socialist — he is familiar with Marxist theory — although he concedes in a recent SA Labour Bulletin article that it has become difficult to define that term. He spent almost a year in state of emergency detention from August 1986.

Godongwana has spent the past three-and-a-half years back in the Border region as Numsa regional secretary. He was sent there in late 1990 to deal with an organisational crisis, sparked by an internal union dispute over the motor industry's national bargaining forum.

He dispute led to a lengthy strike at Mercedes-Benz, prompting the company to threaten to withdraw from SA. Today, industrial relations at Mercedes, the focus of Godongwana's work since 1990, are in good shape in part thanks to him, and he is highly regarded by Mercedes management.

Godongwana is sure of the way to go. "If we don't establish strategies to ensure job security and higher living standards, and if co-operation with the new government comes at the expense of the labour movement's independence, we will have lost the battle." But it will be a road filled with obstacles.

Numsa demands time off for whole week of elections

THE National Union of Metalworkers of SA (Numsa) yesterday called for car and tyre manufacturers to close for the whole election week, as well as the day the results were announced. **B. B. B.**

Numsa national organiser Gavin Hartford said other sectors organised by Numsa were expected to follow suit and report to a union central executive committee meeting in mid-March. The committee was expected to authorise workers to implement their decision. **B. B. B.**

Cosatu voter education co-ordinator Jesse Maluleke said other Cosatu affiliates would probably table the same demand to employers, although this was not a

ERICA JANKOWITZ

national Cosatu position. Cosatu would welcome employers' co-operation in allowing time off during the election week.

Last year Cosatu and its affiliates began calling for "thousands" of shop stewards and workers to be released for election monitoring. The federation also urged employers in inaccessible and strife-torn regions to grant workers sufficient time off to get to the polls on both voting days.

Cosatu was apparently involved in negotiations with Saccofa on the issue of time off for workers to vote and monitor the elections, although it was unclear how

many days had been demanded. However, it appeared that the one-day public holiday was deemed insufficient for migrant workers to return home.

But Numsa has not distinguished between its migrant and urban workforce in its demand for a five-day break. Hartford said the demand stemmed from a perceived need for workers to be with their families during the elections and to mobilise support for the ANC. **(189) (B. B. B.)**

A meeting of car manufacturers under the auspices of the national bargaining forum yesterday failed to reach agreement, as manufacturers offered only the three voting days as time off for workers.

Hartford said this proposal was rejected "on the grounds that it was unworkable in that employees would not tender full services on April 25 and 26, resulting in high absenteeism and consequent severe disruption of production".

However, negotiations were not closed. Earlier this month, Numsa shop stewards were authorised to negotiate the logistics of the shutdown at plant level, including whether production time could be made up and if the lost time would be wholly or partially paid or unpaid.

Employer body representatives could not be reached for comment last night.

Report by E. Jankowitz, TML, 11 Diagonal St., Jhb

Star 17/2/94

Metal exports tipped to rise 19%

BY STEPHEN CRANSTON

Metal industry exports are expected to increase by more than 19 percent over the next two years to R12 billion in 1996, says the CSIR's Central Economic Advisory Service

The Steel and Engineering Industries Federation (Seifsa) says the growth will be stimulated by the expected improvement in the world economy, a more competitive local industry resulting from the removal of certain tariff protection and the end to sanctions

Exports have increased almost fivefold over the last decade from R2,1 billion in 1984 to R10 billion in 1993

Exports of electrical and non-electrical machinery, motor parts and other manufactured products increased from R300 million to R2,8 billion

Transport equipment exports surged from R170 million to R2,7 billion.

The export of fabricated and manufactured products was helped by the introduction of the General Export Incentive

Scheme (Geis) in 1990

Order intake levels in the metal and engineering industries are at their most favourable since the start of the recession in 1989

Political uncertainty and the continuing high level of violence appear to be the only inhibitors to a major upswing this year

The wide-scale infrastructure building required in housing, electrification, schools, hospitals and other services should provide the basis for growth in the metal and other industries

Retrenchments continued last year but, at just under 23 000 in 1993, were at a lower level than either 1992 (32 000) or 1991 (34 000)

The numbers employed in the industry fell from more than 454 000 in 1981 to less than 280 000 in 1993

Technological innovation has required a smaller, but better-trained workforce

Seifsa expects some growth in job numbers, but it is unlikely to employ more than 380 000

Overtime offer for election break

Star 17/2/94

■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

Members of the National Union of Metalworkers of South Africa (Numsa), who have demanded time off during the election week, were prepared to work overtime to recover lost production, Numsa secretary-general Enoch Godongwana said yesterday.

Godongwana said the workers demanded that production be shut for the whole week because they felt that effective production was unlikely that week.

And Cosatu yesterday warned that time was running out for employers to negotiate agreements with trade unions regarding the release of trade unionists in the run-up to the election.

Cosatu called on employers in all sectors to release an agreed number of shop stewards and worker leaders for voter education, monitoring and other activities to ensure the full participation of workers in the election.

Resistance of many employers was leading to growing tension in the workplace, Cosatu said

Godongwana said negotiations between the Automobile Manufacturers Employers' Organisation (AMEO) and Numsa's National Autoworker Shop Stewards Council over the duration of the shutdown were postponed yesterday after Numsa rejected an AMEO proposal for a three-day shutdown.

Business organisations expressed concern that the break in production could cost them

considerably

Bokke Botha, president of the South African Consultative Committee on Labour Affairs, said his organisation had not held any discussions over time off during the election.

Botha said five days without production would prove to be very disruptive and costly to the economy

Chamber of Mines president Jurie Geldenhuys said his organisation had not had similar demands from the National Union of Mineworkers

He said the Chamber of Mines would be disappointed if such demands were made

"We want a decent election and not a disrupted economy," he said.

(47 Sauer St, Jhb)

09/23/94

Metal exports 'to grow 19%'

Own Correspondent

JOHANNESBURG — Metal industry exports are expected to grow by more than 19% over the next two years to reach R12bn, according to the SA Steel and Engineering Industries Federation (Seifsa)

The growth, it says, will largely be stimulated by the expected improvement in world economies, changes in SA's international trade policy, a more competitive local industry as a result of the removal of unnecessary tariff protection and the removal of virtually all international sanctions against SA

Quoting figures supplied by the CSIR's Central Economic Advisory Service, Seifsa says exports rose from R2,1bn in 1984 to about R10bn last year. Basic metals, including iron, steel and non-ferrous metals increased from over R2,1bn in 1984 to nearly double,

R4,2bn in 1985

"This remarkable increase was partially due to the sharp decrease in the value of the rand, but also to a major drive by metals producers to increase export performance at a time when local demand was particularly slack," it says

Exports of basic metals rose to over R9bn in 1989 and in 1993 peaked at just under R10bn

"Ironically, this was achieved at a time when there was a world over-supply of steel of approximately 15% and prices for steel, aluminium and many other commodities were very low due to poor economic performance in most northern hemisphere economies

"Exports of electrical and non-electrical machinery, motor parts and other manufactured products also increased considerably over this period from just

over R300m in 1984 in the machinery sector to R2,8bn in 1993. Transport equipment, including motor vehicles, parts and accessories shot up from around R170m in 1984 to nearly R2,7bn in 1993"

On the domestic front, Seifsa says order intake levels are at their most favourable since the start of the current recession in 1989

Seifsa says the encouraging downward trend in retrenchments in the metal and engineering industries is expected to continue during 1994 although "it is highly unlikely that employment will ever be as high as it was in 1981 when we had over 450 000 hourly-paid workers"

"Probably even at major peaks in economic cycles, the highest number to be employed in the industry would be between 360 000 and 380 000 workers," Seifsa says

189

CT 17/2/94

Numsa threatens election shutdown

~~(189)~~ (189) Wm 18-24/2/94
THE country's largest metalworkers' union, Numsa, is gearing to sidestep the industry's National Bargaining Forum and embark on a nationwide shutdown of the industry during election week

Numsa's national organiser, Gavin Hartford, said if their central committee authorised the action on March 15, workers at automobile assembly and tyre-manufacturing plants would close from April 25 to 29, as well as the day on which

election results are made known
Negotiations between the Automobile Manufacturers' Employers' Organisation (Ameo) and Numsa's National Autoworker Shop Stewards' Council deadlocked on Tuesday Ameo has proposed a three-day shutdown from April 27 to 29, which Numsa has rejected — Ecna

■ Report by Beverly Garson, 139 Smit St, Johannesburg

Goldstone commission asked to probe shooting

EASTERN Transvaal police commissioner Chris Serfontein has asked the Goldstone commission to probe the shooting of ANC and PAC supporters by police in Standerton on Wednesday.

Sixty-eight people were injured in Sakhile township when the internal stability unit opened fire on marchers going to the Standerton Town Council to deliver a memorandum protesting against the declaration of the town as part of a volkstaat.

SAP eastern Transvaal spokesman W/O Izak Van Zyl confirmed that the request had been made to the commission yesterday. He said Brig Daniel Siebrit would head a team of senior police officers investigating the incident.

Van Zyl said the march was illegal in terms of restrictions proclaimed on Tuesday night by the Standerton chief magistrate.

Business Day 18/2/94
JOHANNES NGCOBO

He said a group of about 200 Afrikaner Weerstandsbeweging (AWB) members had gathered in the town on Wednesday, threatening to open fire on the ANC and PAC supporters if they came into town.

A police major was hit by a stone when demonstrators attempted to force their way through a police line to deliver a memorandum to the town council.

ANC eastern Transvaal secretary-general Jerry Masilela called yesterday for the immediate withdrawal of the unit from the township and the immediate suspension of the unit commander who issued the order to open fire on unarmed marchers.

The ANC also threatened a consumer boycott of all white-owned shops in the eastern Transvaal.

Masilela warned that the ANC

would call an indefinite consumer boycott of all white-owned shops in the eastern Transvaal if its demands were not met.

Law and Order Minister Hernus Kriel said yesterday the standoff between the ANC and the AWB in Standerton should serve as a "wake-up call" to SA that levels of political intolerance and intimidation had reached dangerous levels, Sapa reports from Pretoria.

He said the intolerance of the ANC and the AWB had sparked the incident. It had also illustrated the complexity of the task of the police, whose function was made more difficult by the "destructive intolerance" of the ANC and the AWB.

Kriel said the Independent Electoral Commission should give serious attention to the question of marches during the election period.

Report by J Ngcobo TML 11 Diagonal St, Jhb

Numsa to lodge complaint against Scaw Metals to TEC

Business Day 18/2/94
JACQUIE GOLDING

NUMSA said yesterday it would refer the "gross incompetence" of Scaw Metals management to the TEC.

Numsa's decision to take this step stems from the breakdown in negotiations on security between the union and management nearly two weeks ago.

The negotiations followed the killing of 12 people at a company hostel in a shooting incident last year.

"Scaw management cheapens the lives of black workers by not attending to the security problem at the company hostel."

"It was seven months before we got a response from management and the meeting which followed was ended because of management's arrogance and their blatant refusal to listen to our proposals," said a Numsa official.

Responding to the allegations, Scaw Metals parent Anglo American urged the union to recommence discussions with Scaw management as soon as possible.

It said Scaw Metals had "devoted an enormous amount of time and additional money" to security.

Scaw said it acknowledged the important role the union could play in resolving security problems, but said it was necessary that it take part in an "atmosphere of mutual respect."

It attributed the breakdown in talks to the "unwarranted, inappropriate and unacceptable behaviour on the part of the union."

Numsa reiterated its demand for the replacement of Scaw Metals MD Tony Harris.

The union accused Harris of high-handedness in his insistence that an ethnic committee be established to oversee the hostel.

In a letter to Scaw's holding company, Anglo American, Numsa outlined another attack on September 28 which left "many Numsa members injured."

Numsa threatened to embark on "various forms of protests" — to be decided by Scaw Metals workers — as soon as the union had received a mandate from the workers.

'Link up' education

KATHRYN STRACHAN

A NEW initiative to link top SA educational institutions to deprived communities was launched yesterday when British ambassador Sir Anthony Reeve opened three new classrooms at Penryn College outside Nelspruit.

Penryn College is an innovative venture between St Sithians College in Johannesburg and the low-veld community.

St Sithians provides educational expertise, while the community ensures pupil, teacher and local business support.

Penryn College also serves more than just its own pupils, acting as a centre of educational excellence and providing outreach programmes to the local community.

Most of Penryn College fundraising will be undertaken by Education Africa, a non-profit organisation.

Scaw 'spent millions' on hostel security

SCAW Metals spent "several millions" to increase hostel security following last year's killing of 12 people at the company hostel, Scaw MD Tony Harris said yesterday.

He was reacting to allegations by the National Union of Metalworkers of SA (Numsa) which alleged that management had done nothing to improve security despite several attacks on the hostel in the past few months which have left nearly a dozen people dead.

On a tour of Scaw premises, Harris pointed out a 2km steel picket fence which replaced concrete fencing after the killings, additional security guards at designated points, patrolling armoured vehicles, security lights and barbed wire atop remaining concrete walls.

"We have done everything we can to reinforce security at the mine, even going to the

extent of adding internal fencing to protect workers," said Harris.

Twelve people — including 10 Scaw employees — were killed in a shooting incident at the company hostel last year.

A breakdown in negotiations between Numsa and management led to the union demanding the resignation of Harris, accusing him of "high-handedness".

Numsa last week threatened to take the "gross incompetence" of Scaw management to the TEC

Harris reiterated that the hostel committee was having regular talks with management and the committee would grow following additional elections by hostel dwellers

JACQUIE GOLDING

Biday

25/2/94

189

Rationalised Haggie clinging on

ARG 10/3/94

(189)

Business Staff

ALTHOUGH there are signs that the economy is turning around, many companies still have to feel the benefits of this — perhaps none more so than the beleaguered rope, wire and copper products group Haggie

Whereas, for example, Highveld Steel and Iscor have reported a increase in domestic sales of between eight and 10 percent, Haggie's domestic business was down 11 percent in the year to December, and its operating margin was down from nine percent to 4,6 percent

Haggie's earnings per share fell from 406,2c in 1989 to 180,1c in 1993

Group MD Chris Murray says in the annual report that the group was forced into a disinvestment programme during the year.

The remaining furnaces and the top blown rotary converter equipment on the Boksburg site

were permanently shut down in the second half

Haggie exited the bush machining, fire brass wire and refinery businesses at Wadeville and the production of brass tube was ended at Maksal Tubes

Mr Murray says Haggie intends to continue eliminating uneconomic activities to free up the working capital invested in them and improve returns

As part of the downsizing the payroll was down by 957, equivalent to 11 percent of the workforce

Chairman Hugh Brown says that the group's prospects for increased earnings are now more promising than they have been for many years

It has digested R22 million of once-off rationalisation costs and increased exports, which now account for 20 percent of sales

Investments have been made into what promise to be more

than acceptably profitable areas McKinnon Chain was acquired for R22 million mid-year and contributed R3 million in the second half

The modernisation of the Vanderbijlpark wire plant was completed at a cost of R35 million and pre-production runs began on the steel cord plant, which will be manufacturing all the steel cord required by the tyre industry at internationally competitive prices, we are told

Mr Murray says that local demand for Haggie products should increase in tandem with Gross Domestic Fixed Investment, which fell 4,7 percent last year

He hopes that after the April elections, the new government will aim to deliver as fast as is practical and is likely to embark on an investment spending programme

Certainly Haggie will need to show real improvement to stop it looking like a terminal case

Steel share gains buoy industrials

JOHANNESBURG — Steel shares posted major gains yesterday amid local and offshore interest, dealers said.

The jump boosted other industrials which had been drifting in search of direction. Dealers said there were few fresh developments to influence price levels.

They said a lower bullion price had hit gold shares, although declines were relatively muted.

The Gold Index ended 24 points lower at 1 959, the Industrial Index was 48 points better at 6 106 and the Overall Index was 14 points lower at 5 188.

Analysts said there was no fundamental reason for the surge in steel shares, although they had been set for further gains.

"There is nothing fundamental behind this. The move seems to be purely a valuation one," an analyst said.

He said the shares had been attracting new buyers recently.

"The shares are liquid, have been undervalued and are still quite cheap," a dealer said.

"But this has been a bit of a surprise," the analyst said. "Local steel demand seems alright and export prices look to be going sideways to lower."

Seifsa concerned about sustained stability

Biday 25/3/94

JACQUIE GOLDING

THE Steel and Engineering Industries Federation of SA (Seifsa) said political uncertainty and the high level of violence would seriously inhibit any major economic upswing in the industry during 1994.

Although Seifsa's latest Business Condition Index reflected more favourable order intake levels in the metal and engineering industries than in recent years, sustained stability remained a major concern.

Problems which could influence wage negotiations included:

The possibility of disruption of production during and after the elections,

Possible increased trade union militancy in the wake of the election,

Possible power plays by the new Cosatu leadership, and

A propensity for social and industrial unrest as a result of expectations

Employer proposals for this year's annual wage negotiations were for-

mulated by Seifsa at the beginning of the year. Employers proposed that separate wage schedules be negotiated for the new regions, that no back-dating of wage increases after June 30 be allowed and that paid public holidays not exceed the current quota of 11.

(189)
Meanwhile, the industry's 13 party trade unions submitted more than 50 demands pertaining to this year's wage negotiations, including increases ranging from 15% to 23% and reduced hours without loss of pay.

Unions to
Steel
Buss 2/4/74
1974-1984

STEEL and engineering trade unions are demanding wage increases of between 15% and 23%, writes **DON ROBERTSON** (18)

Unions led by Numsa have placed more than 50 demands before the Steel and Engineering Industries Federation of SA (Seifsa), which is due to meet the unions on April 14 and 15.

Demands include calls for a reduced working week, increased overtime rates, leave of four weeks, 10 days a year paternity leave and 20 days for child care, a death payment of five times annual salary and a moratorium on retrenchments.

Employers in Seifsa say that political uncertainty could inhibit improvement in the industry this year.

Wage talks to start in metal industry

Star 13/4/94
■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

The metal industry's 12 trade unions have proposed wage increases of between 15 and 23 per cent and will collectively submit 50 demands when the working groups meet tomorrow and Friday to start this year's wage negotiations.

The unions, led by the giant National Union of Metalworkers (Numsa), have also proposed that the term affirmative action should be banned and replaced with "supportive action".

Any action aimed at undermining white employees' terms of employment and promotion possibilities should be banned.

Numsa also demanded the reduction of working hours without the loss of pay, a moratorium on retrenchments and an increase in pension and death benefits to five times the annual salary.

Employers were asked to develop industry training schedules to include literacy and technical and management training.

(189)
Employers, through the Steel and Engineering Industries Federation of South Africa, have submitted 11 proposals, decided in January.

The proposals include negotiation of separate wage schedules for regions and the number of public holidays for the industry not to exceed the current quota of 11.

Numsa warns of strike action

BIDAY 14/4/94
ERICA JANKOWITZ

THE National Union of Metalworkers of SA said yesterday it could not rule out strike action if its wage demands for engineering, automobile and tyre sector employers were not met within an acceptable timeframe.

Numsa general secretary Enoch Godongwana said the union's wage demands this year were an extension of the proposed three-year plan first tabled last year. However, insufficient progress was made last year. "There is a strong feeling on the ground that we are making too many concessions."

Numsa would focus on three areas:

- A 23% increase based on expected inflation, "an improvement factor, broad banding and the decline in real wages"; (189) (35)
- Employers to pay workers for a minimum of 160 hours a year to "study for the purpose of uplifting basic education standards"; and
- Plant-level restructuring within an agreed timeframe without job losses, "as a result of multiskilling and/or workplace change".

Seifsa tables a 5% wage offer

ERICA JANKOWITZ

SEIFSA employers tabled an opening wage offer of 5%, excluding members in the Natal and Border regions, in response to union demands ranging from 15% to 23%, the federation said yesterday **BIDAY 15/4/97**

Employers suggested a separate wage structure for all coastal areas, with other conditions of employment settled at central level

However, the National Union of Metalworkers of SA said it preferred an arrangement in which individual companies applied for non-compliance with minimum rate regulations **(189) (355)**

Seifsa said representatives of the industry's 12 trade unions indicated they were not in a position to accept the 5% wage offer, but would report back to their constituents and meet employers on May 2 when they would table their responses



5% offer to steelmen

THE Steel and Engineering Industries Federation of South Africa (Seifsa) offered trade unions a 5 per cent wage increase at annual negotiations in Johannesburg on Thursday.

Representatives of the 12 trade unions in the metal and engineering industries are seeking increases of between 15 and 23 percent

The unions will respond to Seifsa's offer on May 2. (189) (1400)

Seifsa's 5 percent offer excludes employers in Natal and Border (1400)

Seifsa proposal on coastal wages worries union

8/Day 1917/194
ERICA JANOWITZ

SEIFSA's bid to remove all coastal employers from the main agreement's wage structure showed the federation was trying to move towards a system of deregulation and was a direct attack on centralised bargaining, National Union of Metalworkers of SA (Numsa) collective bargaining head Les Kettledas said yesterday

Reacting to Seifsa's 5% wage offer in response to Numsa's 23% demand,

Kettledas said all union parties to the industrial council had rejected the offer. They had also demanded that employers table a full and proper motivation for the proposal that coastal employers explore a separate wage structure.

(189)
"We want to see where employers see wage negotiations going in the future. We could not consider the

wage offer until a decision is made on the principle of centralised bargaining," he said.

In addition, refrigeration and air-conditioning manufacturers and suppliers proposed a wage freeze for the lowest paid category of workers

"It is likely that if this trend continues it will be a recipe for the declaration of a dispute. And then it will be up to our members whether or not we embark on industrial action"

Full alert as SA girds for the election

SITimes (BUS)

NO work, no pay — and no disciplinary action. This appears to be the attitude business and industry will take during and after election week.

The SA Chamber of Business (Sacob), the Institute of Personnel Management (IPM) and the Steel and Engineering Industries Federation of SA (Seifsa) have advised their members to adopt a flexible policy to employee conduct in election week when tension will be high and political tolerance low.

The IPM says employers should provide for extraordinary events and ensure the safety of employees. But they should also try to maintain productivity.

A survey by Andrew Levy & Associates finds that 13% of companies will close for election week. Employees will either take leave or make up for lost time. The decision to make up for lost time must be approved by 75% of employees.

Employers should accept that it might not be possible to make up for all lost production.

Most industries intend to close only on Wednesday.

Lack of transport could be a problem for workers and employers are urged to be lenient on late-comers or those who fail to report for

By DON ROBERTSON

duty. Essential workers should be provided with accommodation away from their homes. 24/4/94

Cosatu is encouraging workers to return to work on Thursday because it believes people sitting at home could heighten tension.

Companies are advised not to adhere stringently to some of their rules for workers.

Employees who try to disrupt work, canvass for a political party, hold meetings or rallies or intimidate others should be reported to an electoral tribunal.

It is suggested that companies provide employees with transport to and from polling stations on Wednesday and Thursday.

Sacob advises members to review contingency and other plans. It suggests that this be done as calmly as possible to avoid anxiety among workers.

It suggests that contact be made with police stations before Wednesday. Communications, fire-fighting, alarm and security systems should be checked. Power, water, fuel and raw-material supplies should be secured. Stockpiling is suggested.

A review of insurance cover is essential to ensure

that all risks are provided for. Cover is available from SA Special Riot Insurance Association (Sasria). Loss of profits should be covered, accounting records should be removed from the premises and a stock count should be taken. (189)

Large warehouses containing food may be vulnerable to attack and stocks should be reduced. (20)

Major stores will carry on as usual, but will close on Wednesday.

Rene de Wet, joint managing director of Pick 'n Pay, says that although some shops open on public holidays, it is considered wise to close on Wednesday. Security will be increased.

Norman Nunan, operations director at OK Bazaars, says all stores will be open, except on Wednesday. Candles, tinned fish and meat are in short supply.

Bakeries plan to bake every day, but deliveries could be disrupted.

The JSE will be closed on Wednesday and will reopen on Thursday.

Disruption of business is inevitable, but some operations have scored in the run-up to the elections. Car-rental companies have done great business. Imperial Car Rental, for instance, has acquired an additional 1 700 vehicles.

Newspapers, radio and television have benefited from political advertising.

Focus on SA steel production

LONDON — SA could play a determining role in developing steel production elsewhere in Africa, this week's Metal Bulletin said in its lead story

It said this conclusion was reached by a number of industry experts who had studied the prospects for steel in this "least-developed of all continents"

A UN Economic Commission for Africa survey predicted that Africa's demand for steel — traditionally low because of its underdevelopment — was rising and could more than double by the end of the decade from the 1990 level

Almost half of the continent's countries had operational steel-making or rolling facilities. Many countries also had some or all of the natural resources needed to make iron and steel

"What is needed is a catalyst, and this is where the new black-led South Africa comes in"

The bulletin noted that SA produced more steel than the rest of Africa combined — 8,6m tons against 5,8mt in 1993. Almost all the production in the rest of Africa took place in Arab countries, with the output of southern, central, east and west Africa last year estimated at 500 000 tons.

French industry expert Jacques Astier recently pointed out that coal-based direct reduction, widespread in SA, could be one of the technologies of use to countries like Zambia which had coal reserves

189

"The Corex ironmaking process, pioneered by Iscor, may also be suitable for coal-rich countries, which include Botswana, Mozambique, Tanzania, Zaire and Niger. Iscor is also examining thin slab casting — a technology that suits small-tonnage flat product markets," the bulletin said.

CT 29/4/94

Workforce slumps in metal industry

S Times (Buss) 11/5/94

By ADRIAN HERSCH

LARGE-scale economic growth will boost job numbers in the metal industry to a maximum of only about 350 000 — well below its 1981 peak of 454 000

This is the view of Seifsa economics head Michael McDonald. He says about 280 000 people are employed in the steel and engineering industry (189,118)

The 454 000 peak will not be reached because of radical change in the workforce. A large proportion are more skilled than before and the trend will continue.

Mr McDonald says that in 1988 unskilled workers comprised 50% of the workforce, but by 1993 there was a decline to 32%.

The proportion of artisans remained about 15% and semi-skilled increased from 34% to 52%.

Relatively high wages for the unskilled are part of the reason for the job decline.

Mr McDonald says "In the last 10 years, real wage levels increased for the less skilled. Real wages fell for the semi-skilled and arti-

sans

"But the change in the workforce is also due in part to a natural occurrence. As technology increases, so does the need for a more sophisticated workforce."

The metal industry is capital intensive, especially so for companies engaged in exporting.

The millions of jobs that the new government hopes for will not come from the manufacturing sector.

Mr McDonald says "Many new jobs will be from other industries, such as construction and services."

Only about 70 000 jobs can be created in the metal industry, even in ideal conditions.

Mr McDonald says "The trend for a more skilled workforce will require new workers. But we hope to fill many new jobs with unskilled employees. Training of all workers is what we aim for."

Gentech sparks up profits for Powertech

Deputy Business Editor

THE acquisition of Gentech last year helped high technology group Powertech to lift earnings 37% on a 34% increase in turnover for the 12 months to end February.

Due to the acquisition of Gentech in February 1993, the results for the year are not strictly comparable with the previous year. Gentech's contribution to turnover and earnings is R274m and R1,75m respectively.

Turnover for the year topped R1,5bn for the first time with attributable earnings up more than R17m at R63m.

Earnings at the share level were up 16% at 38,7c due to the higher number of shares in issue following the rights offer at the end of the financial year.

A dividend of 12,1c a share, 31,5% up on the previous year, will be paid with dividend cover being maintained at 3,2 times

The group's balance sheet remains strong with net cash and deposits at the year-end at R26m against R8m the previous year. Net asset value per share is up at 229,5c (194,2c).

Chairman Peter Watt said that in spite of extremely competitive markets, the results reflected a general increase in demand for the group's products during the second half of the year.

Domestic appliance producer Gentech had returned to profitability

of 3/5/94 (189)

stalled at Duyha Power Station, contributed positively to the group's performance."

ABB Powertech, the joint venture with ABB, he said, had a slow start to the year under review mainly as a result of the earlier problems experienced by Eskom and other electricity suppliers in the electrification programme.

"This, however, reversed at year-end and together with the successful completion of phases I and II of the pollution control system in-

stalled at Duyha Power Station, contributed positively to the group's performance."

Turning to the group's acquisition of loss-making U-Lite from Unihold, Watt said the manufacturing facilities had now been fully rationalised into the Lascon Luminaire business and the newly structured U-Lite Holdings was well positioned for an improved performance in the year ahead although it had impacted negatively on the group's performance during the review year.

Unions reject Seifsa's wage offer

8 May 3 1994

ERICA JANKOWITZ

ALL 12 party trade unions rejected Seifsa's 5% wage offer and the proposal of a separate wage structure for coastal companies at the second round of annual wage negotiations yesterday, Seifsa said

No new wage offer was tabled and no progress was made on other issues, National Union of Metalworkers (Numsa) collective bargaining head Les Kettleidas said (189) (303)

However, Seifsa had clarified its position on bargaining levels, giving details of which issues it wanted negotiated at central level and which at company level. Kettleidas said Seifsa wanted appropriate worker rights and information disclosure to be settled at company level, but this would not be accepted by Numsa

F
o the
this
e
World
a on
from
pro-
ation

pro-
tion's
its
ng of
ives

est
Pre-
usion
free
ment
van

g to a
dent
week
sting
only

ber
lines
tions
oce-
ng on
ks, a

mons
nd of
7 13,

it
pro-
nine
7 un-
hich
tart-
May
le to

Seifsa predicts a boom this year

BIDAY
4/5/94

MICK COLLINS

THE Steel and Engineering Industries Federation of SA (Seifsa) business conditions index shows that companies' order intake levels during the first quarter of 1994 were at their highest since 1981.

Seifsa economic division head Michael McDonald said yesterday there seemed to be very little standing in the way of a major economic upswing in the country in general and the steel and engineering industries in particular this year.

He said this followed the conclusion of the elections and the likelihood of a smooth transition, including a potential reduction in the levels of violence. (189)

The index measured the "favourability" of order intake levels among companies and was derived from a survey conducted on a monthly basis among senior executives of about 100 major companies representing all sectors of the metal industries.

McDonald said most other indicators, too, pointed to a major and sustainable upswing which should be well under way from the second half of 1994 and should continue well into 1995 and possibly beyond.

"Historically the metal industries have been heavily reliant on major capital projects, particularly those initiated by government."

But although few major capital projects were expected in the near future — especially in respect of government expenditure — the wide-scale infrastructure building which needed to take place in areas of hous-



ing, electrification, schools and other services would provide a good basis for considerable growth in the metal industries as well as other sectors.

There were also good prospects for growth through the wide-scale development of infrastructure in the entire southern African subcontinent.

However, he said, there were two shadows which normally accompanied any recovery in SA — a shortage of skilled labour and a potential problem with the balance of payments if large-scale importation of capital equipment were needed.

"The metals industry is currently negotiating with its trade unions on details of a new industry training board which will oversee training for all levels of workers. This should substantially improve long term prospects and productivity."

"In respect of the balance of payments, unlike before, SA will now have access to IMF and other funding to help it," McDonald said.

White a bank-guaranteed cheque was



AY

Offshore scoop for Samancor

CF 17/5/94
189

SAMANCOR has struck a deal with the world's largest stainless steel producer, Ugine SA of France, to secure sales worth \$100m a year, the chrome and alloys producer said yesterday

The contract will see the Gencor-owned company take a minority stake in Ugine, which has until now been 96% owned by state-controlled Usinor

The Reserve Bank has approved the investment and funding will be by way of offshore facilities, with terms expected to be finalised by the end of June, Samancor said

Samancor's investment follows an announcement by Ugine that it plans to make a public offering of shares. But the Samancor investment is being made separately from this

The contract will generate ferrochrome sales for Samancor and sales of hot rolled steel products for Columbus Stainless Steel for "a good many years", Samancor executive chairman Mike Salamon said

Deliveries of certain of the products would start this year. But he added that the stainless steel portion of the contract was aimed at the Columbus expansion project

Columbus project

Samancor holds a third stake in Columbus. The other two partners in Columbus are Highveld Steel and the Industrial Development Corporation

Salamon declined to give exact details of the exports, but noted ferrochrome was selling at \$450 a ton. Hot rolled stainless steel was \$1 500 a ton

Ugine will make its public offering of shares in the French press today

"We are also buying some equity in Ugine but it is not part of the public offering," Salamon said

● Samancor already has two overseas partnerships — one with French ferro-manganese producer SFPO at its manganese plant in Boulogne and the other with Nippon Denko in NST Ferrochrome, to which Samancor sold its Tubatse Number 5 furnace for R19m — Business Editor and Own Correspondent

n
e Ind
6 707
to 1
are g
there
" a
finar
rand
ealers
was R
hed R
D to R
ocks r
bank
heddir
lend
d Klo

Seifsa raises 26/6/94 wage offer 8/5/94

ERICA JANKOWITZ

SEIFSA yesterday revised its wage offer from 5% to 6,5% in the third round of wage negotiations. (184) (184)

At the same time, unions represented by the Council for Mining and Building Unions, the all-white Mineworkers' Union and the SA Iron, Steel and Allied Industries Union dropped their demand from 15% to 12%, Seifsa said.

The Cosatu-affiliated National Union of Metalworkers of SA and Chemical Workers' Industrial Union demand for a 23% increase remained unchanged. Nor had the Nactu-affiliated Metal and Electrical Workers' Union and Steel, Engineering and Allied Workers' Union of SA revised their 15% demand. A task group would discuss sectoral and regional wage differences

Eskom, unions in bonus agreement

A DRAFT agreement was reached between Eskom and representative trade unions — including the National Union of Metalworkers of SA (Numsa) — yesterday, following a sit-in by 500 Numsa members *8/10/94*

The workers occupied Eskom's offices on Monday and continued the sit-in yesterday to demand a R200 bonus for all workers in line with bonuses granted to white workers

Numsa accused the company of discrimination and racist practices

JACQUIE GOLDING

Eskom said the draft agreement reached yesterday would be discussed at a meeting today where the nine represented unions would all have to sign and agree to conditions of the agreement. *8/16/94*

Management said it agreed to pay the R200 bonuses to workers previously excluded from the performance management system but the unions would have to agree to review all bonus systems. *(189)*

Seifsa offers unions linked increases

THE Steel and Engineering Industries' Federation of SA (Seifsa) made its final wage offer of 7,5% on actual rates of pay coupled with a 5% increase to the industry's minimum wage structure, Seifsa chief negotiator Brian Angus said yesterday. *10/6/94*

At its fourth round of wage negotiations yesterday, employers in KwaZulu/Natal, Eastern Cape and Western Cape proposed that the industry's current minimum wage structure remained unchanged, but supported the 7,5% increase, Angus said. *(189) (355)*

Seifsa's offer excluded employers in the Border region, who had indicated that they would be unable to make a wage offer until parties

JACQUIE GOLDING

agreed on the need to negotiate a special wage dispensation for the region

Unions — including those represented by the Council for Mining and Building Unions, the Mine Workers' Union, the SA Iron, Steel and Allied Industries' Union, the National Union of Metalworkers of SA, the Chemical Workers' Industrial Union, and the Metal and Electrical Workers' Union of SA — remained firm on their demands, which ranged from 12% to 23%

The unions decided to refer the final wage offers to members for consideration. Parties agreed to meet on June 23 to hear the unions' response to the offer

Employers told to 'get serious' about wage talks

THE National Union of Metalworkers of SA (Numsa) has warned employers to "become serious" about wage talks or members might push the union to follow the dispute route. Numsa had scheduled a special national executive committee meeting for Saturday to review the slow progress of annual wage negotiations, general secretary Enoch Godongwana said yesterday.

He said employers either "become serious and genuinely engage us in negotiations" or members would push for the dispute option.

Although the union would prefer the former, Godongwana said negoti-

Biz
ERICA JANKOWITZ

ators perceived a "new liberal agenda from management, in line with a worldwide process, in which employers gain a competitive edge by lowering standards" 14/6/94

He said this did not fit in with Numsa's growth model, which was based on human resource and skills development as well as narrowing the wage gap between skilled and unskilled workers.

Seifsa executive director Brian Angus disputed this, saying the parties were trying to reach agreement on

the items that should be negotiated and the bargaining levels at which they should be tackled (189)

Numsa wanted a national training programme and a centralised job grading and productivity improvement framework, but employers believed these would be more appropriately handled at enterprise level.

Godongwana warned that all agreements would expire on June 30, and Numsa had not yet moved from its opening demand of 23%.

Angus said the union had not declared a dispute at last week's meeting, at which the 7,5% employer final offer was tabled.

Trade unions reject ^{Biday} Seifsa's wage offer

THE National Union of Metalworkers of SA (Numsa) yesterday rejected Seifsa's 7,5% wage offer, saying wage differentials in the industry were still three times those of competitors in other countries. 24/6/94

All 11 trade unions party to the industrial council rejected the Seifsa final wage offer of 7,5%, Seifsa said. An offer to increase the industry minimum wage structure by 5% was similarly rejected.

However, all unions revised their demands with Numsa and the Metal and Engineering Workers' Union of SA dropping to a 12% demand and the Council for Mining and Building Unions, the Mine Workers' Union and the SA Iron, Steel and Allied Industries Union demanding 10%.

Numsa general secretary Enoch Godongwana said the union had presented a document to Seifsa arguing that productivity improvements in the industry were impossible, given the fact that lower-skilled workers in some cases earned one-tenth of an average line manager's salary.

"Employers underestimate the effect of these disparities. Members see little common ground with managers and artisans who earn up to 10 times their incomes (189/335)

He said members felt that apartheid may have been voted out of the political arena, but was still much in evidence in existing wage structures

ERICA JANKOWITZ

in the steel and engineering sector

Income disparities "are viewed with considerable cynicism by our members, who see little merit in assisting with the survival of companies which discriminate so heavily in wages or use a low wage policy as a comparative advantage"

The union tabled a 3-year plan at last year's negotiations involving proposals to improve wages and productivity while tackling the thorny issue of wage differentials.

The union described its proposal as a broad-banding process linking incremental wage increases to changing work practices over the 3-year period while gearing up for increased competition with the relaxation of tariff barriers.

Emphasis was placed on skills and training with the union's recognition of the SA industry's comparative disadvantage as a result of low literacy and numeracy levels.

"The ability of the industry to move to world class standards in quality and delivery is obviously severely hampered by this reality."

However, little progress was made on these proposals in the steel and engineering sector with employers only agreeing to reduce job grades from 13 to 8.

Graphic LEE EMERTON S&P
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64
65
66
67
68
69
70
71
72
73
74
75
76
77
78
79
80
81
82
83
84
85
86
87
88
89
90
91
92
93
94
95
96
97
98
99
100

Union provident fund launched

CAPE TOWN — More than 30 000 municipal workers will have first-time access to retirement benefits with the launch of the SA Municipal Workers' Union National Provident Fund yesterday

According to Samwu, many municipal workers had been denied membership of statutory pensions funds because of being classified "temporary", even though many had more than 30 years' service with individual local authorities

Southern Life will administer the fund and Metropolitan Life has been charged with providing the insurance benefits, Samwu said

Union involvement in identifying and controlling benefits meant that investments would be controlled by workers, "weakening the stranglehold which large finance institutions exercise over the lives of workers"

The fund had also been set up as an alternative retirement vehicle for other members of the union

"The provision of benefits by the union will ultimately be co-ordinated within an integrated benefit system

"This is part of an overall vision of linking the provision of social benefits to the RDP and eventual integration into a new welfare system"

Samwu said workers had been involved in all aspects of setting up the fund. The union would elect eight of the 10 trustees, and employers two

Workers could remain in the fund if they moved from one workplace to another — Sapa

Trade unions reject Seifsa's wage offer

THE National Union of Metalworkers of SA (Numsa) yesterday rejected Seifsa's 7,5% wage offer, saying wage differentials in the industry were still three times those of competitors in other countries

All 11 trade unions party to the industrial council rejected the Seifsa final wage offer of 7,5%, Seifsa said. An offer to increase the industry minimum wage structure by 5% was similarly rejected

However, all unions revised their demands with Numsa and the Metal and Engineering Workers' Union of SA dropping to a 12% demand and the Council for Mining and Building Unions, the Mine Workers' Union and the SA Iron, Steel and Allied Industries Union demanding 10%

Numsa general secretary Enoch Godongwana said the union had presented a document to Seifsa arguing that productivity improvements in the industry were impossible, given the fact that lower-skilled workers in some cases earned one-tenth of an average line manager's salary

"Employers underestimate the effect of these disparities. Members see little common ground with managers and artisans who earn up to 10 times their incomes"

He said members felt that apartheid may have been voted out of the political arena, but was still much in evidence in existing wage structures

ERICA JANKOWITZ

in the steel and engineering sector

Income disparities "are viewed with considerable cynicism by our members, who see little merit in assisting with the survival of companies which discriminate so heavily in wages or use a low wage policy as a comparative advantage"

The union tabled a 3-year plan at last year's negotiations involving proposals to improve wages and productivity while tackling the thorny issue of wage differentials

The union described its proposal as a broad-banding process linking incremental wage increases to changing work practices over the 3-year period while gearing up for increased competition with the relaxation of tariff barriers

Emphasis was placed on skills and training with the union's recognition of the SA industry's comparative disadvantage as a result of low literacy and numeracy levels

"The ability of the industry to move to world class standards in quality and delivery is obviously severely hampered by this reality"

However, little progress was made on these proposals in the steel and engineering sector with employers only agreeing to reduce job grades from 13 to 8

Trade unions reject ^{BiDay} Seifsa's wage offer

THE National Union of Metalworkers of SA (Numsa) yesterday rejected Seifsa's 7,5% wage offer, saying wage differentials in the industry were still three times those of competitors in other countries ^{24/6/94}

All 11 trade unions party to the industrial council rejected the Seifsa final wage offer of 7,5%, Seifsa said. An offer to increase the industry minimum wage structure by 5% was similarly rejected.

However, all unions revised their demands with Numsa and the Metal and Engineering Workers' Union of SA dropping to a 12% demand and the Council for Mining and Building Unions, the Mine Workers' Union and the SA Iron, Steel and Allied Industries Union demanding 10%.

Numsa general secretary Enoch Godongwana said the union had presented a document to Seifsa arguing that productivity improvements in the industry were impossible, given the fact that lower-skilled workers in some cases earned one-tenth of an average line manager's salary.

"Employers underestimate the effect of these disparities. Members see little common ground with managers and artisans who earn up to 10 times their incomes" ^{(189) (355)}

He said members felt that apartheid may have been voted out of the political arena, but was still much in evidence in existing wage structures

ERICA JANKOWITZ

in the steel and engineering sector

Income disparities "are viewed with considerable cynicism by our members, who see little merit in assisting with the survival of companies which discriminate so heavily in wages or use a low wage policy as a comparative advantage"

The union tabled a 3-year plan at last year's negotiations involving proposals to improve wages and productivity while tackling the thorny issue of wage differentials.

The union described its proposal as a broad-banding process linking incremental wage increases to changing work practices over the 3-year period while gearing up for increased competition with the relaxation of tariff barriers.

Emphasis was placed on skills and training with the union's recognition of the SA industry's comparative disadvantage as a result of low literacy and numeracy levels.

"The ability of the industry to move to world class standards in quality and delivery is obviously severely hampered by this reality"

However, little progress was made on these proposals in the steel and engineering sector with employers only agreeing to reduce job grades from 13 to 8.

Low skills stall steel, engineering sector

MICK COLLINS

THE steel and engineering sector's ability to move into world markets was being hampered by low skills levels, the Steel and Engineering Industries Federation of SA (Seifsa) said at the weekend 27/6/94

Seifsa chief economist Michael McDonald said if SA was going to compete in world markets it had to have the best technology and product. And, he said, in a recent report the World Bank had warned that SA needed "massive" improvement in skills levels.

The skills level in the sector had a ratio of about only 14% of all the people employed which compared badly with countries such as Korea and Japan.

Seifsa was working to reduce the number of job grades from 15 to five. "We have a commitment to do this by 1996 at the latest and we are well on the way to accomplishing it" (189)

The new grades would be skills-based and would include minimum training requirements at each level.

The federation was working with trade unions to set up a training board which would look at training workers in all sectors of the industry — not just artisans. This should substantially improve long-term prospects as well as productivity levels. (4/3)

Four employee representatives and four employer representatives had been appointed to start developing the framework.

But in the short term, the skills shortage could prove to be a major stumbling block and, as in the past, the sector could be forced to consider the importation of the necessary skills. In the light of existing unemployment levels this would be an unpalatable move.

Metal industry's final wage offer

Labour Reporter

189

EMPLOYERS in the metal and engineering industries have submitted a final wage offer at protracted annual negotiations which affect about 300 000 workers nationwide.

An amended wage offer was presented to more than 10 trade unions at a special meeting yesterday

The offer comprised a proposed increase of eight percent in actual wages and an increase of 5,5 percent in the industry minimum wage structure

ARG 30/6/94
The Steel and Engineering Industries Federation of SA (Seifsa) said the offer excluded employers in the Border region. Employers in KwaZulu-Natal had proposed an increase of 7,5 percent on actual wages, with no increase in the minimum wage

"While all the industry's trade unions said the wage offer should be improved, and rejected the differential wage proposals of Border and Natal, they undertook to refer the amended final offer to their members and report back to employers on Monday," a Seifsa statement said.

Numsa declares wage disputes

~~CT 7/7/94~~ (189) Own Correspondent

JOHANNESBURG — The National Union of Metalworkers of SA (Numsa) declared disputes yesterday in the motor manufacturing and steel/engineering industries ~~CT 7/7/94~~

Numsa general secretary Mr Enoch Godongwana said the union's executive committee had resolved to reject wage offers from employers

Deadlock in the steel/engineering sector, which employs about 270 000 workers, was reached after employers offered eight percent and the union demanded 12%

In the motor sector, which employs about 25 000 workers, employers had offered seven per cent and the union wants 15%

Seifsa executive director Mr Brian Angus was surprised at the declaration, saying Numsa had accepted Seifsa's final offer, even though it wanted to canvass a response from some regions

He said employers would meet unions at an Industrial Council meeting on Tuesday

Numsa declares two pay disputes

Binau 7/7/94
ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) yesterday declared disputes in the motor vehicle manufacturing and steel/engineering industries

Numsa general secretary Enoch Godongwana said the union's central executive committee had resolved to reject employer wage offer (18%)

Deadlock in the steel/engineering sector, which employs about 270 000 workers, was reached with employers offering 8% and the union demanding 12%

Other outstanding issues included basic education of 160 hours a year per worker, a new wage structure, narrowing wage differentials, industry restructuring and employment security, Godongwana said.

In the motor manufacturing sector, which employs about 25 000 workers, employers had offered 7% in response to the union's 15% demand. Other issues were the same basic education demand, employment security, revising the grading structure and extending the national bargaining forum to suppliers. Hours of work and overtime agreements were also in dispute.

Formal dispute meetings in terms of the Labour Relations Act would now be convened. If these failed to resolve the disputes, Numsa would ballot members on possible strike action.

Seifsa executive director Brian Angus expressed surprise at the declaration of a dispute. At the parties' last meeting, Seifsa's final offer had been rejected by all unions except Numsa, which said it wanted to canvass a response from some regions.

Angus said employers expected a written response today and would meet unions at a scheduled Industrial Council executive committee meeting on Tuesday.

Numsa wants time to consider offer

ERICA JANKOWITZ

THE National Union of Metalworkers of SA would ask the Steel and Engineering Industries' Federation of SA (Seifsa) to wait until Monday for the union's decision on whether to accept its 9% wage increase offer, Numsa general secretary Enoch Godongwana said last night. *Siday*

Numsa's central executive committee discussed the issue last night, but could not arrive at a final decision because most of the regions had not had time to make an input. "We agreed to meet again on Monday," Godongwana said. *19 7 1994*

The union declared a dispute with Seifsa two weeks ago, with employers offering an 8% wage increase and the union demanding 12%. However, the other 12 unions recognised in the sector had indicated that they would be willing to settle at 9%.

Metal and Electrical Workers' Union spokesman Tommy Oliphant said his members were ready to sign. The issue of backdating had yet to be finalised, but the main agreement expired on June 30.

Employers said the only problem with the offer was regional applications for exemptions. Both Natal and Border employers had applied for a blanket exemption from the agreement due to the economic recession in the areas.

Numsa and the other trade unions were strongly opposed to blanket exemptions. Numsa said it would be prepared to condone individual company motivations for exemption from the wage component of the agreement. *(189) (355)*

Seifsa and unions enter final lap

BIDAY 20/7/94

MARK ASHURST

SEIFSA yesterday reached a provisional settlement in the wage dispute in the steel and engineering industries, although two unions which declared disputes will only announce their final decisions on Tuesday

A negotiating committee set up in terms of the Industrial Council dispute resolutions procedure agreed to recommend a 9% increase, backdated to July 1

Numsa delegates on the committee initially demanded 12%, but agreed to recommend the proposed settlement to members. The union was expected to make a decision at its central committee meeting on Monday

Seifsa industrial relations director Dave Carson said rapid resolution of the 12-day dispute was one of the terms of the settlement. The Numsa decision would be critical, although the settlement was technically dependent on acceptance by all union groups, he said

Two employer bodies and two unions have rejected the proposal. They are the Engineering Industries' Associations in Natal and Border and the Chemical Workers' Industrial Union and the Metal and Electrical Workers' Union

The Natal association has offered a 7,5% increase on actual pay rates with no change to scheduled increases. Border failed to table an

offer, but has asked the union for separate negotiations

Negotiations between union representatives and employers in the Natal and Border regions were planned for early August as the unions do not want to pursue the option of requesting Labour Minister Tito Mboweni to extend the agreement automatically without attempting to get employers on board

If Numsa accepted the 9% offer, the increase would then be "binding on all parties and non-parties with effect from July 1 1994", according to the proposal (189) (255)

Employers and unions still in dispute would then be legally bound to honour the terms of the settlement.

Other provisions in the proposed settlement include an expedited wage exemption procedure for small employers, an industrial policy forum and the resumption of negotiations on a code of conduct to end unfair employment practices

Employers and trade unions will also be granted equal representation on the Metal and Engineering Industries Education and Training Fund. Discussion will continue on the proposed introduction of a five times annual salary death benefit, reduced annual working hours, and minimum severance pay

German report



Metal unions settle for 9pc pay hike

Sowetan 2017/194

MOST UNIONS in the metal industry have settled for a 9 percent pay increase in terms of a provisional agreement, the Steel and Engineering Industries Federation told a Press conference in Johannesburg yesterday

The provisional agreement was reached by a joint committee appointed after the 12 unions in the industry rejected employers' final offer of eight percent

In the latest round of talks yesterday, most Seifsa affiliates indicated they would accept the proposal

Affiliates in the Border region and KwaZulu-Natal were the exceptions

Seifsa industrial relations head Mr David Carson said the provisional agreement had not been accepted by the

■ **BIG BOYS** Two biggest trade

unions still have to canvass members:

largest union in the industry, the National Union of Metal Workers of South Africa, nor by the Metal and Engineering Workers Union and the Chemical Workers Industrial Union

These unions had said they needed time to canvass their members and would probably respond by next Tuesday, when they are scheduled to meet Seifsa again (189) (200)

"It's really not an agreement yet," Carson said

He said if the pay rise, backdated to July 1, was accepted it would benefit 280 000 members of the 12 unions

"The increases will be offset against any wage increases granted on or after July 1 to the date of coming into operation of the new main agreement"

Carson said the Minister of Labour would be requested to publish the pay rise and make it binding on all parties

He said employers in the Free State and Northern Cape might apply individually for exemption, or to give lower pay rises. A delegation of workers' representatives and management would travel to Durban and the Border region early next month to discuss the position of those regions — Sapa

Numsa marching

JOHANNESBURG — About 5 000 members of the National Union of Metalworkers of SA gathered in central Johannesburg today for a march to the headquarters of the metal industry employer grouping Seifsa to back demands for higher pay (18%) (12%) (8%)

Seifsa announced earlier this week that nine of 12 unions in the industry had accepted a wage increase of nine percent

— Sapa. AR 21/7/94



Numsa members took to the streets of Johannesburg yesterday in a march on Seifsa headquarters

Picture ALLEN VAN DER LINDE

Numsa set on 12% rise

ERICA JANKOWITZ

THE mood of National Union of Metalworkers of SA (Numsa) members would seem to indicate they would not accept Seifsa's final wage offer of 9%, the union's general secretary Enoch Godongwana said yesterday. *2 Day*

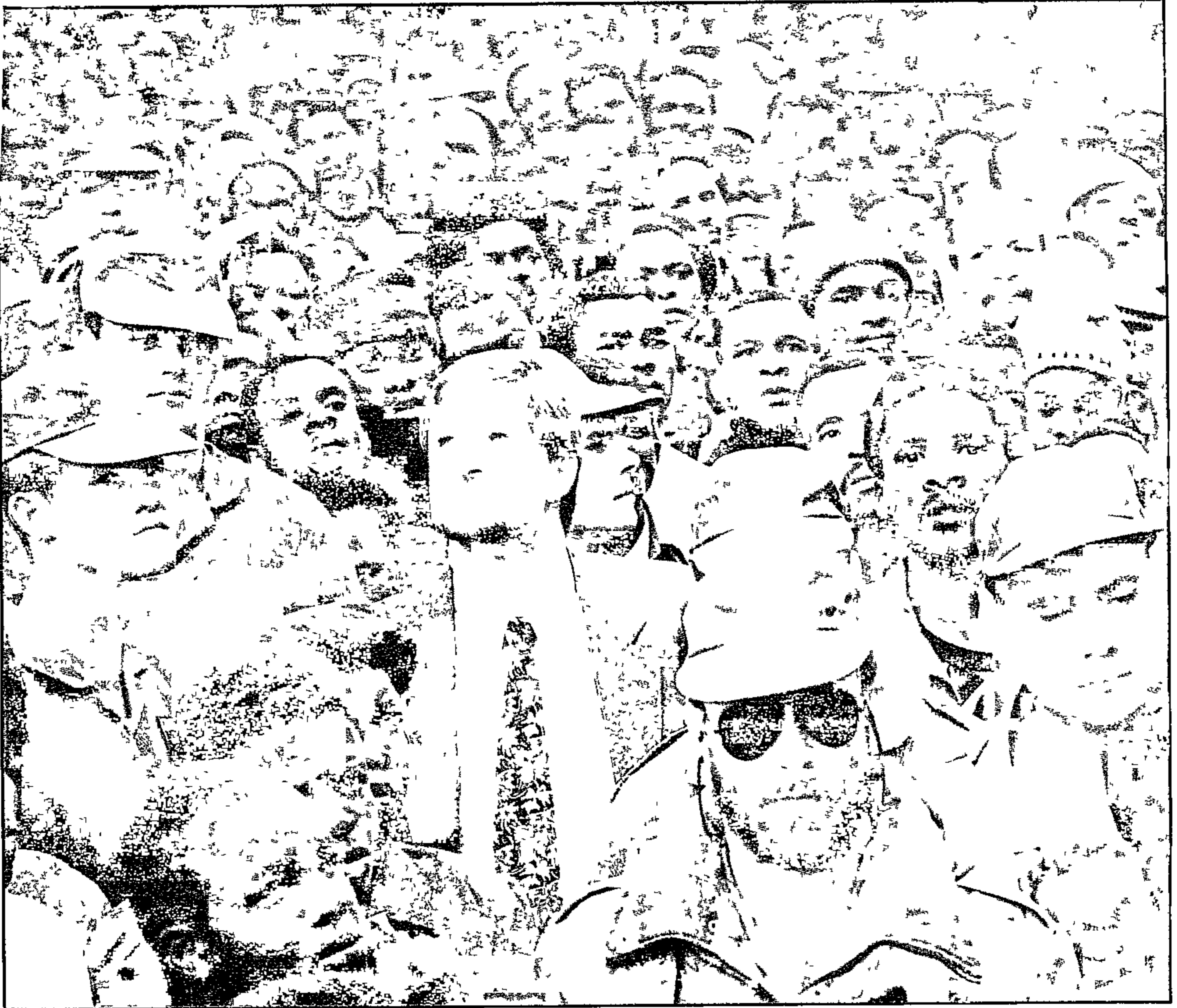
Sapa reports about 16 000 workers marched through the streets of Johannesburg yesterday to present a memorandum to Seifsa in support of their 12% wage demand *2217194*

Seifsa reached provisional agreement with nine of the 12 recognised trade unions on Tuesday on a 9% wage offer, with Numsa, the Chemical Workers' Industrial Union and the Metal and Electrical Workers' Union saying they needed more time to consult their membership

A final response to the offer was expected at a meeting scheduled for Tuesday *(189)*

Seifsa executive director Brian Angus said Numsa had indicated it would recommend the 9% offer, but Godongwana said the union had been hard pressed to persuade membership to move from the 15% demand to the 12% deadlock position

"We are nowhere near balloting members for strike action," Godongwana said



In the eye of the storm . . . flanked by policemen, representatives of the Steel and Engineering Industries Federation of South Africa, including economist and Seifsa negotiator Dave Carson, make their way through a crowd of metalworkers during a march organised by Numsa in support of a 12 percent wage increase in downtown Johannesburg yesterday.

PICTURE JODIE BIBER

Metalworkers in march to *Star 22/7/94* confront Seifsa

■ BY CHRISTINA STUCKY

Thousands of toyi-toying metalworkers from the PWV region made their way through downtown Johannesburg during a march organised by the National Union of Metalworkers (Numsa) yesterday.

The sprawling crowd blocked roads as they moved from Loveday to Anderson streets, to the headquarters of the Steel and Engineering Industries Federation of South Africa (Seifsa).

Numsa secretary-general Enok Godongwana said the strike action was motivated by "bread and butter issues".

Although the sign on the door of 43 Anderson Street read "These offices will be closed until 2 pm", Seifsa executive director Brian Angus and

negotiator and economist Dave Carson emerged and moved through the crowd, flanked by policemen (189) (192)

Memorandum

Angus was presented with the memorandum laying out Numsa's demands, which include a 12 percent wage increase, a 40-hour work week and the creation of job-training and education programmes.

On the latter point, Angus said Seifsa and Numsa had already reached agreement.

The main point of contention is the wage gap. Seifsa is offering a 9 percent increase, Numsa insists on 12 percent across the board.

Numsa will tell Seifsa on Tuesday if it will accept the offer.

Pay rise rejected

ARG 26/7/94

MIDDELBURG (184) The National Union of Metalworkers of South Africa has rejected a nine percent pay rise offered by Columbus Stainless and declared a dispute, a company spokesman said.

Vertical column of illegible text on the right side of the page.

Numsa members to vote on strike

B11/20/94 26/7/94
ERICA JANKOWITZ

THE national bargaining forum of the automobile industry would resume wage negotiations tomorrow while the National Union of Metalworkers of SA (Numsa) simultaneously conducted a strike ballot, Numsa general secretary Enoch Godongwana said yesterday.

Numsa had rejected a 9% wage offer but the dispute revolved more around wage policy rather than the actual wage offer, he said. If the ballot showed support for a strike, industrial action would begin on Monday.

Differentials within grades were enormous and could vary by up to 100% between companies, Godongwana said.

In an advertisement, the Automobile Manufacturers Employers' Organisation (Ameo) said it had tabled a wage-policy model to reduce gaps over the next three years and a CPI-linked wage increase to be supplemented by productivity bargaining at plant level.

Godongwana said Numsa would know the result of the strike ballot by tomorrow afternoon, but negotiations would continue over the weekend if necessary (189) (189)

Unions reject final Seifsa wage offer

ERICA JANKOWITZ *BIDay*

THE Steel and Engineering Industries Federation of SA and its 12 recognised trade unions yesterday failed to resolve the wage dispute in the sector, with three unions refusing to accept a final employer wage offer of 9% *27/6/94*

Seifsa said the Nactu-affiliated Metal and Electrical Workers' Union had proposed a 10% settlement. Cosatu affiliates the National Union of Metalworkers of SA (Numsa) and the Chemical Workers' Industrial Union suggested mediation, but employers replied that they had no mandate to agree to this and would table their reply at a meeting on Monday. *(189) (355)*

Numsa general secretary Enoch Godongwana said he believed employers should "apply their minds seriously" to the mediation proposal, or the union might be forced to go the same route as others in resolving deadlocks. He hinted at the possibility of strike action in the industry which employs about 280 000 workers.

He said members were concerned about the low wage offer and a proposal from employers in the Natal and Border regions that they be granted a blanket exemption from the wage settlement level

Numsa did not budge from its 12% demand, but Godongwana said if the parties agreed to go to mediation, both would have to compromise Numsa's wage policy proposal, tabled for the first time last year, was still far from being met, although some aspects — including skills, grading and productivity bargaining — were contained in the draft settlement.

Responding to a newspaper advertisement by the Automobile Manufacturing Employers' Organisation (Ameo) concern-

□ To Page 2

Seifsa

BIDay 27/7/94

□ From Page 1

ing Numsa's dispute, he charged that employers were doing too little too late. Numsa had proposed a two-year plan to close the wage gap, and submitted detailed proposals. Employers had responded with a three-year plan which would alleviate, but not remove, the problem. *(189) (355)*

Godongwana said a production worker earned only 60% of the wage paid to a skilled worker, compared with an interna-

tional standard of 85%. An SA manager was paid between five and eight times a production worker's wage, whereas the international norm was about 3:1

Ameo had also rejected a union proposal to eradicate illiteracy on the shopfloor by 2002, requesting an additional two years and wanting to carry only half the costs.

Dispute resolution mechanisms and skills development were also in dispute

Gencor counts on price justifying aluminium deal

189
ARL 28/7/94

□ Market backs Billiton R4,23 bn purchase

BRUCE CAMERON
Business Editor

GENCOR is counting on a rising aluminium price to justify its R4,23 billion purchase of the Billiton and to galvanise its earnings in the short term

And the markets agreed with Gencor optimism yesterday, shifting the share price up to a year high of R12,50

The deal to buy the bulk of the Billiton companies from Royal Dutch Shell will place Gencor in the top league of aluminium producers and the alloy could account for more than 50 percent of future Gencor earnings, chairman Brian Gilbertson told Cape Town institutional investors and analysts yesterday

Although the group of Billiton companies had previously been attached to Shell operations on a country-to-country basis, Gencor has pulled together a set of figures for how its new acquisition would have performed over the past four years if it had been operated as a single company — as it now will be as a Gencor subsidiary

The figures show that earnings were down by 18 percent in 1992 and 17 percent in 1993,

but Mr Gilbertson pointed out that there was large depreciation element in those years

If the price of aluminium had been \$150 a ton higher over the two years, there would be no dilution of earnings, while the current price would have a positive effect on earnings

If the new Billiton group had already been part of Gencor the result would have been a dilution of Gencor earnings by 9,2 percent in both of the two years.

Mr Gilbertson repeatedly emphasised the acquisition made Gencor the strongest diversified minerals and metals group in the world, even though there was a weighting towards aluminium

He said if aluminium weighting this became a problem Gencor had choices. These included the options of reducing Gencor's establishing Billiton as a separate company or by floating off Alusaf and the aluminium interests and reducing Gencor's holding

He was however upbeat about aluminium prospects particularly as the agreement between the United States and the Commonwealth of Independent States to reduce cheap Russian sales seemed to be holding

Even if the agreement did not hold Mr Gilbertson said production capacity had remained fairly static, while demand was increasing

Since the agreement between the United States and the CIS, the price of aluminium had gone from \$1 100 a ton to \$1 500

Mr Gilbertson said he believed the deal would bring "huge rewards" for Gencor shareholders. Even at current prices the rewards would be "substantial"

The deal would make Gencor more attractive to international investors

It was important for any resources business to go where the resources were available and Mr Gilbertson said "If you want to be in the first league you have to be allowed to build on an exceptional portfolio of world class assets"

This had been denied to Gencor during the years of sanctions, but with the Billiton acquisition Gencor had been transformed into a world class resource group

Income would be derived from seven commodity business. Gold, platinum group metals, coal, ferroalloys, titanium minerals, alumina and aluminium, and nickel

'Negotiations' need trust'

500 000 more could go on strike soon

Star 28/7/94

■ BY BRENDAN TEMPLETON
and JOVIAL RANTAO

Unions and management urgently needed to "find each other" in a wage-negotiating season where more than 500 000 workers could become embroiled in strike action, a labour analyst warned yesterday.

PWV Business Caucus member Denzil McGlashan, speaking in his personal capacity, said major players needed to develop trust if escalating strike action was to be avoided.

His warning came as negotiations in the mining, car manufacturing and metalworking industries fast approached their final stages.

About 385 000 mineworkers and about 120 000 metalworkers will be affected by the outcome of the wage talks.

Tensions are also building in the postal and catering industries.

National Union of Metalworkers of SA (Numsa) general secretary Enoch Godongwana said yesterday he was optimistic that negotiations in the car industry would be settled amicably.

But he was reticent about the expected outcome of negotiations with the Steel Engineering Industries Federation of South Africa (Seifsa).

Seifsa has taken the union's demands — including a 12 per cent wage increase, shorter

STRIKE actions are looming in the automobile, mining and metal-working industries

working hours and the closing of the wage gap between race groups — back to its principals who have offered 9 percent.

They are due to meet tomorrow and the outcome will be known on Monday.

Numsa is meanwhile balloting its members for strike action in the car industry.

If a yes vote is cast, the strike will start on Monday.

Conciliation

A conciliation board, which is due to meet on Wednesday, has been established to try to head off strike action in the mining industry.

About 385 000 members of the National Union of Mineworkers and the Council of Mining Unions will be affected by the outcome of talks with the Chamber of Mines.

About 15 000 Commercial Catering and Allied Workers Union are on strike at Pick 'n Pay and Shoprite/Checkers stores.

The Shoprite/Checkers strike relates to disciplinary action taken against a union shop steward.

Car makers could strike on Monday

ERICA JANKOWITZ

Bid Day

A DECISION on whether the threatened strike in the vehicle manufacturing industry will begin next week will be taken on Monday.

The strike would begin with the afternoon shift on Monday if membership supported that route, National Union of Metalworkers of SA (Numsa) general secretary Enoch Godongwana said.

29/7/94
Negotiations with vehicle manufacturers would continue until Sunday in a bid to avert about 19 000 Numsa members striking.

The union would have the results of a strike ballot at all nine manufacturers by the end of today, and believed workers' resolve was behind industrial action, which would affect production in the Eastern Cape, Northern Transvaal and greater Durban areas.

Godongwana said a more effective and equitable wage policy within the industry was at the core of the dispute.

189 (182)
Numsa had tabled detailed proposals to improve productivity within the sector to help SA's return to the global economy. These covered skills training and development as well as eradication of illiteracy.

Agreement had been reached with employers about the need to address these issues, but timeframes and benchmarks were in dispute.

Numsa and other trade unions would meet the Steel Engineering Industries' Federation of SA on Monday to try to resolve the wage dispute in that sector. If the 9% wage offer was not revised industrial action could not be ruled out.

Employers, unions face critical negotiating days

Labour situation on knife-edge

BY JOVIAL RANTAO
LABOUR CORRESPONDENT

The next few days will prove crucial in determining whether South Africa plunges into an abyss of labour chaos, or whether unions and employer groups reach agreement.

Next week will see whether mediation in the wage dispute between Pick 'n Pay and the South African Commercial Catering and Allied Workers Union (Saccawu) succeeds, and also whether 80 000 metal workers will embark on a wage strike.

Strike balloting by members of the National Union of Metalworkers of South Africa (Numsa) in the automobile industry ended

yesterday and counting starts today.

Numsa spokesman Roger Et-kind said results of the ballot would be known this afternoon, and that workers would meet on Monday to decide whether to strike. "We will consolidate the views of all workers from which a clear picture will emerge," he said.

Both Numsa and the Automobile Manufacturers Employers Organisation (Ameo) have applied for a conciliation board meeting in an attempt to resolve the dispute.

Numsa has demanded a 15 percent increase to Ameo's offer of 9 percent. Both parties are also in dispute regarding the

Star 29/7/94

time frame for the correction of wage anomalies.

Negotiations between Numsa and the Steel and Engineering Industries Federation of South Africa (Seifsa) continue until Sunday.

Numsa has rejected Seifsa's offer of a 9 percent wage increase. The union has demanded 12 percent, and proposed that its dispute with Seifsa be referred to management. Seifsa has taken the proposal to its principals.

In the mining industry, about 3 200 workers went on strike at the Eastern Platinum mine near Rustenburg yesterday demanding the reinstatement of three dismissed workers, the National

Union of Mineworkers said.

Tensions are also building in the postal and catering industries.

Saccawu announced yesterday that a last-minute agreement on wages and working conditions averted a strike at Dion Stores.

Jeremy Daphne, a member of the Saccawu negotiating team, said the conciliation board meeting was on the verge of collapse when the company moved to meet the union's demand of a R200 across the board increase.

Saccawu press officer Sithembelwe Tshwete said the union would conduct a strike ballot at Spar stores soon.

Strike in auto industry may be on cards

Sowetan 29/7/94

■ **ACTION LOOMS** Apartheid, not

wages, is the cause of strife say workers:

By Isaac Moledi

A POSSIBLE strike by about 25 000 workers in the automobile industry is looming if negotiations between the two parties — scheduled for this Sunday — fail

The National Union of Metalworkers of South Africa said yesterday that dispute between itself and Automobile Manufacturers Employers Organisations was not essentially about the annual wage increase but about apartheid in the workplace

Addressing a Press conference in Johannesburg, Numsa general secretary Mr Enoch Godongwana said employers in the automobile industry were doing too little to close the gap on wages, to train Numsa members as artisans and granting the workers their right to strike

"Our dispute is not essentially about the annual wage increment but essentially about apartheid in the workplace. This (discrimi-

nation) takes the form of grading system which favours the artisans who are still mainly whites and the skills and training system," Godongwana said

He said while Numsa officials were still negotiating with management on various issues relating to workers' demands, the union would also continue with the ballot counting today

"If, as we expect, the result is in favour of the strike, we will start on Monday if Sunday's negotiations do not succeed," he said

(189) ~~(150)~~
"Apartheid has bequeathed a wage system where production workers earn as little as 60 percent of the skilled worker. South African managers earn between five and eight times the wages of a production worker

"Our demand is that these problems be removed within a two-year period but AMEO has offered to reduce the problem over the next three years, but not to remove it completely," Godongwana said

MOTOR INDUSTRY WAGES
Fm 29/7/94
Dicing with contracts

When vehicle manufacturers and unions last year proudly announced they had signed a ground-breaking agreement that would dispel the need for conflict in negotiations it was tempting to believe them. For years, the industry's annual bargaining process had been beset by ill-temper, threats and often industrial action. At last, through the National Bargaining Forum, the two sides thought they had broken the trend.

As the last week's events have shown, however, that optimism was premature. The industry's main union, the National Union of Metalworkers of SA (Numsa), is this week balloting members on strike action. Following an unsuccessful conciliation board meeting, Numsa has declared a deadlock and there seems little doubt that the membership will vote to strike.

The result of the ballot is expected by Monday at the latest. In an attempt to avert a strike the two sides were due to resume talks on Wednesday and continue through the weekend if necessary. If progress is made the union will probably recommend postponing the strike. (189) (185)

The gap has narrowed but the manufacturers and Numsa remain far apart on the key issue of pay. Numsa, which opened talks with a 25% increase demand, now wants 15%. Manufacturers, having insisted they couldn't afford more than an inflation-linked 7%, came in with a late 9% offer. That, too, has been rejected.

Pressure from the other main issue in the negotiations, training, appears to have eased slightly. Numsa had demanded that all employees should be given time off for 160 hours of education and training a year — much of it directed towards upgrading literacy. Employers, having agreed last year that such training was necessary, nevertheless balked at the amount of time off — equal to more than one month a year.

Late last week employers, represented by the Automobile Manufacturers Employers' Organisation (Ameo), came in with a coun-

teroffer. They are prepared to spend R100m in the next 10 years to bring all workers' literacy and numeracy skills up to the standard of the general education certificate, roughly equivalent to standard seven. Not only will this improve the general educational standard within the industry and raise its chances of becoming world-competitive, employers say, but it will also bring workers to the stage where they can consider formal further education and open up promotion and career paths.

Numsa's initial response appears favourable but negotiators say they want the programme to take eight years, not 10. There is also disagreement over whether employees

should give up some of their time to undergo education. Ameo says that to avoid abuse, workers should have "equity" in their own education. By this, it means that for every hour they are paid to attend classes, employees should sacrifice one unpaid hour of their time. Not surprisingly, this has not found instant union favour. (189) (185)

Nevertheless, pay remains the chief stumbling block. Some union officials insist the rank and file is pressing for rises well above the inflation rate. They say the demands are the result of expectations built up by general election promises.

This explanation is not accepted by all employers, some of whom suspect the motor

Fm 29/7/94

CURRENT AFFAIRS

industry is set to become one of the battlegrounds for the threatened confrontation between government and Cosatu, of which Numsa is a leading member.

If the strike goes ahead, they warn, it will do untold damage to the industry. Not only will it disrupt the domestic market, when manufacturers are starting to enjoy an upswing after years of depression, but also damage the industry's international reputation. Overseas car and truck manufacturers are increasingly using SA plants to build vehicles and components for international markets. Any perceived long-term threat to reliable supply could result in those decisions being re-examined.

Unions stand accused

STRIKERS are being blamed for feathering their nests at the expense of the unemployed **DAVID BREILER reports**

CAPE TOWN — Militant strikers have been accused of being a relatively small elite with jobs, promoting their sectional interests at the expense of jobless millions.

They are also under fire for undermining the ability of the economy to sustain the new Government's Reconstruction and Development Programme (RDP).

Attacks on South African trade unions, and notably the COSATU labour federation, are being made internationally as well as locally and by the Government as well as the private sector.

It follows the upsurge in strikes mainly by unions affiliated to COSATU, which is engaged in a bid to assert its power in its alliance with the ANC and the SACP.

The unions' war cry has been for a "living wage," while millions of unemployed have no wages at all. Employers maintain their unskilled workers are well paid

by international standards while COSATU says half its members earn less than R1 000 a year.

President Nelson Mandela this week criticised some COSATU strikers, saying some people had been unable to move from resistance to reconstruction.

This led to an SACP central committee backlash against Mandela for "echoing" the view that strikes harmed the RDP.

The World Bank reports that high wage demands by organised labour have cost South Africans hundreds of thousands of jobs and had resulted in South African businesses investing in machines rather than workers.

The bank said the high price of South African labour meant the country could not compete internationally with its more productive export rivals.

The Standard Bank Investment Corporation reports

Auto workers vote for nation-wide strike

PORT ELIZABETH — About 35 000 motor industry workers voted for a nation-wide strike in yesterday's ballot.

This follows last week's deadlock in annual-wage negotiations with the Automobile Emp'yers Organisation.

The National Union of

that in spite of the smooth political transition, the latest developments have forced a new assessment of the economy.

Analysis now believe optimistic growth forecasts should be reduced because of the strikes. International investors showing interest after the fall of apartheid have been discouraged by the latest trends.

Sanlam chief economist Johan Louw expressed concern that COSATU action would further discourage for-

Metal Workers of South Africa (NUMSA) and the employers' body resumed

last-ditch talks on Wednesday in a bid to avert a strike at nine car and truck manufacturers.

NUMSA organiser for Hartford said the employers' body would table its final

election investment. This week COSATU and business leaders agreed that raised expectations after the election were a major reason for the strikes.

Professor Henne Kotze, head of political science at the University of Stellenbosch, said the unions, representing people with jobs in the formal sector, were a relatively small elite compared with the unemployed.

Kotze said South Africa's long-term chances of survival were good provided there

Late year pay rise for employers' body

proposal would be 7% for 1994.

NUMSA was demanding a 15 percent rise.

was a "social contract" between government, employers and labour. But at present labour was trying to dominate the other two.

"In the short term it is vital the trade unions do not spin out of orbit," he said. He endorsed a widely held view that the unions lacked leadership after their top echelons had entered the new Government.

Kotze said an "insider-outsider" syndrome had developed. This meant that the "insiders" who were union members with jobs were

striking for higher pay, effectively excluding unemployed "outsiders" from jobs as higher pay levels damaged the economy and prevented new employment.

"The strikes are to the detriment of the outsiders. In fact it means less growth and fewer jobs," Kotze said.

"Economic growth is one of the pillars, perhaps the only pillar, of the RDP. It is only economic growth that can create more money for social upliftment."

He said the politicians had not helped matters by creating the perception among trade unions that ANC leaders were on a "gray train" by paying themselves and their friends high salaries.

This set the tone for unions to push their demands further.

Kotze also cautioned that the strikes could create the perception that black labour could not be relied on. He said there were unemployed whites who would be only too happy to work for R400 a week.

"We need delayed gratification," he said, suggesting

workers should work towards higher pay rather than expecting instant post-apartheid dividends.

COSATU spokesman Bheki Nkosi denied that COSATU members were a privileged elite merely because they had jobs. He said their pay had lagged behind inflation in previous years and they were trying to make up the backlog. He maintained the current round of strikes was normal for July.

Nkosi also said that far from keeping unemployed people out of jobs, union members needed their pay to support unemployed family members. He denied the strikes were undermining the RDP. "Businesses feel exempt from the RDP. They use the RDP to force workers to make sacrifices," he said.

Nkosi maintained that in post-apartheid South Africa, "the rich are getting richer while the workers have to tighten their belts and get poorer." He said workers expected a dividend from the post-apartheid upswing, which should benefit only the rich.

NEWS Motor industry faces action 1

Auto workers vote to strike

■ **BALLOT RESULTS** Decision

hinges on tomorrow's meeting:

THE FINAL result of strike ballots held in the motor industry countrywide indicate overwhelming support for industrial action with 78 percent of National Union of Metalworkers of South Africa voting in favour of strike action

Numsa spokesman, Mr Roger Etkind said at the weekend 78 percent had voted in favour, 20,7 percent had voted against industrial action and 0,6 percent had spoilt their papers. The ballot percentage poll was also 78 percent

Etkind said in a statement employers were working on a final document which was expected to be tabled soon. This document would form the basis for further negotiations.

Workers at vehicle manufacturing

plants throughout the country would meet at noon today when they would evaluate the ballot result together with the final offer from employers

Based on this Numsa would then convene a national auto shop steward council meeting in Johannesburg tomorrow morning where "a final decision as to what action, if any, would be taken" Etkind said

At this meeting "the responses of the various plants countrywide will be evaluated, consolidated into a national position and the final decision taken as to whether to pursue a settlement or strike in the industry", the statement said (189) (S)

If members support the strike route motor plants could be faced with a strike of about 19 000 Numsa members -Sapa

Sowetan 11/8/94

Shop stewards meet today

Wildcat strikes bite hard into motor industry

Star 218194

■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

Strikes began to bite hard into South Africa's vehicle manufacturing industry yesterday

In the Eastern Cape, about 26 000 metalworkers at two manufacturing plants refused to go to work, ahead of a meeting of the National Union of Metalworkers of South Africa (Numsa) national shop steward council today to decide on a national strike over wages

Harry Gazendam, vice-chairman of the Automobile Manufacturers Employers' Organisation (Ameo), confirmed yesterday that workers at the Volkswagen and Delta plants did not work yesterday

Problems

He said there was no national strike, and that most of the stoppages had been caused by specific problems at the plants concerned. The other reason given to him was that workers were "fed up" with the slow progress of negotiations

Workers at Mercedes-Benz of South Africa's plant in East London went on strike yesterday

Gazendam said workers at Nissan's plant in Pretoria had not worked since Thursday because of internal problems

Numsa spokesman Roger Et-kind said the union was still gathering information from the plants. The union would consolidate its position today at the shop stewards' meeting

If the council votes to go on strike, 80 000 workers will be involved, costing the industry an estimated R100 million a day

A majority of Numsa members (78 percent) voted on Friday to strike for wage and other demands. Ameo has expressed hope that a national strike can

be averted.

Gazendam said a strike would have a devastating effect

Numsa has demanded a 15 percent across-the-board increase. Ameo's final offer is 9 percent (189)

■ Numsa and the Steel and Engineering Industries Federation of South Africa (Seifsa) yesterday agreed to refer their wage dispute to mediation

At a meeting yesterday, Seifsa said it was withdrawing its offer of 9 percent — rejected by the union — and reverting to its previous offer of 8 percent.

In a statement, Numsa accused Seifsa of mocking the mediation process by reducing its offer prior to mediation and effectively giving notice that it would increase it again during mediation

"Numsa is severely disappointed that the employers seem to be attempting to provoke workers in this way. This reflects an attitude which wants conflict and not resolution

Anger

"Seifsa must be aware of the anger this action will cause among our members. This does not bode well for the mediation process itself," said the union

■ Telkom's inquiry and trunk call booking services on the Witwatersrand were interrupted when 350 employees went on an illegal strike yesterday over grievances related to alleged racism, poor working conditions and human relations

Telkom communications manager for the Witwatersrand Gert Schoeman said the inquiry service (1023) would remain suspended and the trunk call booking service (0020) was manned by a skeleton staff.

Telkom and unions involved in the strike held talks yesterday

Seifsa reverts to 8% wage increase offer

THE Steel Engineering Industries' Federation of SA (Seifsa) and its 12 party unions agreed to refer their wage dispute to mediation, but Seifsa withdrew its provisional wage increase offer of 9% and reverted to 8% at a meeting yesterday.

The National Union of Metalworkers of SA (Numsa) slammed the move and said that Seifsa had given notice at the meeting that employers would not table an offer of more than 9% during the mediation proceedings. (189) (35)

"Seifsa appears to be mocking the mediation process by reducing its offer prior to mediation and effectively giving notice that it will raise it again during the process," it said.

The three unions which refused to sign Seifsa's provisional wage agreement of 9% — Numsa, the Chemical Workers' Industrial Union and the Metal and Electrical Workers' Union of SA (Mewusa) — have not budged from their demands for wage increases of between 10% and 12%.

Mewusa general secretary Tommy Oh-

ERICA JANKOWITZ

phant said the parties would meet this morning to sort out procedural issues, including choosing a mediator and setting dates. The process would include reaching agreement with Border and Natal employers who have demanded a blanket exemption from any wage agreement.

Numsa indicated its dissatisfaction with Seifsa's conditional acceptance of the mediation process and said the move would "provoke" workers.

"This reflects an attitude that wants conflict and not resolution."

□ A threatened march through Johannesburg to Seifsa headquarters by 8 000 United Metal Industries and Allied Workers' Union supporters failed to attract more than about 200 marchers.

They handed a memorandum to Seifsa's industrial relations director Dave Carson, demanding the dissolution of the industrial council.

Employers set to lay off workers

Numsa warns motor strike could spread

BIDday 318/94

ERICA JANKOWITZ

THE national motor manufacturing strike, which is affecting about 25 000 workers, will continue until a wage agreement is signed and, if protracted, could affect nearly 200 000 workers in the components and service sectors, union spokesmen say.

National Union of Metalworkers of SA (Numsa) general secretary Enoch Godongwana said the union had received notice of short-time work in the components industry, and employers intended laying off workers. About 80 000 workers are employed by component manufacturers. Another 100 000 workers in the service and dealership industry could also be affected.

Negotiations with the Automobile Manufacturing Employers' Organisation (Ameo) would resume this morning, with the union demanding a 12% wage increase and employers offering 9%. The time frame in which anomalies would be rectified was also in dispute, with the union suggesting a three-year period and employers wanting four years in which to align wage rates.

Godongwana accused employers of bowing to pressure from Anglo American subsidiary Samcor, which paid among the lowest wages in the industry and ran the most capital-intensive operation. "We concluded that Ameo's poor response is, as a result of the dictates of Anglo's immense investment in the mining industry — the bottom line is fear that a settlement favourable to workers in the auto industry will have a knock-on effect on the mines."

He said this was especially evident when focusing on Numsa's key demands: narrowing the wage gap between top and bot-

tom earners and redressing apartheid's educational imbalances.

"It is Numsa's view that Anglo must now recognise that to end apartheid is a more profound exercise than just a national election — for us it involves, more than anything else, ending in the shortest possible time the twin evils of a racist wage structure and the results of discriminatory education and training practices (189)

Anglo dismissed these claims, saying Samcor's position was no different from other employers and its mining interests were not pertinent to the motor dispute. "Alongside other employers, Anglo is keen to promote the goals of growth in the economy and greater equity" (189)

Godongwana acknowledged that the union's goal of implementing a more equitable wage policy would have financial implications for employers, but said companies would have to make this investment in the interests of a successful reintegration into the global economy (189)

Ameo acting president Harry Gawendam declined to comment.

Meanwhile, the Iron and Steel Workers' Union applied to the Industrial Court yesterday for a court order compelling Volkswagen's Uitenhage factory to allow about 2 000 of its members to resume work. The application will be heard tomorrow. The union's members were prevented from working when VW suspended production on Monday because of the Numsa strike.

● Picture: Page 3



Numsa general secretary Mr Enoch Godongwana and union organiser Mr Gavin Hartford face the Press in Johannesburg yesterday. See story below. PIC. VUSI ZWANE

Car workers strike

Sowetan 3/8/94

By Ike Motsapi
Labour Reporter

MORE than 25 000 workers in the automobile assembly industry throughout the country yesterday went on a wage strike

The strike officially started yesterday although some workers at the National Union of Metalworkers of South Africa plants in the Eastern Cape started the action on Monday afternoon

Numsa and the Automobile Employers Organisation meet today to try and

resolve the issue. Numsa demands an increase of 15 percent while management is offering nine percent

Mr Enoch Godongwana, general secretary of Numsa, said about 80 000 workers from 180 motor assembly component suppliers not on the present bargaining unit, may also be affected by the strike (139) (139)

He said "The union is already receiving reports that the employers intend to lay off Numsa members who are on a different bargaining forum during the strike

Court won't order VW to pay up

CT5/8/94

Own Correspondent

PORT ELIZABETH —
An urgent court order sought by the Iron and Steel Workers' Union to force Volkswagen South Africa to continue paying the union's members despite an industry-wide Numsa strike was dismissed by the Industrial Court here yesterday.

VWSA welcomed the court's decision, but the union's lawyer Mr André le Roux said the predominantly-white union may apply for a conciliation board hearing (189)

Some 642 hourly-paid Iron and Steel members who are not striking are affected by the closure of the VWSA plant due to the Numsa strike which began on Monday. (189)

NEWS Police warn mothers about kidnappers ● Motor industry strike may enter week two

Strike goes on as Numsa walks out of talks

A NATIONWIDE strike in the motor industry is set to enter its second week after the National Union of Metalworkers of South Africa walked out of negotiations late yesterday.

The Numsa walk-out was supported by the smaller, and predominantly white, Iron and Steel Workers' Union when talks deadlocked over a model for

restructuring wages and the annual wage increase.

Numsa central bargaining organiser Mr Gavin Hartford said all parties agreed on a model for restructuring "apartheid-inherited" wage scales and that a task group would be set up to examine its implications for the industry. Hartford said, however, the Auto-

mobile Manufacturers Employers' Organisation refused to discuss this year's wage increases until the agreement on restructuring was in writing. (189)

He said Ameo had adopted his stance despite the agreement being read to negotiators by the National Bargaining Forum chairman Mr Fred Ferreira. At the start of talks yesterday Numsa

was demanding that differences in wages between the highest and lowest paid workers on the same skill levels be eradicated over three years, Ameo was offering to do so over four years.

Ameo vice-chairman Mr Harry Gazendam said the implications of restructuring wage scales was an "enormously complicated exercise which will

cost millions of rands and a one-year difference is not an easy gap to close."

He said Ameo could not make a final offer on wage increases until all parties were clear on wage restructuring because of its implications for budgeting.

Both Numsa and the Iron and Steel Workers' Union are demanding a 12 percent increase in wages — *Ecn*

**Steel groups (189)
find consensus (189)**

Own Correspondent (189)

JOHANNESBURG —
Provisional agreement
was reached between
the Steel Engineering
Industries Federation of
SA (Seifsa) and the 12
party trade unions on
the second day of media-
tion yesterday

It is believed the wage
offer was between 9%
and 10%, but the parties
will not disclose details
until further meetings

— Sapa

CT 10/8/94

Numsa may settle soon

Star 10/8/94

The wage dispute involving the Steel and Engineering Industries Federation of SA and the National Union of Metalworkers of SA (Numsa) could be resolved this week.

After two days of mediation, provisional agreement was reached on the 1994/95 wage increases and the inclusion of the Natal and Border industry employers in the agreement

Both unions are expected to ratify the agreement on Friday

Professor Mark Anstey, who mediated in the dispute, was optimistic of an agreement

■ Numsa members in the vehicle

industry will mark the 10th day of their national strike today with marches in Pretoria, East London and Port Elizabeth in support of their 12 percent wage demand. (189) ~~(189)~~

The strike by about 25 000 workers began last week and has cost manufacturers an estimated R110 million a day. Component suppliers have warned that they might have to lay off more than 80 000 workers

Numsa has declared a wage dispute at four tyre factories involving more than 8 000 workers — Labour Correspondent and Sapa

Seifsa and unions in provisional accord

PROVISIONAL agreement was reached between the Steel Engineering Industries' Federation of SA (Seifsa) and the 12 party trade unions on the second day of mediation yesterday. *8/10/94*

It was believed that the wage offer was between 9% and 10%, but the parties would not disclose details until Friday, when the agreement was expected to be ratified. *10/8/94*

Seifsa said the mediation process dealt with the wage issue and inclusion of Border and KwaZulu/Natal employers in the main agreement. "Provisional agreement was reached on both issues." *11/8/94*

It was understood that KwaZulu/Natal and Border employers — who had applied for blanket exemption from the wage pro-

ERICA JANKOWITZ

vision of the agreement — agreed to a regional wage exemption procedure. This would allow companies to apply for exemption, which would be dealt with at a regional level. A standard exemption application form would be drawn up within 14 days of signing the agreement.

Employers were obliged to consult workers before applying for exemption. Unions agreed not to obstruct the process.

The provisional agreement followed protracted negotiations and the rejection of a previous agreement by the National Union of Metalworkers of SA, the Chemical Workers' Industrial Union and the Metal and Electrical Workers' Union of SA.

Motor industry *Sowetan* strike drags on

Sowetan Correspondent

CAR manufacturers hold out little hope that the crippling motor industry strike will be resolved this week

This was the gloomy prediction of Automobile Manufacturers Employers Association deputy chairman Harry Gazendam as the cost to the industry fast approached the R1 billion mark, threatening jobs in the manufacturing and allied industries. (189) (52)

The employer body's negotiations with the National Union of Metalwork-

ers of South Africa resumed yesterday after the union staged a walkout last Thursday 11/8/94

Meanwhile, a planned protest march by National Union of Metalworkers of South Africa workers in Port Elizabeth yesterday did not take place

The only cause for optimism at this stage seems to be that talks have been resumed, according to those concerned

"I am not particularly optimistic that there will be a settlement soon," said Gazendam. He said negotiations centred mainly on the framework for the implementation of the wage policy

■ Employers, union in deadlock

■ Workers lose R35 million in wages

Auto strike costs R1,2-1

Spar 12/18/94

bn.

NO END to strike in sight as Numsa rejects 10% offer from nation's auto-industry employers

■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

Mediation was ruled out yesterday as a way to resolve the 12-day strike by 25 000 vehicle industry workers, setting the course for an indefinite strike.

National Union of Metalworkers of South Africa (Numsa) national organiser and chief negotiator Gavin Hartford said the union was willing to refer the strike to mediation or arbitration, but employers had made it clear they were not interested.

The strike has cost employers more than R1 billion in turnover, workers R35 million in wages, and the Government more than R200 million in taxes (189) (152) (255)

"Employers have made it clear that their offer of 10 percent was final and not open to any further negotiation or mediation," Hartford said

Bargaining

He said the union had no other avenues left, in terms of the law and collective bargaining, to help resolve the strike. Even Labour Minister Tito Mboweni could not intervene as he needed the consent of both parties in order to do so, Hartford added.

Automobile Manufacturers' Employers Organisation (Ameo) vice-chairman Harry Gazendam yesterday confirmed that employers were not prepared to go into mediation.

"Entering into a mediation process implies that you're prepared to make further concessions. We've made our final offer, which we believe is the best in the country, and agreeing to mediation knowing that we will not move would be

doing so in bad faith," said Gazendam.

He added that employers were hoping Numsa would consider the employers' entire package and accept it.

Gazendam said an average Numsa member earned R1 935 a month. The company's offer of 10 percent would increase that to R2 128 a month. "Add to that an average 42 percent of a fringe benefit package and that takes the overall package of a Numsa member to over R3 000 a month," he said.

Hartford said that because Ameo had rejected the union's final unmandated demand of 10,5 percent when talks broke down in Port Elizabeth on Wednesday, the union had reverted to its previous demand of 12 percent.

He said Numsa's National Auto Shopstewards' Council would meet today in a bid to break the impasse.

As the strike seemed set to continue indefinitely, an economist warned that the livelihood of families linked to the vehicle plants and related industries in the Eastern Cape and Pretoria would be adversely affected by the stoppage.

Tony Twine, an economist at Econometrix, said. "The industry might restore its productivity through overtime when the strike is resolved, but will not restore its profitability.

"When you work overtime to increase productivity, you pay high wages and your profitability suffers"

NEWS Employers have lost R1 billion ● Education ministry faces constraints

Indefinite strike in auto industry

By Sowelan Correspondent

MEDIATION was yesterday ruled out as a means to resolve the 12-day strike by 25 000 National Union of Metalworkers of South Africa members in the auto industry, setting the course for an indefinite strike

Numsa national organiser Gavin Hartford said the union was willing to refer the strike — which has cost employers over R1 billion in turnover, workers R35 million in wages and the Government more than R200 million in taxes — to mediation or arbitration but said employers had made it clear they were not interested

“We’re prepared to be involved in any kind of dispute resolution mecha-

■ **LONG HAUL** Work stoppage to go

On as mediation is ruled out:

ism, be it mediation or arbitration. However, employers have made in clear that their offer of 10 percent was final and not open to any further negotiation or mediation,” Hartford said

The union leader said the union had no other avenues left, in terms of the law and collective bargaining, to help resolve the strike. Even Labour Minister Tito Mboweni could not intervene as he needed the consent of both parties in order to do so, he added

Automobile Manufacturers Employers Association vice chairman Harry Gazendam yesterday confirmed that employers were not prepared to go into

mediation

“Entering into a mediation process implies that you’re prepared to make further concession. We’ve made our final offer, which we believe is the best in the country and agreeing to mediation knowing that you will not move will be doing so in bad faith,” Gazendam said

Gazendam said an average Numsa member earned R1 935 a month

“Add to that that an average 42 percent of a fringe benefit package and that takes the overall package of a Numsa member to over R3 000 a month,” he said.

189 (initials)

Numsa declares a wage dispute with tyre makers

BIDAY 9/18/94

THE National Union of Metalworkers of SA (Numsa) yesterday declared a wage dispute with tyre manufacturers, and a meeting was scheduled for later this week to try to resolve the impasse, national organiser Gavin Hartford said yesterday.

About 8 000 workers in four plants — three in the Eastern Cape and one in Brits — were affected.

Although employers had agreed to benchmark wages against artisans' actual average rate, Numsa rejected their proposal to achieve a wage curve with 10% differentials over a three-year period. The union's demand was for the policy to be in place within two years.

Numsa's demand for a minimum 12% wage increase was countered by a 7,5% to 9% employer offer, Hartford said.

Adult basic education, time off for report-back meetings, employment security and an employer refusal to join the motor industry national bargaining forum were also in dispute.

Meanwhile, the strike in the motor assembly industry continued yesterday with Numsa rejecting a framework agreement by employers. Ne-

ERIC JANKOWITZ

gotiations will resume today.

The strike by about 25 000 workers began last Monday at all manufacturers and was estimated to cost about R110m a day in lost turnover. Component manufacturers would be forced to place about 80 000 workers on short time or retrench them if the strike lasted more than two weeks.

Hartford said that, in terms of the employer proposal to calculate the 9% wage offer on average wages, 48% of the sector's workers would receive only 5% to 9% increases.

Numsa members yesterday rejected the wage offer as well as the four-year timeframe for correcting anomalies and "all other non-cost demands of the employers".

He said that as artisans would receive a 9% increase on actual wages, this would widen, not close, the wage gap between unskilled and skilled workers in the industry.

Automobile Manufacturers Employers' Organisation vice-president Harry Gazendam confirmed employers would meet Numsa today and resume negotiations.

Metalworkers spurn 9% offer

BY JUSTICE MALALA

Striking National Union of Metalworkers of South Africa (Numsa) members nationwide yesterday rejected the 9 percent wage increase offered by automobile industry employers and negotiations between the two bodies will resume today

The more than 25 000 workers, who have been on strike since last Monday, mandated their bargaining committee in meetings countrywide yesterday to return to negotiations today with an unchanged demand for a 12 percent increase.

Automobile Manufac-

turers' Employee Association (Ameo) chairman Harry Gazendam confirmed yesterday that the automobile industry was losing an estimated R110 million in turnover a day while workers were losing at least R3,5 million a day in wages. The Government was losing about R20 million daily in taxes

The negotiations between Numsa and Ameo broke down on Thursday and the employers' association presented a document the next day with the 9 percent proposal and other items (189)

After shop steward councils at the weekend and general meetings

Star 21/3/94
yesterday, the document was rejected by Numsa.

The union also rejected Ameo's four-year time-frame for the correction of wage anomalies.

Numsa national organiser Gavin Hartford said yesterday that the union's 12 percent demand was in line with the consumer price index. Numsa members in the industry had accepted increases which were less than the consumer price index for the period of the recession.

Gazendam said the organisation's 9 percent offer was not a final one and that a settlement would depend on a "host of other issues".



Star 12/18/94

Metal sector players strike deal

EMPLOYERS and workers in the metal and engineering industries yesterday reached a pay-rise agreement. The agreement was reached in Johannesburg between the Steel and Engineering Industries Federation of SA and 12 trade unions.

SEIFSA said in a statement 280 000 employees would get a 9,5 percent pay rise, backdated to July 1, and improvements in their conditions of service.

The agreement follows 15 meetings of the two industry work groups, four dispute resolution meetings and two days of mediation by Professor Mark Anstey of the Independent Mediation Services of South Africa.

SEIFSA said any pay rises granted since July 1 would be off-

set against the 9,5 percent rise. A longstanding debate on the need for regional wage differentials had resulted in agreement on an exemption procedure for employers in KwaZulu/Natal, the Western Cape, Border, Free State and Northern Cape.

"These employers may apply individually for exemptions to implement wage increases of a lesser amount, and if the regional industrial council concerned is unable to reach agreement on the proposed exemption, the employer may refer the matter to independent arbitration," SEIFSA said. (189) (353)

It said an expedited exemption procedure for businesses employing 10 or fewer employees was a big step forward. It would substantially improve the speed with which

the Industrial Council dealt with exemption applications.

"The new exemption arrangements show an increasing awareness by the parties of the need for flexibility in wage arrangements in the industry, particularly with regard to smaller employers and those experiencing real financial difficulties."

An industry document on productivity bargaining would be finalised by December 31, reflecting an awareness by all parties of the need to improve competitiveness in world markets.

"The document is intended to encourage and assist companies in entering voluntary agreements with trade unions at company level to achieve productivity improvements," SEIFSA said — Sapa

NUM to hold strike ballot as talks fail

B/Doy 15/8/94

ERICA JANKOWITZ
and JACQUIE GOLDING

IN THE latest development on the troubled labour relations scene, the National Union of Mineworkers (NUM) yesterday announced plans to hold a strike ballot among members following the failure of conciliation board wage talks with the Chamber of Mines last week

The move came as a 9,5% settlement was reached in the engineering sector, but the strike in the motor assembly sector industry continued without an end in sight

NUM general secretary Kgalema Motlanthe said yesterday the ballot did not necessarily mean workers would go on strike, but if there was an "overwhelming majority" in favour of striking, the union's national executive would have to discuss the issue further

"All we would like is for the chamber to offer us 10%" and the executive would accept this, Motlanthe said

The chamber's "final offer" last week stood at 9,25% on gold mines and 10% on collieries. The NUM reduced its demand to 11%. Agreement between the union and the chamber has been reached on maternity and paternity leave, funeral payments, deferred pay, affirmative action, membership information and traditional healers

The Steel and Engineering Industries' Federation (Seifsa) signed a 9,5% wage agreement with Numsa and 11 other unions on Friday after numerous rounds of negotiations, dispute meetings and finally mediation

Seifsa said the wage increase pertained to actual and schedule rates and would be effective from July 1. Employers which had granted increases since that date could

offset these against the 9,5%

Three trade unions declared a dispute with Seifsa over a 9% final wage offer and the question of blanket exemptions for various areas (189)

The need for regional wage differentials had resulted in "an expedited exemption procedure being agreed to for employers in the Natal, Border, Cape, Free State and Northern Cape regions", Seifsa said

Employers would be required to apply individually to implement lower wage increases through regional industrial council structures, and if the council was unable to reach agreement the matter could be referred to independent arbitration (35)

A similar arrangement was agreed to for small businesses employing fewer than 10 scheduled employees. "The new exemption arrangements show an increasing awareness by the parties of the need for flexibility in wage arrangements in the industry, particularly with regard to smaller employers and those experiencing real financial difficulties"

The parties also agreed to finalise an industry framework document on productivity bargaining by January, reflecting an awareness of the need to improve efficiency in production

The document was designed to encourage companies to enter into voluntary agreements with unions at company level to address this issue, Seifsa said. Once finalised, the document would be incorporated into the main agreement.

Numsa on Friday reaffirmed its demand

To Page 2

Labour talks

B/Doy 15/8/94

From Page 1

of a 12% wage increase to motor manufacturers and said the two-week strike which had crippled the industry would continue indefinitely (189) (31) (35)

Numsa said its 12% demand on actual earnings — to which the union reverted when employers refused to meet an unmandated 10,5% settlement proposal — and a three-year timeframe to correct wage anomalies "remains our bottom line for the settlement of the strike"

This followed a shop stewards' council meeting on Friday at which the Automobile Manufacturers Employers' Organisation's (Ameo's) final offer of a 10% increase on actual wages was discussed. Numsa said it was prepared to reopen negotiations with employers or refer the dispute to mediation.

"Numsa believes that Ameo has adopted a position seeking to bash the union into

submission based upon a principled struggle to force auto workers' conditions down to those of the engineering industry and manufacturing in general, and not on the normal collective bargaining principles of affordability versus employees' needs"

The union said it would not oppose government intervention to facilitate reopening the collective bargaining process. This followed an announcement by Labour Minister Tito Mboweni on Friday that he would see what action he could take to help break the impasse

Reuter reports Mboweni said "We are looking at the situation and will see whether parties are interested in us playing a role. Something is going amiss there"

But Mboweni stressed that any intervention by his department would be within the confines of existing labour law. He would meet unions and management involved in the strikes this week

Union and vehicle manufacturers meet again in fresh round of talks

Mbeki, Mboweni intervene

Star 16/8/94 to break deadlock

■ BY JOVIAL RANTAO
LABOUR CORRESPONDENT

Intervention by Deputy President Thabo Mbeki and Labour Minister Tito Mboweni at the weekend has persuaded the parties in the protracted motor manufacturing industry strike to resume talks.

Mbeki and Mboweni held separate meetings with the National Union of Metalworkers of South Africa (Numsa) and the Automobile Manufacturers Employers' Organisation (Ameo) on Saturday, which were followed by a joint meeting on Sunday.

The gatherings led to a round of informal discussions in Johannesburg yesterday to outline a framework for the resumption of wage negotiations.

Harry Gazendam, Ameo's vice-charman, said the informal talks held yesterday would not affect the parties' final positions.

Wage talks between Numsa and Ameo reached deadlock in Port Elizabeth on Wednesday when employers made a final offer of a 10 percent across-the-board increase and Numsa stood firm on its reduced demand of 10,5 percent.

Final offer

The union has since reverted to its original 12 percent wage demand.

Mediation was ruled out as an alternative to resolve the dispute when employers said they would not move from their final offer.

Yesterday was the first day of the strike in which workers were not paid. Numsa charged employers with using the non-payment of wages, as well as moves to resume operations at some plants, as a ploy to drive a wedge between the workers.

Employers at two of the seven affected auto assembly plants announced plans at the weekend to resume production.

"Not a single Numsa member returned to work," the union said "The mood of the workers is unprecedentedly strong."

THE deputy president and the Labour Minister persuade the opposing parties to resume their talks

189

Numsa, however, remained optimistic that genuine negotiations, which focused on the key issues in the motor industry, could still produce a settlement.

But, Numsa warned, if employers believed "they're holding a line for employers in general", then the dispute would likely be prolonged.

■ Hundreds of Numsa members staged a march in Durban yesterday to support their demand for a higher wage award.

■ Unless there was "an improvement" in the final wage offer from the Chamber of Mines, the National Union of Mineworkers (NUM) would proceed with plans to conduct a strike ballot among its 200 000 members, a union spokesman warned yesterday.

"The strike ballot is the last resort. There's no alternative route left for us. We were forced into this situation," said NUM press officer Jerry Majatladi.

The decision to ballot members was reached on Thursday by the NUM's national executive committee. Once the balloting process, which starts this week and is expected to take two weeks, is concluded, the committee would reconvene to discuss the situation.

The NUM, which lowered its wage demand of 15 percent to 11 percent for both coal and gold mines during the conciliation board meetings, opted for the strike ballot after the Chamber made a final offer of 9,25 percent for gold mines and 10 percent for coal mines.

The Chamber was unavailable for comment last night.

Tyre workers join auto strike

Sowetan 19/8/94
MOTOR industry workers have vowed to remain on strike despite financial hardship as tyre industry workers also downed tools in sympathy

National Union of Metal Workers of SA legal adviser Mr Feizal Fataar said yesterday the strike would continue indefinitely.

Numsa official Mr Felix Nqabeni said strikers were receiving a minimal amount of money from the union and members of the community were helping with meals and cash.

A meeting of shop stewards addressed by Numsa president Mr Mthuzeli Tom in Port Elizabeth yesterday was to decide the strikers' course of action

In another development, a Numsa official said tyre industry workers in the Eastern Cape had embarked on a sympathy strike. *(189) (2)*

Representatives of Goodyear-Tycon and Firestone refused to confirm the strike but General Tyre spokesman Mr Attie Hicks said workers had failed to start work yesterday morning. — *Sapa*

Fm 19/8/94

members This followed the parties' failure to bridge the gap between the NUM's reduced demand for an 11% wage increase and the Chamber's "final" offer of 9,25% on gold mines and 10% at collieries

The intervention in the three-week motor strike by Deputy President Thabo Mbeki and Labour Minister, Tito Mboweni, after employers last Thursday refused to budge from their final 10% wage offer, is a clear indication of pressure on the Mandela government to resolve the strikes

As a result of their involvement, Numsa and the vehicle employers' body Ameo this week returned to the negotiating table. New talks have begun "on the basis of finding a resolution," says Numsa's Gavin Hartford, refusing to be drawn on where a trade-off might occur. While he had "nothing to report" on a shift in the union's demand or Ameo's offer, the likelihood at the end of it all is a package deal that includes issues like skills training (189) (189)

Regarding the decision by Mercedes Benz and Delta Motor Corp to open their plants for normal production this week, Hartford says it is their democratic right. But the union sees it as an attempt to divide the workers. In any case, he adds, Numsa's information was that no union members had reported for duty and no production had been achieved

Delta says: "For obvious reasons we do

STRIKES Fm 19/8/94 In search of settlement

Heavyweight government intercession in the intractable motor strike appears to have pulled employers and the National Union of Metalworkers of SA (Numsa) back from a power play to the finish.

And in the deadlocked mining wage talks, the Chamber of Mines and National Union of Mineworkers (NUM) have agreed to hold their third conciliation board meeting, which may avert another damaging strike (189) (189)

NUM general secretary Kgalima Motlanthe had earlier announced that the union would conduct a strike ballot of its 200 000

Fm 19/8/94

not want to comment on attendance levels which would put undue pressure on the current process — and loyal employees who have returned to work. Suffice to say, however, limited production has begun in certain areas within our plant and support facilities." The position was much the same at Mercedes.

The bottom line in the strike wave seems quite simply be that unionised workers want more money and their leaders are finding it hard to resist the thrust.

Numsa believes that a new pattern in wage bargaining is developing, whereby employers across industry are co-operating to ensure that settlements are kept to about the same level, give or take a percentage point. When the union's leadership explored an unmandated compromise settlement based on 10,5% last week, says Hartford, employers simply rejected it though it was only a whisker away from their offer. He also says that affordability is not the issue, which employers have admitted, but rather to break a trend which has seen car workers always raising earnings a couple of per cent more than workers in other industries. The union is concerned to maintain "specificity" in industrial wage rates. (189) (189)

Employers, meanwhile, seem to want to draw a line against strikes leading automatically to higher wages. ■

Dispute also contest for public support

Spar 2018/19

Motor strike takes on broader significance

ENOCH Godongwana, the secretary-general of the National Union of Metal Workers of South Africa, talks to Chief Reporter JOHN PERLMAN.

FNOCH Godongwana talks about workers and trade unions with the authority of a man who has had his feet on virtually every rung of the labour movement ladder.

Godongwana, currently secretary-general of the 170 000-strong National Union of Metalworkers of South Africa (NUMSA), was a worker in an East Rand metal factory 14 years ago.

There he was elected a shop steward. He became regional organiser in Springs three years later, then NUMSA national organiser, then worked as union secretary for the Border region.

He took up his current post last October. But even with that experience, Godongwana admits that the two-week old motor industry strike — in which 25 000 of his members are involved — has thrown up some surprises. "We did not foresee that this sort of a dispute would take this direction," he says.

"This dispute is not just industrial. It's also a contest of winning public opinion."

The bosses, says Godongwana, have been "winning sympathies in the democratic movement", including "some leading people within the ANC".

BUT that hasn't extended to the "the majority of township workers who are still having skirmishes with their own bosses", he says.

The strike is rooted in two fairly complex issues, Godongwana says.

The first is a wage dispute — not just a stand-off over "how much", but over interpretation as well. NUMSA at the outset of negotiations pushed for the increase to be based on "actuals" — "on each individual's wage", Godongwana says.

"The employers wanted it based on an "industry average" which means that the companies that pay better get away with a 5 to 7 percent increase."

The employers latest offer is 10 percent on actuals. NUMSA is holding out for 12 percent.

"We are told that the inflation rate is 7.5 percent but



ENOCH GODONGWANA: From humble worker in an East Rand metal factory to all-powerful union boss in 14 years
PHOTOGRAPH DEBBIE YAZBEK

we believe that the inflation on basic foodstuffs is 11.5 percent," Godongwana says.

"But even if inflation is 7.5 percent, we don't want to remain where we are. We want to get a real wage increase. Over the past few years we have been settling on less than inflation."

The wage dispute has yet another dimension. "There are differences of up to R5 an hour between people on the same grade," Godongwana says.

"We term that the apartheid wage disparity. The employers are contesting that this follows racial lines and call it 'distortions'."

"There is agreement that we need to change that. What really sets us apart is the time frame. At the moment both sides have agreed that there should be a committee to investigate 'cost implications and practicalities', says Godongwana, but there is disagreement as to how long it should take.

The other key issue in the strike is "skills standards", says Godongwana.

Prior to the dispute, the union and employers had spent hours trying to devise a training system which would recognise on-the-job experience as "credit" towards moving up job grades, with all training divided into "modules".

Although the framework is agreed on, Godongwana says, "the employers propose 119 training modules to become an artisan. We are saying that is too long, as it will discourage people from doing training." NUMSA proposes 60 modules — half the amount of time — to cover the same training.

These issues are complex enough. But the auto industry strike, and others, have raised debates that go beyond the specifics of each dispute.

With the economy recovering and the Reconstruction and Development Programme picking up, shouldn't unions accept more modest increases in the interests of economic growth? And with unemployment huge and growing, don't strikes just add to joblessness? It's not that simple, Godongwana says. "Some of

these issues, like wage restraint, will be part of the coming COSATU congress debate and I don't want to pre-empt the debate," he says.

"But must we allow the bosses to accumulate as much profit as possible in the hope that they will invest it in productive capacity? In most cases they don't do that. They simply pocket the money or invest it in speculative investment that doesn't create a single job."

"If we sacrifice that wage we need to know it will create jobs and not be pocketed. That needs to be explained in detail."

Godongwana says the undertakings of a democratic government alone will not dissuade workers from industrial action.

"We are co-authors of the RDP and our commitment to it is there. But the reality at shopfloor level, whether we have the RDP or not, is that the legacy of apartheid is still intact at shop floor level. Our members are going to fight that. It is unfair that workers must live with the past in the interests of the RDP."

He also rejects the argument that strike action contributes to unemployment. "As it is most of the workers have extended families to feed," Godongwana says.

189

THE employers, he says, are trying to "shift the issue and place it on the workers who are employed instead of looking at who displaced them in the first place."

"There is now a campaign against the labour movement in this country, instead of saying creatively 'how do we make sure that the unemployed are absorbed into gainful employment? How do we deal with the declining industries and make sure the skilled are kept in productive activity?'"

"As the labour movement we have a contribution to make in that debate. But we can't say we can only achieve that by trampling on rights."

"The idea that 'a little bit of fascism is needed for growth', the Asian argument, is something we don't accept."

Godongwana smiles when it is suggested that the recent wave of strikes might fuel that very argument. "The press has created a hysteria as if there is a national crisis around these strikes," he says.

"Most agreements expire by the end of June. This is just business as normal, part of the collective bargaining process."

STimes 21/8/94

Auto strike latest

WAGE talks between the Automobile Manufacturers Employers Association and the National Union of Metalworkers of SA remained deadlocked this weekend after a flurry of negotiations between the two bodies

The talks were resumed earlier this week after Deputy President Thabo Mbeki and Labour Minister Tito Mboweni intervened

Employers offered workers a six-month, ex gratia, one-percent payment from January next year, which would not form part of the basic wage packet, in a bid to shift the parties closer to each another

But on Friday Numsa poured cold water on hopes that the offer would lead to a settlement and signalled that only movement on the basic wage offer of 10 percent would resolve the dispute

Negotiations had been on hold since last week, when employers said their 10 percent offer was final, and Numsa, which had suggested a 10,5 percent compromise, reverted to its original 12 percent demand

CAR WARS

It's a fight 'to the death' over just half a percent

ARNIE ANGLES is all dressed up with nothing to sell. The gleaming cars that once filled Port Elizabeth's Embassy Volkswagen showroom have long been sold to impatient customers.

The giant advertising screen overlooking the deserted sales area has been silent for two weeks and Mr Angles is getting anxious. Used to talking his way through car sales from dawn to dusk, he is like a fish out of water.

Since the supply of cars dried up two weeks ago, the phrase on the lips of almost everyone in South Africa's motor city has been "ripple effect".

Mr Angles's boss, Clive Taverner, punches his computer and issues the statistical verdict: the 19 cars his salesman has sold "on paper" would have earned him around R7 000 in commission if they had been delivered to clients. And commission is what Mr Angles lives on.

By the end of this week the strike had rippled through the industry's food chain, nibbling at Mr Angles on its way to reducing demand for paint, upholstery, tyres, autoglass and electrical gadgetry.

Around 185 000 workers in jobs supplying the auto industry or dependent on its

(189) ~~189~~
By RAY HARTLEY Political Reporter

products are affected by the strike, says Mr Taverner.

For Port Elizabeth, the strike and the ripples in its wake have brought back bad memories of the mid-80s shockwave that followed the withdrawal of strike-hit Ford from the city.

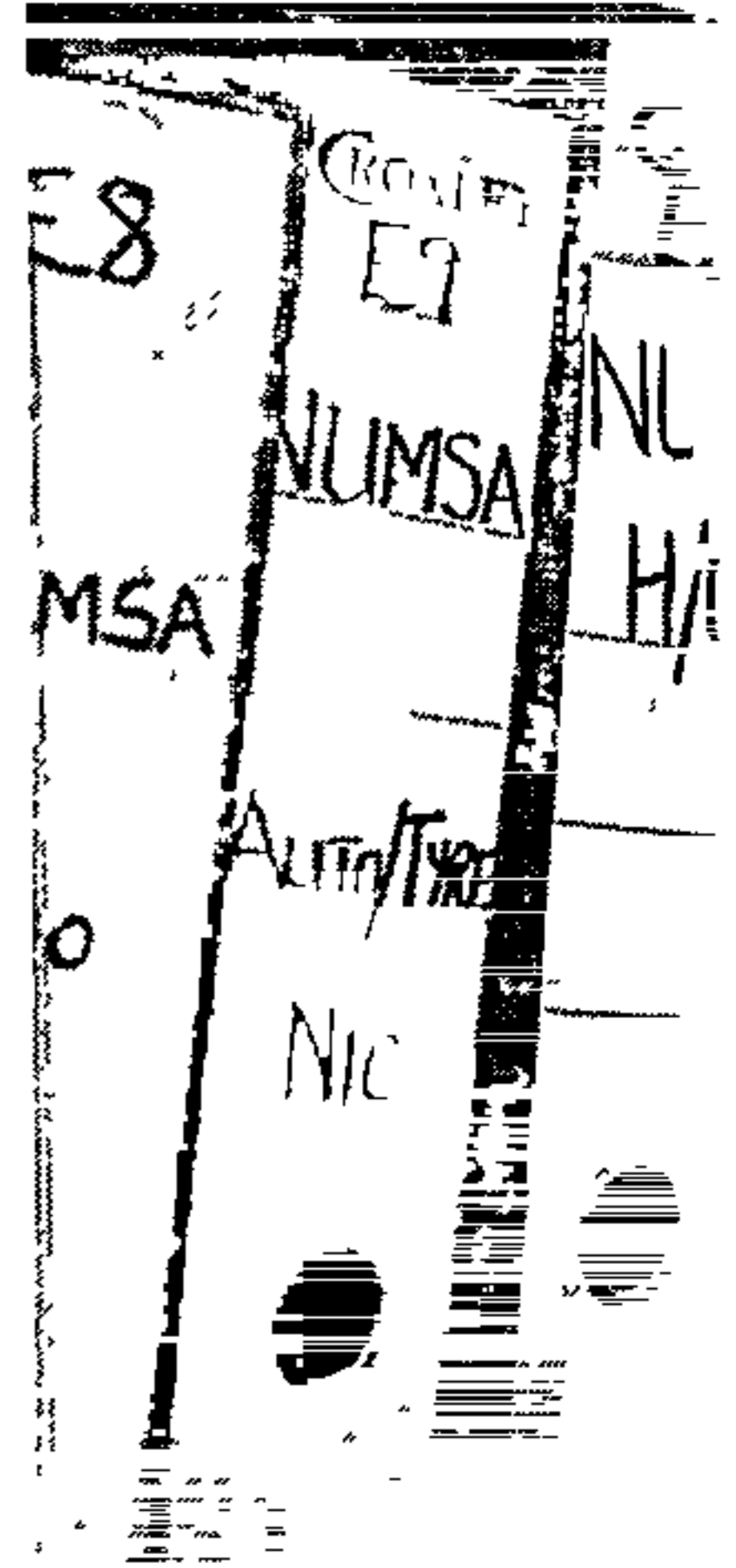
A short stretch down the road from Embassy Volkswagen in the industrial area of Korsten, National Union of Metalworkers of SA organiser Gavin Hartford has been on the phone to employers.

Replacing the receiver, he tells Numsa president Mtutuzeli Tom across his cluttered desk. "They're going to fight to the death for 10 percent and our troops are going to war."

Mr Tom, who has worked at East London's Mercedes-Benz plant for 12 years, just shakes his head and stares hard at the ceiling.

Although a veteran of years of bargaining within the industry, Mr Hartford says nothing could have prepared him for this year's 300-hour-long wage talks. "It's a whole different ball game. That's fine, but if they want us to play they must tell us the rules," he says.

The gap between the adversaries had



NEW BALL GAME . Numsa's

narrowed to just half a percent. The union has said it will settle for 10,5 percent and the Automobile Employers Organisation is offering 10 percent.

But that is not what the strike is about, says Mr Hartford. "They have told us a hundred times that their final offer is in concrete. We are no longer talking about money, this has become a principle."

Employers have decided to sit on the strike to ram home to car workers a message of understanding — that strikes won't automatically lead to wage increases, Hartford says.

Believing this does not ease his frustration over the tiny gap, "We're talking about R30 on the price of a small car," he says.

In nearby Uitenhage, Volkswagen's Peter Searle is equally frustrated. "After a year we hear this argument: does it get you in the end? It gets you an unaffordable motor car and an unaffordable situation," he says.

The car industry has reached a new stage and the realities facing it are different. "We've got to bring down costs, we've got to make better use of our people and abilities. If we don't do that, we're going to have an industry in five years."

the
st



NEW BALL GAME Numsa's Gavin Hartford, who did not expect the wage talks to be so tough Pictures CÖBUS BODENSTEIN

Political Reporter

by the strike, says the strike and the brought back bad 90s shockwave that of strike-hit

the road from in the industrial Union of Metal- Gavin Hartford to employers he tells Numsa across his clut to fight to the our troops are

at East Lon- for 12 years, are hard at the

years of bargain- Mr Hartford says him for this talks "It's a That's fine, but they must tell us adversaries had

narrowed to just half a percent — the union has said it will settle for 10,5 percent and the Automobile Manufacturers Employers Organisation is offering 10 percent.

But that is not what the strike is about, says Mr Hartford "They have told us a hundred times that their final offer is cast in concrete We are no longer arguing about money; this has become an issue of principle"

Employers have decided to sit out the strike to ram home to car workers a new understanding — that strikes won't automatically lead to wage increases, Mr Hartford says

Believing this does not ease his frustration over the tiny gap "We're talking about R30 on the price of a small car," he says

In nearby Uitenhage, Volkswagen MD Peter Searle is equally frustrated "Year after year we hear this argument Where does it get you in the end? It gets you an unaffordable motor car and an uncompetitive situation," he says

The car industry has reached a critical stage and the realities facing it are stark. "We've got to bring down costs, we've got to make better use of our people and their abilities If we don't do that, we aren't going to have an industry in five years,"

Mr Searle says from his Uitenhage executive suite

Except for the company's management and public-affairs divisions, the giant plant has ground to a standstill

The General Agreement on Trade and Tariffs concluded last year, after years of excruciating trade talks, figures prominently in Mr Searle's world view

Bolled down to its essence, the agreement means that, within five years, the tariffs that protect local manufacturers from efficient, low-paying international competitors will have gone

Mercedes-Benz human resources head Ian Russell's words are equally stark "There is really a sword of Damocles hanging over us," he says For Mr Russell and his East London-based company the sword has a razor-sharp edge

Within days of unveiling the company's new C-Class Mercedes-Benz to the public, production was halted by the strike

With 10 000 anxious buyers signed up for the new car the pressure for delivery drove the company to open for business despite the strike But not enough workers have turned up to bolt together the new design

Sitting at a table designed in imitation of the company's famous badge, Mr Russell adopts a less direct approach than Mr Searle

The industry's over-bureaucratised National Bargaining Forum where wage deals are cut is the main problem, he insists

Instead of setting wages and cutting detailed agreements at the NBF, he would like to see agreements confined to minimum wages, giving individual companies latitude to improve productivity with incentive pay

Across the highway from Mr Russell's office, worker Ludwe Bakaco has just left a workers' meeting

He is sure the strike is about making the industry competitive but, he says the remnants of apartheid inequality in the workplace must also go

Mr Bakaco, a grade 3 worker taking home around R2 000 a month after 10 years service, says it's all about changing a wage structure designed to give whites more money and skills than blacks

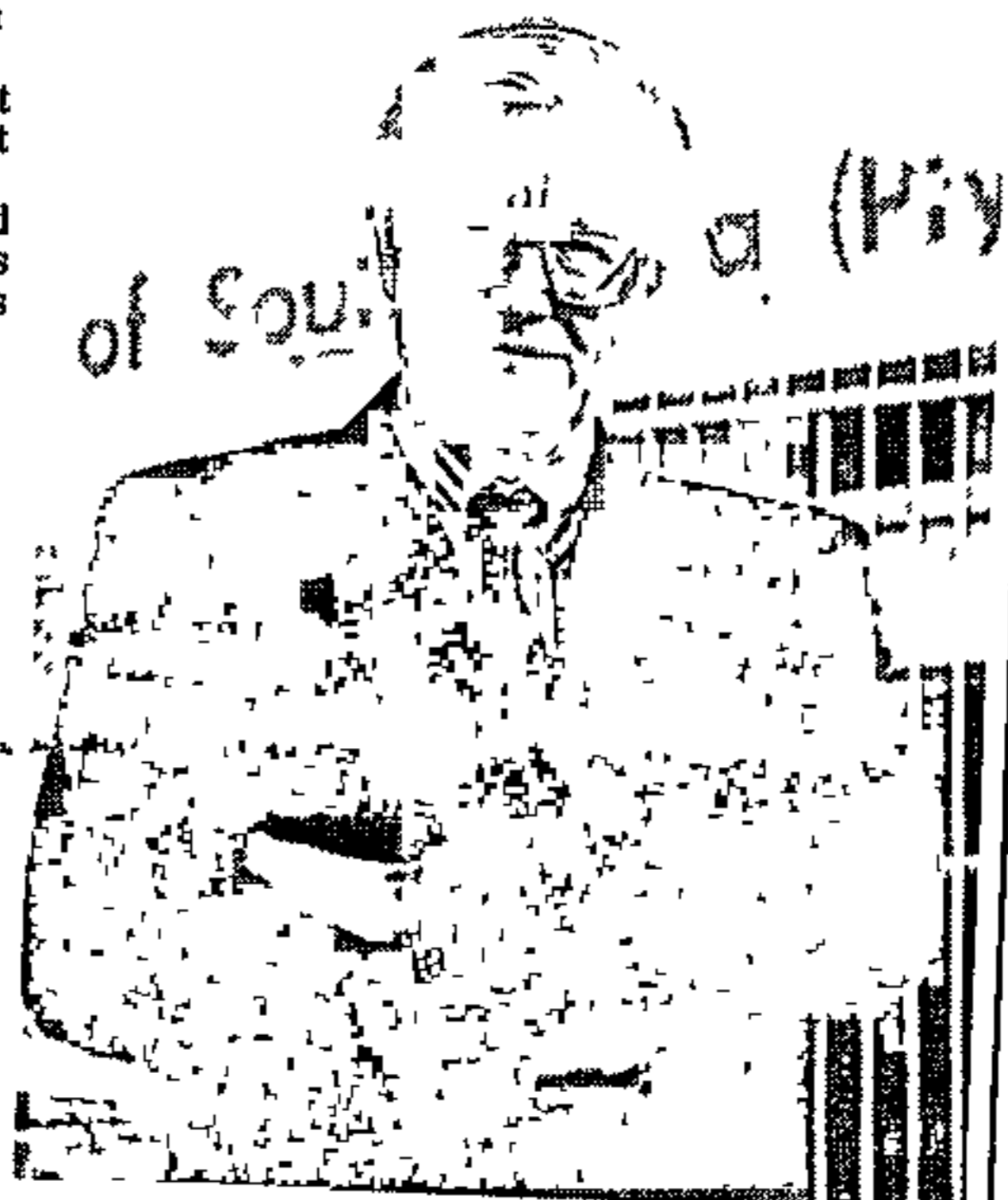
Eight people depend on his R2 000 salary, he says As a Numsa shop steward, he has been given a car for his union work, otherwise he would not be able to afford one

Workers, managers and union officials are all acutely aware of the industry's precarious perch

But, as if mesmerised by the enormity of the change, they have remained strangely motionless

As the strike threatens to enter its third week, Mr Russell will drive his Mercedes to work at the East London plant The company's 3 000 workers will make the four-taxi journey to sit out the strike across the road

And in Port Elizabeth salesman Arnie Angles's chances of sinking into the leather seats of a sporty demonstration model remain bleak



FEARS FOR THE FUTURE Volkswagen MD Peter Searle, who is determined to cut costs

Workers reject offer

Si Times (BUS)

AN IMPROVED wage offer by motor manufacturers has failed to end the 15-day strike by 25 000 hourly-paid workers

The Automobile Manufacturers Employers Organisation (Ameo) has offered an additional 1% to its original 10% wage increase for a six-month period beginning in January, provided workers agree to end unprocedural stayaways

The additional 1% would not be part of the base rate offer and would be considered an ex gratia payment

Leaders of the striking National Union of Metal Workers of South Africa (Numsa) were apparently happy with the concession, but had difficulty "selling" the scheme to shop stewards

In an effort to end the strike and meet pleas by Deputy President Thabo Mbeki and Labour Minister Tito Mboweni to seek a responsible solution, Ameo is understood to be prepared to enter into US-style "final-

By DON ROBERTSON

offer arbitration" in which only wage issues will be negotiated

Discussions under this concept hold risks for both parties as each would be obliged to abide by the decision of the arbiter

On Friday Numsa refused to accept the ex gratia offer and said there would be no settlement unless employers agreed to increase basic wages 2118194

Attempts by Mercedes-Benz and Delta to encourage employees back to work by opening their factories each day this week failed as insufficient numbers of workers turned up to allow production to begin

The strike is costing motor manufacturers about R100-million a day in lost production, while employees are forfeiting R3,5-million in wages. The state loses R20-million a day in taxes and VAT.

(189) (189) (189)

Honorary consul Josep
of team early 1995
the economy

Car strike batters exports

S Times (Buss) 28/8/94

By DON ROBERTSON

THE strike by 25 000 assembly line workers could have a major impact on the motor industry's fledgling export market.

The stayaway is already affecting Volkswagen, which is contracted to supply China with 17 000 Jettas, a long-term order worth R350-million this year alone.

Ernie Barber, Volkswagen's finance director, says he is concerned about the harmful effects of the strike.

"We are currently negotiating with our Chinese customers to reschedule shipments of Jetta," he says. "We are acutely aware of the negative impact industrial action has on our ability to negotiate future orders."

In 1992, exports of completely built-up units (CBUs) amounted to R50-million, rising to R313-million in 1993. CBU exports

this year are forecast at R685-million and total exports, including components, were expected to exceed R2-billion.

Projections formulated by manufacturers in July — the strike began on August 1 — put domestic new car sales at 200 000 and light commercials at 102 500, but the National Association of Automobile Manufacturers (Naamsa) says these figures "appear optimistic" (189) (193) (192)

Industrial action and public holidays, particularly during April, have contributed to 15 500 vehicles being lost to production in the first six months of the year.

or
as
he
he
n"
o-
u-
ill
it,
or
ut
r,
gn
re
a,
id
r-
w
id



Wage offer may be end of car strike

By RYAN CRESSWELL

THE devastating month-long car strike seems set to end

Tomorrow is probably D-day, with National Union of Metalworkers of South Africa (Numsa) and Iron and Steel Union negotiators reporting back to strikers on a new offer of a 10,5 percent increase in actual wages backdated to July 1

The offer by the Automobile Manufacturers Employers Organisation (Ameo) came on Friday night

By Saturday afternoon Numsa had not reacted publicly to the offer but it is believed the unions plan to test the new offer at report-back meetings at all seven major manufacturing plants tomorrow.

When negotiations stalled this month over Ameo's actual wage offer of 10 percent and then 1 percent not on the base rate from next January, Numsa indicated it would be happy with a 10,5 percent actual rate

Ameo chairman George Stegmann said. "Following constructive and non-prescriptive intervention by Deputy President Thabo Mbeki and Labour Minister Tito Mboweni, the employers have offered a 10,5 percent increase in actual wages effective from July 1 1994."

The break came shortly after surprise talks between Mr Mboweni and four motor company chief executives in Port Elizabeth on Friday.

Mr Stegmann said the strike had devastated the economies of Port Elizabeth, Uitenhage, East London, Pinetown and Durban. He said the industry had lost R2,2-billion in turnover, the government more than R400-million in revenue and employees over R70-million in wages

NEWS Flack and Bryson's shows in jeopardy ● Step

Sowetan 30/8/94

Workers study pay offer

By Mzimasi Ngudle

THE shop stewards council of the National Union of Metalworkers of South Africa will today consider management's latest wage offers as a step towards ending the month-long strike at several car manufacturing plants.

Numsa spokesman Mr Roger Etkind said the union would refer the 10,5 percent offer from car manufacturers to its members during report-back meet-

ings held at all its plants yesterday

"After receiving reports from all the plants, we'll see what happens," he said

Meanwhile, a spokesman for the Automobile Manufacturing Employers Organisation, Mr George Stegmann, has warned that the month-long strike could result in large-scale job losses

"The strike is threatening the future viability of automobile manufacturers, component manufacturers as well as distributors," Stegmann said

He said Ameo had moved from 9

to 10 percent on industry average wages (189) (355)

Stegmann said the strike had cost the industry more than R2 billion in turnover, workers over R70 million in wages and the Government more than R400 million in revenue

He said employers, following the intervention of Deputy President Mr Thabo Mbeki and Labour Minister Mr Tito Mboweni, had decided to offer a 10,5 percent increase in wages with effect from July 1 this year



Minibus taxi-drivers gather outside the Westgate taxi rank in Johannesburg yesterday before embarking on a go-slow in protest against working conditions. The routes affected are between the Vaal Triangle, Baragwanath Hospital and Johannesburg.

PIC: LEN KUMALO

NEWS No end in sight to automob

Still no end to lengthy auto strike

Sowetan 31/8/94

OFFER REJECTED Shop stewards
present counter offer to Ameo:

By Mzimasi Ngudle

HOPES for an end to the month-long auto strike were dashed yesterday after the National Union of Metalworkers rejected the latest 10,5 percent offer from car manufacturers.

Instead, Numsa called on employers to resume talks to consider the union's revised demand of 11 percent.

The decision to reject the offer was made at Numsa's national shop stewards council which met to consider a report-back from its membership on the employers' latest offer.

Making its final offer, the Automobile Manufacturers Employers Organisation said the strike could result in large-scale job losses.

Yesterday, the Minister of Public Works Mr Jeff Radebe said the Government was concerned about the devastating effects of the five-week-old strike, especially on ancillary industries such as harbours and railways.

Numsa spokesman Mr Roger Etkind said the union decided to move from its previous demand of 12 to 11 percent increase in wages

"We think that our revised position constitutes a basis for a speedy resolution of the strike," he said

Etkind said Numsa invited all the employers to come back to the negotiating table to consider its revised 11 percent demand. "Firstly we reject the 10,5 percent offered by the employers. Secondly we have revised our demand from 12 to 11 percent. (189) ~~10,5~~ ~~12~~

"We mandate the bargaining committee to get that half outstanding percent by any means necessary," he said

"We will accept the outstanding half percent in the form of basic wages or in any other form which we may get in talks," he said Etkind dismissed reports that workers at Mercedes-Benz had accepted the 10,5 percent offer

He said Numsa had one bargaining forum at all seven major plants, and that Mercedes-Benz workers were "fully behind the majority"



Signing to end Numsa pay issue

THE National Union of Metalworkers of SA (Numsa) and motor manufacturers would meet in Port Elizabeth tomorrow in a bid to settle wages, while normal production was expected to resume at all but one of the strike-affected plants today, sources said.

Indications were that Numsa and the Automobile Manufacturers Employers' Organisation (Ameo) would sign a 10,5% wage settlement agreement, despite Numsa's demand that its 11% final demand be met.

Ameo vice-chairman Harry Gazendam said employers were not open to further negotiations, but had invited the union to a signing ceremony. Numsa national organiser Gavin Hartford indicated the union would attend the meeting.

Gazendam said employers had interpreted Numsa's decision to return to work as the ending of the five-and-a-half-week strike and a signal to manufacturers that normal production would be resumed.

"It is now essential to set about repairing the damage to the industry and the economy in an atmosphere of reconciliation without further disruption and under the umbrella of a formalised agreement." He warned that it would take the industry 12 to 18

ERICA JANKOWITZ

months to make up lost production, but he was confident plant-level agreements would be signed ensuring overtime and Saturday work

Hartford said the National Bargaining Forum allowed for voluntary overtime. Members would probably agree to this until at least the end of the year when the industry traditionally shut down, to make up for lost wages. Sources estimated strikers lost about R75m in wages

Manufacturers were gearing up to resume production today in terms of Numsa's strike suspension, announced on Monday. Volkswagen's Uitenhage plant, however, was expected to start up tomorrow as a report-back meeting on Monday was not well attended. Another was scheduled for today.

Volkswagen spokesman Raymond Hartle said the firm was optimistic that workers would report for duty tomorrow, although this was one of the two plants which rejected Numsa's proposal to suspend the strike.

Delta Motor Corporation in Port Elizabeth announced plans to recruit 400 extra workers to man a second shift in its body shop. This was planned prior to the strike, but postponed as a result of the action

Numsa stalls on signing of pay accord

APLT 8/9/94 (152)
(169) (155) #4

EAST LONDON.— The Automobile Manufacturers Employers' Organisation (Ameo) is hoping to sign a final wage agreement with the National Union of Metalworkers (Numsa) today but the union says it wants further talks.

The union suspended the five-week strike by its 25 000 members on Monday and production in the car industry resumed yesterday while wage talks continued with management.

Ameo deputy chairman Harry Gazendam said he had invited Numsa to the meeting in Port Elizabeth today to sign an agreement accepting the employers' 10,5 percent offer.

Numsa, however, remains set on an 11 percent increase and wants further negotiations on the matter.

"We are not prepared to negotiate with them any further," said Mr Gazendam.

Numsa national organiser Gavin Hartford said the union would attend the meeting to further negotiations and not to sign the agreement. — Reuter.

Small investors score as Iscor rolls out profits

Business Editor

THOUSANDS of small investors who bought Iscor shares at 200c a share, when it was privatised by the State in 1989, have had to exercise steely patience

Often referred to as the "people's share" because of the high proportion of individual shareholders, Iscor has not given "the people" much to be pleased about in past years. Its performance has been more leaden than tempered steel — until this year that is

The mills are now rolling out profits under the new management of Hans Smith. At close of the Johannesburg Stock Exchange yesterday Iscor was trading at 478c after dropping to a low of 65c last year.

In the latest Iscor annual report Mr Smith is coy about his achievements but chairman Marius de Waal says "Hans Smith and his management team have put Iscor on a winning path, and the company's employees are motivated and keen to ensure future success"

Mr Smith says he has built on the legacy of his predecessors, which includes the assets that make it one of the few integrated steel producers in the world

But Mr Smith took the unwieldy and cumbersome giant, reduced staff

by 5 500 people to 48 500, reduced the layers of management that had built up over the years and sharpened the focus of the company.

Dr De Waal said Iscor reviewed its vision, mission, values and strategies for the future and decided to focus on four issues, which were identified as critical to success.

These were:

- Putting steel production on a worldwide competitive basis,
- Reducing debt,
- Managing the company so that it could manage the ups and downs, the good times, bad times nature of steel production, and
- Changing the management style to empower employees.

Although he did not say it — there has been a quiet revolution in the steel mills.

And Dr De Waal says shareholders can still expect better performance, even without a better dollar price for steel and iron ore and with limited export demand.

There will be further increases in productivity and underperforming divisions will be closed down

After improving the potential rewards to shareholders by 81 percent over the past financial year there is little wonder that the demand for Iscor shares is so strong

ALT 19/10/94

2005

189

Subcontracting to be introduced

Union wins management role at VW

BIDAY 17/11/94

ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) and Volkswagen have signed a restructuring agreement to ensure the company's long-term viability and gear it for tariff reduction and international competition.

The deal, signed on Friday, includes the outsourcing of non-core activities, labour flexibility and co-determination at business unit and plant level, and creates an overall negotiating committee to oversee the implementation of agreements.

A joint union/management executive committee will meet quarterly to "disclose information and discuss strategy issues"

The scheme will be implemented in only one section of the plant to test its effectiveness. It has implications, however, for the whole plant, including skills development and training, multiskilling and a 14-month moratorium on retrenchments.

The development of work teams has been agreed to. This will involve dividing the manufacturing process into a series of steps and forming work teams of between eight and 12 workers led by a team leader.

A working group will decide on a performance-based reward system, based not on the assessment of individual performance but on the company as a whole.

One level of management will be lost and frontline managers — area managers and team leaders — will fulfil new roles requiring new skills and responsibilities.

Managers, superintendents and foremen must complete a selection process to qualify as an area manager or team leader.

Numsa negotiations co-ordinator Gavin Hartford said the union might be involved in negotiating criteria for the appointment of these managers if the bargaining unit was extended to include salaried staff.

Outsourcing was based on a German model, he said. It aimed to outsource all aspects of the manufacturing process except the body shop, paint shop and assembly. The parties agreed no job loss should result from outsourcing until details had been agreed to, including tender criteria, full information disclosure and the integration of outsourcing with the reconstruction and development programme.

Hartford said the company and Numsa would investigate assisting small and medium-sized enterprises and black-owned businesses in supplying components in their drive to outsource. "Strategic sourcing will be done to fit in with the RDP and the total industry strategy of encouraging higher volumes and longer runs."

The company agreed to employ only blacks and women, unless an appointment had the approval of two directors. VW also agreed to set affirmative action targets by division. "Achievement of these agreed targets will not be negotiable."

Metal union takes hand in VW's bid to stay up front

Port Elizabeth — Metal industry union Numsa and Volkswagen SA have reached a groundbreaking agreement which will change management structures and establish a new relationship between management and workers

Globally, the agreement aims to develop Volkswagen SA to become a world class performer as looming tariff protection cuts threaten to take a huge bite out of motor manufacturers' market share in the country

"The agreement is crafted to ensure that the company does succeed in the face of looming international competition," says Judy Parfitt, VWSA human resources spokeswoman.

For Numsa chief negotiator Gavin Hartford the agreement set a "new benchmark" for the union nationally and he is hopeful other manufacturers may follow suit

The Iron and Steel Workers' Union is also party to the agreement.

The agreement, concluded after several months of in-plant negotiations, broadly means that both union and management will work jointly to ensure the continued viability and growth of VWSA. 17/11/94

Other key features of the agreement include increased production to 100 000 units a year, employment protection, and the promotion of education, training and development of employees.

In a joint statement yesterday, the parties have agreed that there will be no compulsory retrenchments for an 18-month period provided that there are no unprocedural actions during this period or that VWSA's market share does not fall below 10 percent.

VWSA has agreed to pump R10 million into basic education in 1995 which will benefit up to 1 000 employees, accelerating employees up the industry career path ladder.

Key to the agreement is the

flattening of management structures and the piloting of teamwork on new product lines as new forms of work organisation are phased in.

Another priority is the implementation of affirmative action principles which will compel the company to prioritise gender and racial appointments

"An affirmative action office and an affirmative action forum will be established within the company to police the implementation of this principle and also set affirmative action targets for each division," the statement said.

The agreement requires flexibility in the manufacturing process both between and within business and production units as well as "flexibility with regard to the determination of VWSA's core business activity through strategic sourcing initiatives".

The agreement sets standards to develop the rights and responsibilities of the company and union. — Ecna.

Toco overcomes election and holiday disruptions

SAMANTHA SHARPE

INDUSTRIAL products manufacturer and marketer Toco Holdings overcame election disruptions and the many public holidays in the early part of the year to report an 18% increase in attributable income to R11.5m for the six months to September.

The group posted a 16% rise in turnover to R209.6m, while a 19% increase in operating income to R17.6m also helped boost the bottom line.

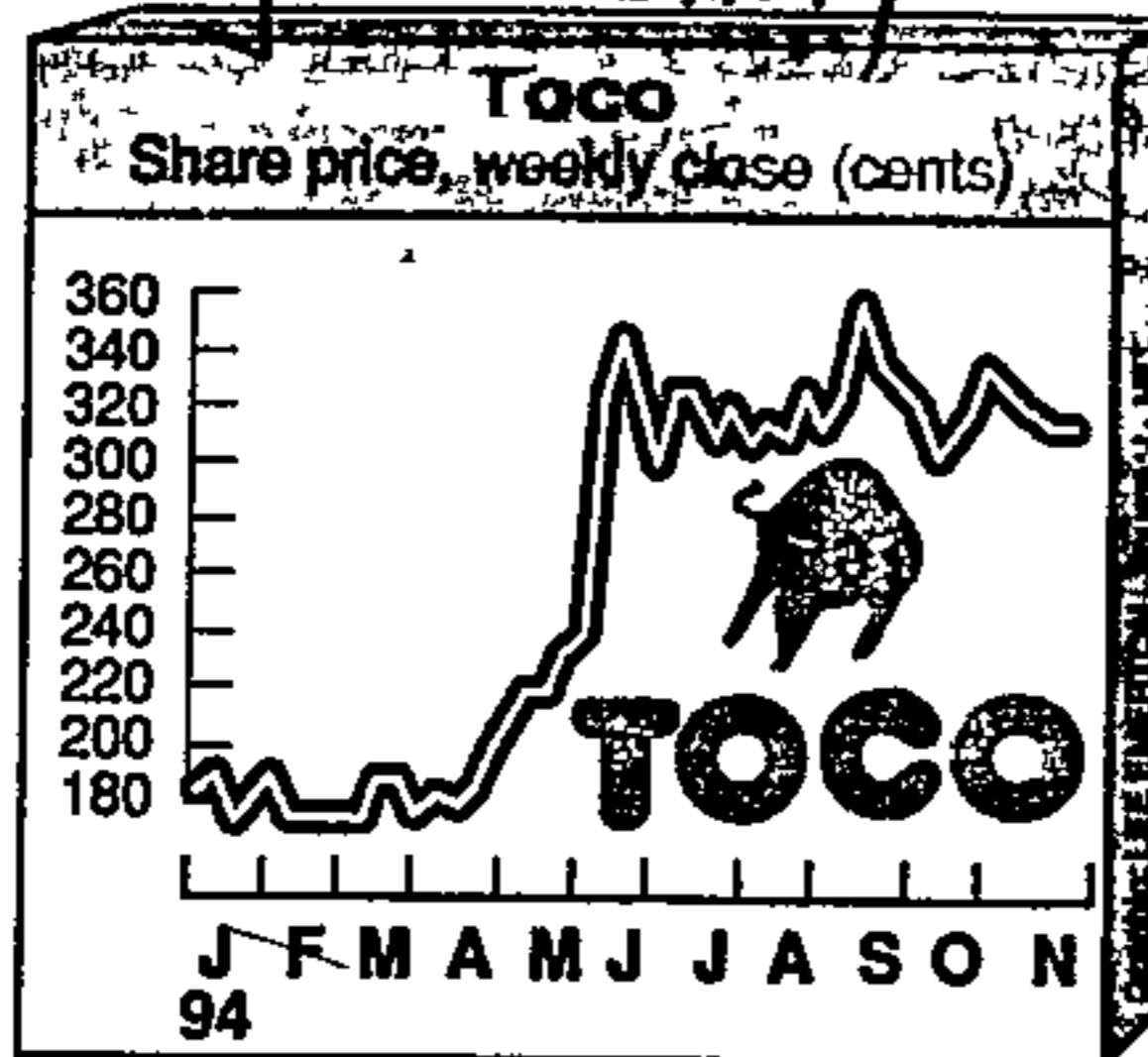
The growth in turnover and operating income contributed to an 11% rise in earnings to 13.8c a share. No dividends were declared, but bonus shares would be announced with the full-year results.

Toco chairman Paul Todd said the results were "satisfactory" given the disruptive environment of the election and the profusion of public holidays.

"The lifting, gasket, steel, parking and automotive refinishing divisions all performed satisfactorily, and have excellent prospects for the second half of the year," he said.

Todd said the group's export order books were full and he was confident Toco would be awarded a portion of the contract for vitreous enamel cladding for the Hong Kong underground, which would have a positive impact on earnings.

The group's building division had managed to overcome the "serious industrial



unrest in the wake of the elections". Appropriate action had been taken and the division was back to full production.

Expected losses from the building division had been fully accounted for in the half-year, he said.

The group had reduced its gearing from 54% to 35% at the interim stage, he said.

Group MD Adrian Goodman said the first of ten promissory notes for its Park Plus division had already been paid.

"Park Plus continues to expand steadily in North America and other global markets. We believe that our venture into the rental market will provide a more regular income stream in the medium to long term," Goodman said.

Steel bosses and unions near accord

ERICA JANKOWITZ

THE Steel and Engineering Industries Federation of SA (Seifsa) and 13 recognised trade unions were expected to finalise an industry framework document on productivity bargaining by the end of the month, according to Seifsa deputy industrial relations manager Lucio Trentini *B/Dag*

Speaking in Johannesburg last week, he said the framework agreement would be included in the industry's main agreement

Matters under consideration were

- Implementing broadbanding and multi-skilling arrangements; *5/12/94*
- Selection criteria for worker education and training and related arrangements,
- Job security relating to introducing multi-skilling and broadbanding; *(189)*
- Efficiency gains, productive performance and a more flexible approach to work organisation and production,
- Increased worker participation, and
- Worker and worker representative feedback and communications facilities

The purpose of the document would be to promote productivity improvements, assist interested companies to enter into voluntary productivity agreements with trade unions and to provide guidance on the nature and scope of the agreements.

Trentini stressed agreements would only be entered into on a mutually acceptable and voluntary basis. Although the National Union of Metalworkers of SA wanted productivity bargaining to be made compulsory, Seifsa had resisted this

7
7
7

Tongaat sells SFS to black consortium

Own Correspondent

JOHANNESBURG. — Aluminium and sugar group Tongaat-Hulett has sold an 80% stake in catering business Supervision Food Services (SFS) to a black-owned investment consortium, which includes Kagiso Trust Investment Company and Khulani Holdings, for R53m

The deal would be effective from October 1, Tongaat-Hulett MD Cedric Savage said yesterday

Other members of the consortium — each owns a 20% stake in the company — included FirstCorp Capital Investors and SFS management.

The company had been renamed Kagiso Khulani Supervision Food Services and its corporate image has been revised

Tongaat-Hulett would maintain a 20% interest in the company in order to "contribute to the future success of this business"

The deal valued the entire company at R66m, based on the potential value of its earnings as it had no assets, Savage said

The catering business had grown rapidly and had shown "tremendous potential", he said, but it had not been considered a core activity within the group and was ripe for a venture of this kind

Chairman of the new company and Kagiso Trust Investment Company chairman Eric Molobi said his company intended to invest in sound businesses to reap dividends for invest-

ment in parent Kagiso Trusts's development projects

The trust had raised its own funding for the deal with a combination of foreign and local equity.

"The catering industry is of particular interest to us as it is profitable enough while providing good employment opportunities and supplying basic nutritional requirements to large numbers of people," he said

Nigel Dunlop would remain MD and new members of the board included Khulani Holdings spokesman Zuzi Buthelezi, Tongaat-Hulett director JB Magwaza, Johnson Njeke, Edmund Radebe, Steven Saunders, Russel Stevens and Fani Titi

"Our principle is not to ruffle the companies we invest in and we want Tongaat to remain involved for continuity, as they understand the nature of the business," Molobi said.

Through its participation as board members, the investment consortium would help the group "reposition to meet the changing environment"

Kagiso Trust Investment Corporation was investigating four other investment opportunities in media, industrial groups and the service industry, but Molobi would give no further details.

Tongaat-Hulett director JB Magwaza co-ordinated the group's black economic empowerment programme. He said the group was looking at other non-core interests as possible vehicles for joint ventures with black business

Capital boost on cards for Iscor

CT 19/12/94 (189)

From MICK COLLINS

JOHANNESBURG. — Steel producer Iscor was planning a big capital injection to finance recently approved multibillion-rand projects, company sources said at the weekend.

Iscor financial director Louis van Niekerk said a major announcement could be expected early in February.

Speaking after meeting international and local financial advisers, Van Niekerk said all options would be considered next month. These could include an increase in equity, debentures, loans or a rights issue.

But sources said the most likely route for a major portion of the capital would be from offshore investors. Iscor executives' recent road show in the US and

UK is said to have whetted foreign appetites.

Van Niekerk confirmed that restrictions limiting a foreign shareholder to owning not more than 10% and foreign shareholders in total not more than 20% of shares in issue would be lifted from January 1. "This broadens the options," he said.

Analysts said the move opened the way for a well-structured funding exercise in dollars by way of private placements.

Iscor had already established a sponsored level 1 American Depositary Receipt (ADR) programme in the US through the Bank of New York.

Van Niekerk said the programme would enhance the raising of capital by enlarging the potential market for Iscor's shares through diversified exposure.

It would also give the company direct access to the world's largest capital market.

But market sources did not rule out the possibility of a R750m to R1bn local rights issue. "With Iscor exporting over 50% of its products, institutional and other large buyers consider the share a rand hedge," one broker said.

Lower interest should be paid next year as the group's strong cash flow improved — a net outflow of R167m was converted to a net inflow of R401m in the past year which meant debt reduced to just more than R1,7bn. The debt to equity ratio improved from 33,2% to 24,9%. The aim was to cut debt by R600m over the next year.

Van Niekerk said Iscor was committed to repaying debt over the next three to four years, despite its hefty capex programme.

White unionists flock to join NUMSA

Steel 24/12/94

PORT ELIZABETH — A "silent revolution" is under way at Volkswagen's Uitenhage plant with right-wing members of the Iron and Steel Workers' Union (ISWU) flocking to NUMSA in the face of management restructuring. The developments over the past three months could, some sources say, spell the end of the "whites only" union at the plant.

Two-thirds of the entire ISWU membership is at Volkswagen. Already up to 300 of the 625 white salaried members at Volkswagen have reportedly crossed the floor to the militant, black-dominated National Union of Metalworkers of SA. And

when the plant reopens in the new year, both unions are expected to push to obtain a recognition agreement for salaried staff.

The ISWU leadership will also face an unprecedented ultimatum from the Eastern Cape when it holds its annual general meeting in March to open up its membership to all races or face a breakaway from the region.

"By March the whole issue of Iron and Steel will be reviewed. We are pushing hard for the union to open its doors," an ISWU source said this week.

He said that at Volkswagen both unions were working hard to build racial harmony in the plant and old tensions had given way to co-operation.

He added that if ISWU did not open its doors, it could face a breakaway at Volkswagen.

Faced with initiatives to "flatten" management structures at the plant, salaried workers held a meeting on October 19 where a decision by ISWU members to join NUMSA — the union with enough muscle to fight their battles — broke new ground. "Because the constitu-

tion of the Iron and Steel Workers' Union says the union is for whites only, it was decided that its members could join NUMSA," the source said.

Industry analyst Dr Ashwin Desai sums it up "Suddenly the mainly white salaried staff who had been cushioned by the racial division of labour in the '60s and '70s found themselves threatened by the very management that had pampered and protected them over the last few decades."

Desai said the white workers had opted to join NUMSA to protect their

jobs in the face of management restructuring.

"Burfly Afrkaner foremen and superintendents, until yesterday the foot soldiers of the AWB, will now march under the banner of the most militant union in COSATU. Such is the stuff working-class history is made of," Desai commented.

The source put it in simple terms. "The only solution is to have one strong union — NUMSA. We were hoping for a long time that it would happen."

Bulletin, Desai said that by gaining a majority at Volkswagen, NUMSA could immediately "bargain for salaried staff at plant level".

This would fall into the NUMSA strategy of seeking a majority at four of the seven motor manufacturing plants, he said. NUMSA currently has these rights at Nissan.

NUMSA would then be in a strong position to take this to the National Bargaining Forum to demand bargaining rights on behalf of salaried workers, Desai added.

NUMSA chief negotiator

Gavin Hartford said in the same article that the developments at Volkswagen would clear the way for the union to open career paths for members beyond the category of technician.

Recruiting workers at all levels would mean the erosion of race barriers which allowed white workers to join management while black workers were traditionally confined to manual labour.

But NUMSA faces a serious challenge. Desai warns that NUMSA would have a tough time defending the interests "of this crust of white privilege" while at the same time advancing the interests of its own members — ECNA.

World steel industry set for growth phase

By MAGGIE ROWLEY
Deputy Business Editor

THE outlook for the world steel industry is more promising than it has been for more than six years and prospects for the local steel and steel construction industries are good, says Trevor Jones, MD of Highveld Steel & Vanadium Corporation.

In the latest journal of the South African Institute of Steel Construction, Jones says figures made available at the recent International Iron and Steel Institute (II&SI) annual meeting in Colorado Springs, USA showed that the major steel producing and consuming areas in the world were all in a growth phase

The US, he said, was showing a good 3% to 4% growth rate while the UK, which showed negative growth a year ago,

looks set for a 1.5% improvement this year, moving to perhaps 3% in the short term

Germany was showing a similar economic growth to the UK while the Pacific Rim countries, while not reflecting their usual extremely high growth pattern, were still looking at more than 7% growth rates which would absorb a lot of steel, he said

"Steel production and consumption figures also show an upward trend in the US production has risen 1.2%, in the UK it is up 3% and 3.5% in the European Union

"Even Japan has increased its estimate of steel production from 92 million tons to 99 million tons. In India, the projected consumption increase is from 16 million tons to 19 million tons, in Korea from 28 million tons to 30 million tons and in Taiwan from 23 million tons to 25 million tons"

Jones said it had become obvious to the II & SI that the de-

cline in output from the former Soviet Union countries had reached its lower limits

"Although the adjustment of these economies are not yet complete, they are on the path to balancing their consumption and exports which will thus have a reducing negative impact on world markets"

He said that it was interesting to note the trends in the use of steel in various sectors. In the US, for example, there has been a massive penetration by steel into residential construction in lieu of the more traditional timber-frame construction

"This is because it pays — steel frame construction is now 75% of the cost of timber which is becoming more difficult to obtain and is of poor quality because of increasing environmental pressures.

"In Europe great potential is seen for steel construction methods in medium-rise residential buildings with great

emphasis being placed on steel's capacity for being recycled

"The general consensus is that steel is a better construction medium and the feeling is that steel is gaining the ground that it may have lost"

Turning to South Africa, Jones said that the world trend was bound to catch up soon.

The major projects already underway such as Columbus, Alusaf and Namakwa Sands would be followed by expenditure on infrastructure such as electrification, water supply and telecommunications

"This is all good news. Other possibilities are Iscor's Saldanha and Hulett's expansion in Maritzburg

"Business taking place at the moment is in keeping with a 2% growth rate, but I'm sure we will be surprised how much structural steel will be needed in the not too distant future. The prospects are good"

(189)

CT 28/12/94

Bearing Man turns in excellent figures

Star 21/11/94
■ BUSINESS STAFF

Bearing Man performed well in the six months to December, with a net income increase of 31 percent (189c)

This follows an increase of 51 percent for the same period in 1992

Turnover rose by 24 percent to R91,2 million (R73,5 million), partly attributable to acquisitions

Operating income increased by 26 percent to R10,3 million (R8,2 million), thanks to economies of scale and stringent cost control.

Lower average borrowings and reduced interest rates resulted in a reduction of 29 percent in finance costs to R1,1 million (R1,5 million)

Although the core bearing business continued to be affected by price discounting, net operating income rose 38 percent to R9,2 million (R6,7 million)

The effective tax rate rose from 36,9 to 40,4 percent, primarily because of secondary tax

on companies and a favourable prior-year tax adjustment in the comparable period.

"The net effect of this is a satisfactory 30 percent increase in earnings from 45c to 58c a share.

"In view of the strong operating performance and balance sheet, the interim dividend has been increased to 20c (15c)," the board says

The trading assets and businesses of Hamilton & Demattéis (Pty), trading as RAS Engineering, and NC Bearings, Belts & Pulleys were acquired in July and November 1993

Subsequent to the half-year-end, the trading assets and businesses of Bearings, Belts and Pulleys SVD (Pty) and Industrial Bearing Suppliers (Pty) were also acquired. These acquisitions, financed by cash generated from operating activities, were made with the aim of increasing Bearing Man's trading activities in specific business sectors and geographical areas

Bearing Man boosted by recent acquisitions

ANGLOVAAL's bearing, seals and power transmission group Bearing Man saw turnover rise 24% to R91,1m in the half-year to December from the previous year's R73,5m, due in part to recent acquisitions

Strict cost control and economies of scale saw operating income increase 26% to R10,3m (R8,1m). Finance costs were reduced to R1m (R1,4m) following lower average borrowings and reduced interest rates. This led to a 38% increase in pre-tax profit to R9,2m (R6,6m)

After-tax profit was up 31% to R5,5m

B/SOM 21/11/94
MICK COLLINS

(R4,2m) The effective tax rate increased from 36,9% to 40,4% — mainly because of the introduction of the secondary tax

Earnings a share rose 30% from 45c to 58c. The interim dividend increased 33% to 20c (15c)

(189c)
The directors said Bearing Man continued to be affected by price discounting

The group's performance in the second six months would depend on the extent of disruptions during the elections

as the lack of demand in the local market for large bore steel pipe after the loss of the major Rand Water tender last year.

Relief is not in sight either, as Van der Colff points out "Introduction of new regulations in the motor industry in an effort to reduce the cost of both passenger and commercial vehicles will present a host of new challenges to the industry."

He adds that the automotive division is examining projects which may take it into new markets. More than that he's not saying.

The pipe division's local production volumes fell 23% mostly because of the Rand Water tender.

Export volumes declined because of low prices in the export markets combined with an increased cost of steel. Fortunately,

major contracts worth R37m have recently been won in the Far East, US, South America and from Rand Water (189C).

Operating income dropped by 16,3%, which, apart from the drop in turnover, was caused by downward pressure on selling prices by customers in the local market and competition in export markets.

(All comparisons against previous year's results have been made after multiplying the 10-month figures by 1,2. However, the 10 months included the holidays over

Easter and the election disruptions.)

Given the expected boost to Union Carriages' order book, the profit mix of the five divisions — metal pressings (35%), fluid (tributable profit), automotive (25%), fluid handling and measurement (20%), rolling stock (17%), pipe (3%) — is sure to change.

And probably for the better, though the exports will mean tighter margins.

The share trades on thin volumes because Murray & Roberts holds 76%. Its comparatively poor rating — a p e of 12,8 against the engineering sector's 18,0 average — is justified given the bumpy record and unexciting short-term earnings expectations.

On a long-term view, the counter is worth considering.

Kate Rushton



Van der Colff

STANDARD ENGINEERING Long view needed

Yes, 1994 was the first time earnings have fallen in more than four years. And, yes, the share has slipped to R13,50 from its June R16,50 annual high (189C).

However, Standard Engineering's medium- to long-term prospects are looking rosier. Rolling stock division Union Carriage was awarded two major contracts during the year. The first entails the design and manufacture of transets for the Department of Rapid Transport in Taiwan, the second is for the supply of 64 aerodynamic locomotives to Hyundai.

Total value of these contracts exceeds R900m and delivery will start late next year. Considering Standard's turnover for the 10 months to June was R626m, these are comforting figures and should help to smooth the anticipated bumpy earnings ride. (Chairman André van der Colff ex-

Activities: Makes truck components, fluid handling systems, metal pressings, steel pipes and railway rolling stock

Control: Murray & Roberts 76%

Chairman: A M van der Colff MD R T Davidson

Capital structure: 35,4m ords Market capitalisation R478m

Share market: Price R13,50 Yields 3,5% on dividend, 7,8% on earnings, p e ratio, 12,8, cover, 3,2 12-month high, R16,50, low, R10 Trading volume last quarter, 158 000 shares

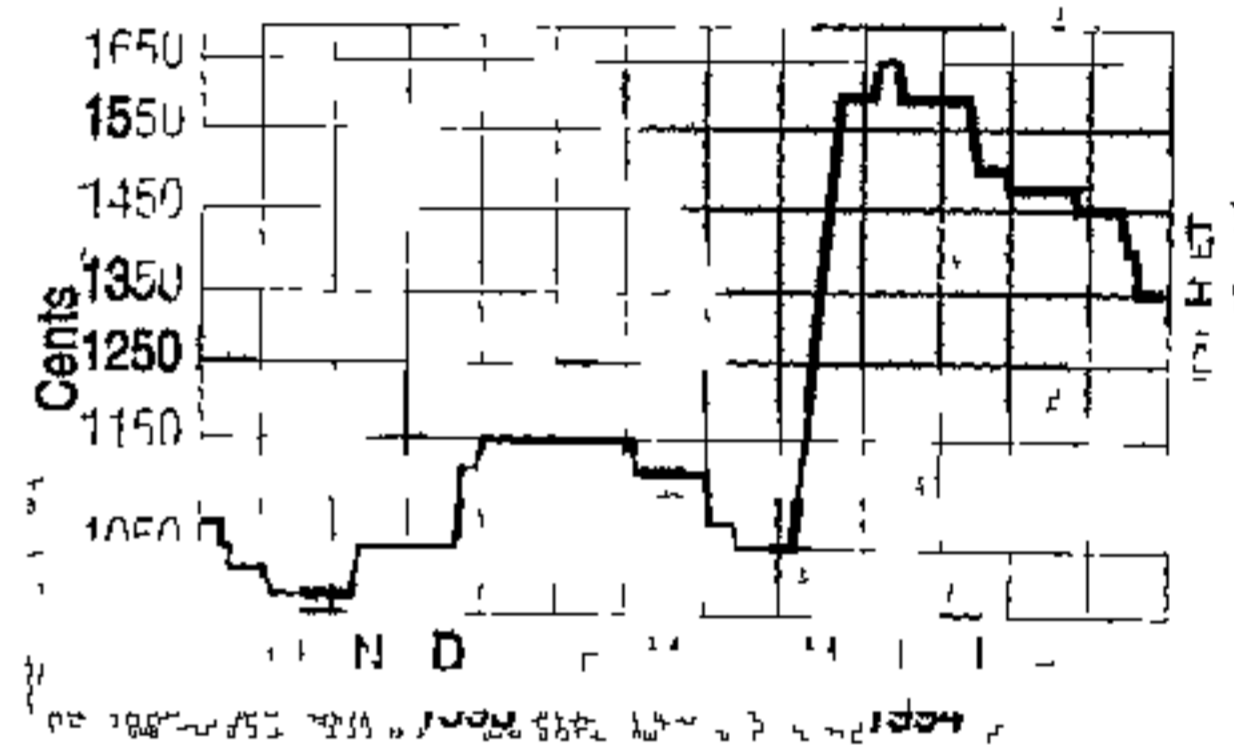
Year to June 30	'91	'92	'93	*'94
ST debt (Rm)	7,7	60,9	22,5	10,5
LT debt (Rm)	5,8	0,9	10,6	8,4
Debt equity ratio	0,35	0,24	0,11	nil
Shareholders' interest	0,52	0,56	0,53	0,49
Int & leasing cover	4,7	5,5	10,1	33,7
Return on cap (%)	15,9	15,2	15,3	9,0
Turnover (Rm)	639	688	795	†751
Pre-int profit (Rm)	70,4	67,5	77,1	†64,4
Pre-int margin (%)	11,0	9,8	9,7	8,6
Earnings (c)	120,9	121,5	88,2	†147,6
Dividends (c)	40	42	47	†46,8
Tangible NAV (c)	553	589	651	718

* 10-month trading period † Annualised

pects earnings for financial 1995 to be only slightly ahead of 1994's annualised earnings (189C)

Union Carriage has received a substantial

Standard Engineering



advance payment on one of the export contracts, which resulted in a net cash surplus of R61,4m at year-end. This brought savings in interest, but pre-tax profit was still down 10%. However, with tax losses exhausted, the effective tax rate increased from 25,8% to 30%. Net income fell 15%.

Annualised turnover for the 10 months to end-June fell 5,5%. This was because of the decline in demand for heavy commercial vehicles at the end of 1993, as well

FM INDEX

A detailed index of reports that appeared in the FM is available to readers. This can be obtained regularly by writing to: The Editor, Financial Mail, PO Box 4959, Johannesburg, South Africa. Telephone: (011) 407-2101.

Readers who have requested the index and not received it within five weeks are asked to contact the editor.

BEARING MAN

Worth a look

Activities: Imports and distributes a wide range of engineering consumable products

Control: Aveng (Pty) 55,4%, ultimately AVI

Chairman: D Royston MD G Till

Capital structure: 9,5m ords Market capitalisation R205m

Share market: Price 2150c Yields 2,6% on dividend, 6,9% on earnings, p/e ratio, 14,5, cover, 2,6 12-month high, R22, low, R8 Trading volume last quarter, 82 000 shares

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	20,6	16,4	11,9	13,7
LT debt (Rm)	6,0	4,9	0,9	0,4
Debt equity ratio	1,23	0,50	0,26	0,24
Shareholders' interest	0,34	0,43	0,45	0,46
Int & leasing cover	2,4	3,0	7,4	11,8
Return on cap (%)	25,6	14,0	18,3	20,8
Turnover (Rm)	96	119	155	200
Pre-int profit (Rm)	16,2	13,9	19,9	26,3
Pre-int margin (%)	16,9	11,7	12,8	13,2
Earnings (c)	94,9	68,3	113,8	147,6
Dividends (c)	30	22,5	40	56
Tangible NAV (c)	443	458	522	611

The share's performance is baffling. Though it has almost trebled to more than R21 over the past year, the counter is still rated well below its nearest listed competitor Hudaco and the engineering sector's average.

Market scepticism can't be caused by a weak balance sheet. On the contrary, interest cover is 11,8 times and gearing is only 24% — and should fall further this year as the final instalment of a R9m loan from Anglovaal is paid (89c)

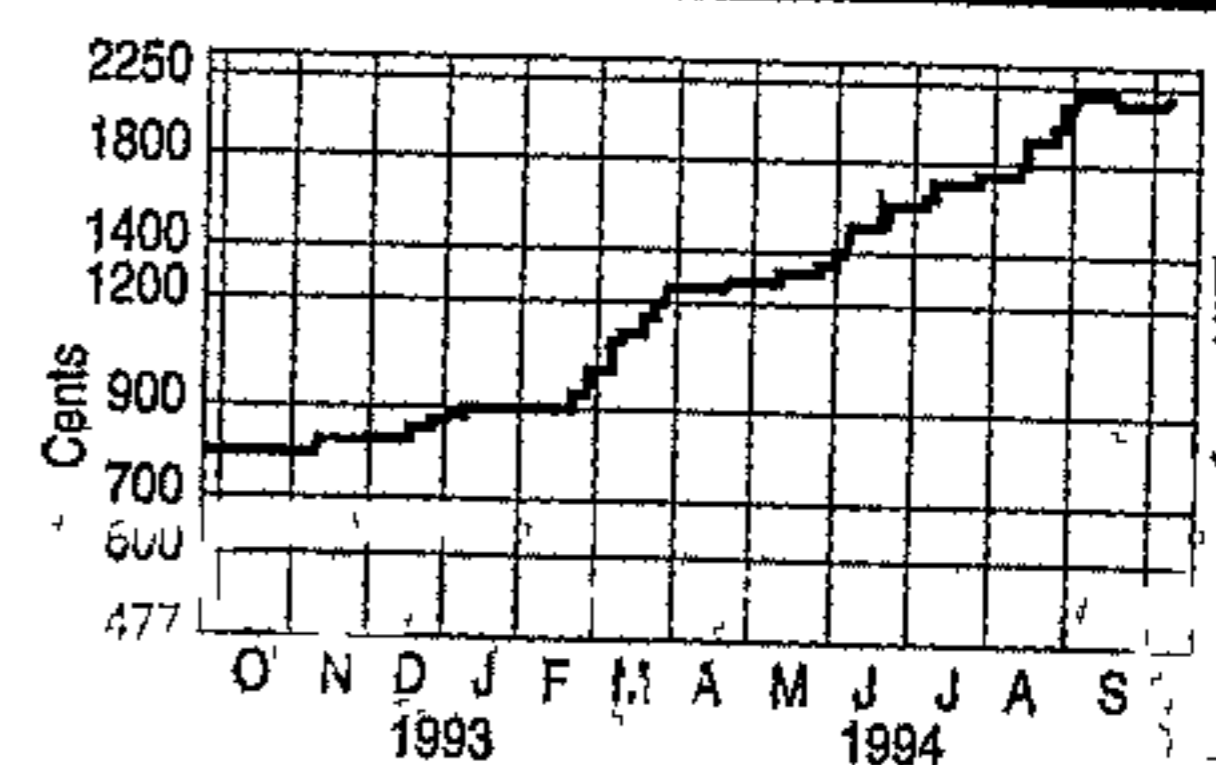
Turnover growth has been impressive. In financial 1994, turnover topped R200m — 29% up on 1993 — and a fifty-fold increase of its listing turnover 10 years ago. It could be argued that the sales increase was brought about through acquisition, there were five acquisitions last year alone. However, MD Greg Till says three-fifths of last year's sales growth was through pure cost containment and increased sales. Takeovers were financed from cash generated by operating activities.

Commitment to cost containment alleviated some of the negative impact of margin erosion resulting from price discounting by competitors, and the decline in orders before the elections. "Bearing Man will not be sucked into silly discount pricing. It would be like chasing the wind," says MD Greg Till.

Though margins improved in 1994 pressures remain, particularly in the core bearing division — the major profit contributor.

Till says this will continue as long as the domestic and international overstocked position persists. An economic upturn should improve demand as well as margins and

Bearing Man



profits. Asked whether earnings will show real or nominal growth, Till simply says "we are excited for this year." None of this explains why the market is rating the share at a discount. It seems inexpensive and is worth a closer look.

Kate Rushton

Ozz makes notable progress

■ BUSINESS STAFF

Greater demand for Ozz's foundry products and its ability to process orders cost-effectively contributed to its notable 41 percent growth in earnings to 55,4c a share in the six months to September, chairman Gary Zulberg said.

Turnover rose by 39 percent to R134,0 million, reflecting both organic growth and the full contribution from the wearparts business, which was acquired in June 1993 and made only a four-month contribution to the preceding interim figures

Operating income grew even faster, by 53 percent to R19,2

million, reflecting an improvement in margins to 14,3 percent from 13,0 percent. 11/2/94

Attributable earnings more than doubled to R12,2 million, but the increase in earnings a share was moderated by a higher number of shares in issue. Most of the new shares were issued as part of the March 1994 rights offer, which raised R45,7 million used mainly to fund the Randburg Waterfront project

The interim dividend was increased by 17 percent to 10,5c (9,0c) a share, but the traditional annual dividend cover is about 2,7 times and the final payment is likely to be adjusted accordingly.

Zulberg added conservative funding was needed until the economic scenario became more transparent.

He said the local economy looked set for a period of real growth and there would be opportunities to develop export business. These factors were likely to result in a meaningful growth in earnings and dividends in the second part of the year.

The Randburg Waterfront is on course to open in March 1995 but since the end of the financial year is in March, no significant contribution will be made in the current year. The project is potentially fully-let and should make a strong contribution in 1996, Zulberg said.

Ozz earnings swell by 117%

GROWTH of existing businesses helped industrial holding group Ozz post attributable earnings of R12,18m for the six months to September, 117% up on the same period last year

The group, which is jointly developing the 29 000m² Randburg Waterfront, posted a 39% increase in turnover to R134,02m. Cost effective production in its foundry division

SAMANTHA SHARPE

boosted operating income 53% to R19,19m and improved the ratio of operating income to turnover 1,3% to 14,3% **112/94**

The increase in attributable earnings translated to a 41% rise in earnings to 55,4c a share, despite a 33,5% increase in the weighted number of shares on issue **(189C)**

Bearing up in the face of bad times

ROBYN CHALMERS

FIVE years of recession in the engineering field have not hindered Bearing Man's ability to produce sterling results, with earnings rising almost a third to 148c a share for the year to June.

Anglovaal's bearing, seals and power transmission group produced a 30% increase in net income to R13,9m and raised the total dividend 40% to 56c, covered 2,6 times by earnings (189c)

Chairman David Royston said the main reason for the significantly higher dividend was the reduction in the group's debt-to-equity ratio during the past three years. It declined to 24% from 26% during the 1994 financial year. "Firm focus on the level of service at one-stop outlets, and a continuing commitment to cost containment and economies of scale offset the decline in orders during the run-up to the elections. The negative effect of margin erosion resulting from price discounting by certain competitors was also reduced by this strategy."

Turnover rose 29% to top the R200m mark. Economies of scale and rigid cost control lifted operating income almost a third to R26,3m.

Lower average interest rates helped the group reduce finance costs to R2,2m from R2,7m.

Royston said that while all operating divisions enhanced their market share and profit contribution during the year, margin pressures remained, particularly in the mainstay core bearing division — the group's major profit contributor.

"As long as the domestic and international overstocked position persists, this position is unlikely to change. However, an economic upturn should create a demand-led position with positive results for margins."

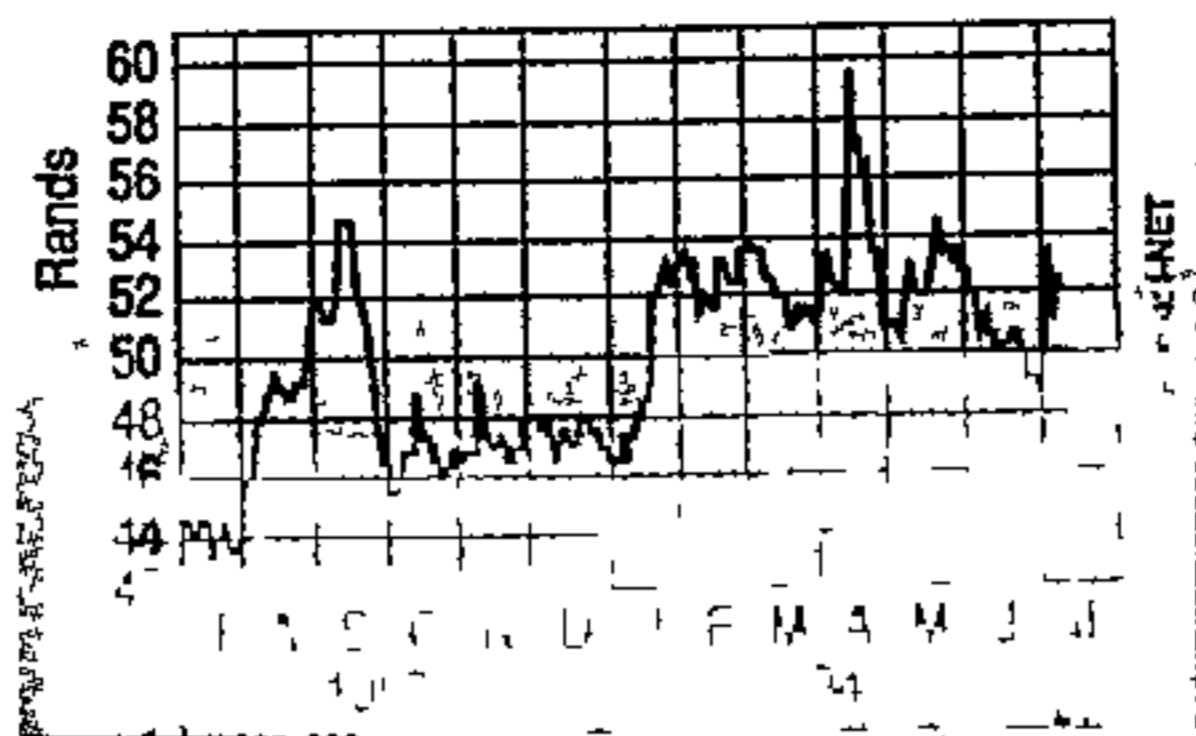
Bearing Man acquired a number of businesses during the year to "strengthen the performance in specific business sectors, product groups and areas."

These included Bearings, Belts & Pulleys SVD, Hamilton & Dematteis, Industrial Bearing Suppliers and NC Bearings, Belts & Pulleys MD Greg Till said while the acquisitions boosted turnover, there was still real growth in the group's core businesses.

The organisation expected real growth in earnings and dividends during the current year, he said. There had been increased trading activity during the past three or four months, and better economic and political conditions should bode well for Bearing Man.

The organisation would look to expand its participation in export markets. It was mainly targeting neighbouring African countries.

Charter Plc



Fun 15/7/94

flag in the international arena but that role was usurped by Minorco. Slowly, the company turned inward. It took on English managers and shed Anglo's global mining aspirations. CE Jeffrey Herbert was unimpressed by Anglo's thralldom. He wanted to unlock Charter's considerable wealth and take the company into new fields.

Of course, it wasn't easy. Charter is the repository of some unusual history. It is an organism in which the past is strongly represented. Anglo men, tough though they are, find it difficult to ignore their antecedents.

Eventually, however, Herbert's persistence prevailed. Once Charter was allowed to dispose of its 38% holding in platinum refiner Johnson Matthey — for £338m, a profit of £218m — the next step was for Minorco to sell its 36% in Charter back to the company (a process permitted in the UK and achieved by a court-sanctioned reduction of capital) (189C)

Charter now reports on financial 1994 and the result is startling. At face value, it's a disaster. Bottom-line EPS are a modest 36.4p compared with 1993's 242.9p. The reason is the Johnson Matthey sale, which grossly distorted Charter's results for 1993. It just goes to show that the strict discipline of disallowing extraordinary items has its disadvantages, notably huge fluctuations in a company's earnings record. It is a phenomenon with which we shall shortly need to become accustomed in SA.



Esab seller Peter Wallenberg accepting Charter's offer

CHARTER Fun 15/7/94

Time to deliver

(189C)

Activities: Makes rail track and mining equipment, conducts quarrying and coal mining, supplies building products and services

Control: Independent (largest holding M&G Investments 10.7%)

Chairman: Sir Michael Edwardes, MD J W Herbert

Capital structure: *68.4m ords Market capitalisation R3.6bn

Share market: Price 5 225c Yields 2.4% on dividend, 3.4% on earnings, p/e ratio, 25.2, cover, 1.6 12-month high, 6 000c, low, 4 525c Trading volume last quarter, 104 000 shares

Year to March 31	'91	'92	†'93	'94
ST debt (£m)	25.6	24.9	83.8	27.5
LT debt (£m)	48.9	65.1	30.7	75.9
Debt equity ratio	n/a	n/a	n/a	n/a
Shareholders interest	70.3	70.2	69.3	59.0
Int & leasing cover	4.0	4.4	n/a	4.1
Return on cap (%)	11.3	9.6	34.4	9.5
Turnover (£m)	1 035	1 055	1 205	545.8
Pre-int profit (£m)	79.9	73.8	300.8	64.0
Pre-int margin (%)	7.7	7.0	24.9	11.7
Earnings (p)	44.6	42.5	242.9	36.4
Dividends (p)	21.0	21.5	22.0	22.5
Tangible NAV (p)	488	519	558	540

* Reduced by the buy-back of Minorco's holding † Distorted by extraordinary item

There are times when even the best of intentions fall far short of expectations. That's certainly what has happened this year to Charter, previously Charter Consolidated, the London- and Johannesburg-listed company which concentrates on engineering.

Charter formerly carried the Anglo group

COMPANIES

Fun 15/7/94

If this unusual item is stripped out, Charter's profit before tax in 1993 would have been £71.7m, the comparison, says chairman Sir Michael Edwardes, is £47.7m this year. That is a hefty decline. EPS this year, excluding non-operating exceptionals, is 35.1p. Last year it was 42.5p.

When I point out to commercial director Charles Parker that Charter's five-year earnings record is hardly cause for celebration, his response is that the company has emerged from a recession of great severity with a strong balance sheet and in robust health. To be fair, he makes a good point.

The finances do look sound. Charter is sitting on a cash pile of £254m or a net £156m after deducting long- and short-term borrowings. There is no gearing.

Herbert has consistently said that within two years he intends to expand Charter from its four legs (mining equipment, rail tracks, building products & services, quarrying & mining) to six. The acquisition trail has led him to Stockholm-listed Esab, which he says is the world's leading welding equipment producer and which he wants to buy for £260m. Along the way, Herbert has struck a deal with Sweden's Wallenbergs, effective holder of 43% of Esab, who have undertaken to accept the offer (Fox July 8) (189C)

Since it is a cash deal, Charter is raising £93m through a one-for-four rights issue, underwritten by Hambros Bank. It has secured permission for SA shareholders to sell their nil paid letters though they cannot follow their rights — another example of exchange control obliging SA holders to water down. If Charter is successful in this bid, it will also have to accept borrowings of £130m in Esab, though Parker says it stands alone — no material contingent liability will be carried on to Charter's books.

I need to remind Herbert that he told *Business Day* (June 24 1993) that the change (buying Minorco's shares) would add 10% to EPS. It hasn't. A sharp improvement in Charter's bottom line is now necessary. The recession is over, so presumably we can look forward to better days. Nothing less than EPS of 42p this year will do. David Gleason

Celebrations at Bearing Man

Star 22/7/94

BUSINESS STAFF

For Bearing Man, the financial year to June not only signalled twenty years in business, but a turnover that topped R200 million, representing an increase of 29 percent over figures for the previous year

There was a commensurate increase in net income to R13,9 million, translating into earnings per share of 148c (1993 114c) based on a slight increase in the number of shares in issue

Firm focus on the level of service at one-stop outlets and an ongoing commitment to cost containment and economies of scale offset the decline in orders during the run-up to the general election

and the negative impact of margin erosion resulting from price discounting by certain competitors

Pre-tax profit increased to R24,1 million, an increase of 40 percent over that of the previous year

Effective

Timing effects in the changed rates of corporate and secondary taxation as well as the transitional levy increased the effective tax rate by 4,4 percentage points

To strengthen the performance in specific business sectors, product groups and areas, the trading assets and businesses of Bearings, Belts & Pulleys SVD (Pty),

Hamilton & Dematteis (Pty), Industrial Bearing Suppliers (Pty), and NC Bearings, Belts & Pulleys CC were acquired during the financial year

The trademark, trading assets and businesses of Betalon Belting Company (Pty) were acquired in July

These were financed from cash generated by operating activities

Capital expenditure for the year amounted to R9,4 million, with a further R1,8 million committed at June 30 1994

The final dividend of 36c per share (25c) brings the distribution for the year to 56c per share, an increase of 40 percent over that paid the previous year, with a small reduction in dividend cover

3

Board finds no fault with spare parts takeover deal

Business Day 11/2/94

MICK COLLINS

A COMPETITION Board probe into W & A subsidiary Varex Corporation's (Varcor) takeover of Alert Engine Parts has concluded that the deal does not contravene board policy

The investigation followed W & A's acquisition of motor spares distributor Eddies Stores in 1992 through its wholly owned subsidiary Vektra Corporation

Eddies also acquired the entire issued share capital of Spareco which was trading as Northspares.

Eddies subsequently changed its name to Varex Corporation and became the holding company for W & A's motor parts interests. (1890) (2000)

Varex entered into an agreement with Alert whereby it would acquire that business with effect from April 1 1993.

The board then informed W & A that it would investigate the acquisition.

Yesterday the board said that after the acquisition Varcor and Alert held 19% and 6% of the market respectively.

The market share of Varcor/Alert's principal competitors was 11,9%, 6,5% and 1,5%.

A number of other participants made up the balance of 48,7%

"On the basis of these figures it was concluded that.

The level of concentration in the market did not give rise to competition policy concerns,

The envisaged acquisition would not unduly distort the competitive parity of firms in the market,

The barriers to entry were relatively low.

"The board accordingly accepted that the envisaged takeover would not restrict competition to an appreciable extent and hence could not be regarded as an acquisition as defined by the Act"

Concern, it said, was expressed by some parties that with a 25% market share and its ability to import products, Varcor/Alert would be in a position to put pressure on local manufacturers to give it unwarranted rebates and discounts thereby placing other firms at a competitive disadvantage

"From a competition policy perspective there is nothing sinister about granting discounts and rebates, provided, of course, it is done on a non-discriminatory basis and not used to entrench a dominant position in the market or to eliminate or harm a competitor.

"Varcor/Alert's market share does not place it in a dominant position.

"Furthermore, no evidence was submitted or uncovered to support a finding that local manufacturers were discriminating against Varcor/Alert's competitors, or that Varcor/Alert was engaged in any form of anti-competitive behaviour."

The board accordingly advised the Minister that no further action was required

However, after the investigation the parties decided not to proceed with the transaction

Growth for Klipton

Star 16/2/94

Klipton, the listed security and industrial products group, has posted a 71 percent increase in attributable profit to R1,33 million for the six months to December

Earnings rose 64 percent to 9c a share after a loss of 3,1c in the half-year to June 1993

Group debt is down by R5 million to R15 million, despite Klipton having acquired Stuarts Security and Security Centre.

Joint chairman Rob Matthews says tight management and the successful R6 million, rights issue of compulsorily convertible debentures ex-

plained the fall in gearing from 81,7 to 55,8 percent and the 13 percent decline in the interest bill to R1,4 million

He adds the improved profits and strengthened balance sheet augur well for the group (189c)

Sales were up by five percent to R66,2 million and operating profit by 11 percent to R2,98 million. Operating margins improved from 1,8 to 4,5 percent

The shares have been a poor market. At the current 140c they are 10c below the level ruling at the beginning of the year
— Business Staff

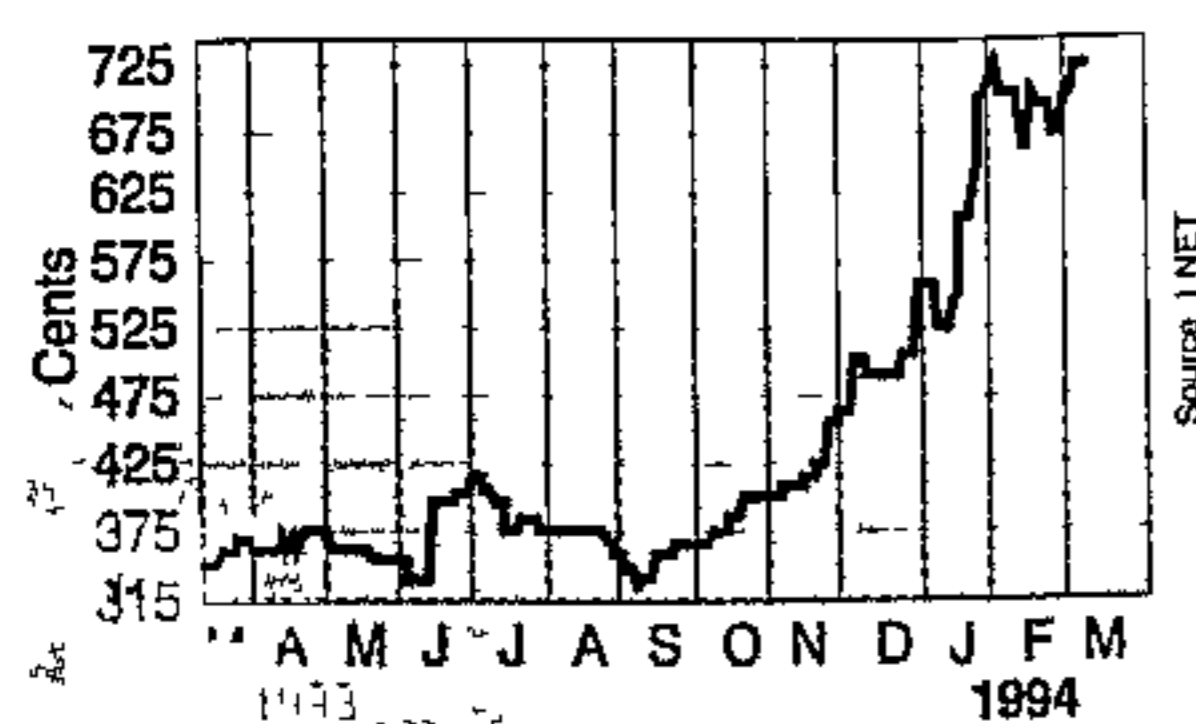
OTIS FM 18/3/94

Back to high returns

Rather like its products, Otis has had its ups and downs over the years, more recently its fortunes have been in the ascendancy and 1993 saw EPS establish a new peak at 75.6c, marking a full recovery from 1990's precipitous slide (189c)

The period of the profit collapse and subsequent recovery, and the reasons for both, have provided an interesting insight into a

Otis Elevator



FINANCIAL MAIL • MARCH • 18 • 1994 • 115

Activities: Manufactures, refurbishes and services elevators and escalators

Control: United Technologies Plc (51%)

Chairman: A M D Gnodde, MD R E Markham

Capital structure: 20,4m ords Market capitalisation R153m

Share market: Price 700c Yields 6,9% on dividend, 10,1% on earnings, p e ratio, 9,9, cover, 1,45 12-month high, 750c, low, 330c Trading volume last quarter, 503 841 shares

Year to Nov 30	'90	'91	'92	'93
ST debt (Rm)	1,8	—	—	2,2
LT debt (Rm)	0,1	0,1	0,4	0,1
Debt equity ratio	10,4	(0,31)	(0,39)	(0,42)
Shareholders interest	0,43	0,40	0,31	0,34
Int & leasing cover	12,7	n/a	n/a	n/a
Return on cap (%)	20,8	31,7	45,3	50,8
Turnover (Rm)	98,2	117,0	186,3	168,3
Pre-int profit (Rm)	6,4	13,1	21,1	28,6
Pre-int margin (%)	6,5	11,1	11,3	17,0
Earnings (c)	12,0	38,3	50,0	75,6
Dividends (c)	12	19	25	52
Tangible NAV (c)	77	97	71	94

company whose policies and performance have often baffled the market. Why, it was frequently asked in the Eighties, was Otis distributing all its earnings, where was the cash for the growth that was then taking place coming from, and how, in the circumstances, could the balance sheet remain cash-positive?

Probably the central issue is that Otis operates in a high value-added market which creates the unusual phenomenon of a manufacturing/industrial company which is also a cash-cow, it can operate — safely — off relatively small asset and capital bases and can generate high profit returns

But this high-performance machine also needs high-performance management. Get the sums wrong and results can be cata-

FM 18/3/94



OTIS chairman Dru Gnodde order book has picked up

strophic — as in 1990, when earnings dropped 76%, virtually without warning. As the FM identified at the time, lack of management attention to detail was at least as important as the rapid deterioration in the economy then occurring. Proof of this is that the recovery (under a rehashed management) has happened while the economy has continued to slide. One now has to look hard to find any remaining scars.

One measure of the success achieved is in the net cash position, traditionally one of Otis's strong points. This was one of the more obvious areas where management attention was focused, resulting in an immediate turnaround in 1991 from net borrowing of R1,4m to net cash of R5m.

It was, however, somewhat artificial in that the main reason for the group turning cash-positive that year was the R9,3m squeezed out of working capital — this gave it a negative net working capital requirement of R2,1m in 1991, unusually low, even for Otis.

The working capital situation has since normalised, with the latest balance sheet showing a ratio of net working capital to turnover of 7,2%, the same as in 1990. Despite this and notwithstanding the R7,3m net cash outflow relating to the 1992 acquisition of Melcorp (net of rights issue proceeds and the cash which Melcorp brought with it), net cash resources have grown to R8,1m, about 15% of total assets.

The other, and to shareholders possibly the more important, measure of the recovery is profitability. Here, the picture is mixed. Based on ROA, arguably the most accurate measure, the 51% return in 1993 is still 10 percentage points off best (1987), but the latest ROE of 80% is the best ever achieved — due largely to the lower corporate tax rate and the goodwill write-off after the Melcorp acquisition which, despite the rights issue, narrowed the capital base.

Two points need to be made here. Firstly, even at their 1990 lows of 21% (ROA) and 16% (ROE), Otis's returns were not notably

low by "normal" industrial company standards, but were obviously so in terms of its own historical performance. The second point, which is related, is that the extraordinarily high returns which the group is again generating carry an inherent risk — maintenance of these ratios requires meticulous management of the business in every facet, with little or no room for error.

The 1993 results emphasise Otis is back on track. Melcorp has been fully and successfully integrated and it seems the expected improved economies of scale are being achieved. This should benefit results for 1994 and the order book has picked up. These two factors make management's forecast of maintained profitability for this year look conservative, which may in turn mean the share — up 120% over the past 12 months — could still have further to go.

Brian Thompson

By AUDREY D'ANGELO
Business Editor

GENERAL Technologies (Gentech) — formerly Picardi Appliances (Picappi) — returned to profitability in the second half of the year to February 28.

Results for the full year are not strictly comparable with those last issued, which covered only an eight month period.

But they show a spectacular improvement with attributable earnings of R3,5m compared with a loss of R660 000, before an extraordinary profit of R2,7m from the sale of the

group's electric geyser business in spite of a rise in the number of shares, to 40,7m from 25,9m following a rights issue in August, earnings at share level were 8,7c compared with a loss of 2,5c.

But no dividend will be paid because the directors plan substantial capital investment to cope with an expected rise in demand for Gentech's white goods in domestic and export markets.

Gentech powers back into the black

Turnover during the year to February rose to R274,1m compared with R178,6m in the previous eight months. Operating income was R8,1m (R4,4m) and net interest paid dipped to R5,2m from R7,1m.

Pre-tax income was R2,9m compared with a loss of R2,6m and the tax bill was lower at R639 000 (R2m).

After-tax income was R3,5m compared with a loss of R660 000. Income for the year was R6,2m com-

pared with a loss of R9,2m.

A joint venture between Anglo American Industrial Corporation (Amic) and Daewoo of Korea — one of the largest international producers of consumer goods — took a 30% stake in Gentech during the year.

The directors say this "gives Gentech broader access to capital, a technological link with a world class major domestic appliance manufacturer and access to a wider range of

domestic appliances for the local market.

"The company is well poised to meet increased consumer demand for major domestic appliances which will be stimulated by the electrification programme in the years ahead."

Chairman Peter Watt said "Considerable attention was devoted to improving production levels, manufacturing efficiencies, trading margins and product quality while the reduc-

tion of costs and rationalisation of the operating asset base remained priorities.

"In addition to the seasonally higher sales in the second half year this focus has assisted in the improvement of profits and has put the company on a sound foundation for the future."

The directors say that, following the rights issue, gearing was reduced from 182% to 36%, which will mean "a substantially lower interest charge" this year.

"It is anticipated that during the next two year period substantial new capital investment will be necessary to cope with the expected demand

Dickie budgets for 20% turnover growth

Business Staff

OPTIMISTIC about the year ahead, Cape Town-based Ian Dickie Group are budgeting for a 20% increase on last year's turnover of R15m

With operating depots at Johannesburg and Durban, the group supplies light and medium-sized mechanical equipment to the construction, mining and municipal sectors

MD Ian Gie said all indications were that considerable sums would be spent on low cost housing as well as the building of communal facilities and the extension of services to the disadvantaged areas

ET 29/4/94 (189C)
"This would suit us particularly well because about 40% of our turnover annually comes from lightweight construction equipment such as concrete mixers, soil compactors, generators and concrete vibrators which are ideal for use on extended construction sites"

He said Dickie's sewer maintenance and road construction equipment would also benefit from extensions of municipal and Regional Services Council sewer networks

Gie said that while the past year had been tough with no significant growth, at least one branch had met its budget two months ahead of the year end

Atlantis Diesel Engines exports speeding ahead

ALIDE DASNOIS

Business Staff

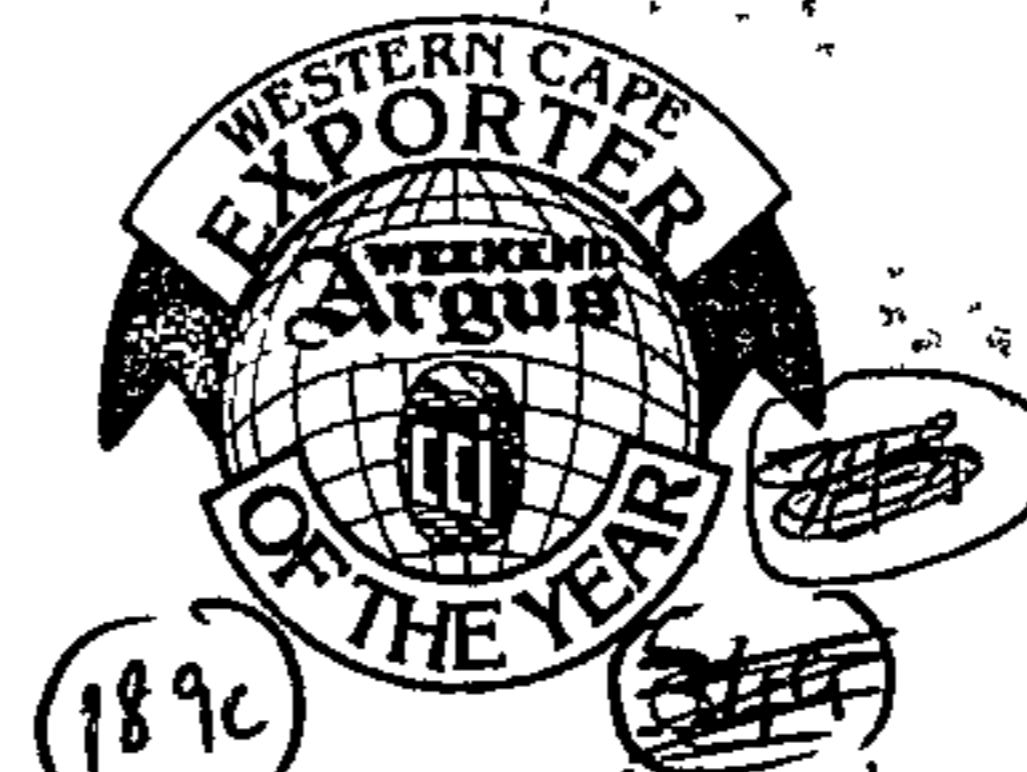
EXPORTS are speeding ahead at Atlantis Diesel Engines, which qualified as a finalist in The Argus/Cape Chamber of Industries Exporter of the year award

The value of exports has more than doubled since December 1991 to top R54 million last year

ADE announced this month it was to convert a machining line to expand production capacity of Mercedes Benz-type crankshafts, at a cost of R24 million

Managing director Fritz Korte said the expansion was necessary because of the growth in export orders ADE had also negotiated an order with a major American automotive manufacturer for up to 10 000 crankshafts a year

The company machines about 25 000 crankshafts worth R40 million a year From 1997, when the



new line will be in full production, the value of the export market alone will increase to R34 million

Exports account for about 11 percent of turnover. The figure is relatively low because ADE is not allowed, in terms of its licensing agreements with Mercedes Benz and Perkins of the UK, to export its most expensive product, engines

It is only allowed to export components Crankshafts and engine blocks are ADE's main exports

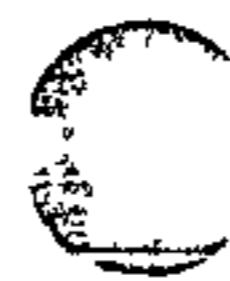
Foreign markets for crankshafts are mostly in Germany, the UK, Indonesia and South America, while Korea, Germany and the UK are the largest markets for cylinder blocks and heads

The company also exports transmission housings to the French subsidiary of US-based truck component suppliers Eaton

ADE's success on foreign and local markets crowns an 11 year battle

Founded at the height of international sanctions against South Africa in 1981, the company struggled for years against accumulating debt, until business took off in 1992

ADE reported after-tax profits of nearly R20 million in the year to end-June 1993, wiping out its deficit entirely This year, profits are likely to be maintained in spite of the company's self-imposed price freeze



Otis lifts earnings smoothly

ELEVATOR company Otis pushed its attributable earnings to R8,8m (R6,4m) for the six months to May on turnover which rose to R92,4m (R74m)

Earnings a share climbed to 42,9c (31,4c a share) An interim dividend of 24c (17c) was declared

The share was untraded yesterday at R10,25, from a high of R10,75 on May 27, and a low of 330c recorded last September

MD Robbie Robinson said "Pleasing growth in profits reflects the completion of export contracts which will not necessarily be repeated"

Interest received dropped to R332 000

MUNGO SOGGOT

(R454 000), and tax paid increased to R8,2m (R6,3m) Operating profit rose to R16,7m from R12,2m

"The company is well positioned to take advantage of any post-election increase in building activity following the 1993 restructuring," he said

Robinson said full year results were expected to show a 10% improvement over last year, when Otis lifted earnings 51,2%, and trebled its dividend payments after reaping the benefits of domestic restructuring and an improvement in exports

Electrolux to open in SA

ART 16/6/94

189

SWEDISH industrial group Electrolux, specializing in home appliances, is set to open a production plant in Cape Town as part of a joint venture with South Africa's Barlow

According to an announced in Stockholm yesterday, the agreement would allow the establishment of a new company, Electrolux South Africa Sales, in which the Swedish group would have a 60 percent stake

The new firm was expected to score sales of around R115 million in its first financial year, and employ about 230. Business would begin later this year.

The new company's headquarters would be in Johannesburg, but production will be in Cape Town and Bronkhorstspruit (near Pretoria)

■ Steel giant Iscor will enter the titanium and heavy metals industry by acquiring Natal Mineral Sands from Shell

(South Africa) and Rhoex next month

The acquisition involves two quality mineral sands resources in Natal and Transkei

By taking over Natal Minerals Sands and the interests of Rhoex in Wavecrest (Transkei), Iscor has acquired most of the remaining South African titanium reserves with low radio-activity levels

The take over of Natal Mineral Sands followed the announcements earlier this year that Iscor had successfully tendered for coal exploration rights near the town of Moranbah in Queensland, Australia,

had invested in the Qinghai port complex in the People's Republic of China to secure a dedicated iron ore storage facility

■ Engineering and property group Ozz, reported a 37 percent increase in earnings a

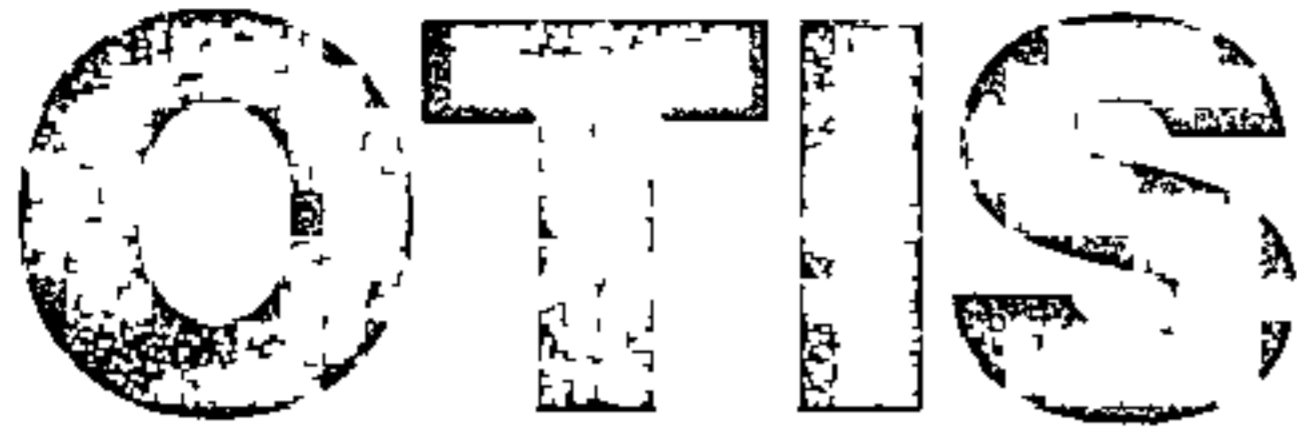
share to 95,7c (1993 69,7c) for the year ended March

A final dividend of 27c a share was declared, which, with the interim, made a total of 36c for the year.

Turnover for the year rose by 77 percent to R220,75 million, from which a 54 percent higher operating profit of R29,49 million was achieved

Interest was up at R7,2 million, but was covered more than seven times. Some R3,2 million of this stemmed from a back-to-back investment in preference shares.

The interests of outside shareholders and preference shareholders were further reduced, leaving attributable profits 66 percent up at R15,6 million, which, on the increased weighted shares in issue, represents the 37 percent higher 95,7c a share. — Sapa and Business Staff;



Report for the year ended
30 November 1993

FM 28/1/94

OTIS ELEVATOR COMPANY LIMITED

(Reg No 05/30021/06)

(Incorporated in the Republic of South Africa)

(189C)

Balance sheet

Audited 30 November	1993 R000's	1992 R000's
Capital employed		
Shareholders' funds	19 237	14 427
Long term debt	84	371
Deferred tax	(2 678)	(759)
	16 643	14 039
Employment of capital		
Fixed assets	11 538	11 727
Other assets	704	704
Net current assets	4 401	1 608
	16 643	14 039

Income statement

Audited 30 November	1993 R000's	1992 R000's
Turnover	168 334	186 258
Operating profit	28 638	21 119
Interest received	371	238
Net income before taxation	29 009	21 357
Taxation	13 591	11 161
Net income	15 418	10 196
Based on 20 400 000 (1992 - 20 400 000) shares in issue:		
Earnings per share (cents)	75,6	50,0
Dividends per share (cents)		
Interim	17,0	12,0
Final	55,0	13,0
Total	52,0	25,0

Comment

The results reflect improvements following domestic restructuring and growth in our export activity and confirm the satisfactory profit improvement reflected at the half year stage

Earnings per share for the 12 months grew from 50,0 cents to 75,6 cents, an increase of 51,2%

A final dividend of 35 cents per share has been declared

We are pleased to announce that Mr J C Hall has been elected to the Board of Otis Elevator Company Limited

A M D Gnodde
Chairman

R E Markham
Managing Director

Declaration of dividend

Notice is hereby given that a final dividend of 35 cents per share has been declared payable to shareholders of the Company registered as at the close of business on 4 February 1994

Non-resident shareholders' tax will be deducted by the Company from dividends payable to shareholders whose addresses on the share register are outside the Republic of South Africa

Dividend cheques will be posted on or about 18 February 1994

By order of the Board

W A Soulsby
Secretary

Johannesburg
21 January 1994

Directors

A M D Gnodde (*Chairman*) R E Markham (*British*) (*Managing*)
M Abajo (*Spanish*) B Grob (*French*) J C Hall R P Hindley M Iphosa
U J Staffelbach (*Swiss*)

Registered Office

222 Marshall Street Johannesburg 2001

Transfer Secretaries

Mercantile Registrars Limited 6th Floor 94 President Street
Johannesburg 2001



FM 28/1/94
BEARING MAN

Coming up roses (189C)

Everything's coming up roses for Bearing Man (Bearman), two years after the merger with the related activities of Steelmetals. The latest interim brings a 38% increase in operating profit on a 24% rise in turnover. Market scepticism, shown in the share price for the better part of the Nineties, is rapidly

FINANCIAL MAIL • JANUARY • 28 • 1994 • 93

FOX

FM 28/1/94

189C

dissipating, the share has gained 350c to 900c in six months.

But, as with most companies, there is the odd setback. The core business, bearings, is still feeling price competition from local and multinational competitors. MD Greg Till comforts himself with the knowledge that "because of weaker margins, competitors are resorting to retrenchment. We have not laid off any staff — or closed any branches."

On the contrary, Bearman is expanding. The trading assets and businesses of Hamilton & Demattis (Pty), trading as RAS Engineering, and NC Bearings, Belts & Pulleys were acquired in July and November respectively. Profits from these will filter through in the medium term.

Cash generated from operating activities funded the acquisitions and left gearing vir-

RUNNING SMOOTHLY

Six months to	Dec 31 '92	Jun 30 '93	Dec 31 '93
Turnover (Rm)	73,6	81,4	91,1
Operating income (Rm)	8,2	11,7	10,3
Attributable (Rm)	4,2	6,5	5,5
Earnings (c)	45	69	58
Dividends (c)	15	25	20

tually unchanged at 35% (31%). Average borrowings were lower, interest payments fell R0,4m to R1,1m.

Since the half-year end, the trading assets and businesses of Bearings, Belts & Pulleys SVD (Pty) and Industrial Bearing Suppliers (Pty) have also been acquired.

In the past, focus has been on smaller

contracts but, with the recent acquisitions and healthy balance sheet, Till says Bearman has "the financial muscle to go after larger contracts."

Performance in the second half, traditionally the better, will understandably depend "in part, on the extent and duration of any business disruption in April." Till says "We work on long-term stock turn which we hope will give us the opportunity to iron out any rapid fluctuations in the exchange rate."

Shareholders should expect a final dividend in excess of 1993's 25c. On a p/e of 8,1, compared to the Stores sector's 25,4 average, this share is only partway through a well-deserved rerating.

Kate Rushton



By CHARL DE VILLIERS

TRADE and Industry Minister Trevor Manuel has outraged environmentalists by alleging that "greens" have withdrawn most of their objections to Iscor's Saldanha Steel Project

"That's entirely untrue," Earthlife Africa spokeswoman Liz MacDaid charged yesterday, saying her organisation remained implacably opposed to the siting of the R4,7-billion project.

She said Earthlife had been one of the earliest opponents to Iscor's plans, having recorded

Trevor Manuel has greens seeing red

(189A) ST(M) 17/9/95
its objections during a CSIR environmental impact assessment.

She said Earthlife challenged Mr Manuel to substantiate his claims in his August 29 submission to the Steyn Board of Investigation

Echoing Ms Mc Daid's statement, the Wildlife Society said nothing in the evidence before the

Steyn investigation had led it to believe that environmental concerns had been addressed.

"The Wildlife Society has certainly not withdrawn its objections," conservation ecologist Marlene Laros said.

According to Mr Manuel, SSP was a world-class industry which had to go ahead as planned

He states in his submission: "The Department of Trade and Industries notes that the principle objections to the proposed site for the erection and operation of the (SSP) from environmental associations and interest groups have been withdrawn."

The only organisation mentioned by name, however, is the World Wide Fund for Nature.

Mr Manuel also said his department was confident the steel project would comply with environmental standards expected by communities near the plant.

Steel mill approval denied

(50) (189A) ARG 20/9/95

JOHN YELD
Environment Reporter

THE Department of Trade and Industry has come under scathing attack from the World Wide Fund for Nature for a "grossly misleading" claim to the Steyn board of inquiry into the proposed steel mill at Saldanha Bay.

The board of inquiry, headed by former Supreme Court judge Jan Steyn, has completed public hearings on the controversial issue and is compiling a report — expected within days — for Environment Affairs Minister Dawie de Villiers.

In a recent written submission to the board, Paul Jourdan, specialist adviser to Trade and Industry Minister Trevor Manuel, said the department "notes that the principle objections to the proposed site for the creation and operation of the Saldanha Steel Project from environmental associations and interest groups have been withdrawn".

He named the World Wide Fund as one of these organisations.

But the fund reacted with an unusually strong letter to Mr



World Wide Fund chief executive officer John Hanks

Steyn, signed by chief executive John Hanks and specialist consultant Allan Heydorn, in which it termed Dr Jourdan's remarks "totally misleading".

It had not withdrawn its objections, but had stated the conditions under which it would not oppose the construction of the steel plant on Iscor's proposed site.

And in its official submission, the fund has specifically recommended the steel factory be moved to an alternative site 10km inland.

If the official go-ahead was given for the steel plant on the Iscor-favoured site, the fund wanted to make specific recommendations for this site.

"We, therefore, regard the statement that WWF has withdrawn its objections as grossly misleading and untrue," Dr Hanks and Dr Heydorn said.

They also noted with concern that Dr Jourdan had not recognised in his submission to the board their pertinent environmental arguments.

These included the need for a strategic economic development plan for the area; the need to ensure the area's natural carrying capacity was not exceeded — particularly water; the need to bring environmental costs into the decision-making process; and the need for genuine respect for South Africa's commitment to the international Ramsar Convention on the protection of wetlands.

Saldanha: WWF hits at govt claim

STAFF REPORTERS

CT 21/9/95

189A
ES

THE World Wide Fund for Nature (WWF) has attacked the Department of Trade and Industry for what it calls a "grossly misleading and untrue" submission made to the Steyn board of inquiry on the proposed steel mill at Saldanha Bay

WWF was objecting to a recent written submission from Mr Paul Jourdan, specialist adviser to Mr Trevor Manuel, Trade and Industry Minister

Mr Jourdan had written that the "principal objections to the proposed site for the creation and operation of the Saldanha Steel project from environmental associations and interest groups have been withdrawn"

He added that the WWF had withdrawn its objections

A letter to the commission, signed by Dr John Hanks, chief executive for WWF, and Dr Allan Heydorn, specialist consultant, emphasised that "WWF has NOT withdrawn its objections"

WWF said in the letter that the submission by Mr Jourdan promoted the merits of Saldanha Steel without reservation and gave the impression that the ministry did not understand that "a sound and sustainable economy cannot be built on an inadequate, misused and depleted natural resource base"

WWF said it had stipulated conditions under which it would not oppose the establishment of the steel mill on the proposed site and in its official statement WWF had recommended the site be moved 10km inland.

The board, headed by Judge Jan Steyn, is compiling a report for Dr Dawie de Villiers, Minister of Environment Affairs, and said yesterday it would submit its findings on October 6

Cape Town - The Department of Trade and Industry has come under scathing attack from the World Wide Fund for Nature for a "grossly misleading" claim to the Steyn board of inquiry into the proposed steel mill at Saldanha Bay.

The board of inquiry, headed by former Supreme Court judge Jan Steyn, has completed public hearings on the controversial issue.

It is compiling a report - expected within days - for Environment Affairs Minister Dawie

'Grossly misleading' Saldanha claim stated

de Villiers.

In a recent written submission to the board, Paul Jourdan, specialist adviser to Trade and Industry Minister Trevor Manuel, said the department "notes that the principle objections to the proposed site for the creation and operation of the Saldanha Steel Project from environmental associations and interest groups have been withdrawn".

But the fund reacted with an unusually strong letter to Steyn, signed by chief executive John Hanks and specialist consultant Allan Heydorn, in which it termed Dr Jourdan's remarks "totally misleading".

It had not withdrawn its objections but had stated the conditions under which it would

not oppose the construction of the steel plant on Iscor's proposed site.

And in its official submission, the fund has specifically recommended the steel factory be moved to an alternative site 10km inland.

If the official go-ahead was given for the steel plant on the Iscor-favoured site, the fund wanted to make specific recommendations for this site.

"We therefore regard the statement that WWF has withdrawn its objections as grossly misleading and untrue," Dr Hanks and Dr Heydorn said.

They also noted with concern that Dr Jourdan had not recognised in his submission to the board their pertinent environmental arguments.

These included the need for a strategic economic development plan for the area and the need to ensure the area's natural carrying capacity was not exceeded - particularly water

Gains in chrome prices to benefit Samancor

BD 21/9/95

(189A)

Michael Urquhart

THE coming year should bring improvements in all of Samancor's businesses, with chrome in particular benefiting from substantial gains in both volumes and prices, Samancor chairman Mike Salamon said in his annual review.

Salamon said growth in output at Columbus should also enable it to raise its contribution. On the downside, the investment programme would mean a further reduction in interest earnings.

"Overall, current forecasts suggest a significant increase in the profits of Samancor in the new financial year."

Cash resources, which had decreased over the 1995 financial year from R612m to R524m, would remain under pressure.

Salamon said in view of capacity expansion projects in chrome, onshore capital expenditure was expected to rise to R480m in the coming year, from this year's R178m. Thereafter it

would settle at R300m for the next two years.

Investment in Columbus for the 1996 financial year was expected to total R210m, including initial funding of the working capital build-up. Salamon said existing cash balances and continued cash generation should adequately fund these investments.

A \$100m convertible bond issue would allow Samancor to fund further offshore ventures, such as a medium carbon ferromanganese joint venture, completion of the Sabayek plant and an extension of Universal Ore and Alloy.

The Columbus stainless steel plant had produced its first slab in May, and would build up to more than 250 000 tons in 1995.

In view of the completion of the project, Salamon said the marketing of product had received much attention. The long-term contract with Ugine and further long-term sales meant off-take commitment had been increased to 60% of

the planned hot rolled output.

Salamon said as production built up and Iscor brought its Pretoria stainless steel works on stream, SA would experience a shortage of nickel. Columbus was busy establishing medium and long-term sources for its requirements.

Increased volumes and buoyant market conditions should further increase the profits of Columbus in the current financial year, but only when it reached its full capacity would its contribution to Samancor be material, Salamon said.

SAMANCOR

(189A) FM 22/9/95

Flexing world-scale muscles again

Activities: Producer of base metal ores and alloys including ferrochrome and ferromanganese

Control: Gencor 41%

Executive chairman: M Salamon

Capital structure: 190m ords Market capitalisation R9,31bn

Share market: Price 4 900c Yields 1,8% on dividend, 4,0% on earnings, p e ratio, 25, cover, 2,2 12-month high, 5 800c, low, 4 600c Trading volume last quarter, 946 296 shares

Year to June 30	'92	'93	'94	'95
Turnover (Rm)	2 063	1 791	2 190	2 721
Pre-tax profit (Rm)	381	144	374	506
Attributable profit (Rm)	277	176	231	372
Earnings (c)	151	93	148	196
Dividends (c)	90	50	40	60

If there is any area of base metal production in which SA exercises complete dominance it is in chrome, ferrochrome and manganese, all of great importance to stainless steel production

Samancor holds more than half known reserves of manganese and about 50% of chrome reserves. These are formidable statistics which virtually ensure a pre-eminent role as a supplier of key elements in the periodic table to world steel producers.

With demand for stainless steel continuing to increase steadily, product prices are showing precisely the kind of pattern analysts and investors like. Turnover rose 24% on higher volumes and a weaker rand. Of the total of R2,7bn, the chrome division contributed 44% and manganese 37%.

Attributable income rose 61% to R372m against a tax charge barely unchanged at R156m (1994 R152m). Rather more interesting is how the operating margin has risen. In 1994 it was 17,1%, that produced pre-tax income of R374m. This year it is up to 18,6%. This may not seem much, but on turnovers of this size it quickly becomes noticeable and explains the huge rise in pre-tax profits to R506m. On this basis, EPS gained 32% to 196c per share and the dividend of 90c, a rise of 38%, reflects continued confidence for 1996's prospects.

The balance sheet also reflects the essen-

tial innate strength. Short-term loans, in 1994 a substantial R240m, have been retired. Long-term loans of R111m are virtually unchanged and cash balances are R524m (R612m). This means Samancor is ungeared, exactly where it should be as the cycles for chrome and manganese move towards their peaks.

The business centres on three areas. The most important is chrome and ferrochrome and now that widespread dumping by CIS producers (which came close to wrecking the market a few years ago) is over, the benefits are flowing through rapidly to Samancor's bottom line.

Alloy producers everywhere are struggling with chrome ore unavailability. SA now resumes its role as the world's dominant supplier and, understandably, Samancor is a lot more interested in adding value to its product than simply exporting it to enable other alloy makers to reap the downstream rewards. This is why its own pro-

duction of ferrochromes is rapidly growing and why international alloy producers are establishing joint venture undertakings in SA — it is a logical way for them to protect their own supplies.

The second area and original core business is manganese, tied primarily to carbon steel production which, though huge (700 Mt/year), grows only at about 1% a year. Chairman Mike Salamon's approach is to adopt the same policy which proved

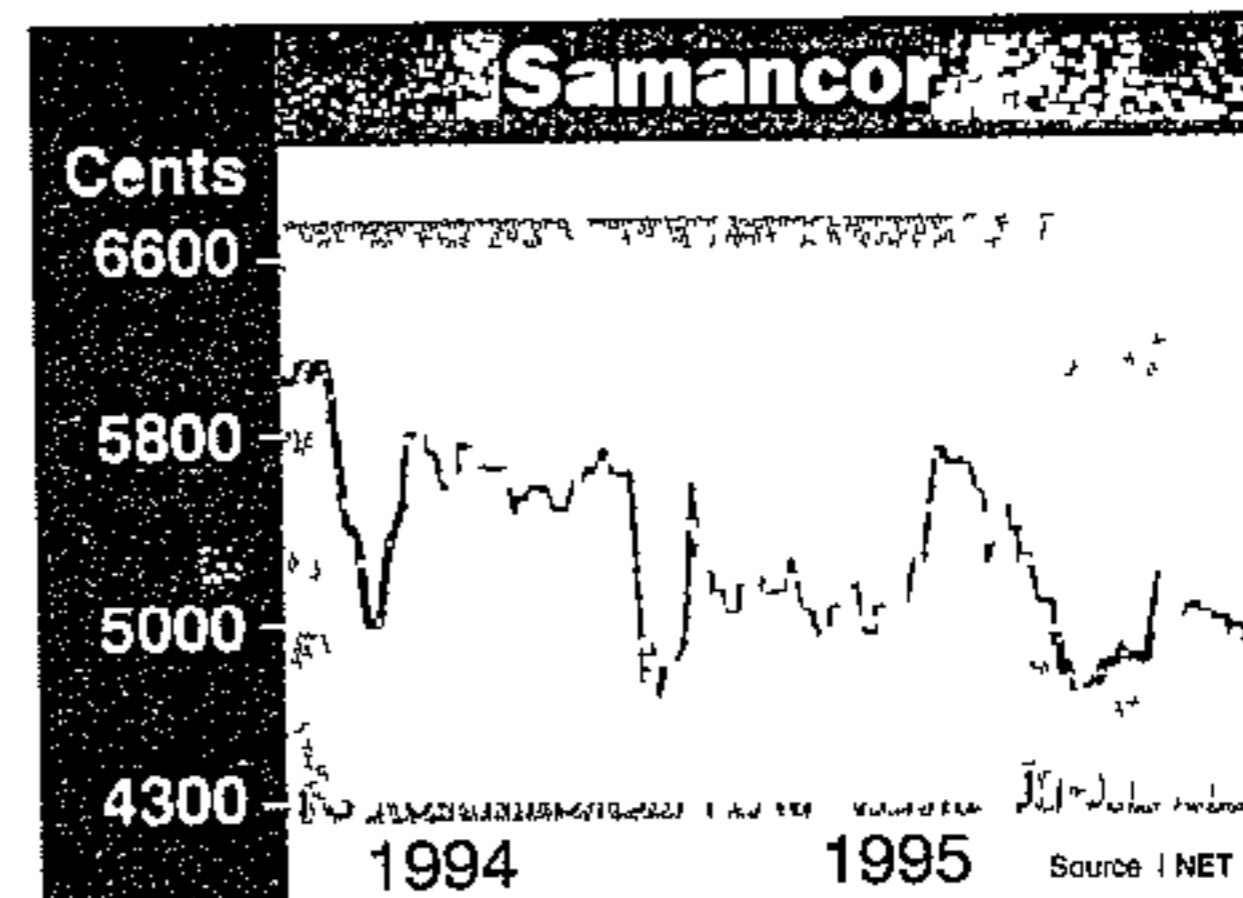
so successful with ferrochrome. He is intent on adding value by producing alloys. Four years ago, less than 40% of Samancor's manganese was turned into alloys locally, it is now 60% and Salamon says it will grow to 80% over the next three years.

The third leg, which it shares with Highveld Steel and the IDC, is the Columbus stainless steel venture whose new Middelburg plant will drive SA into the first rank of world producers. Cost is more than R3bn and commissioning is in full swing.

Salamon expects "a significant increase in profits in the new financial year." A



Salamon the real fizz is still to come



senior broker says this is an understated view. "The real fireworks are only beginning. I expect EPS of around 430c in financial 1996 and as much as 600c for 1997." This will explain the current p e of 25 and the share price of R49. If market expectations are met, the forward p e is 11.4 for 1996 and only 8 for 1997. This makes it cheap and attractive.

David Gleason

controlled most of Iscor's steel exports through Hong Kong-based Transorient Steel (TOS) and its affiliate company Fecat—and has earned huge commissions in the process. A Macdonald spokesman says this revenue enabled it to purchase many steel stockholding firms in SA, so it now controls 70% to 75% of stocks.

In 1992, Iscor's exports were opened to competition, which drastically reduced Macsteel's share of the trade, from a high of about 2 Mt a year during the sanctions years, to a trickle during the first half of 1995. The proposed joint venture would re-establish its position of the Eighties.

Iscor says the joint venture is a logical extension of the TOS operation, "as the Far East is our single biggest export market."

It claims the deal has nothing to do with imports, which constitute a fraction of local market sales. Benefits of the deal to Iscor include the fact that, for a relatively modest investment of R60m, it obtains 50% of an international steel trader with annual sales of 6 Mt, of which Iscor will supply 2 Mt.

Iscor MD Hans Smith says "I fail to see that Macsteel International has anything to do with the local market as Macsteel is just one of the many steel traders Iscor deals with in SA. In many cases, Iscor deals directly with large consumers in SA and not through steel traders."

But analysts say the joint venture will give the new company control over 100% of Iscor's global steel exports estimated at about 3 Mt a year and valued at R4,3bn.

Without stockholding facilities, high-volume trade is not possible and competitive importers, especially, will be stymied in their efforts to match the Iscor-Macsteel muscle.

In view of Iscor's historical links with the State and the recent disclosure that it had received R500m of taxpayers' money in Geis credits, any suggestion that it might possibly abuse its power on the domestic market, must be viewed seriously. Also with Macdonald claiming that the indirect effect of the joint venture will be to increase the price of domestic steel, SA's efforts to expand down stream beneficiation could be seriously hampered.

Suggestions that the joint venture is a "smokescreen" for the main target — effective control over local market pricing, and imports also raises questions about the exact nature of the relationship.

Iscor's biggest profits have traditionally been earned from local market sales. It would like to retain its position, which has



Smith Macsteel just one of many

been undermined recently by growing imports of competitively priced steel products.

Macdonald says local market control will be the result of getting rid of all competitors on the export side of Iscor's steel business (in a "cashless takeover"), which would also remove their ability to provide future competition through volume imports. And, with no effective import competition, Iscor and Macsteel would be in a position to virtually determine local market prices, in terms of the well-established two-tier pricing policy.

"Macsteel, through its various subsidiaries and shareholders, is in effect in control of the bulk of steel stockholding in SA. Exports can therefore be correlated to local demands so as to create artificial shortages and price controls. And exports can also be correlated with imports by Macsteel to its subsidiaries in such a manner that far greater profit-taking would occur on the double transactions," says Macdonald. A Competition Board decision is not expected before January.

STEEL INDUSTRY

(189A)

Big Mac

FM 22/9/95

Steel giant Iscor has been accused of attempting to take control of both local market pricing and imports following the announcement of its joint venture with Macsteel.

Durban-based steel trader and exporter Macdonald International has made an 80-page submission to the Competition Board in an attempt to halt the deal. A board spokesman confirms that an announcement of a formal investigation into the proposed venture will be gazetted shortly. "Apart from the Macdonald submission, we have received three or four other objections to the proposed joint venture," he says.

Iscor paid Macsteel R60m for a 50% share in Macsteel International, giving the latter exclusive marketing rights over all its steel exports as from January 1. It will also pay commission on the exports which should, conservatively, give the new company an annual revenue of about R300m. In turn, Iscor will share in the new company's profits, which would include an estimated annual 4 Mt "third-country" steel trade currently being done by Macsteel.

Macsteel has, since the early Eighties,

NUM wins Appeal Court protest ruling

~~189A~~
BLOEMFONTEIN — All the participants in the September 5-6 1989 stayaway at three Free State mines should have been dealt with on the same basis, the Bloemfontein Appeal Court has ruled

It upheld yesterday the appeals of the National Union of Mineworkers (NUM) and of dismissed employees of the President Brand, President Steyn and Free-
dies mines **BD 22/9/95**

It had been argued for the appellants that participation in the stayaway was collective action in pursuit of "a legitimate socio-economic interest" (to protest against the general election and the introduction of the 1988 amendments to the Labour Relations Act)

Judge Nestadt said the need for management to enforce discipline could not be underestimated

But on the basis of cumulative factors dismissal was "excessive and therefore inappropriate"

It was not in dispute that if the dismissals were set aside, the reinstatement of the individual appellants should follow, he noted

The court ordered that if the parties themselves could not resolve the outstanding matters, they should be decided by the Industrial Court — Sapa

Firm ordered to reinstate fired 69

~~189A~~ **BD 22/9/95**
Renee Grawitzky

BOART MSA (Pty) has been ordered by the Labour Appeal Court to reinstate 69 National Union of Metalworkers of SA (Numsa) members with 10 months' back-pay, after it found their dismissal during a strike in August 1992 to be unfair. The decision was handed down on Wednesday

Pam Stein of Cheadle Thompson & Haysom, acting on behalf of the union, said the cost to the company for back payment in wages — based on salaries paid in 1992 — was about R900 000

Boart said it was considering applying for leave to appeal to the Appellate Division

The dismissals arose out of the nationwide metal industry strike which began on August 3 1992. On the morning of August 25, Boart dismissed 84 workers but subsequently reinstated 15. On the afternoon of August 25, the Supreme Court granted the Steel and Engineering Federation of SA (Seifsa) an interdict on the grounds the strike was illegal be-

cause the union had not complied with the balloting provisions.

The Industrial Court dismissed the union's application for reinstatement and found that the company, which "dismissed the striking workers for operational reasons", had not committed an unfair labour practice.

The company argued that before and during the strike workers were briefed on the financial position of the company and that "the ultimate consequence of the strike would be that jobs of all employees would be endangered". On August 21 the company issued an ultimatum for strikers to return to work and it was alleged that the company was suffering irreparable damage which would affect the job security of all employees

The Labour Appeal Court said where an employer dismissed workers for economic reasons, it was the duty of the court to assess those and all other relevant facts. The court found the company failed to show that if it had not dismissed the workers it would have risked "irreparable harm".

Manuel was misleading on Saldanha - parks chief

(189A) (EB)
Cape Town - The National Parks Board claims that Trade and Industry Minister Trevor Manuel has misled the Steyn inquiry on the board's strong objections to the siting of a steel mill at Saldanha.

Chief executive Dr Robbie Robinson said yesterday the board had not withdrawn its objections to the proposed site of the R4,7-billion plant, as suggested by Manuel in a recent submission to the inquiry.

Manuel told the inquiry that the main objections to the proposed site by environmental and other bodies had been withdrawn. *Stav 23/9/95*

Robinson complained in an angry letter to inquiry chairman Mr Justice Jan Steyn that the minister's statement was misleading.

The board still believed that siting the mill near Langebaan lagoon created an unnecessary risk which was economically and environmentally flawed, as well as irresponsible.

Robinson also criticised the Department of Trade and Industry, saying it was not known for its consideration of the environment.

In his letter to Steyn, he also commented on the recent oil spill off Saldanha Bay, saying it showed that protection measures were seriously inadequate. "This spill served as a timely reminder that Saldanha Bay is a high-risk port not suited for oil transfers" - Sapa

Iscor cautionary confuses analysts

(189A) Stav 26/9/95

Pretoria — Iscor, South Africa's biggest steel-maker, issued a brief announcement on Friday in which the group said proposals were under consideration that could affect the company's share price. It gave no further details.

Officials in the offices of Hans Smith, the managing director, Louis van Niekerk, the financial director and Neels Howatt, public affairs director, said they were unavailable for comment, but said that the group would hold a management-team meeting on Tuesday after which a further announcement was likely.

Analysts said the announcement had taken them by surprise, with confusion sown by the reference to "proposals" rather than negotiations about some sort of a transaction.

"The cautionary is slightly confusing, but it looks as if it is about a joint venture which Iscor's mining division is considering," said David Shapiro, the director at local stockbrokers Frankel, Pollak and Vinderine.

Analysts said whatever pro-

posals were under consideration, they were likely to involve the issue of new Iscor shares, hence the pressure on the group's share price which started 1,7 percent lower at R4,02 from R4,09 on the Johannesburg Stock Exchange on Friday.

Expansion

Iscor has a wide array of new projects and ventures on the go, and is currently focusing on expansion of its mining arm, which houses already significant iron ore, coal, and industrial minerals operations. The group announced earlier this month that it had bought a 35 percent stake in Australian minerals group Ticon Limited for R375 million.

Iscor expects to hear next month whether the government will give the go ahead on environmental grounds to the group's multibillion-rand mini-steel mill project on South Africa's southwest coast. Iscor is a fully integrated steel producer and exporter — AP-DJ

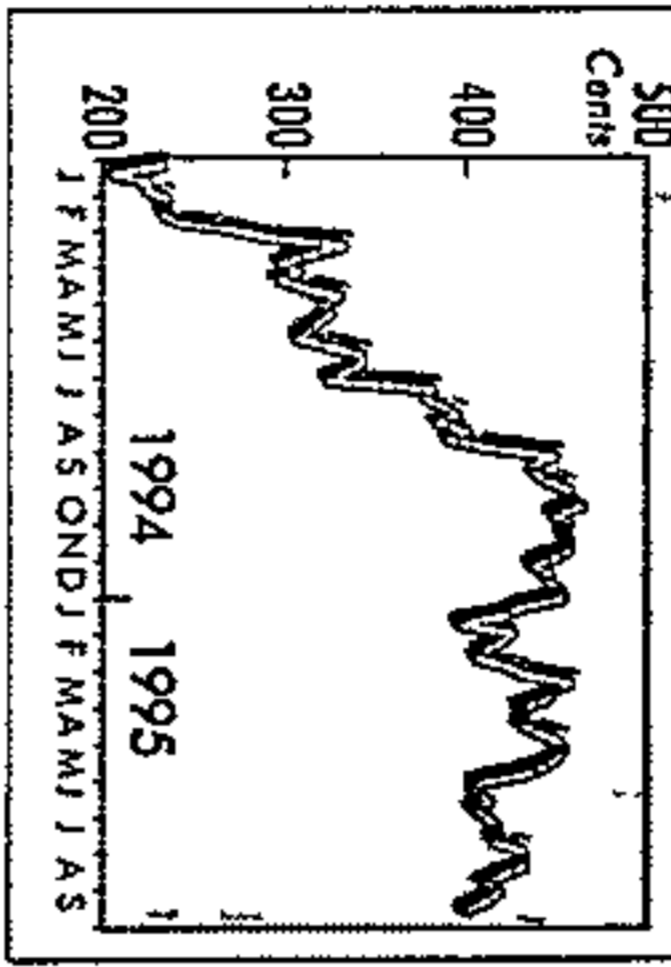
Iscor cautionary confuses analysts

From AP-DJ

Pretoria — Iscor, South Africa's biggest steel-maker, issued a brief announcement on Friday in which the group said proposals were under consideration that could affect the company's share price. It gave no further details.

Officials in the offices of Hans Smith, the managing director, Louis van Niekerk, the financial director and Neels Howatt, public affairs director, said they were unavailable for comment, but said that the group would hold a management-team meeting on Tuesday after which a further announcement was likely.

Analysts said the announcement had taken them by surprise, with confusion sown by the reference to "proposals" rather than negotiations about



CT (AK) 26/9/95 (189A)

some sort of a transaction

"The cautionary is slightly confusing, but it looks as if it is about a joint venture which Iscor's mining division is considering," said David Shapiro, the director at local stockbrokers Frankel, Pollak and Vindenne.

Analysts said whatever proposals were under consideration, they were likely to involve the issue of new Iscor

shares, hence the pressure on the group's share price which started 1,7 percent lower at R4,02 from R4,09 on the Johannesburg Stock Exchange on Friday.

Iscor has a wide array of new projects and ventures on the go, and is currently focusing on expansion of its mining arm, which houses already significant iron ore, coal, and industrial minerals operations. The group announced earlier this month that it had bought a 35 percent stake in Australian minerals group Ticon Limited for R375 million.

Iscor expects to hear next month whether the government will give the go ahead on environmental grounds to the group's multibillion-rand mineral mill project on South Africa's southwest coast. Iscor is a fully integrated steel producer and exporter.

Ilco welcomes land inquiry

By MAGGIE ROWLEY

PROPERTY EDITOR
CT (AK) 26/9/95 (189A)

The R4,9 million the Western Cape government had agreed to pay Ilco Homes for its District Six land which was expropriated in 1992 was less than half what the land cost the company, Martin Wragge, the managing director, said last night.

Responding to the ANC call at the weekend for a commission of inquiry into the deal, Wragge said he would welcome this as it would allow them to settle the matter and allow him to restore the troubled Ilco Homes group.

Wragge said that Ilco had "in the interests of the community at large" agreed to the settlement, although it was over R6 million short of the actual cost of the land, including compounded interest, to the listed company.

He said that when Monex Development Company gained control of the troubled Ilco Homes in April this year they had inherited 12 cases of litigation, including the dispute be-

tween Ilco Homes and the state regarding the price of expropriating the land, with Ilco claiming it should have been R7,7 million and not the R3,5 million initially offered.

Wragge said that contrary to reports, the land was initially acquired for R800 000 in April 1984 by Mountain Bay Development Company, a wholly owned subsidiary of Holdem, the pyramid company of Ilco Homes, which in turn was 100 percent owned by former Ilco Homes chief executive Jos Denmers.

In December 1988 Denmers had the land revalued by a third party and sold it to Ilco Homes, which had been listed the previous year, for R3,84 million, he said.

Wragge said that the aggregate cost of the land to Ilco Homes since the company acquired it from Mountain Bay Development was about R11,5 million, less R2,84 million paid by the State on September 15 1992, which was 80 percent of the total expropriation amount.

Move precedes Saldanha commission findings

Iscor pulls out of Cape project

(189A) (18)

Star 27/9/95

■ PRETORIA CORRESPONDENT

Iscor has withdrawn from the R4,7-billion Saldanha Steel project pending a thorough re-evaluation

The shock announcement follows months of haggling over the siting of the plant and its environmental effects, and just before the Steyn Commission of Inquiry is due to release its findings on the project

However, the Industrial Development Corporation (IDC), Iscor's partner in the venture, has decided to re-evaluate the whole scope of the project, with a view to achieving a more acceptable capital cost, investment return and risk profile for Iscor.

The IDC said it had decided on this step "due to the importance of the project from a national point of view".

Iscor managing director Hans Smith said the company would "consider the investment merits of a restructured project, or any portion thereof" after the re-evaluation

He said Iscor would also accelerate its investigations into the merits of other local growth projects.

Smith cited inordinate delays experienced in the issuing of the necessary site rezoning permits - which had resulted in progress on the project being held up by

SCOPE of the project to be re-evaluated, to achieve a more acceptable risk profile for Iscor

almost a year - for the decision to withdraw from the project in its current form

Iscor and the IDC approved the project in November.

"The impact of the delays on capital cost escalations and forecast project returns has now been assessed and has resulted in our decision," he said.

Cost

Smith said the estimated cost incurred on the Saldanha Steel project to date had been between R80-million and R100-million, but Iscor's 50% share in these costs had been substantially provided for in the previous financial year.

Iscor Steel managing director Kevin Robertson said the hold placed on the Saldanha Steel project had resulted in Iscor curtailing further costs on the project until such time a final decision had been made on the company's participation in such a venture

Commenting on the timing of Iscor's announcement before the outcome of the Steyn Commission of Inquiry was known, Smith said he had repeatedly stated that the

robustness of the project could be negatively influenced by delays in finalisation of decisions on such matters as the rezoning

"We know from press reports only that the Steyn report is expected to be finalised by October 6. However, the period required by Government to further evaluate this report and discuss it with the relevant provincial authorities is still unknown to Iscor

"We cannot delay our own decisions on investments of this magnitude for undetermined periods, as such delays directly influence Iscor's overall business strategies," he said.

Smith said last month that moving the plant inland would increase operating costs by about R50-million a year and, as a result, it would not be viable at the low point of the business cycle.

The re-evaluation of the project by the IDC is expected to be completed early next year.

It will involve, among other things, consideration of alternative iron-making technologies, as well as the sourcing of alternative iron and steel scrap supplies. It will also include alternative financing structures.

Smith said Iscor remained committed to local investment and had, therefore, agreed to assist the IDC in the new initiative by contributing technical expertise

COSTS PUT SCHEME OUT OF REACH

IsCOR pulls out of

Saldanha steel project

CT 27/9/95 (1899)

ISCOR has abandoned the Saldanha mill project. **DALE GRANGER AND WILLEM STEENKAMP** report.

ISCOR yesterday withdrew from its proposed controversial R4,7 billion steel plant at Saldanha, saying delays in implementation had escalated costs to the point where the project was no longer viable.

The announcement comes just 10 days before the Steyn commission investigating the project is due to finalise its report.

But IsCOR managing director Mr Hans Smith said IsCOR was still keeping its options open and would consider the investment merits of a restructured project.

Mr Smith said since IsCOR and the Industrial Development Corporation (IDC) had approved the project last year, delays in issuing site rezoning permits had stalled progress by almost a year.

IsCOR would not participate in a Saldanha steel mill project in its present form, Mr Smith said. He added that the company had already spent between R80 and R100 million on the project so far.

But the IDC, a 50% shareholder in the project, would investigate alternative iron-making technologies, supplies and financing structures in a study due to be completed in January, he said.

Mr Smith said the time required by the government to evaluate the Steyn report was still unknown. "IsCOR can not delay decisions on investments of this magnitude for undetermined periods."

Meanwhile Dr John Hanks, the chief executive of the World Wild-

life Fund in South Africa, said last night the WWF was "delighted" to hear that IsCOR had pulled out of the Saldanha steel project. But Dr Hanks said he was "absolutely astounded" at the timing of the announcement, coming just days before the government-appointed Steyn Board of Inquiry was due to release its report.

He said many interested parties had gone to "a lot of trouble" to provide the board, which is to release its findings on October 6, with information, and an "enormous" amount of money had been spent on the process.

'Bottom line'

Mr Neels Howatt, IsCOR general manager of public relations, said "the bottom line is we're looking for acceptable returns on our investment". He said pressure from environmental groups had "no impact on the decision".

Wildlife Society spokesman Mr Andy Gubb said last night the group was "very relieved" to hear of IsCOR's announcement.

"We are, however, saddened that IsCOR did not embrace the integrated environmental management procedure from the start.

"If they had, we might today have a situation where jobs, economic growth and the environment were all winners."

Speaking from Swaziland last night, Mr Justice Jan Steyn said the commission's report was "virtually complete" and about to be printed.

"Our mandate is to report to the minister and we will stick to the agreed date of October 6. Everything we have to say is in our report."

Delays force Iscor out of Saldanha deal

(1891)
Michael Urquhart
BD 27/9/95

ISCOR says it has pulled out of the controversial R4,7bn Saldanha Steel project "in its present form" because delays have affected capital cost escalations and forecast project returns

Yesterday's announcement pre-empted the findings of the Steyn commission of inquiry — appointed to look into protests against the project — which is set to report on October 6.

The go-ahead for the project had been delayed following protests from environmentalists

Iscor MD Hans Smith said yesterday he knew "only from press reports" that the Steyn commission was expected to report on October 6, and the period required by government to further evaluate the report was unknown. Iscor's overall strategies could not be disrupted by delaying decisions "on investments of this magnitude for undetermined periods"

Delays in issuing the site rezoning permits had held up progress on the project by almost a year.

Iscor Steel MD Kevin Robertson said the hold on the project meant Iscor had curtailed further costs related to it until a final decision had been made on its participation. The estimated cost so far was between R80m and R100m, of which Iscor had provided half.

But Iscor has held out the possibility of the project going ahead in some form. It said the IDC would re-evaluate the project in a bid to achieve a more acceptable capital cost, investment return and risk profile for Iscor.

This would involve consideration of alternative financing structures, as well as alternative iron-making technologies and the sourcing of alternative iron and steel scrap supplies.

The re-evaluation was expected to be completed by early next year.

Back to drawing board as Iscor drops Saldanha

JOHN YELD
Environment Reporter

(189A) (E) 19/95
ARG 27/9/95
ISCOR has cancelled existing plans for its R4,7 billion steel mill at Saldanha Bay and instead will take part in a complete re-evaluation of the project with the Industrial Development Corporation — a process that will last into the new year

The steel giant's bombshell announcement yesterday came just days before the report of the Steyn board of inquiry into the controversial project was due to be handed to Environmental Affairs Minister Dawie de Villiers

The news came as a major surprise to objectors and to environmentalists, who stressed economic development in the Saldanha Bay area was still necessary but that the steel project proposal had been planned incorrectly from the outset

In a statement late yesterday, managing director Hans Smith said Iscor had taken a "firm decision" not to participate further in the Saldanha steel mill project in its present form — a project on which it had already spent between R80 million and R100 million

"Since the approval of the project

by Iscor and the Industrial Development Corporation (IDC) in November last year, inordinate delays in issuing the necessary site rezoning permits have been experienced, so that progress with the project has been held up by almost a year.

"The impact of the delays on capital cost escalations and forecast project returns have now been assessed and have resulted in our decision"

Because of the importance of the project from a national point of view, the IDC had decided to re-evaluate the whole scope of the project to achieve a more acceptable investment return and risk profile for Iscor

Specialist environmental consultant Allan Heydorn, who had made personal submissions to the Steyn inquiry and on behalf of the World Wide Fund for Nature — South Africa, was "stunned" by the news

"If this means Iscor is pulling out altogether and industrial development there is completely stifled, that would be bad news

"But if it means a re-evaluation to bring industrial development into line with the area's carrying capacity and the resources that are available, then it's very good news," Dr Heydorn said

COSTS PUT SCHEME OUT OF REACH

IsCOR pulls out of Saldanha steel project

CT 27/9/95 (189A)

ISCOR has abandoned the Saldanha mill project. **DALE GRANGER AND WILLEM STEENKAMP** report.

ISCOR yesterday withdrew from its proposed controversial R4,7 billion steel plant at Saldanha, saying delays in implementation had escalated costs to the point where the project was no longer viable.

The announcement comes just 10 days before the Steyn commission investigating the project is due to finalise its report.

But Iscor managing director Mr Hans Smith said Iscor was still keeping its options open and would consider the investment merits of a restructured project.

Mr Smith said since Iscor and the Industrial Development Corporation (IDC) had approved the project last year, delays in issuing site rezoning permits had stalled progress by almost a year.

Iscor would not participate in a Saldanha steel mill project in its present form, Mr Smith said. He added that the company had already spent between R80 and R100 million on the project so far.

But the IDC, a 50% shareholder in the project, would investigate alternative iron-making technologies, supplies and financing structures in a study due to be completed in January, he said.

Mr Smith said the time required by the government to evaluate the Steyn report was still unknown.

"Iscor can not delay decisions on investments of this magnitude for undetermined periods."

Meanwhile Dr John Hanks, the chief executive of the World Wild-

life Fund in South Africa, said last night the WWF was "delighted" to hear that Iscor had pulled out of the Saldanha steel project.

But Dr Hanks said he was "absolutely astounded" at the timing of the announcement, coming just days before the government-appointed Steyn Board of Inquiry was due to release its report.

He said many interested parties had gone to "a lot of trouble" to provide the board, which is to release its findings on October 6, with information, and an "enormous" amount of money had been spent on the process.

'Bottom line'

Mr Neels Howatt, Iscor general manager of public relations, said "the bottom line is we're looking for acceptable returns on our investment." He said pressure from environmental groups had "no impact on the decision".

Wildlife Society spokesman Mr Andy Gubb said last night the group was "very relieved" to hear of Iscor's announcement.

"We are, however, saddened that Iscor did not embrace the integrated environmental management procedure from the start."

"If they had, we might today have a situation where jobs, economic growth and the environment were all winners."

Speaking from Swaziland last night, Mr Justice Jan Steyn said the commission's report was "virtually complete" and about to be printed.

"Our mandate is to report to the minister and we will stick to the agreed date of October 6. Everything we have to say is in our report."

Shock, anger at Iscor withdrawal

ARG 28/9/95 (189A)

JOHN YELD
Environment Reporter

ENVIRONMENTAL Affairs Minister Dawie de Villiers has expressed surprise at Iscor's sudden decision to withdraw from the R4,7 billion steel plant proposal for Saldanha Bay, saying it was "unfortunate" it had not waited for the findings of the Steyn report.

The Saldanha-Vredenburg community and their political representatives reacted with shock and anger at Tuesday's surprise announcement.

Dr De Villiers will receive the report of the Steyn board of inquiry into the controversial steel mill proposal next week. He said the cabinet committee on economic affairs should reach a decision by October 11.

The Steyn board had been inundated with submissions about the steel plant proposal — a joint venture between Is-

cor and the Industrial Development Corporation — because of the national importance of the ecologically sensitive Saldanha-Langebaan area, he said

The board had worked as quickly as possible to accommodate all parties, and Iscor had been informed about the inquiry's progress

The outcome of the Steyn inquiry would be a benchmark case for future issues where there was a clash of interest between development and conservation, he said

"It is therefore unfortunate that Iscor didn't wait for the outcome of the findings," Dr De Villiers said

Welfare and Population Development Minister Abe Williams, who is from Saldanha, said Iscor's "disappointing" announcement had come as a shock to West Coast residents.

Mr Williams called for the development to proceed because of the collapse of the

crayfish industry and cutbacks in the region's fishing quotas, but said people could not abdicate their responsibility towards environmental concerns which the proposed development might highlight.

He would immediately talk to Iscor to "once again illustrate to them the feasibility of the steel plant project in Saldanha/Vredenburg, and the benefits that it will bring the people of the West Coast"

The Saldanha-Vredenburg council said it would do everything possible to save the project, while the ANC's West Coast branch and the Saldanha Bay Chamber of Commerce said residents were upset and saddened by the decision.

Wildlife Society Western Cape manager Andy Gubb said Iscor's decision was "wise".

"We've gone into a new era of transparency and openness. If they (Iscor) try to undertake big projects as they did in the past, they're going to lose."

'NP WILL LOSE VOTES'

Shock over Iscor's steel mill pullout

SHOCKED SALDANHA RESIDENTS blame outsiders for Iscor's decision to pull out of the R4,7bn steel mill project at Langebaan, **MELANIE GOSLING** reports

SALDANHA residents have expressed shock at Iscor's sudden withdrawal from the controversial R4,7-billion Saldanha Steel project — while Environment Minister Dr Dawie de Villiers described the move, only days before the outcome of the Steyn inquiry, as "unfortunate"

Dr De Villiers said yesterday "The outcome of the inquiry would be a benchmark case for future issues where there is a clash of interests between development and conservation. It is therefore unfortunate that Iscor did not await the outcome of the findings."

The board of inquiry under Judge Jan Steyn will publish its findings on October 6.

While environmentalists have welcomed Iscor's announcement, local residents are shocked.

West Coast ANC spokesman Mr Ebrahim Daiwai said "People are very upset — their hopes were so high because we really need the employment. It was just a couple of privileged people making a noise — they caused the delay."

Lost votes

A Saldanha resident who did not want to be named said the National Party was likely to lose votes in the coming local elections. "It is the fault of Dawie (de Villiers). I tell you, the National Party will be hurt over this," she said.

Town clerk Mr J P de Klerk said Iscor had done everything it could to try to satisfy the "sometimes very unfair" demands made by people who opposed the steel mill.

"They were mostly people not

from this area. This was a very viable project seven months ago. It appears the R90 million spent by Iscor on environmental assessments, reports, press briefings and so on was a waste," he said.

The World Wide Fund for Nature (WWF) welcomed the move and said the Industrial Development Corporation's period of "reassessment" of the project should be used by the regional government to commission an urgent strategic economic development plan for the entire region.

● The Western Cape government appealed to Saldanha Steel yesterday to reassess its options once the inquiry tables its report.

Premier Mr Hennis Kriel hoped the report would not be "too negative". He said his biggest regret would be if Saldanha Steel pulled out in spite of the commission attaching "affordable and attainable" conditions.

● See Page 17

(189A) ET 28/9/95 2P1

Why Iscor left Saldanha in the lurch

(189A) CT (BR) 28/9/95

BY ANDY DUFFY

STAFF WRITER

Iscor pulled the plug on Saldanha Steel because it wanted to halve its stake in the R4,7 billion project, sources close to the company said yesterday.

Iscor is understood to have told its Saldanha Steel partner, the Industrial Development Corporation (IDC), that it wanted no exposure to iron production at the site.

The IDC, which is now revising the plans, has been left searching for another partner, possibly an international group, to share the burden of funding the iron capacity.

IDC officials were unavailable yesterday, but it is understood that the iron production capacity could be relocated away from Saldanha Bay.

But sources said Saldanha's viability could be jeopardised if there was any move to cut its total production capacity.

Iscor said it pulled out on Tuesday because delays stemming from environmental concerns had deflected the scheme from costs and return targets.

A spokesman for Iscor said yesterday that bringing in another partner was one option the IDC was considering.

"If the IDC could come up with a deal where it had another partner, we'd be interested in steel production."

But he said the delays could still render the scheme unviable to Iscor, even with another partner on board, unless the IDC could structure a package to offer Iscor acceptable returns.

"Even if the decision is finalised early next year, the steel plant will only come into production at the bottom of the cycle," he said.

Iscor had previously said Saldanha's steel output could secure R1,6 billion a year in foreign earnings.

But the delay, already close to one year, would have left Saldanha coming on stream just as international markets turned down.

Saldanha's project team had revamped the plant's construction and production schedules last month in a last-ditch bid to cushion the impact of the delay.

Why Iscor pulled plug on Saldhana

(189A) (S) Star 28/9/95

■ BY ANDY DUFFY

Iscor pulled the plug on Saldanha Steel because it wanted to halve its stake in the R4,7 billion project, sources close to the company said yesterday.

Iscor is understood to have told its Saldanha Steel partner, the Industrial Development Corporation (IDC), that it wanted no exposure to iron production at the site.

The IDC, which is now revising the plans, has been left searching for another partner, possibly an international group, to share the burden of funding the iron capacity.

IDC officials were unavailable yesterday, but it is understood that the iron production capacity could be relocated away from Saldanha Bay.

But sources said Saldanha's viability could be jeopardised if there was any move to cut its total production capacity.

Iscor said it pulled out on Tuesday because delays stemming from environmental concerns had deflected the scheme from costs and return targets.

A spokesman for Iscor said yesterday that bringing in another partner was one option the IDC was considering.

"If the IDC could come up with a deal where it had another partner, we'd be interested in steel production."

But he said the delays could still render the scheme unviable to Iscor, even with another partner on board, unless the IDC could structure a package to offer Iscor acceptable returns.

"Even if the decision is finalised early next year, the steel plant will only come into production at the bottom of the cycle," he said.

Iscor had previously said Saldanha's steel output could secure R1,6 billion a year in foreign earnings.

But the delay, already close to one year, would have left Saldanha coming on stream just as international markets turned down.

Saldanha's project team had revamped the plant's construction and production schedules last month in a last-ditch bid to cushion the impact of the delay.

SALDANHA STEEL

Expensive saga

FM 29/9/95

The unthinkable has happened. Iscor says "inordinate delays" have forced it to pull out of the R4,7bn Saldanha Steel minimill steel project.

Is it brinkmanship or genuine good business savvy? The latter, says Iscor MD Hans Smith, who adds that the company cannot delay its decisions on investments of this magnitude for undetermined periods. He says that such decisions directly influence Iscor's overall business strategies.

Since the approval of the project by Iscor and joint venture partner, the Industrial Development Corp (IDC), in November last year, delays in issuing the necessary site re-

zoning permits have been experienced, so that progress with the project has been held up by almost a year.

Saldanha Steel has faced a barrage of negative publicity from the "greens" who claimed the mill would cause untold environmental damage. But with unemployment in the region running high, a counter lobby argued the mill would provide a much needed boost for the local economy.

Smith says the estimated cost incurred totals between R80m-R100m of which Iscor carries 50%. He adds the costs have been provided for in the previous financial year.

However, he has kept the door open and says due to the national importance of the project Iscor will re-evaluate its position after an investigation by the IDC. The IDC will look at the entire scope of the project with a view to achieving more acceptable capital cost, investment return and risk profile for Iscor. This will involve the consideration of alternative iron-making technologies, as well as the sourcing of alternative iron and steel scrap supplies. It will also include alternative financing structures. It is expected that the re-evaluation will be completed by early next year.

Smith says the company took the "firm decision" not to participate any further in the steel mill in its present form due to the impact of delays on capital cost escalations and forecast project returns.

"After completion of the re-evaluation, Iscor will consider the investment merits of a restructured project, or any portion thereof," he adds.

The project has been bedevilled by environmentalist protests since the announcement that it was to go ahead. An investigation is underway into the environmental impact of the project on Saldanha Bay and the adjoining Langebaan Lagoon. Headed by Justice Jan Steyn, the commission was due to present its findings early next month.

Questioned on the timing of Iscor's announcement before the outcome of the Steyn Commission is known, Smith says he has repeatedly stated that the "robustness" of the project could be negatively influenced by delays in the finalisation of decisions such as rezoning.

"We only know that the Steyn Commission is expected to be finalised by October 6. But the period required by government to further evaluate this report and discuss it with the relevant provincial authorities is still unknown to Iscor," says Smith.

If you believe in political adroitness, Smith's timing appears masterly. ■

Council hits out at Saldanha objectors

JOHN YELD
Environment Reporter

(189A) ~~189A~~
ARG-110/95-30/9/95

THE West Coast Peninsula Transitional Council is "surprised and disappointed" that Iscor has pulled out of the proposed R4,7 billion Saldanha steel project and wants to discuss the issue with the government and the developers

The council held a special meeting this week, following Iscor's shock announcement that it was withdrawing from the proposal in its present form

In a statement after the meeting, the council hit out at objectors to the project, saying they were mostly from outside the

Saldanha area

"The council still believes that the rezoning applicant (Saldanha Steel Project) did everything in its power to accommodate the sometimes unreasonable demands of the objectors

"The investigation costs of nearly R90 million apparently had no impact on the objectors"

The council also expressed its disappointment with the "obviously exaggerated delays" caused at both provincial and central government level, which had led to the present proposal being abandoned because of rising capital costs

"The country should be more sympathet-

ic to developers who in recent times have turned too easily to foreign countries

"The council will do everything in its power to ensure that the project is not lost to the local community, the region or the country, because many loyal entrepreneurs have already invested large sums in the area in anticipation of the project"

The council intended asking all the important role-players — Western Cape premier Hennis Kriel, regional minister Lamplie Fick, Environmental Affairs and Tourism minister Dawie de Villiers, Iscor chairman Hans Smith and Saldanha Steel Project executive chairman Bernard Smith — to discuss the issue with it

Haggie explains R82m steel cord investment

CHARLOTTE MATHEWS

HAGGIE Rand's R82-million investment in steel cord production would add value to local steel, replace imports and provide a hedge against the expected depreciation of the rand, group CE Chris Murray said yesterday

Murray said: "It is also important to us to push our major steel supplier, Iscor, for higher quality on high tensile steel rods. This product takes demand a step further because we will initially have to import our steel needs"

Haggie's new plant, which will start producing samples in April and July, is 91,6% owned by Haggie Rand and 9,4% by Italian company GCR. By 1999 it is expected to make 11 800 tons a year of tyre cord, hose armouring wire, tyre bead wire and conveyor belt cord. The project is expected to break even by 1997.

Murray said the economic rationale for the investment had been questioned several times, but it was a natural development for the group.

"High tensile rod costs R1 500 a ton. It can be sold for R2 000/t when converted into wire rod for concrete, for R3 000/t if converted into rope and for R8 000/t if converted into steel cord.

"Besides having high added value, it is an import replacement product. At the moment all our wire products benefit from 15% protection, which is fairly high in relation to steel products.

"We generally expect the rand will depreciate over the next few years. We have locked in our capital at R3,30/dollar and could be selling at R4/\$ or R5/\$, which bodes well for the viability of the product."

Haggie would be SA's sole supplier of locally made steel cord, making the market easier to penetrate. It would also create jobs and exports.

Murray said he was confident the venture would be profitable, although it would be a long-term project and there would be a period of market penetration and development which would be costly.

COMPANIES



Kotzee . shareholders may as well ride out the storm
Fm 28 11/94

that of the previous year. It had been hoped that the start of new domestic projects as well as power distribution to neighbouring states by Eskom would stimulate demand for conductors during the year. This did not happen soon enough. *(189 B)*

Kotzee assures shareholders that orders are in hand and increased volumes are forecast for aluminum products this year. Bankers and shareholders, who followed last year's hefty rights issue, can only hope he's right.

Usko's stainless steel wire division faced fierce price competition from imports during the year. Mounting losses forced the permanent closure of the plant and cut 50 jobs.

Kotzee ascribes last year's shrinking demand for cable to lack of capital investment in new industrial and housing projects. Resultant price competition depressed profit margins and curbed dispatches. Local demand for copper and cable products will probably show little growth this year.

Shareholders might as well ride out the storm. The share is above its 10c annual low and, at 23c, is showing hints of recovery.

Kate Rushton

USKO *Fm 28 11/94*
More losses

Activities: Makes and sells copper wire and strip, electric cable, aluminium wire, strip and conductor

Control: Iscor 48%, Metkor 45,4% *(189 B)*

Chairman: F P Kotzee, MD P C de Villiers

Capital structure: 30,9m ords Market capitalisation R7,7m

Share market: Price 25c 12-month high, 32c, low, 10c Trading volume last quarter, 903 000 shares

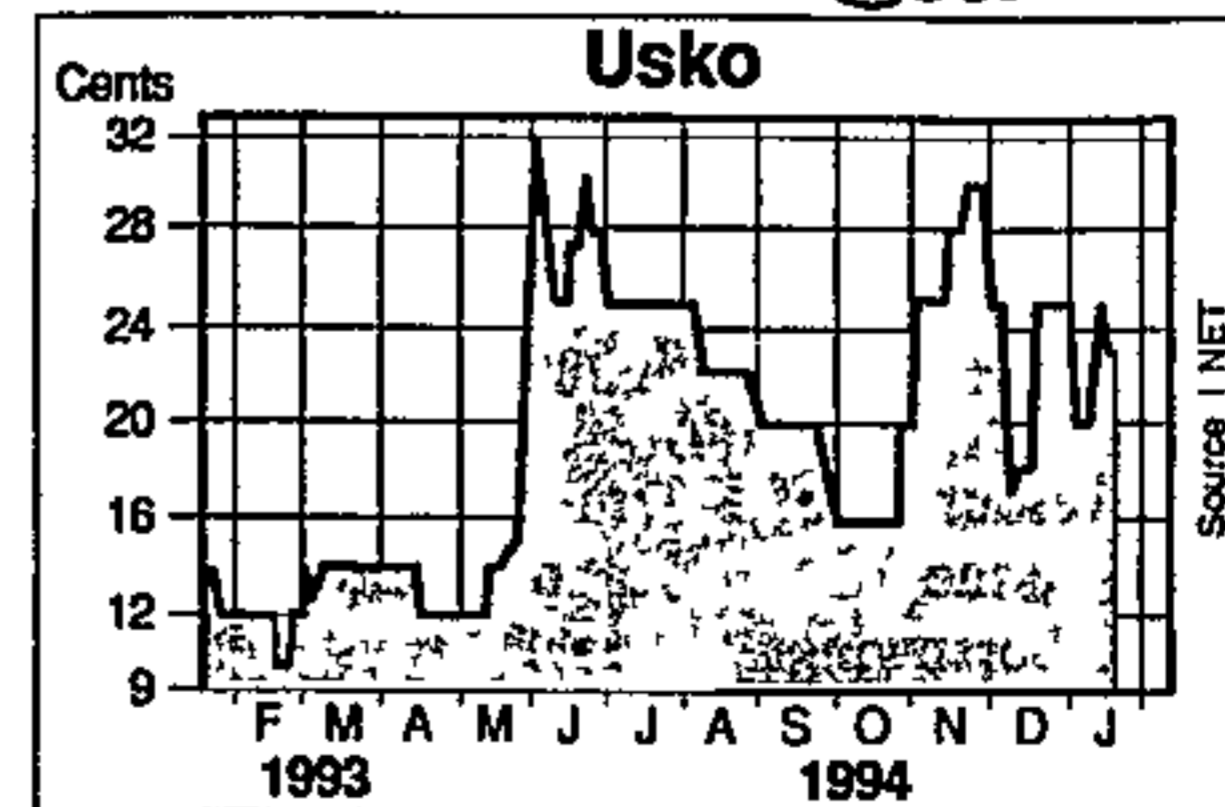
Year to Sept 30	'90	'91	'92	'93
ST debt (Rm)	10,8	187,2	6,5	1,8
LT debt (Rm)	149,2	6,5	nil	nil
Debt equity ratio	0,96	n/a	n/a	n/a
Shareholders interest	0,41	(0,51)	(0,37)	(0,36)
Int & leasing cover	1,15	0,42	1,61	—
Return on cap (%)	7,6	4,6	23,9	13,8
Turnover (Rm)	613	554	215	205
Pre-int profit (Rm)	30,3	7,6	24,7	14,7
Pre-int margin (%)	4,3	0,6	10,1	2,8
Earnings (c)	4,0	(198,1)	(2,6)	(9,9)
Tangible NAV (c)	456	(340)	(348)	(348)

Shareholders must be wondering if Usko will ever awaken from the financial nightmare it slipped into three years ago. Crippling debt, the sale of its steel division and two failed takeover bids in 1991 forced it to recapitalise in 1992. After creeping back into the black in mid-1993, it lost 9,9c a share last year.

The recapitalisation programme involved the issue of various classes of preference shares to replace R105m in interest-bearing loans. This converted 1992's R15,4m interest payment into interest received of R2,4m in 1993. Taxed profit is an impressive R15m (1992 R8,2m). Unfortunately, this is of limited value for ordinary shareholders, once preference shareholders lay claim to R18,1m in dividends, they are left with a loss per share of 9,9c and no dividend.

Usko's future will be assured as long as it can generate profits to pay the R174m owed on prefs. But pressure is already mounting, operating profit dropped last year by three-quarters, to R5,4m. Chairman Floors Kotzee says the demand for aluminum products declined substantially during the year and dispatches were consequently lower than

Cost - 189c



Haggie results

plummet 40%

Biday 10/2/94

CHARLOTTE MATHEWS

ENGINEERING group Haggie reported a 40% fall in attributable earnings to R35,0m in the year to December 1993 against R58,5m in the same period in 1992 — a worse performance than had been expected at the interim stage (1878)

Haggie group MD Chris Murray said yesterday the main reasons for the decline in profit were falling domestic volumes, intensified price competition and rationalisation costs

Turnover grew 2,4% to R1,22bn in 1993 from R1,19bn in 1992, aided by higher export tonnages, but operating profit was 48% lower year on year at R56,1m (R107,3m), "probably the worst fall in Haggie's results since 1979", Murray said

Haggie falls upon some trying times

Star 10/12/94

■ BY STEPHEN CRANSTON

Haggie had a ropery year to December. Earnings per share fell by 40 percent to 180,1c

The final dividend was consequently slashed by 52 percent to 53c, bringing a total of 100c for the year, down from 180c in 1992

Group MD Chris Murray says 1993 turned out to be the worst period Haggie has had to weather since listing in 1979.

Although other heavy industry businesses, such as Highveld Steel, have seen an improvement in the domestic market, there was no such upturn for Haggie

Total tonnages of its products sold fell by 6,1 percent to 236 000 tons

Exports rose 7,9 percent to 75 700 tons, but exports bring in far lower revenue. While exports accounted for some 32 percent of tonnage sold, they accounted for just 20 percent of turnover

Overall turnover increased by 2,4 percent to R1,22 billion

The operating margin was virtually halved from 9 percent to 4,6 percent and operating profit was down 48 percent to R56 million.

Murray says that for sustained profitability, operating margins should be at least 12 percent

Two of Haggie's major divisions reported losses

Consolidated Wire Industries, a joint venture with Iscor, reported an operating loss of R5,5 million

The division is undergoing rationalisation and modernisation. The copper products division was hard hit, with profits from all activities — other



Chris Murray . . . worst since 1979.

than Chick Scrap Metals well down on 1992.

The main Copalcor business lost R1,7 million

Rope manufacturer Haggie Rand remained by far the most important contributor to profits, but its operating profits fell from R68,3 million to R47,8 million.

A total of R22,3 million was taken from group operating profits as rationalisation costs, including R12 million in CWI

Lower interest payments and lower average borrowings pushed interest payments down 11 percent to R19,2 million and a tax payment of R18,4 million in 1992 was transformed into a credit of R1,5 million

Murray attributes this to the greater impact of export incentives and sale and leaseback credits, as well as a reduction in the deferred tax provision.

Haggie still has a reasonable balance sheet, with gearing up from 29 percent to 34 percent

At R20, Haggie has a P/E ratio of 11 and a dividend yield of five percent. While it has recovery potential, there are many preferable places to put money.

Fm 18/2/94

volumes, intensified price competition — both locally and abroad — and the one-off rationalisation and downsizing costs as some of the reasons behind the poor results Profits from all activities, except the scrap metals business, were well down. (189B)

But shareholders should not give up hope Prospects for this year are said to be rosier Consolidated Wire Industries (CWI)'s rationalised plant will be completed shortly and cash flows from Zimbabwean operations, thanks to relaxed exchange control regulations, will improve Good progress has also been made on the R82m steel cord plant, which will start to earn revenue later this year — six months earlier than forecast

Also, rationalisation costs, which took a chunk out of profits both above and below the line, were a one-off event Abnormal expenses taken above the line include retrenchment costs at Haggie Rand (R5,3m), the CWI merger (R12m) and the shutdown of copper-related operations (R5m) Below-the-line costs totalled R8,8m

Management should receive credit for one area, working capital control Year-end working capital/sales fell to 27,3% (1992 33,7%) This generated R74m cash and ensured the balance sheet remained strong Gearing rose only marginally to 33,9% (1992: 28,6%).

Relief also came in the form of tax The reduced company tax rate, export incentives and sale and leaseback credits resulted in a net credit of R1,5m

However, there is cause for concern about recent increases in Iscor's rod prices. Murray says: "We can't pass higher prices on to our customers, making full cost recovery difficult Negotiations with Iscor are in progress Hopefully, we can reach some agreement to limit the impact on margins"

Share price movement has been interesting Having missed the start of the bull run towards the end of last year, Haggie stock climbed in leaps and bounds from being cheap to overpriced Even Murray was surprised at the jump from R17,50 to R25 in only two weeks The counter has since corrected to R19, on a p.e of 10,5, but still looks fully priced

Kate Rushton

Fm 18/2/94
HAGGIE

Not pessimistic enough (189B)

At the interim stage, management provided three sets of year-end forecasts optimistic, pessimistic and realistic But for steel rope giant Haggie, the worst-case scenario of a 32% decline in EPS proved too optimistic EPS fell two-fifths to 180c and the operating margin buckled from 9% to 4,6%

MD Chris Murray cites falling domestic

NARROWING MARGINS

Year to December 31	1992	1993
Turnover (Rm)	1 195	1 224
Operating income (Rm)	107,3	51,1
Attributable (Rm)	58,5	35,0
Earnings (c)	300,4	180,1
Dividend	157,0	100,0

CITYHOLD *Fm* 18/2/94
Profit rebounding

Activities: Subsidiaries make copper, electroplated, stainless steel and resistance wire, blow-mould containers for the packaging industry, injection-moulded components for the engineering and electronic industries, and has financial and management services

Control: Almar Holdings 64% (1898)

MD: F C Eloff

Capital structure: 8m ord's Market capitalisation R4m

Share market: Price 50c Yields: 2,0% on dividend, 7,7% on earnings, p/e ratio, 13,1, cover, 3,9 12-month high, 90c; low, 50c

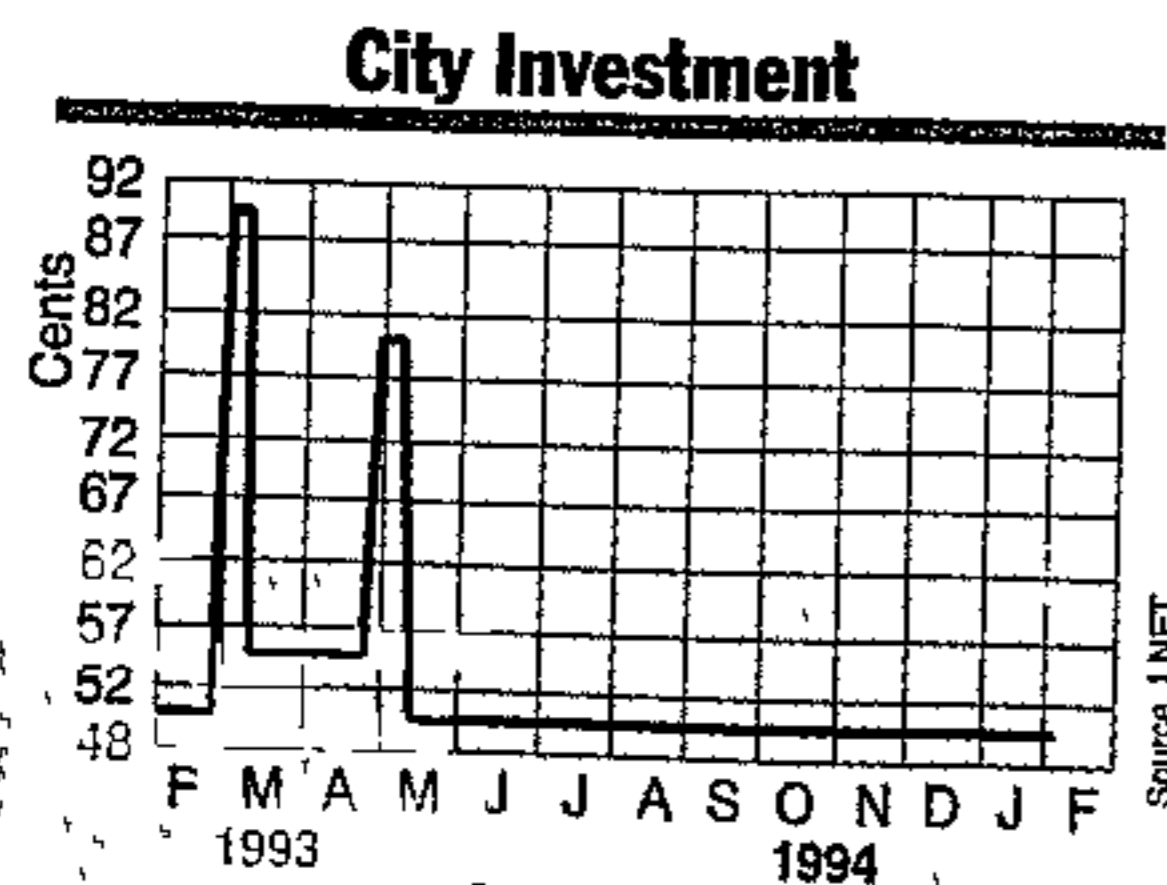
Trading volume last quarter, nil shares

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	0,4	0,2	0,02	0,18
LT debt (Rm)	1,3	—	0,3	0,3
Debt equity ratio	0,41	0,05	0,10	0,13
Shareholders' interest	0,37	0,85	0,88	0,83
Int & leasing cover	0,5	64	18	5
Return on cap (%)	1,8	18,6	5,2	10,8
Turnover (Rm)	18	20	31	38
Pre-int profit (Rm)	0,1	0,8	0,2	0,5
Pre-int margin (%)	0,8	3,8	0,7	1,3
Earnings (c)	(11,2)	12,6	2,5	3,9
Dividends (c)	nil	5	1	1
Tangible NAV (c)	23	44	45	42

cont - p102

COMPANIES

Careful diversification and an iron grip on costs helped DCM-listed City Investment Holdings (Cityhold) to stage a recovery in earnings in its 1993 year MD Fritz Eloff also cites better productivity and aggressive marketing in all areas of activity



EPS jumped 54% to 3,89c, but this remains well below the 12,57c reported in 1991, until there is evidence the recovery will be sustained, it has simply extended an erratic pattern of profitability — in 1990 there was an 11,2c a share loss Turnover increased last year by 24% to R38m. Though pre-tax profit more than doubled to R406 000, growth was constrained by interest and finance charges of R96 000 (R15 000) and a depreciation charge of R52 000 (R3 000) Notably, the pre-interest margin remain thin at only 1,3%

Eloff says the major contributor to higher volumes was the Vereemging-based aluminium extrusion company, Almar Extrusions whose turnover rose 40% All subsidiaries remained profitable

Borrowings jumped to R1,4m (R199 000)

Fm 18/2/94 (1898)
 at year-end, but gearing remained conservative at 13% Eloff says this was made possible by shareholders who agreed to loan Cityhold R1,3m Funds would be used to position the company to take advantage of future growth opportunities After investments in plant and machinery, fixed assets have ballooned from R8 000 to R450 000

Expansion into niche markets has gone well Management is particularly optimistic about the growth potential of its plastic containers for the cosmetic and pharmaceutical markets and aluminium profiles for the architectural markets

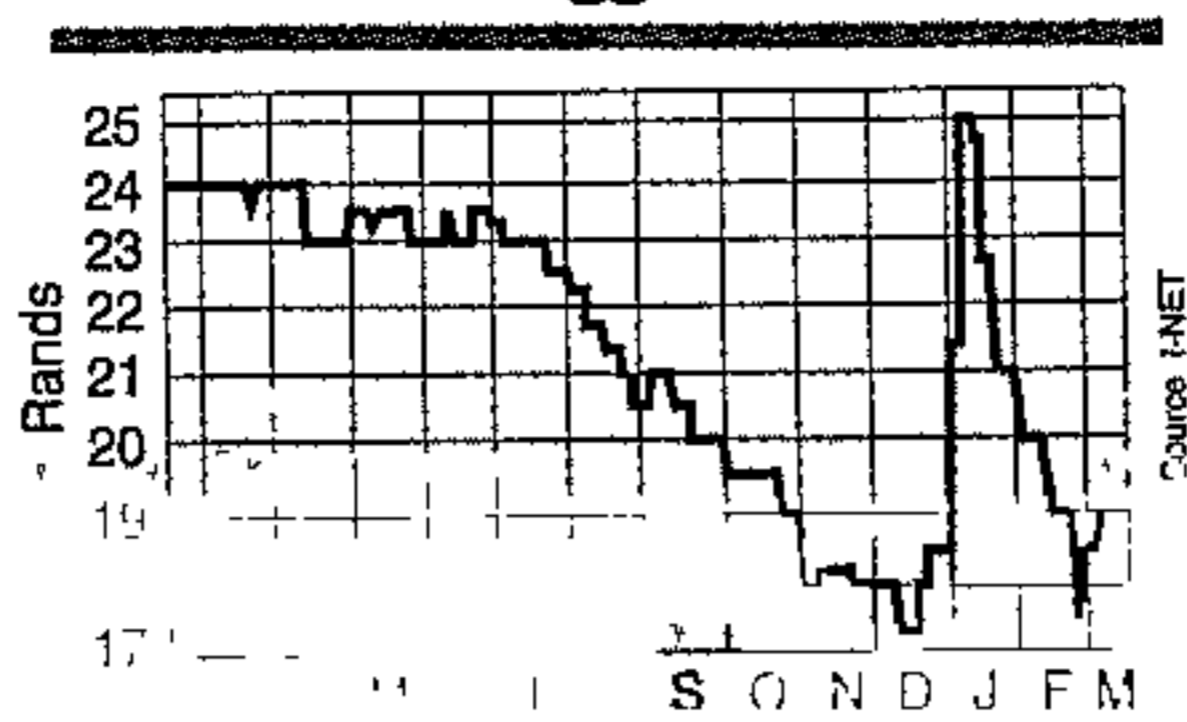
Firmly entrenched in the growth industries of packaging, electrification and building, Eloff is confident of real earnings growth this year through increased volumes and market share Though the greatest impetus would come from economic policies expected from the new government, he says there are already indications of increased volumes in Cityhold operations

The share is at a 12-month low of 50c

Trading is negligible, probably in part because of the poor disclosure of information about the operations There may be potential for growth but the erratic earnings and thin margins make the share look speculative

Marylou Greig

FM 11/3/94
Haggie



Activities: Makes wire products and ropes, copper products and high speed cutting tools
Control: Amic 35%, Malbak 35%
Chairman: H Brown, MD C Murray
Capital structure: 19,5m ords Market capitalisation R361m

Share market: Price R19 Yields 5,3% on dividend, 9,5% on earnings, p/e ratio, 10,5, cover, 1,8 12-month high, R25, low, R17,50
 Trading volume last quarter, 64 000 shares

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	130,4	130,5	79,4	166,4
LT debt (Rm)	4,2	33,7	131,4	72,5
Debt equity ratio	0,28	0,28	0,30	0,34
Shareholders interest	0,69	0,69	0,61	0,71
Int & leasing cover	6,7	5,5	4,9	2,8
Return on cap (%)	20,9	14,9	12,6	7,2
Turnover (Rm)	1 253	1 180	1 195	1 222
Pre-int profit (Rm)	137,1	103,9	106,2	54,6
Pre-int margin (%)	10,9	8,7	8,9	4,4
Earnings (c)	363,3	295,6	300,4	180,1
Dividends (c)	157	157	157	100
Tangible NAV (c)	2 067	2 203	2 344	2 380

Murray is now looking to the future. At the top of his list is improving return on sales to an operating margin of 12% or better. This is a strong possibility considering that last year's disastrous 4,6% margin (1992 9%) was partly a result of one-off costs. Costs of about R22m, taken above the line, were incurred through rationalisation and retrenchments, copper-related operations were closed (R5m), activities in Consolidated Wire Industries were merged (R12m), and there were retrenchments at Haggie Rand (R5,3m).

Closure of the top blown rotary converter operations, the refinery furnaces and brass



Haggie's Murray looking to the future

HAGGIE

Over the worst

MD Chris Murray is confident steel giant Haggie has put behind it the worst of times and now looks forward to the best — or at least improved — of times. Falling domestic volumes, intensified price competition and large one-off costs produced a 48% decline in operating profit — the worst financial year since 1979.

FM 11/3/94
 tube manufacture, all in the copper-based products divisions, accounted for most of an R8,8m extraordinary item. Murray says these operations had a torrid time and drastic remedial action, including some closures, had to be carried out.
 Adding to the troubles, steel prices in certain countries were exceptionally low,

thus squeezing export margins in traditional markets. These markets should improve this year.

The poor results should not overshadow the favourable aspects. Improved working capital control generated R74m. A stake in McKinnon Chain — a licensor of Columbus McKinnon of the US — was acquired from July 1. The inclusion of McKinnon Chain's sales maintained domestic turnover. Haggie's major businesses suffered an 11% decline in volumes.

Fortunately, relief came in the form of tax. A net credit of R1,5m was received after accounting for the reduced company tax rate, export incentives and sale and lease-back credits.

Murray is aiming at maintaining gearing below 40% this year. Debt:equity has been climbing steadily since 1987 (15%); last year's 34% was up four points. Net interest of R19m was paid on the higher net borrowings (R185m) resulting in a net cash outflow of R29m during the year.

Murray would like Haggie to perform in such a manner as to encourage the p/e to move between 11,5 and 15. It now sits on 10,5. The counter has gained R1,75 to R19 since the announcement of poor results. A turnaround in fixed investment would greatly improve Haggie's prospects for better earnings.

Kate Rushton.

African Cables' slide downhill is continuing

Biz Day 315/94

ROBYN CHALMERS

THE depressed state of the cable industry meant African Cables continued its downhill run for the six months to March, with attributable income falling almost two-thirds to R2,7m (R7,5m) (189B)

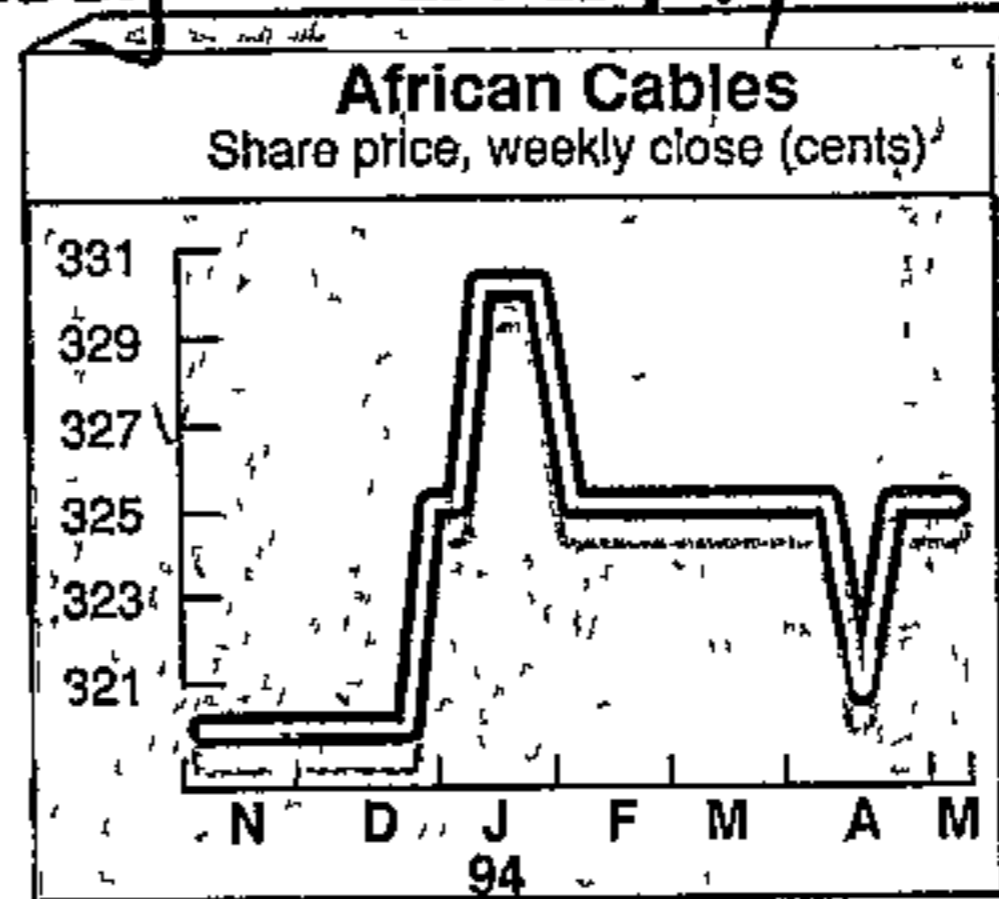
The troubled manufacturer, jointly owned by Reunert and Siemens, has posted consistently lower earnings and dividends since 1990.

Turnover fell by a fifth to R97,8m (R122,5m) and operating income plummeted to R3,5m from R12,7m.

There was no income from investments, but interest received of R1,2m, compared with interest paid of R25 000 previously, left pre-tax income 64% lower at R4,7m (R13,1m).

The tax bill was lower at R2m from R5,6m and net income was down to R2,7m (R7,5m). Earnings were almost a third lower at 6,8c (19c) a share and the group halved its interim dividend to 4c (8c).

Directors said although the economy had shown signs of a return to positive growth, the lack of infras-



structural development and increased imports had reduced volumes and margins. Demand for power cable had not yet shown an upturn.

The directors said the company's profitability was expected to improve significantly over the next six months because of increase orders.

African Cables shares were trading at 325c yesterday, slightly higher than the 12-month low of 320c in June last year, and substantially lower than the one year high of 385c achieved in May 1993.

POWERTECH *fm 10/6/94*
New activities kick in (1898)

If financial 1993 was Powertech's busiest year, 1994 was its most rewarding in earnings performance and share price gains

The power engineering and cable group moved into the household equipment appliance market in 1993 by acquiring a controlling interest in listed Picardi Appliances (Picapl), now called Gentech. Picapl recorded losses (R1m to Powertech's bottom line) in its first year under Powertech's wing but has been turned around after restructuring (Fox June 3). It contributed R1,8m last year.

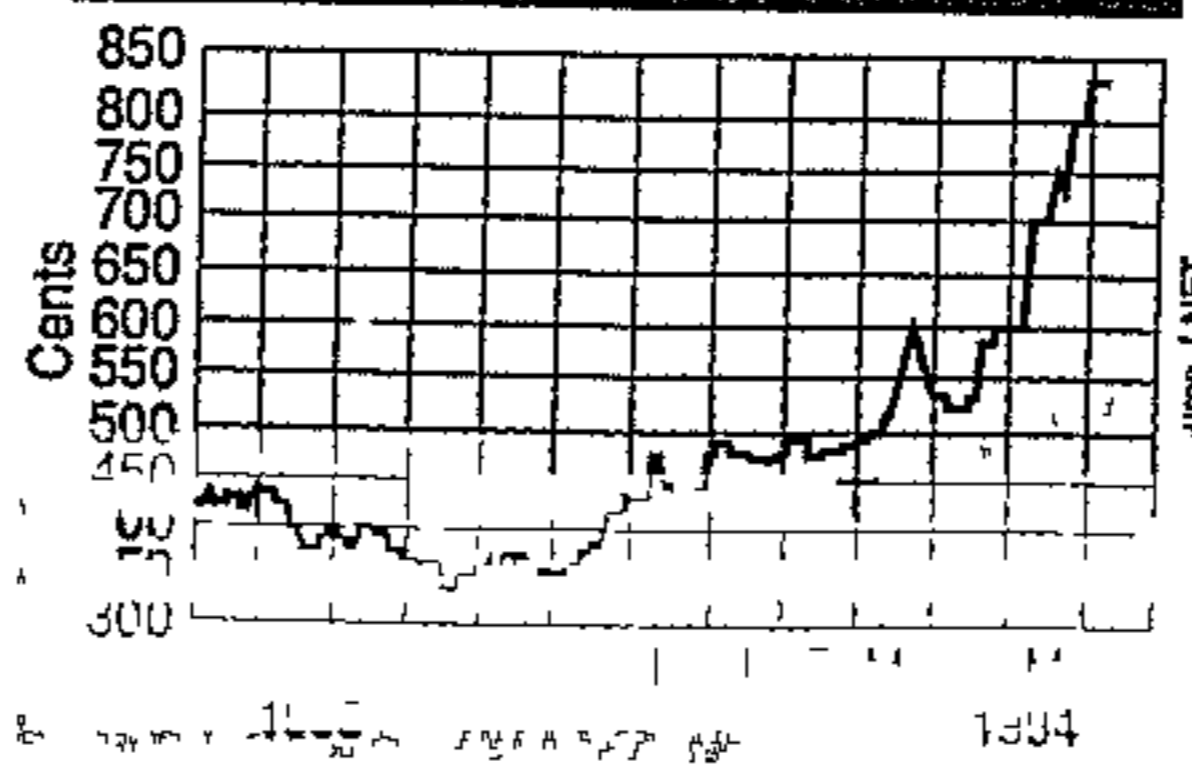
Following the rationalisation of subsidiary Aberdare Cables, the telecommunications cable making surplus plant was sold for R8,6m. A number of medium- and long-term contracts have been signed.

Loss-making luminaire business U-Lite was acquired from Unihold during the year. This increased the group's interests in the lighting sector and secured an association with one of Europe's foremost lighting technology companies, Zumtobel. Even if benefits of the international links are not felt this year, chairman Peter Watt expects these

FINANCIAL MAIL • JUNE • 10 • 1994 • 99

COMPANIES

fm 10/6/94
Powertech



Activities: Makes and distributes electrical and communications cables, power and lighting equipment, batteries and household appliances

Control: Altron 55%

Chairman: P A Watt, CE J P van den Bergh

Capital structure: 162m ords Market capitalisation R1,3bn

Share market: Price 825c Yields 1,5% on dividend, 4,7% on earnings, p e ratio, 21,3, cover, 3,2 12-month high, 825c, low, 340c

Trading volume last quarter, 2,4 m shares

Year to Feb 28	'91	'92	'93	'94
ST debt (Rm)	2,3	3,6	19,1	31,9
LT debt (Rm)	10,3	8,6	7,1	3,3
Shareholders' interest	0,53	0,59	0,56	0,56
Int & leasing cover	29,8	(24,2)	74,9	22,5
Return on cap (%)	21,3	18,7	17,9	15,0
Turnover (Rm)	1 204	1 152	1 148	1 538
Pre-int profit (Rm)	131,2	117,9	113,2	125,7
Pre-int margin (%)	10,7	9,8	9,7	8,1
Earnings (c)	30,8	32,2	33,5	38,7
Dividends (c)	9,3	9,7	9,2	12,1
Tangible NAV (c)	161	183	194	230

operations to improve

New businesses were mainly responsible for the 50% surge in debtors to R313m and 29% increase in stock to R246m

The income statement shows attributable income 37% up. The luminaire business had a negative impact on earnings. But other businesses performed well, especially in the second half. The R8,6m capital profit from Aberdare contributed towards the rise in



Powertech's Watt expects more from the lighting companies

earnings and turnover. A bonus was the lower effective tax rate of 36% (1993 43%)

However, as analysts point out, subtracting Aberdare's R8,6m capital profit from Powertech's bottom line would result in a marginal decline in EPS. Management counters that Aberdare's profit meant a larger dividend payout and higher secondary tax without which EPS would have nudged up.

It seems investors are looking at the broad picture. The market had been expecting a rerating of Powertech shares, though perhaps not so soon. Then again, those investors who took the opportunity of adding the stock to their portfolios before waiting for confirmation of the turnaround are not disappointed. The share has gained 225c to 825c in just three weeks. At this rate, R10 is well within reach.

Kate Rushton

TOCO FM 10/16/94

Larger export benefits

Industrial manufacturer and supplier Toco — one of the more solid listings of 1987 — has increased annual earnings at an average compound rate of 16%. Yet investor response has been muted: the 10,4 p e is less than half the averages for the industrial holdings and building sectors.

A little over a year ago, Toco bought 50% of New York-based Park Plus International, which patents and distributes raised level car parking equipment. CE Adrian Goodman estimated then that the deal would cause turnover to double. That is exactly what the financial 1994 results show (189B).

Operating profit rose only 56%, but this narrowing of margins is no reason for concern. The Park Plus deal brought with it international competition and chairman Paul Todd argues that in this arena competition is high and margins have been squeezed — though the weakening rand might help. More positively, interest cover increased from 5.3 to 6.9 times (222).

All five divisions — steel, lifting equipment, automotive, building and gaskets — performed admirably. Export revenues improved significantly. This was not only be-

FOX

FM 10/16/94

subsidy that goes straight to the bottom line. The effective tax rate should remain less than 20% this year barring any drastic changes in the Budget. (189B)

Todd says EPS will increase again this year through enhanced export marketing, new product development and strict attention to financial controls. In addition, the Reconstruction & Development Programme will benefit Toco's businesses which are involved in infrastructural and building products.

Despite the good results, shareholders haven't received a cash dividend for 18 months. When Park Plus was acquired management decided to retain earnings to help finance expansion of the export business. Normal dividends should resume in 1996 unless the group embarks on another strong export drive. Shareholders have received

compensation in the form of bonus shares in the ratio of 5:100 (1993 — 4:100)

There is still some mileage in the price, assuming there are not significant changes to export incentives in the 1994 Budget

Kate Rushion

REACHING NEW HEIGHTS

Year to March 31	1993	1994
Turnover (Rm)	191.2	368.0
Operating income (Rm)	23.9	37.4
Attributable (Rm)	16.3	21.9
Earnings (c)	21.6	27.3
Dividends (c)	3.0	nil

cause of contributions from Park Plus, the building division's international sales operations were also successful. A number of large, long-term contracts were signed. These included supply of enamel cladding for Taipei's underground stations.

Park Plus brought with it increased exports qualifying for the General Export Incentive Scheme benefits. The high local input of the exports qualifies for a 19% tax-free

Toco built on worthy principles

Stimmo (Bass)

YOU have to admire a company whose mission statement is simply "To make money"

Toco Holdings, one of my portfolio of good shares for 1994, is chaired by Paul Todd, whose grandfather founded the industrial manufacturing and trading group in 1901. At Tuesday's presentation of annual results to March 1994, Mr Todd said that if money is made, all the rest — growth, jobs, foreign exchange, houses — follow on.

Reporting its seventh successive set of improved earnings since listing in 1987, Toco is achieving its objective Turnover, boosted by consolidation of the trading figures from 50%-held offshore company Park Plus, jumped 92% to R368-million and operating income rose 56% to R37.4-million.

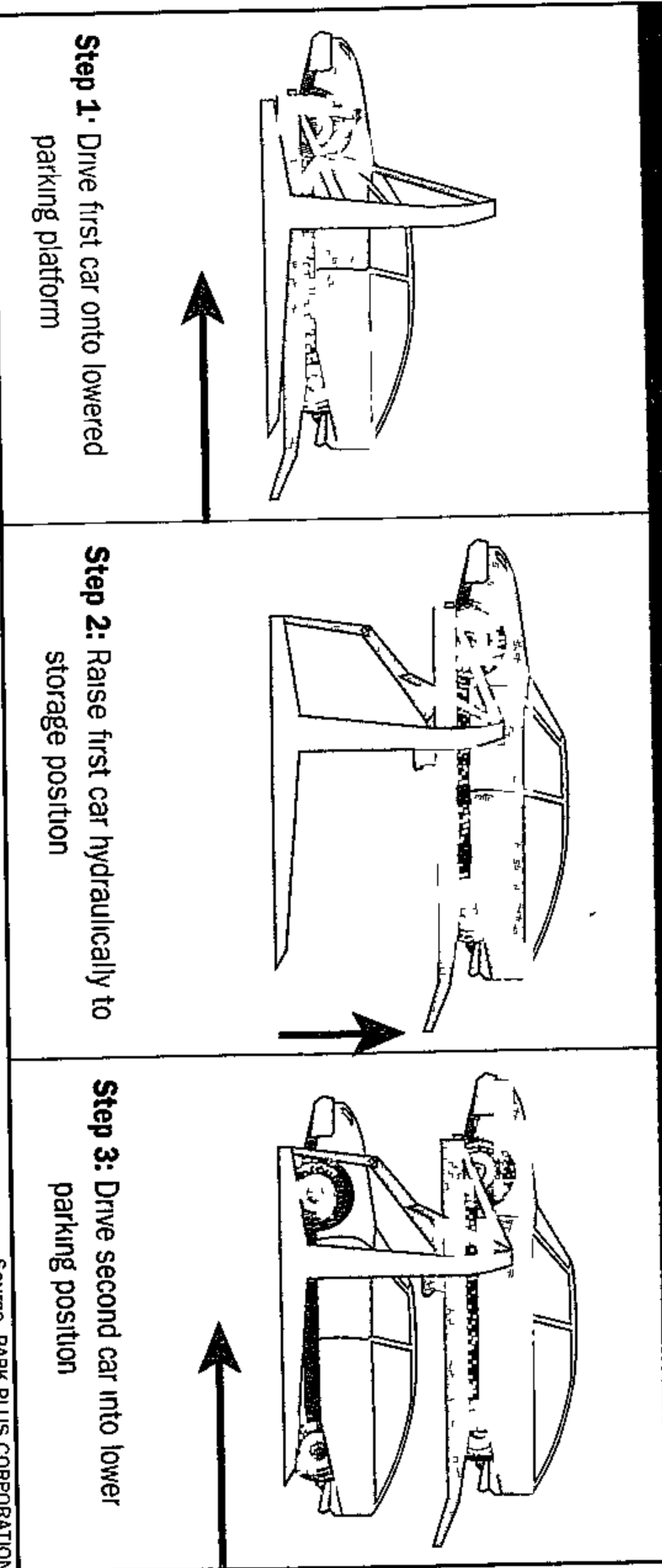
Mr Todd confesses to being debt-averse but suggests that gearing may exceed 60% if the circumstances are justified. At March 31, it was 54%.

Developing Park Plus is a good enough reason. Returns on outlay in the manufacture of double-storey car parking stands take about 11 months. The year to March 1994 is the first year in which Park Plus is counted, therefore, in the current financial year, operating income should make up the lag.

The purchase of Park Plus will be completed nine years hence. For this reason, Toco has moved short-term debt into long-term liabilities — now

cladding Vitrex — glaze or gloss fused on to steel at high temperature. It is used for cladding buildings and for lining such sites as underground railway stations. Vitrex has been used extensively in Hong Kong and now Taipei's undergrounds, and Toco hopes it will win a tender for the tunnelling and other work for Hong Kong's new airport.

How the SpaceMaker parking platform works



Graphic: FIONA KRISCH

Source: PARK PLUS CORPORATION

UPLIFTING Toco's double-storey parking stands save space, make money and provide an excellent rand hedge, says chairman Paul Todd

R70-million — on the balance sheet.

Interest before tax was R5.4-million, a fifth more than in 1993. The tax bill trebled to R5.6-million, and the outsiders' 50% share of Park Plus took R3.8-million.

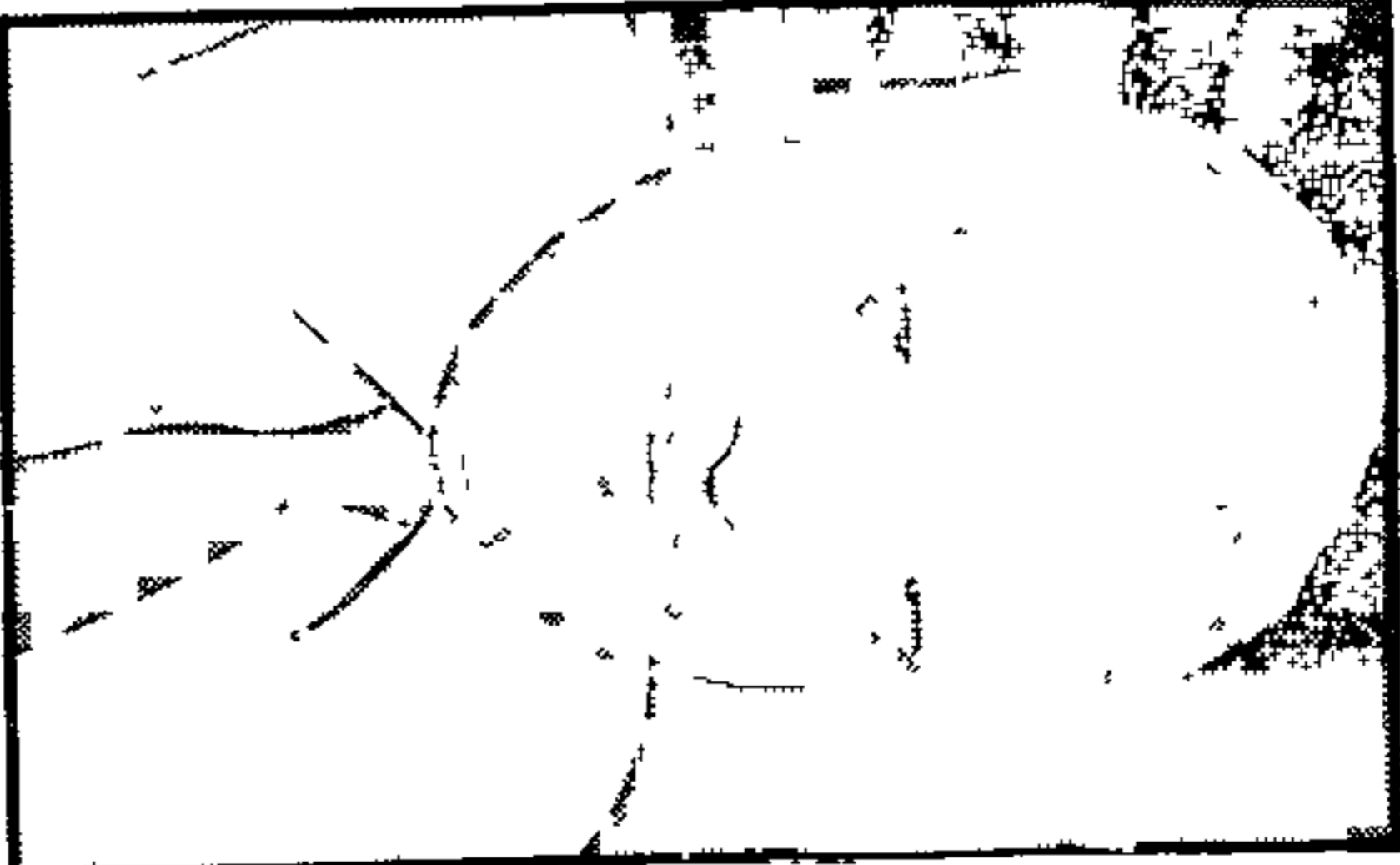
Scrip dividends designed to conserve cash meant more shares in issue, but the bottom line was nevertheless lifted 26% to 27.3c a share.

Five bonus shares per 100 held will be issued this year in lieu of cash. The share price put on 50c to 310c after the results, and is up from 180c at the start of 1994. **1216194**

Mr Todd says that a management buyout in 1989 took place when Toco's JSE market capitalisation was R25-million. It is tenfold now. **18913** Exports comprise more than half of

Toco's total sales. Park Plus is one avenue, the other division is Building Products.

Mr Todd describes Park Plus SA as a sound rand hedge with excellent export incentives (it qualifies for benefits under the General Export Incentive Scheme) although it is profitable without them. Toco's share of the American company was paid for by 10



promissory notes (issued without recourse to Toco) repayable out of offshore profits only. The first note was paid on April 1 this year.

Toco makes 15% of Park Plus's global requirement, and could go higher now the country has stabilised. Rental of the parkers is being considered. Building Products houses the sole SA manufacturer of vitreous enamel

Toco's other divisions are Gaskets & Pressings, Special Steels, Lifting & Rigging and Automotive Refinishing. Mr Todd foresees good prospects for automotive refinishing — more cars on the road, an ageing fleet, more accidents and panelbeating requirements.

SA's expanding petrochemical industry is but one field good for gaskets — every time two fittings are joined, or separated and rejoined, a new gas-

ket is necessary. Special Steels are also finding more applications, and the group's lifting and rigging operations include the biggest range of stock in Africa for every application.

Mr Todd says Toco's "glue" is made up of years of experience, a marketing orientation, niche focus, small entrepreneurial run business units with

fewer than 100 employees each, and a flat, hands-on management structure. At 310c, Toco is still cheap on a historic price-earnings ratio of 11 and dividend yield of 5%. It's an unqualified buy.

Vehicle exhaust industry probe

CT 23/6/94

From MICK COLLINS

(192) (898)

JOHANNESBURG — The Competition Board is to launch a formal investigation into the vehicle exhaust industry, following the recent tie-up between the sector's top two companies

Outlets trading as Fastfit, Kwikfit, Mr Xhaust Mr Tyre, Sonic and Speedy Exhaust Services were involved in the investigation, board chairman Pierre Brooks said

The investigation was prompted by the board's discovery that SA's largest manufacturer of exhaust systems had entered into an agreement with the second largest producer

Brooks said Bosal holding company the Emerian Corporation had entered into negotiations with Longmile Ltd, the holding company of Grapnel, in terms of which Emerian would acquire Longmile's exhaust system, exhaust pipe and towbar business

Both companies were also involved in the retail fitment side of the R60m-a-year market. It was alleged that the companies controlled about 75% of the market, which constitutes the major portion of the after-market fitment of exhaust systems

Haggie sure of improved results

Star 8/7/94

■ BY DEREK TOMMEY

Steel-processing giant Haggie will show improved results when half-year figures are issued in August, says MD Chris Murray.

They will be better than those for the six months to June last year, and a substantial improvement on those for the six months to December

Last year was the company's worst for 11 years, with earnings down 40 percent

But the recessionary conditions and shrinking markets of the past five years appear finally to have ended, he says

Main reasons for higher profit expectations are

- Greater-than-expected economic growth,
- Signs of the long-awaited turnaround in the building industry;
- The peaceful election,
- Signs of increased investment spending;
- The Government's commitment to greater infrastructural development,
- The increasing likelihood of a massive low-cost housing programme;

■ The weaker rand,

■ The greater willingness of foreigners to trade with SA.

The order book is better than it has been for a long time

This, and greater capacity utilisation in its plants, should produce a strong turnaround in both operational and bottom-line performance from last year's low. (1898)

However, tax charges will be higher, he warns

Murray says while most of the problems facing the company have been overcome, Consolidated Wire Industries (CWI) is taking longer than expected to come right, and could be a drag on earnings this year

CWI is being rationalised, but production has yet to reach budgeted levels

Haggie's newest venture, the R83 million steel cord plant, the only one in SA making fine wire for tyre reinforcement, is on schedule

Customer interest is getting stronger and the first samples for the local tyre industry are scheduled for delivery by year-end.

Haggie shows a solid improvement

Star 10/8/94

■ BY DEREK TOMMEY

Profits of engineering group Haggie rebounded strongly in the first half-year to June

Operating income rose 50 percent from R33,7 million in the first half last year to R50,6 million (189B)

Haggie is looking for further good growth in the six months to December, says MD Chris Murray, which should result in operating profit for the full year being 90 percent higher than last year's R55 million

But he says that when making comparisons, it must be borne in mind that 1993 was the worst year Haggie had known since its listing in 1979

"The encouraging interim results indicate that we are on target to attain the profit levels of the early 1990s," says Murray

Net taxed income was R32,4 million (R22 million), with tax taking R9,8 million (R1,1 million)

The group has assessed losses of R60 million, so it could be some time before it is paying full tax.

Attributable earnings for the six months were 38 percent higher at R29,8 million (R21,6 million) — equal to 153,2c (110,8c) a share

The interim dividend has been raised from 47c to 50c — the first increase for a number of years

Murray says the dividend can be taken either in scrip or cash.

By paying scrip Haggie can reduce borrowings and avoid the 25 percent tax on dividends

The interest savings after tax on reduced borrowings will cover the earnings requirements of the new shares.

Amic and Malbak, which each have a 35 percent stake in Haggie, have elected to take the scrip. Both have increased their holdings on a pro-rata basis since the beginning of the year

Behind the increase in profit was a 7 percent rise in sales tonnage to the local market and an 8 percent rise internationally.

Group turnover rose 10 percent to R639 million.

HAGGIE *Fm* 12/8/94

Quick turnaround

(189B)

How quickly the tables turn Six months ago, MD Chris Murray announced a 40% plunge in earnings for financial 1994, this week, he presented shareholders with a 38% rise in interim EPS to 153,2c and a "realistic forecast" of a 60% increase by year-end

Margins have recovered substantially They crumbled to 4,6% last year but now stand at 7,9% This step in the right direction does not emanate from improved traditional mining markets, though Haggie now holds about 17% of the world market share in mining rope sales Instead, the bottom line was bolstered by cost savings through rationalisation, a more profitable product mix on exports and a reduced interest bill Engineering consumables, which doubled operating profit to R6,4m, provided a useful contribu-

FOX

Fm
tion Unfortunately, the higher profits meant heavier tax payments Tax ballooned from R1m to R9m 12/8/94

Haggie has elected to issue shares by capitalising earnings in lieu of dividends Shareholders who decline the issue, details of

(189B)

RAPID RECOVERY

Six months to	Jun 30 '93	Dec 31 '93	Jun 30 '94
Turnover (Rm)	579,4	644,4	639,1
Operating income (Rm)	33,7	22,4	50,6
Attributable (Rm)	21,6	13,5	29,8
Earnings (c)	110,8	69,3	153,2
Dividends (c)	47,0	53,0	50,0

which will be made available later this month, will receive a cash dividend of 50c a share Notably, this is the first time in five years Haggie has raised its interim dividend

By not paying the dividend, Haggie can reduce borrowings Gearing has already been brought down to 37,5% It will also avoid the 25% secondary tax on dividends Interest savings after tax on the reduced borrowings will cover the earnings requirements of the new shares Malbak and Amic, together holding 70,6% of the shares, have already indicated their intention to accept the issue

Using the estimated annualised EPS of about 300c, the historical p/e of 17,6 adjusts to 10,7 If the share were to regain a rating in line with the engineering sector average, its price could rise from the present R32 to well above R40

Kate Rushton

business is manufacturing — geared largely to the motor car industry — the irony is that property will provide the lift-off. This possibility was first signalled by the *FM* last week (*Torque*, September 2)

Activities: Makes electric motors and electric wire harnesses for motor cars, has important property interests

Control: Directors 61%

Chairman: J P Kearney, Joint CE N L van Zyl, G Zammit

Capital structure: 24,6m ords Market capitalisation R19,7m

Share market: Price 90c Yields 6,2% on earnings, p e ratio, 16,1 12-month high, 90c, low, 15c Trading volume last quarter, 1,5m shares

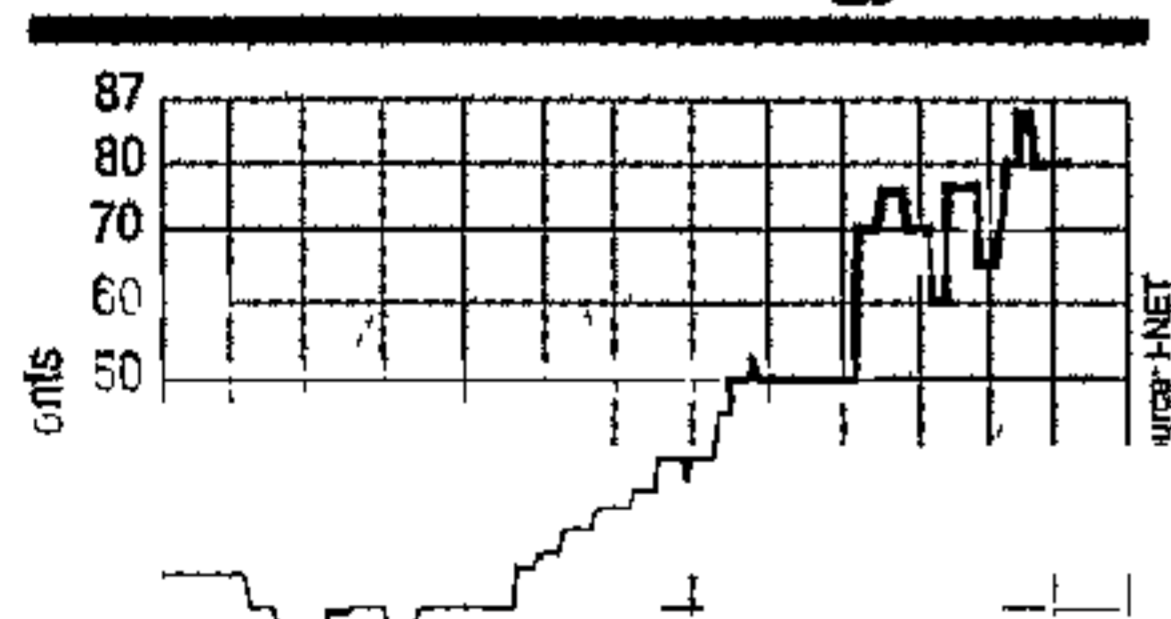
Year to April 30	*'90	†'92	'93	'94
ST debt (Rm)	10,4	23,5	35,8	14,7
LT debt (Rm)	11,1	4,0	5,2	14,3
Debt equity ratio	0,45	0,72	1,15	0,69
Shareholders' interest	0,55	0,41	0,35	0,57
Int & leasing cover	1,9	0,3	1,0	1,25
Return on cap (%)	9,0	n/a	6,8	8,9
Turnover (Rm)	107,2	160,7	126,2	133,6
Pre-int profit (Rm)	7,8	0,03	6,5	6,9
Pre-int margin (%)	7,2	n/a	5,2	5,1
Earnings (c)	21,1	(27,7)	2,9	5,6
Dividends (c)	5,0	nil	nil	nil
Tangible NAV (c)	194	153	140	179

* Financial year to end December † 16 months to April 30 1992

Femco has long held — or has access to — some potentially promising properties. But, and as property developers will be only too keen to confirm, timing is the crucial aspect. It finally seems to have broken Femco's way. Joint CE Nimrod van Zyl confirms that a property development close to the Hypermarket in Roodepoort, now privately owned but committed to Femco, will soon be undertaken through a joint venture with Sanlam.

Van Zyl is at pains to spell out that Sanlam will play an active role. "Sanlam will be a partner in the fullest sense," he says. "It isn't just financing the scheme." And it appears Femco has the right to sell

Femco Technology



its holding to Sanlam — at Femco's option — in three years at a yield already agreed on. For Femco shareholders, therefore, this has the ingredients of a sure thing.

But Femco will need to raise about R10m through a rights issue. Van Zyl confirms the intention is to approach shareholders soon, a cautionary is expected shortly. The scheme is about to acquire solidity. "Builders will be moving on site in the next

fortnight," says Van Zyl.

And, in case investors may view the rights issue askance, it's worth remembering the directors (meaning mainly Van Zyl and joint CE Guy Zammit) hold 61% of the equity. They will follow their rights. The indication is that Femco will be cash flush over the next few years. When I last wrote about this company — last December — I expressed fears about its move into property management. It seems my pessimism may have been misplaced. The danger, of course, is that the pendulum could swing too far in the other direction — and moving from gloom to unalloyed optimism carries its own dangers.

Meanwhile, the results for financial 1994 from Femco's main activity, manufacturing, indicate it has turned a long, hard corner and is poised to make a steady recovery. EPS have already improved to 5,6c from last year's 2,9c and 1992's disastrous loss of 27,7c. The activities have been consolidated into clearly defined operations: the wholly owned electric motor division and 50% ownership of Auto Cables, into which it has put its automotive wire harness business in a partnership with Unihold.

The prospects look reasonable for a company now rapidly restoring the health of its balance sheet. However, investors shouldn't expect too much in the short term. The recent motor industry strike will set back business all round and Femco can hardly escape the effects. That aside, it looks as though this company has renewed promise. Van Zyl and Zammit have weathered a particularly difficult passage, they must be taking some pleasure from calmer waters.

David Gleason

INVICTA HOLDINGS

Optimism justified

FM 9/9/94
Activities: Supplies bearings and transmission products

Control: Directors 52%

Chairman: D L McCay MD M Rose-Innes

Capital structure: 47m ords Market capitalisation R43m

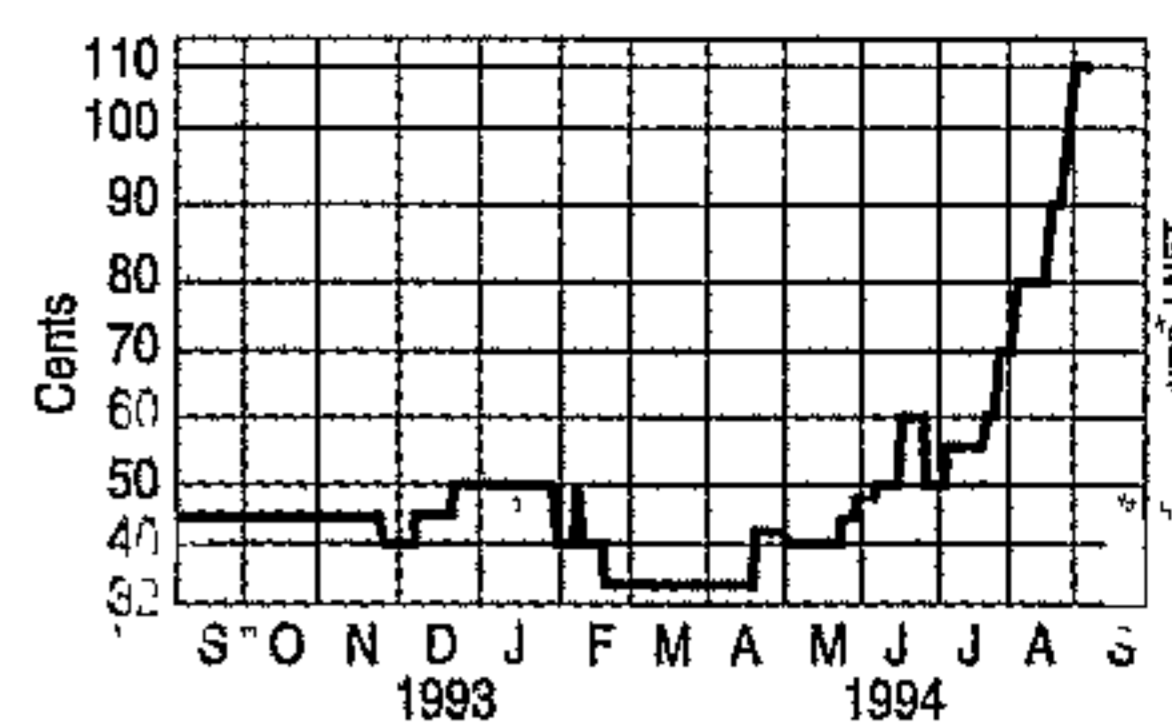
Share market: Price 93c Yields 3,0% on earnings, p e ratio, 33,6, cover, n/a 12-month high 110c, low, 35c Trading volume last quarter, 235 000 shares

Year to December 31	*'91	'91	'92	'93
ST debt (Rm)	14,7	9,6	11,6	9,1
LT debt (Rm)	15,9	6,1	1,3	11,3
Debt equity ratio	4,1	0,88	0,69	1,28
Shareholders' interest	0,12	0,32	0,37	0,38
Int & leasing cover	1,0	1,4	1,5	1,7
Return on cap (%)	5,0	8,9	11,8	14,1
Turnover (Rm)	n/a	n/a	62,3	53,8
Pre-int profit (Rm)	3,1	4,9	6,0	6,0
Pre-int margin (%)	n/a	n/a	9,7	14,2
Earnings (c)	(19,3)	2,4†	2,0	2,8
Tangible NAV (c)	(4,5)	4,9	7,3	0,01

* Year to March 1991 † Attributable profit over weighted average of shares issued, annualised

(189B)
The subdued economy and a lack of fixed investment has kept industrial demand for

Invicta



FM 9/9/94
ball bearings and transmission products depressed. As this is Invicta's core business, it is not surprising it was a difficult year for the group *(189B)*.

Trading conditions, especially in the first half, were particularly slow. But in the second six months, says chairman David McCay, improved sales signalled the recession was easing. Even so, turnover for the year was down 13,7%.

Turnover fell partly because of the disposal of Sportsballs SA, maker of rugby, cricket and hockey balls, and importer and distributor of Mitre brand sports goods. Its sale was part of a strategy to focus on core operations. Also as part of this strategy, Atlas Marine Engineering was sold in January, after the financial year-end. Prices realised for both operations have not been disclosed.

When the annual report was published, it was disclosed that negotiations to acquire G North & Sons (Norths), a 125-year-old company involved in importing and dis-

P 10 →

DATES TO REMEMBER

Last day to register for dividends:

Friday Sep 16: Cadswep 20c, Consol 74c; De Beers Cons 38c; De Beers Cent. ●15c, Genbel 11c; Gencor 10c; Grincor 11c; Grintek 3c; Hickson 0,9c, I&J 86c; Imperial 16,1c, Iscor □5,02c; Masonite 12c; McCarthy 16,2c; McRetail 13,5c; M&F 69c, Panprop ▲36,5c, Remb Beh 14,51c, Remgro 19,6c, Schamin 4c, Scharig 10,5c; SFW 8,5c, Siltek 21c, Tegkor 12,73c; TIB 13,49c; T&N 12c, U-Control 1,5c; Unihold 3c, Varex 12c, Vektra 6c; Wooltru □18c

Meetings:

Monday Sep 12: Farm-Ag (S) (Durban), Shoredits (S) (Pretoria), Rale (S) (Durban).

Tuesday Sep 13: Clicks (Cape Town).

Thursday Sep 15: Richemont (Switzerland)

Friday Sep 16: Equikor (Cape Town); Hortors (Johannesburg), Morkels (Ord & S) (Cape Town).

● = US cents.

▲ = Per linked unit.

□ = Scrip dividend

COMPANIES

tributing agricultural machinery, implements and related spares, were almost complete. Though this purchase runs against the rationalisation aims, some commentators consider the R2m transaction "a very good price," and in some ways complementary to Invicta's core business.

Prominent among the trade names of the products sold by Norths is Case-IH tractors and spares, Jacto, Welger and Vicon. Norths' profitability was badly dented through the drought years. Its business has been shrunk to minimise exposure to the risks inherent in agriculture. MD Mike Rose-Innes has rationalised and changed Norths' operations. Many of its outlets have been sold, others were franchised.

Since the drought ended, Norths' business has improved substantially, though off a smaller base. McCay forecasts "the acquisition should substantially increase group EPS in the (1994) financial year".

No doubt this is part of the reason for the rapid share price rise from 35c in March to its recent 110c high. Without the Norths purchase, and despite lower turnover, In-

Invicta has increased margin and EPS. If, with Norths, it generates larger profits and simply maintains margin, it should do even better. It also has a R32m accumulated loss

which means no tax payments for some time. On the face of it the optimism shown in the share price advance appears well justified.

Gerald Horshon

9/9/94

1898

DEFINITIONS

Debt equity ratio: Interest-bearing debt plus redeemable prefs less cash expressed as ratio of total shareholders' funds

Total shareholders' funds: The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments

Capital employed: Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets

Shareholders' interest: Total shareholders' funds expressed as a ratio of capital

employed

Pre-interest profit: Pre-tax profit plus net interest paid

Gross cash flow: Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax

Interest and leasing cover: Pre-interest profit plus financial lease charges expressed as a multiple of net interest and financial lease payments

Debt cover: Gross cash flow expressed as a multiple of interest-bearing debt

Return on capital: Pre-interest profit as a percentage of capital employed

ISSUES

COMPANY AND TERMS	Last day to register	NIL PAID LETTERS				FULLY PAID LETTERS OF ALLOTMENT				PRICES OF LETTERS				
		Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	Take up price	Price Aug 29
CITYHOLD — Reg	29 94	5 94	7 94	28 94	29 94	30 94	29 94	7 10 94	40	—	—	—	—	—
CONFIRM — Cap	29 94	1,234,568 cap	—	—	—	—	—	—	—	—	—	—	—	—
FRAME — Cap	29 94	11,342 cap	—	—	—	—	—	—	—	—	—	—	—	—
FLITEE	29 94	107 new ords	—	—	—	—	—	—	—	—	—	—	—	—
LIHOLD — C	29 94	8 new ords	—	—	—	—	—	—	—	—	—	—	—	—
M	99 94	Details to	—	—	—	—	—	—	—	—	—	—	—	—
PERSETELI	29 94	117 new ords	—	—	—	—	—	—	—	—	—	—	—	—

RESULTS AND DIVIDENDS

Company	Sector	Pre-tax profit Rm		% change	Earned cents per share		Paid		Dividends		
		1993	1994		1993	1994	1993	1994	Amount cents	Register by	Payable about
Canal	Banks	4.1	2.1	+38	6	7	—	—	—	—	—
Everitt	Paper & Pack	(3.5)	10.5	—	7	14	6.5	7.4	—	—	—
EM	Paper & Pack	(3.6)	10.5	—	18	13	—	—	12.00	16 9 94	14 10 94
Gr	Building	612.0	750.0	+127	6	13	—	4	2.00	30 9 94	14 10 94
Gold	Building	1.2	5.1	+320	4	44	—	5	10.00	16 9 94	26 9 94
Glinco	Ind Hold	20.4	46.3	+127	4	11	11	11	5.00	30 9 94	14 10 94
Gnnel	Electronics	73.8	94.1	+27	58	22	3.7	4.4	11.00	16 9 94	26 9 94
Group Five	Building	2.5	29.0	+1 074	4	44	—	5.5	3.00	16 9 94	14 10 94
Group Five Hold	Building	2.5	29.0	+1 074	4	42	—	5	5.50	30 9 94	14 10 94
Iscor	Steel & Allied	298.0	545.0	+83	15	27	5	28.26	15.02	16 9 94	26 10 94
JD Group	Furniture	—	105.9	—	—	125	—	24	6.00	7 10 94	4 11 94
Kipton	Ind Hold	0.66	1.4	+110	2	7	—	—	—	—	—
KVV Inv	Beverages	—	—	—	—	—	54.5	54.3	38.80	23 9 94	21 10 94
London Finance	Invest Trusts	£0.11	£4.6	+4 049	0.3p	12p	—	—	—	—	—
Masonite	Building	3.4	4.1	+19	32	38	10	12	12.00	16 9 94	7 10 94
M Inv	Diamond	—	—	—	—	—	12	17.25	17.25	2 9 94	16 9 94
Micor	Ind Hold	2.3	3.5	+53	9	14	3.5	5	7.00	30 9 94	21 10 94
NEI Africa	Engineering	(5.1)	4.3	—	(64)	54	—	—	—	—	—
NFI Hold	Engineering	(2.1)	2.1	—	(31)	27	—	—	—	—	—
Nh Property	Prop Loan Stock	10.0	11.2	+12	44	66	44.7	67.1	133.80	9 9 94	30 9 94
PAG	Banks	0.26	0.86	+228	1	3	—	—	—	—	—
Rembrandt Beh	Ind Hold	—	—	—	—	—	12.61	14.51	14.51	16 9 94	14 10 94
Per	Ind Hold	—	—	—	—	—	17.04	19.6	19.60	16 9 94	14 10 94
Schmidt	Engineering	15.4	19.5	+27	32	38	9	10.5	10.50	16 9 94	7 10 94
Schlegel Mining	Engineering	13.4	16.3	+22	9	11	3	4	4.00	16 9 94	7 10 94
S	Electronics	68.7	83.3	+21	93	110	27	32	21.00	16 9 94	7 10 94
Tecor	Ind Hold	—	—	—	—	—	11.06	12.73	12.73	16 9 94	14 10 94
TIP	Ind Hold	—	—	—	—	—	11.73	13.49	13.49	16 9 94	14 10 94
Tyef Wheels	Motor	5.5	12.2	+120	16	26	6	10	10.00	30 9 94	4 11 94
Tihold	Motor	4.3	7.2	+67	12	21	4.8	8	8.00	30 9 94	4 11 94

I = Interim * = Pro forma P = Preliminary # = Dividend passed D = Dividend † = Annual ● = Weighted earnings per share ‡ = Final § = Net attributable profit after tax ◆ = Annualised ◡ = Not comparable * = Interim dividend ◆ = Fully diluted £ = Sterling p = Pence ▼ = Per linked unit ▲ = 10 months ⚡ = Scrip dividend

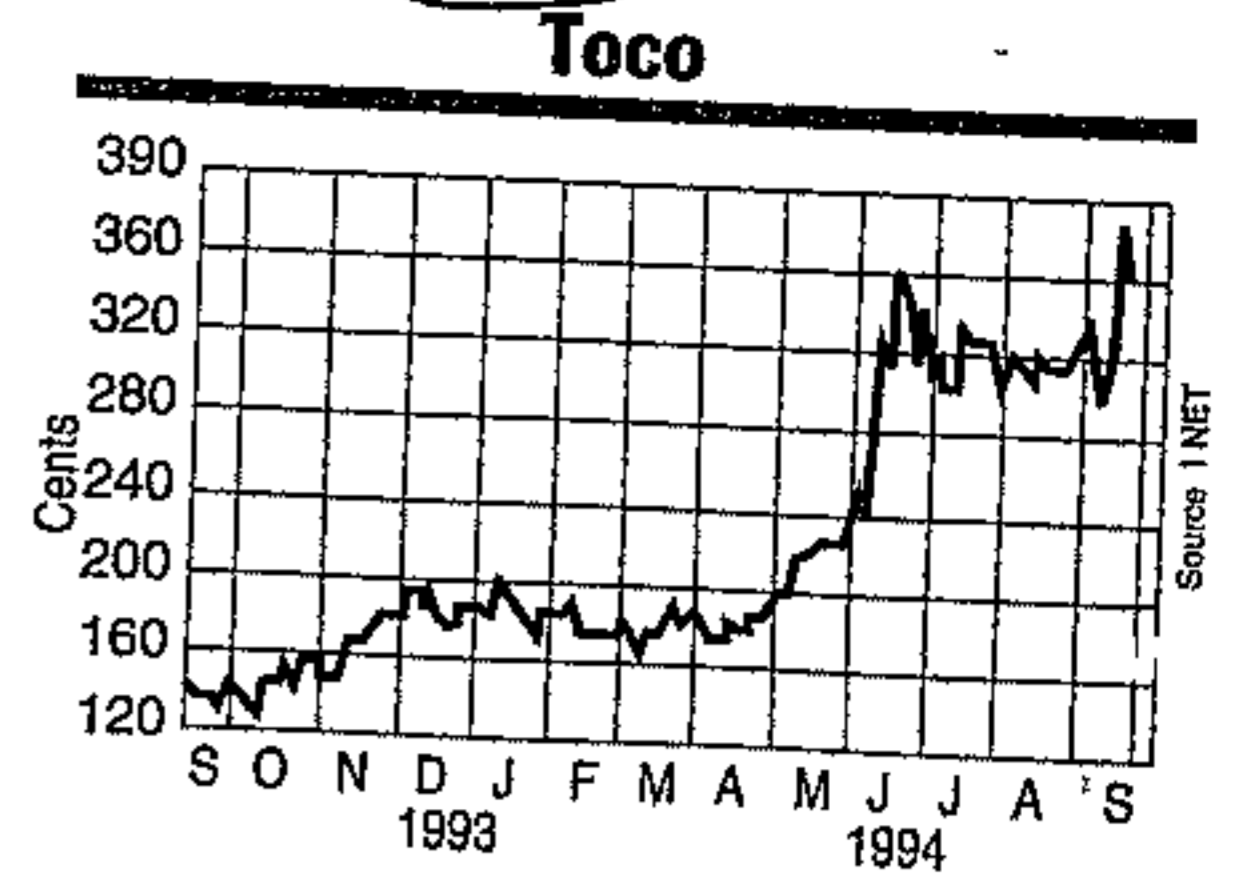
Thu 23/9/94

(1898)

Activities: Makes and markets industrial products, including lifting equipment, special steels, gaskets and pressings and automotive refinishing parts
Control: Directors and associates 30%
Chairman: P M Todd MD A L Goodman
Capital structure: 81,7m ords Market capitalisation R294m

Share market: Price 360c Yields 7,5% on earnings, p e ratio, 13,2, 12-month high, 380c, low, 130c Trading volume last quarter, 4,1m shares

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	6,5	10,5	11,2	22,6
LT debt (Rm)	8,1	6,3	55,6	70,0
Debt equity ratio	0,72	0,62	0,60	0,56
Shareholders' interest	0,39	0,44	0,56	0,60
Int & leasing cover	5,2	7,3	5,1	6,9
Return on cap (%)	19,8	20,8	10,4	13,6
Turnover (Rm)	131	154	191	368
Pre-int profit (Rm)	17,1	20,6	23,9	37,4
Pre-int margin (%)	11,9	13,4	12,5	10,2
Earnings (c)	18,8	19,3	21,6	27,3
Dividends (c)	7,5	7,75	3,0	nil
Tangible NAV (c)	47	58	114	141



Park Plus's export potential Toco's rapidly expanding working capital requirement increased long-term liabilities by R14m to R70m and short-term debt by R11,2m to R23,6m About R5m of this increase is accounted for by the weakening rand Investors will be hoping that finance costs do not become a growing burden

Though gearing is below management's self-imposed 60% ceiling, it has become necessary to raise additional funds, 8,6m shares were issued last month for R25,7m cash And, Todd says, more working capital will be needed in future "if the group continues its aggressive export growth, but gearing will be contained within 60%"

It's expected the vehicle parking division will form the spearhead of the growth in coming years, already, two new parking models are being made

This should bring some comfort to shareholders who have not received a cash dividend for 18 months Compensation in the form of bonus shares in the ratio of 5:100 (1994 — 4:100) has been given

Meanwhile, Toco's building division has secured major contracts in Botswana and on the Taipei underground Major tenders have been submitted for the tunnel to the new Hong Kong airport, and Toco expects to receive a "reasonable portion of what will probably be the largest vitreous enamel contract ever awarded" (Vitreous is a glaze or glass fused on to steel at high temperature and is often used for lining underground railway stations)

Toco's record since listing is certainly impressive Five-year compound earnings growth is 25% and, at 360c, the share is more than triple the 100c it fetched less than two years ago There should still be some mileage in it

Kate Rushton

US\$9m acquisition of Spacemaker Holdings, and, last year, first contributions from Park Plus came on to the books Turnover increased 92%, operating income 56% and EPS 26%

There is no apparent reason for concern over narrowing margins Export revenues improved significantly, mostly because of contributions from Park Plus Chairman Paul Todd says international markets mean increased competition — and tighter margins More positively, Park Plus brought with it increased exports qualifying for GEIS benefits, the high local input of the exports qualifies for a 19% tax-free subsidy that goes straight to the bottom line The effective tax rate should remain less than 20% this year

The cash flow statement tells a more sobering story on the real cost of financing



Toco's Todd lower margins on exports

TOCO Thu 23/9/94
More foreign exposure

In industrial supplier Toco's seven-year listings history, earnings have shown consistent growth, the financial structure has remained sound and, though selective, expansion has been successful (1898)

But the last two years have been the real watershed years In 1993, Toco acquired a 50% stake in Park Plus International — which patents and distributes raised-level car parking equipment — through the

Opic backing for Duracell's return

BY PETER FABRICIUS
and CHRIS WHITFIELD

Washington — Giant battery manufacturer Duracell is returning to South Africa after 10 years, in a venture backed by the US Government's Overseas Private Investment Corporation (Opic).

It was announced here yesterday that Opic would provide \$13 million in political risk insurance for the project.

Another Opic-backed project will also see America's fastest-growing franchise chain, Subway moving into the Republic.

Duracell, based in Bethel, Connecticut, disinvested from South Africa in 1984. According to an Opic statement, the new Duracell branch in Johannesburg would initially distribute batteries to South Africa and then

to neighbouring states.

It would implement an "aggressive affirmative action programme"

In the second initiative, fast food franchise chain Subway Corporation will get \$9 million in financing from Opic for its project to "establish a network of locally-owned and operated small businesses".

Subway hopes to open 80 of its sandwich shops in South Africa within the next five years.

"Subway is setting up a South African holding company to give members of the nation's disadvantaged community access to capital," said Opic

Those who secure franchises will undergo intensive training before opening their own Subway Sandwich Shop.

The business ventures will be designed to "offer

new opportunities for aspiring entrepreneurs", said Opic in a statement issued here last night

The announcement was timed to coincide with yesterday's launch of President Mandela's official State visit to the US.

Opic president Ruth Harkin described the two projects as "the beginning of a promising new partnership between American and South African business".

The US Government agency plans to provide \$35 million in investment guarantees and \$50 million in political risk insurance to projects in South Africa.

Last year it led an investment mission to South Africa and recently co-sponsored a similar visit designed to explore opportunities in the country's housing and construction sector.

Buoyant showing from Midas

JOHANNESBURG — Motor parts and accessory supplier Midas increased half year earnings to August 31 by 49% and cut its debt by almost half

Midas' interim report, released yesterday, shows attributable profits of R5,5m against R2,2m in the same period last year

Earnings per share for the interim period were 32,7c against 22c previously

Profits for the half year were boosted by the recoupment of R575 000 from discontinued operations, while associated companies chipped in profits of

CT 13/10/94 (1896)
R520 000 (R366 000)

A four times-covered interim dividend of 8c was declared (5c)

Turnover for the six months was 21% up on 1993 levels, while operating profit came in 50% higher at R6,5m

CE Sarel de Vos said improvements in operating efficiencies gave rise to increased operating margins and continued positive cash flows

"Both the auto electrical and diesel division and the parts and accessories division performed well by expanding their franchise base," De Vos said

COMPANIES

Usko recapitalising to cut debt

BELEAGUERED conductor and cable manufacturer Usko yesterday announced a major recapitalisation in a bid to reduce its debt from R105m to R23m.

Chairman Flores Kotzee said the company would submit proposals to its preferred and ordinary shareholders to strengthen its capital base materially.

"The objectives of the restructuring are to reduce debt drastically, currently represented in the A preference shares, as well as to simplify the structure through conversion of the B and C convertible shares."

"The A preference shares, which are redeemable on March 31 1997, have a coupon equal to 65% of the prime overdraft rate and are held by banks. Usko has reached agreement with the banks to redeem 50% of the shares in cash and convert the balance into ordinary shares."

This would result in R57,8m of the A preference shares being redeemed for cash while R47,2m would be converted into ordinary shares.

A capitalisation award of 15,8-million ordinary shares at a price of 33,7c would be made to A preference shareholders in lieu of a dividend.

He said new ordinary shares, which would be issued as part of the conversion, had been underwritten by the main share-

MICK COLLINS

holders and institutional investors. A suitable banking facility had been negotiated by Usko to facilitate the redemption to complement its cash resources of R30m.

B preference shareholders would also be requested to convert their shares and to waive their rights to the dividend which was in arrears. The B share dividend as at September 30 was 2,93c, which amounted to R5,8m. More than 19,8-million B shares would be converted into ordinary shares on a one-for-one basis. *B/Say*

The conversion of C shares to ordinary shares would be done on the basis of two ordinary shares for one C preference share. Again shareholders had been asked to waive the arrears dividend of 27c — an amount of R5,5m. *28/10/94*

After the restructuring Usko would only have ordinary shares in issue. *(1893)*

The company faced an exciting era and expected to benefit significantly through the national electrification programme.

"It is therefore important for the company to ensure that it has a sound capital structure to fund its growth," Kotzee said.

He added that the move was strongly supported by Usko's two main shareholders — Iscor and Metkor.

Usko bounces back to post earnings of R13,4m

(1898)

CONDUCTOR and cable manufacturer Usko bounced back into the black in the year to September, reporting earnings of R13,4m compared with a loss of R2,6m the previous year.

The company, in which Iscor has a 28% stake, saw turnover rise 5% to R290m on the back of better sales. Chairman Flores Kotzee said improved results from joint companies Transvaal Copper Rod and Alustang had also contributed.

A radical improvement in margins saw operating income up by more than half at R19,3m as tighter cost controls took effect. Kotzee said a reduction in staffing levels had helped to contain costs.

Interest received rose marginally to R2m but pre-tax income shot up 49% to R21,3m. After tax income was 52% higher at R18,8m.

Earnings a share came in at 7,4c compared with last year's loss of 18,4c.

No dividend was declared on the A preference shares. The dividend on B

MICK COLLINS

and C preference shares was also passed. On the balance sheet, shareholders' funds increased 18% to R84,6m while current assets rose 11% to R112m. Total assets rose 10% to R134m.

Kotzee said he expected the company's results for next year to be favourably influenced mainly by the housing and the accompanying electrification programmes initiated by government.

Steps were being taken to restructure the company's share capital, Kotzee said. Details of a major recapitalisation were released last month in a bid to reduce the company's debt from R105m to R23m.

The A preference shares, held by the banks, had a coupon equal to 65% of prime overdraft rate. The company reached agreement to redeem 50% of the shares in cash and convert the balance into ordinary shares.

This resulted in R57,8m being redeemed for cash, while R47,2m was

converted into ordinary shares. A capitalisation award of 15,8-million ordinary shares at 33,7c was made to A preference shareholders in lieu of a dividend.

The new ordinary shares were underwritten by the main shareholders, Metkor and Iscor, and institutional investors.

B preference shareholders were also requested to convert their shares and to waive their rights to the dividend which was in arrears.

The B share dividend at end-September was 2,93c, which amounted to R5,8m.

More than 19,8-million B shares would be converted into ordinary shares on a one-for-one basis.

The conversion of C shares to ordinary shares was proposed on the basis of two ordinary shares for one C preference share. Again shareholders were asked to waive the arrears dividend of 27c — an amount of R5,5m.

Kotzee said the restructuring programme was on track and well supported by shareholders.

From SAMANTHA
SHARPE

JOHANNESBURG — Industrial products manufacturer and marketer Toco Holdings overcame election disruptions and the many public holidays in the early part of the year to report an 18% increase in attributable income to R11,5m for the six months to September

The group posted a 16% rise in turnover to R209,6m, while a 19% increase in operating income to R17,6m also helped boost the bottom line

The growth in turnover and operating income contributed to an 11% rise in earnings to 13,8c a share. No dividends were declared, but bonus shares would be announced with the full-year results

Toco chairman Paul Todd said the results were "satisfactory" given the disruptive environment of the election and the profusion

Toco Holdings nets 18% income growth

(181B)

of public holidays

"The lifting, gasket, steel, parking and automotive refinishing divisions all performed satisfactorily, and have excellent prospects for the second half of the year," he said.

Todd said the group's export order books were full and he was confident Toco would be awarded a portion of the contract for vitreous enamel cladding for the Hong Kong underground, which would have a positive impact on earnings

The group's building division had managed to overcome the "serious industrial unrest in the wake of the elections" Appropriate action had been taken and the

division was back to full production.

Expected losses from the building division had been fully accounted for in the half-year, he said

The group had reduced its gearing from 54% to 35% at the interim stage, he said

Group MD Adrian Goodman said the first of ten promissory notes for its Park Plus division had already been paid

"Park Plus continues to expand steadily in North America and other global markets. We believe that our venture into the rental market will provide a more regular income stream in the medium to long term," Goodman said

Porter growth 'on track' Income at National Sorghum plummets

Business Editor

THE current half year is going well for Brian Porter Holdings, chairman Brian Robinson told shareholders at the agm on Friday

He said business in July and August had been exceptionally good and, although September and October had "fallen into a hole" as a result of the strike in the motor industry, business had picked up well in November

He was confident of improved earnings in coming months.

Financial director Roger Ramsbottom said after the meeting the

trend was for smaller, more affordable cars

There was talk in the industry that import duties would come down early in the new year and a wider range of cars would be imported

Some, which were well known overseas but had not been seen in SA, were already being offered to dealers

JOHANNESBURG — Operating income at National Sorghum Breweries Ltd dropped sharply in the year to June 30 to R13,4m (R32,3m)

Turnover edged up 2% to R543,5m (R532,8m)

Jabula Foods, which incurred losses of R17m has been restructured.

Net income attributable to shareholders after extraordinary items was R11,9m (R20,6m)

A final dividend of 4c per share has been paid, bringing the total dividend to 14c for the year

CT 28/11/94

MANUFACTURING - BASIC METALS

1994

Vertical text on the right edge of the page, possibly a page number or margin note, which is mostly illegible due to the scan quality.

Samancor looks forward to better performances

SAMANCOR should improve its overall performance in the 1993/94 financial year if prices in the "finely balanced" commodity markets did not fall, MD Mike Salamon said in the corporation's 1993 annual report

Improved performances from the group's chrome and manganese alloys divisions, unchanged performances in the manganese and silicon metal divisions and a downturn in manganese ore interests were expected.

Samancor should be able to fund its portion of the R3,5-bn Columbus stainless steel project out of cash holdings

The group had increased its cash resources to R528m in the year to end June 1993 compared with R270m at the previous year end.

This was due to a reduction in working capital, reduced capital expenditure and Industrial Development Corporation's purchase from Samancor of a one-third stake in Columbus

Salamon said the group's chrome division had experienced one of its most difficult years, with a slower increase in stainless steel demand, an aggressive export drive by Kazakh chrome ore producers and an influx to the European market of stainless steel scrap from the Commonwealth of Independent States.

BIDON 311194
Samancor was operating only eight of its 16 furnaces. Total production was set at 500 000 tons a year compared with 750 000 tons a year two years ago

The group's share of the world ferrochrome market had fallen to 20% from 30% two years ago.

(189A)
But with a weaker rand/dollar exchange rate and price stability the division should show a profit in the 1993/94 year, Salamon said

The underlying trend for stainless steel remained positive and a revival of world growth should see Samancor improve its output and profits.

Profitability in the group's manganese division had declined as demand and prices remained under pressure. World manganese consumption had declined in 1992 and Samancor's 1992/93 export sales were down 11% on 1991/92 levels.

"Indications for 1993/94 are some further limited reduction in manganese ore exports balanced by an increase in alloy sales. However, the reduced contract ore price will act to reduce the overall profitability of the division," Salamon said — Sapa

Iscor share price hits highest level since 1991

BIDON 51194

MICK COLLINS

STEEL producer Iscor continued to make ground on the JSE yesterday, hitting a two-and-a-half year high on the back of market expectations of a 40% to 50% rise in interim earnings (189A)

The share, which has moved up steadily over the past few months, showed a 7c or 2,8% improvement in solid trade to close at 254c, its highest level since August 1991.

Analysts now expect the counter, which bottomed at 62c in January 1993, to approach its record high of 285c, which it hit in January 1990.

They say Iscor's end-December results, which are due for publication on February 23, should show an improvement of between 40% and 50%.

Iscor MD Hans Smith says the forecasts are "not too far off the mark. I am very positive about the company"

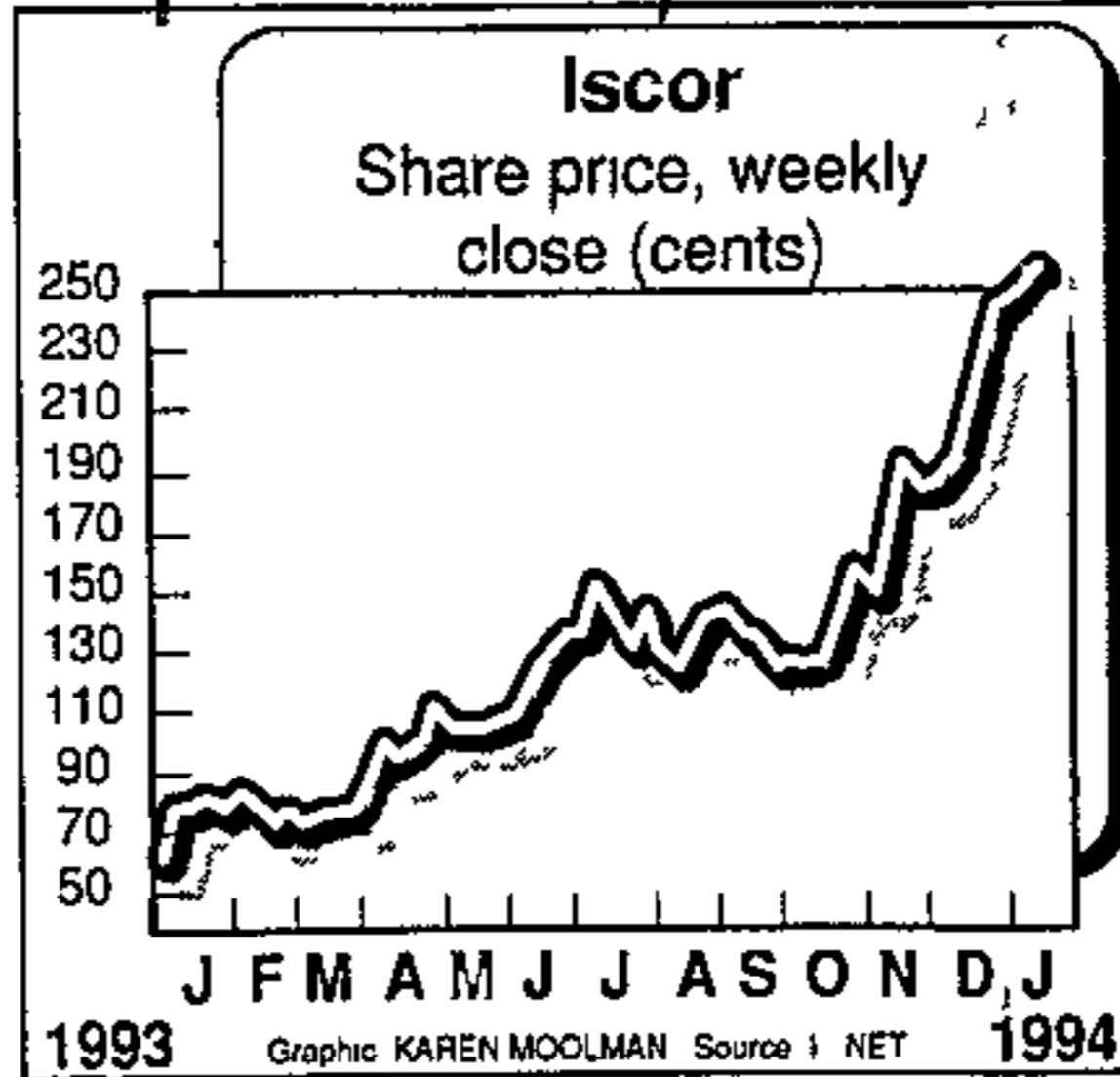
He says steel companies around the world are expecting better prices. "Commodity prices have bottomed out and in fact we have seen a year-on-year increase of 7% to 10%

"The lift in the share price could also be put down to overseas buying, of which we have seen a lot," he says

"But there are no magic sparks. What we have done is institute better cash flow management along with strict discipline

"The new management team was sick and tired of Iscor being labelled a bureaucratic and static organisation. This is all changing"

He says retrenchments and early retirements, first implemented last year, are going ahead with a view to streamlining



the company's Pretoria operation

"About 75% of those approached took the early pension package. This means about 2 500 people. Along with those are about another 2 000 who are being retrenched

"By end-March we will have shed between 4 000 and 5 000 people. We have done everything up front and offered everybody a fair deal"

An analyst says the share is also moving because of a small turnaround from foreign to local sales, which will result in better profits from the domestic market

"They should also show good results at the interim stage. The new management under Hans Smith has been quite aggressive in reducing debt. He has also reduced the number of people employed

"There are also plenty of foreign funds and lots of stock. Foreigners appear to understand steel companies' gearing better than we do."

Exuberant platinum ignores warnings of glut.

ANDY DUFFY

PLATINUM continued its upward surge yesterday, hitting a five-month high in defiance of official figures suggesting a growing glut in supply. The metal fixed at \$398/oz in London, after hitting \$399,50 in the morning, on the back of gold's continued ascent and healthy US industrial forecasts. **BIDOM**

The gains were reflected across the platinum sector, with foreign buying pushing JCI's Rustenburg Platinum up 200c to R84, Lebowa Platinum 45c to a two-and-a-half year high of 235c, and Gencor's Impala Platinum 300c to R63. **51194**

The rise came despite Minerals Bureau figures that said the industry had underestimated oversupply stemming from expanded SA output.

Though producers have said they will focus on reining in costs, analysts are forecasting earnings at best static, at worst down 10%. **(189A)**

The Minerals Bureau said an average 1% growth each month in platinum group metals production in the nine months to last September could lift SA production beyond forecasts by leading refiner Johnson Matthey.

Johnson Matthey had said SA output could jump 20% to 3,25-million ounces, outstripping a slim forecast rise in demand. This would leave the

metal trading in a \$350-\$390/oz range.

But the bureau said SA expansion, including that by Gold Fields' Northam Platinum and JCI's Potgietersrust Platinum, could push output 5% higher than Johnson Matthey's forecast. This would leave an oversupply of 11 tons, against a six-ton oversupply forecast by Johnson Matthey, the bureau added.

Industry sources were sceptical about the bureau's findings. But they said the market would remain suppressed this year.

Major market Japan remained moribund apart from jewellery demand, while the European car industry had still to realise earlier expectations.

But JCI said a forecast 14,5% increase in US car sales to 15,8m units this year could help lift platinum out of Johnson Matthey's price range.

"It's all confused by the fact that the gold price is moving up, so it's difficult to put a finger on what is moving platinum," marketing director Todd Bruce said. "But at the moment the market is rather better than last year."

Smelter is under budget and ahead of schedule

BIDON 6/11/94

CONSTRUCTION of Alusaf's R7.3bn Richards Bay aluminium smelter is proceeding ahead of schedule and under budget, despite low prices and gross oversupply on world markets

Analysts said the oversupply — mainly emanating from the dollar-starved former Soviet states — could well level out before 1996, once agreements on production were reached

"An agreement between the EC and the CIS on exports could be reached shortly, while similar measures could be taken by the US on import quotas. A level of 340 000 tons is thought to be the optimum level that the EC will agree to," one analyst said

Alusaf MD Rob Barbour said "Fundamentals haven't changed. We have always looked on Richards Bay as a long-term investment — that is about 30 years. The oversupply and price position is worse than we expected, but this debate has been going on for a long time and we are very confident we can weather it

"We are running three months ahead of schedule. Our first metal will be produced next year, with full

MICK COLLINS

capacity being reached in 1996"

He said the CIS had limited capacity and the Western world was not building any new smelters "It is only a question of time before demand and prices will rise (189A)

"When we come on stream prices may still be low, but we have low-cost production at Richards Bay. Yes, we would like to see a recovery in price by 1996, but if this doesn't happen we will still be able to meet our cash obligations"

"The plant is going well and we are substantially under our budget of

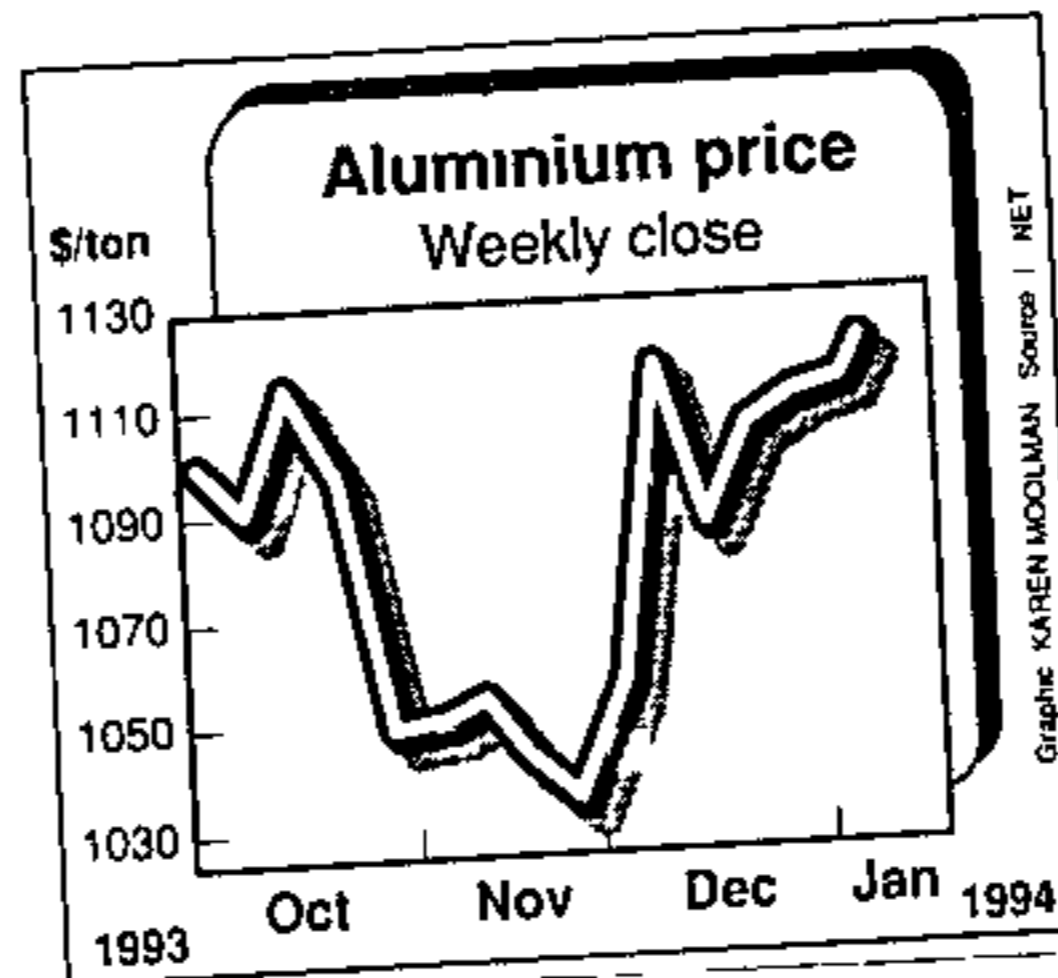
R7.3bn. It would be fair to say that much of the site foundation work has largely been completed and we have already awarded about R3.5bn in contracts," Barbour said

Also under the spotlight is growing concern among US producers at the level of CIS aluminium exports to that country. In the first seven months of last year, CIS exports to the US reached almost 230 000 tons, which compares with historical levels of nearer 150 000 tons to 200 000 tons a year, the London-based Mining Journal said

Current inventories held in the West amount to 4.5-million tons, of which 2.5-million tons is held on the London Metals Exchange and 2-million tons held by primary producers

Analysts are now predicting a 60% fall in CIS production from last year's 934 000 tons to about 345 000 tons

This is also partly due to growing political pressure from the West. Western producers have also come under the whip for not doing enough to curb excess production despite the worldwide glut, which was expected to increase inventories of primary aluminium by around 858 000 tons last year



Alusaf still powers industry

Star 7/11/94

■ BY DEREK TOMMEY

Alusaf's R7,2 billion aluminium project continues to stimulate the local economy with a R100 million contract going to Elgin Engineering, a subsidiary of Murray & Roberts, for the fabrication and supply of the pot superstructures at its Hillside smelter project

Sharing in the contract, which was won against stiff overseas competition, are Dorbyl Heavy Engineering and Dorbyl Marine

Iscor will supply the 7 000 tons of steel required for the 578 superstructures to be fabricated at Vanderbijlpark, Newcastle and Durban

The units will be assembled at the Hillside smelter at Richards Bay.

Elgin is getting the technology from Groupe Benold Allard of Saguenay, Canada, which made similar components for the Canadian Alouette aluminium smelter

Rob Barbour, Alusaf project

director, said yesterday the considerable transfer of technological know-how from overseas suppliers was one of the beneficial spin-offs from the project (189A)

"Construction of the state of the art smelter is providing local industries with the opportunity of getting up to speed with the latest developments from around the world"

Of the R3 billion in direct costs committed to the project to date, the domestic content was about 70 percent, he said.

"This represents a major shot in the arm for the economy at a time when a positive catalyst is sorely needed."

He said the project was well on track and the start-up date had been accelerated by three months to August 1995. However, Alusaf was looking for a five-month advance on the schedule.

Costs were below budget and Alusaf had banked more than R1 billion in savings, he said

Alusaf contracts 'a shot in the arm for economy'

BIDAY 7/11/94

MICK COLLINS

OF THE R3bn already committed to Alusaf's R7,3bn Hillside aluminium smelter in Richards Bay, approximately R2,1bn has been awarded to local companies (139A)

"This represents a major shot in the arm for the SA economy at a time when a positive catalyst is most sorely needed," Alusaf MD Rob Barbour said yesterday

Barbour, who is also project director of the giant smelter, was speaking after awarding a R100m contract to Murray & Roberts subsidiary Elgin Engineering

The order for the fabrication and supply of the pot superstructures was awarded to the Durban company against stiff overseas competition

Main sub-vendors on the contract are Dorbyl Heavy Engineering and Dorbyl Marine. Iscor will supply the 7 000 tons of steel required for the 578 superstructures. Fabrication will be undertaken in Vanderbijlpark, Newcastle and Durban.

Final assembly and welding of the units will take place in Richards Bay to minimise the transportation distance to the Hillside smelter site

Elgin has signed a technology supply agreement with Canada's Le

Groupe Benoit Allard, who were responsible for manufacturing similar components for the Canadian Alouette aluminium smelter

Barbour said "The considerable transfer of technological know-how from experienced overseas suppliers to SA is one of the beneficial spin-offs of the Hillside smelter project. Construction of the state-of-the-art aluminium smelter is providing many local industries with the opportunity of getting up to speed with the very latest trends and developments from round the world"

Barbour said the startup date for the giant project had been accelerated by three months to August 1995

"We are targeting a five-month advancement of the schedule. We are currently meeting all the major construction milestones as planned and costs are coming in below budget. To date we have banked over R1b of savings

"Completion of this project will see Alusaf transformed from a fairly small-time domestic supplier to a highly competitive and influential player on the world market"

New R4bn steel mill to go ahead

A PRELIMINARY study into a R4bn mini-mill steel plant funded jointly by the Industrial Development Corporation (IDC) and Iscor has been found to be justified

To be sited at Saldanha Bay, the mill is aimed at serving the hot-rolled coil export market with a production target of 1-million tons a year. South East Asia is part of the targeted export market.

BIDAY
Austrian metallurgical engineering company and plant builder Voest-Alpine Industrieanlagenbau and the Dutch project management and engineering experts Hoogovens Technical Services are contributing to the R20m study.

7/11/94
IDC GM Ted Droste said yesterday the results of the study showed it was justified to advance the project and confirmed that the project had been approved under the 37E tax incentive scheme subject to construction starting during 1995.

(1897)
"It is too early to speculate where the finance will come from, (but) the IDC will underwrite a substantial portion."

He added that original plans to produce semis as slabs and billets had been abandoned in favour of hot-rolled coil production which was more profitable.

MICK COLLINS

"The mini or compact steelplant concept, which until recently was confined to the production of long products, has now been expanded to include flat products. This is attributable to technological advances in thin-slab casting and direct rolling which allows relatively low tonnages of competitively priced hot-rolled coil to be produced with limited capital outlay."

Droste said the international market could accommodate the additional million tons a year of hot-rolled coil.

"However, the average export prices tend to be lower than domestic prices (and) this must be taken into account."

Iscor MD Hans Smith said Iscor was prepared to fund its end of the study.

"On completion our principal shareholders will look at it again."

"There are a lot of questions to be answered and I don't wish to influence the outcome of the findings. It will be a professional job, but as far as I am concerned there won't be any feedback until August when the study is completed."

Mintek releases secret report

BIDay 13/1/94
(189A)

MICK COLLINS

MINTEK has declassified a confidential report on the possibility of manufacturing alumina in SA.

Although compiled in 1988, the report, revised and reissued in late 1993, says feasibility studies have been done on the production of alumina from Natal bauxite and coal ash.

"Alusaf's new Hillside smelter, at full capacity, will require an additional 900 000 tons of imported alumina feedstock a year. Although the aluminium price is currently at a historical low, many authorities predict the metal will be in short supply by the mid-1990s, and the price of alumina could rise substantially, prompting renewed interest in reducing SA's dependence on imported raw material," it says.

Currently SA imports 340 000 tons of alumina a year at a cost in excess of \$60m, the report says

Practically all the world's alumina is produced from bauxite using the Bayer process SA's bauxite reserves are small, low-grade and scattered, and this makes the establishment of a Bayer plant using local bauxite as feedstock economically unfeasible, it notes

Also, no viable process using non-bauxite feedstock has yet been developed as an alternative to the Bayer process.

"A study of the possible utilisation of Sasol gasifier ash as feedstock showed that in the light of the currently available technology this option is not economically feasible.

"However, given technological advances and a substantial rise in the price of alumina, the ash process would offer the best prospect for the manufacture of alumina in SA."

Mentioned in the report is phlogopite, a mineral of the mica family, which is a waste product produced in large quantities by Foskor in its phosphate-processing operation at Phalaborwa in the Transvaal.

The Industrial Development Corporation has a pilot project at Foskor to recover alumina, magnesia and potash from waste phlogopite.

If commercially viable, the project would ultimately involve an investment in excess of R3bn, according to the corporation's annual report. The project would make SA self-sufficient in alumina and potash and a major world producer of magnesia.

Production levels envisaged by the corporation on completion of the full-scale project are 350 000 tons of alumina, 300 000 tons of magnesia and 220 000 tons of potash a year.

The Mintek report says the phlogopite option is one that warrants more serious study.

It also urges local technologists to monitor the world aluminium market closely and, in particular, watch for new process developments and changes in the price of alumina.

"The development in the right area of an industry that produces cheap inorganic acids or other potential raw materials would justify a re-examination of the feasibility of the local manufacture of alumina.

"The availability of low-priced sulphuric acid and/or hydrochloric acid in the Westonia region could make the processing of local deposits of plastic refractory clay by the Pechiney H process a viable proposition," the report said

New steel cord venture takes off

Business Staff

JOHANNESBURG — The Haggie steel cord plant is well placed to compete against imports, says group MD Chris Murray

Mr Murray says that steel cord, used for tyres, is a high added-value product, which promises a high margin

Haggie buys quality steel from Iscor for R1 500 a ton and expects to sell steel cord for R8 000 to R10 000 a ton

Haggie will be the first local steel cord manufacturer. Turnover when it reaches full capacity in 1997 or 1998 will be R80 million at today's prices

The factory will produce 6 000 tons of tyre cord, 1 200 tons of hose armouring wire, 4 000 tons of tyre bead wire and 600 tons of conveyor belt cord

Partner in the venture is the Italy's GCR, which has taken a 9,4 percent equity stake

About 6 300 tons of tyre cord was imported last year, up from 2 900 tons in 1988, thanks to a continuing swing away from textile tyre cord

189A
AUG 20/1/94

Northam's losses continue

NORTHAM Platinum's significant increase in sales revenue was unable to stem the losses for the six months to December **BIDCM**

The mine, which started production in January 1993 — before this, all income and expenditure was capitalised — reported sales revenue of R118,3m against cost of sales of R176,3m, resulting in an operating loss of R58m **21/1/94**

Chairman John Hopwood said the operating loss resulted from production being below planned levels.

On-mine costs and freight, realisation and refining costs were higher, in line with increased production and sales volumes.

Other income increased to R1,7m (R1,1m), with interest paid dropping sharply to R2,1m (R7,3m), leaving a net loss of R58,3m (R6,2m)

Hopwood said the company had secured a loan facility of R220m from

MADDEN COLE

its bankers to fund the losses and capex totalling R41m for the six months to December **(189A)**

Tonnage milled increased to 621 000 tons (357 000 tons) at a head grade of 5,4g/t (5,9g/t) Production was 1 703kg of platinum, 78kg of palladium and 134kg of rhodium.

Tonnage milled for the six months under review was about 74% higher than the 1992 comparative period and about 30% higher than the six months to June 1993, but Hopwood said mill production rate was still below expectations. The main reasons for the production rate were difficulties underground.

Hopwood attributed the significant increase in rhodium production to the lock-up of rhodium material in the metallurgical process having reached equilibrium

Growth in platinum output 'unlikely to be sustained'

ANDY DUFFY

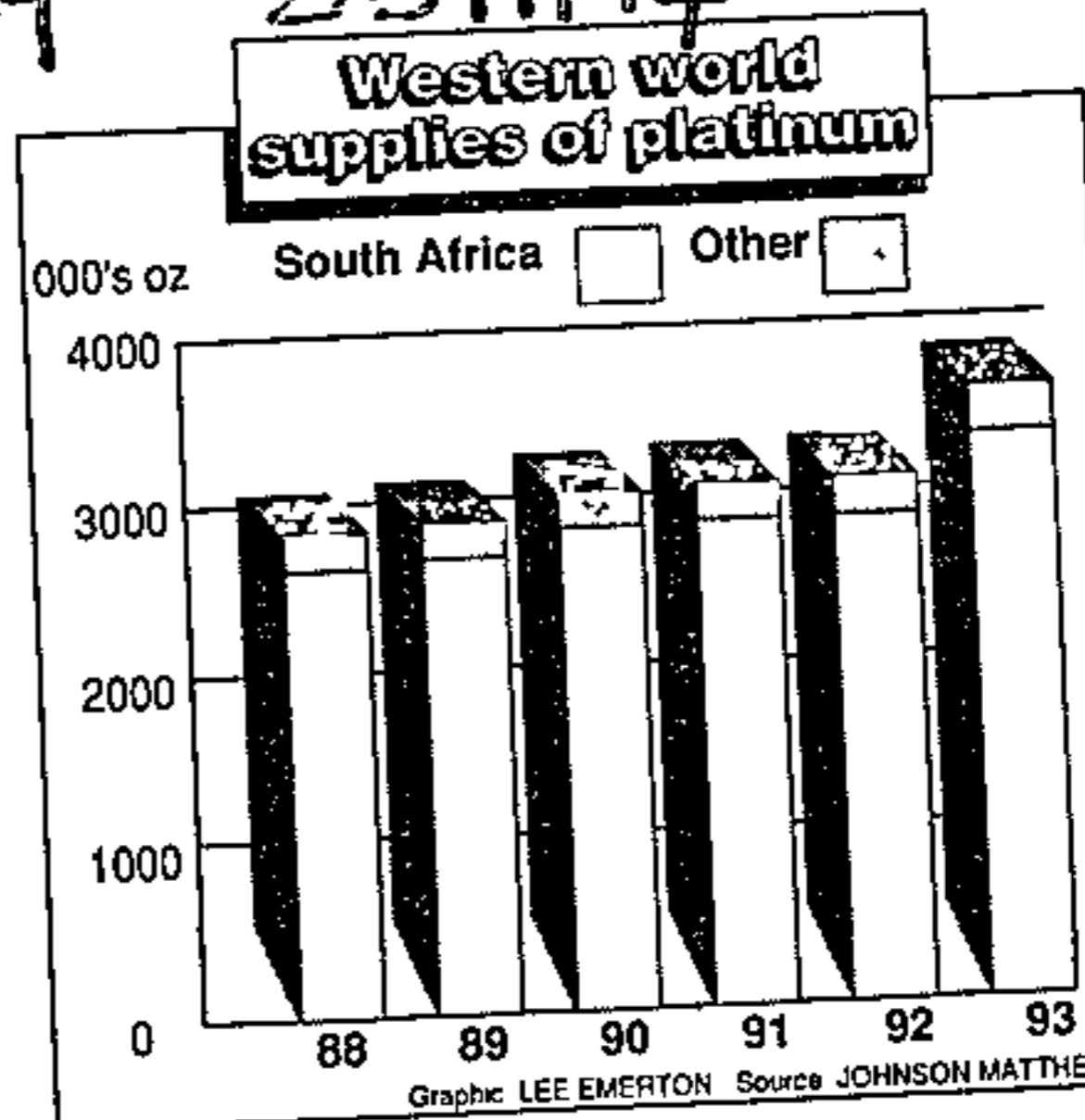
THE growth in platinum output would tail off over the next six years, refiner and marketer Johnson Matthey said in its latest platinum report (189A)

Heavy expansion, particularly by SA producers such as JCI's Rustenburg Platinum, Gencor's Impala Platinum and the Lonrho-owned Westplats, would combine with poor prices to limit new supplies

Sources said platinum output of 4,21-million ounces could rise just 700 000oz by the turn of the decade. Supply last year jumped 500 000oz over 1992, Johnson Matthey said, mainly due to SA expansion.

Although BHP Minerals planned a R450m mine in Zimbabwe, its output would be less than half the amount of platinum taken out of the market by the SA industry's decision to scale back expansion. Supply increases from North America or Australia were negligible or likely to be delayed until the turn of the decade.

"We're going to have a situation where supplies will not increase substantially before demand has pulled level," Johnson Matthey market research director Mike Steel said. Reduced output growth and economic recovery in Europe, America and the Far East would lead to platinum demand outstripping supply by 1997



With the bulk of SA expansion due on stream this year, oversupply was likely to peak. On fundamentals, Johnson Matthey would not adjust the \$350/oz-\$390/oz price range it forecast in November

Tighter EC emissions laws, higher Japanese jewellery sales and a prospective recovery in US car sales had led to a slight increase in demand. But this had been outstripped by higher supply, with SA output last year jumping nearly 20% to 3,25-million ounces

Platinum was fixed \$2 down in London yesterday at \$378,50.

FM 28/11/94
DINETTE INDUSTRIES

Capital infusion needed

Activities: Makes and distributes steel and other furniture (189A) ~~(189A)~~

Control: Directors 40%

Capital structure: 3m ords Market capitalisation R600 000

Share market: Price 20c 12-month high, 40c, low, 20c. Trading volume last quarter, 523 000 shares

Year to June 30	'92	'92	'93
ST debt (Rm)	2,0	2,8	3,0
Debt equity ratio	0,72	2,19	8,24
Shareholders' interest	0,38	0,19	0,04
Int & leasing cover	0,93	—	—
Return on cap (%)	4,7	—	—
Turnover (Rm)	18	10	22
Pre-int profit (Rm)	0,36	(1,27)	(0,33)
Pre-int margin (%)	2,0	—	—
Earnings (c)	(1,2)	(52,2)	(31,0)
Tangible NAV (c)	95	43	12

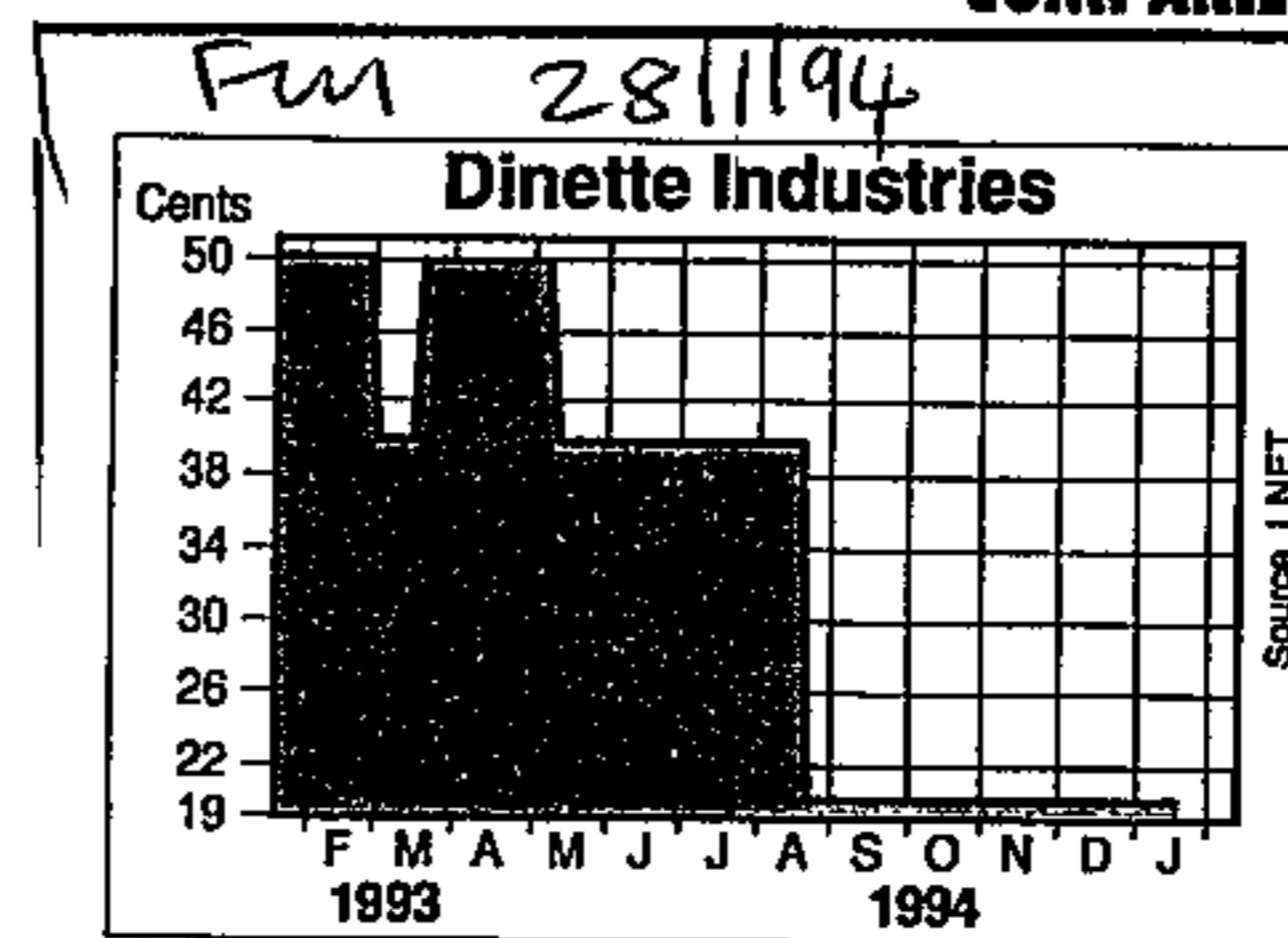
† Projected figures at June 30 as per prospectus

Financial 1993 was by no means boring for Dinette Industries, one of only three companies listed on the Venture Capital board. At the interim stage, former MD Jan van Niekerk assured shareholders that profits would be posted at the June year-end. He was wrong. Losses reached 31c a share.

Subsequently, the entire board of directors (six members) — including Van Niekerk — resigned and two new directors, Dave King and Finley Proudfoot, took the shaky reins.

After publication of interims, the *FM* (Fox March 26) cited the balance sheet as a major weakness. The business was undercapitalised and this seriously affected its viability in the second half, so much so that production stopped during September. Negotiations finalised in October enabled

COMPANIES



Ben Nevis Holdings, an investment holding company, to acquire a 52% controlling interest.

King says the company is in the process of a financial restructuring to strengthen the balance sheet. Minority shareholders will be given full details soon. He adds that business was adversely affected by excessive capex in 1992, which led to a large interest burden in 1993. Losses totalled R931 000 after financing costs of R598 000. (189A) ~~(189A)~~

The furniture business is still facing difficult trading. Though trade acceptance of products is good, analysis after the reporting date indicates margins are under pressure because of price resistance in the trade. The stock remains a risky investment. *Kate Rushton*

Ferroalloy industry at the mercy of the East

Biz Day 11/21/94

ANDY DUFFY

THE fortunes of the ferroalloy industry will remain hostage to the former Soviet Union and China, despite recovering demand, says a London-based commodities expert.

Ferroalloy producers, such as Samancor and Consolidated Metallurgical Industries (CMI), would see a 20% growth in demand to 3.2-million tons by the turn of the decade, fuelled by a resurgent stainless steel sector.

But in a comprehensive market report, Roskill Information Services said cheap supplies from the Commonwealth of Independent States (CIS) and China would soak up much

of the growing market.

Prices — currently at levels where few producers are breaking even — were unlikely to recover in the short term, Roskill added. The timing and extent of future price rises hinged on CIS and Chinese supplies (189A)

The report, quoted in the Mining Journal, contradicts theories put forward by SA players that customers would stay clear of low-cost but high-risk suppliers

Spot prices began to stabilise last

year after CIS supplies tailed off because of production snarl-ups.

But the damage had been done. CIS suppliers are thought to have snatched about 20% of the ferrochrome market last year, with prices at least 25% below SA levels

Gencor-owned Samancor was forced to operate at half capacity, while JCI's CMI cut capacity 30%. Earnings at both companies were battered

Analysts said cost-cutting and the rand's devaluation would underpin the companies' half-year earnings when the two report in the next week.

Alusaf smelter may face serious threat

Biday 2/2/94

(189A)

MICK COLLINS

THE decision by leading aluminium producers to cut production in order to boost prices could pose a major threat to Alusaf's new R7,3bn Richards Bay smelter

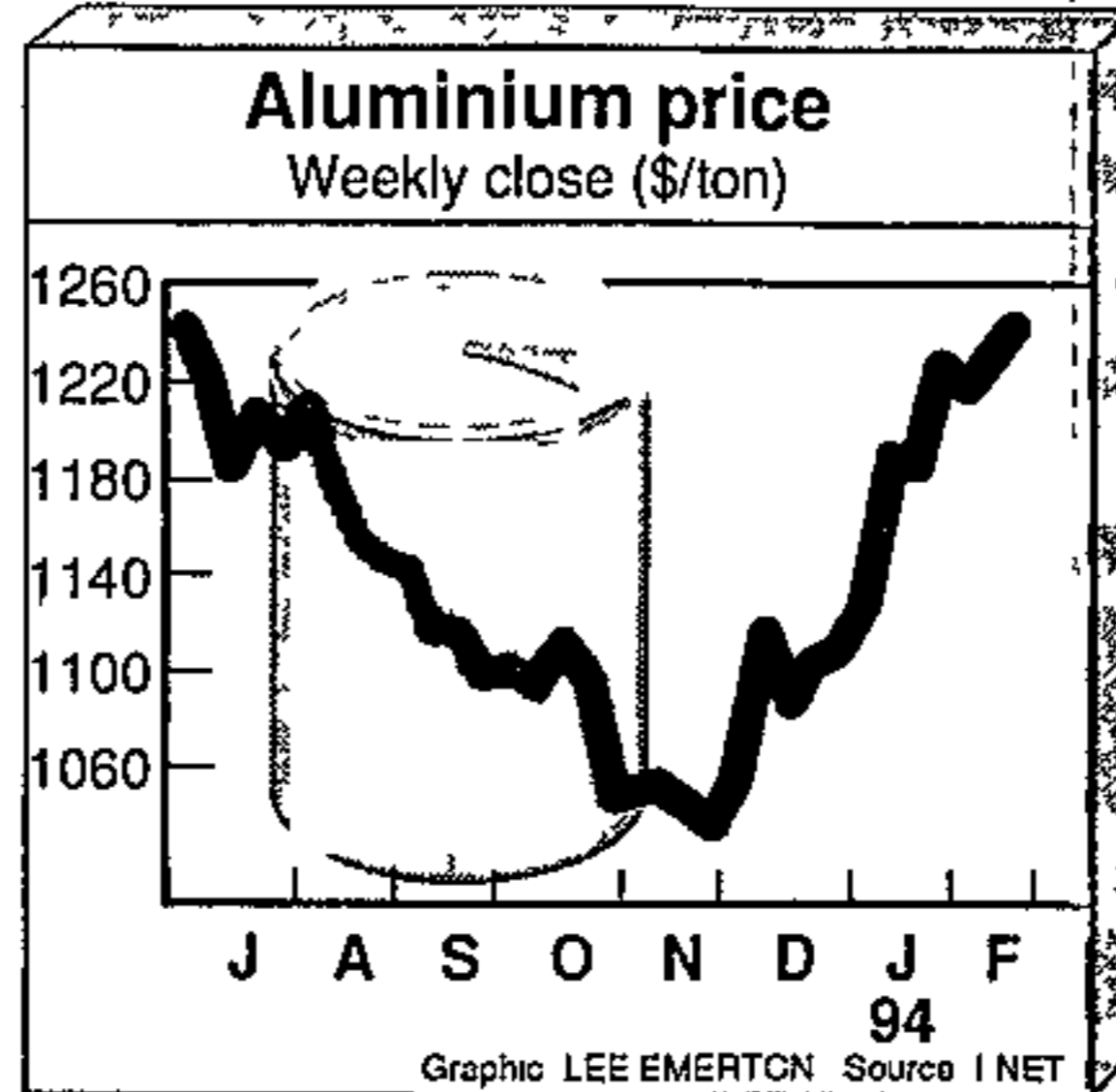
The local producer yesterday reacted guardedly to this week's decision by the world's six leading aluminium manufacturers to reduce production by between 1.5-million and 2-million tons a year.

Russia, the EC, the US, Norway, Canada and Australia took the decision in a bid to bolster flagging aluminium prices

Alusaf MD Rob Barbour said if a price rise prompted other countries to reactivate plans for new smelters it would not be good for the Richards Bay development.

The Hillside facility is due to start up next year with full production being reached by 1996. The plant will add 446 000 tons in new capacity — equivalent to 4% of world production. "If the price does go up now it could lead to new smelters being built. This we would rather not see"

The metal closed at \$1 247 a ton in Lon-



don yesterday from Monday's \$1 227.

"This whole development has us in a bit of a cleft stick. We would rather prices recovered later than sooner. If prices do rise it would not be in our interest at this stage" However, Barbour added it was hard to envisage how Western producers could organise the cutbacks

□ To Page 2

Alusaf

Biday 2/2/94

□ From Page 1

As part of the plan, about 500 000 tons of Russian aluminium is to be taken off the world market. This would involve 300 000 tons of capacity cuts by Russia for three months starting yesterday and another 200 000 tons in the next three months.

Companies in the other countries in the group are to cut output voluntarily (189A)

Sapa-AP reports the US Aluminum Association in Washington said this week it supported the agreement, which should re-

store balance to the aluminium market without undermining operations and jobs

Much of the glut has come from the former Soviet Union, which increased exports last year to 1.6-million tons from 300 000 in 1990

In exchange for the Russian cuts, the EC would lift measures against imports from Russia and the US would drop any anti-dumping actions it was considering US production had been slashed 20% over the past two years because of Russian sales

CMI cuts costs to pull out of the red

Own Correspondent

189A

CF4/2/94

JOHANNESBURG — Ferrochrome producer Consolidated Metallurgical Industries (CMI) remained in the red for the first six months of the year as unrelenting market oversupply wiped out gains from record-breaking stainless steel production

The JCI-owned company cut deeply into costs and gained some benefit from the rand's devaluation, which sliced interim losses to 21c a share (61c a share) There was no interim dividend

Improvement

The bottom line earnings, dominated by a R5,1m preference dividend, disguise an operating improvement

CMI dropped to 50% capacity last year in the face of cut-price competition, which helped trim turnover to R118,1m (R125,7m) Strident cost-cutting brought the operating loss back to R1,7m (R16,8m) Careful debt control more than halved interest charges to R2m

MD Zed van der Walt said cost-cutting would continue, but on current conditions it was unlikely CMI would break even at the operating level this year

CMI faces the frustration of steady market growth which is swamped by stocks, primarily from the former Eastern Bloc and China

Marketing director Alan Kuhnert said production of stainless steel, on which ferrochrome's fortunes hang, surpassed expectations last year

Stainless steel production is esti-

mated to have risen 4,3% on 1992 to 11,5-million tons, propelled by growth in the Pacific Rim and Europe Ferrochrome consumption is forecast to have risen 9% to 2,69-million tons

Southeast Asia was expected to remain the engine for growth this year CMI forecasts a 2%-2,5% rise in stainless steel production, pushing up ferrochrome demand by the same margin "This has led us to the conclusion that stainless steel is possibly recession-proof," Kuhnert said

But prices were likely to stay static until the fourth quarter The SA industry had lost out to cut-price competitors in the Commonwealth of Independent States (CIS) and China, and, through currency and producer inflation variations, traditional sparring partners Finland and Sweden

SA market share in supplies to the US fell from 29% in 1992 to 24% last year, while CIS suppliers saw a tenfold increase to 20% Market share to France fell from 59% in 1992 to 35%, while the CIS moved up from 0,5% to 13% "The playing fields have certainly not been level as far as SA is concerned," Kuhnert said

Spot prices, however, had firmed and low prices which had forced SA producers to cut capacity were now squeezing other competitors, such as the Japanese, out of the market There were also doubts over the ability of CIS suppliers to meet growing demand But remaining high stocks and tough spot competition would prevent big price hikes, he said

Iscor 'may suffer large export losses'

189A CT 7/2/94

Own Correspondent

JOHANNESBURG. — Steel producer Iscor could suffer large export volume losses after the shutdown of the N5 blast furnace at its Newcastle Works.

The furnace suffered a health burn-through late last month, after being relined recently at a cost of R149,2m

Sources close to the steel facility said loss of profits could amount to several hundred million rands. They said Iscor's insurance did not cover these losses.

They alleged the insurance company had indicated it would repudiate any claims relating to the shutdown. Iscor's management had been informed of the situation, the sources said.

However, Iscor MD Hans Smith denied these assertions and said the shutdown would not affect the company's bottom line. He added "We have not yet submitted a claim, so our insurance company's reaction is still speculation at this stage."

He said such occurrences were adequately covered by self- and catastrophe insurance. The main contractor for the relining — Hoogovens of the Netherlands — was also adequately insured

However, he added that Iscor could be responsible for the first R50m of any cost incurred — either through loss of production or repairs to the furnace itself

"This amount will not come off our bottom line either as we have a contingency fund which provides for events such as these"

Once the furnace had been re-

paired it would be run at 75% of capacity for about two months to ascertain its performance. A further shutdown of between 45 and 60 days was envisaged after that

"The total loss in production since the breakout to final repair could be between 300 000 tons and 400 000 tons," he said. But this was not catastrophic for Iscor as world steel markets were less profitable than the domestic market at present.

Iscor's marketing department had completed a rescheduling of production and while exports would have to be cut back, it was unlikely that local customers would be affected in any way

An analyst said he did not expect the shutdown to have any significant effect on Iscor's earnings. Its interim results are due for publication later this month

Newcastle burnout threatens exports

By Day 7/2/94

MICK COLLINS

STEEL producer Iscor could suffer large export volume losses after the shutdown of the N5 blast furnace at its Newcastle works

(189A)

The furnace suffered a hearth burn-through late last month, after being relined recently at a cost of R149,2m

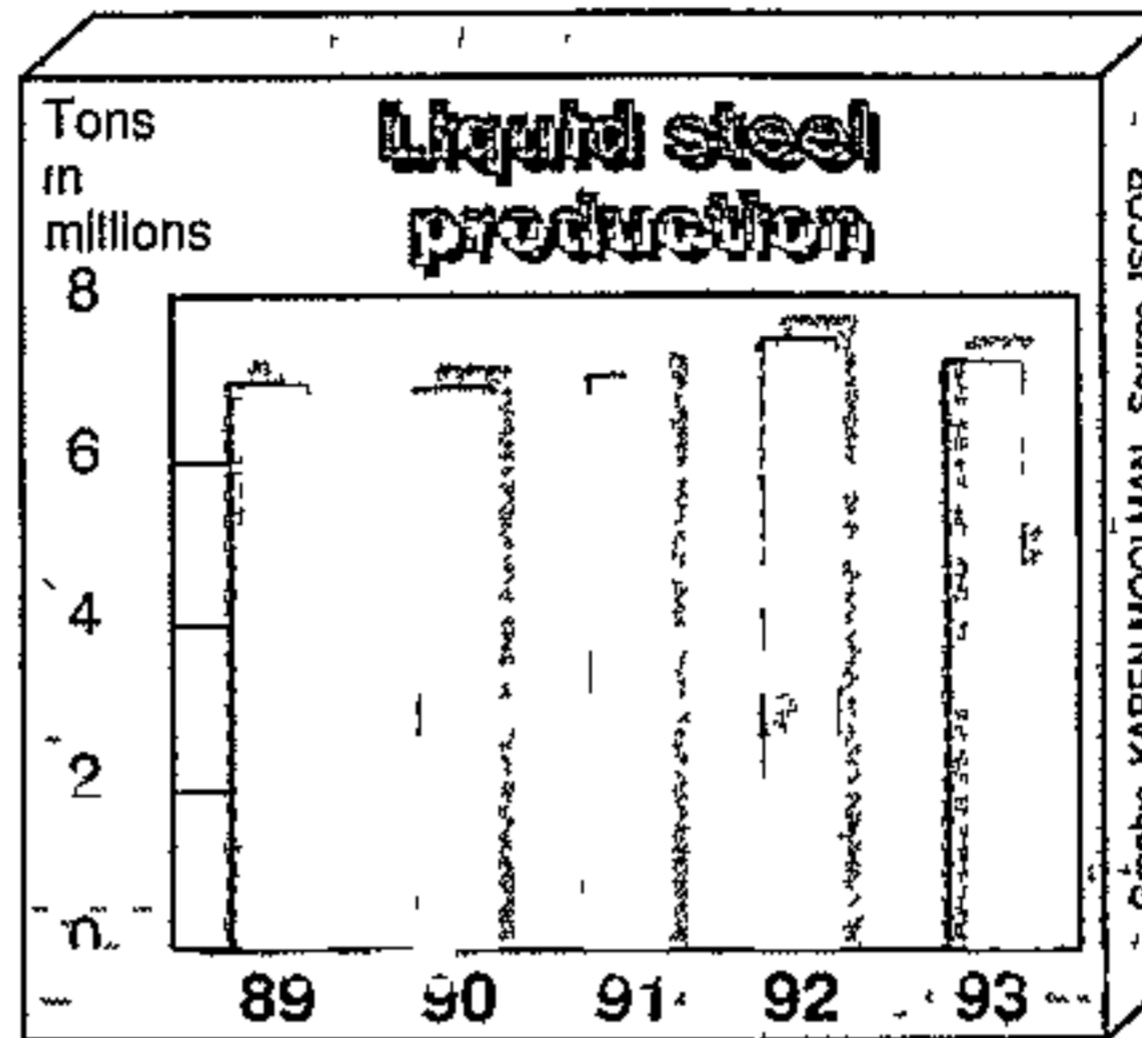
Sources close to the steel facility said loss of profits could amount to several hundred million rands. They said Iscor's insurance did not cover these losses.

They alleged the insurance company had indicated it would repudiate any claims relating to the shutdown. Iscor's management had been informed of the situation, the sources said.

However, Iscor MD Hans Smith denied these assertions and said the shutdown would not affect the company's bottom line. He added: "We have not yet submitted a claim, so our insurance company's reaction is still speculation at this stage."

He said such occurrences were adequately covered by self- and catastrophe insurance. The main contractor for the relining - Hoogovens of the Netherlands - was also adequately insured.

However, he added that Iscor could be



Graphic: KAREN MOOLMAN Source: ISCOR

responsible for the first R50m of any cost incurred - either through loss of production or repairs to the furnace itself

"This amount will not come off our bottom line either as we have a contingency fund which provides for events such as these"

Once the furnace had been repaired it would be run at 75% of capacity for about two months to ascertain its performance. A further shutdown of between 45 and 60 days was envisaged after that

"The total loss in production since the

To Page 2

Iscor

By Day 7/2/94

breakout to final repair could be between 300 000 tons and 400 000 tons," he said. But this was not catastrophic for Iscor as world steel markets were less profitable than the domestic market at present.

Iscor's marketing department had completed a rescheduling of production and while exports would have to be cut back, it was unlikely that local customers would be affected in any way. (189A)

He said the induction furnace and other facilities at Newcastle had sufficient capacity to service the local market. Pool iron for the induction furnace could also be

From Page 1

obtained from the Vanderbijlpark works. Smith said Iscor did not yet have all the facts on the breakout. Iscor's international consultants were on site to assist with the speedy restarting of the furnace.

An analyst said he did not expect the shutdown to have any significant effect on Iscor's earnings. Its interim results are due for publication later this month.

"I'm sure sufficient provision would have been made. Most of the lost production would have gone to exports, where it would have been sold at a loss," he said.

Samancor ups income by 48%

JOHANNESBURG — Tight cost controls and an abnormal item enabled Samancor to post a 48% increase in attributable income to R164,2m in the six months to end December 1993 from R110,8m in the same period a year earlier

Releasing the interim results yesterday, executive chairman Mike Salamon said the bearish markets for its manganese products, chrome ore and ferrochrome appeared to be levelling-off

"We get the feeling things have bottomed out, but not much is moving up yet," he said. Demand could start rising towards the end of 1994 if some of the world's recovering economies gathered steam

He expected attributable income in the second six months of the current financial year to at least achieve the growth before abnormal items registered in the first half

CT 8/2/94 (189A)
Turnover was up four per cent to R971,2m, but income before tax, boosted partly by the abnormal item of R54m, almost tripled to R214,4m (previously R71,4m).

The abnormal profit of R54m after taxation related to a settlement with the Trade and Industry department of R79m, and profit attributable to Samancor on the sale of a furnace for R19m

This was offset against costs relating to the medium ferromanganese market and with the restructuring of Silicon Smelters

If abnormal items were excluded from both reporting periods, attributable income rose 42% from R78m to R110m

Earnings a share for the period under review rose to 87c (59c) and Samancor declared an interim dividend of 25c a share (20c) — Sapa

Samancor earns, pays more

Star 8/21/94

BY DEREK TOMMEY

Samancor increased attributable income, including abnormal items, by 48 percent to R164 million in the six months to December, equal to 97c (59c) a share (189A)

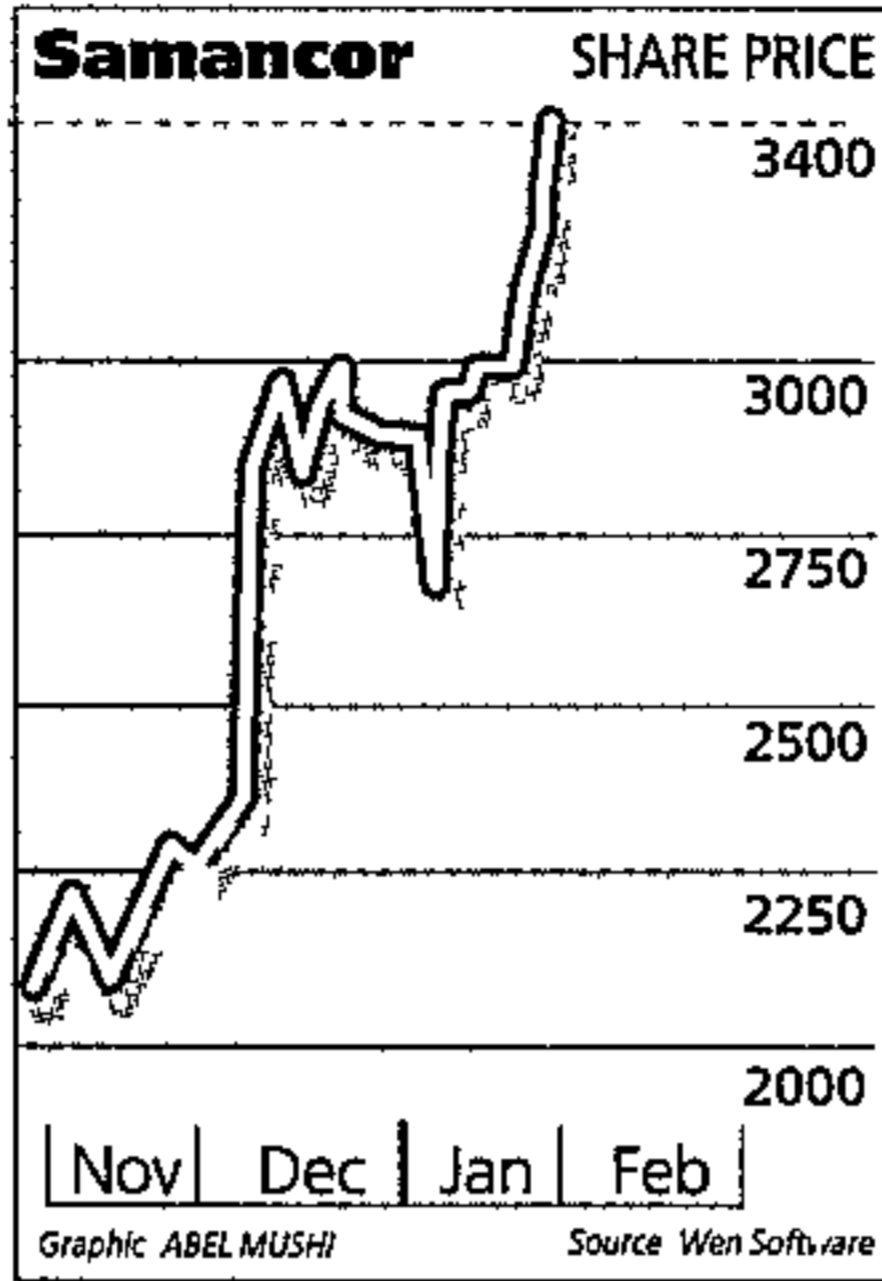
Attributable income, excluding abnormal items, rose 42 percent from R78 million to R110 million

The interim dividend is up 25 percent to 25c a share

Executive chairman Mike Salamon says the improvement in operating results was largely thanks to a more beneficial exchange rate, the impact of rationalisation in the chrome division and tight cost controls.

He expects attributable earnings in the six months to June to be equal to those of the first half, before abnormal items

He says Samancor's financial position remains healthy. Strong operating cash flows



and abnormal items increased net available cash resources from R528 million to R616 million, even after providing R90 million for the Columbus expansion project and capital expenditure of R44 million.

He says the Columbus joint venture has operated satisfactorily over the past six months,

but that margins came under pressure as stainless steel prices followed the fall in the nickel price

This, together with the reduced interest in Columbus from 50 to 33,3 percent, resulted in the contribution from Columbus falling from R8,3 million to R2,5 million.

However, Salamon says the drop in stainless steel prices experienced in the fourth quarter of 1993 appears to have bottomed out, following an increase in LME nickel prices

Manganese ore export sales volumes remained stable in the second half of last year, but dollar export prices were 25 percent lower

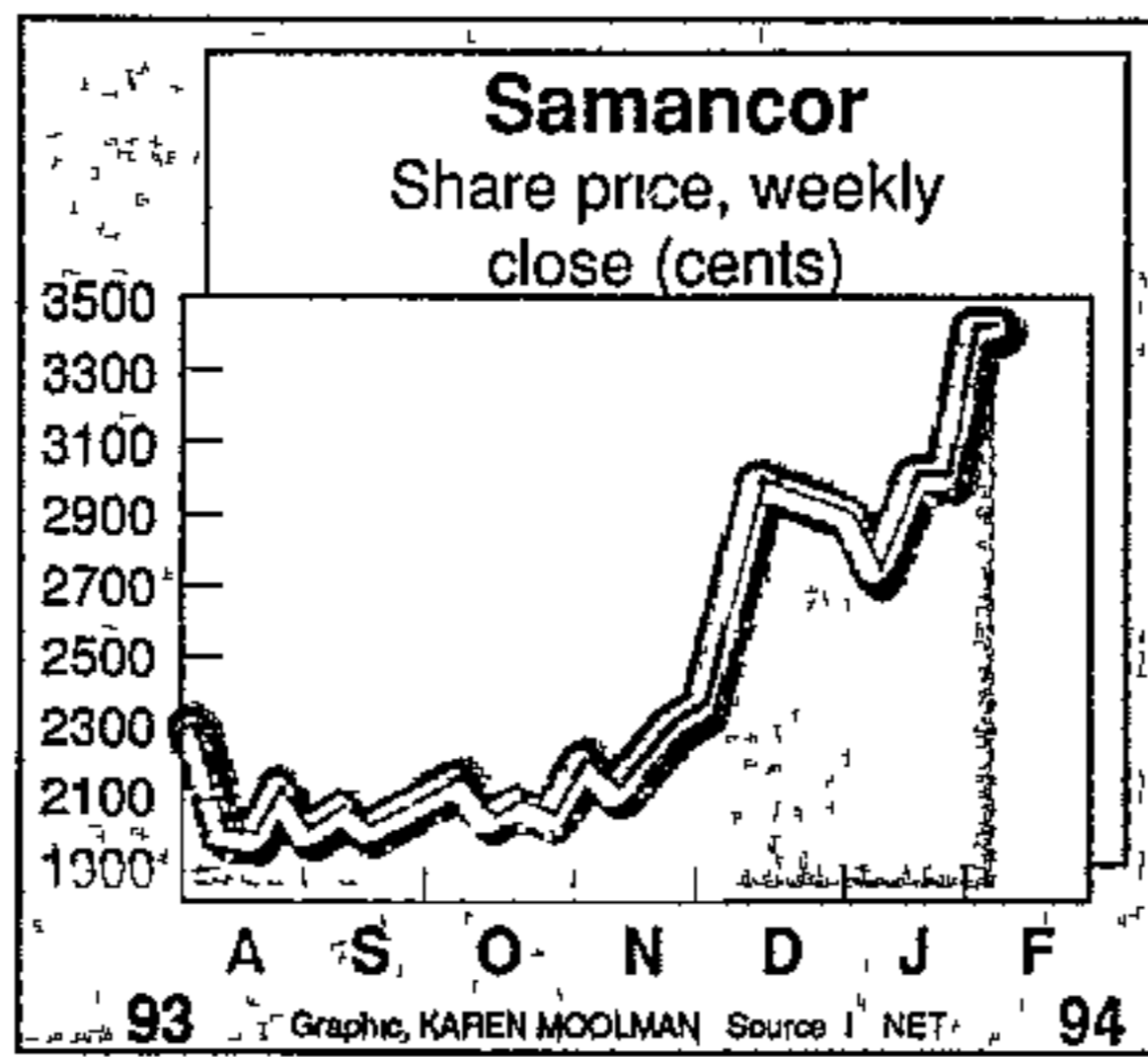
Manganese alloy sales improved by 30 percent, but at lower prices.

Salamon says it would seem that the downward trend in alloy prices has now halted.

Samancor boosts earnings

Biday 8/2/94

ANDY DUFFY



CHROME and alloys producer Samancor reaped the benefits of restructuring, lower costs and a devalued rand to post attributable earnings ahead 48% to R164,2m for the six months to December (189A)

The Gencor-owned company's figures were buttressed by a R54m abnormal item, but even without the windfall, earnings rose 42% to R110m, on turnover marginally higher at R971,1m (R930,9m)

The surging income performance swept through to the balance sheet, lifting cash resources 17% to R616m despite expendi-

□ To Page 2

Samancor

Biday 8/2/94

□ From Page 1

ture of R134m. The interim dividend was raised 25% to 25c. (189A)

Samancor executive chairman Mike Salamon said the results showed a "welcome improvement" at both the operating level and the bottom line.

Though the industry's fortunes remained in the balance, he said Samancor expected similar income gains, before abnormal items, for the full year. "Prospects are difficult to forecast. We get the feeling that we have reached the bottom, but there is not much moving up"

The company owed its showing to a reshaped chrome division, which last year cut capacity to 50%, lower costs and a rand exchange rate more than 14% below its level in the 1993 period. Samancor's markets, however, offered a mixed bag

Higher crude steel production in the US, Korea and China, coupled with the shut-down of German and British competitors, lifted manganese alloy sales 30%

The increased demand outstripped Samancor's capacity, prompting it to redeploy five of the furnaces mothballed last year. Though dollar prices were still 5% down on the year, rand revenues were up. Samancor also cut working costs.

Manganese ore export sales volumes

were flat. Samancor again cut costs, but it was still hit by dollar prices down 24% on the 1993 period to \$2,25/lb.

Ferrochrome sales were down 10% on the year, but were flat against the six months to last June. Spot prices had stabilised last year at around \$0,37/lb-\$0,39/lb, but pressure from stainless steel producers had trimmed producer prices. Dollar prices fell 12%, though Samancor cut costs 3%. Chrome ore sales volumes rose, though prices were static.

Salamon said silicon metal sales and prices were under pressure. The company was looking at ways to cut costs and strengthen Silicon Smelters' market position. An exceptional provision was set aside for restructuring Silicon Smelters.

Samancor took an above-the-line charge to cover the costs of entering the medium carbon ferromanganese market through its joint venture with French group SFPO and production at Ferrometals

The two provisions formed the bulk of a R44m abnormal charge.

But Samancor netted R78m from the Trade and Industry Department after settling a claim dating back more than six years. The company gained a further R19m by selling its Tubatse No 5 furnace to NST Ferrochrome.

Hiveld ups earnings 80%

CT 9/21/94
JOHANNESBURG — Highveld Steel & Vanadium posted earnings ahead nearly 80% at R127,1m for the year to December, propelled by healthier conditions (189A)

The Amic-owned company said its operations, which span steel to aluminium cans, had seen a recovery

The total dividend was lifted 11% to 50c, but Hiveld would offer a scrip alternative Chairman Les Boyd said

Hiveld wanted to conserve cash, given the growing burden from its stake in Columbus Stainless Steel

Pre-tax income rose nearly 16% to R86m on turnover ahead at R1,7bn (R1,5bn), but net earnings fell to R69,2m (R70,7m) following tax rate changes.

But the fall in the tax rate from 48% to 40% boosted the bottom line, presenting Hiveld with a deferred tax release of R57,9m

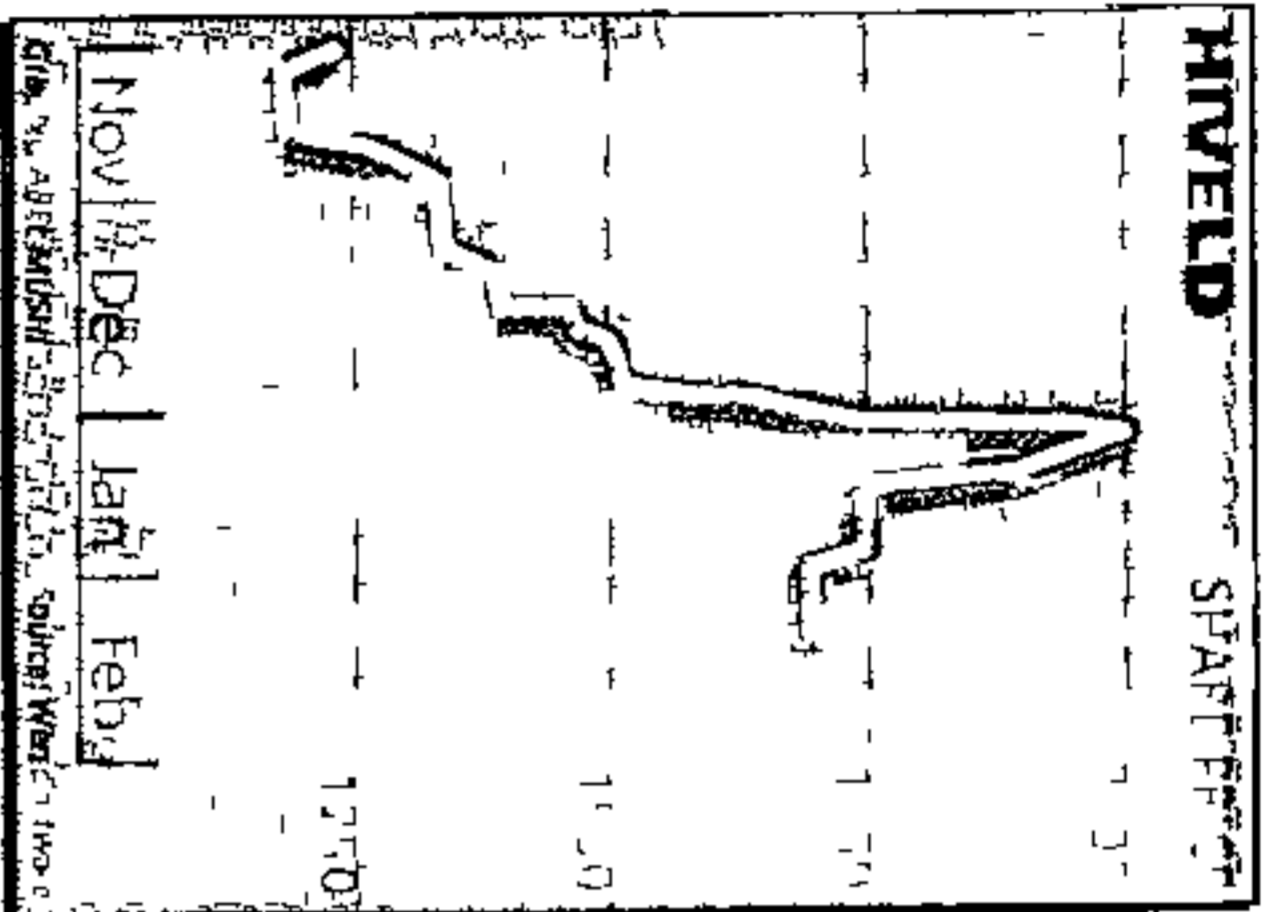
Hiveld runs before favourable winds

BY STEPHEN CRANSTON

Higher volumes, a weaker rand and better dollar export prices for most products helped Highveld Steel (Hiveld) increase earnings in the year to December.

A change in the company tax rate from 48 to 40 percent allowed R57,9 million to be released from the deferred tax provision and led to an 80 percent rise in attributable earnings to R127,2 million.

Earnings per share increased by the same amount to 143,8c. A final dividend of 30c a share has been declared, giving a total for the year of 50c — up 11 percent from the previous year.



Shareholders will be given the opportunity to take their dividend in scrip rather than in

cash.

Chairman Les Boyd says world steel consumption declined marginally in 1993. Consumption in the US improved by two percent, but fell in the European Union by eight percent.

International steel prices improved in early 1993 thanks to substantial growth in China, but prices fell in mid-year when China introduced financial constraints to curb its overheated economy.

Domestic steel consumption, however, improved because of several major capital projects, better agricultural conditions and low merchant inventories. Highveld production rose from 834 000 to 961 000 tons. Vanadium prices continued

189A

to fall as large volumes of vanadium pentoxide and ferrovanadium from Russia pushed prices down.

With the purchase of Transvaal Alloys, Highveld has entered the vanadium chemical market.

Capacity

Rand Carbide lifted sales to about 70 percent of capacity.

Highveld made a major diversification into consumer markets with the commissioning of the Rheem aluminium can plant in August.

It only supplies soft drink manufacturer Amalgamated Beverage Canners and has yet to supply the beer market, but Boyd is confident that consum-

er acceptance will prompt SAB to switch to aluminium.

Columbus, in which Highveld holds a 33 percent stake, achieved a record annual output. Margins were satisfactory for most of the period, but weakened in the third quarter because of low nickel prices and deteriorating markets in the Pacific Rim.

Highveld has come off its recent high of R20 and now trades around R17, which gives a 2,9 percent dividend yield and a P/E ratio of 11,8, compared with Iscor's P/E of 16,7 and two percent yield.

Highveld, however, has a stronger balance sheet, with R243 million in cash, and should be accumulated at its present price.

189A



HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

Registration No 60 01900/06
(Incorporated in the Republic of South Africa)

DIRECTORS L. Boyd (Chairman), T. E. Jones (Managing), H. F. Boshoff, W. G. Boustred, W. F. E. Bragg (British), B. E. Bullen (British), J. A. Chegwidden, H. K. Davies, R. R. Elwood, J. Hall (British), M. W. King, G. Langton, L. Matteucci, D. M. J. Neube, M. C. O'Dowd, J. Ogilvie-Thompson, N. F. Oppenheimer, N. S. Park, Dr. A. J. Pienaar, G. W. H. Rely, A. J. Trahar

ALTERNATIVE DIRECTORS P. M. Baum, C. J. Buys, R. M. Gotsell, C. J. Hull, B. Sparke, C. L. Sumter (British), C. W. P. Yates (British)

Abridged Chairman's Review and Final Dividend Declaration

An increase in normal earnings can be expected over those achieved in 1993, given political and labour stability in South Africa during 1994

Earnings in 1993 were an improvement on those reported in 1992. This arose from increased volumes, a weaker rand to US dollar exchange rate and higher US dollar export prices for most of the group's products, together with the positive effect of the reduction in the tax rate from 48 to 40 per cent which resulted in a deferred tax release of R57 900 000.

The earnings per share increased to 143.8 cents compared with 80.1 cents in 1992. The attributable income including net interest of R34 043 000 was R127 190 000 after providing R62 553 000 for depreciation, R2 654 000 secondary tax on companies and a deferred tax charge of R17 451 000 and the deferred tax release as referred to above.

Following the decision by the Industrial Development Corporation to become an equal partner in the Columbus expansion, a one-sixth share of Columbus was sold to the IDC for R120 000 000 resulting in an extraordinary profit of R23 511 000.

Based on the results achieved, the Board has decided to increase the final dividend to 30 cents per share making a total dividend for the year of 50 cents per share compared with 45 cents per share in 1992.

In view of the demand for the cash for the Columbus development, shareholders will be given the right to elect to receive capitalisation shares as an alternative to the final dividend in respect of all or part of their shareholdings. The major shareholder has indicated its intention to elect to receive capitalisation shares in respect of its entire shareholding.

Steel

Apparent world steel consumption declined marginally in 1993. Whilst consumption in the United States improved by 2 per cent over 1992, in the European Union it declined by 8 per cent.

Early in 1993 international steel prices improved as a result of substantial economic growth in China, however, this trend reversed in mid-year when China introduced stricter financial constraints to curb its overheated economy. It is worth noting that in 1993 China moved ahead of the USA and is now the world's second largest steel producer behind Japan.

In South Africa steel consumption improved with the advent of several major capital projects. This, together with a buoyant agricultural sector and low steel merchant inventories, led to a substantial increase in domestic sales over those in 1992.

With improved domestic demand and the better export returns, arising from somewhat better international prices and the weakening of the rand against the US dollar, the ironmaking facilities at the steelworks were progressively brought back to full capacity and steel production for 1993 was 960 637 tons compared to 833 572 tons produced in 1992.

A product enhancement programme comprising a major upgrade of the slabcaster and the installation of a ladle furnace to improve the quality of hot rolled flat products was successfully completed towards the end of the fourth quarter at a cost of R56 million.

Vanadium

Vanadium consumption continued at the poor levels reported last year. The world over capacity and the continued presence of large volumes of low priced vanadium pentoxide and ferrovanadium emanating from Russia caused prices to decline to levels last seen during the recession of the early 1980s.

Towards year end negotiations were finalised for the purchase of the South African vanadium producer, Transvaal Alloys (Pty) Limited, which will gain Highveld entry into the small but important vanadium chemical market. World over capacity nevertheless remains and it is disappointing to note that the new Rhovan project is proceeding at significant capital cost.

The reactor for producing vanadium trioxide at the Vantra division was used in campaigns as dictated by the market and the increased capacity slag milling and reagent handling facilities for the kiln at Vantra were commissioned. The modifications made will enable Highveld to remain the world's lowest cost producer of vanadium products.

Ferro-alloys

International ferrosilicon markets were affected by anti-dumping duties imposed by various countries which resulted in diversions of material to non-traditional markets. Chinese and CIS exports continued to play a major role in keeping prices depressed. Nevertheless, Rand Carbide was able to increase sales to about 70 per cent of capacity during the year.



Demand for carbonaceous products showed a slight improvement over that in the previous year.

The combination of a stabilisation in international prices for manganese alloys reduced input costs and other operational efficiencies allowed better capacity utilisation at Transalloys and resulted in a satisfactory performance from that division.

Rheem

The Rheem aluminium can plant was commissioned during August 1993. Although this was later than originally scheduled at the time of the first delivery to the customer production was already in excess of the rated line speed. The high quality which has consistently been attained has resulted in exceptional market acceptance of the product.

In Rheem's traditional business the year saw a further market contraction, particularly in the Transvaal and some smaller customers moving to alternative packaging. This and the need to contain costs, led to some rationalisation of manufacturing activities and regrettably a reduction in the number of people employed.

Columbus Stainless

The existing plant performed well, achieving an all time record annual output. Margins were satisfactory for most of the period but weakened significantly in the third quarter following low nickel prices and deteriorating markets in Europe and the Pacific Rim. World production of stainless steel was again a record in 1993, surpassing the previous best achieved in 1992.

The expansion project is proceeding according to schedule, both in terms of time and cost. By year end a major portion of the earthworks and civil construction was complete as was much of the steelwork erection for the cold mill area, which is due to be commissioned in late 1994. The new steelmaking and hot mill facilities are planned to come into production in the first half of 1995. Total expenditure on this project thus far has been R1 271 205 000.

Future economic policy

With regard to the future economic policy to be pursued by the new South African Government concern has to be expressed at the frequent confusing and often contradictory statements made by the various ANC spokesmen. This has undoubtedly led



189A

to great uncertainty and has had a negative impact on foreign investment in South Africa. It is therefore encouraging that the ANC is now showing much greater attention to close consultation with industry and has jointly agreed to structured dialogue on minerals policy

Part of the debate on mineral rights involves the question of incentives for small mining ventures. As mentioned earlier in this review Highveld purchased Transvaal Alloys which is the third small vanadium operation to fail financially in the past five years the other two being USCO and Vansa. The construction of the Rhovan vanadium plant will exacerbate the vanadium imbalance further. These examples illustrate how easily the market for some commodities can be severely disrupted and the debate on incentives for small mining ventures should be viewed in this context. In most of the base metals produced by South Africa there is no world shortage of capacity and, as a result most producers are operating below capacity. While it is important that free market principles apply further ventures will only result in price reductions and reduced export receipts for the country.

It has also been suggested that a Minerals Marketing Board be established for South Africa when this has clearly failed in other countries such as Zimbabwe. The one thing the mining and metallurgical industry does not need is interference in its marketing policies by Government. The idea that a government agency can market minerals better than the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms. The lack of market incentives often quickly render government agencies inefficient. Bureaucratic delay and overstaffing are normal. Beyond these concerns is the danger that a government agency would attempt to cartelise production with possibly disastrous consequences for long-term market development and South Africa's share of the market.

One other issue that is of concern to Highveld and the metallurgical industry generally is the suggestion through the National Electricity Forum that power consumers be levied in order to finance township electrification. The need for this electrification is accepted. However, the global competitive position of South Africa's power-intensive industries, such as the ferro-alloy and gold mining industries, will be seriously impacted by an increase in one of the major cost elements, resulting in further job losses and lower foreign exchange earnings.

It is important for the ANC to arrive at a clear and credible set of economic proposals and for these to be promoted in a co-ordinated and consistent way. The country desperately needs new investment in order to create jobs and everything should be done to encourage rather than discourage both local and foreign investors.

Manpower

With higher operating levels the group strength at year end was 6 575 compared to 6 465 in 1992.

Agreement was reached with all the unions involved on improved wages and other conditions of service for the July 1993 to June 1994 period.

Outlook

The world's consumption of steel in 1994 is forecast by the International Iron and Steel Institute to remain at the same level as that of 1993. Further declines are foreseen in Europe, Japan and the CIS with compensatory growth in China, the Pacific Rim and South America. It is expected that prices in dollar terms will hold at close to current levels.

The consumption of vanadium is likely to continue at current levels, but prices will remain low. The demand for stainless steel will be firm and it appears that prices have bottomed out following an upturn in the nickel price.

A major positive factor for the group will be the contribution from the first full year of operation of the aluminium beverage can facility.

Early 1993 represented a low point in business conditions for the Highveld group. Given political and labour stability in South Africa during 1994, an increase in normal earnings can be expected over those achieved in 1993.

General

The Corporation's financial results show an improvement over those for 1992 despite trading conditions for the group's products having remained difficult. I thank the managing director Trevor Jones, his management team and all employees for all their efforts and I am certain they will rise to the challenges of 1994.

L. Boyd

Witbank

8 February 1994

Results for the year ended 31 December 1993

CONSOLIDATED INCOME STATEMENTS

	1993 R'000	1992 R'000
Turnover	1 685 159	1 488 780
Income before taxation	86 052	74 380
Normal company taxation	14 108	3 595
Income after normal taxation	71 944	70 785
Secondary taxation on companies	2 654	-
Income after secondary taxation	69 290	70 785
Abnormal Item - Note 1	57 900*	-
Attributable income	127 190	70 785
Extraordinary Item - Note 2	23 511**	5 491
Attributable income after extraordinary item	150 701	76 276
Less: Interim dividend no 38 of 20 cents per share (1992 no 36 of 20 cents per share)	17 689	17 686
Provision for dividend no 39 (final) of 30 cents per share (1992 no 37 (final) of 25 cents per share)/ capitalisation share issue alternative	26 538	22 111
Retained income for the year	106 474	36 479
Weighted average number of shares in issue during the year	88 446 153	88 400 202
Earnings per share (cents)		
- excluding abnormal item	78,3	80,1
- including abnormal item	143,8	80,1
Dividend per share (cents)	50,0	45,0
Dividend cover		
- excluding abnormal item	1,57	1,78
- including abnormal item	2,88	1,78

* Note 1 The abnormal item arose as a result of the reduction in the company tax rate from 48 per cent to 40 per cent.

** Note 2 The extraordinary item arose from the sale of one-sixth share of the Columbus Joint Venture to the Industrial Development Corporation for R120 000 000 resulting in an after tax profit of R23 511 000.

ABRIDGED CONSOLIDATED BALANCE SHEET

	at 31 12 93	at 31 12 92
Shareholders' equity	1 197 470	1 102 162
Deferred taxation	313 565	347 935
Long-term loans	276 373	-
Capital employed	1 787 408	1 450 097
Fixed assets	1 464 421	1 043 927
Investments	21 841	25 500
Cash and near cash	242 742	309 929
Net current assets	58 404	70 655
Current assets	563 060	535 184
Current liabilities	504 656	464 529
Employment of capital	1 787 408	1 450 097

FINAL DIVIDEND NO 39 WITH ALTERNATIVE RIGHT OF ELECTION TO RECEIVE CAPITALISATION SHARES

As indicated in the accompanying statement by the Chairman the Board of directors declared on 8 February 1994, dividend No 39 of 30 cents per share to shareholders registered in the books of the corporation at the close of business on 25 February 1994 ("the record date") on those shares in respect of which the election referred to in the next paragraph is not made.

Subject to the terms which will be published on 21 February 1994 shareholders registered on the record date will be entitled to elect to receive capitalisation shares in Highveld in respect of all or any of the shares held by them at that date as an alternative to such dividend.

The dividend will accordingly accrue and be payable only on such shares in respect of which no election to receive capitalisation shares is received by Highveld.

The capitalisation shares to be issued will not be registered with the Securities and Exchange Commission, Washington, D.C. for purposes of the share election or with the Canadian Provincial Securities Commissions and accordingly the share election will not be made to, or be open for acceptance by shareholders with registered addresses in the United States of America, or any of its territories, or in Canada.

Basis of share election ratio/price announced	Monday, 21 February
Last day to register for dividend (and for changes of address or dividend instructions or to elect to receive capitalisation shares)	Friday 25 February
Registers closed from to (inclusive)	Saturday 26 February Friday 11 March
Shares ex-dividend and ex-capitalisation share election rights on The Johannesburg Stock Exchange	Monday 28 February
Circular and form of election posted to shareholders	Friday, 4 March
Last day to make election (12 00 local time) with no late postal forms being accepted	Friday, 25 March
Share certificates and dividend warrants posted	Thursday 21 April
Payment date of dividend Listing of capitalisation shares commences	Friday, 22 April
Rate of non resident shareholders' tax	15 per cent

By order of the Board
Highveld Steel and Vanadium Corporation Limited
H. Cochius - Company Secretary

Witbank

8 February 1994

Registered office
Portion 29 of the farm
Schoongezicht No 308 JS
District Witbank
(P O Box 111 Witbank, 1035)

Transfer Secretaries
Consolidated Share Registrars Limited
40 Commissioner Street
Johannesburg, 2001
(P O Box 61051, Marshalltown 2107)



Highveld Steel tax bonus boosts results

BIDAY 9/2/94

ANDY DUFFY

HIGHVELD Steel & Vanadium posted earnings ahead nearly 80% at R127,1m for the year to December, propelled by healthier conditions and a weighty tax bonus

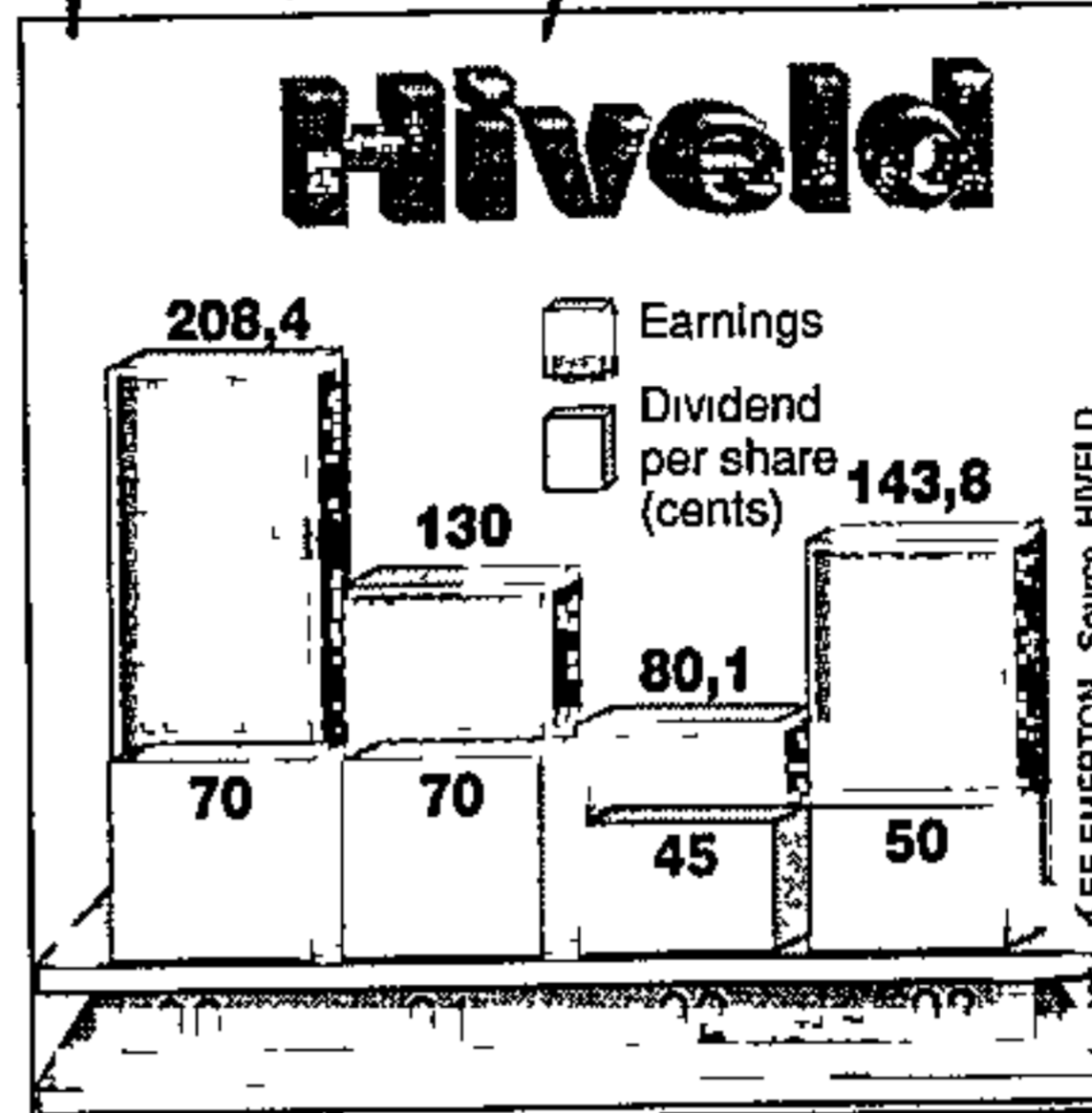
The Amic-owned company said the bulk of its operations, which span steel to aluminium cans, had seen a recovery, while the rand's devaluation had embellished firmer dollar prices

The total dividend was lifted 11% to 50c, but Highveld would offer a scrip alternative Chairman Les Boyd said Highveld wanted to conserve cash, given the growing burden from its stake in the expansion of Columbus Stainless Steel (189A)

Pre-tax income rose nearly 16% to R86m on turnover ahead at R1,7bn (R1,5bn), but net earnings fell to R69,2m (R70,7m) following tax rate changes.

But the fall in the tax rate from 48% to 40% boosted the bottom line, presenting Highveld with a deferred tax release of R57,9m This translated to earnings of 143,8 a share, against 80,1c last year

Boyd said the group's fortunes hit a nadir in the first half, but there had been a



strong second-half turnaround Higher earnings were expected this year, provided there was political and labour stability

Highveld relied heavily on the mainstay steel business Production jumped 15% to 960 000 tons as domestic demand accelerated and dollar prices rose on the back of Russian supply problems

Prices had fallen back, however, as

□ To Page 2

Highveld Steel

BIDAY 9/2/94

□ From Page 1

China attempted to curb its burgeoning economy. Steel consumption and prices were expected to remain at 1993 levels

The ferroalloy operations were hit by depressed prices and a market dampened by a stream of anti-dumping duties

But Rand Carbide lifted sales to nearly 70% of capacity, while Transalloys cut costs and gained from stabilised manganese alloy prices. Total ferroalloy production rose nearly 30% to 213 000 tons

Highveld had a rather tougher time with vanadium Its Vantra operations had recently reopened following last April's closure But the market had been belittled by high stocks and CIS supplies, and would remain cramped this year. (189A)

The company was refocusing on value-added, high margin markets This strategy had led to the purchase of struggling Transvaal Alloys Though the entrance of Rhombus Vanadium was unlikely to make an impact this year, Boyd said the long term effect on prices could be damaging. "We have got capacity lying idle because

world markets cannot use it So why do we need more capacity and equipment?"

Aluminium can operation Rheem came on stream in August. Boyd said Rheem's high quality products had found "exceptional market acceptance"

The first full year in production should lift Rheem's contribution to group sales to a level second only to steel It was likely to prove a "major positive factor" for Highveld.

Margins from Columbus weakened toward the end of last year, sapped by low nickel prices and deteriorating European and Pacific Rim markets Stainless demand this year was expected to be firm, while nickel prices had bottomed

The project had soaked up R1,27bn so far, R423,7m from Highveld Including this on the balance sheet pushed it from R240m net cash into borrowings, Boyd said

The full dividend payment would drain R44,2m from Highveld Amic, a 52%-stakeholder, had already accepted scrip The terms of the offer would be announced later this month

Iscor lands lucrative Chinese export deal

BIDAY 10/2/94

MICK COLLINS

IN A major boost for iron ore exports from its Sishen mine, iron and steel producer Iscor yesterday announced it had become a partner in the development and extension of a Chinese port at a cost of R45m

The partnership is at the iron ore harbour of Qianwan in the Qingdao Port complex on the northeastern coast of the People's Republic of China

Iscor has secured a dedicated iron ore storage facility for 300 000 tons and entered into a co-operation agreement with the Qingdao Harbour Authority.

Iscor iron ore business GM Johan Deetlefs said the venture opened up possibilities for future iron ore exports from Iscor's Sishen mine to China. The upgrading of the harbour facilities also created new opportunities for Safore — the shipping venture between Iscor and Safmarine

Sishen exported 1-million tons of iron ore to China in 1992/93, and this year's exports are expected to soar to about 4-million tons

In terms of the agreement a long-term working relationship has been established for the discharge, storage and reclamation of Iscor iron ore at the new Qianwan harbour, which is scheduled for completion by

April 1

"China's growth in steel production shows that it will surpass that of Japan (100-million tons a year) before the end of the century (189A) (220)

"China has experienced substantial economic growth over the past five years and this is expected to continue over the next five years, albeit at a slower rate (219)

"China is Iscor's latest customer for Sishen iron ore and we want to be part of this dynamic development opportunity. I predict that any increase in Sishen ore exports will, to a large extent, be absorbed by our growing customer base within China. We intend doing long-term business with this country," Deetlefs said.

He said Qingdao harbour was strategically situated in relation to the many Chinese steelworks which used Sishen ore

"The extension of the iron ore harbour of Qianwan ideally suits our future export needs to the northern part of China.

"The harbour currently has a handling capacity of 68-million tons of cargo and the extensions will increase the handling capacity to 100-million tons a year."

NU-WORLD
Fm 11/2/94
Placing equity

Electrical appliance manufacturer Nu-World is the latest company to take advantage of the JSE's new regulation in which the rights issue route is by-passed and new shares are issued for cash. To raise R3,2m as cost effectively as possible — expenses total only R68 000 — Nu-World has issued 1,3m shares at 250c each, increasing issued capital by 10% *(189D)*

The identity of the buyer is not being revealed. It is a financial institution which intends to pass the shares on to various pension funds and individuals through nominee companies. The controlling shareholders' stake, which includes holdings of two directors, will fall from 81% to 75%. The JSE has approved the deal, but holders of 90% of the equity will have to pass a resolution at a meeting on February 21, agreeing to waive any pre-emptive rights to which they may be entitled.

But why issue shares to an institution rather than offering equity to existing shareholders through a rights issue? Financial director Graham Hindle says this route was chosen because it is the "most cost-effective". If funds are raised in future it could be by this method or a rights issue. JSE regulations state that a company may not increase issued capital by this method by more than 10% in one year or by 15% in three successive years. However, the JSE committee may refuse permission.

MD Michael Goldberg says R2m of the proceeds will be used to repay interest-bearing debt, at the August year-end short-term

RECOVERY TRACK

Six months to	Dec '92	Jun '93	Dec '93
Turnover (Rm)	930,9	860,0	971,2
Pre-tax income (Rm)	71,4	73,0	214,4
Attributable inc (Rm)	110,8	64,8	164,2
Earnings (c)	59,0	34,0	87,0
Dividends (c)	20,0	30,0	25,0
Net worth (c)	1 132	1 133	1 197

Fm 11/2/94
 700 000 t/year from the previous 1 Mt/year, while ferrochrome production remains around 500 000 t/year.

Still, Salamon remains cautious on the outlook for market conditions during the rest of the year. "We are getting vaguely warm feelings about the end of 1994 and the people I talk to in Europe are not as miserable now as they were six months ago *(189A)*"

He says Samancor wants to repeat in the second half the R101,7m earned before abnormal items in the first half. He does not foresee further abnormal items. Rice Rinaldi Turner analyst Mike Wuth is forecasting full-year EPS of 120c (before extraordinary items) and is looking for a total dividend of 60c-65c (last year 50c).

The share firmed before release of the results and has reached a 12-month high of



Samancor's Salamon getting vaguely warm feelings

R36, putting it on a forward yield of 1,8%. In October it was yielding a historical 2,4%, at R21. The yield looked thin then and it looks a lot thinner now but this is a tightly-held stock. Anglo and Gencor have more than 70% between them and the market is taking a long-term view on recovery prospects and future growth from Columbus. *Brendan Ryan*

ENROL Fm 11/2/94

In transition

(189A)

The change from a company heavily involved in reclamation of metal from slag, to one incorporating the unlikely business of food distribution, has been difficult for DCM-listed Environmental Resources (Enrol)

"The state of the steel and ferrochrome industries, not only in SA but worldwide,

Activities: Reclaims metal from slag produced in steelmaking Is in the process of establishing stores in the field of distribution of foodstuffs and dry goods

Control: Vental Holdings 70%

Chairman: E Wolf, Joint MDs G C Wolf & JR J M Julienne

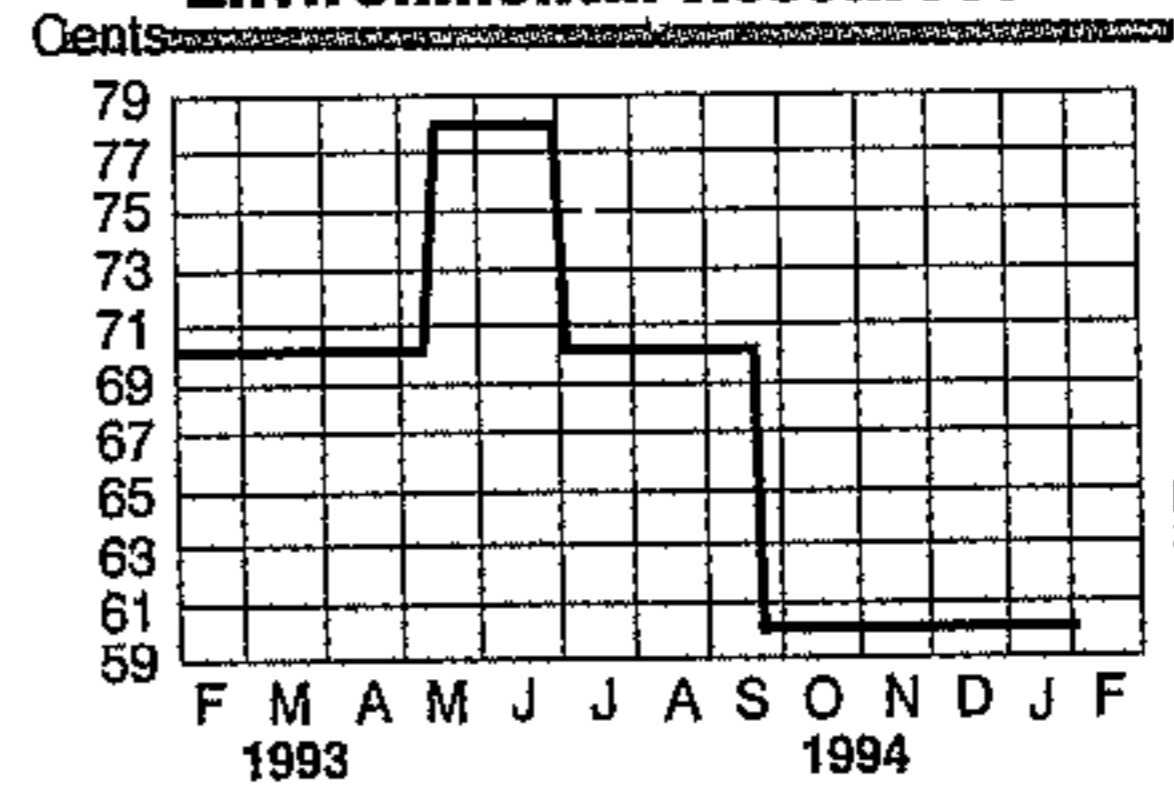
Capital structure: 17,5m ords Market capitalisation R10,5m

Share market: Price 60c 12-month high, 78c, low, 60c Trading volume last quarter, nil shares

Year to October 31	'90	'91	'92	'93
ST debt (R000)	—	—	84	22
LT debt (R000)	—	—	*1,2	431
Debt equity ratio	—	—	0,02	0,12
Shareholders interest	0,78	0,94	0,92	0,82
Return on cap (%)	5,3	1,8	n/a	n/a
Turnover (Rm)	1,0	0,6	1,6	0,5
Pre-int profit (Rm)	0,43	0,12	(0,73)	(1,28)
Pre-int margin (%)	41,7	19,1	n/a	n/a
Earnings (c)	4,6	0,5	(5,0)	(8,0)
Tangible NAV (c)	47	47	33	30

* Interest-free up to October 1993

Environmental Resources



Fm 11/2/94

forced us to make several major decisions in order to continue operations in the domestic market — one of which was to provide more scope for earnings growth," says joint MD Geoffrey Wolf (189A)

That was a year ago Management was faced with no signs of improvement in the steel and ferrochrome industry and had undertaken to strengthen Enrol's balance sheet and improve profitability The transition of the business which was embarked on in these circumstances contributed to further deterioration of earnings In the year to October, the operating loss widened to R1,4m (1992 R728 000), resulting in a loss per share of 8c Turnover more than halved to R544 000

But Wolf contends that measures taken during the 1993 year have been constructive At the Rustenburg slag reclamation operation, a profitable lease has been substituted for a loss-making processing contract

The Vereeniging operation has also been restructured The new Slag Reduction Pty — formed by a merger with specialist UK contractor Faber Prest Plc — has expanded and brought in two specialised furnace wrecking machines Wolf says these have been well received by Iscor

During the year, Enrol exported a metal reclamation plant to Russia and obtained the rights from Metalmil to use the technology from the reclamation of ferrochrome from slag in Kazakhstan and Romania This was financed by issue of 1,9m ords at 53c each to Metalmil

The cash-and-carry business Enrol entered last year has continued to expand This year new outlets will be opened in Port Elizabeth and Johannesburg areas; a site has been bought in Pietersburg Management's inten-

Cont p 118

COMPANIES

tion is to own the shopping complexes from which it operates, an activity Wolf considers within the scope of Enrol's expertise Since year-end, additional liquidity was

Fm 11/2/94

obtained by raising a debenture of R5m, and the funds were lent to a leasing company on favourable terms until needed So at least the balance sheet remains solid

(189A)

The share, at 60c is 23% off the annual high, but trades at double its NAV Earnings growth will have to accelerate soon to justify this

Marylou Greig

SAMANCOR

Fin 11/2/94

Benefits from cost cuts

Confronted by bombed-out markets for ferrochrome and good demand but flat prices for manganese alloys, Samancor has delivered better than expected interim results through a rigorous cost-cutting programme and rationalisation of the chrome division.

The figures reflect executive chairman Mike Salamon's belief that markets for Samancor's main products have bottomed. On a 4% increase in turnover to R971,2m (1992 interim: R930,9m) pre-tax profit increased by 57% to R101,7m (R63,4m) if the R54m abnormal profit item is stripped out.

The abnormal profit relates to the R79m settlement of a dispute with the Department of Trade & Industry in Samancor's favour, plus a R19m attributable profit on the sale of the Tubatse No 5 furnace partly offset by provisions of R44m. Provisions include a write-off of costs incurred in entering the medium carbon ferro-manganese market, as well as costs resulting from the restructuring of Silicon Smelters. Adding in those abnormal profits boosts taxed income 61% to R155,6m (189A).

Salamon says the chrome division accounted for 46% of interim turnover compared with 41% a year ago. But ferrochrome prices remain under severe pressure despite the 4% increase in world production of stainless steel to 11,6 Mt in 1993, from 11,1 Mt the previous year, and a 6% rise in Western world ferrochrome consumption to 2,6 Mt.

After holding steady at about US42,5c/lb for the last three quarters of 1993, Salamon says, Samancor's prices for first quarter 1994 delivery have dropped by US1c-US1,5c/lb.

Ferrochrome capacity cut

The manganese side has taken off as Samancor has picked up business from ferro-alloy plants forced into closure around the world, but prices remain depressed. Demand is such that it cannot be met from the group's Metalloys plant, five of Samancor's 19 ferrochrome furnaces have been switched to production of manganese alloys. Another two have been switched to ferrosilicon production. This has reduced Samancor's overall ferrochrome production capacity to

Vantra were commissioned. The modifications made will enable Highveld to remain the world's lowest cost producer of vanadium products

Ferro-alloys

International ferrosilicon markets were affected by anti-dumping duties imposed by various countries, which resulted in diversions of material to non-traditional markets. Chinese and CIS exports continued to play a major role in keeping prices depressed. Nevertheless, Rand Carbide was able to increase sales to about 70 per cent of capacity during the year. Demand for carbonaceous products showed a slight improvement over that in the previous year.

The combination of a stabilisation in international prices for manganese alloys, reduced input costs and other operational efficiencies, allowed better capacity utilisation at Transalloys and resulted in a satisfactory performance from that division.

Rheem

The Rheem aluminium can plant was commissioned during August 1993. Although this was later than originally scheduled, at the time of the first delivery to the customer production was already in excess of the rated line speed. The high quality which has consistently been attained has resulted in exceptional market acceptance of the product.

In Rheem's traditional business the year saw a further market contraction, particularly in the Transvaal, and some smaller customers moving to alternative packaging. This, and the need to contain costs, led to some rationalisation of manufacturing activities and, regrettably, a reduction in the number of people employed.

Columbus Steel

The existing plant performed well, achieving an all time record annual output. Margins were satisfactory for most of the period but weakened significantly in the third quarter following low nickel prices and deteriorating markets in Europe and the Pacific Rim. World production of stainless steel was again a record in 1993, surpassing the previous best achieved in 1992.

The expansion project is proceeding according to schedule, both in terms of time and cost. By year end a major portion of the earthworks and civil construction was complete as was much of the steelwork erection for the cold mill area, which is due to be commissioned in late 1994. The new steelmaking and hot mill facilities are planned to come into production in the first half of 1995. Total

Pw 1112/94
expenditure on this project thus far has been R1 271 205 000

Future economic policy

With regard to the future economic policy to be pursued by the new South African Government, concern has to be expressed at the frequent, confusing and often contradictory statements made by the various ANC spokesmen. This has undoubtedly led to great uncertainty and has had a negative impact on foreign investment in South Africa. It is therefore encouraging that the ANC is now showing much greater attention to close consultation with industry and has jointly agreed to structured dialogue on minerals policy.

Part of the debate on mineral rights involves the question of incentives for small mining ventures. As mentioned earlier in this review, Highveld purchased Transvaal Alloys, which is the third small vanadium operation to fail financially in the past five years, the other two being USCO and Vansa. The construction of the Rhovan vanadium plant will exacerbate the vanadium imbalance further. These examples illustrate how easily the market for some commodities can be severely disrupted and the debate on incentives for small mining ventures should be viewed in this context. In most of the base metals produced by South Africa there is no world shortage of capacity and, as a result, most producers are operating below capacity. While it is important that free market principles apply, further ventures will only result in price reductions and reduced export receipts for the country.

It has also been suggested that a Minerals Marketing Board be established for South Africa when this has clearly failed in other countries such as Zimbabwe. The one thing the mining and metallurgical industry does not need is interference in its marketing policies by Government. The idea that a government agency can market minerals better than the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms. The lack of market incentives often quickly render government agencies inefficient. Bureaucratic delay and overstaffing are normal. Beyond these concerns is the danger that a government agency would attempt to cartelise production with possibly disastrous consequences for long-term market development and South Africa's share of the market.

One other issue that is of concern to Highveld and the metallurgical industry generally is the suggestion through the National Electricity Forum that power consumers be levied in order to finance township electrification. The need for this electrification is accepted. However, the global competitive position of South Africa's power-intensive industries, such as

the ferro-alloy and gold mining industries, will be seriously impacted by an increase in one of the major cost elements, resulting in further job losses and lower foreign exchange earnings.

It is important for the ANC to arrive at a clear and credible set of economic proposals, and for these to be promoted in a co-ordinated and consistent way. The country desperately needs new investment in order to create jobs and everything should be done to encourage rather than discourage both local and foreign investors.

Manpower

With higher operating levels the group strength at year end was 6 575 compared to 6 465 in 1992.

Agreement was reached with all the unions involved on improved wages and other conditions of service for the July 1993 to June 1994 period.

Outlook

The world's consumption of steel in 1994 is forecast by the International Iron and Steel Institute to remain at the same level as that of 1993. Further declines are foreseen in Europe, Japan and the CIS with compensatory growth in China, the Pacific Rim and South America. It is expected that prices in dollar terms will hold at close to current levels.

The consumption of vanadium is likely to continue at current levels, but prices will remain low. The demand for stainless steel will be firm and it appears that prices have bottomed out following an upturn in the nickel price.

A major positive factor for the group will be the contribution from the first full year of operation of the aluminium beverage can facility.

Early 1993 represented a low point in business conditions for the Highveld group. Given political and labour stability in South Africa during 1994, an increase in normal earnings can be expected over those achieved in 1993.

General

The Corporation's financial results show an improvement over those for 1992, despite trading conditions for the group's products having remained difficult. I thank the managing director, Trevor Jones, his management team and all employees for all their efforts and I am certain they will rise to the challenges of 1994.

L. Boyd

Witbank

8 February 1994





HIGHVELD

STEEL AND VANADIUM CORPORATION LIMITED

Registration No 60/01900/06
(Incorporated in the Republic of South Africa)

DIRECTORS L Boyd (Chairman) T E Jones (Managing) H F Boshoff, W G Boustred W F E Bragg (British), B E Bullett (British)
J A Chegwiddden H K Davies R R Ellwood J Hall (British) M W King G Langton L Matteucci D M J Ncube M C O Dowd
J Ogilvie Thompson N F Oppenheimer, N S Park, Dr A J Pienaar G W H Relly AJ Trahar

ALTERNATIVE DIRECTORS P M Baum C J Buys R M Godsell C J Hull B Sparke, C L Sunter (British) C W P Yates (British)

Abridged Chairman's Review and Final Dividend Declaration

189A ~~215~~

**An increase in normal earnings can be
expected over those achieved in 1993, given
political and labour stability in South Africa during 1994**

Earnings in 1993 were an improvement on those reported in 1992. This arose from increased volumes, a weaker rand to US dollar exchange rate and higher US dollar export prices for most of the group's products, together with the positive effect of the reduction in the tax rate from 48 to 40 per cent which resulted in a deferred tax release of R57 900 000.

The earnings per share increased to 143,8 cents compared with 80,1 cents in 1992. The attributable income, including net interest of R34 043 000, was R127 190 000, after providing R62 553 000 for depreciation, R2 654 000 secondary tax on companies, a deferred tax charge of R17 451 000 and the deferred tax release as referred to above.

Following the decision by the Industrial Development Corporation to become an equal partner in the Columbus expansion, a one-sixth share of Columbus was sold to the IDC for R120 000 000 resulting in an extraordinary profit of R23 511 000.

Based on the results achieved, the Board has decided to increase the final dividend to 30 cents per share, making a total dividend for the year of 50 cents per share compared with 45 cents per share in 1992.

In view of the demand for cash for the Columbus development, shareholders will be given the right to elect to receive capitalisation shares as an alternative to the final dividend in respect of all or part of their shareholdings. The major shareholder has indicated its intention to elect to receive capitalisation shares in respect of its entire shareholding.

Steel

Apparent world steel consumption declined marginally in 1993. Whilst



consumption in the United States improved by 2 per cent over 1992, in the European Union it declined by 8 per cent.

Early in 1993 international steel prices improved as a result of substantial economic growth in China, however, this trend reversed in mid-year when China introduced stricter financial constraints to curb its overheated economy. It is worth noting that in 1993 China moved ahead of the USA and is now the world's second largest steel producer behind Japan.

In South Africa, steel consumption improved with the advent of several major capital projects. This, together with a buoyant agricultural sector and low steel merchant inventories, led to a substantial increase in domestic sales over those in 1992.

With improved domestic demand and the better export returns, arising from

somewhat better international prices and the weakening of the rand against the US dollar, the ironmaking facilities at the steelworks were progressively brought back to full capacity and steel production for 1993 was 960 637 tons compared to 833 572 tons produced in 1992.

A product enhancement programme comprising a major upgrade of the slabcaster and the installation of a ladle furnace to improve the quality of hot rolled flat products was successfully completed towards the end of the fourth quarter at a cost of R56 million.

Vanadium

Vanadium consumption continued at the poor levels reported last year. The world over capacity and the continued presence of large volumes of low priced vanadium pentoxide and ferrovanadium emanating from Russia caused prices to decline to levels last seen during the recession of the early 1980s.

Towards year end negotiations were finalised for the purchase of the South African vanadium producer, Transvaal Alloys (Pty) Limited, which will gain Highveld entry into the small but important vanadium chemical market. World over capacity nevertheless remains and it is disappointing to note that the new Rhovan project is proceeding at significant capital cost.

The reactor for producing vanadium trioxide at the Vantra division was used in campaigns as dictated by the market and the increased capacity slag milling and reagent handling facilities for the kiln at



PTC

HIGHVELD STEEL & VANADIUM

Turnaround time

FM 11/2/94

Shareholders will welcome chairman Leslie Boyd's message that 1993 was the nadir of Hiveld's fortunes, though they have that normally much maligned individual — the Receiver of Revenue — to thank for their higher dividends. Without the R57,9m that came through because of the drop in the tax rate to 40% from 48%, normal earnings would have dipped marginally to R69,3m (1992 R70,8m).

But Boyd has now called the bottom and expects normal earnings to improve this year, with the caveat that politics and labour remain stable. However, Hiveld still appears to be taking a conservative view on finances, as shown by the decision to offer shareholders scrip instead of the 30c final dividend. Amic, which holds 51%, has agreed to take the shares, so at least R13,8m of the R26,5m final payout will remain in Hiveld's coffers. The cash retention could be much higher given the popularity of these scrip dividends with institutional shareholders.

A year ago Boyd was confident Hiveld could fund its R715m commitment to the Columbus stainless steel project without recourse to shareholders, but the capitalisation issue appears to indicate some concern. Says Boyd "We're just being prudent and we think Hiveld's current high share price offers us a good opportunity to conserve cash. We would not have done this if the share price was lower."

What has given him confidence for 1994 is a combination of better dollar prices for steel exports, with revenue further boosted by the weaker rand, and the strength of local recovery. "The recovery in the SA economy is continuing, it is real and it is meaningful."

Boyd says that by the end of 1993 Hiveld was running at full iron-making capacity for the first time in years. Steel production for 1993 rose to 960 637 t (1992 833 572 t).

The ferro-alloys business has also picked up, with Hiveld's production rising to 213 000 t (1992 164 000 t) though prices remain depressed. Domestic steel demand was boosted by several major capital projects and a buoyant agricultural sector.

"Steel merchants have also been replen-



Hiveld's Boyd recovery is continuing

ishing inventories which they ran down during the recession," says Boyd. "This, plus the general improvement in consumer demand, added up to a double-whammy in our favour."

Another plus was the first income from the Rheem aluminium can plant. It started operations in August and has capacity to supply 20% of the local market for beverage cans which is now dominated by steel cans. The plant has moved immediately to its full production rate and Boyd is sizing up prospects for doubling production. He points out a second production line could easily be fitted into the existing building. Developments will depend on market growth and the action of potential competitors.

The trouble spot remains vanadium. The Vantra division — which was closed in June — has been started up again, but Hiveld MD Trevor Jones won't say how long the production run will last. Prices are back to levels last seen in the recession of the Eighties and could worsen once the Rhovan plant starts production later this year.

Jones declines to break down the sectoral contributions to Hiveld's profit and provides only a rough split on turnover contributions. Steel now accounts for more than half of turnover while the Rand Carbide, Trans-

alloys, Rheem and Columbus operations account for between 8% and 12% each.

The share price, at 1 650c, has retreated from the 12-month high of R20 set early in January but could well appreciate given Boyd's bullish view.

Brendan Ryan

189A ~~277~~
 SAMANCOR FM 11/2/94
Benefits from cost cuts

Confronted by bombed-out markets for ferrochrome and good demand but flat prices for manganese alloys, Samancor has delivered better than expected interim results through a rigorous cost-cutting programme and rationalisation of the chrome division.

The figures reflect executive chairman Mike Salamon's belief that markets for Samancor's main products have bottomed. On a 4% increase in turnover to R971,2m (1992 interim R930,9m) pre-tax profit increased by 57% to R101,7m (R63,4m) if the R54m abnormal profit item is stripped out.

The abnormal profit relates to the R79m settlement of a dispute with the Department of Trade & Industry in Samancor's favour, plus a R19m attributable profit on the sale of the Tubatse No 5 furnace partly offset by provisions of R44m. Provisions include a write-off of costs incurred in entering the medium carbon ferro-manganese market, as well as costs resulting from the restructuring of Silicon Smelters. Adding-in those abnormal profits boosts taxed income 61% to R155,6m.

Salamon says the chrome division accounted for 46% of interim turnover compared with 41% a year ago. But ferrochrome prices remain under severe pressure despite the 4% increase in world production of stainless steel to 11,6 Mt in 1993, from 11,1 Mt the previous year, and a 6% rise in Western world ferrochrome consumption to 2,6 Mt.

After holding steady at about US\$42,5c/lb for the last three quarters of 1993, Salamon says, Samancor's prices for first quarter 1994 delivery have dropped by US\$1c-US\$1,5c/lb.

Ferrochrome capacity cut

The manganese side has taken off as Samancor has picked up business from ferro-alloy plants forced into closure around the world, but prices remain depressed. Demand is such that it cannot be met from the group's Metalloys plant, five of Samancor's 19 ferrochrome furnaces have been switched to production of manganese alloys. Another two have been switched to ferrosilicon production. This has reduced Samancor's overall ferrochrome production capacity to

ABNORMAL IMPROVEMENT

Year to	Dec '92	Dec '93
Turnover (Rm)	1 488,8	1 685,2
Pre-tax income (Rm)	74,4	86,1
Attributable income (Rm)*	76,3	150,7
Earnings (c)*	80,1	78,3
Earnings (c)†	80,1	143,8
Dividends (c)	45,0	50,0

* After extraordinary item. † Including abnormal item. • Excluding abnormal item

COMPANIES

Training costs Columbus R80m

THE R3,5bn Columbus joint venture in Middelburg is to invest R80m on training during the next three years to enable its employees to operate new equipment in the expanded stainless steel plant

About 70% of the budget will be invested in technical training, mainly for senior artisans, operators and technicians

The company said yesterday about 20% would be allocated to education, including basic adult education. Another 10% would be used to further the skills of managers and supervisors

"Of the nearly 1 200 people who will need training, between 100 and 150 will be trained overseas (UK, Austria, Sweden and Germany) by the suppliers of the new equipment for the expansion project.

"Ten of these employees, who will be working in computer-related fields, will spend between 10 and 14 months in the UK and Austria. They will be accompanied by their families for the duration of their training. This will cost the company about

MICK COLLINS

R8m alone" *BIDAY 11/2/94*
Columbus human resources GM Wilhelm Prinsloo said it would probably be cheaper to employ new people than to train existing employees (189A)

"However, it is part of our values to use our existing resources and to provide our employees with opportunities to attain higher skills levels and more skills. We believe this will benefit them as well as the company

"One of the biggest challenges is posed by the fact that this is a 'brown fields project' which makes it difficult to withdraw personnel for training while production in the current plant is being pushed to the limit"

The new plant, which will have a capacity of 500 000 tons a year, is to be commissioned towards the end of 1995 and full production will be possible by 1997

R750m trimmed off Alusaf's costs

ALUSAF's Hillside smelter will cost shareholders at least R750-million less than the budgeted R7,2-billion and will come on stream six months ahead of schedule, says Gencor chief executive Brian Gilbertson

The Columbus joint venture is also under budget and will produce its first steel before the end of the year (189A)

Alusaf is expected to produce its first aluminium in July or August next year, reaching full production of 680 000 tons a year in 1995

The savings are the result of better-than-expected efficiencies and lower capital and material costs

The final tab for Alusaf could be even less than the revised R6,45-billion Alusaf will be cash positive earlier than expected

The successful conclusion of negotiations with Shell for the acquisition of international minerals group Billiton could transform Gencor into one of the world's top bauxite-alumina-aluminium producers, surpass-

By CIARAN RYAN

ing the group's gold interests

Billiton has large bauxite and alumina interests

"We expected to have the Billiton deal wrapped up by now, but there are numerous obstacles," says Mr Gilbertson 13/2/94

"If it isn't wrapped up by June I'm going to jump out the window"

Progress has been made in securing finance for the deal. Negotiations are complicated by the pre-emptive rights of Billiton's many partners.

He hopes the deal can be concluded before commodity prices start recovering.

Last year's unbundling of the group was an unqualified success, says Mr Gilbertson

"We deliberately chose to focus the group on mineral resources, making it unique. If the Billiton deal comes through the only group which will compare with Gencor will be RTZ"

COMPANIES

Samancor's stock prospers

STimes (Buss)

SAMANCOR shares added 250c to R36,50 this week on greatly improved results for the six months to December 1993.

Highveld Steel & Vanadium also added 75c to R17,75 after its 1993 figures were released the next day.

Samancor's turnover rose 4% to R971-million in the six months to December. Pre-tax income almost trebled to R214-million and attributable earnings climbed by almost half to R164-million.

Earnings a share of 87c led to a 5c rise in the dividend to 25c.

Chief executive Mike Salamon says that on a truly comparative basis, Samancor's pre-tax profit climbed by 57%.

Highveld's turnover rose by 13% to R1,68-billion and pre-tax income by R12-million to R86-million. A release of R58-million in deferred tax was treated as abnormal profit.

An extraordinary profit of R23,5-million was made from the sale of a stake in stainless-steel group Columbus to the Industrial Development Corporation.

Highveld and Samancor reduced to a third each their holding in Columbus after selling shares to the IDC. So far, R1,27-billion has been spent on Columbus's devel-

By JULIE WALKER

To conserve cash, Highveld is to offer a scrip alternative to the dividend payment.

Chairman Leslie Boyd comments on the ANC's sometimes confusing and contradictory statements about economic policy.

He says that part of the debate on minerals rights involves the question of incentives for small mining ventures. Highveld bought Transvaal Alloys, which became the third small vanadium operation to fail financially in five years after Usco and Vansa.

Mr Boyd says "These examples illustrate how easily the market for some commodities can be severely disrupted and the debate on incentives for small mines should be viewed in this context."

"The idea that a government agency can market minerals better than can the private sector is as poorly founded as the more general idea that government can run the productive economy better than private firms."

Impala Platinum chairman Michael McMahon sums it up. "It certainly has anti-trust implications."

In the six months to December, Impala received higher prices for platinum and palladium, but less for rhodium and nickel. Turnover was 7% higher at R1,1-billion. All the group's stocks were sold, reducing costs.

Impala's financial performance was little different than in the six months to December 1992, attributable income reaching R83,3-million.

However, capital expenditure cannot be compared two years in a row and the amount spent and put aside meant a 10% reduction in distributable income to R53-million, of which R28-million will be paid in dividends of 45c a share.

Mr McMahon does not expect an improvement in earnings for the rest of the year because of weak demand and prices. Genbel's Anton Botha is bullish about the JSE.

"You can't be anything else when you have borrowed R1-billion to buy shares and futures," he says.

Genbel has a new look, soon to be matched by a new name in another JSE sector, and by new premises, it is temporarily lodging in the old Rand Mines Corner House in Johannesburg.

Mr Botha would have investors monitor

the progress of Genbel through its balance sheet rather than the income statement.

In the six months to December, the absence of a payment from Sappi lowered dividend income by R20-million at R56-million.

However, Genbel realised a gain of R38-million from its capital portfolio and R97-million on trading, to push total income to R206-million.

Genbel provided R80-million against developing assets Oryx, Randex and Alusaf. Earnings a share were down 44% at 18c and the dividend was cut by a third to 10c — a figure based on the yield of the JSE all-share index.

Genbel's net asset value climbed by 39% to 825c a share, it is 645c on the JSE. The net asset value is conservatively calculated. Another 52c is hidden in notional tax payments and development assets.

Mr Botha says Genbel's exposure to commodities hampers its performance and it will gradually reduce its investments in the sector.

It uses the futures markets to take a view on movements in equity prices and accounts for its futures expenditure as though it had paid full price for the shares, not merely the margin.

Metal goods exports likely to grow 19%

BIDAY 17/2/94

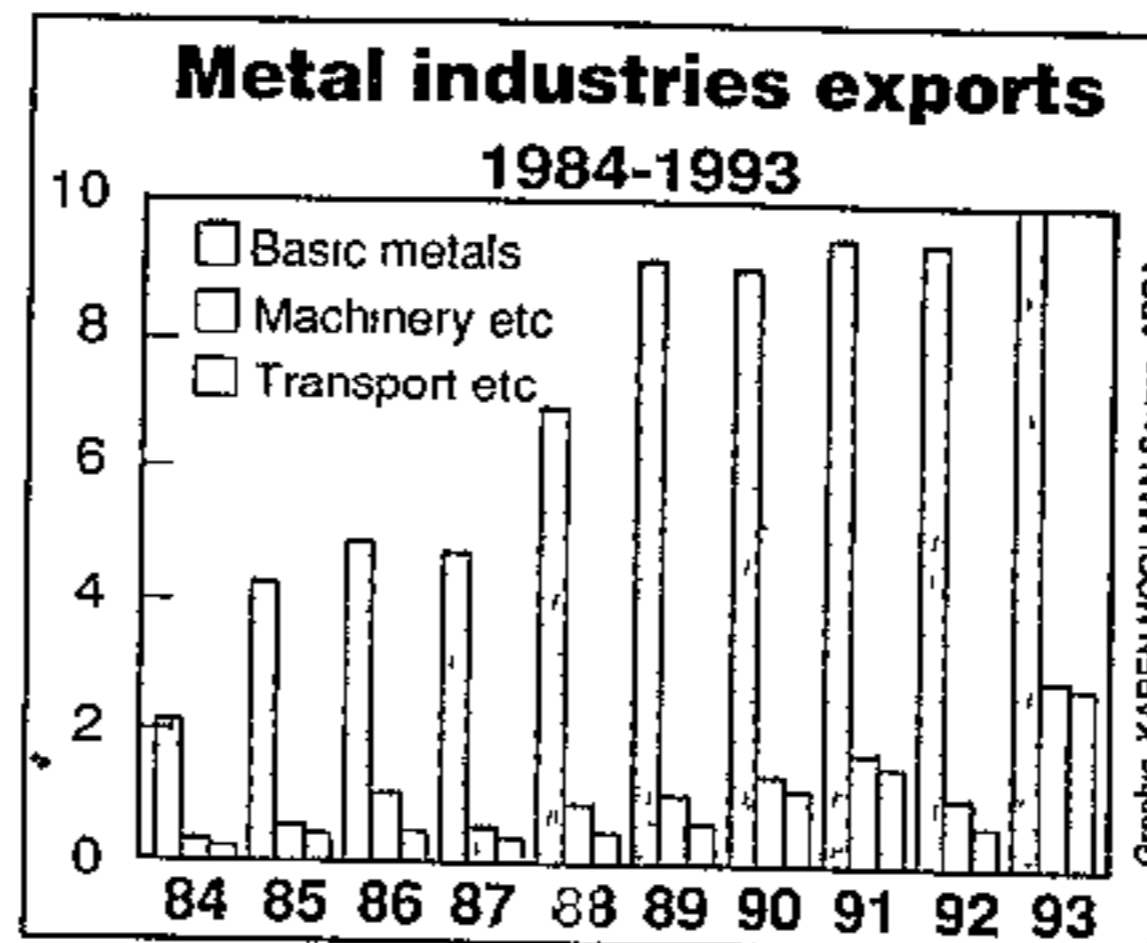
MICK COLLINS

METAL industry exports are expected to grow more than 19% over the next two years to reach R12bn, according to the SA Steel and Engineering Industries' Federation (Seifsa)

The growth, it says, will be largely stimulated by the expected improvement in world economies, changes in SA's international trade policy, a more competitive local industry as a result of the removal of unnecessary tariff protection and the removal of virtually all international sanctions against SA.

Quoting figures supplied by the CSIR's Central Economic Advisory Service, Seifsa says exports rose from R2,1bn in 1984 to about R10bn last year. Basic metals, including iron, steel and non-ferrous metals increased from more than R2,1bn in 1984 to R4,2bn in 1985.

"This remarkable increase was partially due to the sharp decrease in the value of the rand, but also to a major drive by metals producers to increase export performance at a time when local demand



was particularly slack," it says

Exports of basic metals rose to more than R9bn in 1989 and in 1993 peaked at just under R10bn. "Ironically, this was achieved at a time when there was a world oversupply of steel of about 15% and prices for steel, aluminium and many other commodities were very low due to poor economic performance in most northern hemisphere economies.

"Exports of electrical and non-electrical

To Page 2

Metal industry

BIDAY 17/2/94

From Page 1

machinery, motor parts and other manufactured products also increased considerably over this period from just over R300m in 1984 in the machinery sector to R2,8bn in 1993. Transport equipment, including motor vehicles, parts and accessories shot up from about R170m in 1984 to nearly R2,7bn in 1993.

It says the finalisation of the Uruguay Round of GATT will bring about major changes in SA's international trade policy.

"The concessions made by SA on tariff reductions over a period of between five and 12 years, along with the accession to more than 20 codes on international trade conduct, will present major challenges to SA industry and will represent the greatest change in SA's international trade policy in more than 40 years.

"Local producers and manufacturers will need to become more competitive if they are to survive exposure to full-scale international trade. However, just as SA will be bringing down its trade tariff barriers, so will its trading partners."

On the domestic front Seifsa says order intake levels are at their most favourable since the start of the recession in 1989. Political uncertainty and the continuing high level of violence appear to be the only inhibitors to a major economic upswing in the industry this year.

On labour, Seifsa says the encouraging downward trend in retrenchments in the metal and engineering industries is expected to continue.

"Later this year, once we have got over the elections and a proper recovery is finally under way, we can expect to see some growth in employment numbers. However, it is highly unlikely that employment in the industry will ever be as high as it was in 1981 when we had more than 450 000 hourly paid workers.

"Probably, even at major peaks in economic cycles, the highest number to be employed in the industry in the foreseeable future would be between 360 000 and 380 000 workers," Seifsa says.

Platinum holds above \$400

PLATINUM held above \$400/oz yesterday — its highest level in more than six months — but industry sources warned that the price was not sustainable, and would offer

ANDY DUFFY

little relief to battered earnings

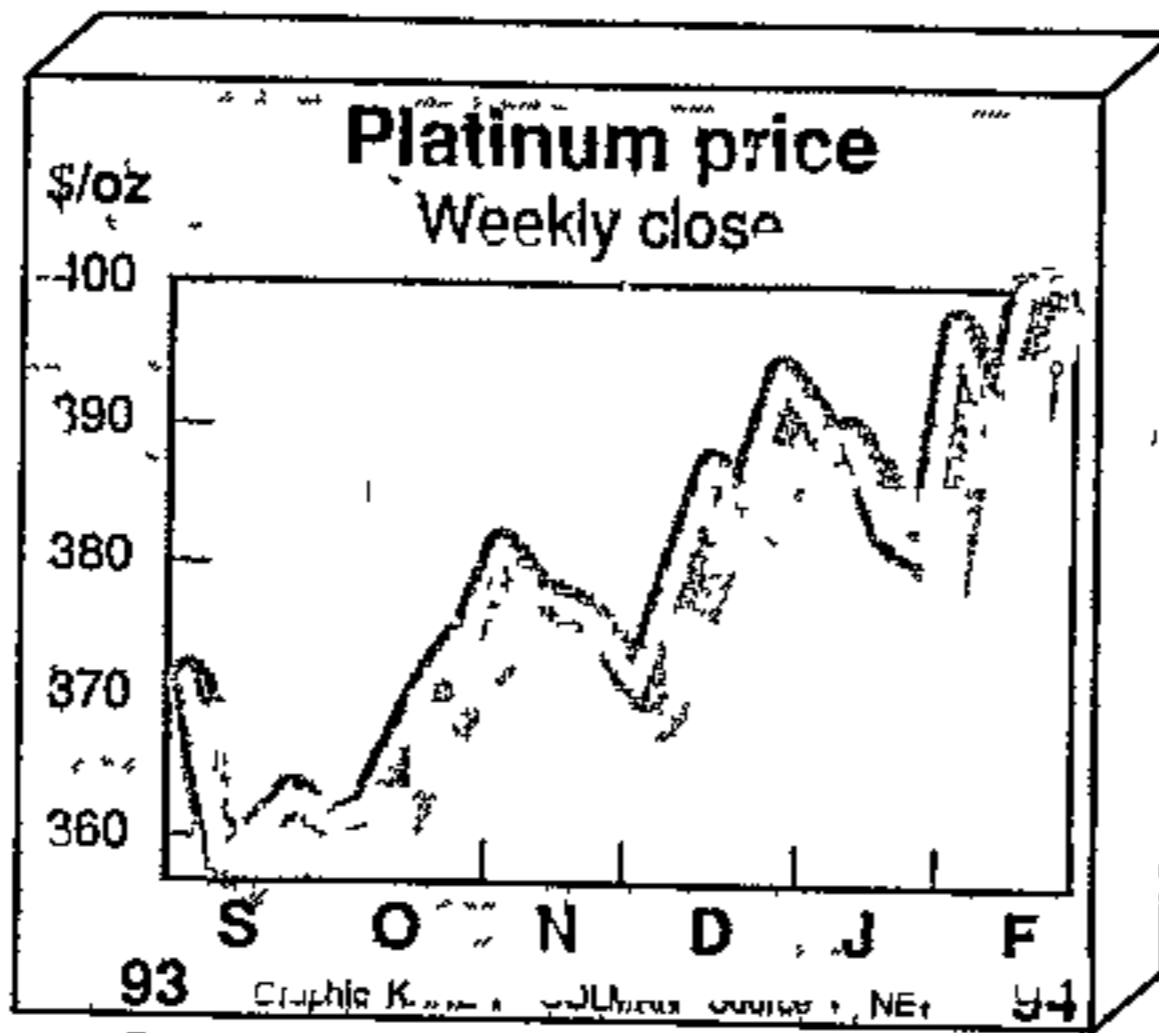
The metal, for which Rustenburg Platinum and Impala Platinum are the world's leading suppliers, reached a London afternoon fix of \$400.75, a 25c gain on the previous day's close **BIDOM 1712194**

Though demand from the autocatalyst and industrial sectors had shown signs of firming, market sources said platinum's ascent was being driven by US and Japanese investment funds **(189A)**

Industry analysts said gross oversupply in the market would not justify a platinum price much above the gold price this year, against an average \$20 premium over the past two years

But fears that political turmoil could

To Page 2



Platinum

BIDOM

1712194

From Page 1

disrupt the SA industry could see the metal bounce between \$380 and \$420

The metal had punched through \$400 in London on Tuesday — its highest level since August — on a combination of the Japanese yen strengthening against the dollar and concern surrounding the SA political process. April delivery rates hit \$404 on the New York Mercantile Exchange yesterday morning **(189A)**

Leading platinum refiner Johnson Matthey told Reuter that the elections would "undoubtedly" interrupt SA platinum production. Production could also be hit by Bophuthatswana's refusal to take part in the poll and its demand for independence. Much of SA's platinum production, and all Implats operations, are located in the homeland.

But Implats chairman Mike McMahon said that he did not expect production would be disrupted. Such concerns, he added, were all "good stuff. Long may it continue to drive the platinum price up."

The platinum producers' index tends to lag the metal's movements, but Rusplats

and Implats both notched strong gains on the JSE, lifted by overseas interest. Rusplats closed up 125c at R76.25, while Implats moved forward 150c to fix at R57.50

"Like most market movements, we're loathe to read too much into it," Rusplats marketing director Todd Bruce said. But a shortage of platinum sponge, used primarily in the autocatalyst and oil refining industries, had led to firmer prices.

US consumption had risen in tandem with the country's economic recovery, while industrial buyers in Europe and Japan were examining stock levels.

The autocatalyst and industrial sectors are thought to account for roughly half world demand, estimated last year to have been about 4.02-million ounces.

Sluggish metal prices reined in the fortunes of both producers in the six months to December, despite operational gains.

Analysts said second-half earnings would at best match those of the first six months, with any gains in platinum dented by flagging rhodium prices.

Sentrachem adds some wings to its export drive

SI Times 20/2/94

By CHERILYN IRETON

SENTRACHEM has moulded subsidiary Sentrachem International to help achieve its goal of a quarter of all turnover from exports of South African-made chemicals.

Sentrachem has had representatives in the US and UK for several years, but sanctions forced them to concentrate on procurement of raw materials for SA manufacture

With SA firms becoming acceptable trading partners, Sentrachem has bundled these operations and those of a new branch in the Far East under the Sentrachem International banner

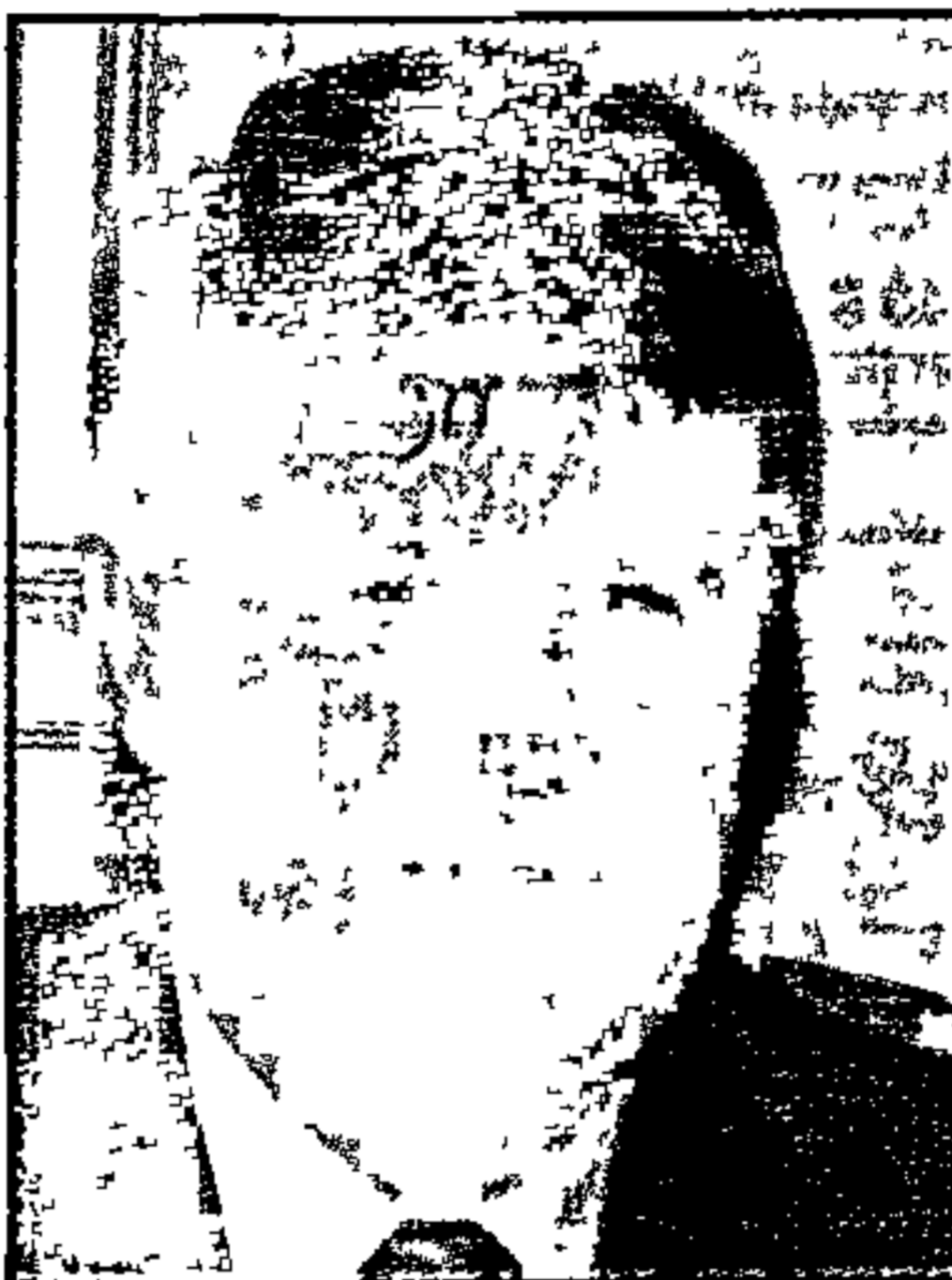
An aggressive export drive will go with the new visibility

A key task for employees in Houston, London and Hong Kong will be to find markets for value-added products, says Sentrachem managing director John Job

Areas of particular interest to the new Hong Kong office are China, Vietnam, South-East Asia and the Pacific Rim

About 13% of Sentrachem's sales of R3-billion are exports.

Mr Job says "We've been driving exports hard from SA, but now we want to develop demand abroad. The three foreign offices will act as our eyes and ears"



JOHN JOB

In recent years foreign activities have been piecemeal, "packaged in brown paper bags. The priority now is to make exports fly."

Procurement of raw materials will continue to be an important function of Sentrachem International, particularly from the oil fields of the Gulf of Mexico

"South Africa is not endowed with all of the seven most important petrochemical building blocks. We will continue to need materials to fit our various molecular jigsaw puzzles," says Mr Job

The R294-million rights issue is not intended for international operations.

The capital will go largely to strengthening the group's balance sheet.

The export drive is being assisted by co-operation on pricing of raw materials by other chemical companies. (189A)

Mr Job says, "We are only interested in investing in and exporting products which are competitive"

Trade and tariff reforms in line with those to be introduced under the Uruguay Round of the General Agreements on Tariffs and Trade will "ultimately help the South African chemical industry", says Mr Job

"There is no point in believing that the Gatt deal will be neutral. We are already getting out of producing things that do not fly"

This philosophy led to the closure last year of Sentrachem's polystyrene manufacturer.

Sentrachem International's US representative Roger Leedy says chemical markets in America are starting to rebound, albeit slowly. In general the chemical sector lags behind the general economic recovery

But record low crude-oil prices are causing havoc in the chemical industry. Few producers can sell products without suffering a loss

"Pricing in general terms is disastrous. But we hope the balance between supply and demand will tighten, particularly for specific by-products," says Mr Leedy

Alusaf smelter project

'may cost R1bn less'

189A
CT23/2/94
Own Correspondent

JOHANNESBURG — Alusaf's Richards Bay Hillside smelter project is on line to come in at nearly R1bn under its initial R6,3bn budget

In interim results published today the aluminium producer said a recent in-depth review of the project's capital cost had resulted in a revised estimate (excluding interest) of R5,4bn

Reduction

The revised estimate — which included a contingency of R353m — indicated a possible saving of R930m

The anticipated reduction in capital cost, lower interest rates and the drop in inflation would reduce the level of debt at peak funding to about 43% of funds employed against the original budget of 54%

Loan funds were expected to peak at R2,2bn in June 1996 compared with the original budgeted loan funding of R3,5bn. Foreign export credit-based loan facilities, which had been finalised with major supplier countries, would make up the bulk of the loan funding

"A loan and guarantee facility of R3,2bn has been negotiated with a consortium of local SA banks to cater for foreign loan guarantees as well as local funding requirements. In addition, the Industrial Development Corporation has made an R800m loan facility available"

By last December R1,5bn of the

R3bn equity contribution committed by shareholders had been received. The remaining contributions would be received in two tranches before the end of this December

Progress on the project in regard to both schedule and cost had been better than planned. The production forecast of first metal in the third quarter of 1995 and full production of 466 000 tons per annum a year later was on track. About 75% of the total cost had been committed

Difficult

Due to difficult trading conditions, turnover for the six months to December came in at R378m (1992 R381m) but operating income was up 33% at R8m (R6m). Pre-tax income was unchanged at R13m, but due to a much lower tax bill, after-tax income was R10m (R7m). Due to major capital expenditure the dividend was passed again

"Trading conditions proved difficult as a result of continued recessionary conditions worldwide, high aluminium stock levels and low LME prices which averaged \$1 140 a ton. Successful efforts by management to contain the increase in unit production costs to 1,2% helped contribute to the favourable result"

"If the LME price remains at around the same level as the first six months, income after tax is forecast at a more or less breakeven position"

Iscor's earnings rocket

(189A)
CT25/2/94

Own Correspondent

JOHANNESBURG. — Steel producer Iscor yesterday announced a 72% increase in earnings to R215m for the six months to end-December from R122m recorded in the previous period. The company also announced a capitalisation share award in lieu of an interim dividend.

Turnover increased 11% to R4,7bn (R4,2bn) mainly as a result of a 19% increase in iron ore exports, a 20% increase in coal sales to Eskom and the effect on export sales of the weaker rand.

Increased steel export prices in dollars as well as an 8% increase in local steel sales also had a positive effect on turnover.

Pre-tax income came in 82% higher at R233m (R128m) while income attributable to shareholders was R215m (R125m), or earnings a share of 11,5c (6,7c). An interim dividend of 3,24c (2c) was declared.

The capitalisation shares will be awarded to ordinary shareholders in the ratio of 1,2 new fully paid shares of

R1 each in Iscor for every 100 ordinary shares held. Where odd lots exist (under 100) the Iscor Pension Fund will purchase such rights at 270c a share.

MD Hans Smith said the company had refocused on cash management and measures to drastically reduce borrowings. Net borrowings for the six months decreased R133m. This reflected a significant turnaround as Iscor's net borrowings had steadily increased from R200m at privatisation to more than R2bn at end-1993.

A concerted effort was being made to reduce debt. The medium-term aim was a 50% reduction in borrowings from the June 1993 levels by December.

Total steel volumes sold declined 2% mainly due to product availability from Newcastle as a result of a planned blast furnace relining. Export volumes decreased to 52% (56%) of total steel sales volumes.

Smith said a re-engineered Iscor would look upon its mining activities for longer real term growth. Business units and investments that did not contribute to Iscor's strategic objectives would be phased out.

Earnings soar on Iscor's iron exports

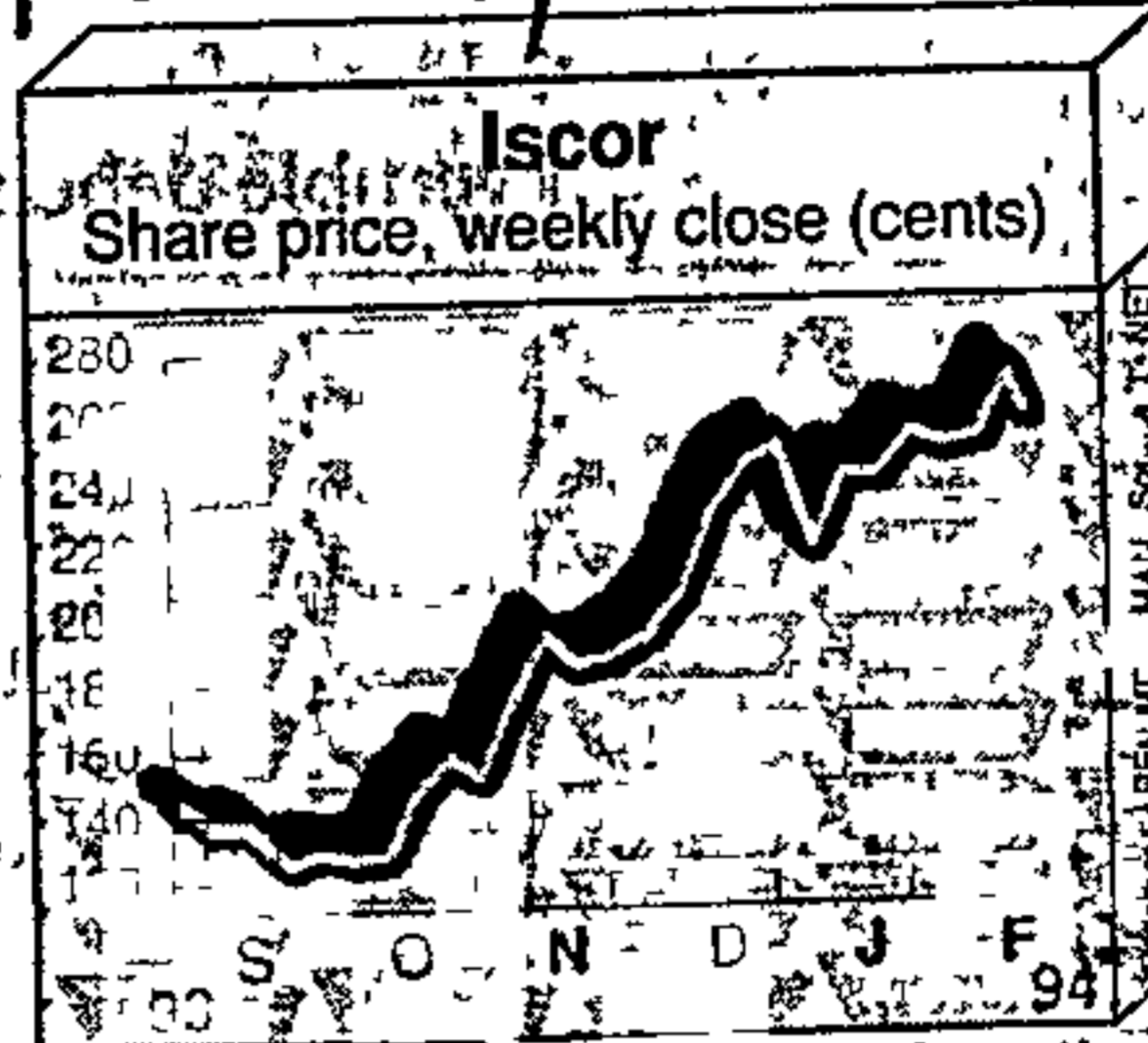
Biday 25/2/94

MICK COLLINS

STEEL producer Iscor yesterday announced a 72% increase in earnings to R215m for the six months to end-December from R122m recorded in the previous period. The company also announced a capitalisation share award in lieu of an interim dividend ~~(21c)~~ (189A). Turnover increased 11% to R4,7bn (R4,2bn) mainly as a result of a 19% increase in iron ore exports, a 20% increase in coal sales to Eskom and the effect on export sales of the weaker rand.

Increased steel export prices in dollars as well as an 8% increase in local steel sales also had a positive effect on turnover. The company was confident that earnings for the second six months should reflect a substantial improvement on those of the same period last year.

Pre-tax income came in 82% higher at R233m (R128m) while income attributable to shareholders was R215m (R125m), or earnings a share of 11,5c (6,7c). An interim dividend of 3,24c (2c) was declared. The capitalisation shares will be award-



ed to ordinary shareholders in the ratio of 1,2 new fully paid shares of R1 each in Iscor for every 100 ordinary shares held. Where odd lots exist (under 100) the Iscor Pension Fund will purchase such rights at 270c a share.

MD Hans Smith said the company had refocused on cash management and measures to drastically reduce borrowings. Net borrowings for the six months de-

To Page 2

Iscor

Biday 25/2/94

From Page 1

creased R133m. This reflected a significant turnaround as Iscor's net borrowings had steadily increased from R200m at privatisation to more than R2bn at end-1993.

A concerted effort was being made to reduce debt. The medium-term aim was a 50% reduction in borrowings from the June 1993 levels by December ~~(21c)~~ (189A).

Total steel volumes sold declined 2% mainly due to product availability from Newcastle as a result of a planned blast furnace reline. Export volumes decreased to 52% (56%) of total steel sales volumes.

"Iscor will not be producing more steel in the foreseeable future. The current steel production facilities can contribute to real

growth only to the extent that rationalisation and efficiency improvement would enhance profitability, the exception being a stainless steel production facility."

Smith said a re-engineered Iscor would look upon its mining activities for longer real term growth. Business units and investments that did not contribute to Iscor's strategic objectives would be phased out.

Smith said he expected iron ore and coal sales volumes to remain at their present levels. Subject to a stable political environment, local steel sales should continue to show further growth. In dollar terms steel export prices should remain at current levels while iron ore export prices would reduce by about 6% from April.

From MICK COLLINS
JOHANNESBURG —
Aluminium producer
Alusaf is to delay a
planned capacity in-
crease of 40 000 tons a
year at its Bayside smelt-
er and will reduce cur-
rent exports by 20 000
tons a year for the next
two years

The company said the
move was in line with
plans to reduce its ex-
ports in support of deci-
sions taken by Western
and former Soviet coun-
tries to balance interna-
tional supply and de-
mand

Alusaf produces
170 000 tons of alumin-
ium a year, of which
about half is exported

Alusaf MD Rob Bar-
bour said the company
wanted to associate it-
self with worldwide con-
cern about high alumin-
ium stock levels and
attempts being made to

Alusaf (189A) plans 28/2/94 export cutbacks

reduce global inventory
levels

He said Alusaf would
make a twofold contribu-
tion to dealing with the
problem

First, the company
would reduce its export
tonnage by 20 000 tons in
1994 and 1995 This
would be achieved by in-
creased domestic con-
sumption and reduced
production Barbour
said 4 000 tons of produc-
tive capacity had al-
ready been withdrawn

The second contribu-

tion related to increased
future capacity

"The planned capacity
increase of 40 000 tons
per annum associated
with the second phase of
the upgrade of the exist-
ing Bayside smelter will
be delayed until the
world supply and de-
mand situation im-
proves," he said

However, he said Alu-
saf had made a commit-
ment in 1992 to upgrade
the Bayside smelter to
meet international envi-
ronmental emission
standards

"This environmental
upgrade will continue as
scheduled"

He said construction
of the R6bn Hillside Bay
smelter project would
also continue as
planned "We believe
that the supply-demand
balance will have recti-
fied itself by the time the
Hillside smelter comes
on stream in 1996"

Alusaf to delay capacity increase

B/Day

MICK COLLINS

ALUMINIUM producer Alusaf is to delay a planned capacity increase of 40 000 tons a year at its Bayside smelter and will reduce current exports by 20 000 tons a year for the next two years. 28/1/94

The company said the move was in line with plans to reduce its exports in support of decisions taken by Western and former Soviet countries to balance international supply and demand. (189A)

Alusaf produces 170 000 tons of aluminium a year, of which about half is exported

Alusaf MD Rob Barbour said the company wanted to associate itself with world-wide concern about high aluminium stock

levels and attempts being made to reduce global inventory levels

He said Alusaf would make a twofold contribution to dealing with the problem

First, the company would reduce its export tonnage by 20 000 tons in 1994 and 1995. This would be achieved by increased domestic consumption and reduced production. Barbour said 4 000 tons of productive capacity had already been withdrawn.

The second contribution related to increased future capacity

□ To Page 2

Alusaf

B/Day

28/2/94

□ From Page 1

"The planned capacity increase of 40 000 tons per annum associated with the second phase of the upgrade of the existing Bayside smelter will be delayed until the world supply and demand situation improves," he said. (189A)

However, he said Alusaf had made a commitment in 1992 to upgrade the Bayside smelter to meet international environ-

mental emission standards

"This environmental upgrade will continue as scheduled"

He said construction of the R6bn Hillside Bay smelter project would also continue as planned. "We believe that the supply-demand balance will have rectified itself by the time the Hillside smelter comes on stream in 1996"

Aluminium prices firm in wake of industry accord

Bideny
413194

MICK COLLINS

ALUMINIUM prices firmed yesterday after officials from the major aluminium producing nations announced agreement on the final details of an accord aimed at cutting world output

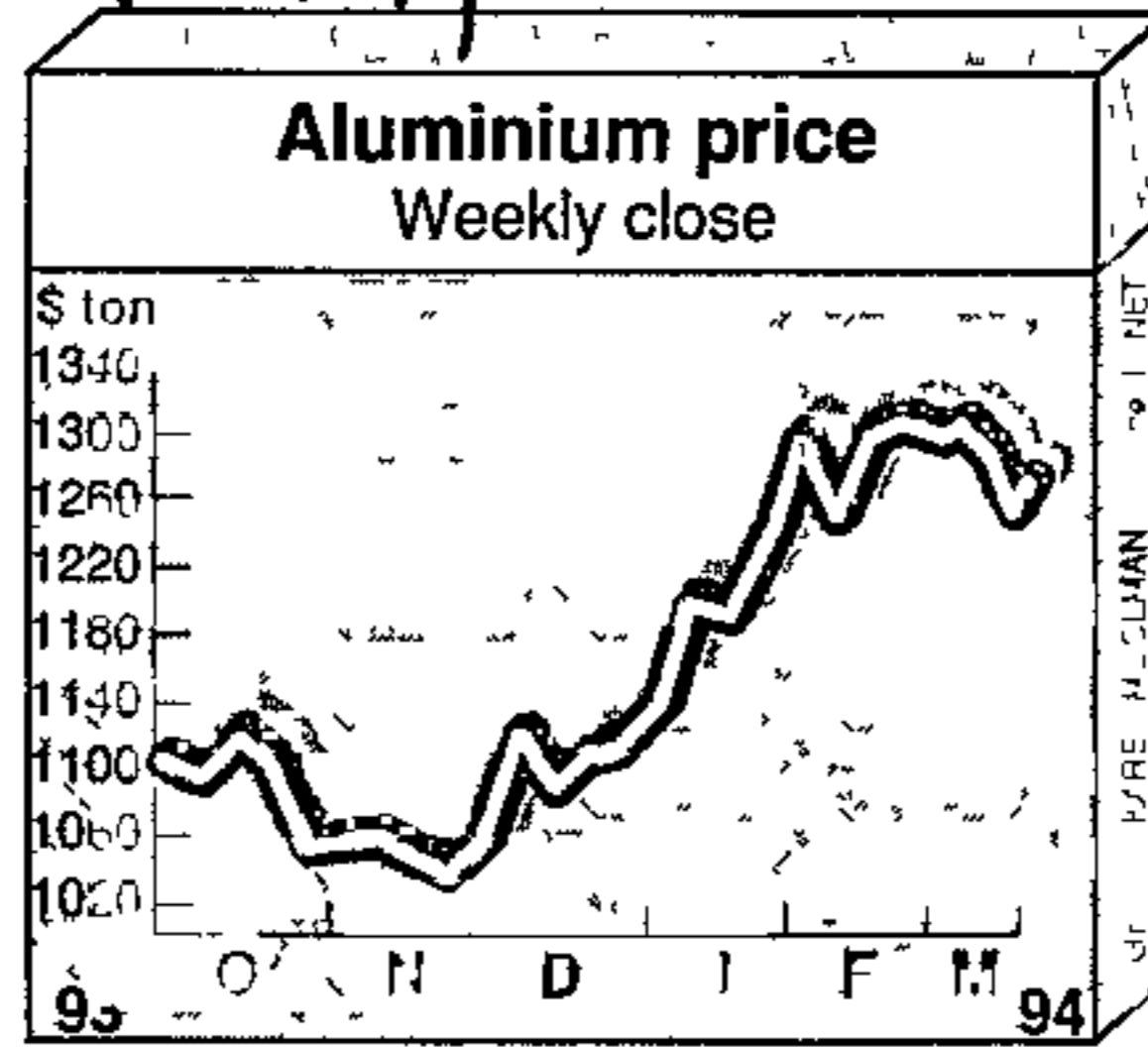
Since 1988, when the aluminium price on the London Metal Exchange averaged close to \$2 600 a ton, there has been a steady decline, with the low point of \$1 037 reached last November

Late last week the metal traded at \$1 300 before dipping ahead of the agreement. On Wednesday the metal was fixed at \$1 250 a ton while yesterday it closed at \$1 256 a ton as news of the accord filtered through to the market

The agreement, signed in Ottawa late on Wednesday, ratified an understanding reached in Brussels in January

At the Brussels meeting representatives from the European Union, Russia, the US, Canada, Australia and Norway agreed that world aluminium output needed to be cut by between 1.5-million tons and 2-million tons over two years. Russia has said it will reduce its annual output by 500 000 tons

Senior officials in Ottawa said that since November 1 Russia had made cuts of 120 000 tons. Russian delegates said they expected to make additional reductions of about 37 000 tons soon



As part of the co-ordinated effort to reduce the surplus, Western aluminium producers have also announced plans to cut production. This includes a 100 000-ton reduction by Alcoa at its US operation

Alcoa in Australia also announced it was cutting production by 25 000 tons a year

SA's Alusaf said it would halt a capacity increase of 40 000 tons and promised to reduce exports by 20 000 tons a year

Alcan of Canada indicated that it intended to reduce production capacity by 156 000 tons a year while Alumax of the US would cut back by 40 000 tons. Other Western producers have indicated cutbacks of about 145 000 tons a year

Platinum mines braced for unrest

ANDY DUFFY

PLATINUM producers are bracing themselves to prevent growing political turmoil spilling over into industrial action in Bophuthatswana — the industry's centre.

JCI-owned Rustenburg Platinum (Rusplat) and Gencor's Impala Platinum (Implats), which together dominate world production, said yesterday they were watching closely for flare-ups among workers in the strife-torn region.

Despite escalating violence and ANC calls for industrial action, production had not yet been hit. But tensions were rising.

There had already been calls among Implats' 37 000-strong workforce for a shaft stewards' meeting on industrial action to protest against Bophuthatswana President Lucas Mangope. Implats refused to allow the meeting, saying workers had to use the usual dispute channels.

The company, which has all its mines in Bophuthatswana, said it was confident it could persuade workers to remain at their posts. But senior projects and operations manager John Smithies said Implats was prepared to take a tougher stance, including sackings as a last resort.

"There will be a lot of talking about what could happen and what it could do to the company. The bottom line is that the platinum industry is not sitting fat and happy at the moment."

Rusplat, which has about 30% of its operations in the homeland, said the situation

To Page 2

Platinum

B1 Day

10/3/94

From Page 1

was "very sensitive". MD Barry Davison said the company had contingency plans.

Any damage to platinum production would have a sharp and immediate impact on the global market, analysts said.

SA production last year jumped 20%, swamping rising demand. But the estimated global oversupply is just 190 000oz — less than 6% of SA's platinum output.

Smithies said Implats expected the ANC to press for mass industrial action over the next two weeks. But many employees were

fed up with "being used for political gains. When they strike they do not get paid, they get fired and they get hurt."

Implats employees were also unsettled by concerns over pensions in the Bophuthatswana National Provident Fund.

Fears that political turmoil could disrupt SA platinum supplies helped push the metal to \$404/oz last month — its highest level since August 1993. Platinum has fallen back since then, fixing at \$391,75/oz in London yesterday afternoon.

ISCOR Feb 18/3/94
New mining prospects

New Iscor MD Hans Smith is a mining man who has run both coal producer Trans-Natal Coal Corp and ferro-alloy giant Samancor, so it's not surprising Iscor's revised game plan concentrates heavily on expanding its mining operations.

Mining already dominates Iscor's earnings but Smith maintains a Samancor-style silence on certain figures. He refuses for strategic reasons to break down the contributions from steel and iron ore, or to specify the targets, but will outline broad strategy.

On the cards is a potential new iron-ore mine in either Africa or Western Australia, as well as greater exports from Sishen. Iscor intends entering the coal export market with about 3 Mt/year of coking coal for sale from the Grootegeluk colliery and a potential new mine in Queensland. Smith also plans to build up Iscor's business in other minerals. This involves a search for new mines in Africa as well as expanding Iscor's mines which produce dolo-



Smith other minerals

mite and quartzite

Mining executive director Ben Alberts is enthusiastic about Iscor's future as an iron-ore exporter despite depressed prices.

"Most iron production in the northern hemisphere comes from taconite ores which are low grade, averaging around 35% iron compared with Sishen's 66%," he says. "The deposits we own and are looking at in Africa and Australia have grades running above 60%. That will give us a competitive advantage as steel producers worldwide are inevitably forced to switch to sources of high-grade ore."

Alberts says Iscor has been prospecting in Africa south of the Sahara for the past two years and is looking at one promising iron-ore project in a country he will not name. That prospecting work is also looking in particular for base metals such as zinc but nothing will be ignored. Says Smith "If we trip over a gold deposit we're not going to offer it to Gold Fields."

Alberts stresses Iscor's record proves it has the expertise to develop and run any kind of opencast mine and most kinds of underground mining. That makes it acceptable to multilateral agencies, such as the World Bank, which help fund such developments in the Third World.

From its steelmaking operations Iscor has a detailed technical knowledge of how various iron ores can be used in conventional and direct reduction steelmaking processes. One spin-off is that Sishen is marketing a new product which is a coarse, high-grade ore that can be put straight into direct reduction furnaces, reducing the need for more expensive, pelletised ore.

Exports from Sishen are constrained now by the capacity of the Sishen-Saldanha railway line, with Iscor running at the limit of its 15 Mt/year quota. Iscor has contracted with Spoornet to move an additional 2 Mt/year by mid-1994, expansion beyond this will involve major capex. That's being looked at with Spoornet.

Iscor has not ignored marketing, paying particular attention to meeting the booming demand from China. The R35m it is investing in the development of the Qianwan harbour in north-eastern China has guaranteed Iscor the use of a 300 000 t stockpile facility for the next nine years. The investment has guaranteed handling priority in the harbour for Iscor's ore carriers.

Says Smith "The payback is incredible. The biggest problem in China is the infrastructure bottleneck, which holds up ore movements into and through the ports. This deal means that



Alberts high grades (189A)

instead of shipping ore in Panama-sized vessels carrying only 60 000 t at a time we can use Cape-sized vessels taking up to 100 000 t. The savings on sea freight charges alone are about US\$4/t and then we also minimise demurrage and can supply the six steel mills in the area from our stockpile."

Iscor intends reviewing its iron ore sales arrangements to give priority to China, a fast-growing market paying top prices. Current steel production of 82 Mt/year is conservatively expected to reach 100 Mt by 2000. Iscor has based a technical manager in Beijing to examine Chinese mining and steel industries and look for new business.

On the coal side, Alberts says Grootegeluk, which supplies coking coal to Iscor and steam coal to Eskom's Matimba power station, will soon have about 1 Mt/year of soft coking coal available for export because of a changed demand pattern. Markets are being sought, with Iscor shipping out 200 000 t this year and 300 000 t next year to potential customers via Richards Bay Coal Terminal (RBCT) through an agreement using part of Shell's spare terminal capacity.

Iscor is not an RBCT member but is part of the Coalex joint venture looking at establishing a new coal export terminal.

The future of exports from Grootegeluk depends on Iscor's arranging port quotas, as well as a favourable tariff structure from Spoornet, because the mine — near Ellisras in the northern Transvaal — is twice as far from Richards Bay as Witbank. Alberts won't disclose the tariff applied now on Grootegeluk coal but it must be extremely favourable to make these exports viable.

Then there's the potential coking coal mine at Moranbah South in Queensland, Australia, where Iscor has paid R5m for the right to explore the 700 Mt deposit. Exploration and chemical analysis will cost R5m-R7m/year over the next four years.

Within five years Iscor will need to import 1 Mt/year of high-grade coking coal to replace production lost when its Natal mines closed. The Grootegeluk export product is not good enough for Iscor's needs. To be feasible, the Moranbah mine would have to produce around 3 Mt/year. The balance will be sold on export markets.

If Moranbah South goes ahead it's going to cost about R800m, raising the question of how Iscor would fund this or any other mining venture, particularly as its current priority is to reduce gearing by repaying R1bn debt by December. Says Smith "Reducing our debt by the targeted amount will show shareholders we can successfully manage funds. That should make it easier for us to hold any rights issues. We are not averse to incurring debt again, provided it's for a specific project and the payback looks good."

Brendan Ryan

Giant steel plant for Saldanha Bay

Si Times [Cimetro]

2013/94

By JEREMY WOODS

A NEW R4-billion steel plant to produce hot-rolled steel coils for export is being planned for Saldanha Bay by Iscor and the Industrial Development Corporation (IDC). (189A)

Funding for the one-million-tons-per-annum steel plant will be supplied by the IDC, while Iscor will contribute its expertise as a steelmaker to the project as well as supply the plant with iron ore from its Sishen mine

Dutch steel group Hoogovens Technical Services is also contributing to the scheme, while negotiations with other overseas partners are in progress

A key hurdle the project has to overcome is the effect building such a plant might have on the environment and the local West Coast communities

A series of high-level meetings are being scheduled so that the public can participate in full-scale environmental impact assessments on the project

If the project gets the go-ahead, it is planned to use the most modern steelmaking technology available

"Compared to some traditional steelmaking plants, this will make the Saldanha project environmentally friendly," said a spokesman for the consortium

Mr William Roper, the general project manager, said the new steel plant would have a positive impact on the region, offering employment opportunities in an area where jobs were scarce

Communities

However, the project team was determined to take all economic and environmental issues into account before making a final decision

Elize Mostert, project leader of the assessment, said "We want to know that should the project go ahead, it will have the support of all concerned, especially the communities close to the Saldanha area"

The public will be able to participate in discussion groups and a phone-in service will handle enquiries

EU accuses SA of dumping

Star 22/3/94

■ BY DEREK TOMMEY

Highveld Steel will not be affected by the European Union's imposition of tariffs on imports of South African ferro-silicon, says Bob Ellwood, the company's general manager of steel and vanadium operations.

Highveld sold only limited quantities of ferro-silicon to Europe. Its main markets were in the Pacific rim countries.

He said the move was not a surprise. Highveld had been aware for some time that the tariffs were in the offing.

He doubted whether the new tariffs would have much effect on European imports. On American experience, the only result of increased tariffs on ferro-silicon imports was an increase in the domestic price of the commodity.

The EU announced last night that tariffs of up to 50 percent had been imposed on imports of ferro-silicon from China and South Africa, reports Sapa-AP.

Ferro-silicon is used as an alloying component in manufacturing steel.

In the official journal, the

EU's executive commission said European ferro-silicon producers were hurt by the cheaper imports from China and South Africa.

The EU therefore had imposed anti-dumping duties of 49,7 percent on Chinese imports and 47,4 percent on South African imports, except those from South Africa's Highveld-Rand Carbide, which faces duties of 34,7 percent.

The EU defines dumping as the export of goods at prices below their production cost or less than they sell for in their home market.

Options under review at ailing Northam mine

BIDAU 7/14/94
JOHN BLUDLU

GOLD Fields had yet to determine whether its struggling platinum operation Northam would run out of cash in the next two months, the company said yesterday.

Northam chairman John Hopwood said the problems facing the R1,5bn Zonder-einde mine had been exaggerated, but it was not clear whether the mine would need additional funds by June.

Industry sources expect that Northam will be forced to seek additional debt or go back to shareholders for more equity to keep the mine afloat. Estimates for extra funding range between R200m and R350m.

Hopwood said Northam was still examining its options. "It is premature to talk about specific options. Anything could happen between now and June."

The mine was focusing on boosting production and believed that this, combined with an upswing in platinum prices, would revive its fortunes, he said.

Analysts said the key to Northam's survival was improving grades. Poor geological conditions had stymied the mine's efforts. Potholes made continuous mining a problem and a weak roof above the reef required extra support infrastructure to prevent rockfalls.

Poor grades, high costs and a collapse in platinum group metal prices forced Northam on to the ropes in the middle of last year. The mine called a R350m rights issue in December 1992, but was forced to seek another R220m in debt just months later. Grade and cost targets have since been scaled down.

Industry sources estimate the mine is nursing losses of R5m-R10m a month.

Production in the six months to December was 30% higher than in the previous six months, but remained well below the 150 000-ton production target.

Analysts said Northam would probably opt for a loan.

This would be spent largely on development and improving flexibility to overcome geological difficulties. A rights issue could be called once Northam showed signs of recovery.

Northam shares peaked at R19,50 last May. They were trading at R6,00 on Tuesday, capitalising the mine at just R490m.

Columbus aims to double local demand

MICK COLLINS

GENCOR-owned Columbus Stainless Steel said yesterday that it aimed to double local demand for stainless steel by the turn of the century. *B. Na*

Marketing manager Bill Scurr said the existing local market for stainless steel flat products was about 48 000 tons, the bulk supplied by Columbus. He said the expansion of the existing stainless steel plant was "directly in line with the company's commitment to grow the local market". *131494*

Large growth potential existed in areas such as cookware, hollow ware and cutlery, as well as in the building and architecture industries.

He said Columbus was working closely with its customers and the Southern African Stainless Steel Development Association in these key areas, "with a view to increasing local demand and exporting stainless steel goods". *(22) (139A)*

SA was a global player and "we need to identify the opportunities open to us following the lifting of sanctions", he said. "We must develop our local industry and be export driven."

Columbus CE Fred Boshoff said while minerals accounted for two-thirds to three-quarters of all SA's foreign exchange earnings, SA was guilty of not adding value to its minerals.

SA had around 80%-90% of the world's known reserves of chromite. "Stainless steel, for example, cannot be made without chrome, yet SA currently provides only 1% of the world's stainless steel. The worldwide stainless steel market is worth around R100bn a year," Boshoff said.

SA must embark on a programme to re-stimulate the economy and produce manufactured goods, reaping the benefits of mineral beneficiation. It had to start utilising its local resources.

Retrenched steel workers prepared

THEO RAWANA

AN ASSOCIATION formed by re-trenched steel workers was poised to play a significant role in the national housing campaign, association chairman Jimmy Mabula said yesterday.

The National Informal Steel Designers' Association had received support from the formal sector in the steel industry and was now producing products such as doors, burglar-proofing, window frames, indoor and outdoor furniture and other steel and metal-related products, he said.

The association was expected to announce a board of advisers today, Mabula said. (189A)

The board would include MDs of steel and related trade companies who would provide input on design matters.

The association had also secured a concession for members to buy material from Benoni-based steel supplier Abkin's Steel at a 20% discount, and had acquired two disused factories in Benoni and one in Johannesburg, where members would mass-produce instead of operating from home.

Mabula said the association had also concluded deals with engineering companies to supply qualified engineers to train members in advanced steelwork. "This will enable members to handle contracts such as the Sasol project, in which the oil company is to erect taxi ranks throughout the country."

Columbus Stainless 'to double demand'

Business Editor

COLUMBUS Stainless aims to double the stainless steel demand in South Africa by the turn of the Century

Columbus local sales and marketing manager Bill Scurr said the existing local market for stainless steel flat product was in the region of 48 000 tons, the bulk of which was supplied by Columbus Stainless

"The expansion of the existing stainless steel plant is directly in line with the company's commitment to grow the local market," he added

"In addition, much of the expansion was undertaken to enhance our service to the local market, with many of our new product lines driven by demand from the local market

"We believe there is tremendous growth potential in areas such as stainless steel cookware, hollow ware and cutlery, as well as in the building and

architecture industries

"SA is a global player and we need to identify the opportunities open to us following the lifting of sanctions

"We will be focusing on working jointly with key players in the industry, in both the local and overseas stainless steel markets," Mr Scurr said

This would include trying to stimulate technology transfer from overseas markets in an attempt to grow the local stainless steel industry

"Irrespective of the size of the expanded Columbus Stainless plant, the local stainless steel market is key and will not be compromised in terms of service, delivery and quality of material

"We believe the local market stands to benefit from the wider product ranges we will be producing once the expanded stainless steel plant starts coming on stream in 1995"

ARG 16/4/94
189A

Impala keeps quiet on surprise Ayrton deal

Bibay 21/4/94

LINDA ENSOR and
BARRY SERGEANT

IMPALA platinum yesterday remained tight-lipped on details of its mooted sale of wholly owned Ayrton Metals to Standard Bank London (189A) (189A)

The deal, announced yesterday, took the market by surprise.

London analysts believe the sale might be connected to a bid by Gencor — Impala's majority shareholder — to buy international mining group Billiton

Sources close to Ayrton said it was believed the deal might hinge on Impala needing cash

Impala had been subject to margin pressures, like other platinum group metal producers, during recent commodity price troughs.

Impala said it planned to publish further details on the mooted sale, possibly by Friday

Standard Bank London MD Patrick Quarmby would not disclose the price for the mooted deal

Ayrton Metals is one of the two principal traders and price fixers in the London platinum and palladium markets.

Analysts said it would be difficult to give a valuation, but said the value of the company could be anywhere between R50m to R400m

An SA mining house source said a valuation was difficult because Ayrton was mostly a metals dealing company

It was believed most of Impala's customers were directly supplied by Impala, and that few contracts were directly han-

led by Ayrton

Quarmby said the acquisition was part of an overall strategy of the bank to become more involved in the trading, financial and advisory aspects of the precious metals and commodities markets

Analysts said that if the Gencor takeover of Billiton was completed, it would be interesting to see if Standard Bank London would be involved in its financing.

Quarmby noted that the whole metals industry was moving towards the banks, due to the need for producers to hedge and the level of sophistication in the hedging and derivatives market

Worldwide, there was a trend for banks to become involved in hedging of the metals market and in trading.

Quarmby emphasised that the acquisition was a logical extension of the bank's existing business as Standard Bank London's main regional focus was the African continent, which was largely commodity based

The bank recently acquired a network of commercial banking outlets in Africa and it was already involved in capital, currency and trade flows

Quarmby said that the acquisition of Ayrton Metals was the first step in a precious metals and commodity dealing operation which could grow either organically or by acquisition

Platinum fluctuations 'not a serious threat'

JOHN DLUDLU

RECENT fluctuations in the platinum price on the back of the volatile political situation in SA were not likely to seriously strain producers' earnings, analysts said yesterday

The platinum price was hovering above \$389,25/oz yesterday afternoon, after a previous fixing at \$391/oz on Wednesday

The precious metal hit an eight-month high of \$415,25/oz at the beginning of the month in New York amid fears of more bloodshed in SA

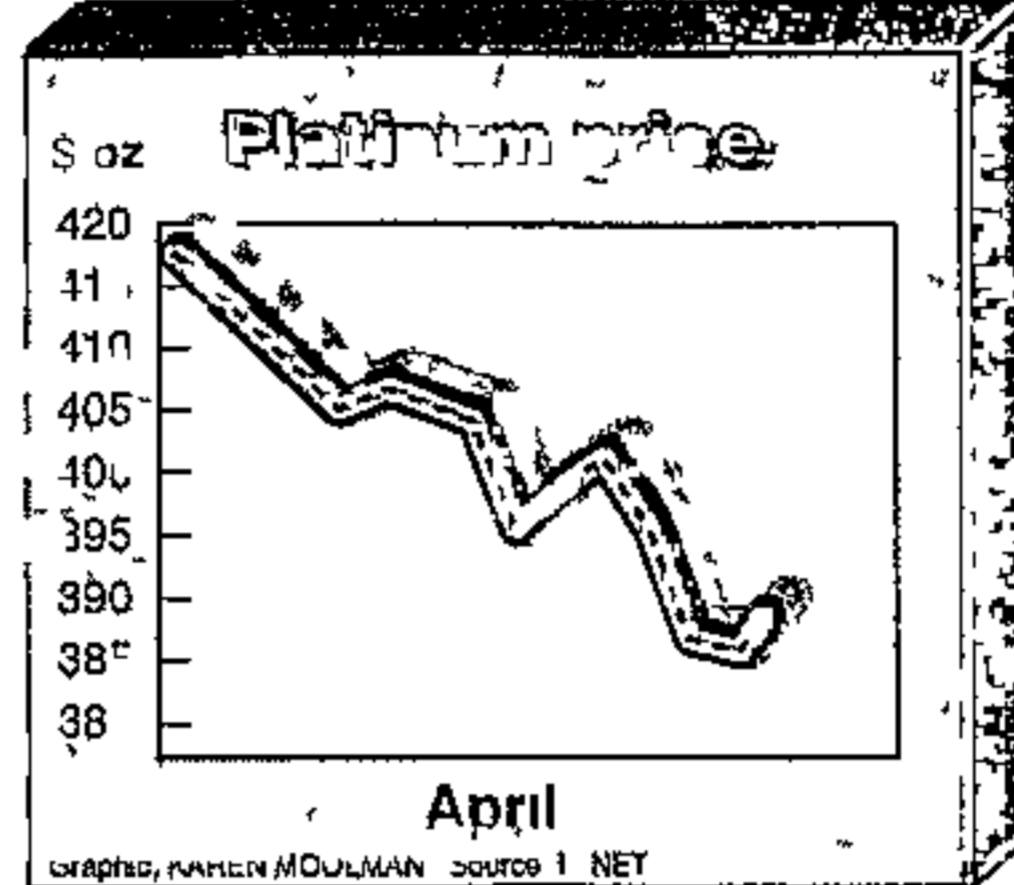
"The metal markets have been worried that the violence in SA could result in production disruptions," said one analyst

Another disagreed "The real and direct threat to production is industrial action stemming from general concerns about the security of workers' pensions" (189A)

Analysts said price volatility was due to the general slump in the Japanese economy, especially its car industry "As Japan is one of the largest consumers of platinum in the world, buying about 50% to 55%, we expect the pick-up in car sales to help platinum prices," one said

Many players canvassed expected the metal to settle in the \$385/oz to \$390/oz range in the near future

Earnings were unlikely to be seriously affected as the industry sold the



bulk of its production on contracts

Most expected producers' earnings to remain "pretty much unchanged" at last year's levels

Sources said downside potential was limited, after the improved political climate with news of Inkatha's participation in the elections

JCI marketing director Todd Bruce said the bottoming out of European economies would strengthen gold and bolster earnings

But the affect of the successful holding of the elections — as measured by widespread acceptance of the results — had been discounted by the market, sources said

The price was expected to firm spiking through the \$400/oz level — either in the last quarter of this year, or the beginning of 1995

Impala Platinum closed yesterday 25c up at R67,25, while Rustenburg Platinum was unchanged at R86,75

COMPANIES

SA 'to lead Africa steel growth'

LONDON — SA could play a determining role in developing steel production in Africa, leading to a boost in fortunes for market leader Iscor, said industry experts in this week's Metal Bulletin *Biden*

A UN Economic Commission for Africa survey predicted that Africa's demand for steel — traditionally low because of underdevelopment — could more than double by the end of the decade from 1990's level.

While there was little tradition of steel manufacturing in Africa, almost half the continent's countries had operational steelmaking or rolling facilities. Many also had some or all of the natural resources needed to make iron and steel. Developing such facilities needed a "catalyst, and this

Own Correspondent

is where the new black-led SA comes in. The country's steel industry has never been afraid of technical innovation, and its expertise in some of the new production processes could be put at the disposal of other African countries" *29/4/94*

SA produced more steel than the rest of Africa combined — 8.6-million tons against 5.8-million tons in 1993.

The journal said the traditional blast furnace-based process route was unlikely to find widespread application in Africa, and mini-mills or micro-mills were more realistic options. Coal-based direct reduction — widespread in SA — could be one of the technologies in demand *(1894)*

Hulett Aluminium seeking partners

8/10/94 16/5/94
MICK COLLINS

DURBAN-based Tongaat-Hulett's proposed R1,6bn aluminium manufacturing plant could see its rolled products output more than treble to 150 000 tons a year, the company said at the weekend.

Tongaat MD Cedric Savage said Hulett Aluminium was considering a joint venture or a strategic alliance with other major industrial companies.

The project — expected to get a board decision early next year — would more than double the division's earnings. A R10m feasibility study was under way.

A spokesman said the company was seeking partners because of the magnitude of the scheme but declined to comment further. Industry sources said one of the main parties involved was world aluminium giant Alcan, which quit SA in 1973.

Savage said with higher aluminium prices and growth in the world economy, it was possible for the division to match its 1990 earnings level of R70m. The division returned a R33m profit for 1994.

The company was planning to invest the cash in additional rolled products capacity to meet growth in demand and to achieve a competitive cost position in world terms.

"The rolled products expansion is phased. Over the next seven years capacity will increase from 45 000 tons to 150 000 tons a year," Savage said. (189A)

The division had an option on 67ha of land at the Camps Drift industrial site in Maritzburg and a three-year construction project would start in late 1995.

The company also had a first option on 4,6ha adjoining the site and a two-year option on 50ha belonging to Spoornet.

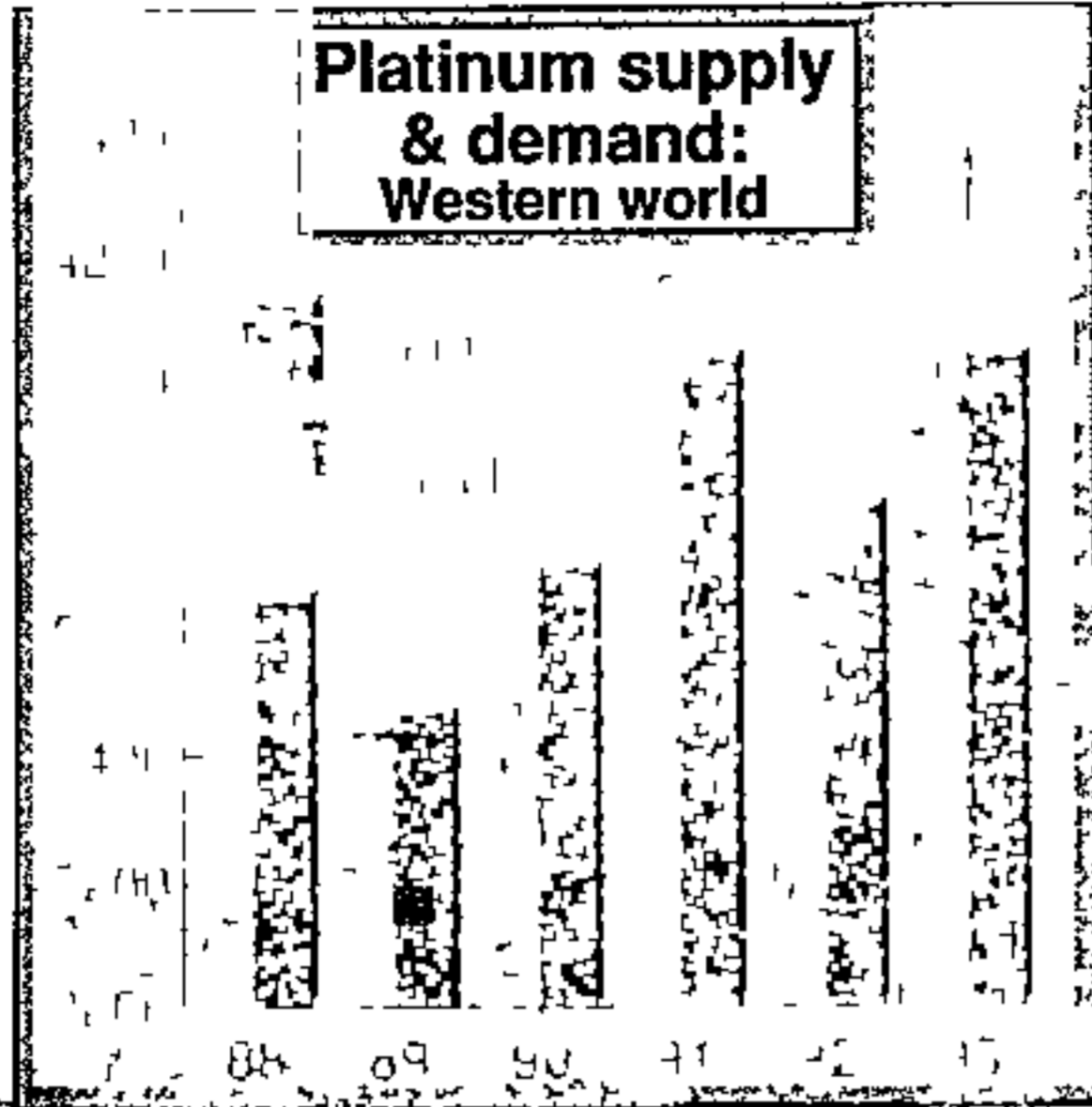
Hulett Aluminium's head office and main plant is in Maritzburg. The division also has six other manufacturing plants around SA with four distribution outlets.

The company manufactures semi-fabricated and finished products for a wide range of applications including flat sheet, can-end stock, extruded products, foil, casting alloys powder and deoxidants.

Platinum price set to top 1993 average

BIDON 1715194

JOHN CAVILL



LONDON — The price of platinum is expected to average \$400/oz during 1994 — up 7% on 1993 — in spite of a 17-fold jump from 20 000oz to 340 000oz in the surplus of supply over demand last year, according to Johnson Matthey, refiners, fabricators and marketing agents for the precious metal

Presenting Johnson Matthey's Platinum 1994 survey yesterday, market research director Mike Steel said "We expect a price range of \$380/oz-\$430/oz for 1994 — assuming no unrest in SA or disruption in Russia — to give an average of \$400, compared with \$374 last year" (189A)

□ To Page 2

Platinum

BIDON 1715194 □ From Page 1

Backing the Johnson Matthey outlook for this year, Steel cited (189A)

□ Rising demand for platinum in autocatalysts, which jumped 10% to a record 1.7-million oz last year with US car and truck sales up 27% in the first three months Europe, up 6%, is recovering from the 15% slump in 1993,

□ Continuing strength in platinum jewelry sales, especially in Japan, which climbed 7% to 1.61-million oz,

□ Renewed investment buying, up 20% to 305 000oz, following interest in gold, and

□ A recovery in industrial usage which, in spite of recession, dipped less than 3% to 710 000oz, with gains in electronics consumption compensating for declines in chemicals, petroleum and glass

Total world offtake last year was 4.04-million oz, up 6.3% and equal to the previous peak of 1991. The 340 000oz surplus — bringing the cumulative total for the past four years to 510 000oz — was entirely caused by expansion of output in SA

Supplies from other sources were down. A drop in Russian sales, where production decline was made up from treasury stocks, of 70 000oz to 680 000oz, wiped out a 20 000oz increase from elsewhere

But a leap of 610 000oz (22%) in SA mine

output to a record 3.36-million oz lifted global supplies 15% to 4.38-million oz

Johnson Matthey pointed out that SA's expansion was levelling off. A small increase only was expected this year

Johnson Matthey said the platinum market remained vulnerable to unrest in SA. Even after the addition of last year's surplus, "current stock levels are minimal"

The palladium market registered another deficit with the shortfall rising from 10 000oz to 125 000oz even as total supplies climbed 6.6% to 4.14-million oz

SA output was 11% higher at a record 1.4-million oz while Russian sales were nearly 10% up to 2.3-million oz, both offsetting a drop of 80 000oz in North American output caused by lower nickel production

The biggest factor in the 10% demand increase to 4.26-million oz was a surge in the use of palladium in autocatalysts

The rhodium price remained weak even though offtake was up 10% to 360 000oz — with the motor industry taking 16% more at 355 000oz — and supply slipped by 3 000oz to 375 000oz

Rhodium remained the most sensitive to fundamentals — the current price is \$620/oz against \$1 850 at the beginning of 1993 and \$7 500 in the 1990/91 boom

Samancor secures \$100m French deal

Biday 1715/94

SAMANCOR has struck a deal with the world's largest stainless steel producer, Ugine SA of France, to secure sales worth \$100m a year, the chrome and alloys producer said yesterday.

The contract will see the Gencor-owned company take a minority stake in Ugine, which has until now been 96% owned by state-controlled Usinor (189A) (33).

The Reserve Bank has approved the investment and funding will be by way of offshore facilities, Samancor said.

The contract will generate ferrochrome sales for Samancor and sales of hot rolled steel products for Columbus Stainless Steel for "a good many years", Samancor executive chairman Mike Salamon said.

Deliveries of certain of the products would start this year. But he added that the stainless steel portion of the contract was aimed at the Columbus expansion project.

Samancor holds a third stake in Columbus. The other two partners in Columbus are Highveld Steel and the Industrial Development Corporation.

Salamon declined to give exact details

MICK COLLINS

of the exports, but pointed out ferrochrome was selling at \$450 a ton while hot rolled stainless steel was \$1 500 a ton.

Ugine is to make a planned public offering of shares in the French Press today, but Salamon said Samancor's investment would be made separately. "We are also buying some equity in Ugine but it is not part of the public offering."

Finalisation of the terms of the investment should take place by the end of June.

"We will have the final numbers by (then), but sales arising from this transaction will see us well compensated. We also believe the investment in Ugine is, in its own right, attractive," Salamon said.

Samancor already has two overseas partnerships, the result of efforts to cushion itself against sluggish markets. One is with French ferro-manganese producer SFPO at its manganese plant in Boulogne and the other with Nippon Denko in NST Ferrochrome, to which Samancor sold its Tubatse Number 5 furnace for R19m.

Iscor's bid to cut costs jeopardised by burnout

STEEL giant Iscor's bid to cut R1bn from its costs had been jeopardised by the furnace burnout earlier this year at its Newcastle works. MD Hans Smith warned yesterday.

The "negative" factor stemming from the incident and the prospect of recovering lost cash flow through insurance cover had made the cost-saving target difficult to achieve.

"We have adequate insurance cover for the burnout, but it depends on when the insurance claim is settled. It is a large sum. We are still calculating the losses but they will run into hundreds of millions."

Temporary repairs to the furnace

MICK COLLINS

had it running at 70% of capacity. It would be out of action again in September for a major overhaul and back in commission by January 1995.

The furnace suffered a hearth burn-through in January, after being relined at a cost of R149,2m.

Smith said the main contractor for the relining — Hoogovens of the Netherlands — was also adequately insured. However, Iscor was responsible for the first R50m of any cost incurred — through loss of production or repairs to the furnace itself. "This amount will not come off our

bottom line as we have a contingency fund for occurrences such as this."

The total loss in production to final repair could be 300 000 to 400 000 tons of steel. Exports had been cut back, but local customers would not be affected as the induction furnace and other facilities at Newcastle had sufficient capacity to service the local market, he said. Pool iron could also be obtained from the Vanderbijlpark works.

An analyst said he did not expect the shutdown to have any significant effect on Iscor's earnings. "Most of the lost production would have gone to exports where it would have been sold at a loss," he said.

Green light looms for Saldanha plan

189A CT 19/5/94

From MICK COLLINS

JOHANNESBURG — Steel group Iscor was planning a R4bn steel plant for Saldanha Bay in a joint venture with the Industrial Development Corporation, it was announced yesterday.

The corporation's senior GM Malcolm Macdonald said production from the mini-mill would be aimed at the export market. A preliminary study had shown it to be "economically viable"

A joint venture with overseas partners was under consideration for the funding of the project.

A R20m final feasibility study "was 75% completed"

Results of the study, to which the Netherlands steel group Hoogovens Technical Services and Austrian steel and engineering group Voest-Alpine were contributing, were expected by February 1995

Iscor and Voest-Alpine collaborated in developing the new low-cost Corex steel-making process which may be used at the mill.

Macdonald said the more cost-effective route would increase the likelihood of maintaining profits

The main aim of the study was to finalise the design of the plant and metallurgical processes, look into tenders and conduct an environmental impact assessment.

The plant's annual output of 1-million ton would be aimed at serving the niche hot rolled coil market which had shown significant demand despite sluggish worldwide demand for carbon steels.

However, marketing arrangements "still had to be finalised".

Iscor had opted for the mini-mill technology which was the basis for success of steel makers in the US and Far East. These mills used scrap where Iscor would use iron ore.

Iscor MD Hans Smith recently said Iscor had for some time (since 1972) been looking at a similar plant for the export market. New technology such as Corex and slab casting could lead to export profits.

Iscor plans R4bn plant for export market

8/Day
MICK COLLINS

STEEL group Iscor was planning a R4bn steel plant for Saldanha Bay in a joint venture with the Industrial Development Corporation, it was announced yesterday

The corporation's senior GM Malcolm Macdonald said production from the mini-mill would be aimed at the export market. A preliminary study had shown it to be "economically viable". A joint venture with overseas partners was under consideration for the funding of the project. A R20m final feasibility study "was 75% completed"

Results of the study, to which the Netherlands steel group Hoogovens Technical Services and Austrian

steel and engineering group Voest-Alpine were contributing, were expected by February 1995

Iscor and Voest-Alpine collaborated in developing the new low-cost Corex steel-making process which may be used at the mill

Macdonald said the more cost-effective route would increase the likelihood of maintaining a profit

The main aim of the study was to finalise the design of the plant and metallurgical processes, look into tenders and conduct an environmental impact assessment

The plant's annual output of 1-mil-

lion tons would be aimed at serving the niche hot rolled coil market which had shown significant demand despite sluggish worldwide demand for carbon steels *19/5/94*

However, marketing arrangements "still had to be finalised"

Iscor had opted for the mini-mill technology as it was the basis for success of steel makers in the US and Far East. But these mills used scrap where Iscor would use iron ore

Iscor MD Hans Smith recently said Iscor had for some time (since 1972) been looking at a similar plant for the export market. New technology such as Corex and slab casting could lead to export profits

Sentrachem set for export boost

24/15/94
MICK COLLINS

PETROCHEMICALS group Sentrachem was poised to beef up its export drive with the recent opening of another office in Hong Kong, the company said yesterday.

MD John Job said the company's offices in Houston and London were also shifting focus from procurement during the sanctions era to active sales in the plastics, agricultural and industrial chemical markets.

Group exports had already grown from R190m at last year's interim period to about R208m at the recent interim, increasing their proportion of turnover to 15%.

Job said the three operations were now operating under the Sentrachem International banner and an aggressive export drive would accompany the new visibility.

Areas of specific interest to the company's Hong Kong office are the Pacific Rim, China, Vietnam and Southeast Asia.

"The export programme goes on with the help of our international offices," Job said. "Exporting is a fundamental requirement for this country's manufacturing sector and Sentrachem is clear as to where it can be competitive."

Much of the company's capex of R170m for 1994 would go towards building plant for exports.

"We will be aiming to export 50% to 60% of the capacity created by these investments," he said.

"We have been driving exports hard from SA, but now we want to develop demand abroad. The three foreign offices will act as our eyes and ears."

Convenor of the Sentrachem Exporters Club Klaus Hudoffsky said the company had to pursue niche markets.

The company planned to exhibit in Dubai, which it saw as a "gateway to the rest of the Middle East."

Russian woes to aid ferrochrome

24/15/94
JOHN DLUDLU

THE deepening crisis in the Russian economy looked set to underpin a recovery in the ferrochrome market, sources said at the weekend.

JCI's Consolidated Metallurgical Industries (CMI)'s marketing director Allan Kuhnert said the economic problems in Russia had put a serious setback on efforts to modernise ferrochrome plants.

Recently released economic figures suggested that Russian industrial production, which fell 25% in the first quarter of the year, appeared to be accelerating.

He said the infrastructural problems had translated into supply problems for Russian exporters.

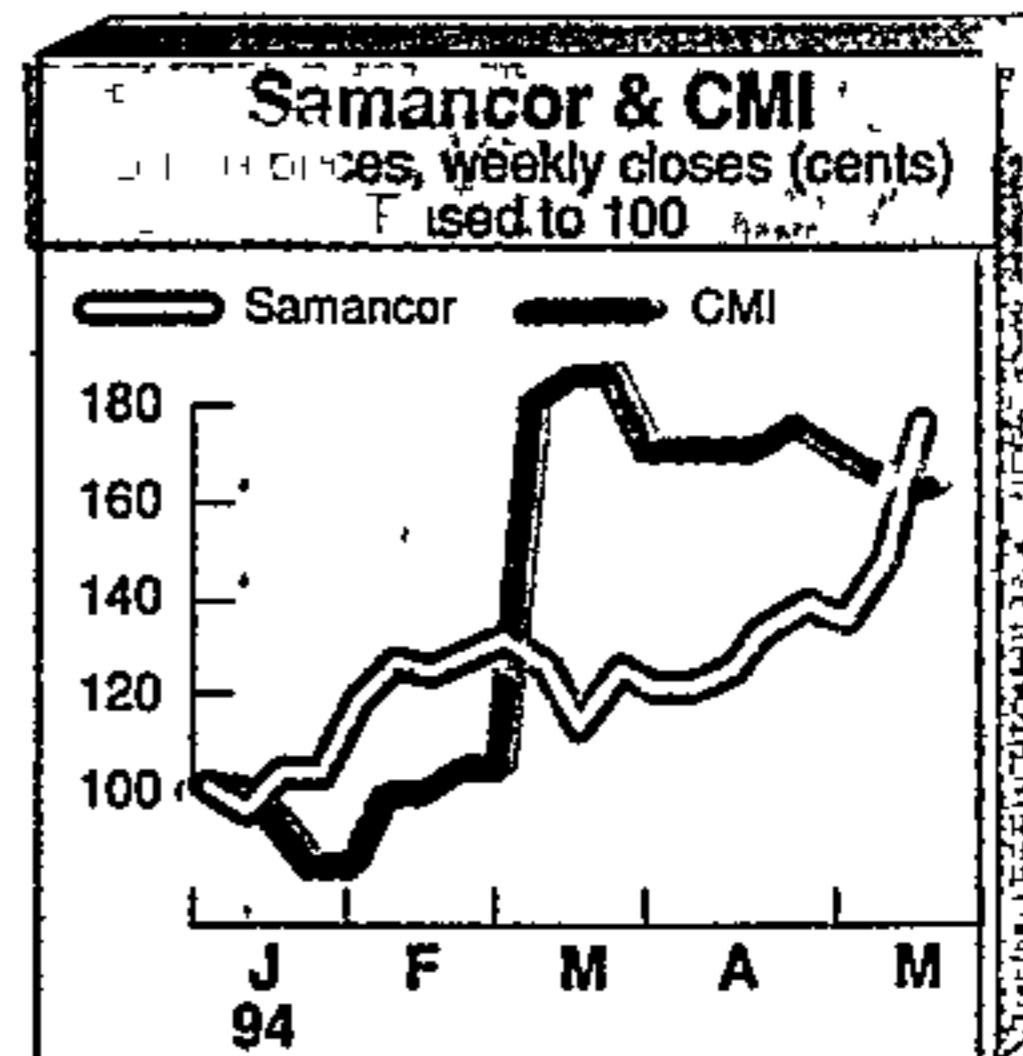
Kuhnert attributed the recent rise in demand — which became noticeable at the beginning of 1994 — to the problems in Russia.

"These problems have pushed up the ferrochrome spot prices for suppliers in Zimbabwe, SA, India and North America."

Sources said the affect of Russian suppliers on global markets could start showing up this year in ferrochrome suppliers' earnings.

Ferrochrome demand is expected to rise this year, fuelled by hefty gains in stainless steel production which last year lifted ferrochrome consumption an estimated 9% to 2,69-million tons.

Prices began to stabilise last year, at about \$0,43c/lb in Europe and \$0,47c/lb in Japan. They have dipped slightly in the first quarter of 1994, hit by aggressive marketing strategies by stainless steel producers. Prices were thought unlikely to move up before the end of this year.



Gencor-owned Samancor, which is one of the world's largest ferrochrome producers, was cautious about the affect of Russian problems on the local industry.

Chairman Mike Salamon said it would take the next three to five months to determine the likely affect of the recent upturn in spot prices for other suppliers.

"Since CIS suppliers began selling less stocks to the market, the demand-supply has become balanced."

Kuhnert said the fortunes of local producers depended on whether the current infrastructural problems in the CIS had dried up all the stockpiles of ferrochrome in Russia.

CIS producers have been blamed for depressing the prices by flooding the market. "The thing with them (CIS) is that they care less about profit," a mining analyst said.

The problem of oversupply has caused a decline in earnings for local producers. Samancor was forced to operate at half capacity, while CMI cut its capacity 30%.

If the economic crisis spills over into social unrest in Russia, the support for better prices will remain

Usko operating
31 May 25/5/94
income up 26,3%

MUNGO SOGGOT

STEEL and metals processor Usko's attributable income climbed to R7,2m (R6m) for the six months to March, despite a 2,1% fall in turnover to R151,6m (R154,8m) (189A)

Operating income jumped 26,3% to R7,6m after "improved profits by Usko joint ventures"

But the company — in which Iscor has a 28% stake — recorded losses of 3,74c a share after losses of 10,94c a share for the same period the previous year.

A dividend of R5,38m was paid on A class preference shares - Interim dividend on B and C class and ordinary shares was passed

The share yesterday hit an annual high of 85c, from a 12-month low of 15c

The company's tax bill was R1,5m (R1m), and net interest received rose to R1m from R927 000 the previous year. Long-term liabilities dropped to R1,8m from R2,3m

Samancor hots up for French deal

From Own Correspondent

CT 27/5/94 (189A)

LONDON — Samancor was likely to switch on one of its idled ferrochrome furnaces if it concluded its planned deal with Uguine of France, the Metal Bulletin reported yesterday.

It said Samancor had already increased production this year, recharging a charge chrome furnace at the Tubatse plant and a low carbon unit in Middelburg.

The volume of ferro-chrome it could deliver under the deal with the French stainless steel-maker had not been decided, the company said. Neither party is predicting the possible tonnages involved in the agreement.

Traders in Europe said it was too early to foresee the effect a new supply contract between Samancor and Uguine could have on ferrochrome markets. Prices were already stagnating, they said, due to aggressive selling from traditional producers.

Charge chrome prices in the third quarter could be as low as 37-38 cents per pound delivered to customers. Officially second quarter rates were significantly higher at 40,50 to 41,00 cents/lb. But in practice the larger stainless steelmakers appear to be paying less. Only smaller customers had been obliged to find 40 cents/lb.

For the bigger mills, a level of 37-38 cents in the third quarter would not therefore be a price cut.

JSE Actuarial Indices

'RDP must stress private enterprise'

By AUDREY D'ANGELO

CT 27/5/94

THE stage is set for economic growth in the Western Cape — shown by successive surveys to be the most optimistic region in SA — the President of Cape Town Chamber of Commerce, Roland Hudson-Bennett, said at the AGM yesterday.

But, he warned, for SA to "remain in recovery mode" foreign investment would have to be encouraged in every possible way.

And it would be necessary "to reverse the disastrous trend of capital outflow" which has amounted to more than R56bn since 1985.

Hudson-Bennett said the weakness of the ANC's reconstruction and development programme (RDP) was that it did not explicitly acknowledge the vital importance of the private enterprise economy.

"In fact it contains several disturbing references to the prospect of government intervention in the market place which, if implemented, would have an unfortunate and negative effect on growth prospects for the country."

Exchange Rates

However, the RDP had to be viewed in the context of its objective, which was to achieve socio-economic upliftment, and in the context of assurances by President Mandela that the programme was founded on market principles.

Tito Mboweni, now Minister of Labour, had told Reuters Financial Television in London earlier this month that SA needed investor-friendly policies to build a vibrant economy and achieve its reconstruction goals.

"This is precisely the signal that the market place is looking for and it needs to be conveyed in clear, unequivocal terms if it is to draw the response that the country needs for our economy to grow and generate the jobs that are urgently needed."

The RDP made provision for a major public works programme to create 2,5m jobs in 10 years. "This has to be seen against the background of a total public service workforce of 1,9m workers at present."



Japanese buy stake in Assmang

JOHANNESBURG — Japanese industrial giant Sumitomo Corporation had bought a stake in Anglovaal's base metals and ferro-alloys producer Associated Manganese Mines of SA (Assmang) for about \$2,82m, the company said yesterday

The organisation is one of the five major integrated trading companies in Japan with an annual turnover of \$155bn

Sumitomo Johannesburg GM Akira Hirotsuki said the deal — in which it took a 1% stake — was done in an effort to stabilise supplies of manganese, chrome, iron ores, ferrochrome and ferromanganese

"This is the first case of equity participation by a Japanese trading house in the SA mining industry since the establishment of the new South African government," Hirotsuki said

The move would strengthen business relationships between the two companies which had been associated for more than 30 years

Assmang is held by Anglovaal (53%) and the Associated Ore and Metal Corporation (Assore) which holds 45% of the issued share capital

Market sources said the purchase had been made from an offshore parcel of shares held by the Sacco family

SA remained one of the most important suppliers of mineral resources and the deal should contribute towards securing stable markets through Sumitomo, Hirotsuki said

Assmang's selling arm Ore Metal MD Robert Carpenter said his company used Sumitomo as its sales agent in Japan and the move "would obviously strengthen ties with us"

He said Sumitomo also represented Ore Metal for chrome sales in mainland China and manganese ore in South Korea.

COMPANIES

Iscor poised for mine bid

STEEL producer Iscor could be poised to launch a bid for Rosh Pinah, the Namibian zinc mine fighting for survival after Iscor applied to have it wound up, according to reports from Windhoek

Rosh Pinah's provisional liquidator Des Matthews said five companies, including Iscor, had expressed an interest in bidding for the mine. Iscor was unable to confirm this

The decision to put the mine up for sale would be taken after the first creditors' meeting scheduled for June 15

Iscor has a 51% stake in Imcor Zinc, which owns the mine, and is owed R47m by the company. Namibian mining company Moly-Copper owns the remaining 49%

Iscor applied successfully to the Namibian High Court to have the mine wound up. Moly-Copper had alleged that Iscor had

MUNGO SOGGOT

disorted facts about the mine's viability so that Imcor Zinc would be liquidated, in a bid to buy back the mine at a discount price

Although Judge TJ Frank last week ruled in Iscor's favour and ordered that the mine be liquidated, he did not award Iscor costs. "While it might be a fact of life that big fish eat small fish, this does not mean that I should make the process for the big fish even more palatable by awarding it a further prize (costs) for being such a successful predator," Frank said

But he said the "predetermined and calculated way in which Iscor acted by sending out letters to creditors so as to preempt the liquidation suggests the strategy averred by Moly-Copper".

Moly-Copper has appealed

Biday 216/94

(189A)

J
S
T
I
F
I

[Faint handwritten notes and markings on the right margin]

COMPANIES

Iscor's mine bid 'contradictory'

STEEL producer Iscor has confirmed that it will bid for Rosh Pinah zinc mine near Luderitz, Namibia, despite having applied successfully to have the mine wound up

Last week the Namibian High Court ordered that Imcor Zinc — the company which owns Rosh Pinah — be liquidated. Iscor has a 51% stake in Imcor Zinc, and Namibian mining company Moly-Copper has the remaining 49%. **BIDAM**

Iscor said the mine was unprofitable and had no future, which Moly-Copper denied. Moly-Copper alleged that Iscor distorted facts about the mine's viability in a bid to have the mine wound up so that it could buy it back at a discount price.

Iscor said yesterday "The reason why Iscor will make a bid for the Rosh Pinah mine is that it is Imcor Zinc's biggest creditor, owed some R47m on its loan

MUNGO SOGGOT

account, and the best chance to be repaid is through continuing production. If the mine can be sold as a going concern to a bidder at a price able to repay Iscor and other creditors, Iscor will be satisfied."

Moly-Copper chairman Diane Lidchi said yesterday Iscor's decision to bid for the mine was in "complete contradiction" to its posture in court, where Iscor claimed that the mine had no future and would never recoup its expenses. **316/94**

"It is noteworthy that the announcement of Iscor's bid is made in the knowledge that Moly-Copper intended appealing against the liquidation order," she said.

The Namibian newspaper said the decision to put the mine up for sale would be taken after a first creditors' meeting on June 15. **(189A) (222)**

New laws 'will boost stainless steel'

Monday 6/6/94
MICK COLLINS

GOVERNMENT plans to introduce unleaded petrol and stricter emission legislation next year would boost the local stainless steel industry and, to a lesser extent, the platinum industry, analysts said at the weekend

Stricter vehicle emission laws would require catalytic converters to be fitted to all new cars and stainless steel was the preferred material for such converters

A spokesman for Columbus Stainless Steel said the industry estimated that 200 tons of stainless steel tubing would be needed, as well as 880 tons of stainless steel for the housing of the converters. Employment opportunities would also be created

Columbus had the capacity at its Middelburg plant to produce the stainless steel required

Local manufacturers were expecting to export converters to the value of R300m this year. The implications for the local catalytic converter industry would be enormous, once unleaded fuel was introduced, coupled with stringent vehicle emission control, the spokesman said

Autocatalyst manufacturer Johnson Matthey MD Peter Emmel said the new legislation could lead local motor manufacturers to follow their European counterparts by positioning themselves as environmentally friendly (189A)

Two-thirds of all new cars sold worldwide were fitted with catalysts. "More than 80% of European vehicles are fitted with catalysts"

Initial estimates suggested that 10% of all new cars in SA would be fitted with devices which would mean demand for 20 000 converters and 30 000 catalysts

The infrastructure for such an industry in SA was already in place and "proving extremely viable. We would certainly be ready to start production for the local market"

Rustenburg Platinum MD Barry Davison said there would be no significant effect because of the small local motor vehicle market. "But every little bit helps. The autocatalytic market is one of growth"

The US car industry was performing well, there was continuing growth in Southeast Asia, and a recovery in western Europe and Japan

Another dimension was that once emission control standards were tightened, the loadings on autocatalysts would be increased

Impala Platinum's manager of worldwide marketing Derek Engelbrecht said that in the short term, government legislation would not mean much to the industry as it would take some time before the effect was felt

The market was small. With a production level of about 200 000 vehicles and a couple of grams of platinum per vehicle this would take 30 000oz of PGMs. "It won't be a huge market. It becomes important when you put it together with another four or five countries — Mexico, India, China, Taiwan and Malaysia. All this will contribute to the growth of the industry"

There was enough metal to provide for any increase in market demand, he said

COMPANIES

Can manufacturers ready for price war

Bilbey 916194

MICK COLLINS

STAGNANT market conditions and the entry of newcomer Rheem has seen beverage can manufacturers furiously vying for market share in the R1bn a year industry

Amic-owned Rheem came into the market last year with the first all-aluminium can competing against steel can manufacturers Nampak and Crown Cork

An industry analyst said the problem was compounded by the low market share held in the beer and soft drinks segments Beverage cans currently held only 15% of the beer market and 21% of the soft drinks sector

A 6% price differential between aluminium and steel cans was currently being absorbed by Rheem until the full impact of its recycling plans was felt, he said

Because of its high intrinsic value for recycling — a recovery ratio of over 50% — the aluminium can was considered environmentally friendly Rheem's launch led to the formation of the Aluminium Can Recycling Association

Rheem MD Stuart Park said there was a price war going on

Once his company came into the market the "opposition has made the steel can very price competitive" The increases in the prices of steel cans were dramatically different prior to "our coming into the market"

Markets had remained flat over past few years "When we made the decision to start up our Wadeville aluminium can operation the market was growing at 15% a year Since then it has flattened out but we are now seeing signs of growth coming back in"

Nampak MD Trevor Evans said without

market expansion there was going to be intense competition

He said with no growth and three manufacturers there would be more capacity than the market could handle. "If the market shrinks any further there will be a price war"

The company had lost a "bit of market share" but this was due more to lost production as a result of the conversion to a new style of can

(189A)
"There is huge growth potential for cans New products coming into the market will increase its size The debate between steel and aluminium cans will continue to go on with some saying the aluminium can is more environmentally friendly This is not the case as Iscor has recently introduced a huge network to recycle steel cans"

He added the steel can was more robust which suited southern African transportation needs

Crown Cork GM sales Jeff Wilson said once the market had gone from two to three suppliers there was bound to be more competition Rheem's entry was not unexpected as the markets had at the time been growing quite strongly

"Due to improved technology — a conversion in the can end size brought us more in line with European and US standards — the steel can has become more competitive

"Certainly the market is competitive If your price is competitive and quality and service meets customer demand you are going to out-perform your competitors"

No threat to new smelter's viability

BIDAY 16/6/94

MUNGO SOGGOT

ALUSAF's new Hillside smelter would be viable even if the long-term aluminium price stayed below the level set by the project's feasibility study, Alusaf chairman Fred Roux said yesterday.

Speaking at the site, he said the feasibility study's long-term London Metal Exchange (LME) aluminium price of \$1 650 a ton was achievable. "But it is not going to get there as soon as we thought."

When it did reach this level, the smelter would generate about R550m a year in after-tax profit.

Roux said the smelter, with a capacity of 490 000 tons a year, was on target to produce its first aluminium by next June. It would be fully commissioned by June 1996.

Roux doubted whether the current jump in the aluminium price was sustainable. Aluminium stocks were high and the Commonwealth of Independent States was exporting its surplus (189A).

MD Rob Barbour said the relatively high price was not based on "solid fundamentals". Aluminium is being held by long-term speculators, which has led to a shortage for the physical metal.

But Roux said there were signs of a

pickup in demand and the Commonwealth's output would probably drop with cost realities and Western pressure.

There was a very low risk of the Hillside smelter being wiped out by a low aluminium price because the prices of alumina and electricity from Eskom were linked directly to the LME price.

Roux said that because of a R1bn saving in capital expenditure — which had cut the smelter's capex bill to R6,2bn — the feasibility study's projected 6,5% ungeared rate of return would rise to 9,5%. If the aluminium price stuck to what he termed the "downside scenario", the project's rate of return would be about 7,8%.

Roux said the capex savings stemmed from Alusaf's decision to start the project during the peak of the global construction recession. "If the price goes down the smelter will be the fourth lowest cost producer in the world. If the price is high it will not be that competitive."

Gencor has the majority 47,8% stake in Alusaf. The Industrial Development Corporation has a 33,8% stake.

From JOHN CAVILL

LONDON — Base metals may suffer from profit-taking in the short term after the surge of the last six months, but London Metal Exchange (LME) analysts and traders do not expect the bubble to burst

According to Ted Arnold of Merrill Lynch "Anyone who thinks the metals markets are going to go pop has not been looking at the underlying fundamentals

"Zinc may be vulnerable because of oversupply but producing capacity has been cut. That, of course, means that lead, which is largely produced by the same mines, is getting short and even supplies of scrap have dried up

"Nickel could also be suspect because of a possible resumption of dumping from the CIS (Commonwealth of Independent States). But copper is tight and while aluminium stocks are high they are firmly held and we are seeing premiums being paid for prompt delivery

"So long as the producers hold to their agreement to cut output, aluminium should continue to firm later in the year. The European economies are picking up, led by Germany, Japan has bottomed, the US is going well and the Asians are strong," he said

A trader at ED and F Man said "The London market is looking for even higher prices later this year. We are in the second phase of base metals' recovery

"Aluminium stocks, for example, may look high (at over 3.6m tons, according to the International Primary Aluminium Institute, or about three months' Western demand) but

'Bubble won't burst' on base metals rally

189A

CT 16/6/94

most of them are in a few, strong hands and in the Far East consumers are paying \$100 a ton premium over the LME price

"While the American funds are heavily involved — as they are in all commodities — there have always been big investors in metals and they are not distorting the market. This rise has been based on physical demand and how much further it goes depends on the strength of recovery in the major economies, especially Japan and Europe

"There should be a cooling off in demand as we get into the summer holiday season (in the northern hemisphere) but it will return from the third quarter onwards"

At David Williamson Associates, David Williamson agreed that with the big US investment funds active in metals which were oversold in late 1993 and early this year, there will be periods of profit-taking

"But the bear market is over

"Japan and Germany will be moving — the last three months have shown they are emerging from the downturn — while the US continues to go well while Asia is going like the clappers

"The long term fundamentals mean we will see metal stocks really starting to fall from levels which are still unacceptably high"

Iscor buys into titanium industry

PRETORIA — Iscor said yesterday it was entering the titanium and heavy metals industry by acquiring 100% of the shares and claims in Natal Mineral Sands from Shell (South Africa) and Rhoex

Subject to certain conditions, the effective date of the transaction would be July 1

The acquisition involves two quality mineral sands resources which are located in Natal and Transkei

By taking over Natal Minerals Sands and the interests of Rhoex in Wavecrest (Transkei), Iscor has acquired most of the remaining South African titanium reserves with low radio-activity levels

"This significant resource of high grade chlorinatable feedstock, low in radio activity, will enable Iscor to enter this industry," Ben Alberts, Iscor's

(189A)
CT 16/6/94
executive director, mining, said

"We are one of the South African organisations with the technical know-how, infrastructure and ability to develop the required smelting technology. We have already done a number of successful smelting trials with the mineral."

The take over of Natal Mineral Sands follows on the announcements earlier this year that Iscor had successfully tendered for coal exploration rights near the town of Moranbah in Queensland, Australia and its investment in the Qingdao Port complex in the People's Republic of China to secure a dedicated iron ore storage facility — Sapa

Alusaf slashes smelter capex bill by R1bn

From MUNGO SOGGOT

JOHANNESBURG — Because of a R1bn saving in capital expenditure — which had cut the Alusaf smelter capex bill to R6,2bn — the feasibility study's projected 6,5% ungeared rate of return would rise to 9,5%, Alusaf chairman Fred Roux said yesterday

Speaking at the Hillside site, Roux said that if the aluminium price stuck to what he termed the "downside scenario", the project's rate of return would be about 7,8%

Roux said the capex savings stemmed from Alusaf's decision to start the project during the peak of the global construction recession

"If the price goes down the smelter will be the fourth lowest cost producer in the world. If the price is high it will not be that competitive"

Viable

But he added that the smelter would be viable even if the long-term aluminium price stayed below the level set by the project's feasibility study

He said the feasibility study's long-term London Metal Exchange (LME) aluminium price of \$1 650 a ton was achievable "But it is not going to get there as soon as we thought"

When it did reach this level, the smelter would generate about R550m a year in after-tax profit

Roux said the smelter, with a capacity of 490 000 tons a year, was on target to produce its first aluminium by next June

It would be fully commissioned by June 1996

Roux doubted whether the current jump in the aluminium price was sustainable. Aluminium stocks were high and the Commonwealth of Independent States was exporting its surplus

Shortage

MD Rob Barbour said the relatively high price was "not based on solid fundamentals — aluminium is being held by long-term speculators, which has led to a shortage for the physical metal"

But Roux said there were signs of a pickup in demand and the Commonwealth's output would probably drop with cost realities and Western pressure

There was a very low risk of the Hillside smelter being wiped out by a low aluminium price because the prices of alumina and electricity from Eskom were linked directly to the LME price.

● Gencor has the majority 47,8% stake in Alusaf. The Industrial Development Corporation has a 33,8% stake

Iscor turns deadwood into men of steel

189A WM 17-23/6/94

The only really privatised parastatal, Iscor, is starting to show a culture change
Jacques Magliolo reports

AFTER a tedious four-year wait since Iscor's listing, shareholders are finally in for a pleasant surprise. Results due for release in coming weeks are expected to show the company is a profit-orientated conglomerate, instead of "a parastatal-thinking institution carrying a lot of dead wood" say market experts.

"A host of factors influenced the company last year and as many more should affect next year's results" say experts.

Shaping the results will be the recent costly burn through of the Newcastle plant's blast furnace, an improvement in local and international economies bringing with it growing demand for steel, a depreciation of the rand against the dollar and

major internal restructuring and rationalisation.

Most analysts are adamant positives should outweigh negatives leading to earnings per share (eps) at 30c double last year's.

Based on Iscor's historical trend of paying dividends on a three times cover, this translates into a total dividend payment for the year of 10c a share also twice that paid in 1993.

This forecast is not backed by all analysts. They differ on how Iscor will handle the burn through in its books. According to South African general accounting standard AC103 there are only two ways in which Iscor can account for this loss and both systems have to be identified in the income statement.

The company can write it off as an abnormal item or as an extraordinary item during the financial year. The first is a pre-tax profit write-off and affects attributable earnings, while the second is a below-the-line write off and has no effect on eps. In Iscor's case the blow is softened as it can split the write off over two financial

periods.

If the company splits the write off between the two years then a 30c eps is realistic. If it opts to write off the full cost in this financial year forecasts have to be adjusted downwards.

Senekal Mouton Kitshoff industrial analyst Rob Cattich believes Iscor will use the first method. He says "We expect the burn through to reduce original eps forecasts." He expects eps to be about 25c this year. This would mean a dividend of 8,3c.

His reasoning is as follows. Firstly a lower level of steel production because of the burn through means lower sales and thus less income. In turn, the steel division will contribute less to overall fixed costs.

Secondly, the loss of steel sales reduces cash inflows, decreasing the company's ability to pay debt. Had it not been for the burn through a lower debt level would have reduced interest payments, which would ultimately have filtered down and raised eps.

Influencing Iscor's rapid bottom-

line growth last year was an internal restructuring programme which saw early retirements across all divisions and skill levels.

As one portfolio manager callously comments "Analysts love to see retrenchments and 6 000 lay-offs will add substantial value to bottom-line earnings." Using the 1993 annual report as a basis for average employee salaries, the group is expected to show a saving of more than R260-million in its salary bill.

"This early retirement policy was absolutely necessary to streamline the company and to rid it of dead wood," he says.

Iscor's transition from parastatal to profit and cash orientated company has been a difficult one as financial figures since its listing in 1989 show.

Interest cover fell to 1,9 times (1989 8,6 times) and the debt:equity ratio climbing to 32 percent (3,8 percent). The first relates to the company's ability to pay its interest bill out of attributable profits and the second highlights the extent to which a firm has financed its assets with loans.

Under profitability, return on net assets and equity ratios dropped and operating and pre-tax margins weakened.

While turnover per employee climbed during this period to R160 000 (R103 000) operating profits fell from R21 000 to a dismal low of R10 000 per employee.

The effect on eps of such statistics is pertinent and should be noted by investors. In 1989 eps was 50,1c. Last year the figure was 15,1c. Even a 100 percent increase in this financial year's earnings will still be considerably below that achieved when the firm first listed.

Other analysts say prospects for the coming years are better. They indicate that the company listed at the peak of the previous commodity cycle and has since had to contend with a downturn. More pertinent however is that capital expenditure has fallen since 1990's R1,4-billion. Last year this figure was R679 million and in the first half of the financial year under review capex amounted to R217-million. Similarly, debt levels are expected to be reduced in the near future.

Political analysts and economists believe the implementation of the ANC's Reconstruction and Development Programme will boost two industrial sectors: building and steel. With an improvement in international economies this will see Iscor achieve similar growth in 1995 and beyond.

Some analysts suggest that Iscor's immediate future is to concentrate on the local market.

The larger institutions tend to concur but many of the smaller portfolio management firms suggest otherwise. Seef Asset Management Trust's joint managing director Clifford Warren typifies present portfolio management thinking. He says "Iscor will concentrate on increasing its exports in its 1994-1995 financial year for two main factors."

Firstly international prices for steel and iron ore should increase by a greater extent than the local market and, secondly worldwide demand for steel should outstrip local demand.

Investor sentiment has since January this year anticipated positive results. In less than six months the price has climbed by 60 percent to 350c. Market opinion is that the share is now "fully priced based on fundamentals."

However on a forward dividend yield of 1,4 percent and expected growth in the next financial period, investors may see the share reach a ceiling of 450c before falling back to about 400c.

White spending static

Reg Hamlyn WM 17-23/6/94

THE average white South African household has seen no increase in its spending power in the past 18 years, according to a study by Unisa's Bureau of Market Research.

The report on household spending also shows that the average black South African saw a real increase in spending between 1975 and 1993.

However the spending of an average black person in 1993 amounted to only around 11 percent of that spent by a white person.

In real terms the spending of white households rose by one percent a year when adjusted for inflation. The white population increased by the same amount, so there was no real increase in spending among whites.

Spending by blacks rose by 3,2 percent a year between 1975 and 1993 and the black population increase was 2,7 percent a year. Hence they saw a small increase in real spending.

In the past 18 years household spending rose from R19,2-billion to R2 741-billion, an increase of 15,9 percent a year before adjusting for inflation. Taking inflation into account, the increase is only 1,8 percent a year.

South Africans are spending more on phones and the taxman and less on getting their clothes cleaned than

18 years ago. The report notes household spending on communication and income tax went up faster than on any other of the main categories of spending. The slowest increase in spending was in dry cleaning and laundry.

Real spending dropped in eight main categories: the sharpest drop being in education.

Residents of the metropolitan areas make up 30,8 percent of the population and were responsible for 60,6 percent of total household spending in 1993. Their spending on 21 of 22 main spending items represented over half of South Africa's total spending on these items.

Domestic fuel and light (wood, coal, candles etc) were — naturally enough since the rural poor would be likely to use these more — the exception.

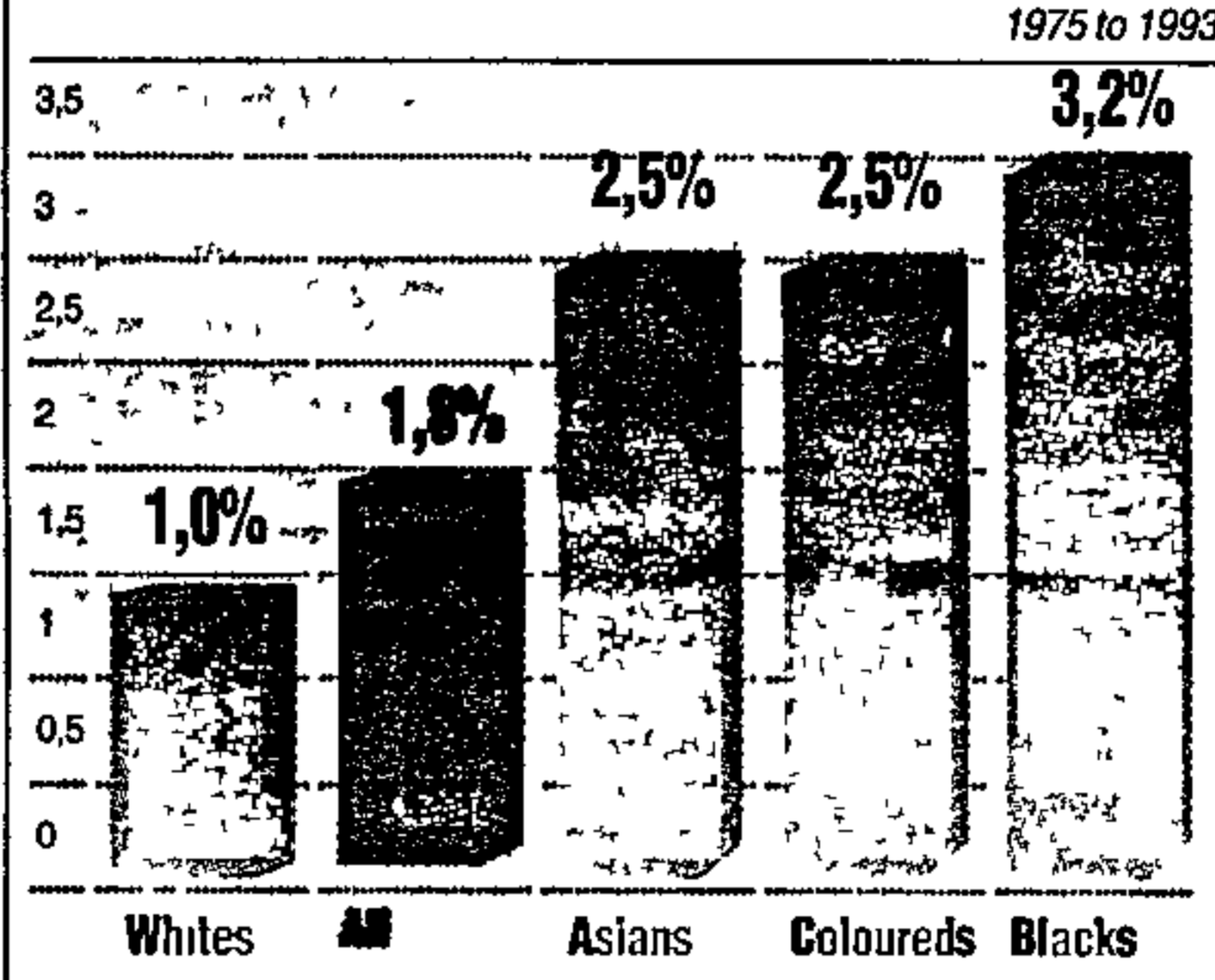
Those living in Johannesburg accounted for 22 percent of the R169,1-billion spent by the all the inhabitants of metropolitan areas.

Whites spent 53,5 percent of total household spending in 1993.

Black households accounted for 92,5 percent of total spending of R1 049-million on fuel and light, 84,3 percent of the R4,7-billion spent on support of relatives, and 79,5 percent of the R911-million spent on dry-cleaning and laundry in 1993.

Also spending by blacks represented more than half of total spend-

Annual increase in real household income 1975 to 1993



ing on alcoholic beverages (58,4 percent) washing materials, plastic bags, insecticides and disinfectants (56,8 percent) clothing footwear and accessories (55,7 percent) cigarettes and tobacco (55,5 percent), and food (50,6 percent).

Whites accounted for more than three quarters of total spending on servants (87,2 percent), holidays (84,5 percent), and income tax (80,4 percent).

Spending on food represented 22,7 percent of total household spending in 1993 followed by housing and

electricity (14,7 percent) and income tax (9,9 percent).

Black households spent 33 percent of their budgets on food as against 29,9 percent for coloureds, 25,8 percent for Asians, and 14,7 percent for whites.

The Receiver of Revenue demanded more from white households than hunger. Income tax took 14,9 percent and food 14,7 percent of white household spending. Housing and electricity (18,9 percent) accounted for an even greater share of the household budget.

Steel yourselves for Iscor results

THE Iron and Steel Corporation of South Africa (Iscor) was the first parastatal to be fully privatised. (189A) WM 17-23/94
Four years after its listing on the Johannesburg Stock Exchange, the company is finally starting to give shareholders something to smile about.

Rationalisation and retrenchments are expected to improve the bottom line, but a costly burn through at Iscor's Newcastle plant might dilute earnings in the soon-to-be-released annual results.

● See full report on PAGE B4

Alusaf saves R1bn on its smelter funds

By MICK COLLINS

ALUMINIUM producer Alusaf would spread the R1bn saving in funding requirements for its Richards Bay Hillside smelter across its foreign and local debt lines, the company said.

A spokesman said yesterday despite the fact that Alusaf would require only R2,4bn of loan funding in relation to the R3,5bn budgeted for it, it would retain all financing facilities until the project had been completed. The saving would see the smelter's capex bill come in at R6,2bn ^{1716/91}

Of the original R3,5bn in loan funding projected for the project, R2bn had been obtained through export credit facilities linked to contracts placed overseas.

But the export credit facilities would now come in at a reduced level.

As far as the local loan funding was concerned the same would apply ^(189A)

A banking consortium — Absa, First National, Nedcor and Standard Bank — and the Industrial Development Corporation put up guarantees locally. "The same will apply across the board here. We don't really know until the project is completed exactly how much we will require." But both local loan funding and export credit facilities would be reduced.

The anticipated reduction in capital cost, lower interest rates and a drop in inflation would reduce the level of debt at peak funding to about 43% of funds employed against the original budget of 54%.

Loans were expected to peak at R2,2bn in June 1996 compared with the original budgeted funding of R3,5bn.

COMPANIES

Iscor warns of possible closure

STEEL producer Iscor warned yesterday that the high cost of local steel scrap could force it to close its scrap steel plant in Durban, with the loss of 300 jobs

A spokesman said the company had already had talks with the trade unions and employees "We have warned them there is a possibility we will have to close the works" He said a final decision would be taken towards the end of July The plant produces billets for the export market

SA Rolled Steel Producers' Council chairman Nols Olivier said steel scrap prices were high, as export permits were granted to scrap merchants on current "unusually" high international dollar prices, which could not be matched by local consumers.

International prices had been moving up because of the increased demand by high tech mini-mills mainly in the US, manufacturing flat products and using technology not used in SA by local mini-mills

"Some of the smaller steelmaking operations and foundries which are totally dependent on ferrous scrap as their source of liquid steel production face financial fail-

MICK COLLINS

ure because of the high local cost of steel scrap," he said *Biday*

Other countries banned or restricted the export of scrap to protect jobs in their own industries and government should take appropriate measures, he said *2116194*

The industry had made certain submissions to the Trade and Industry Department some time ago but no ruling had yet been made *(189A)*.

"Local industry would prefer a situation where the trade concludes long-term contracts for scrap exports for a specific tonnage, rendering the remaining balance for local consumption a more calculable factor on which longer-term plans can be based," he said

Olivier said the high cost of scrap could also result in an increase in the local prices of steel. "None of these developments one wants to see at this critical time of reconstruction and development The steel industry is too vital a role player in our country's infrastructural development"

Iscor warns of plant closure

18974

Own Correspondent
JOHANNESBURG

Steel producer Iscor warned yesterday that the high cost of local steel scrap could force it to close its scrap steel plant in Durban, with the loss of 300 jobs.

A spokesman said the company had already had talks with the trade unions and employees. "We have warned them there is a possibility we will have to close the works." He said a final decision would be taken towards the end of July. The plant produces billets for the export market.

SA Rolled Steel Producers' Council chairman Nols Olivier said steel scrap prices were high as export permits were granted to scrap merchants on current "unusually" high international dollar prices, which could not be matched by local consumers.

International prices had been moving up because of the increased demand by high tech mini-mills mainly in the US, manufacturing flat products and using technology not used in SA by local mini-mills.

"Some of the smaller steelmaking operations and foundries which are totally dependent on ferrous scrap as their source of liquid steel production because of the high local cost of steel scrap," he said.

Other countries banned or restricted the export of scrap to protect jobs in their own industries and government should take appropriate measures. The industry had made certain submissions to the Trade and Industry Department some time ago but no ruling had yet been made.

Olivier said the high cost of scrap could also result in an increase in the local prices of steel. "None of these developments one wants to see at this critical time of reconstruction and development. The steel industry is too vital a role player in our country's infrastructural development."

R1m upgrade for Bayside smelter

Biday 23/6/94

MICK COLLINS

ALUMINIUM producer Alusaf is to upgrade its original Bayside smelter at a cost of about R1bn, lifting capacity 40% to 210 000 tons a year, the company said yesterday

This was in addition to the R6,2bn already committed for the building of the new Hillside smelter.

Operations director Peter de Waal said plans for the upgrade were under way with 12 converted pots in Potrooms B and C and 24 upgraded pots in Potroom A already commissioned. The upgrading of 216 pots in Potroom A had started and should be completed by the end of October 1995 at a cost of about R300m.

De Waal said the timing of the rest of the upgrade programme in Potrooms B and C would depend on the availability of funds. Another R643m, in January 1993 terms, was required for the work. (189A)

Unlike the improvements at Potroom A, which were being done for purely environmental considerations, a large production increase would result from the upgrading of Potrooms B and C. Efficiency would increase from 88% to 95%.

The upgrading would increase the smelting capacity on the two potlines by about 40%, which would boost Bayside's capacity from 170 000 tons to about 210 000 tons a year. The new Hillside smelter would have a capacity of 490 000 tons a year when fully

commissioned in June 1996

Alusaf also said it would not increase current production, despite a buoyant global market and indications that smelters that had been shut down could be switched back on.

Responding to a report by London-based International Primary Aluminium Institute, which said global production was starting to show signs of slowing down, a spokesman said the company would not be influenced by the slowdown or current aluminium prices.

The report showed May output falling to 1,2-million tons, down 76 000 tons from a year earlier.

The drop, while in line with expectations, has helped breed confidence that current oversupply on the London Metal Exchange (LME) will be eroded.

The latest semi-weekly inventory from the LME showed aluminium stocks falling for the second consecutive period.

Aluminium stocks peaked at over 2,66-million tons on May 14, but renewed buying interest saw them dip to just over 2,64-million tons, with more decreases forecast.

Alusaf announced in February it would cut exports by 20 000 tons over a two-year period, and delay a planned capacity increase of 40 000 tons at its Bayside smelter.

Alusaf to bump up capacity 40% in R1bn upgrade

189A CT 23/6/94

From MICK COLLINS

JOHANNESBURG — Aluminium producer Alusaf is to upgrade its original Bayside smelter at a cost of about R1bn, lifting capacity 40% to 210 000 tons a year, the company said yesterday.

This was in addition to the R6,2bn already committed for the building of the new Hillside smelter.

Operations director Peter de Waal said plans for the upgrade were under way with 12 converted pots in Potrooms B and C and 24 upgraded pots in Potroom A already commissioned. The upgrading of 216 pots in Potroom A had started and should be completed by the end of October 1995 at a cost of about R300m.

De Waal said the timing of the rest of the upgrade programme in Potrooms B and C would depend on the availability of funds. Another R643m, in January 1993 terms, was required for the work.

Unlike the improvements at Potroom A, which were being done for purely environmental considerations, a large production increase would result from the upgrading of Potrooms B and C. Efficiency would increase from 88% to 95%.

The upgrading would increase the smelting capacity on the two potlines by about 40%, which would boost Bayside's capacity from 170 000 tons to about 210 000 tons a year. The new Hillside smelter would have a capacity of 490 000 tons a year when fully commissioned in June 1996.

Alusaf also said it would not increase current production, despite a buoyant global market and indications that smelters that had been shut down could be switched back on.

Responding to a report by London-based International Primary Aluminium Institute, which said global production was starting to show signs of

slowing down, a spokesman said the company would not be influenced by the slowdown or current aluminium prices.

The report showed May output falling to 1,2-million tons, down 76 000 tons from a year earlier.

The drop, while in line with expectations, has helped breed confidence that current oversupply on the London Metal Exchange (LME) will be eroded.

The latest semi-weekly inventory from the LME showed aluminium stocks falling for the second consecutive period.

Aluminium stocks peaked at over 2,66-million tons on May 14, but renewed buying interest saw them dip to just over 2,64-million tons, with more decreases forecast.

Alusaf announced in February it would cut exports by 20 000 tons over a two-year period, and delay a planned capacity increase of 40 000 tons at its Bayside smelter.

CLYDE INDUSTRIAL
Fm 24/6/94
Conserving cash

(189A)

The 15% bottom-line growth came largely from sharply reduced interest and tax payments. But a strong pick-up in the second

FINANCIAL MAIL • JUNE •

COMPANIES

Activities: Makes and distributes secondary steel products to the mining, industrial and agricultural markets

Control: Directors 81%

Chairman and MD: G P Wilson

Capital structure: 17,5m ords Market capitalisation R16,7m

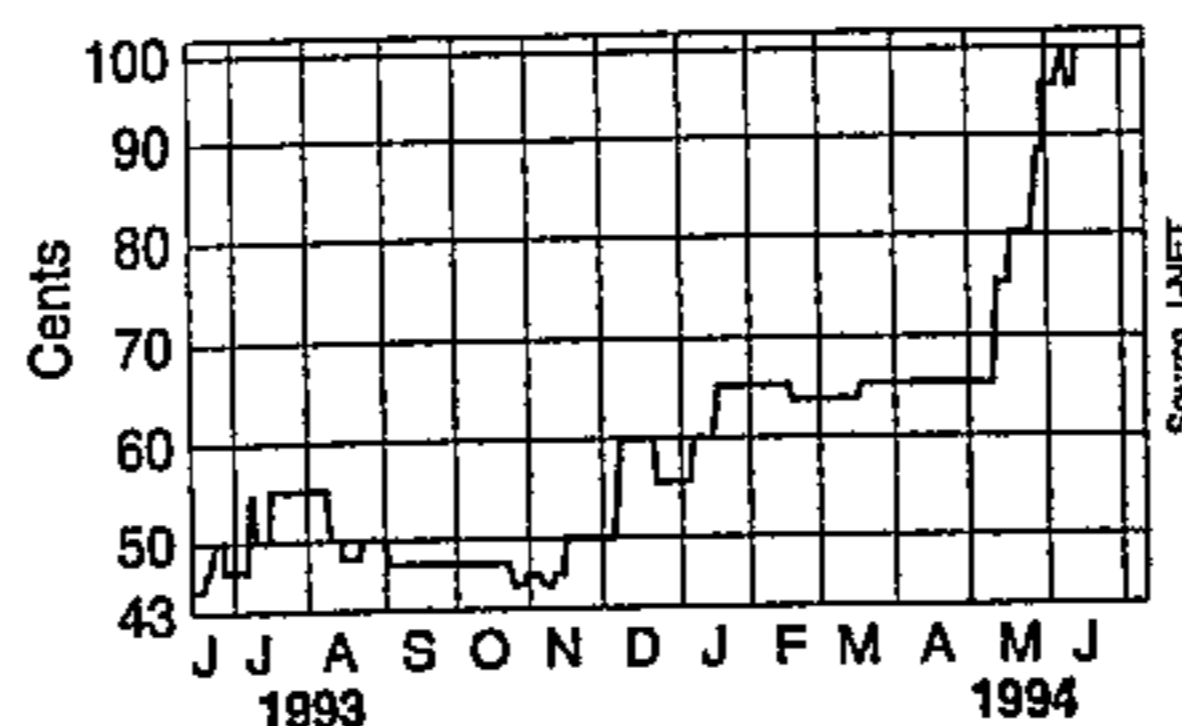
Share market: Price 100c Yields 3,3% on dividend, 20,5% on earnings, p/e ratio, 4,9, cover, 6,3 12-month high 100c, low, 43c Trading volume last quarter, 86 000 shares

Year to February 28	'91	'92	'93	'94
ST debt (Rm)	6,0	5,1	5,1	6,9
LT debt (Rm)	0,8	1,3	0,6	0,06
Debt equity ratio	0,54	0,46	0,35	0,29
Shareholders' interest	0,40	0,37	0,40	0,44
Int & leasing cover	10,9	4,3	4,8	5,7
Return on cap (%)	13,4	12,1	13,6	10,9
Turnover (Rm)	69	83	102	105
Pre-int profit (Rm)	4,2	4,5	5,5	4,8
Pre-int margin (%)	6,2	5,4	5,4	4,6
Earnings (c)	10,8	10,8	17,8	20,5
Dividends (c)	3,25	3,25	3,25	3,25
Tangible NAV (c)	71	78	95	112

half mainly from agricultural and industrial markets could bode well for the future, says chairman and MD Gordon Wilson

Tightening of stock control and debtors helped to drop interest by nearly a third to R804 000 and the use of assessed losses in subsidiary Kalahari Steel Rolling Mills resulted in an effective tax rate of only 8,5%, lowering the tax charge to R430 000

Clyde Industrial



Non-mining, which makes up a third of Clyde's business, carried the day Wilson says the loss of certain mining contracts in the Benbrew Steel division resulted in losses, which depressed margins. On static turnover, that meant a 12% decline in operating profit to R4,8m. "However, the problem which gave rise to the losses appears to have been overcome and management expects the division to return to profitability soon"

With various divisions supplying the mining industry, Clyde's profitability should get a boost when a mining pick-up filters through to the group. So far, this has not happened, Wilson says

But the balance sheet is better structured to meet increased demand. Debt equity is at its lowest for years and interest cover has strengthened to six times, the target ratio management has been aiming at

Clyde is also conserving cash, maintaining the dividend — as it has for the past four years — while increasing cover from 5,5 to 6,3 times

That's probably wise. Apart from being a

Fm 24/6/94
 capital-hungry business, substantial working capital requirements are expected this year, mainly for raw materials for the Kalahari mill, which Wilson says have to be bought when available. "This could depress cash flow with the resultant increase in interest payable. The benefits will eventually show in future profits though" (189A)

Of less concern is Iscor's discontinuation of certain lines due to rationalisation of its heavy mill in Pretoria. Wilson says the effect on some of Clyde's products will not be as great as feared — at worst, it will result in a small decline in business from this source

Consistent results have pushed the price to R1,00, more than double that of a year ago. Still, the share does not seem to find favour with investors. It's worth noting that though the gap between the share price and NAV has been closing over the past two years, the share still trades at a small discount. There must be value here for an investor with a view on secondary mining

Shaun Harris

HOUS ON 082-776-5770 CELLUM

Truce in scrap over scrap

37194
SITines (Buss)

By DON ROBERTSON

STEEL makers and scrap iron suppliers have called a truce following claims that the rising price of scrap would force many foundries out of business and cost hundreds of jobs.

Two weeks ago, the SA Rolled Steel Producers' Co-ordinating Council, of which Iscor, Highveld Steel, Columbus and Scaw Metals are members, accused scrap dealers of abandoning local consumers by selling their product overseas for higher prices.

The council said smaller steel-making operations and foundries, which are totally dependent on ferrous scrap as their source of liquid

steel production, face closure because of the high cost of scrap steel.

IsCOR has threatened to close its Durban plant with the loss of 300 jobs. It also warned high prices "could result in an increase in the local prices of steel". (189A)

Scrap dealers are easily able to get export permits which allow them to cash in on the substantially higher prices paid overseas.

The price of ferrous scrap has risen

from R210 a ton a year ago to an inflated R285 a ton at present. Scrap dealers, however, can earn up to \$112 a ton, or more, overseas, equivalent to over R400 a ton. Shipping costs are about R30 a ton. Even dealers in the PWV area can benefit as transport costs to the coast are about R65 a ton.

Council chairman Nols Olivier says countries which find themselves in a similar position have either restricted or banned the export of scrap.

"Submissions to this end were made to the Department of Trade and Industry some time ago, but no specific ruling has been concluded as yet."

SECURITY

AUSTRALIAN

Aluminium production drops again

Business Day Reporter

THE International Primary Aluminium Institute said daily production by its members posted a third successive decline in May, falling by 500 tons to 38 900 tons, the Mining Journal reports

Since November 1993, daily output has fallen by 1 821 tons, equivalent to a reduction of 667 000 tons a year **BID**

The institute reported daily production reached a peak of 42 000 tons in December 1992 when Western producers were operating at an annual rate of 15.3-million tons **417194**

Now, about 1.1-million tons, or around 7.3% of capacity, has been drawn down. Producers in the former Soviet Union are not members of the institute although several meetings have been held with a view to providing statistical data **(189A)**

Analyst Nick Moore, of London brokers Ord Minnett, says the data demonstrate that the Memorandum of Understanding agreed to earlier this year by leading producers, to reduce production by up to 2-million tons over two years, is working

However, it is essential, he says, that the industry does not now break ranks. On the LME the aluminium price is about 40% higher than the eight-year low of \$1 037 a ton reached last year

Meanwhile, in Singapore, traders report that booming Asian economies are facing a supply shortage which could last for three or four months

All available aluminium in Singapore warehouses is now sold and the premium for Singapore metal over the LME price has reached its highest level in five years — \$100 a ton to \$120 a ton — compared with \$30 a ton \$40 a ton four months ago.

Iscor to spend R45m increasing output

ISCOR would spend R45m to expand tinplate production by 50% at its Vanderbijlpark works, it said yesterday **B/Day**

Capacity would be increased by converting its tin-free steel line to a tinplate line

The horizontal halogen process tinning line at the works had an annual capacity of 260 000 tons a year **15/7/94**

Iscor took the decision to increase production after market research showed that demand would lead to tinplate imports this

MICHAEL URQUHART

year of 45 000 tons, while the tin-free steel market continued to decline ~~(200)~~

Iscor estimated that being able to produce the tinplate at its factory could save SA R126m a year in forex. **(897)**

Tinplate was used predominantly in SA as a metal packaging material, and according to Iscor market growth should continue for at least the next 10 years

Funds buying spurs base metals market

CT 18/7/94

189A

From MICHAEL URQUHART

JOHANNESBURG — The base metals market continued to surge last week because of investment fund buying and industrial demand

Nickel, copper and aluminium stocks on the London Metals Exchange continued to be drawn down as a result of increasing demand for base metals. An analyst said the decreasing level of stocks should be seen against the background of low consumer and producer stocks.

One analyst said consumers of base metals were moving toward a just-in-time inventory system, leading to low consumer stocks. They then used options to secure metal supplies for the future.

Analysts said the major factor driving

base metal prices was increased world economic activity. Commodity prices and the world economic cycle were closely linked, they said.

Russian supplies of base metals had been drying up over the past few years after extensive Russian dumping of materials had depressed world prices.

An analyst said continued demand would continue to push down LME stocks, but current prices seemed to have taken this into account.

Strong demand from China and a big downturn in stocks had been the main factors pushing the copper price to \$2 477/ton, after a low this year of \$1 821/ton.

According to the Minerals Bureau Bulletin, copper smelting capacity was increas-

ing at a faster rate than mine production, with major increases in the US, Europe and Australia. It said Western world smelting capacity was expected to increase 600 000 tons to 7.8-million tons by 1996, about 300 000 tons higher than forecast mine output.

Aluminium prices were also climbing steadily, from a low of \$1 019/ton in November to its current level of \$1 534.50/ton, the highest for three years.

Tin, lead and zinc, however, continued to buck the trend, with the London-based World Bureau of Metal Statistics saying that these metals were in a supply surplus situation.

The zinc price continued to languish at \$985/ton.

BUSINESS

Iscor likly to turn in improved profits

Star 26/7/94

■ BUSINESS STAFF

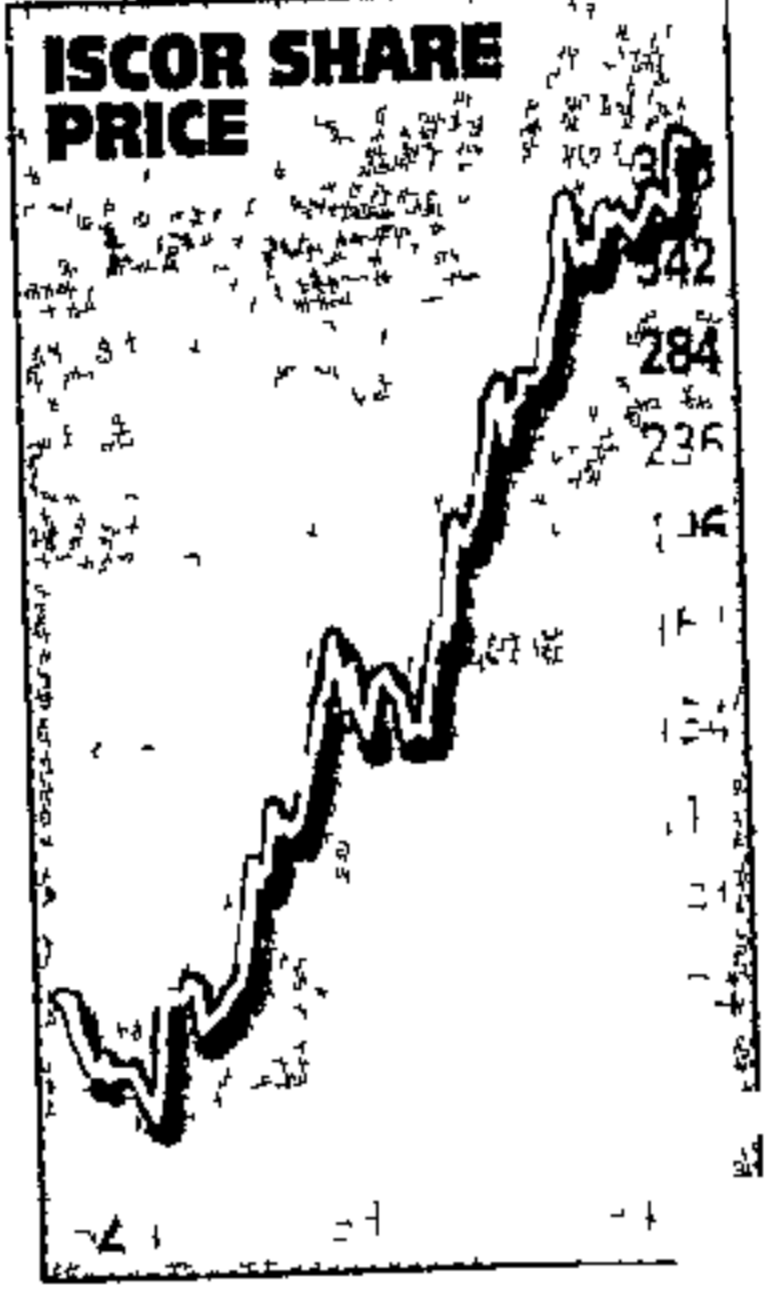
After some brittle years investors in steel group Iscor can brace themselves for a reinforced profit in the year to end-June

E W Balderson analyst Louis Venter is predicting a strong 66 percent increase in earnings a share to 25c (previously 15c) for the steel giant.

He estimates a dividend of 9c (5c) will be paid for the year — an 80 percent increase on June 1993.

Exactly a year ago Venter was spot on in his earnings forecast for Iscor's 1993 financial year.

He attributes the strong showing to the



lower rand/dollar exchange rate (boosting export revenue), the improved local economy and a substantial reduction in debt

Venter added that new

managing director Hans Smith had been an extremely succesful appointment, adding zest to the beleaguered group through numerous innovations.

But he stressed: "Don't forget former managing director Willem van Wyk, who laid the foundation for Iscor's recovery."

Venter sees Iscor's recovery continuing through to June 1995, and his early forecast is for earnings of 36c a share

Iscor has recently clinched some viable off-shore business, including a R45 million partnership deal to develop a Chinese iron-ore harbour and three-year coal exploration rights in Australia.

From MICK COLLINS
JOHANNESBURG —
Buoyant domestic steel demand drove Highveld Steel & Vanadium's attributable earnings up 50% to R56,2m for the six months to June

Turnover at R927,8m was 25,8% higher than in the same period last year because of burgeoning capital projects, while operating profit rose three-quarters to R60,5m. Tax increased to R11,4m (R6,5m), but a reduction in the rate meant a windfall of R7m, which contributed to earnings as an abnormal item. Earnings a share after the abnormal item increased to 62,3c (42,5c).

During the period the Amic-owned company closed newly acquired Transvaal Alloys in a bid to balance world vanadium supply. Chairman Leslie Boyd said vanadium prices bottomed towards the end of the first quarter, improving slightly in the second. World supply and demand appeared to be levelling out after consumption improved. Transvaal Alloys closed and Va-

Highveld Steel earnings surge

189A

CT 2/8/94

metco terminated its mining operations

Because of the Columbus development's continued demand for cash, shareholders were offered capitalisation shares in lieu of dividends. Shareholders who declined the offer would receive an interim dividend of 23c (20c) a share. Amic indicated it would accept the capitalisation shares in respect of its entire 52% shareholding.

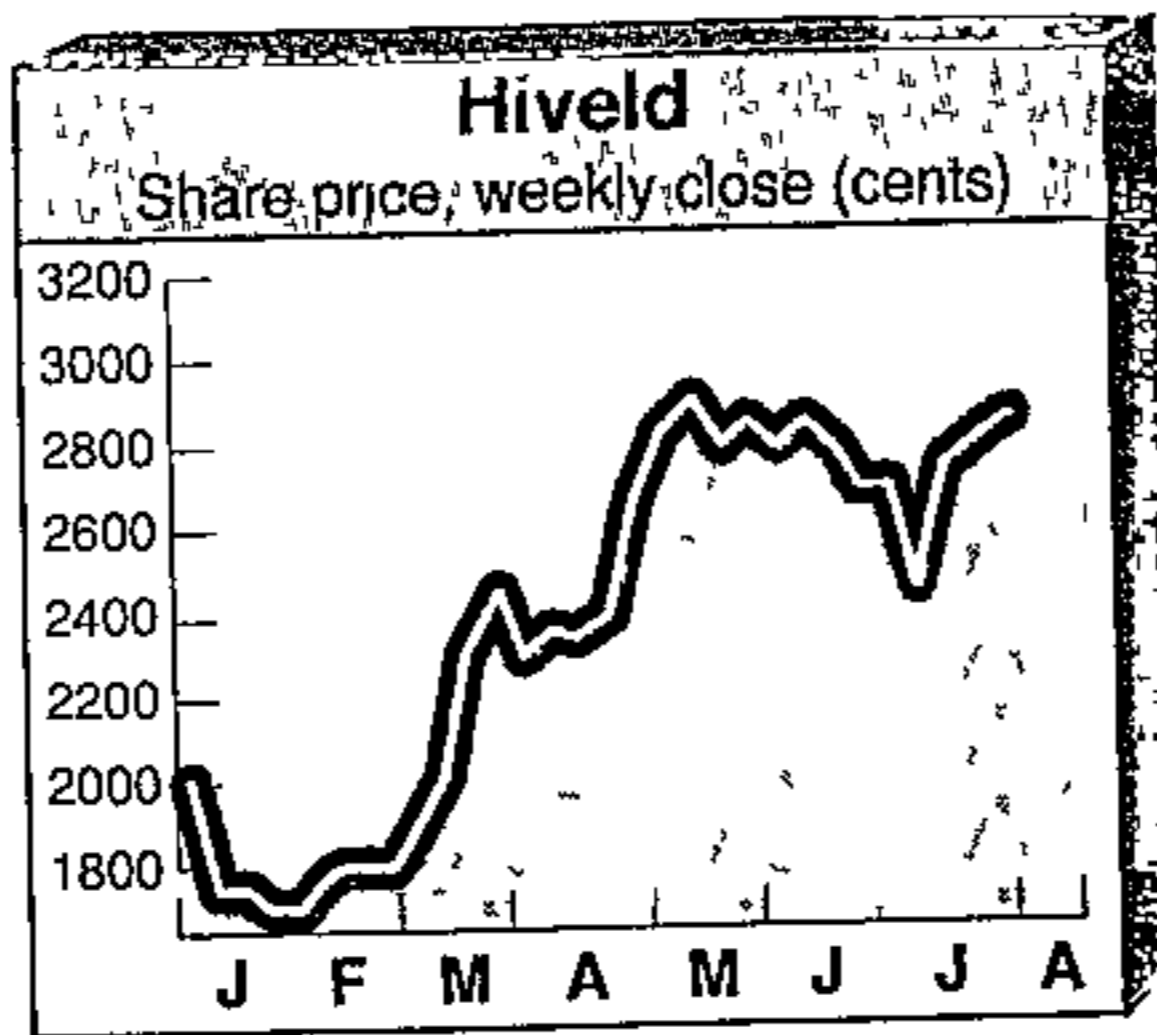
Highveld's portion of capex for the Columbus expansion in the period came to R192,2m, of which R110,7m was financed by long-term loans raised within the joint venture. The corporation's total commitment in respect of further capex was R550,7m (December 1993 R743m), which would be financed by long-term loans, tax

allowances, available cash resources and "other appropriate funding"

Boyd said local steel consumption improved partly as a result of major capital projects such as Columbus, Alusaf and Namakwa Sands.

International steel prices remained under pressure, with structural and billet prices declining to "almost uneconomical levels", while plate and hot rolled coil prices showed encouraging signs towards the end of June.

Chinese steel consumption improved after financial constraints imposed last year were lifted and steel capacity in the US continued at about 90%. Germany recorded a turnaround in output, while Japanese production for the year to date had declined about 9%.



Buoyant demand boosts Highveld

BIDay 218194
NICK COLINS

BUOYANT domestic steel demand drove Highveld Steel & Vanadium's attributable earnings up 50% to R56,2m for the six months to June

Turnover at R927,8m was 25,8% higher than in the same period last year because of burgeoning capital projects, while operating profit rose three-quarters to R60,5m. Tax increased to R11,4m (R6,5m), but a reduction in the rate meant a windfall of R7m, which contributed to earnings as an abnormal item. Earnings a share after the abnormal item increased to 62,3c (42,5c).

During the period the Amic-owned company closed newly acquired Transvaal Alloys in a bid to balance world vanadium supply. Chairman Leslie Boyd said vanadium prices bottomed towards the end of the first quarter, improving slightly in the second. World supply and demand appeared to be levelling out after consumption improved. Transvaal Alloys closed and Vametco terminated its mining operations. (189A) (21)

Because of the Columbus development's continued demand for cash, shareholders were offered capitalisation shares in lieu of dividends. Shareholders who declined the offer would receive an interim dividend of 23c (20c) a share. Amic indicated it would accept the capitalisation shares in respect of its entire 52% shareholding.

Highveld's portion of capex for the Columbus expansion in the period came to R192,2m, of which R110,7m was financed by long-term loans raised within the joint venture. The corporation's total commitment in respect of further capex was R550,7m (December 1993 R743m), which

□ To Page 2

Highveld Steel

BIDay 218194

□ From Page 1

would be financed by long-term loans, tax allowances, available cash resources and "other appropriate funding"

Boyd said local steel consumption improved partly as a result of major capital projects such as Columbus, Alusaf and Namakwa Sands. (21) (189A)

International steel prices remained under pressure, with structural and billet prices declining to "almost uneconomical levels", while plate and hot rolled coil prices showed encouraging signs towards the end of June. Chinese steel consumption improved after financial constraints im-

posed last year were lifted and steel capacity in the US continued at about 90%. Germany recorded a turnaround in output, while Japanese production for the year to date had declined about 9%.

With the exception of Japan, the major world economies had turned around. While the negative effects of erratic supplies from the former Soviet Union would remain, they were becoming less disruptive, Boyd said. "The prospects for most of the group's products have improved and operation at full capacity, with the exception of vanadium, is envisaged."

Improved local demand lifts Highveld earnings

Star 2/8/94

■ BY CHARLOTTE MATHEWS

An improvement in domestic steel sales helped lift Highveld Steel & Vanadium's earnings after abnormal items in the six months to June by 47 percent to 62,3c from 42,5c in the same period in 1993.

The abnormal item represented a R7 million (R10 million) deferred tax adjustment.

Before making the adjustment, earnings a share were 75 percent better at 54,5c (31,2c).

Group turnover grew 26 percent to R927,8 million from R737,4 million previously, but an improvement in margins was evident in the 77 percent growth in operating profit to R60,5 million from R34,1 million.

As a result of continued demand for cash for the Columbus Stainless Steel project, the company is offering shareholders capitalisation shares in lieu of a dividend, or a cash dividend of 23c (20c) a share.

Highveld's major shareholder, Amic, will take capitalisation shares.

Highveld chairman Leslie Boyd says steel consumption made further gains in the first six months of 1994, partly as a result of major capital projects

such as Columbus, Alusaf and Namakwa Sands.

Vanadium prices bottomed towards the end of the first quarter, but showed a slight improvement in the second, as consumption of vanadium worldwide showed signs of lifting.

The group has closed primary operations at Transvaal Alloys and Vamatco.

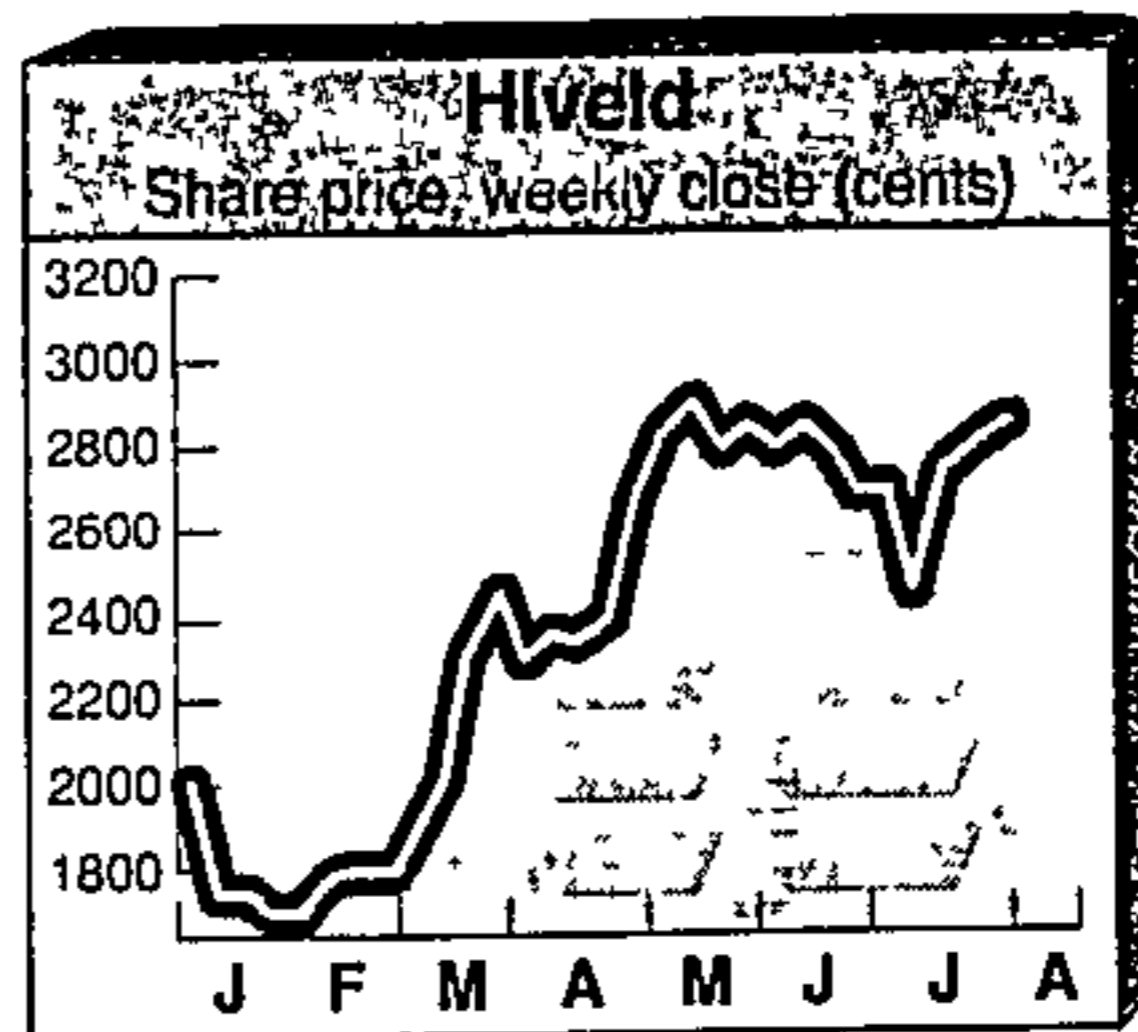
Although a slight decline in world apparent steel consumption was forecast for 1994 by the International Iron & Steel Institute, Boyd says the turnaround in most world economies offered better prospects for almost all group products.

The negative effects of erratic supplies from the former Soviet Union were likely to remain, but would decrease and become less disruptive.

Prices for most steel products remained under pressure, but the weakening of the rand against the dollar would to some extent offset this.

Highveld shares closed unchanged at R28,50 yesterday, having more than doubled over the past year.

Although the market has already discounted to some extent an improvement in export prospects, the shares may still have some way to run.



Buoyant demand boosts Highveld

By Day 218194
MICK COLLINS

BUOYANT domestic steel demand drove Highveld Steel & Vanadium's attributable earnings up 50% to R56,2m for the six months to June

Turnover at R927,8m was 25,8% higher than in the same period last year because of burgeoning capital projects, while operating profit rose three-quarters to R60,5m. Tax increased to R11,4m (R6,5m), but a reduction in the rate meant a windfall of R7m, which contributed to earnings as an abnormal item. Earnings a share after the abnormal item increased to 62,3c (42,5c)

During the period the Amic-owned company closed newly acquired Transvaal Alloys in a bid to balance world vanadium supply. Chairman Leslie Boyd said vanadium prices bottomed towards the end of the first quarter, improving slightly in the second. World supply and demand appeared to be levelling out after consumption improved, Transvaal Alloys closed and Vametco terminated its mining operations (189A) (217)

Because of the Columbus development's continued demand for cash, shareholders were offered capitalisation shares in lieu of dividends. Shareholders who declined the offer would receive an interim dividend of 23c (20c) a share. Amic indicated it would accept the capitalisation shares in respect of its entire 52% shareholding.

Highveld's portion of capex for the Columbus expansion in the period came to R192,2m, of which R110,7m was financed by long-term loans raised within the joint venture. The corporation's total commitment in respect of further capex was R550,7m (December 1993: R743m), which

□ To Page 2

Highveld Steel

By Day 218194

□ From Page 1

would be financed by long-term loans, tax allowances, available cash resources and "other appropriate funding".

Boyd said local steel consumption improved partly as a result of major capital projects such as Columbus, Alusa and Namakwa Sands (217) (189A)

International steel prices remained under pressure, with structural and billet prices declining to "almost uneconomical levels", while plate and hot rolled coil prices showed encouraging signs towards the end of June. Chinese steel consumption improved after financial constraints im-

posed last year were lifted and steel capacity in the US continued at about 90%. Germany recorded a turnaround in output, while Japanese production for the year to date had declined about 9%

With the exception of Japan, the major world economies had turned around. While the negative effects of erratic supplies from the former Soviet Union would remain, they were becoming less disruptive, Boyd said. "The prospects for most of the group's products have improved and operation at full capacity, with the exception of vanadium, is envisaged"

Steel firm in pay deadlock

JOHANNESBURG

Mediation between stainless steel manufacturer Columbus Stainless and the National Union of Metal Workers of SA has failed, the company said yesterday.

The union, sticking to its wage demand of an 11% increase a month, had rejected the company's 9% offer.

Columbus said Numsa added two demands — upgrading the two lowest worker categories and 160 hours of educational leave a year.

Columbus general manager Mr Wilhelm Prinsloo said upgrading workers meant a 20% wage increase for the lowest paid workers without improved productivity. Sapa

Gefco quadruples its net profit

INDEPENDENT asbestos group Gefco more than quadrupled net profit to R4,1m for the six months to June, despite static sales tonnages of blue fibre 1218194

The weak rand allowed the group to post operating income at R6,2m from a loss of R491 000 the previous year. This excluded the contribution of the since-discontinued coal operation, but brought in R2,3m received in last year's final dividend from sister company Msauli and R1,7m in interest earned.

Earnings a share came in at 11,4c from a loss of 1,4c in the previous period. Turnover improved marginally to R14,1m (R13,5m). An increased interim dividend of 10c (2c) was declared. (189A)

Production problems at subsidiary Msauli saw net income drop 40% to R2,7m

BIDAY
MICK COLLINS

Operating income fell 44% to R4,3m and earnings a share fell to 42,4c (70,7c). The interim dividend was maintained at 15c. Reduced sales tonnages and affected margins saw turnover slip to R46,1m (R47,2m).

Ore supply was affected by an inflow of water in the first quarter and by support problems during the second.

Lower production volumes restricted the availability of fibre for shipment and had a detrimental effect on unit costs and profit margins. Sales for the full year were expected to be 13% lower than in 1993.

Chairman Pat Hart said despite Gefco's slow start he expected sales tonnages for the full year to at least equal 1993.

Analysts bullish on main steel counters

BIDAY 18/8/94

MUNGO SOGGOT

SA STEEL producers were poised to reap the benefits of a worldwide upturn in demand and an improvement in local sales likely to be triggered by the reconstruction and development programme (RDP), sources said yesterday.

Analysts were bullish about the prospects for main steel counters such as Iscor and Amic-owned Highveld Steel & Vanadium

But they cautioned that even an expanding local market would be insufficient to soak up local capacity SA companies would be up against heavy international competition.

Steel and Engineering Industries' Federation of SA economic division head Michael McDonald said there was still a 15% worldwide overproduction of steel, which would retard any significant price rises.

Local demand was likely to pick up, but he cautioned that the construction of houses and schools under the RDP was unlikely to consume much steel

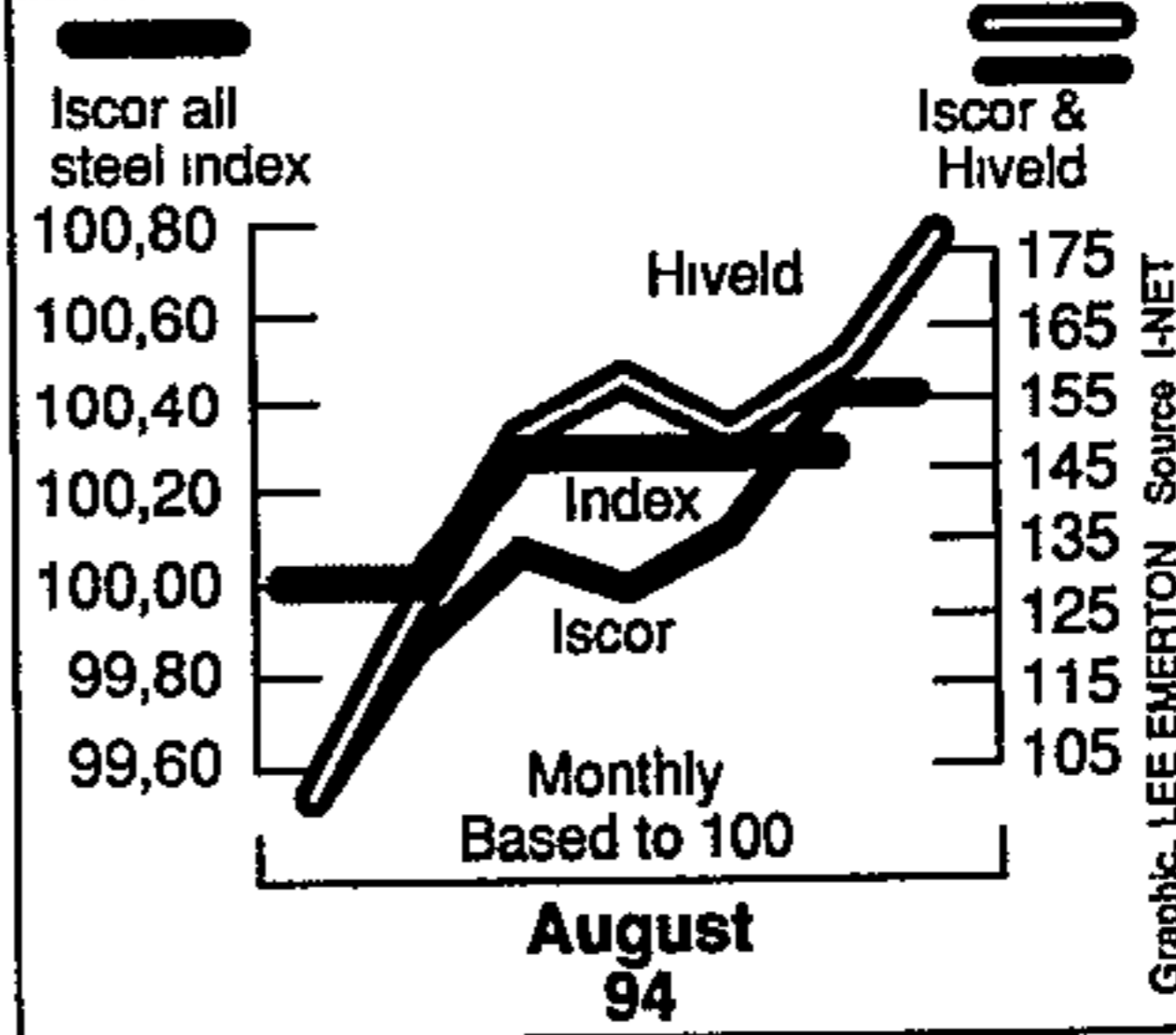
The SA steel industry was geared to government-backed "mega projects" like Mossgas, which would be scarce in the future This meant even a construction boom was unlikely to make full use of the industry's capacity

Iscor had designed a special type of steel for Mossgas which did not corrode in sea water However, all the steel used for the project was made in one day

Iscor profile products division GM Eric Rautenbach said there were signs of a slight pickup in the worldwide steel market

Moving higher

Iscor all steel index, Iscor & Hiveld



On the local front, there was the start of an uptrend in consumption which was expected to peak in the middle of 1996

There were no major local projects on the horizon However, if the Pande Gas Project in Mozambique came on line, Iscor would be able to supply the many kilometres of gas pipes needed for the project

Exports accounted for 50% of Iscor's total tonnage — a ratio which Iscor wanted to reduce in favour of a higher percentage to the local market, if the economy improved

Samancor finance and administration GM Chris Norval said worldwide stainless steel demand looked set to reach its 1988/89 peak of 13,3-million tons this year, with analysts predicting a growth of 3% to 3,5% a year

By MICHAEL URQUHART

JOHANNESBURG —

Aluminium producer Alusaf said yesterday its Hillside smelter should generate R1bn in cash in its first full year of production to June 1997

Even with an aluminium price of \$1 540/ton, the company's financial robustness should enable it to service its loan obligations and make dividend payments should the aluminium market's recovery take longer than expected

Notwithstanding a period in which the LME aluminium price traded at historic low levels, the company was able to remain marginally profitable with attributable income at R7m for the year to June, against R29m

Earnings a share slid to 6,8c (63,4c) and turnover picked up slightly to R781m (R745m)

Announcing its yearly results, Alusaf said the smelter's construction had been 25% completed by June 30. It was on target to be completed five months ahead of the original schedule

Production of first metal should start in the middle of next year with full production of 466 000 tons achieved a year later.

A review of the project's capital cost — including a contingency of R353m — estimated this at R5,46bn, R930m less than the original budgeted cost of R6,39bn. Fur-

Alusaf profitable despite low prices

(189M) CF 25/8/94

ther savings had been made since, indicating that total savings could exceed R1bn

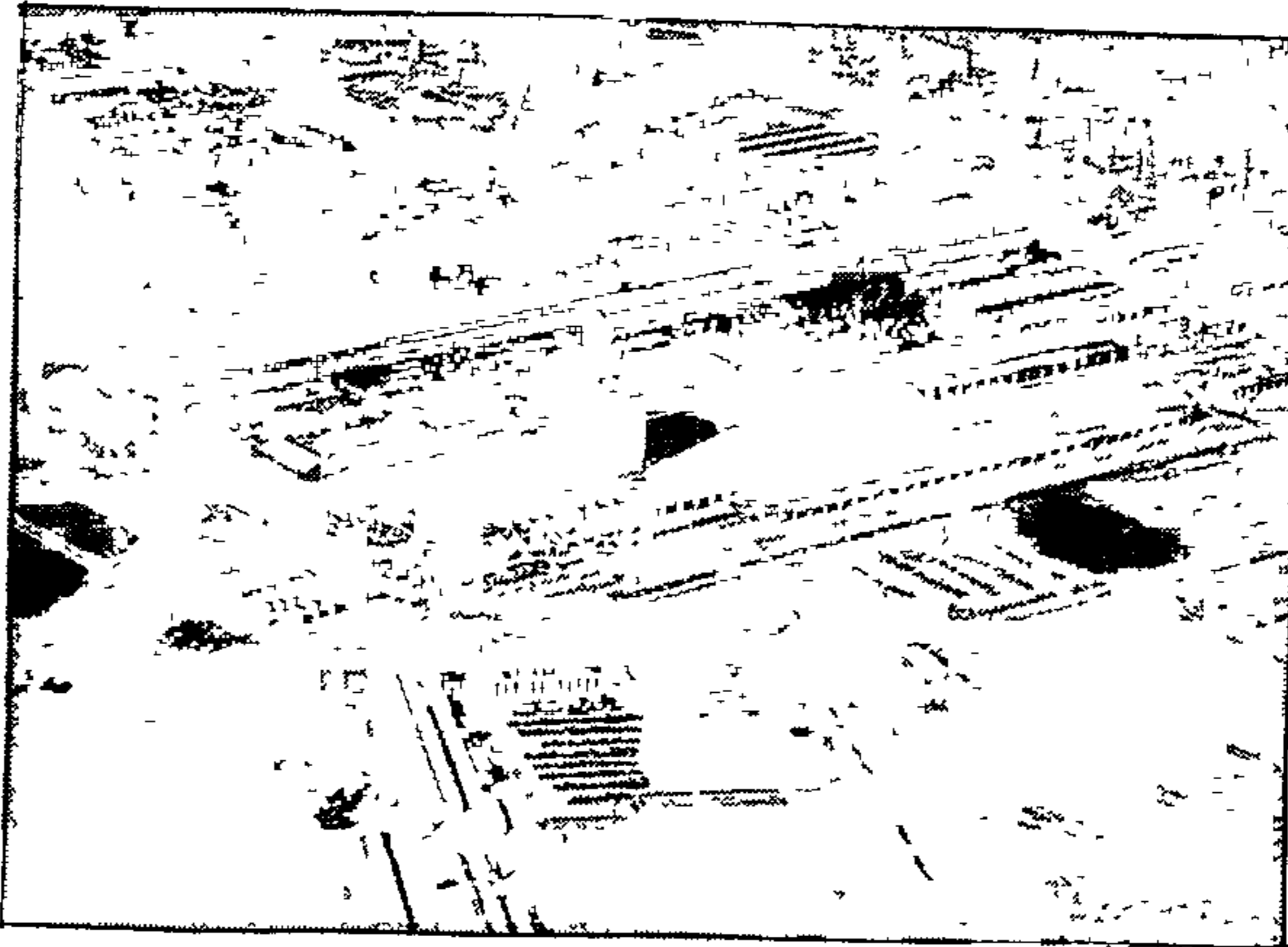
The company said the reduction in capital cost and lower interest rates meant that at peak funding the level of debt should be 45% of funds employed, against an original budget of 54%

Loan tranche

Alusaf said R2 25bn of the R3bn committed equity and convertible loan had been received by June 30. The last tranche would be received on December 30

It did not expect a recovery in the aluminium market before 1997 unless production cuts of at least 1-million tons a year were made worldwide, or consumption in the Commonwealth of Independent States increased

But Alusaf believed an aluminium price of \$1 650/ton was realistic



An aerial view of the Columbus joint venture.

Columbus going great guns

BY DEREK TOMMEY

The R3,5 billion Columbus stainless steel expansion project is well on target, says chief executive Fred Boshoff

All parts of the new plant should be in production by the middle of next year and expenditure is within budget

The venture should be completed without drawing on the R265 million contingency reserve

Analysts say this should be good news for Anglo American's Highveld Steel, Gencor's Samancor and the Industrial Development Corpora-

tion who took the risk in providing the cash for the new plant

It means they can expect to see a return on their investments fairly soon.

Boshoff says Columbus expects to produce 142 371 tons of stainless steel from the existing plant (189A)

But total output should rise to 177 000 next year when the new plant starts operating, and then increase to 307 000 tons in 1996

By 1999, Columbus should be producing 600 000 tons a year

The end to sanctions

Star 20/8/94
has opened up export markets and Columbus is now exporting to 30 countries Demand for stainless steel should grow strongly in the next two to three years

But to win markets it is essential that costs be contained The price of stainless steel in German marks had not changed for several years

Geis, the government's export incentive scheme, which is being ended, had played an important role in stimulating exports

Boshoff believes other export incentives are needed

Better days for steelmakers

Star

30/8/94

■ BY DEREK TOMMEY

The fate of SA's steel, ferro-alloy and stainless steel producers such as Iscor, Highveld, CMI, Columbus, and Scaw is closely linked to that of the world steel industry.

Prospects for SA companies are bright because world production outside the former Soviet Union is growing strongly, says the International Iron and Steel Institute.

Total world steel production in the seven months to July was 406 million tons — less than last year

But if the production of former Soviet countries is excluded, world output actually rose from 357 million tons to 362 million tons.

Most encouraging is the revival in Japan. Production in January-June was down 8,2 percent, but only 1,5 percent in July.

189A

Iscor earnings

Star 11/9/94

rise 88 percent

■ BY DEREK TOMMEY

Iscor had another outstanding performance in the six months to June, with attributable earnings rising 88 percent to R297 million

This was despite a furnace burnout at Newcastle in January, which left it running at 70 percent capacity

The 88 percent rise follows a 72 percent increase in the six months to last December

Earnings for the full 12 months rose 81 percent from R283 million to R512 million, and earnings a share from 15,1c to 27,3c

Once again Iscor is choosing to issue shares instead of paying a dividend to conserve cash

It is issuing 1,2 new shares (worth just under R5 at last night's closing price) for every 100 held (189A) ~~(200)~~

It made a similar issue in March, but at that time the value of the 1,2 shares was only 324c

This reflects the sharp growth in Iscor's share price since the beginning of the year from just over 200c to 414c. Twenty months ago the shares were standing at 60c

Turnover rose by 9 percent to R9,8 billion

For the first time since Iscor's shares were listed four years ago, the company has had a positive cash flow, and

was able to reduce net debt by R401 million to R1,7 billion

It is MD Hans Smith's aim to reduce the debt to R1 billion by the end of 1994

He says the improved results follow the upturn in local sales of steel, which carry a higher margin than exports

Local steel volumes rose by 6,4 percent. Average export dollar prices were 6,3 percent higher

The 14,5 percent decline in the rand against the dollar also helped increase export earnings and compensated for the 10,9 percent fall in iron ore export prices in dollar terms

Iscor was able to contain operating costs through improved efficiency and higher productivity. These came after fairly substantial retrenchments.

Smith says that a preliminary claim of R400 million has been lodged with the company's insurers to cover material damage to the Newcastle blast furnace hearth and loss of earnings for the period to December 1994. About R200 million relates to the 1993-4 financial year

However, the claim is being contested and no account was taken in the 1993-94 figures of the expected insurance settlement

Smith expects Iscor to show real earnings growth again in 1994-5

Structure

Track Hotel Theory

• Ricardo's Theory of prices relative

based on cost of production in which additional element

• L play dominant role - k additional element

• (comp) was the foundation of classical thought, which ensures that society as a whole benefited.

• Says a law of rent

• # a cost must be same every where otherwise to corp's

Iscor turns in top level earnings

189A

CT 11/9/94

From MUNGO SOGGOT

JOHANNESBURG. — Steel producer Iscor posted earnings up 81% at R512m for the year to June as local and international demand hoisted its performance above expectations.

Despite the blast furnace hearth burn-out at the company's Newcastle works, earnings a share were 27,3c (15,1c), while turnover was up 9% to R9,8bn. A final dividend of 5,02c was declared, bringing the total to 8,26c (5c).

Yesterday the share touched 418c before closing at 414c, down from a high of 423c on August 24.

MD Hans Smith said local steel sales had risen 6,4%, while average export prices were up 6,3%. Iscor's rand earnings for exports had been boosted by a 14,5% average drop in the rand/dollar exchange rate. This had also made up for a 10,9% fall in iron ore export at dollar prices.

Iscor had reined in costs by increasing productivity and improving efficiency. The company's capex bill had dropped 20% to R498m (R622m).

The company had reported a positive cash flow for the first time since its listing, with net debt down R401m to R1,7bn. Gearing had improved to 24,9% (33,2%).

Income before tax was R545m (R298m), while Iscor's tax bill rose to R31m (R19m).

Iscor had lodged a preliminary R400m claim against the insurers of the Newcastle works to cover material damage and loss of earnings.

It was unlikely that the claim would be resolved without litigation as it was being disputed by the insurers.

Smith said 2% to 3% growth in real GDP would trigger domestic demand for steel. The international steel market was also expected to improve.

Dollar prices for steel were likely to firm, while the rand/dollar exchange rate would probably weaken further.

If these predictions were borne out, Iscor would show real earnings growth in the next financial year, he said.

With the interim dividend Iscor was offering a share capitalisation programme instead of a final dividend. The shares would be awarded in the ratio of 1,2 new shares of R1 each for every 100 ordinary shares held.

Accounting policy

The group intended to change its accounting policy in respect of deferred tax from the partial allocation to the comprehensive basis from July 1 to comply with international accounting standards.

Iscor Ltd, a partner in the tendered scheme to build a second SA coal export terminal (Cody), said the plan would return to the drawing board following the merger of two competitor coal producers. Reuters reports.

Trans-Natal Coal Corp and Rand coal Ltd announced on Tuesday they would merge in October to form the world's biggest steam coal exporter, saying they had ambitious plans to seek new business, both locally and offshore.

Exports help boost Iscor earnings 81%

BIDAY 11/9/94

MUNGO SOGGOT

STEEL producer Iscor posted earnings up 81% at R512m for the year to June as local and international demand hoisted its performance above expectations

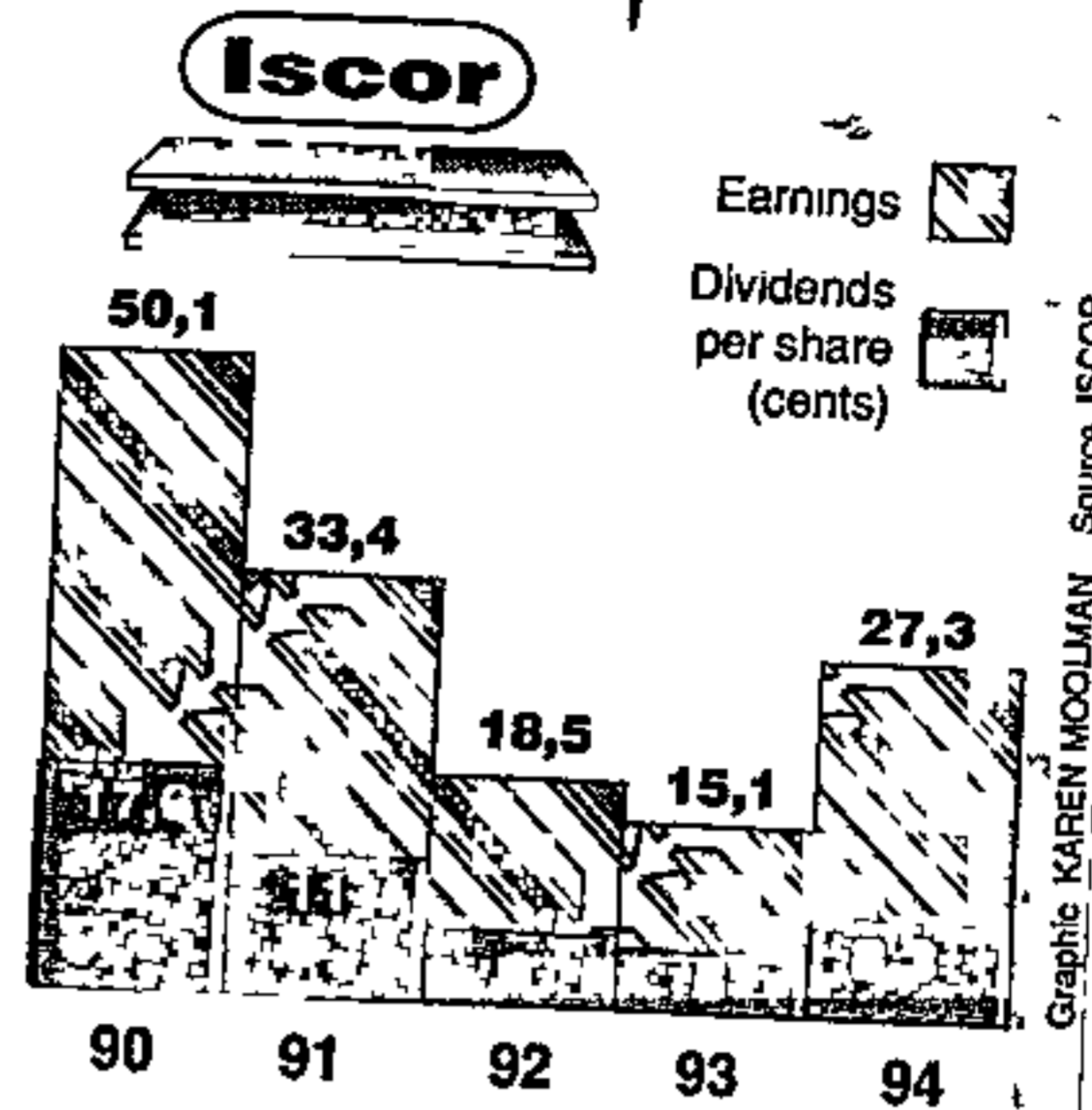
Despite the blast furnace hearth burn-out at the company's Newcastle works, earnings a share were 27,3c (15,1c), while turnover was up 9% to R9,8bn. A final dividend of 5,02c was declared, bringing the total to 8,26c (5c)

Yesterday the share touched 418c before closing at 414c, down from a high of 423c on August 24 (189A)

MD Hans Smith said local steel sales had risen 6,4%, while average export prices were up 6,3% Iscor's rand earnings for exports had been boosted by a 14,5% average drop in the rand/dollar exchange rate. This had also made up for a 10,9% fall in iron ore export at dollar prices.

Iscor had reined in costs by increasing productivity and improving efficiency. The company's capex bill had dropped 20% to R498m (R622m)

The company had reported a positive cash flow for the first time since its listing, with net debt down R401m to R1,7bn. Gearing had improved to 24,9% (33,2%)



Income before tax was R545m (R298m), while Iscor's tax bill rose to R31m (R19m) Iscor had lodged a preliminary R400m claim against the insurers of the Newcastle works to cover material damage and loss of earnings It was unlikely that the claim would be resolved without litigation as it was being disputed by the insurers Smith said 2% to 3% growth in real GDP would trigger domestic demand for steel The international steel market was also

□ To Page 2

Iscor

BIDAY 11/9/94

□ From Page 1

expected to improve Dollar prices for steel were likely to firm, while the rand/dollar exchange rate would probably weaken further (189A)

If these predictions were borne out, Iscor would show real earnings growth in the next financial year, he said.

As with the interim dividend, Iscor was

offering a share capitalisation award instead of a final dividend The shares would be awarded in the ratio of 1,2 new shares at R1 each for every 100 ordinary shares held

The group intended to change its accounting policy in respect of deferred tax from the partial allocation to the comprehensive basis from July 1 to comply with international accounting standards

Iscor beginning to flex its muscles

BY DEREK TOMMEY

Iscor is investigating new projects costing billions of rands

They include the manufacture of stainless steel, the establishment of the world's lowest-cost hot-rolled steel plant at Saldanha in the Western Cape, and joint ventures in China, Australia and the Philippines

MD Hans Smith said at a presentation last night that Iscor was investigating the manufacture of stainless with existing Iscor facilities.

Production would be 40 000 tons to 60 000 tons a month. If a decision were taken now to go ahead, it could be in production within 12 months.

Iscor officials said alterations needed to produce stainless steel would cost R200 million.

Smith said a presentation was to be given overseas. He added that restrictions on the purchase of Iscor shares by foreigners would probably be lifted by the annual meeting in October.

Production at Iscor's plant would be rather in line with that of the Columbus plant, which is aiming to produce 50 000 tons a month by 1996.

A final decision had not yet been taken to go ahead with the Sandanha steel plant.

Smith said Iscor was concerned about the cost of transporting materials, including coal,

to the area.

The plant would cost about \$1,2 billion (R4,3 billion) and would make hot rolled coil in gauges down to one millimetre.

A start would have to be made before the end of the year if Iscor were to benefit from the section 37E tax concession.

Iscor's mining chief, Ben Alberts, said it was investigating the manufacture of titanium. Titanium of the required specification had been produced in laboratory tests and a furnace for large-scale testing was on order.

The construction of a dedicated iron ore storage facility at the Chinese port of Qingdao had taught Iscor how to manage other Chinese joint ventures and there were some in prospect.

One was the manufacture of steel rails at Iscor's Pretoria plant (189A).

A pre-feasibility study should be completed by October on the coal rights Iscor had acquired in Australia.

Iscor had invested in Australia as it would need to import coking coal in the future. Some Japanese and Australian companies had indicated they would be interested in a joint venture with Iscor.

Alberts said there was strong demand for Iscor's iron ore, and the percentage increase in prices could reach double figures by the financial year-end.

Iscor's
(891A)
Saldanha
probe nears
ET 3/9/94
completion

JOHANNESBURG — Iscor said the current R20m feasibility study into the possible establishment of a steel plant at Saldanha Bay on the West Coast would be completed within the next two to three months.

The project is currently costed at about R4bn.

Iscor exports 15,5 million tonnes of iron ore through the Saldanha Bay harbour and the investigation was to decide if a high-technology steel-making plant was feasible in adding value to the ore before exporting, a spokesman said.

Iscor's partners in the probe are the Industrial Development Corp, Sweden's Voest Alpine and Holland's Hoogovens —
Reuter

Shares take a shine to Iscor's plans

SI Times (Buss)

H/A/94

189A

By JULIE WALKER

ISCOR could be producing stainless steel a year to 18 months' hence if the group takes a decision to go ahead with the project.

At a presentation of Iscor's results in Johannesburg on Thursday, Iscor managing director Hans Smith told the audience Iscor was "dead serious" about entering the stainless steel business.

He says that a few things need to be finalised but he estimates that production would be between 40 000 tons and 60 000 tons a month at Iscor's Pretoria works.

The market liked what it heard from South Africa's principal steelmaker, ore exporter and miner. The price added 10c on Friday from an already new high to hit 435c a share.

In the first year under Mr Smith's charge, Iscor has managed completely to shed its parastatal image. It was privatised in 1989 when shares were issued at 200c. After a promising start, the group suffered several years of low growth and the share price suffered. It was as low as 61c last year.

Mr Smith says the re-

strictions on the percentage holdings of foreign and local shareholders will be reviewed at the annual general meeting in November.

He is not quite sure why they were imposed in the first place, but notes that it might have been a good thing: when market capitalisation was R1,2-billion, foreigners could have bought the whole of Iscor through the financial rand for about \$300-million. Now valued at over R8-billion, it is time to scrap the limits.

About a third of the group's shares changed hands in the last 12 months. Mr Smith notes that not only do the employees of the group know the exact share price, they know the volume of trade as a culture of working for shareholders has taken hold.

According to the share register, barely 0,1% of Iscor is held by foreigners. But Mr Smith says Standard Bank Nominees' 16% stake is believed to disguise a substantial foreign interest, perhaps 10%. In the year to June 1994, Iscor lifted its

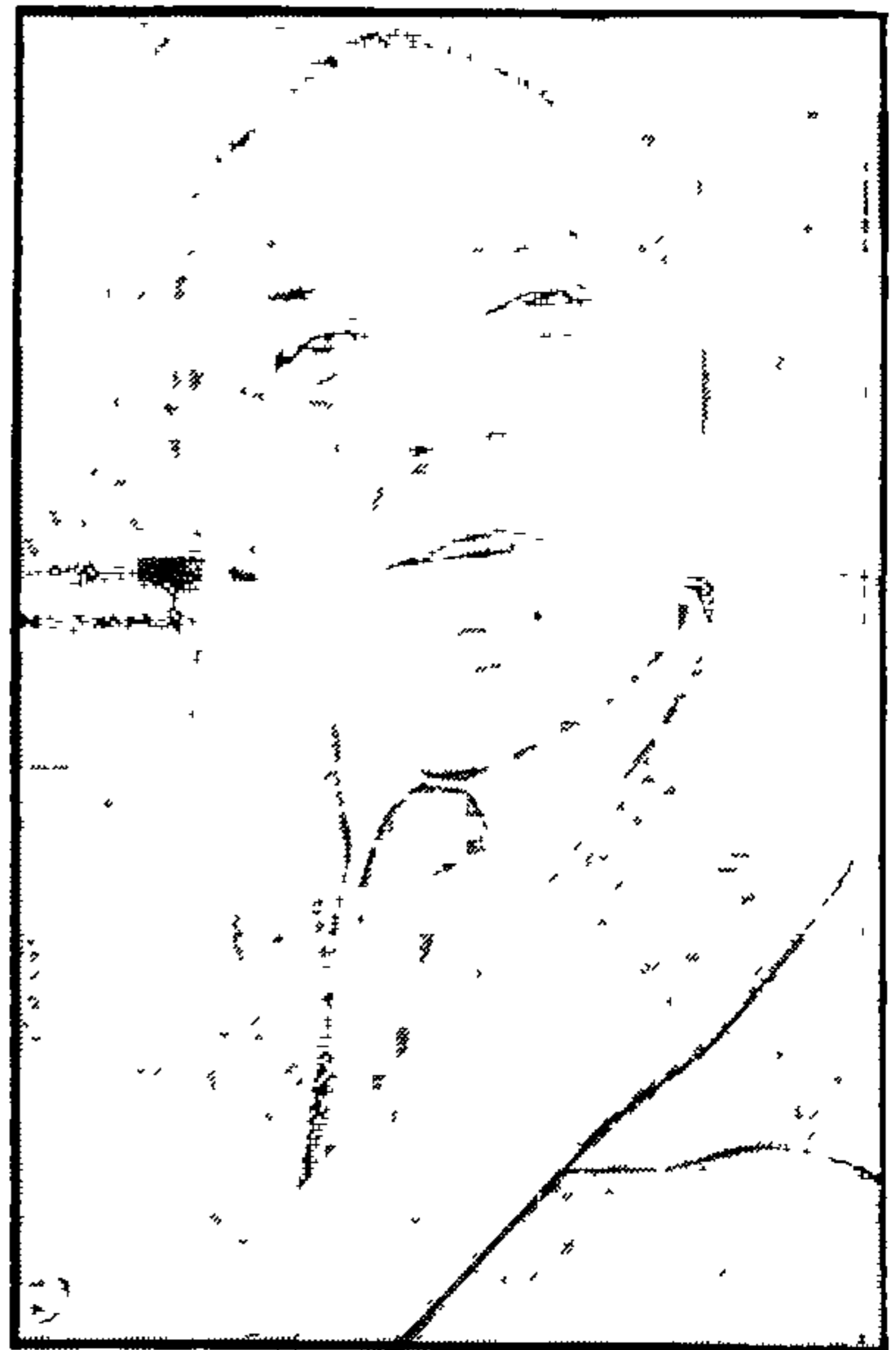
earnings a share by 81% to 27,3c. He says the more important issue is that group cash flow turned strongly positive — from minus R167-million to plus R401-million during the year.

Iscor will issue 1,2 capitalisation issues per 100 shares, being the equivalent of a cash dividend of 8,26 cents a share.

He is especially pleased with the way operations at Newcastle fared after the blast furnace burn-through disaster early in the financial year. No expected insurance claims settlements have been taken into account; the preliminary claim is for R400-million, half of which relates to the 1994 financial year.

Iscor intends to repay all R1,7-billion debt ahead of the next expected economic downturn so as to avoid a large financing cost — R296-million in the 1994 financial year. The debt will be repaid out of own funds; Mr Smith says a rights issue is not the way to go. "It is the most expensive because the new shares have to be serviced forever."

Nevertheless, capital expenditure will need to rise to above R600-million a



DEAD SERIOUS ... Hans Smith, Iscor's MD

year so that Iscor can remain a state-of-the-art, low cost producer. Independent research by London group Commodity Research Unit ranks only South American company Usiminas a cheaper producer, Mr Smith says Usiminas is subsidised, making Iscor the cheapest. Iscor will also adopt a fully comprehensive provision for deferred tax from this year on.

More than half of Iscor's steel is exported, for which Gatt and the General Export Incentive Scheme are critical issues.

The steel division's Kevin

Robertson says the agreement on steel import tariffs signed at Marrakesh earlier this year is for a maximum of 10%. Since South Africa's import duty on steel is only 5%, a doubling suits Iscor as it makes imports less competitive coming into South Africa, yet allows it better access to countries where import tariffs are up to 80%.

The R136-million Geis "freebie" received by Iscor has come to an end. However, Iscor effectively gave South Africa steel exporters R260-million and Mr Robertson expects it to be better off without Geis.

Iscor plans to convert plant for stainless steel

Friday 5/19/94

STEEL producer Iscor said at the weekend it intended converting the steel plant at its Pretoria Works to produce stainless steel.

Executive director, steel, Kevin Robertson said the converted plant could produce 40 000 tons of stainless steel a month.

Analysts said that at capacity the plant would be able to compete with Columbus Stainless Steel, SA's biggest stainless steel producer.

Robertson said the conversion would make the Pretoria Works more profitable.

A feasibility study had been approved and a detailed study would be finalised before tenders for the job were issued.

Robertson said the main feature of the conversion would be the installation of a vacuum oxygen decarburiser.

He said the company was confident of being able to market stainless steel.

"We are also looking at adding further value to the product by additional processing either at the Vanderbijlpark Works or at the Pretoria Works," Robertson said.

Iscor could produce the stainless steel within 12 to 18 months of project approval.

"Pretoria Works has been under pressure for a number of years. This project will greatly enhance its profitability."

Columbus Stainless Steel said last month the R3,5bn expansion project at its Middelburg operation was on track to be finished by March 1995. The project would boost Columbus's output from a forecast 177 000 tons in 1995 to 307 000 tons in 1996 and

MUNGO SOGGOT

about 600 000 tons in 1999.

Columbus Stainless CE Fred Boshoff said the price of stainless steel looked set to rise, but cautioned that benefits from a rise in the steel price could be offset by a drop in the nickel price — which counted for between 40% and 50% of input costs.

However, the Deutschmark price of stainless steel had not changed since the 1960s. "In this business you can't rely on a rise in the steel price, but can only compete on cost of production and efficiency."

Columbus Stainless is a joint venture between the Industrial Development Corporation, Samancor and Highveld Steel and Vanadium.

Samancor finance and administration GM Chris Norval said recently that worldwide stainless steel demand looked set to reach its 1988/89 peak of 13,3-million tons this year, with analysts predicting a growth of 3% to 3,5% a year.

But Boshoff said that to remain players in the international stainless steel market, SA companies would have to be given an export incentive in place of the general export incentive scheme (GEIS).

Boshoff said GEIS — which will be scrapped in March 1995 — had played a pivotal role in the development of the SA iron and steel industry.

But he said the feasibility study for Columbus's expansion had counted on GEIS being phased out in March 1995.

Builders buy

foreign steel

By Day 6/19/94
ROBYN CHALMERS

LOCAL construction groups were increasingly importing steel for big projects, and the trend could grow with the demands of the reconstruction and development programme, sources said yesterday. Few construction companies will admit to importing steel, given the overcapacity of steel on the local market and that local demand could diminish as major projects such as Columbus near completion.

Analysts said the relative recent weakness of the rand against the dollar had slowed imports by local firms, but the currency had begun to ease, which could signal renewed interest.

Among organisations involved in steel imports were Stocks & Stocks and Murray & Roberts subsidiary Reinforcing Steel Contractors (RSC) (189A).

UK-based publication Metals Bulletin reported recently M&R was believed to have imported between 7 000 and 9 000 tons of Spanish rebar with a landing price of between \$255 and \$265 a ton.

RSC MD Carlo de Nicola said the only deal the organisation had been involved in this year was the importation of around 5 000 tons of rod from the UK.

The Metals Bulletin report intimated Stocks & Stocks recently purchased 12 000 tons of Russian rebar. A Stocks & Stocks spokesman denied this.

Steel sector's robust recovery well established — analysts

MICK COLLINS

EVIDENCE that the robust recovery in the steel sector was well established had emerged over the past week as share prices of high profile corporations continued to soar, analysts said yesterday.

Market commentators said positive sentiment had driven the shares to new highs with Iscor and Highveld Steel & Vanadium leading the way.

Iskor closed yesterday at a new high of 485c on heavy local buying, taking market capitalisation to R9bn. The share was priced at 114c a year ago.

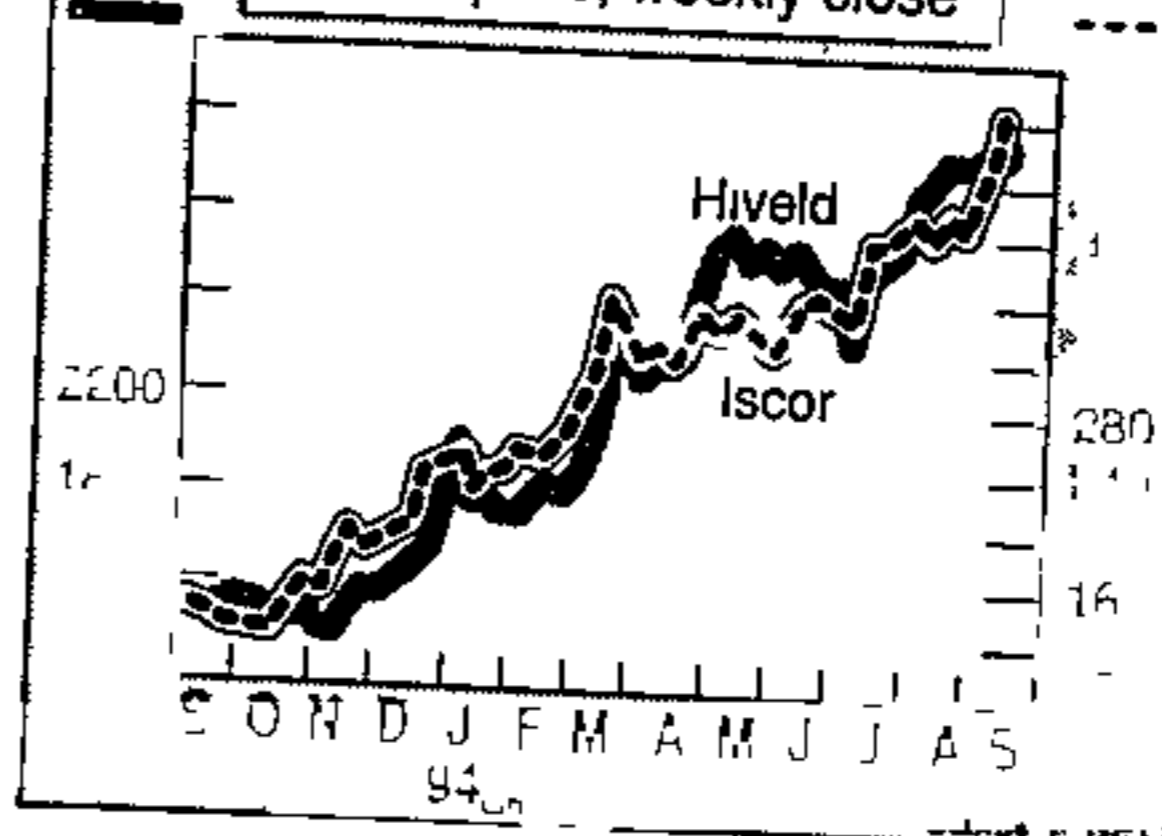
The Amic-owned Highveld also closed at a new high of R33,25 from last November's R12, which analysts ascribed to a "kick" from the Columbus project.

Market sources said there had been a change in fortunes for the local steel market, with an uptick last year of 9% in volume. This was "good news" as the companies earned more on the local market than on foreign markets.

The supply/demand situation in world steel markets had improved significantly.

Referring to Highveld, one source said that the Columbus project was positive for the company. Its contribution to bottom-line profits could be expected to grow to 25% within two to three years.

Hiveld vs Iscor
Share price, weekly close



The Rheem can aluminium operation was also positive.

Another advantage Highveld was enjoying was that Iscor had closed its heavy mill at its Pretoria works last year, which meant the company was picking up additional local sales (189A) (200).

Iskor said at the weekend that it intended converting its Pretoria works for the production of stainless steel. The company said the plant would have a production capacity of 40 000 tons a month.

Analysts said "The demand/supply situation for vanadium has also been sorted out. There is also good demand for manganese alloy products."

Looking abroad?

~~(189A)~~ (189A)

With profitability and cash flow now climbing rapidly, Iscor's management is looking to the future and is preparing to step up capital investment again. After capex was cut to the bare minimum during

the downturn, more will be spent in the 1995 year on upgrading and maintenance — and, more to the point, some large new projects could soon be approved.

This is yet another measure of the steep swing in the steel and mining group's fortunes since last year. There are numerous other such signals: earnings for the year to June 1994 were up by 81%, much in line with market expectations. Borrowings net of cash were down by some R400m at year-end and cash flow moved from a negative R167m to a positive R401m.

Probably the best indicator of rising profitability is the improvement in the operating margin, from 1993's 6,9% to 8,6%. This enabled pre-interest income to jump by almost 36% on a turnover advance of just 8,7% and was achieved despite the burn-through during the first half of the year at the Newcastle blast furnace hearth, which dragged production volumes down.

Reasons for the widening margin include higher product prices, especially in export markets; further increases in export tonnages of mining products, a more profitable sales mix, with a higher proportion of steel going to the domestic market, and benefits from the cost control programme pursued since Hans Smith took over as MD a year ago *fm* 9/9/94

Modest recovery

Considering that steel markets have only recently started to recover, it is salutary to note that the margin is still well below the levels of a few years ago. In 1989, at the peak of the last cycle, the operating margin was 19,5%, more than double the latest figure, it dropped to 16,1% in 1990 and 10,8% in 1991. Even though the current recovery may well be more modest than the upswing of the late Eighties, the historical margin pattern underlines the potential that still exists. ~~(189A)~~ (189A)

Further improvement in the operating performance would be achieved largely through asset management and firming markets. Current volumes of mining and steel production are expected to be maintained for the 1995 financial year. Steel output will continue to be restrained by the burn-through at Newcastle. This furnace is being relined and will be out of production for 45 days; at 5 000 t/day, production of about 225 000 t would be lost as a result (though it would be partly made up elsewhere).

However, the profitability of steel sales should continue to rise as a higher proportion is sold into the local market, which carries higher margins than exports. In 1992

FOX

fm 9/9/94

and 1993, 53% of Iscor's steel sales was exported; 47% went to the local market (down from 63% in 1989 and 1990). In the 1994 year 51% of the total steel production of 2,75 Mt was exported. With domestic demand firming, management is forecasting exports will drop below 50% this year.

At the same time, dollar prices for export steel should harden. Weighted average export prices to the Far East are forecast at about \$325 fob for the third quarter of the 1995 year, about 10% up on the \$295 for the year-ago quarter. US export prices are expected to rise over the period from \$405 to \$425 fob, and for European export prices, an increase from \$360 to \$387 is predicted.

Not all plain sailing

Similarly, mining division head Ben Alberts is estimating dollar prices of iron ore exports will rise by about 10% during this financial year.

These could have a large impact on Iscor's profits. Smith notes that a 1% domestic steel price movement means R51m for Iscor (there were increases of 9,2% in January 1993 and 8% in January 1994); a 1% international steel price movement, R31m; a 1% international iron ore price movement, R12m, and depreciation of the rand from R3,60 to R3,70, R100m.

It won't all be plain sailing. A 1%

ened cash flow, Iscor would presumably have to make special financing arrangements for such projects. Management apparently is cool on a rights issue, but that may not rule out a limited placing of equity with institutions. ~~(189A)~~ (189A)

Or, more specifically, after the successful international forays by Liberty Life and Pepkor, Iscor may soon mount a fundraising programme overseas. After release of results last week senior management left for a roadshow in the UK and US.

It is probably no coincidence that the AGM will be asked to approve a proposal lifting all restrictions on shareholdings. These now state that no foreign shareholder may own more than 10% and foreign shareholders in total not more than 20%; no local shareholder may hold more than 20%. A well-structured funding exercise in dollars, for example, could do much for the growth prospects.

The price climbed this week to a record high of 455c, on a p/e of 16,7. The share is still well worth holding. *Andrew McNulty*

ON THE REBOUND

	1993	1994
Turnover (Rbn)	7,04	8,32
Pre-tax profit (Rm)	778	645
Attributable (Rm)	283	512
Earnings (c)	151	27,8
Dividends (c)	50	3,28

* Capitalisation share award.

movement in labour costs affects Iscor by R25m. However, the cost-cutting programme continues — the overall head count has dropped by some 5 500 over the past year and is still falling. And the aim is still to cut debt by a further R600m over the next year.

Capital spending was cut to an historically low R500m last year, but is planned to be about R600m-R700m in 1995, much of this going into upgrading and modernisation at the Vanderbijlpark works.

None of the present capex or debt projections take into account the large new projects that may soon be approved. For the steel division, these are the conversion of the Pretoria works to a stainless steel producer and a semis plant at Saldanha Bay. Official cost estimates have not been disclosed yet, but the investment will be substantial. And the mining division is planning a titanium mine and smelter at Richards Bay, which could cost R500m-R700m.

Even allowing for the greatly strength-

Taiwanese interest in Saldanha plant

From MICK COLLINS

JOHANNESBURG — The state-run China Steel Corporation (CSC) and the private sector Walsin-Lihwa company were interested in a joint venture in Iscor's proposed \$1bn Saldanha Bay steel plant, the Taiwanese embassy said at the weekend

An embassy spokesman said they would wait for the feasibility study which was expected within three months

"If the study meets expectations both companies have indicated they would consider investing. Walsin-Lihwa has said it proposed funding at least 5% of the total amount required," the spokesman said

The CSC had not indicated the extent of its proposed commitment but would have further discussions with

189A CT 12/9/94
Iscor, he added. Walsin-Lihwa had also indicated that it was interested in a joint venture with Haggie Steel and National Bolts for a stainless steel wire drawing plant.

An Iscor spokesman said the company was aware of the Chinese interest after a recent visit

The spokesman said two other foreign parties were actively involved in the R20m study. These were the Netherlands steel group Hoogovens Technical Services and Austrian steel and engineering group Voest-Alpine. The Industrial Development Corporation (IDC) was also participating

The IDC recently said a preliminary study had shown the mini-mill to be economically viable. Production of 1-million tons a year, which would serve the hot-rolled coil market, would be exported

September '94

Business
travel
scoop

Columbus faces threat from Iscor conversion

MICK COLLINS

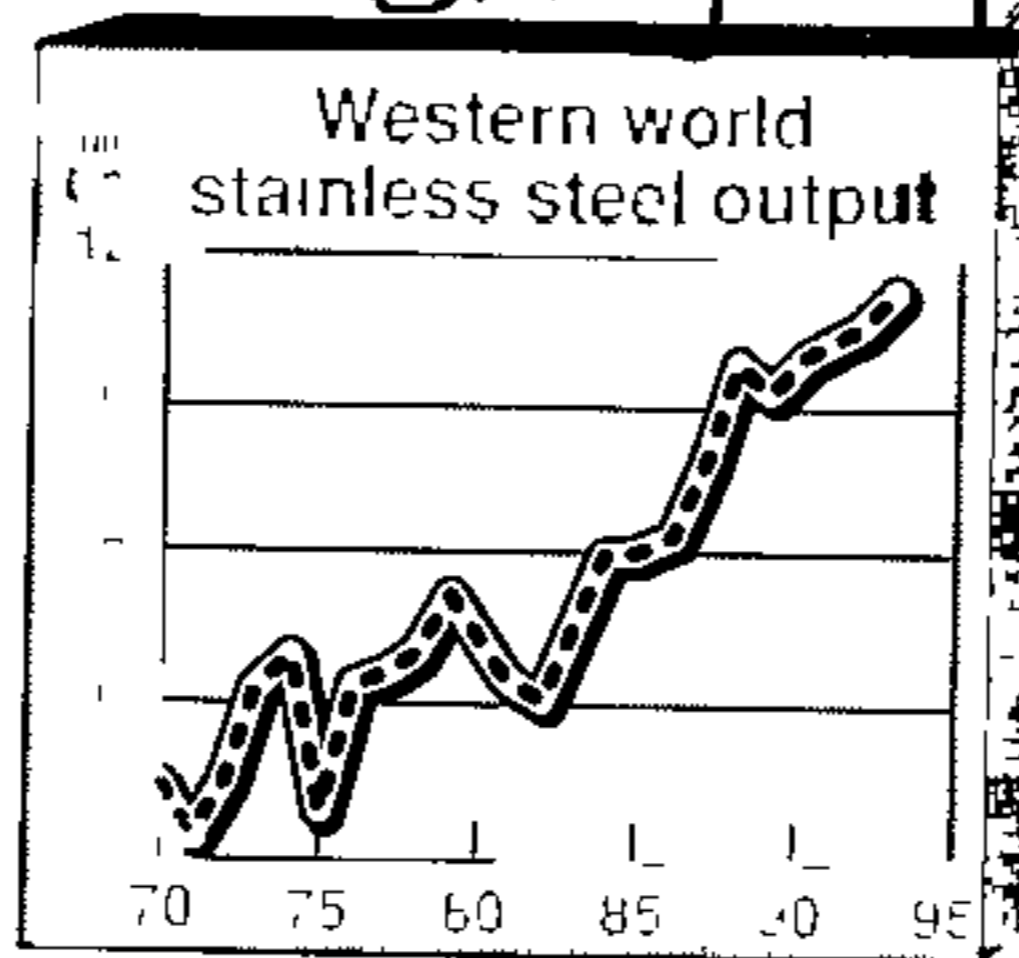
STEEL producer Iscor's plans to convert its Pretoria Works to stainless steel production would place the R3,5bn Columbus Stainless Steel plant under pressure, analysts said at the weekend.

They said the total cost of conversion for Iscor would be about R120m and output from the plant was expected to be about 40 000 tons a month — close to production levels expected from Columbus.

"This new project will add 5% to the supply side on the global stainless steel market, diminishing the attractiveness of the Columbus project," one analyst said.

In a year's time the world market would be above 13-million tons and the combined output from Iscor and Columbus would add more than 1-million tons at full capacity. "It will be negative for the market as Pacific Rim producers are also expanding. The addition of another supplier must put the Columbus margins and yields under pressure."

A spokesman said Iscor was busy with a feasibility study to confirm cost estimates. "We have to go back to the board early in November with exact figures." He said initial indica-



tions of capex requirements were between R100m and R150m.

He said all the production would be for export. "We believe there is a place for both Iscor and Columbus in the market. Stainless steel is a growing market. As far as we are concerned we are not trying to push Columbus out." A Columbus spokesman declined to comment.

Another analyst said Iscor might phase production in gradually, as Columbus had indicated it would do. The output from Columbus would climb from a forecast 177 000 tons in 1995 to 307 000 tons in 1996 and 600 000 tons by 1999.

But he added that by spending between R100m and R150m, Iscor could

only go two-thirds of the route that Columbus was taking with its value added products (189A) (S25)

He said the Iscor project would support ferrochrome and nickel prices by creating demand for these products. Although there was an overhang in ferrochrome capacity, the additional supplies needed by Iscor should put the markets in better balance. "Iscor must have already secured supplies as Columbus has, but future requirements will see upward pressure on prices."

Global demand was expected to grow by 3%-4% a year over the medium to longer term and steel producers had felt positive about market capacity until the news of the Iscor project broke. World stainless steel demand was expected to grow from the current 13-million tons a year to about 14-million tons by 1997.

Local stainless steel sales are steady at about 48 000 tons a year.

One market commentator said the new facility could possibly add as much R200m to Iscor's bottom line within two years. By 1999 more than R1bn would be added to profit.

Columbus Stainless is a joint venture between the Industrial Development Corporation, Samancor and Highveld Steel and Vanadium.

Iscor's Saldanha mill 'in the balance'

LONDON — Iscor's plan to build a mini-mill on SA's west coast is in the balance due to the potentially high capital costs, the Metal Bulletin reported yesterday

The article said that Iscor was not prepared to pay the prices that plant suppliers were now asking (189M)

Although it was still negotiating, Iscor was ready to pull out of the export-orientated project if managers felt they would not get a "decent return", according to executive director Kevin Robertson

"We just hope the capital costs won't kill it," he said

The fate of the project should be known within three months

A quick deal with suppliers was needed unless Iscor was to miss out on a significant tax break SA is abolishing an incentive, known as 37E, which went to companies investing to export To get that, Iscor had to "turn first the sod" at the Saldanha Bay site by early next year CT 13/9/94

Meanwhile Robertson confirmed that the plant, if built, would make around 1-million

tons per year of hot rolled coil, and not billet as had also been considered Iscor wanted to install a DC electric arc furnace feeding a thin slab caster

Robertson would not name the maximum price Iscor was prepared to pay to build the works The original cost estimate, made last year before Iscor carried out its feasibility study, was R4,5bn

Robertson added that Iscor would make its entry into the stainless market with slab only The company might in the future roll its own hot band but would not make cold rolled stainless

Iscor's plans to build mini-mill in balance

LONDON — Iscor's plan to build a mini-mill on SA's West Coast was in the balance because of potentially high capital costs, the Metal Bulletin reported yesterday

It said Iscor was not prepared to pay the prices plant suppliers were asking

Although it was still negotiating, Iscor was ready to pull out of the export-orientated project if managers felt they would not get a decent return, executive director Kevin Robertson said

The project's fate should be known within three months

A quick deal with suppliers was needed or Iscor would miss out on a significant tax break — the 37E export incentive, which was being abolished

To qualify, Iscor would have to "turn first the sod" at the Saldanha Bay site by early next year

Taiwanese steel companies, including the state-run China Steel Corporation, had indicated interest in the project as a joint venture with Iscor. (189A)

Robertson said the plant, if built, would make about 1-million tons of hot rolled coil a year, not billet, the manufacture of which had been considered

The iron supply would be a mix of sponge iron and liquid iron from a new

B1500y B19194
LINDA ENSOR

Corex plant

Robertson would not name the maximum price Iscor was prepared to pay to build the works. The original cost estimate, made last year before Iscor carried out its feasibility study, was R4,5bn

Iscor would enter the stainless market with slab only

It would be in competition with Columbus Stainless, although Columbus's potential slab exports were minimal compared with the 40 000 tons a month Iscor wanted to be casting in its Pretoria works within 18 months

Robertson said Iscor would have an advantage over Columbus in the quality and cost of its production. "They use a lot of scrap. We will use insignificant amounts of scrap" Iscor's low capital investment — which it placed at less than R100m at the Pretoria works — would also give it a price advantage

Iscor was planning to penetrate other southern and central African markets. It expected to announce a "significant downstream integration project" within the next six months. However, Robertson declined to give details

Iscor expected to lift prices

3/Day 26/9/94

MICK COLLINS

ISCOR was expected to announce price hikes across a range of products today, drawing accusations from industry that the steel producer was making a pre-emptive bid to compensate for the impending abolition of export incentives.

The company confirmed that a weighted average price increase of 5,9% on its steel product mix would come into effect on January 1. The price hikes for different products ranged up to 8,7%. An increase in transport costs was also expected from January 1.

Hot rolled plate would increase 6,8%, floor plate 8,7%, hot rolled sheet 8% and cold rolled sheet 5,5%. Other product prices to be increased included blooms and billets (8,7%), wire rod for general use (4,5%), rope wire rod (6,5%) and welding

wire rod (6,5%)

"The average price increase compares well with the expected 9% to 10% rise in the producer price index for 1995," a spokesman said.

But Econometrix economist Tony Twine pointed out that the move had come shortly after last week's announcement by government that a reduction in the General Export Incentive Scheme (GEIS) would be implemented from October 1, followed by the complete abolition of the scheme for steel producers from April 1 next year.

"Iscor is a major beneficiary of the GEIS system." It was by far the largest recipient of total GEIS payments of about

□ To Page 2

Iscor

3/Day 26/9/94

□ From Page 1

R2bn last year. Investment analysts estimated that Iscor received R250m in the past year.

Twine said all Iscor's customers were "pinned" by the increase because of the protection Iscor enjoyed and the heavy tariffs on imported steel. "With adjustments to protection around the corner because of GATT, Iscor could be more limited in hiking prices from next year."

Sources said the increases would hit the secondary steel sector, which was traditionally "a low return on sales industry".

"Everybody will suffer. The impact will see the continuation of the price spiral. They (Iscor) don't explain the rationale to

secondary manufacturers, they just go ahead and increase prices," Twine said.

Sectors which would be hardest hit would be the fabrication and building industries. But Iscor also announced that during October, November and December it would grant price concessions of about R4,6m on sales of its Ekonogalv galvanised sheet used extensively in the roofing and cladding of houses.

Iscor executive director, steel, Kevin Robertson said the concessions should be seen as a "manifestation" of Iscor's commitment to the reconstruction and development programme.

Iscor knocked for 'pre-emptive' price compensation

From MICK COLLINS

JOHANNESBURG — Iscor was expected to announce price hikes across a range of products today, drawing accusations from industry that the steel producer was making a pre-emptive bid to compensate for the impending abolition of export incentives

CT 26/9/94
The company confirmed that a weighted average price increase of 5.9% on its steel product mix would come into effect on January 1. The price hikes for different products ranged up to 8.7%. An increase in transport costs was also expected from January 1

Hot rolled plate would increase 6.8%, floor

plate 8.7%, hot rolled sheet 8% and cold rolled sheet 5.5%. Other product prices to be increased included blooms and billets (8.7%), wire rod for general use (4.5%), rope wire rod (6.5%) and welding wire rod (6.5%)

189A
The average price increase compares well with the expected 9% to 10% rise in the producer price index for 1995," a spokesman said.

But Econometrix economist Tony Twine pointed out that the move had come shortly after last week's announcement by government that a reduction in the General Export Incentive Scheme (GEIS) would be implemented from October 1, followed by the complete abolition of the scheme for steel producers from April 1 next year

"Iscor is a major beneficiary of the GEIS system." It was by far the largest recipient of total GEIS payments of about R2bn last year

Investment analysts estimated that Iscor received R250m in the past year

Twine said all Iscor's customers were "pinned" by the increase because of the protection Iscor enjoyed and the heavy tariffs on imported steel. "With adjustments to protection around the corner because of GATT, Iscor could be more limited in hiking prices from next year."

Sources said the increases would hit the secondary steel sector, which was traditionally "a low return on sales industry". "Everybody will suffer. The impact will see the

continuation of the price spiral. They (Iscor) don't explain the rationale to secondary manufacturers, they just go ahead and increase prices," Twine said

Sectors which would be hardest hit would be the fabrication and building industries. But Iscor also announced that during October, November and December it would grant price concessions of about R4,6m on sales of its Ekongalv galvanised sheet used extensively in the roofing and cladding of houses

Iscor executive director, steel, Kevin Robertson said the concessions should be seen as a "manifestation" of Iscor's commitment to the reconstruction and development programme

bid



Price of steel to go up soon

Sowetan 29/9/94

By Isaac Moledi

ISCOR is to increase the price of its products next year although it will grant price concessions of more than R4 million over the next three months

The company announced it would grant price concessions of about R4,6 million during October, November and December on sales of its Ekonogalv galvanised sheet, which is used extensively for roofing houses

"This price concession should be seen as a manifestation of our commitment to the Reconstruction and Development Programme," said Iscor executive director Kevin Robertson

However, average price increases of 5,9 percent on the company's products will be effected on January 1

Group public relations manager Mr Neels Howatt said "From the beginning of January Iscor will be increasing its prices on all its products, except on Ekonogalv galvanised sheet and steel window frames

"This means that for the first six months of 1995 we will be making a further contribution of about R20,6 million to the RDP"

(189A)

Future bright for Iscor steel exports

■ BY DEREK TOMMEY

Sharply rising demand overseas for steel and iron ore would seem to fully justify the fourfold increase from 135c to 478c in the past 16 months in the share price of Iscor, the country's major producer and exporter of these products.

Iscor, believed to be the world's cheapest steel producer, is already a major steel exporter.

If it decides to go ahead with its Saldanha Bay project, it will be able to sell an even larger quantity of steel overseas.

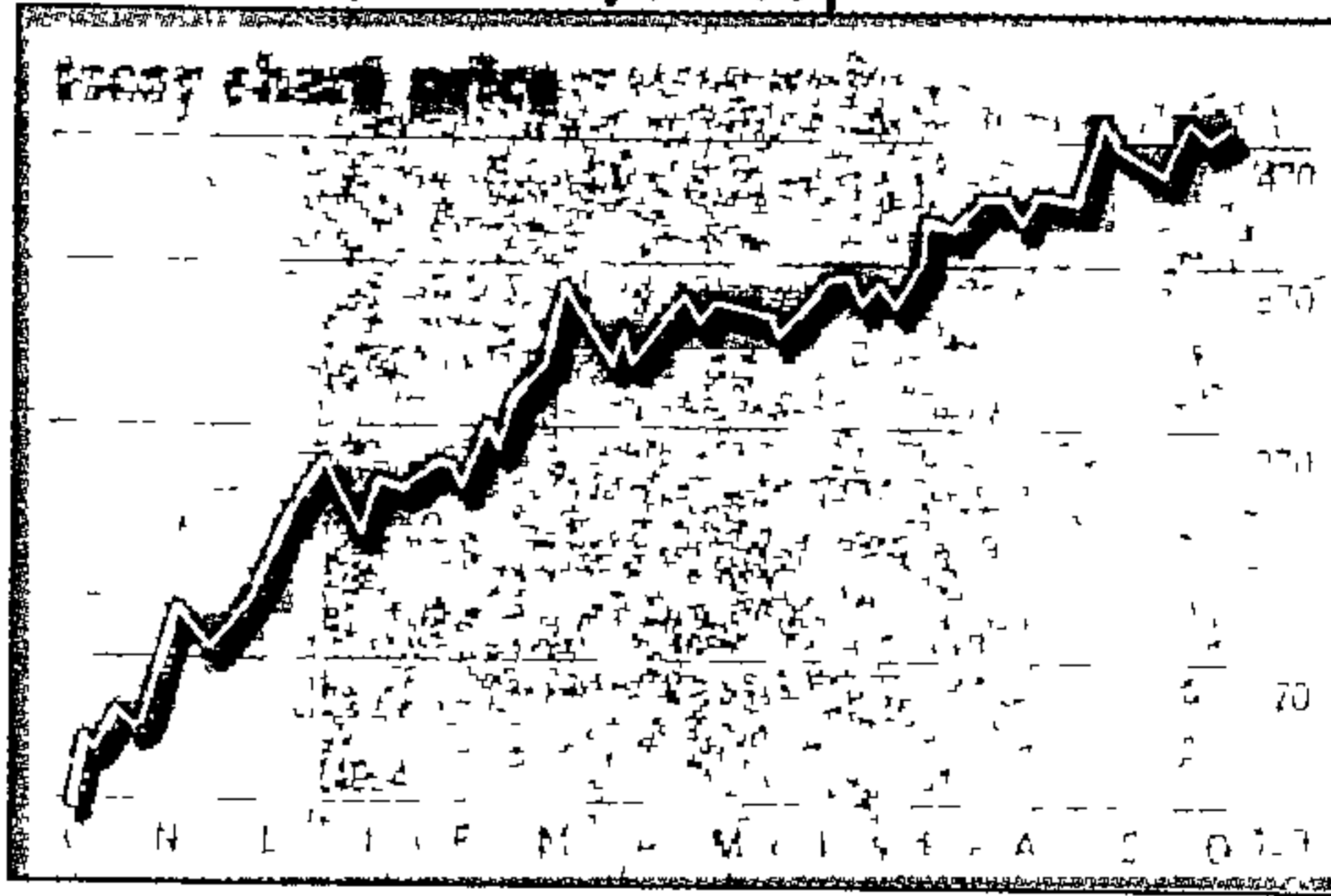
A forecast of steel consumption in the next few years by Lennhard Hulschuh, who runs the International Iron and Steel Institute to which all the world's major producers belong, indicates that the markets for Iscor's exports are likely to grow sharply. (189A)

Not that Iscor will necessarily be exporting larger quantities of steel, unless the Saldanha Bay project comes on stream, but rather the same quantity of steel at higher prices.

Hulschuh says that world demand for steel this year outside the former USSR and China should grow by 6 percent.

World consumption of steel will rise from 650 000 tons in 1995 to more than 750 000 tons by the year 2000 — lifting the annual growth rate in steel consumption from its current 2 percent to 2.8 percent.

Increasing demand from developing countries, mainly in Latin America and Asia, is the reason for this.



Nearly half of the world's steel consumed in the year 2000 will be used in Asian countries, including China and Japan.

Consumption of steel in the European Union is expected to rise 6 percent this year, followed by more than 4 percent next year.

In Eastern Europe, demand is also expected to increase by 6 percent this year, followed by an even larger increase next year.

The surge in China's apparent consumption of steel, which rose by almost 50 percent in 1993 to more than 100 million tons, seemed to be continuing earlier this year.

But tight credit and import control would appear to be restricting imports to below last year's levels.

However, over the next six years China's consumption is expected to grow by about 6.7 percent a year to 140 million tons.

This forecast is more modest than many others, says Hulschuh.

China is a market in which Iscor has a particular interest because it recently built an iron ore storage facility in the Qingdao port complex to improve the marketability of its iron ore.

On the other hand, the high value of the yen will probably restrict steel consumption in Japan.

Japanese manufacturers are already shifting production to other, lower-cost countries, and not only in the Asian region. The United States and Europe are included.

As a result, the 80 million ton consumption forecast for 2000 will show little increase from 1995.

Strong growth is expected in steel consumption in other countries in the Asian region, which should increase demand from 110 million tons next year to 140 million tons by 2000.

Iscor rights issue forecast to fund major projects

BBCy 26/10/94
MICK COLLINS

A MASSIVE rights issue was on the cards for steel producer Iscor once approval had been given to several multimillion projects in the pipeline, market sources said yesterday.

An analyst said the only real option open for new funding to Iscor was a rights offer. An announcement was expected shortly.

"They would have to take that route in view of their debt level. There is heavy debt attached to current operations which Iscor will have to trade its way out of."

"The market would not like any other mechanism to raise cash. The interest cycle has turned and any more debt would be more expensive to fund." He added that a rights issue would be well received.

Iscor MD Hans Smith said the project foremost in the company's planning was the building of a R4bn steel plant at Saldanha Bay, while the R120m conversion of its Pretoria works to the production of stainless steel was also high on the agenda.

Other projects in the offing were the development of a R800m coking-coal mine in Australia and a R1bn titanium slag project in Natal. But these two ventures had a two-year lead time, Smith said.

"Decisions on the first two projects should be due shortly. A rights issue could

be anything from R250m to R1,5bn." He said the group wanted to pay back debt out of current operations. "This policy will not allow for new projects so we will have to look for new capital."

"We are not ready to pull the trigger right now. In terms of financing we will look at different strategies. One alternative is to increase equity. Others include debentures, loans and a rights issue."

He added that a decision on a rights issue would depend on whether the company undertook to go ahead with the Saldanha Bay project and the Pretoria works conversion simultaneously.

One market commentator said a joint venture on the Saldanha project could not be ruled out.

"There has been a lot of interest shown by the Chinese. The state-run China Steel Corporation has indicated it is interested, while the private sector steel company Walsin-Lihwa has said it is prepared to put up 5% of the proposed funding."

Market sentiment for the share was reflected in the share price surging from 135c at the end of June 1993 to yesterday's close of 481c. (189A)

ISCOR

Giving precedence to profitability

Activities: Produces and markets steel products, associated raw materials and by-products
Control: Widely held, no shareholder has control
Chairman: M T de Waal MD H Smith
Capital structure: 1,89bn ords Market capitalisation R8,96bn
Share market: Price 468c Yields 1,8% on dividend, 5,8% on earnings p e ratio, 17,1 cover 3,3 12-month high, 500c, low, 126c Trading volume last quarter, 121,3m shares

Year to June 30	'91	'92	*'93	†'94
ST debt (Rm)	718	652	551	767
LT debt (Rbn)	1,10	1,70	1,84	1,24
Debt equity ratio	0,26	0,28	0,33	0,25
Shareholders' interest	0,67	0,63	0,62	0,66
Int & leasing cover	4,92	1,91	2,02	3,0
Return on cap (%)	8,3	6,6	5,7	7,8
Turnover (Rbn)	7,39	8,62	9,04	9,83
Pre-int profit (Rm)	890	748	644	804
Pre-int margin (%)	12,1	8,7	6,5	8,3
Earnings (c)	33,4	18,0	15,1	27,3
Dividends (c)	11,0	6,0	5,0	8,3
Tangible NAV (c)	349	355	340	366

* Restated † Accounting for joint ventures changed from the equity method to the proportional consolidation method

The swings in Iscor's earnings and share price since the listing in November 1989 underline the intrinsically cyclical nature of its main business. Changes now occurring in strategic and operational management could help make the swings less extreme. But the historical pattern is a reminder that investors should now be considering how much of the current earnings upswing is discounted in the price and how long the upward cycle will last.

In retrospect, the recovery has been even more impressive than the downswing. After dropping from 50,1c in 1990 to 15,1c in 1993, EPS recovered in 1994 to 27,3c. But the share, listed at R2, has soared from its 61c low set at the end of 1992 to 475c now — a recovery that added almost R8bn to the market capitalisation.

Put differently, had it not been for the shareholder restrictions, the entire group could have been snapped up 22 months ago for just R1,14bn or about US\$235m. Last week it was capitalised at R9,1bn, ranking

the share 22nd on the JSE by market value. This, with the high liquidity of the stock — 405m shares were traded in the last financial year — makes Iscor a prime candidate for foreign and local institutional investors. The number of individual holders continues to fall — from 200 341 at the 1993 year-end to 165 965 at June 30.

At least three broad factors helped drive the price up: demand for steel and, particularly, iron ore has been steadily improving (FM September 9), much has been achieved within Iscor to improve efficiencies and cut costs, and, whether fairly or not, attitudes towards both strategic and operational management were favourably transformed with the appointment of Hans Smith as CE last year.

Smith, who entered the job with fortunate timing, was soon able to announce tangible evidence of internal advances, such as a leaner cost structure, as shown by the reduction of the payroll by 5 510 (their retrenchment packages financed by an over-funded Iscor Pension Fund). At 48 500, the number of employees has been cut by almost 10 000 in three years. This year Smith also revealed a R401m paring of net debt as well as a positive net cash flow of R400m, the first inflow since 1989. Net cash outflow since then has totalled just under R2bn.

However, Smith, who had been an adept communicator as MD of Samancor, was quick to tell investors what they wanted to hear. He notes in his review, for example: "Our new vision of the company's direction has brought with it certain shifts in emphasis, among them the recognition that profitability must take precedence over production volumes. This in turn has significant implications for the future allocation of our effort and resources."

Implications include the intention to maintain steel production volumes and to concentrate on improving the sales mix — the exceptions to the limit on steel expansion being the Saldanha semis project, which is a proposed thin-slab mini-mill for flat carbon steel products, and a possible entry into the stainless steel market.

Both these would increase the

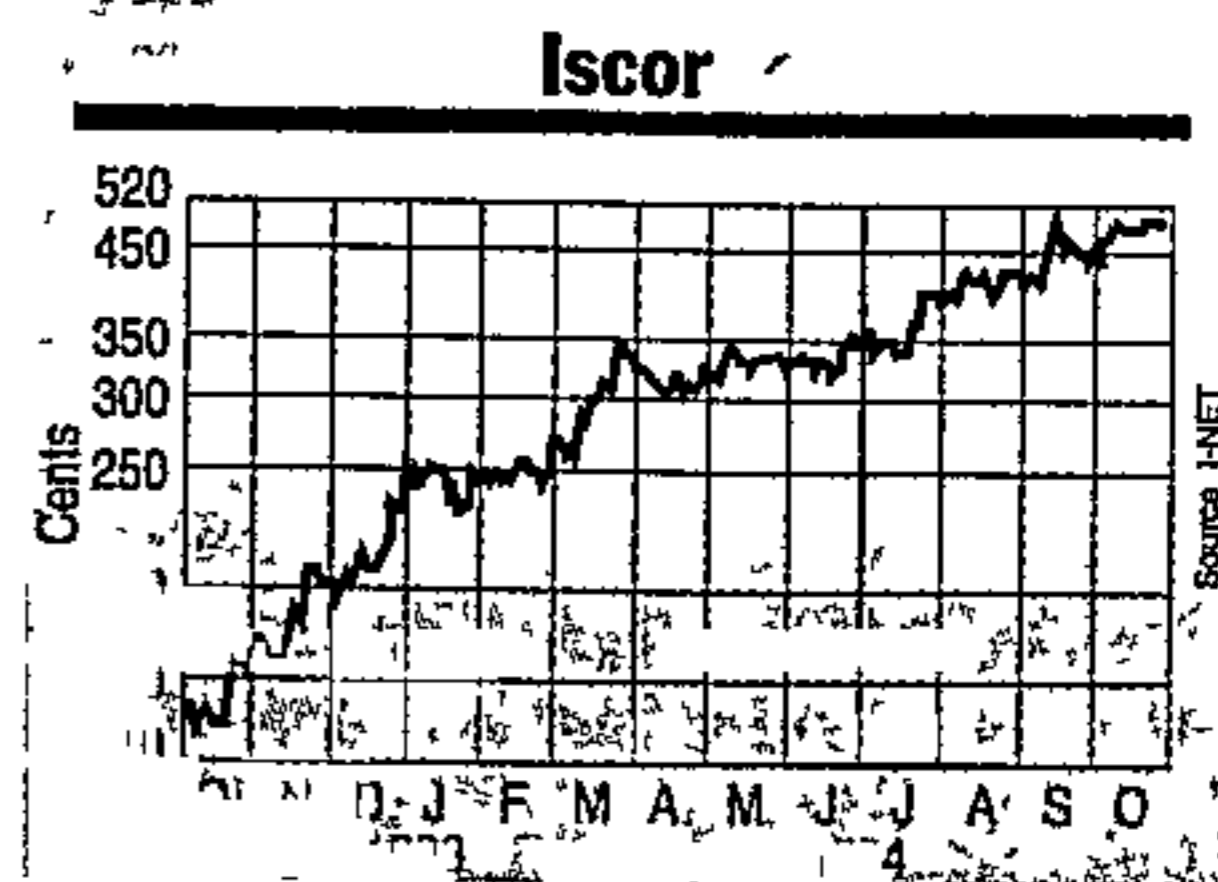


Smith

value-added component of the product range and, given firm markets when they enter production, should contribute towards much-needed improvement in the operating margin. This figure is rising but remains less than half of what it was at the turn of the decade. Similarly, though both have improved, the returns on equity and on total assets are thin at 7,5% and 7,8% respectively.

Active expansion is being pursued in the mining division, which is planned to be the main source of Iscor's real growth in the longer term. Footholds were gained during the year in China (iron ore) and Australia (coking coal). The acquisition from July 1, 1994 of Natal Mineral Sands from Shell SA and Rhoex could soon lead to the development of a mine and smelter costing some R500m-R700m.

These looming spending requirements — when there is still a target of cutting borrowings by another R600m over the next year — must raise the probability of a major fund-raising exercise. A foreign bond issue such as that launched by Barlows last month seems the most likely route, especially as shareholding restrictions are being lifted at the AGM.



PRODUCTION PATTERN

Year to June 30	1991	1992	1993	1994
Liquid steel production (000t)	7 209	7 662	7 376	7 286
Steel sales (000t)	5 605	6 035	5 858	5 603
— SA customers (%)	50	44	44	49
— Exports (%)	50	56	56	51
Iron ore mining (000t)	22 864	22 095	22 985	24 590
— Sishen exports (000t)	14 297	13 558	15 063	15 446
— Sishen exports (Rm)	731	761	820	882
Total coal sales (Mt)	13,30	13,52	13,14	15,28
— Eskom sales (000t)	9 797	10 111	9 801	11 364

Perhaps a greater foreign shareholding will encourage better disclosure. Iscor still does not report segmental profits, a note to the accounts states that "the group operates as a vertically integrated producer of a wide range of raw materials and steel products and reporting by segments is therefore not deemed appropriate." Unless this is an admission of inadequate or archaic accounting procedures (it's noted elsewhere that a market-related transfer pricing policy for transfers between the mining and steel divisions has been implemented), this seems a lame explanation. Even Sasol now

COMPANIES

manages to disclose profits of its main activities ^{EM} ^{4/11/94} (189A)

Meanwhile, the demand for Iscor's main products looks promising. In the domestic market, Smith says, the RDP and other market forces should support stronger demand for infrastructural materials. Profitability will benefit from further increases in the proportion of Iscor's total steel sales absorbed by the local market (see table).

International commodity markets are now being lifted by world economic growth that is almost certainly more broadly based than ever before in world history. The rise of the developing economies, which are much more intensive users of industrial metals and minerals than the industrial countries, will do much to compensate for the relative decline in usage of basic commodities in the advanced economies. China, for example, uses 10 times more steel per unit of GDP growth than the US.

This trend should certainly help to sustain commodity prices in the long term and could ultimately carry Iscor's share price to much greater heights.

It's unclear how long the current upswing will last; rising product prices will inevitably encourage expansions. However, with global interest rates now climbing, purchases of the share at current prices may require a longer-term view. *Andrew McNulty*

STAINLESS STEEL

Columbus on a roll

FM 4/11/94
The Columbus stainless steel joint venture of Samancor, Highveld Steel and the Industrial Development Corp at Middelburg is set to come on stream as global demand for stainless steel is peaking

Columbus plans to raise production from 142 000 t/year to 600 000 t/year by 1999. The additional capacity should arrive in time for the surge expected in global demand for stainless steel products.

The R3,5bn project is 80% complete but building amid construction industry recession could lower the cost to R3,2bn, says a spokesman.

At an international stainless steel conference in Stockholm in September, Heinz Pariser of the *Alloy Metals and Steel* publication estimated average annual growth in demand for stainless steel at 6% until 1997. This is being fuelled by strong offtake in the Far East resulting from the burgeoning Chinese economy. Pariser says annual growth in demand for all stainless steel flat rolled products between 1968 and 1993 averaged 7,1%. The total market volume was 7,7 Mt, with cold rolled products making up 76,5% of that. Pariser says demand for hot rolled products grew even faster (by 1,1 Mt/year between 1990-1993) — good news for Columbus.

Apart from the growth in the Far East, demand is also being driven by economic recovery in Western economies.

Pariser says his "base case scenario" of 6% global growth for the next three years should lead to 91% capacity usage. Production should top 16,35 Mt by 1997.

"We are in one of the largest capacity expansions the stainless steel industry has ever seen; we are also in a phase of economic recovery and above average growth rates in stainless steel consumption. This is a challenging opportunity."

Says a Columbus spokesman "We foresee no problem in selling our steadily increasing output. Globally, prices are improving and we are already selling stainless products to about 50 countries. Contracts have been entered into for future production increases and we are encouraged by the growing demand in the local market where consumption is set to increase from 49 000 t/year to 100 000 t/year by 2000."

SA Stainless Steel Development Association executive director David Slater says the outlook is "upbeat" for the next four to six years with prices showing 8%-10% annual growth. (189A)

Samancor, a world leader in ferrochrome production, a major component with nickel of a large proportion of stainless steel, is also optimistic about the market outlook.

"Buoyant conditions exist in the demand and supply sides of the stainless steel industry. We are running close to capacity to meet growing contractual demands for

FM 4/11/94
ferrochrome, leaving little metal for the spot market. But we have sufficient capacity to meet the requirements of Columbus," says market research group manager Sven Tolln. (189A) ■

From BEATRIX PAYNE

JOHANNESBURG — Steel and sugar group Tongaat-Hulett reaped the benefits of its recent restructuring to report a 43% rise in attributable earnings to R101,1m for the six months to end September, MD Cedric Savage said yesterday

Earnings a share rose 41% to 111,3c and a dividend of 30c (20,8c) a share was declared

He said the group was "delighted" with the results and it was likely to continue to perform strongly to the year-end

Turnover increased by 18% to R2,33bn despite trading disruptions during April and May. Improved margins as a result of cost cutting at its operations saw operating profit surge by 50% to R172,7m (R115m)

Interest charges fell to R17,9m (R22,9m) after a strong cash flow and substantially reduced borrowings. This left pre-tax profit 68% higher at R154,8m

Net borrowings for the period fell 42% to R285,4m and Savage said the group expected to be unborrowed by the end of the financial year

The tax bill surged 134% to R50,6m as certain tax allowances in its farming operations no longer applied. After-tax profit rose 48% to R104,2m

The group declared an abnormal income of R18,7m arising from tax credits, but that was offset by abnormal payments related to the transition levy and a R13m provision for post retirement medical benefits

The dividend would be awarded as a capitalisation issue but shareholders could elect to receive it in cash

All divisions showed an improved performance for the half-year

The biggest contributor to profits was the sugar division, which showed "satisfactory" growth in earnings, although the drought was still affecting its performance. "It has done well to come through two and a half years of the worst drought in history and still remain profitable," Savage said

Earnings ^(189A) at Tongaat ^{SUCTAR} surge ahead ^{CT 17/11/94}

The division reported a net operating profit after tax of R46,7m (R29,5m). Tonnage over the period rose 38% to 458 000 tonnes and the group had benefited from "good" export prices

The Heatonville irrigation scheme which was opened this month would have a beneficial effect on earnings in the future

The building materials division experienced stronger demand off a low base and net operating profit rose to R8m (R1,9m). Capacity levels had reached about 80%, he said

Net operating profit from the consumer foods division rose to R8,9m (R7,3m) after it refocused its operations on retail, catering and exports. The cost of the rationalisation had affected profits, but Savage said these were set to increase on the back of the expected rise in consumer spending on food

New products

A number of new branded products would be launched next year through the joint venture with CPC International

The starch and glucose division showed "steady" growth and earnings from both the aluminium and textiles divisions doubled

Savage said the board would make a final decision in March on a proposed R1,6bn expansion of rolled products capacity in the aluminium division

He said the group had committed R286m to capital expenditure to reinforce the competitiveness of its core businesses

Tongaat boosted by restructuring

BEATRIX PAYNE

STEEL and sugar group Tongaat-Hulett, boosted by its recent restructuring, reported a 43% rise in attributable earnings to R101,1m for the six months to September.

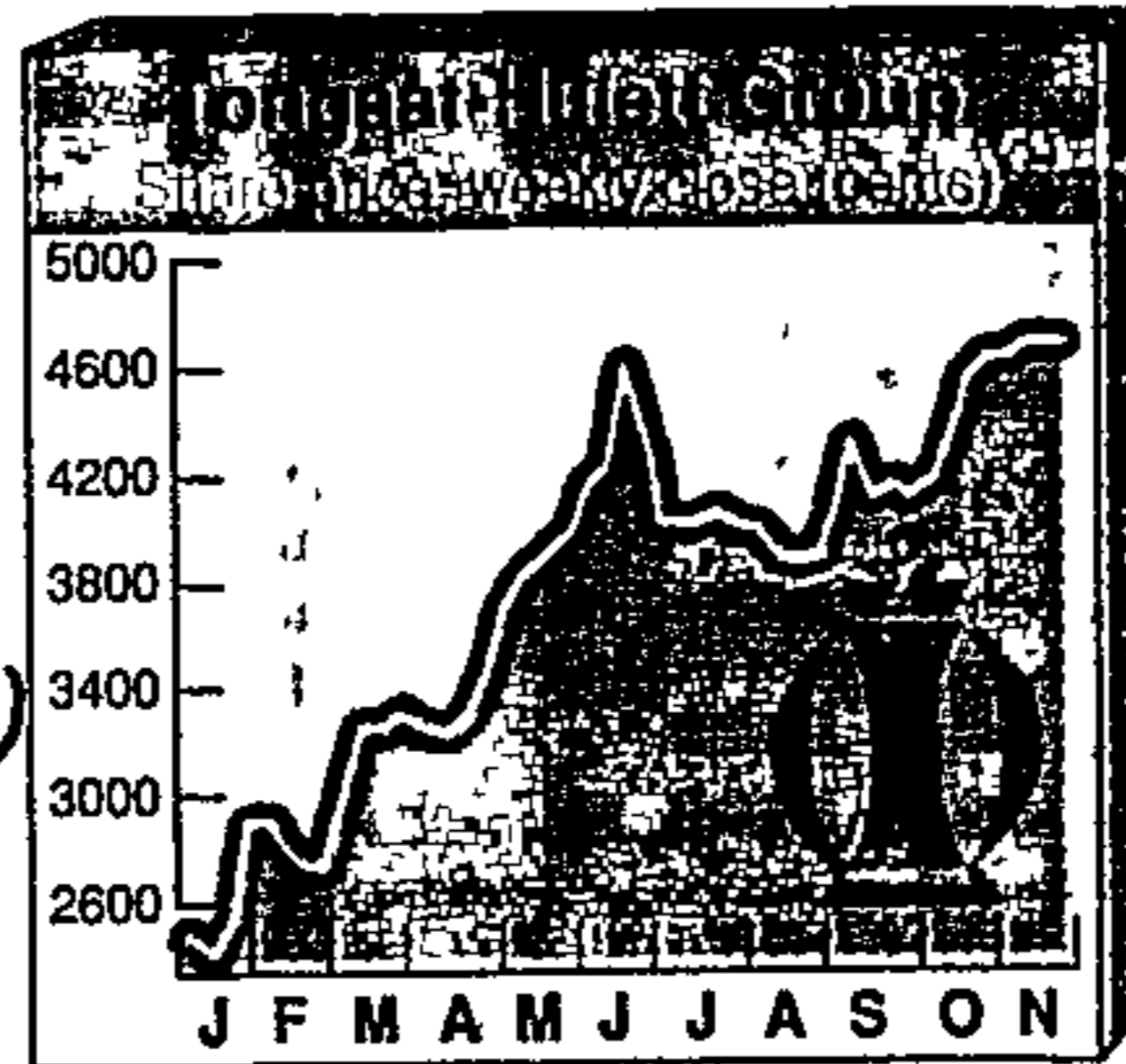
Earnings a share rose 41% to 111,3c and a dividend of 30c (20,8c) was declared

MD Cedric Savage said the group was likely to continue to perform strongly in the second half. (3) Sugar (189A)

Turnover increased 18% to R2,33bn despite trading disruptions in April and May. Improved margins as a result of cost cutting at its operations saw operating profit surge 50% to R172,7m (R115m).

Interest charges fell to R17,9m (R22,9m) after a strong cash flow and substantially reduced borrowings. This left pre-tax profit 68% higher at R154,8m. Net borrowings fell 42% to R285,4m and Savage said the group expected to have no borrowings by year-end. The tax bill surged 134% to R50,6m as certain tax allowances in its farming operations no longer applied. After-tax profit rose 48% to R104,2m.

The group declared an abnormal income



of R18,7m arising from tax credits, but that was offset by abnormal payments related to the transition levy and a R13m provision for retirement medical benefits.

The dividend would be awarded as a capitalisation issue but shareholders could elect to receive it in cash.

All divisions showed improved performance. The biggest contributor to profit

□ To Page 2

Tongaat

□ From Page 1

was the sugar division, which showed "satisfactory" growth in earnings, although the drought was still affecting its performance. The division reported a net operating profit after tax of R46,7m (R29,5m). Tonnage rose 38% to 458 000 tons and the group had benefited from "good" export prices.

The Heatonville irrigation scheme, which was opened this month, would have a beneficial effect on earnings. (3) Sugar

The building materials division experienced stronger demand off a low base and net operating profit rose to R8m (R1,9m). Capacity levels had reached about 80%.

Net operating profit from the consumer foods division rose to R8,9m (R7,3m) after

it refocused its operations on retail, catering and exports. A number of new products would be launched next year through the venture with CPC International.

The starch and glucose division showed "steady" growth and earnings from both the aluminium and textiles divisions doubled. Savage said the board would make a final decision in March on a proposed R1,6bn expansion of rolled products capacity in the aluminium division.

The group had committed R286m to capital expenditure to reinforce the competitiveness of its core businesses and Savage expected earnings to continue to grow in the second half. (189A)

Upbeat outlook on ferro-alloys

(189A)

CF 28/11/94

JOHANNESBURG — Samancor Ltd said it could expand its chrome and manganese alloy facilities significantly in response to anticipated increased demand in the ferro-alloy market.

Speaking to analysts at the company's ferrometals plant at Witbank, executive chairman Mike Salamon said the group had potential extra capacity of 400 000 tonnes a year for ferrochrome and 240 000t a year for manganese alloy output.

All additional capacity would be available through brownfields developments at "way down the cost curve", he said.

Its forecast total chrome alloy sales for 1994/95 are 650 000t and manganese alloys 540 000t.

Salamon said Samancor's ferrometals plant, which is running near to total current capacity of 350 000t per annum, was "probably the most flexible ferro-alloys plant in the world", being

able to swap between ferrochrome, ferromanganese and ferrosilicon as market swings dictated.

Demand for chrome alloy from Samancor was expected to increase by over half a million tonnes a year by the turn of the century as increased demand arose from strategic alliances Samancor has entered.

Samancor is involved in the NST ferrochrome joint venture with Nippon Denko of Japan and has a ten-year supply agreement with Ugine SA after acquiring 4% of the company.

Columbus stainless steel joint venture currently under construction will be a significant user of Samancor's ferrochrome.

Samancor could increase its "in-house" ferrochrome production by 130 000t through the conversion of furnaces currently producing manganese alloys, said Salamon.

Metal recovery from slag could yield 120 000t a year and slag stripping, fluidised bed-preheat-

ing and the commissioning of the chrome direct reduction facility brought potential increases in ferrochrome production to 400 000t a year, he said.

The growing international demand for high-grade manganese ore and alloys meant Samancor was "clearly stretching its alloy capacity", said Salamon.

End demand for carbon-steel market — the primary user of manganese alloys — was showing signs of growth, particularly in south-east Asia, he said.

To increase manganese alloy production, the company could extend its existing Metalloys plant's annual capacity by 105 000t, recover 17 000t a year from slag and a further 120 000t with the new M14 furnace at Metalloys.

Salamon said the company's recent \$100m convertible Euro-dollar bond issue had brought total net available offshore cash reserves to \$120m, up from \$54m before the bond issue.

Stainless steel in short supply

By MAGGIE ROWLEY
Deputy Business Editor

1894

CT 1/12/94

A GLOBAL shortage of stainless steel is impacting on hundreds of businesses and a number of industries in SA with the country's only primary producer — Columbus — unable to keep up with domestic demand

Ari Efstathiou, MD of franchising group Steers, said the opening of six franchise outlets had been delayed as stainless steel counters and equipment were unobtainable

Communications manager at Columbus Stainless Steel, Laing Geldenhuys said their Middleburg plant was currently running at excess capacity, 24 hours a day and they still could not keep up with demand

"Our order books are full well into next year and if we could produce 50% more we could sell it today," he said

The shortage, he said, was a global phenomenon but the SA situation had

been exacerbated by widespread destocking during the recession and in the run up to the elections

"Due to among other factors the nickel price and large stockholdings worldwide, there was a period when orders were just not being placed Demand has picked up strongly in the past six months, stockholdings are depleted and mills internationally are now trying to meet the backlog"

This was confirmed by Dave Slater, executive director of the SA Stainless Steel Development Association, who said domestic shortages could not be met even by imports with the lead times for the European mills recently having been increased from two to six months

While the lead times for the US mills were shorter at around 12 weeks, this did not represent a viable alternative source as US prices were prohibitively high

Slater said many industries in SA were being affected by the shortage, particular-

ly the cold rolled material sector and the tube and pipe industries

Geldenhuys said Columbus had an annual output of 150 000 tons from its Middleburg plant which had been built for a maximum capacity of 120 000 tons Exports account for roughly two thirds of the total output

"In May we committed ourselves to strategically important export orders so as to meet domestic demand"

Columbus' new R3,5bn plant, due to come on stream in mid-1995 was running slightly behind schedule It would increase output capacity to 600 000 tons per year by the turn of the century

World consumption was around 12m tons a year, with annual growth of 4% Domestic demand was 80 000t a year

Slater said that Columbus had produced more than 5 000t for the domestic market alone in September "and even this fell short of requirements"

SA to join top ranks of producers

Iscor mill to convert to stainless steel

BIDay 5/12/94

ISCOR is to convert its Pretoria Works steel mill to stainless steel production — a move expected to catapult SA into the top ranks of stainless steel producers.

It is estimated the conversion would cost about R100m and earn the company R2bn a year in foreign sales by 1999. Once completed, the plant will produce 480 000 tons a year of stainless steel slabs and rolled products.

Iscor MD Hans Smith said a study of the infrastructure and facilities at Pretoria Works had shown they could be utilised more profitably as a stainless steel operation. "Further assurances were required regarding the market for our product and supply of raw material."

An adequate supply of both high-carbon ferrochrome and nickel had now been assured, but he declined to say with whom the supply contracts had been signed.

"The markets for our products have been identified and promising discussions are under way. The project also cleared the economic hurdles based on conservative financial assumptions."

He said the Pretoria Works was well positioned to enter the stainless steel market utilising its existing plant with low additional capital costs. But a new vacuum oxygen decarburiser would have to be commissioned first.

"We will be in stainless steel production during our 1995/96 financial year. For shareholders, this will ensure Pretoria Works' continued operations."

Analysts said the move would put the R3,5bn Columbus Stainless Steel plant under pressure as Iscor's new project would

MICK COLLINS

add about 5% to the global stainless steel market, diminishing the attractiveness of the Columbus project.

One analyst said the capital investment involved in the conversion was negligible compared with what was being spent on Columbus, but the product from the latter — plate, coil and sheet — would be value-added by being annealed and pickled.

One industry source said that during the second half of 1994 international demand for stainless steel increased substantially. For the whole of the year demand would be in the region of 12-million tons. He said although the rise could flatten out by mid-1995, all indications were that it would last well into 1996.

"Together with the increase in demand there has also been an increase in the international price of cold rolled stainless steel (\$500 a ton) of about 28% to \$2 300 a ton. During the same period the price of nickel also increased by about \$1 000 a ton. This year was the first time in five years that producers were able to recover the costs of increases in the nickel price."

One analyst said that at present producers around the world were working their plants flat out in an attempt to satisfy demand. But there was still a shortage.

He believed that, within two years, the world market would be above 13-million tons and even the initial limited combined output from Iscor and Columbus could strain the market. Pacific Rim producers were also expanding so the addition of another supplier must put the Columbus margins and yields under pressure.

R100m stainless steel plant project for Iscor

CTS/12/94 (189A)

From MICK COLLINS

JOHANNESBURG — Iscor is to convert its Pretoria Works steel mill to stainless steel production — a move expected to catapult SA into the top ranks of stainless steel producers

It is estimated the conversion would cost about R100m and earn the company R2bn a year in foreign sales by 1999. Once completed, the plant will produce 480 000 tons a year of stainless steel slabs and rolled products

Iscor MD Hans Smith said a study of the infrastructure and facilities at Pretoria Works had shown they could be utilised more profitably as a stainless steel operation. "Further assurances were required regarding the market for our product and supply of raw material"

An adequate supply of both high-carbon ferrochrome and nickel had now been assured, but he declined to say with whom

the supply contracts had been signed

"The markets for our products have been identified and promising discussions are under way. The project also cleared the economic hurdles based on conservative financial assumptions"

He said the Pretoria Works was well positioned to enter the stainless steel market utilising its existing plant with low additional capital costs. But a new vacuum oxygen decarburiser would have to be commissioned first

"We will be in stainless steel production during our 1995/96 financial year. For shareholders, this will ensure Pretoria Works' continued operations"

Analysts said the move would put the R3,5bn Columbus Stainless Steel plant under pressure as Iscor's new project would add about 5% to the global stainless steel market, diminishing the attractiveness of the Columbus project

One analyst said the capital investment involved in the conversion was negligible

compared with what was being spent on Columbus, but the product from the latter — plate, coil and sheet — would be value-added by being annealed and pickled

One industry source said that during the second half of 1994 international demand for stainless steel increased substantially. For the whole of the year demand would be in the region of 12-million tons

"Together with the increase in demand there has also been an increase in the international price of cold rolled stainless steel (\$500 a ton) of about 28% to \$2 300 a ton. During the same period the price of nickel also increased by about \$1 000 a ton. This year was the first time in five years that producers were able to recover the costs of increases in the nickel price"

One analyst said that within two years, the world market would be above 13-million tons and even the initial limited combined output from Iscor and Columbus could strain the market

Business Report

Iscor go-ahead on Saldanha steel mill

Own Correspondent

JOHANNESBURG — Steel manufacturer Iscor and the Industrial Development Corporation yesterday gave the green light to the R3,6bn Saldanha Bay steel mini-mill project.

The annual production of 1,25-million tons of hot-rolled coil would be aimed primarily at the export market and would generate R1,6bn in foreign earnings a year, Iscor MD Hans Smith said.

Iscor's bottom line would benefit from the "quality of sustainable earnings" once the mill reached full production, he said.

While the final contract was subject to certain conditions precedent, both boards had given the go ahead to the joint venture.

"We are in the process of finalising the acceptance of tenders, the exact siting of the plant in the Saldanha area as well as evaluating funding options for the project," Smith said.

The mill would be one of the most modern in the world. It would consist of a 650 000 tons a year ironmaking Corex plant and a 800 000 tons a year shaft furnace using gas generated by the Corex plant for the manufacture of sponge iron.

Smith said that with the recent announcement of the conversion of the Pretoria Works to the production of stainless steel, coupled with a reduction in capacity resulting from modernisation at the Vanderbijlpark Works, Iscor would not be

manufacturing any extra carbon steel as a result of the new plant.

The mill was expected to be in production within three years from the start of construction.

The new technology eliminated the use of steel scrap and the end product would be a high quality, thin gauge hot-rolled steel coil for which a price premium was available.

About 600 permanent jobs would be created in addition to about 4 000 personnel who would be employed

during the construction phase.

"This is one of the biggest industrial projects of recent years and is directed at benefiting local raw materials for export. It also has significant potential for future expansions and for the development of new steel-related industries in the Saldanha area," Smith said.

He added the project fully supported one of the major objectives of the reconstruction and development programme in terms of adding value to the country's natural resources.

Rising aluminium prices could shatter output pact

129A

BD 8/12/94

MICK COLLINS

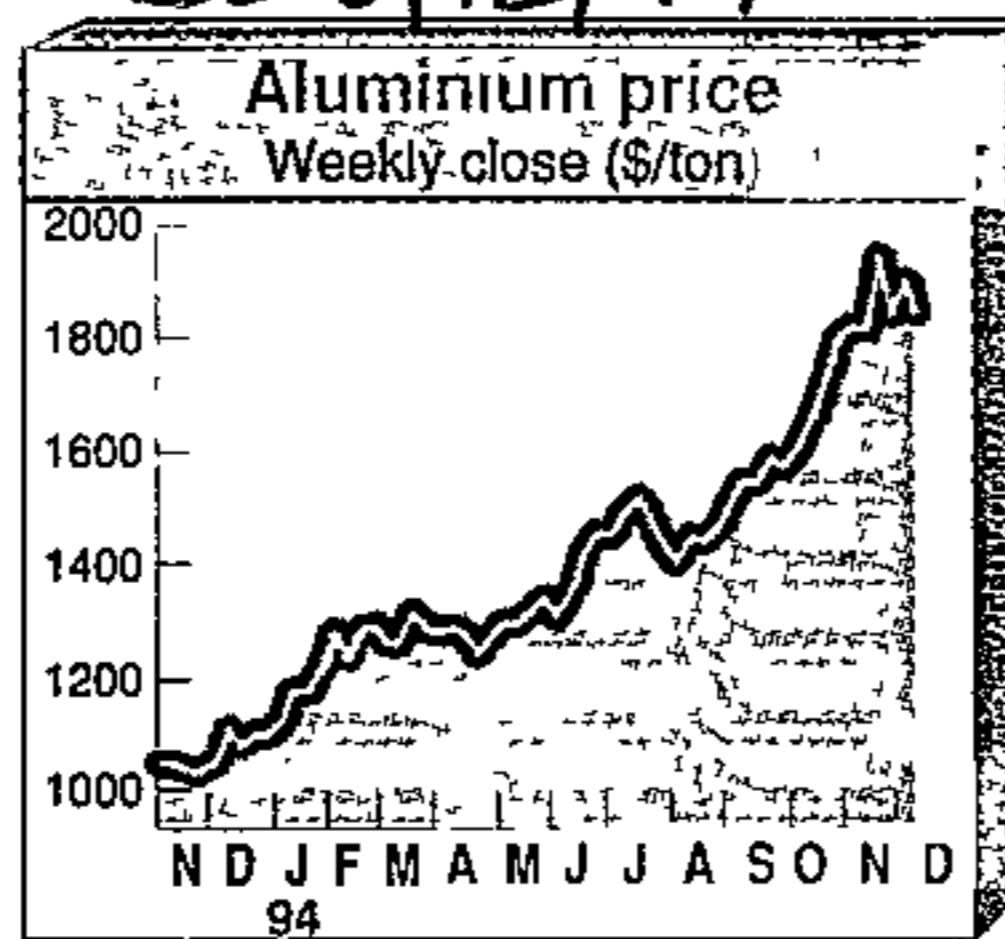
HIGHER aluminium prices would lead to producer nations breaking ranks with the recent undertaking to cut back production, analysts warned yesterday.

Prices on the London Metals Exchange (LME) have jumped more than 70% since the signing of a memorandum of understanding by the six main aluminium producing nations earlier this year.

Prices on the LME had risen from an eight-year low of \$1 065 a ton in November last year to yesterday's \$1 851/ton, one analyst said.

Under the pact, Russia agreed to cut output by 500 000 tons a year over two years with producers in the US, Norway, the EU, Canada and Australia agreeing to match this reduction. The pact was designed to correct global oversupply of aluminium.

But local analysts warned that



pact signatories were forced to pay high prices to honour contracts, and it was only a matter of time before "somebody breaks with the (pact). One must also expect that those who have cut back on production will increase output to take advantage of the price as it is now."

He said LME stocks had dropped from 2.7-million tons in May to 1.8-million tons this week and this could

also spur a breakdown of the pact. But prices on aluminium fell since September and a year-to-date trade of 1994 could not be estimated.

Metals Week said prices had risen so quickly that they could create unsustainable discontent within the memorandum of understanding.

There will be demands at the next meeting to restore closed-down capacity, especially in the US, and commodity and fund buyers will see aluminium prices yet higher, a report by analyst David Wilkinson Associates International Mining Review said.

Western world consumption this year was at 16.7-million tons, 7% up on 1993. An untimely start up of idled aluminium smelter capacity which slowed or reversed the depletion of stocks would have very serious ramifications for prices next year, a report by LME ring-dealer Bilitor-Enthoven Metals said.

Tongaat in black business venture

ALUMINIUM and sugar group Tongaat-Hulett has sold an 80% stake in catering business Supervision Food Services (SFS) to a black-owned investment consortium, which includes Kagiso Trust Investment Company and Khulani Holdings, for R53m.

The deal would be effective from October 1, Tongaat-Hulett MD Cedric Savage said yesterday.

Other members of the consortium — each owns a 20% stake in the company — included FirstCorp Capital Investors and SFS management. The company had been renamed Kagiso Khulani Supervision Food Services and its corporate image has been revised.

Tongaat-Hulett would maintain a 20% interest in the company in order to "contribute to the future success of this business".

The deal valued the entire company at R66m, based on the potential value of its earnings as it had no assets, Savage said.

The catering business had grown rapidly and had shown "tremendous potential", he said, but it had not been considered a core activity within the group and was ripe for a venture of this kind.

Chairman of the new company and Kagiso Trust Investment Company chairman Eric Molobi said his company intended to invest in sound businesses to reap dividends for investment in parent Kagiso Trusts's development projects.

BEATRIX PAYNE

SD 8/12/94
The trust had raised its own funding for the deal with a combination of foreign and local equity.

"The catering industry is of particular interest to us as it is profitable enough while providing good employment opportunities and supplying basic nutritional requirements to large numbers of people," he said.

Nigel Dunlop would remain MD and new members of the board included Khulani Holdings spokesman Zuzi Buthelezi, Tongaat-Hulett director JB Magwaza, Johnson Njeke, Edmund Radebe, Steven Saunders, Russel Stevens and Fani Titi.

"Our principle is not to ruffle the companies we invest in and we want Tongaat to remain involved for continuity, as they understand the nature of the business," Molobi said.

Through its participation as board members, the investment consortium would help the group "reposition to meet the changing environment".

Kagiso Trust Investment Corporation was investigating four other investment opportunities in media, industrial groups and the service industry, but Molobi would give no further details.

Tongaat-Hulett director JB Magwaza co-ordinated the group's black economic empowerment programme. He said the group was looking at other non-core interests as possible vehicles for joint ventures with black business.

Iscor plans a big injection of capital

MICK COLLINS (189A)

STEEL producer Iscor was planning a big capital injection to finance recently approved multibillion-rand projects, company sources said at the weekend.

Iscor financial director Lous van Niekerk said a major announcement could be expected early in February.

Speaking after meeting international and local financial advisers, Van Niekerk said all options would be considered next month. These could include an increase in equity, debentures, loans or a rights issue.

But sources said the most likely route for a major portion of the capital would be from offshore investors. Iscor executives' recent road show in the US and UK is said to have whetted foreign appetites.

Van Niekerk confirmed that restrictions limiting a foreign shareholder to owning not more than 10% and foreign shareholders in total not more than 20% of shares in issue would be lifted from January 1. "This broadens the options," he said.

Analysts said the move opened the way for a well-structured funding exercise in dollars by way of private placements.

Iscor had already established a sponsored level 1 American Depositary Receipt (ADR) programme in the US through the Bank of New York. BD 19/12/94

Van Niekerk said the programme would enhance the raising of capital by enlarging the potential market for Iscor's shares through diversified exposure.

It would also give the company direct access to the world's largest capital market. Van Niekerk said it was part of the strategy to expand Iscor's international role as a substantial player in overseas markets and as an accessible and attractive investment for foreign investors.

But market sources did not rule out the possibility of a R750m to R1bn local rights issue. "With Iscor exporting over 50% of its products, institutional and other large buyers consider the share a rand hedge," one broker said.

Major projects so far announced include the construction of a R3.6bn plant at Saldanha Bay (a joint venture with the Indus-

□ To Page 2

Iscor (189A) BD 19/12/94

□ From Page 1

trial Development Corporation), a R450m revamp of its Vanderbijlpark Works, a R100m conversion of its Pretoria Works to stainless steel and the acquisition of a 100% share in Tosa Seamless Tube for R177m from Derbyl. The company also bought the remaining 50% of Cullinan Refractories for R40m.

The mining division was also planning a titanium mine and smelter at Richards Bay which could cost in the region of R700m. Another project in the offing was the development of a R800m coking-coal mine in Australia.

Lower interest should be paid next year

as the group's strong cash flow improved — a net outflow of R167m was converted to a net inflow of R401m in the past year which meant debt reduced to just more than R1.7bn. The debt to equity ratio improved from 33.2% to 24.9%. The aim was to cut debt by R600m over the next year.

Van Niekerk said Iscor was committed to repaying debt over the next three to four years, despite its hefty capex programme.

Iscor MD Hans Smith said the group wanted to pay back debt out of current operations — a policy which would not allow for new projects "so we will have to look for capital".

ALUMINIUM

The perils of price fixing

With the aluminium metal price on the London Metal Exchange (LME) set to breach the US\$2 000/t mark — only a year ago it stood at \$1 061/t — SA's primary aluminium producer, Alusaf, is sitting in the pound seats

But as any surfer will tell you, when you're on top of a cresting wave there is a risk of it crashing down on you

Both Alusaf operations director Pieter de Waal and chairman Fred Roux are suitably cautious about prospects for future price movements. They merely express the hope that the price should remain in the \$1 650/t range in the longer term. At that level Alusaf would be able to meet its capital and interest commitments on the R5,5bn cost of its new Hillside smelter.

Alusaf's existing 170 000 t a year Bay-side smelter at Richards Bay is already benefiting from the price surge. But the Hillside plant is only due to come into production next June. By the time it reaches its full capacity of 466 000 t a year 12 months later, who knows where the LME price will be? "We would have preferred the price to begin peaking a little later," says De Waal.

Ironically, what has come as a big payday for Alusaf has had a ripple effect on secondary aluminium processors like Hulett Aluminium, and other end users in the local market. By linking its price movements to the LME for the first time this year, local consumers have been forced by Alusaf to absorb two increases — from July's R5 530/t to a current R6 600/t. And they are feeling the pinch.

Arno van Wyk, group MD of Gemtec, which controls Murray & Roberts' aluminium interests in the automotive components market, says Alusaf's aluminium alloy price has now topped out at R7 700/t — and he expects it to increase further.

"The price increases have had a negative impact on our activities as we cannot merely increase our prices to our clients when Alusaf ups theirs. We have to absorb them for at least three months before we can pass them on. This plays havoc with our profit margins."

Van Wyk warns there could be negative reaction to the high prices as end consumers (and processors) of aluminium metal seriously consider alternatives like steel, stainless steel and plastic.

The price hikes appear to be having an effect. Hulett Aluminium last month postponed its board decision (to next February) to invest around R1,6bn in new hot- and cold-rolling aluminium milling facilities at Mantzburg. While the company refuses to



give reasons for the postponement, the sharp increase in the aluminium metal price could well be a factor in investor uncertainty.

Hulett's plans to increase current rolled production of 50 000 t a year to about 150 000 t a year by 2000 with Africa as the potential target market. But should the price rise continue and Hulett again defer its decision, a dark cloud could hang over Alusaf's new smelter. It might have to consider holding back about half the Hillside production capacity as Hulett's proposed investment is destined to take up about 200 000 t of primary aluminium a year — or about 30% of Alusaf's expanded capacity. Should this potential outlet fall away completely, Alusaf will have to start looking for other markets.

Van Wyk does not expect the aluminium price surge to continue far into the new year. "I expect it to crack soon. If it doesn't we could be facing major problems."

The price spike is based on rather dubious circumstances. In his 1994 chairman's statement, Roux explained the background to the price surge following the collapse of the former Soviet Union, its producers exported an estimated 4,2 Mt of additional aluminium to the West from 1990-1993. This caused LME aluminium producer stocks to increase from around 1,8 Mt in 1990 to 4,5 Mt, driving down LME prices to an historic low of \$1 019/t.

"In an attempt to alleviate this world supply and demand imbalance, representatives of the six major producing countries in the Western world entered into a Memorandum of Understanding with the Community of Independent States (CIS, the old Soviet Union). Major Western producers have agreed to a 10% (or about 1,5 Mt a

year) cutback in production and the CIS has committed itself to an annual 500 000 t reduction in output," says Roux.

According to Aluminium Federation of SA (Afsa) executive director Tony Patterson, this voluntary production cutback created the perfect climate for a speculative bull run on available aluminium stocks, leading to a supply shortage. As these two factors fed off one another and an artificial global shortage was created, LME prices surged.

The question that must now be foremost in the minds of Alusaf executives and shareholders (Gencor holds 45,1% of the shares, the IDC 34,8% and SA institutions 20,1%) is what would happen to the LME price should the international speculators decide to offload their stock? A price collapse to below \$1 650/t could be disastrous. It could, for instance, force shareholders to dig into their own pockets to help finance the completion of the Hillside project. On the other hand, lower prices should also spark off increased demand for the metal by processors.

As the Hillside project nears completion, all eyes are focused on the LME. Will the speculators act or could growing international demand, driven by economic upturns on both sides of the Atlantic and in the Far East, timeously start underpinning the price even before production and demand start reaching equilibrium? That, for Alusaf, is the million dollar question. ■

BOTTLING INDUSTRY

The more the merrier

Wine producers in the Western Cape are hoping for a reduction in the price of wine bottles with Metal Box Glass returning to wine bottle production.

The company opted out of making green wine bottles in 1992, leaving wine makers to turn to Consol Glass as virtually the sole supplier.

The wine makers believe that having an additional source of supply could also ease their periodic supply shortages and enable them to export more wine in bottles.

"Many producers export wine in bulk, especially to Benelux countries, France and Italy because packaging costs less overseas," says Jannie Retief, who chairs the Exporters' Association.

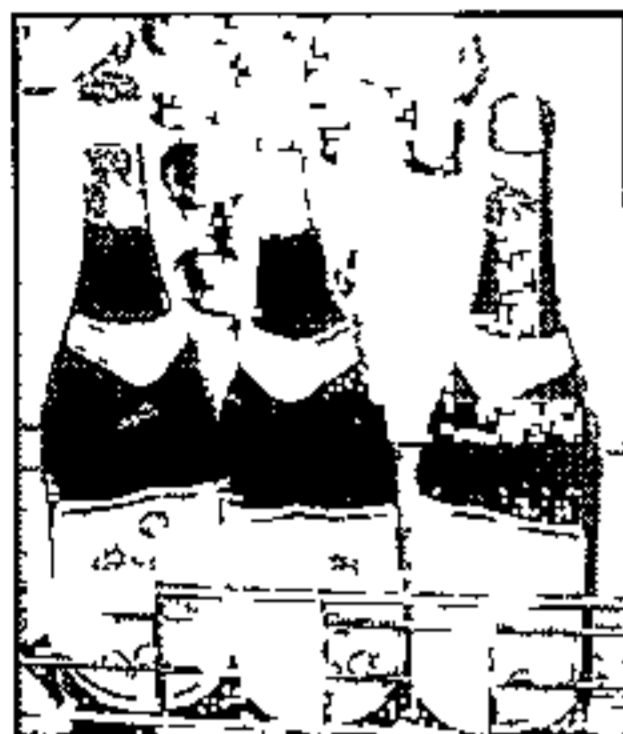
"But they risk damaging their reputation. They have no control over the sterility of the plants nor the bottling processes and cannot prevent them substituting good SA wine with poor foreign wine, which some-

FM 9/12/94

times happens Some so-called 'SA wine' we tasted overseas was atrocious"

Boland Coetzee, owner of Vriesenhof near Stellenbosch, says it costs R27-R30 to bottle a case of wine in SA, R17 in the UK and R16 in Sweden The cost of a local bottle, the most expensive packaging item, ranges between 89c-R1,22 (182)

"A group of Stellenbosch producers did a survey comparing overseas and local bottle prices They found that if we ordered 5m bottles from overseas, we could get them 38% cheaper than the local bottles and



the glass is vastly superior If we fill them and export the contents, we save 38% But, of course, if the wine is distributed in the local market, duty and surcharge must be added," Coetzee says

That invariably adds an additional 22% on the landed cost of the green wine bottles

There has been a shortage of bottles recently and producers would have been in serious trouble had Metal Box Glass not made a few special wine bottle runs

The company has since tied up technology agreements with some of the best overseas manufacturers

Consol Glass MD David Spindler, who regards Metal Box Glass as a worthy competitor which could ultimately secure 25% of the wine bottle market, says that standard SA wine bottles, at 81c each, are cheaper than US or Australian bottles which cost R1 to R1,40

But, because Europe has the benefit of economies of scale, they're more expensive than European bottles In Europe prices are also being depressed by a bottle price war

SA wine producers need 75m bottles a year — less than 1% of European demand ■

COASTAL SHIPPING

Comfortably afloat

Unicorn Lines and Portnet believe their joint battle to stem the swing of coastal cargo to land-based road and rail transport is starting to pay off Tonnages started rising in June and are now about 20% up on the April-May figures, says Flynn Dowell, Unicorn's Natal sales manager

Mike Fell, Portnet's newly appointed national coastal business manager, says the continual fall-off in cargo shipped, which started in 1989, has been arrested Freight conveyed by coaster peaked at more than 1,42 Mt in 1988 and dropped steadily thereafter to little more than 1 Mt in 1994

Fell says this year (Portnet's financial

year starts on April 1) will be better He attributes the turnaround to Unicorn, the only coastal shipping company, and Portnet going out of their way to create "least-cost paths" by identifying and accommodating clients' specific port needs The turnaround came when SA's sugar producers decided to move away from road and rail and ship substantial quantities of their inter-port cargoes by sea

Unicorn is using four vessels on its coastal routes *Sezela*, *Pongola*, *Swakop* and *Boundary* The *Sezela* and the *Pongola* can take 360 containers each They do a 14-day "turn-around run" between Durban and Walvis Bay calling in at Cape Town in both directions and at East London on the return leg By adhering to this timetable, one of the vessels calls at the ports once every seven days

The *Swakop*, which can take 254 containers, adheres to a seven-day turn-around schedule between Durban and Cape Town, calling in at East London and Port Elizabeth on its south-bound voyage The *Boundary*, a roll-on roll-off (ro-ro) vessel that can take 800 vehicles, operates an eight-day turn-around between Durban and Cape Town, stopping at Port Elizabeth in both directions

In August, Unicorn and Engen entered into a joint venture agreement for the construction, management and employment of two 40 000 deadweight ton tankers now being built by Poland's Szczecin Shipyard The same yard built Unicorn's *Bastion*, which was delivered in 1993, and *Bulwark*, which was handed over earlier this year Both vessels are on international charter

The new tankers, which will be managed by Unicorn and are due for delivery in 1996, will go on charter to Engen ■

MOTOR INDUSTRY

All things to all men

The Board on Tariffs and Trade (BTT) shouldn't be unduly surprised about initial resistance to its latest recommendations on reducing protection for the SA motor industry Given the disparate needs of the various parties to negotiations, it was never going to be possible to keep everyone happy

Even so, the violent see-sawing of its import tariff proposals suggests the board is anxious to avoid giving offence The government-appointed Motor Industry Task Group (MITG) was the first to recommend tariff reductions when it published its report on the future of the car and light commercial vehicle sectors early this year

At that stage, the industry was protected by an effective 115% barrier against built-up imports This came down to 80% in response to a request from the MITG Thereafter the group recommended protection drop to 70% on July 1 1995 and then in stages to 45% by 2002 Over the

same period, protection against vehicle components was to fall from its then-50% to a final 30%

Even within the task group, there were complaints that these recommendations were too soft Also, given SA's new commitment to the international General Agreement on Trade & Tariffs (Gatt), it was clear government would expect faster change The BTT obliged when, in August, it proposed the final protection target should be 30%

Now, in response to pressure from vehicle assemblers and others who doubt the SA industry's ability to compete at the lower level, the board has performed an about-turn Having rejected 45% in favour of 30%, it now wants protection to be pegged eventually at 40% Component manufacturers will still face a reduced 2002 target of 30%, but at a faster rate than originally contemplated

Given all the uncertainty, the truck sector may also be excused for wondering what will become of it The MITG recommended in October that protection against built-up trucks should fall from 80% then, to 50% next July, and to 30% by 2002

Not tough enough, says the BTT in a swift response to the report Its own proposal wants import tariffs down to 40% next year and to 20% by 2000 — two years ahead of the original plan

SA-made major components face equally stringent targets Atlantis Diesel Engines, which produces most of the country's truck and bus engines, could see its current protection drop from 50% to 25% by 2000 — rather than the MITG proposal of 30% two years later Producers of truck transmissions, axles and cabs may also face tighter deadlines than anticipated

Then again, given that the BTT stepped back from its initial proposals on cars and light commercials, perhaps not Interested parties have six weeks to make new submissions to the board

Other elements of the latest BTT report are more predictable Minimum local content levels will still fall away, vehicles imported semi-assembled into neighbouring countries, then finally assembled for the SA market, will be liable for full import duties, vehicle and components manufacturers may use foreign exchange export earnings to reduce duties on their own imports, manufacturers are entitled to an international trade duty-free allowance, and the incentive scheme for small vehicles will go ■

ADVERTISING

Is big better?

In relation to cellular telephone networks, what does "better" really mean? Before it rules on the complaint by Vodacom against MTN for claiming to be "the better connection," the Advertising Standards Authority (ASA) has asked for market re-

ISCOR

Becoming a different business

FM 9/12/94

A week is clearly a long time in business in just six days, Iscor has demonstrated its intention to change fundamentally the nature of its traditional business

Last week, Iscor announced it will convert its Pretoria steel works from carbon to stainless steels at an estimated cost of R100m. The converted plant will produce about 480 000 t of hot rolled stainless steel slabs, these will be sold internationally to other steel mills employing technology qualities similar to those being introduced at Columbus for downstream, high value-added cold rolled product. Iscor MD Hans Smith says he expects the Pretoria plant to earn about R2bn a year in foreign exchange by 1999.

This week, Iscor announced a R3,6bn Saldanha Steel project, to be built through a joint venture with the Industrial Development Corp (IDC). Annual production will be about 1,25 Mt of hot rolled coil, most of it intended for export. The project is expected to be in production three years from start date.

In recent months, Iscor has also announced additional rationalisations which include the purchase of 50% of the equity in Cullinan Refractories (it already holds 50%) for R40m and it now intends to buy Tosa, the seamless tube manufacturer, from Dorbyl for R173m. Both deals will be paid for in cash.

When it was taken public, Iscor's debt was about R200m, at last balance sheet date (June 30), its borrowings totalled R2bn, of which R1,24bn was in long-term loans. Smith says his intention all along has been to reduce borrowings before starting new projects. "I hoped we would be able to redeem about R1bn this year," he says.

That plan was scotched when a blast furnace at the Newcastle works burnt through earlier this year, loss of profits added up to R400m. Despite that, it is clear Iscor will be able to reduce borrowings by an impressive amount this year, perhaps as much as R800m.

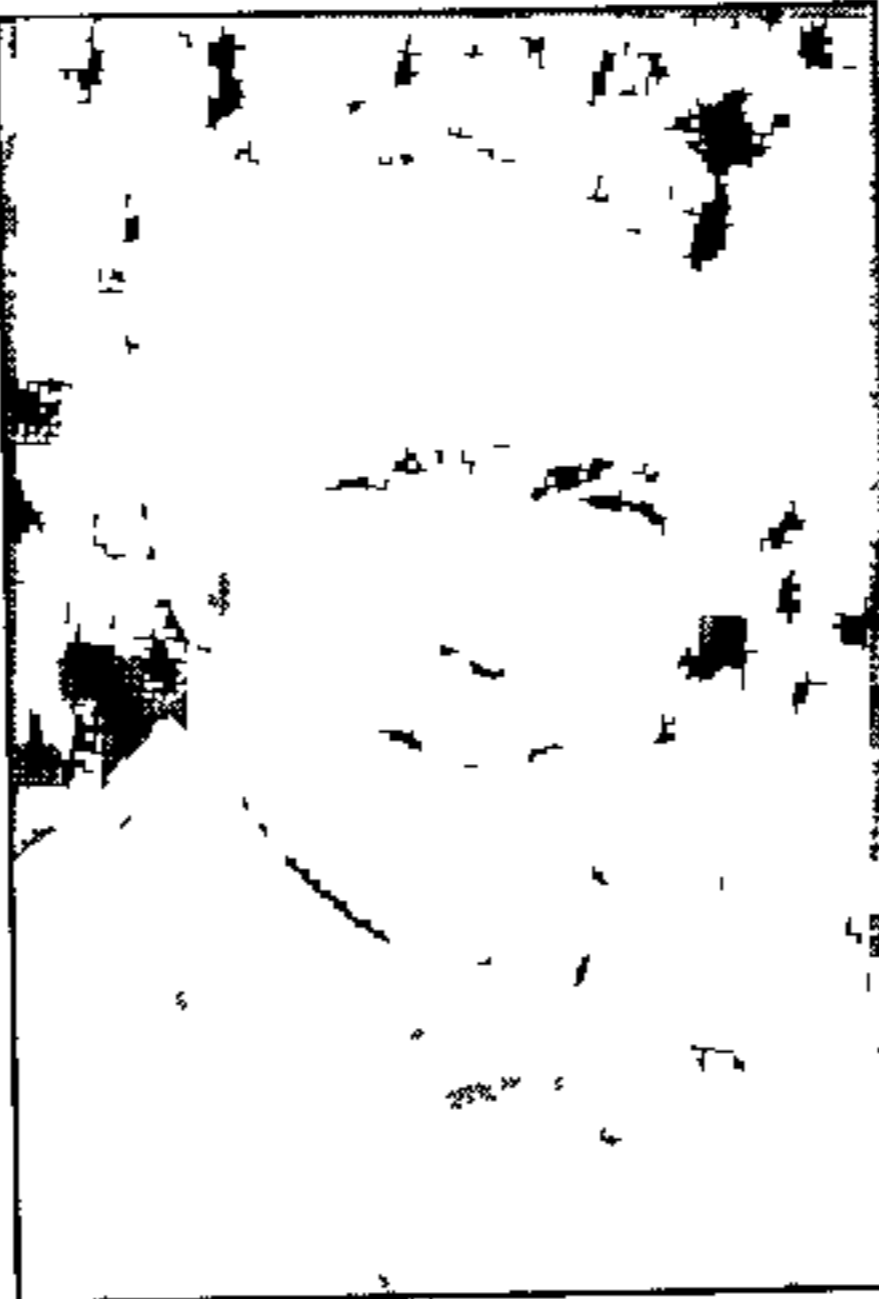
Of the two projects, the Pretoria works conversion is easily the more eye-catching expenditure of as little as R100m to achieve stainless steel production close to the quantity intended for Columbus (600 000 t) at a fraction of the cost (Columbus will cost about R3,5bn).

Smith, however, protests that the comparison is grossly unfair. "For a start," he says, "Columbus will go far downstream into the highest value-added areas. That involves substantial capital. Second, Pretoria's advantage is that the basic infrastructure is already there and paid for."

And one disadvantage is that Pretoria's stainless steel-making capacity will come on stream rather late in the current commodity cycle.

A bonus is the stimulus it will give to local nickel production. Already the Anglovaal group is involved in delineating its Slaaihoek project in the Eastern Transvaal and the Pretoria conversion will encourage the mine's development.

If all goes according to plan, Iscor's cash generation programme will have retired most of the company's current debt just as new loans are incurred to fund the heaviest draws of the Sal-



Smith financing proposals being evaluated

danha project

Smith is reluctant to commit himself, but concedes it is unlikely Iscor will be able to mount this programme of development and acquisitions without recourse to the market. A rights issue is clearly on the cards, though Smith says proposals for raising the finance are still being evaluated. Rand Merchant Bank has been appointed lead banker. (1897) (210)

One possibility must be to raise funds abroad through a bond issue. Smith makes a point of Iscor's foreign shareholding, now at 7,5% where it was previously zero. The attractions of raising a few hundred million dollars abroad at competitive rates and then hedging repayment terms are obviously being considered with some care.

With the counter now standing at 465c compared with its low in December last year of 187c, some investors have obviously followed the FM's advice (Fox March 4). The latest developments confirm it remains a stock worth laying down to mature in a few years.

David Gleason

Iscor seeks R4bn for finance plan

A GROUP of merchant banks, international finance houses and the Iscor management team will have a busy Christmas arranging about R4-billion for the development of the Saldanha Steel project and the conversion of the Pretoria works to a stainless steel plant, writes DON ROBERTSON.

Details of the finance plan have not yet been finalised, but will be ready by the middle of January.

The apparent haste in announcing the projects was to qualify for tax allowances in terms of Section 37E of the Income Tax Act. This allowance was removed from the Act in September 1993, but a concession was made to Iscor, which had announced a feasibility study in August of that year, provided it began construction on the site before the end of January 1995. *S Times (Bus)*

The concession will allow the corporation to write off capital expenditure in the year in which it is incurred.

A start on the R3,6-billion Saldanha Steel project will begin next month and it will be completed within three years to comply with Section 37E. The initial cost of the Pretoria works conversion is less than R100-million, but this excludes working capital which could be as much as R250-million.

Although substantial progress has been made in arranging the funding package, managing director Hans Smith says he is unable to "promote" the project ahead of the finalisation of all details because of strict US regulations which prevent the "preconditioning" of an offer. This restricts a company from titillating potential investors with details of the project before they have been finalised.

Financing of the new projects will be treated as a separate capital expenditure item, says Mr Smith. *(189A)*

11/2/94

~~189A~~

(189A)

Steel export earnings to grow

STEEL product export earnings were expected to grow 5,5% in real terms to R4,2bn next year as the local industry made its presence felt on international markets, economists said at the weekend.

The implementation of GATT would open the way for the major liberalisation of the steel trade in global markets.

SA Foreign Trade Organisation economist Linda Smith said the international steel trade had been characterised by quota agreements. These were going to be phased out.

Markets such as the US, the European Union, Japan, South Korea, Austria and Norway had agreed to lower tariffs on steel products, ultimately to zero.

"While local producers will face greater competition from low-cost producers including India, SA can score with value added products such as those coming out of

MICK COLLINS

Columbus and Iscor. This process will begin next year. Once tariffs are finally lowered, SA's steel beneficiation programme will be well in place."

Smith said steel exporters would reap the benefits of strong growth in one of its major markets, Asia, where growth rates of 6,5% to 7% were forecast. Important markets were Taiwan, Japan, Korea and Hong Kong.

A Columbus Stainless Steel spokesman said with products from its expanded facilities coming on stream next year, production would increase from 157 000 tons in 1994 to 238 000 tons in 1995, most for export.

Iscor MD Hans Smith said while tonnage for overseas markets would decrease

□ To Page 2

Steel (189A) BD 12/12/94

□ From Page 1

slightly, earnings on exports were expected to improve by between 5% and 8% in dollar terms.

The Steel and Engineering Industries Federation of SA (Seifsa) said entry into the international arena would force businesses to improve efficiency and reduce costs. Attention would have to be given to management structures and productivity.

Seifsa economic services co-ordinator Kit Wostenholm said to meet GATT obligations SA had to phase out direct export subsidies. Tariff reductions and phasing out the general export incentive scheme would mark the beginning of new

challenges for business.

While it was unfortunate many exporters who relied on incentives would battle with the strain this entailed, non-direct export incentives were expected to offer support. These included greater access to information, pre-shipment finance for exporters, research and development, and technology transfer assistance.

"An efficient, competitive business climate operating with realistic pricing and efficient cost structures will have to replace the protective practices of the past," Wostenholm said.

Iscor to retrench 5 000 WORKERS

BD 14/12/94

MICK COLLINS

STEEL producer Iscor would retrench 5 000 workers from its Vanderbijlpark works and spend R450m on a major revamp of the steel facility, the company said yesterday. (189A)

The 25% cut in the 20 000-strong workforce was part of a project which would convert the works into a 100% continuous casting operation. The ingot casting line, currently producing 25% of the plant's 11 000 tons a day, would be phased out, Engineering News reported.

Iscor MD Hans Smith said the new Vanderbijlpark operation would use only five of the seven coke ovens and three of its five blast furnaces. Steel production would drop from 11 000 tons a day to about 9 000 tons but it would be produced 10% more

cheaply. The resultant shortfall in production of 1,2-million tons would be more than compensated for by steel coming out of the new mini-mill at Saldanha Bay.

Said Smith: "In view of the fact that steel is a saturated market, we... will focus on value-added products such as tin plating, electro-galvanising, cold rolled and colour-coded steel products. The revamp will ensure greater cost efficiency... and ensure Iscor a position in the lowest-cost 5% of steel producers in the world."

Analysts said the retrenchments would bring Iscor's workforce down by about 15 000 to 45 500 in 1996 from 58 000 in 1992.

To Page 2

Iscor

(189A)

BD 14/12/94

From Page 1

Iscor cut its staff complement to 54 000 last year and by its year-end in June had 48 500 people on its payroll.

Profitability at Iscor's Newcastle works came under pressure in August and the steel company announced it would shed 1 500 workers from its staff complement of 6 000. An internal restructuring programme last year saw early retirements across all divisions and skills levels. About 3 000 staff — many at senior level — retired at the end of March.

Analysts said an attempt by Iscor to cut net borrowings could be brought about only by lowering working costs. Taking salaries and indirect costs into account, it would save about R200m a year through the early retirements.

Financed by a surplus in the Iscor Pen-

sion Fund, the retirement packages were offered to all members older than 50. Employees had to exercise their option before December last year and take retirement before March this year.

During the past three years 2 500 posts were rationalised at the company's Pretoria works. After transfers, natural attrition and early retirement packages, a further 450 employees were retrenched.

Iscor said it had become necessary to reduce employee numbers to ensure the company's long-term existence. It closed its Durban plant at the end of August citing the high cost of steel scrap and low international billet prices. More than 300 workers were retrenched. About 350 of Iscor's 2 200-strong Vereeniging steel division workforce were offered voluntary retirement in 1992.