MANUFACTURING – RUBBER PRODUCTS
1993

Quality Tyres director tells of falsifying firm's accounts

(196)

SUSAN RUSSELL

FORMER Quality Tyres director Edward Philip told a Johannesburg magistrate yesterday he fraudulently obtained almost R30m in bank loans by falsifying the company's financial statements to please his domineering brother-in-law and co-director Alex Hawes.

BDM 13/1/93.

Philip has pleaded guilty to 12 counts of fraud, which involve R35m, and three charges of stealing a total of R147 000 from the company. The former accountant has admitted fraudulently inducing Malbak to merge its tyre division with the company by misrepresenting Quality Tyre's financial position at the time.

Malbak and eight financial institutions which lent Quality Tyres about R25,5m had been led to believe the company was trading profitably when in fact it was insolvent.

Quality Tyres was liquidated in 1989.

Giving evidence in mitigation of sentence yesterday, Philip said he had been afraid of Hawse and co-director Bruce O'Ehley. "They were — and still are — very domineering, hard people.

"Hawse and O'Ehley are very strong-willed and will do anything to get their own way," he said.

When he expressed concern about the way they were spending money, Hawse had told him not to worry.

"Everything had to be done better than anyone else," Philip said. "First class travel, high living; nothing but the best."

Hawse, he said, wanted Quality Tyres to be the biggest and the best and believed the way to ensure this was to grow and expand.

"Whenever I produced the monthly accounts and said we had a problem, he'd say: 'It can't be true.'

"I would say these are the facts, and he'd say: 'Let's see if it comes right next month.'

"So to satisfy him I manipulated the figures," Philip said.

He said he had stolen the R147 000 after issuing a cheque of R250 000 to O'Ehley and seen the amounts Hawse spent on refurbishing his Lydenburg farm.

"I just felt I wasn't being recompensed to the same degree and I took those cheques," he said.

"I committed the offences basically to satisfy Hawse and to satisfy his ego.

"I didn't do it with malice. It was important for me to show Hawse that I could do financial accounting."

Philip said the frauds were not committed for personal gain but to enable the company to continue.

Further evidence in mitigation will be heard today.

Fraudulent merger deal cost Malbak R18m, court hears

(196)

SUSAN RUSSELL

MALBAK lost R18m after the company was fraudulently induced into merging its tyre division with Quality Tyres in 1988, company director Denzil McGlashan told the Johannesburg Magistrate's Court yesterday. BDM 14/1/93

McGlashan said he had been personally involved in merger negotiations between his company and Quality Tyres.

He was testifying at the trial of former accountant and Quality Tyres' financial director Edward Philip.

Philip has pleaded guilty to 12 counts of fraud involving R35m and three counts of stealing a total of R147 000.

He has admitted falsifying company records and financial statements and misrepresenting Quality Tyre's creditworthiness to fraudulently obtain R29,5m in loans from eight financial insitutions.

Philip has also admitted fraudulently inducing Malbak into the merger by misrepresenting Quality Tyre's financial position.

Quality Tyres was liquidated in November 1989.

McGlashan said Malbak's tyre division, Supertread, and Thomas Bande, sold into Quality Tyres in exchange for shares in the company.

Supertread and Thomas Bande were valued at R12m-R13m each at the time, he said.

After the merger the Thomas family sold their shareholding to Malbak and Quality Tyres which paid R6m each for their stakes.

McGlashan said Malbak lost its initial capital investment plus the R6m it paid for the Thomas family shares.

"We didn't get paid out one cent when the company was liquidated," he told the court.

Malbak subsequently entered into a compromise with Quality Tyres' liquidators in terms of which it paid 31c in the rand to certain concurrent creditors and acquired Quality Tyres' operating subsidiary.

McGlashan said Malbak's losses incurred in the merger were not mitigated by entering into the compromise which had been an additional investment.

Tyre industry lobbying for ban on used imports

BDay 3/12/93.

EDWARD WEST

(196)

THE local R1,6bn tyre industry was lobbying government to ban the importation of used tyres for retread purposes, SA Tyre Manufacturers' Conference director Gert Fischer said yesterday.

He said tyres worth tens of millions of rands were allowed to be imported for retreading annually, but there was no law preventing tyres from bypassing the retreader and being sold as used tyres.

He said retreaders estimated that as much as 70% of imported tyres were not even fit for retreading, most of which were then sold in SA at low prices. Used tyres were an environmental problem in many parts of the world.

Retreaders could be supplied adequately with locally produced used tyres, Fischer said.

The conference had applied late last year for formula duties to curtail poor quality tyre imports allegedly flooding local markets from the Far East.

Fischer said the conference was working with the SABS to get the European quality standard, the "E" mark, made mandatory for all imported tyres to SA.

This would make policing of poor-quality tyre imports by customs officials easier.

He said a government investigation into the matter would probably be completed by the end of March.

In SA, the enviromental problem of used tyres was solved largely by extracting certain chemicals from old tyres, using them for coastal protection, while some were buried or shredded to make items such as sandals.

Tiger Wheels to change its shape

BDM 5/2/93. 196

EDWARD WEST

TIGER Wheels Holdings (Tihold) is to restructure and has announced the listing of its subsidiary Tiger Wheels (Tiwheel) on March 1.

After restructuring Tihold would become the holding company with 80% of Tiwheel's issued share capital, a published announcement said. The listing was subject to JSE approval.

The holder of 100 Tihold shares would after listing and restructuring hold 100 Tihold shares and 20 Tiwheel shares which would have been received after distribution in specie from Tihold, the statement said.

Pro-forma figures calculated on the basis that the restructuring took place at June 1992, indicated that aggregate earnings a share (12,5c), dividend (5c) and net asset value (62c), would be unchanged in spite of the share distribution.

In the restructuring, Tiwheel acquired Tihold and its other subsidiaries with effect from June 1 1992 for R16,9m. In settlement and to capitalise Tihold's loan account with Tiwheel, Tiwheel planned to issue 33 million renounceable letters of allocation, leaving it with 33 million shares in issue.

To obtain the necessary spread of Tiwheel shareholders, Tihold planned to renounce its rights to 6,6 million renounceable letters of allocation, representing 20% of its interest in Tiwheels. The renounceable letters of allocation would be distributed to Tihold shareholders on the basis of 20 letters, free of cost, for every 100 held in Tihold.

It would also increase the number of shares in Tihold group and enable executive management to release certain shares and improve tradeability, while at the same time retaining control, the group said.

In the year to end-June 1992, Tiger Wheels more than doubled attributable profit to R3,8m from R1,8m.

Tyre duty application slated

BDAY 12/2/93. (196)

EDWARD WEST

THE tyre duty application banning the import of retreadable casings would significantly deplete raw material sources for the retreading industry, Southern Transvaal Tyre Dealers' Association committee member Rob Sowry said.

The application, submitted to the Board on Trade and Tariffs by the Tyre Manufacturer's Conference on behalf of SA's four tyre makers, is scheduled to be adjudicated within the next two months.

Sowry said the application amounted to an onslaught against retreaders while the formula duty application for new truck tyres would have an "explosive" effect on the added costs to the mining and road haulier industries.

About 80% of local truck tyres had to be scrapped after their second life and the retread industry was virtually reliant on imported tyre casings to meet demand from road hauliers, he said.

Casings were also imported because they could be retreaded two to three times after a first life as new, while locally manufactured tyres could often be retreaded only once, he said.

To prevent the resale of second-hand tyre imports, Natyre chairman Ronnie Tollemache instead proposed that retreaders made a commitment to buff down imports found to have treads exceeding three millimetres. Customs inspectors already in place could be used to oversee the process, he added.

Referring to the duty application on new truck tyres, Tollemache said manufacturers had yet to define standards for new imported tyres, and the application amounted to prolonged protection from imports.

Tollemache pointed out that the truck tyre import formula duties sought by manufacturers amounted to duties almost equal to that of the free-on-board price of new imported tyres.

Rubber rescues Consol performance

BDAY 17/2/93. (96)

MARCIA KLEIN

ANGLOVAAL subsidiary Consol has increased earnings by 7% to 104,1c (97,3c) a share in the six months ended December as buoyant profit growth in its rubber interests was offset by poor conditions in the packaging market.

A 4% growth in the rubber sector was partially offset by a 1% drop in packaging sales to result in a 2% increase in turnover to R1,1bn. Directors said the declining trend in sales volumes in the first quarter had levelled off in the second quarter.

Operating profit was reduced by 3% to R133,4m from R137,1m as operating profit in packaging dropped by 15% and the rubber interests showed a 19% growth.

Directors said glass packaging's profit was affected by sales volumes of returnable bottles on the back of the "minimal growth in beer and soft drink consumption".

Price cuts to regain market share saw glass tableware show a loss. Plastics reported a fall in volumes, but maintained its profit level.

Tyre and rubber products subsidiary Tycon recorded "a sound volume growth in tyre units", while sales volumes of industrial rubber products and food film were affected by market conditions.

An increase in the effective tax rate resulted in a marginal improvement in after-tax profit to R75m from R74,5m. But a 27% decrease in the interest of outside shareholders and a 53% reduction in preference dividends enabled Consol to increase earnings by 7% to R67m from R62,5m.

FOX FM 19/2/93 196

results see-sawing between the two divisions. At the previous interim, packaging carried the day while profits from rubber fell by 7%.

Packaging remains the bigger contributor to operating profit, at R75m, but the figure fell by 15%. The net effect is a 3% dip in operating profit to R133m. Lower volumes held the turnover gain to only 2%, at R1,1bn.

With the acquisition from Trencor, Consol now owns 100% of its rubber investment. Chairman Clive Menell says this indicates the group's confidence in the business. Support from Goodyear US places the investment in a commanding competitive position.

The rights offer in October 1991 of 5% convertible debentures helped financing costs, which have moved to income of R1,7m from an outgo of R6,5m a year ago. But with long-term borrowings up more than threefold to R155,7m, that favourable position could change by year-end.

The share has gained about 38% since the ... September and

Impala's McMahon ... *positive on prospects*

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FM 19/2/93

platinum market. Management has apparently got on top of the difficulties which plagued the group last year, causing production shortfalls through serious labour unrest and problems in the refinery.

"We have fixed everything that is fixable," says McMahon. Platinum production jumped 46% to 559 000 oz (previous comparable quarter: 382 000 oz), and the cost per ounce of platinum produced has dropped 22,4% to R1 548 (R1 997).

This begs the question: has Implats at last got its act together, so that the share could be bought on the grounds that it deserves to be rerated more favourably against sector

CONSOL FM 19/2/93 (196)

Rubber to the rescue

Increased exposure to the tyre market — in November Consol bought Trencor's 26% of Contred for R210m — seems well timed. A 19% increase in operating profit to R58,4m from rubber and related products partly offset disappointing results from packaging, helping earnings growth of 7%, to 104c a share in the first half.

That's better than last year, when interim earnings advanced by only 5%. It also shows

continue →

FOX FM 19/2/93 (196)

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The share has gained about 38% since the annual report came out in September, and has been favourably rerated. At R42 it's expensive, at nearly five times net worth. But these results will probably push it further.

Shaun Harris

TIGER WHEELS FM 19/2/93

Pyramid plan

(196)

Tiger Wheels Holdings (Tihold) is planning to restructure into a pyramid, to take advantage of possible acquisition opportunities in its increasingly competitive market. The new structure will enable it to raise equity capital without relinquishing management control. The directors have 64%.

Says joint chairman and CE Eddie Keizan: "We must be ready if and when opportunities arise." But the reason for restructuring now, considering the group has no acquisition plans, is unclear.

The proposal includes listing wholly owned subsidiary Tiwheel, which has already acquired all Tihold's interests in its other subsidiaries for R16,9m. Tiwheel will settle this consideration plus a capitalisation of loan accounts by issuing 33m renounceable letters of allocation ("letters") to Tihold.

To qualify for a separate listing, Tihold will renounce rights to 6,6m or 20% of the letters. These will be distributed to Tihold's existing shareholders on the basis of 20 letters, free of charge, for every 100 shares held in Tihold.

After restructuring and listing of Tiwheel, Tihold will have 26,5m (80%) out of a total 33m Tiwheel shares. Tiwheel will be able to issue a further 20m shares (or raise R18m at current market prices) with Tihold still holding 50% control.

For shareholders, the immediate effect after restructuring and listing Tiwheel will be negligible. A holder of 100 Tihold will hold 100 Tihold and 20 Tiwheel, but the aggregate NAV, EPS and DPS of the combined shareholding will be unchanged.

Tihold operates in niche markets in the automotive industry, principally in tyres and wheels. Operating margins have declined from 12,7% in 1988 to 7,3% in 1992. Says

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Keizan: "The emphasis is on market share, provided cash flow is positive and we maintain moderate profitability." Increasing market share is part of the reason behind the restructuring, which will enable acquisitions without losing control — but that doesn't explain the timing.

Gearing has been reduced to about 0,33 and interest cover is sound at 3,3. Keizan says there are no major capex plans for 1993.

The share price peaked at R1 in January from about 70c in November. Since the end of last month it dropped to 90c and has not reacted to the restructuring news. *Louise Randell*

Gentyre suffers but maintains dividend

B/Day 8/3/93. 196

PETER GALLI

POOR trading conditions in the industrial rubber market and a loss from its industrial products division saw Gentyre turn in an 11,6% fall in attributable profit to R54,13m in the year to end-December from R61,21m in 1991.

However, while earnings for the W & A Group's tyre and rubber company fell by 11,7% to 346c a share (392c), the final dividend was maintained at 57c a share, giving an unchanged dividend of 112c a share for the year.

Turnover rose 7,6% to R521,41m (R484,39m), but margins were placed under pressure and operating income dropped 28,5% to R37,74m (R52,78m).

However, a 61,2% increase in interest income to R12,64m (R7,84m) and a tax credit of R3,87m (R684 000) pushed taxed profit to R54,25m (R61,30m).

"Industry volumes were again reduced by the impact of imports and the deepening recession. The resultant build-ups in stock have seen excessive discounting throughout the market," chairman Terry Rolfe said.

Its decision to increase volumes and shift emphasis from textile and cross-ply tyres to steel-belt radials had paid dividends, and the group intended launching an all-steel Continental truck tyre this year.

"This should ensure that the tyre division continues to perform well in what is likely to be a largely static market."

However, its industrial products division had not performed well and had posted a loss. This was due largely to a heavy fall in throughput on the back of sharply depressed conditions in its major markets and the automotive and mining markets.

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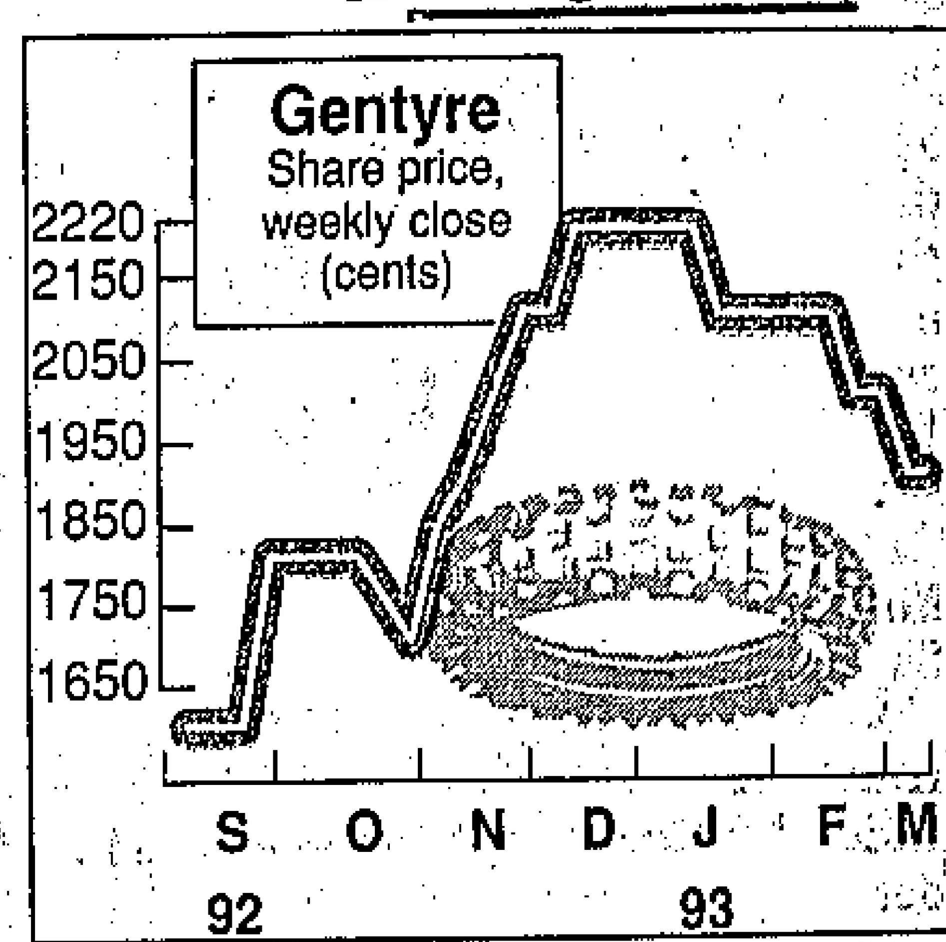
□ To Page 2



Graphic: LEE EMERTON Source: I-NET

Gentyre

B/Day 8/3/93. 196

□ From Page 1

the potential to produce acceptable returns would be developed.

These remedial actions would, hopefully, see the division restored to profitability this year, Rolfe said.

"We expect the tyre division to increase volumes and continue to gain market share in the current year and, with profitability from the industrial products division, should see a rise in earnings," he said.

Dividend cover was reduced to 3,1 times from 3,5 times. The net asset value a share rose to 2 044c a share from 1 825c previously, as total assets rose to R472,12m (R441,39m), and current liabilities edged down to R149,37m (R149,76m).

Gentyre suffers from poor trading conditions

CT 8/3/93 (196)

From PETER GALLI

JOHANNESBURG. — Poor trading conditions in the industrial rubber market and a loss from its industrial products division saw Gentyre turn in an 11,6% fall in attributable profit to R54,13m in the year to end-December from R61,21m in 1991.

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This resulted in a restructuring programme where those businesses that had the potential to produce acceptable returns would be developed.

These remedial actions would, hopefully, see the division restored to profitability this year, Rolfe said.

Sagging industrial rubber market puts dent in Gentyre's earnings

Star, 8/3/93.

Finance Staff

Continued market penetration and the effective management of working capital cushioned Gentyre from the worst effects of the tyre industry's bumpy ride.

But poor trading conditions in the industrial rubber market put a dent in its 1992 earnings.

Results for the year to December show turnover up 7,6 percent to R521,4 million, with attributable profit down 11,6 percent to R54,1 million.

Earnings per share were 346c (392c) and the final dividend of 57c makes an unchanged total of 112c.

Chairman Terry Rolfe says tyre industry volumes were again reduced by the impact of imports in combination with the deepening recession.

The resulting stock build-ups gave rise to excessive discounting throughout the market.

"In the circumstances, Gentyre did exceptionally well to increase its own volumes and to extend its market share.

Fared well

196

"The prudence of our decision to shift production emphasis from textile and cross-ply tyres to steel-belted radials has been confirmed by the continuing market swing to steelbelts — a sector in which Gentyre's Continental brand is very firmly established."

While the tyre division fared well, Gentyre's industrial products division suffered from severely depressed conditions in its major markets, the automotive and mining industries, which had led to a sharp decline in throughput.

"This has necessitated the implementation of a restructuring programme. Those businesses in the division which have the potential to produce acceptable returns, even under trying conditions, have been identified and will be developed.

"As a result we expect the division will be restored to profitability in 1993," Rolfle says.

COMPANIES

Dunlop watches every cent and shows modest increase

BDAY 12/3/93.

(196)

ANDY DUFFY

STRINGENT cost-cutting has enabled industrial and consumer rubber products group BTR Dunlop to report a minor improvement in retained earnings for the year to December 1992.

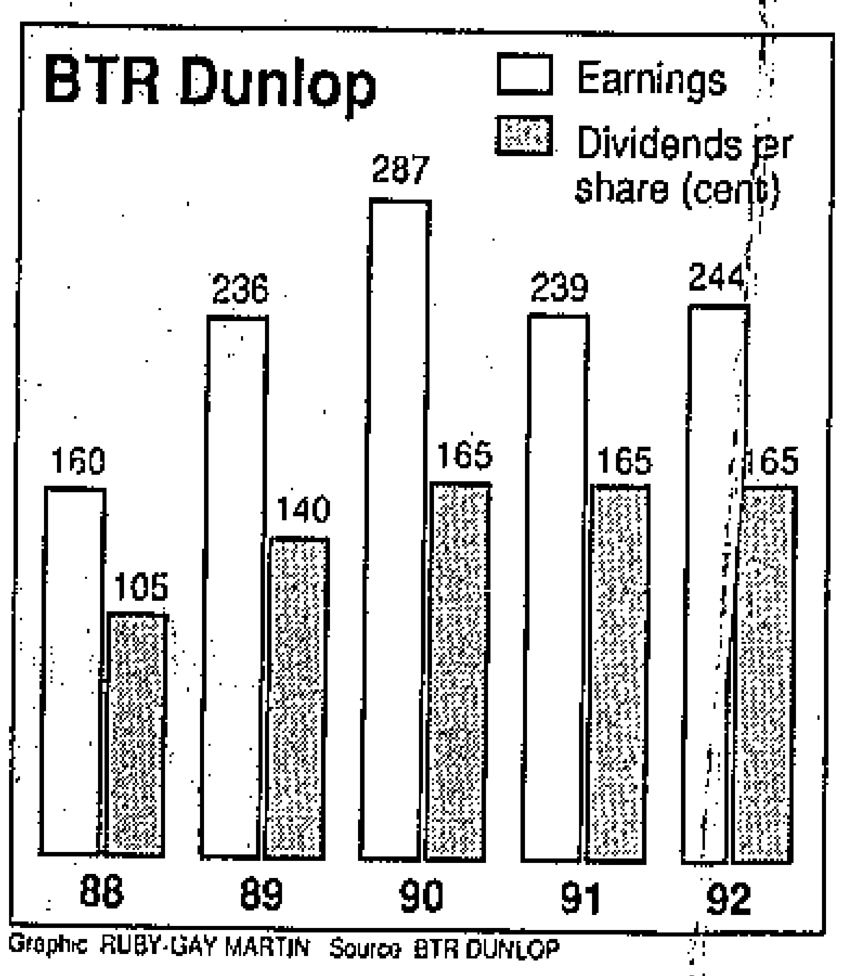
Despite a 10% slide in trading profit to R91,3m, cutbacks on both staff and production allowed the UK-owned company to post a 2% rise in attributable profits to R57,8m (R56,6m).

Around 280 jobs — 5% of the workforce — were lost during the year, taken from across the board, and the company said a similar number would go this year.

BTR Dunlop has also cut overtime, and for 20% of last year was on a four-day working week.

"It's cost reductions across the board," said group finance director Harrie Kemp. "Every penny is being challenged."

Turnover was static at R668m,



Graphic RUBY-GAY MARTIN Source BTR DUNLOP

though more than half of these sales came in the first half. The company said that the 8% fall in new vehicle sales last year hit five divisions, and that demand had dropped for mining and consumer products.

Profitability also came under pressure, with operating margins down at 13,6% against 15% last time.

But the company was helped by a drop in finance charges from R11,5m to R6,1m, and a fall in its tax charge from R33,1m to R27,4m.

Earnings per share rose 5c to 244c, though the dividend was again held at 165c, its 1990 level. The company said there were "no signs of sustainable recovery," and Kemp added that dividend could not be guaranteed for 1993.

The company, which is 52%-owned by UK conglomerate BTR, completed its three-year R110m capital expenditure programme during the year, and plans to spend a further R100m over the next three years for plant to manufacture steel car and truck products.

But MD Clive Hooper warned that this depended on the action taken by the Board of Tariffs and Trade against the import of new and second hand tyres, which now account for 25% of the tyre replacement market.

The SA Tyre Manufacturers' Conference has lodged an application with the board for increased protection. Hooper said a decision was expected later this year.

Star 12/3/93

BTR Dunlop posts profit increase

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By Stephen Cranston

Despite an eight percent drop in new vehicle sales, tyre and rubber products group BTR Dunlop has reported a two percent increase in earnings per share to 244c.

The dividend has been maintained at 165c.

Turnover fell by less than one percent to R668,3 million as there was lower demand for mining and consumer products as well as tyres.

Lower volumes led to a 10 percent reduction in trading profit to R91,3 million. But tighter cost controls and other measures meant the profit margin was a strong 13,7 percent.

MD Clive Hooper says that the funds invested in working capital showed a slight reduction. Despite R32,8 million in capital expenditure, borrowings increased only slightly from R4,2 million to R4,4 million.

Finance costs

Declining interest rates helped reduce finance costs from R11,5 million to R6,1 million.

Hooper says the group has completed its three-year R110 million capital expenditure programme and is now well placed to meet demand for car, minibus and truck tyres.

Depending on the level of protection granted, the group plans to spend a further R100 million over the next three years, concentrating on plant to meet the swing to steel car and truck products.

The tyre industry has attained local content of more than 80 percent with its products because of the establishment in the 1960s of seven well-protected, single-source raw material suppliers.

The tyre industry is an integral part of the motor manufacturers' Phase VI local content programme, which requires 75 percent by value.

But imports of new and second-hand tyres for the replacement market have been liberalised and now represent 25 percent of the market.

He says the industry has suffered from a non-implementation of the ministerial decision that tyre import permits be limited to 1988 levels.

BTR Dunlop shrugs off car sales slump

ARGT 12/3/93 (196)

Business Staff

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■ After an extraordinary item, Group Five lost R9,7 million in the six months to December, compared with net income of R15,1 million in the same period in 1991.

Earnings a share before the item declined from 36,1c to 10,4c, while the loss a share after the item was 23,1c a share.

The interim dividend has been passed.

Executive chairman Peter Clogg says all operating divisions remained profitable in the period under review.

Turnover, including that derived from the acquisition of control of Everite Holdings, rose by 40 percent to R747 million and taxed income was R7,6 million (1991: R15 million).

Operating income decreased from R23,7 million to R16,1 million and finance costs shot up to R10,6 million, of which R7,1 million was consolidated from Everite.

The extraordinary item of R14 million was the result of a profit warranty provision arising from lower-than-expected earnings and closure costs in certain operations sold in April 1992, says Clogg.

He says a further abnormal loss was experienced in completing the Houston bridge contract.

Moreover, group is owed R22 million from its involvement in the Masterbond debacle through Fancourt and Marina Martinique.

■ The depressed state of the building and construction industry led to a sharp fall in Everite's income for the six months to December to R3,9 million (R12,3 million profit in the same period in 1991).

Turnover was up 20 percent to R220 million, but operating income fell by two-thirds to R6,2 million.

Earnings a share dropped from 13,8c to 4,3c. The interim dividend has been passed.

Executive chairman Theunis Kotzee says a number of businesses were sold or closed in the review period, with the costs having a negative impact on results.

He expects operating results for the second six months to improve marginally.

Field Rubber bounces back

STAR 24/3/93. (196)

Radical change paid dividends for Field Rubber as it broadened its focus and altered course.

LIKE the material in which it specialises, Field Rubber has proved itself flexible and resilient and has literally "bounced" back from a black period in its history to a situation today where it is stronger than ever and growing rapidly.

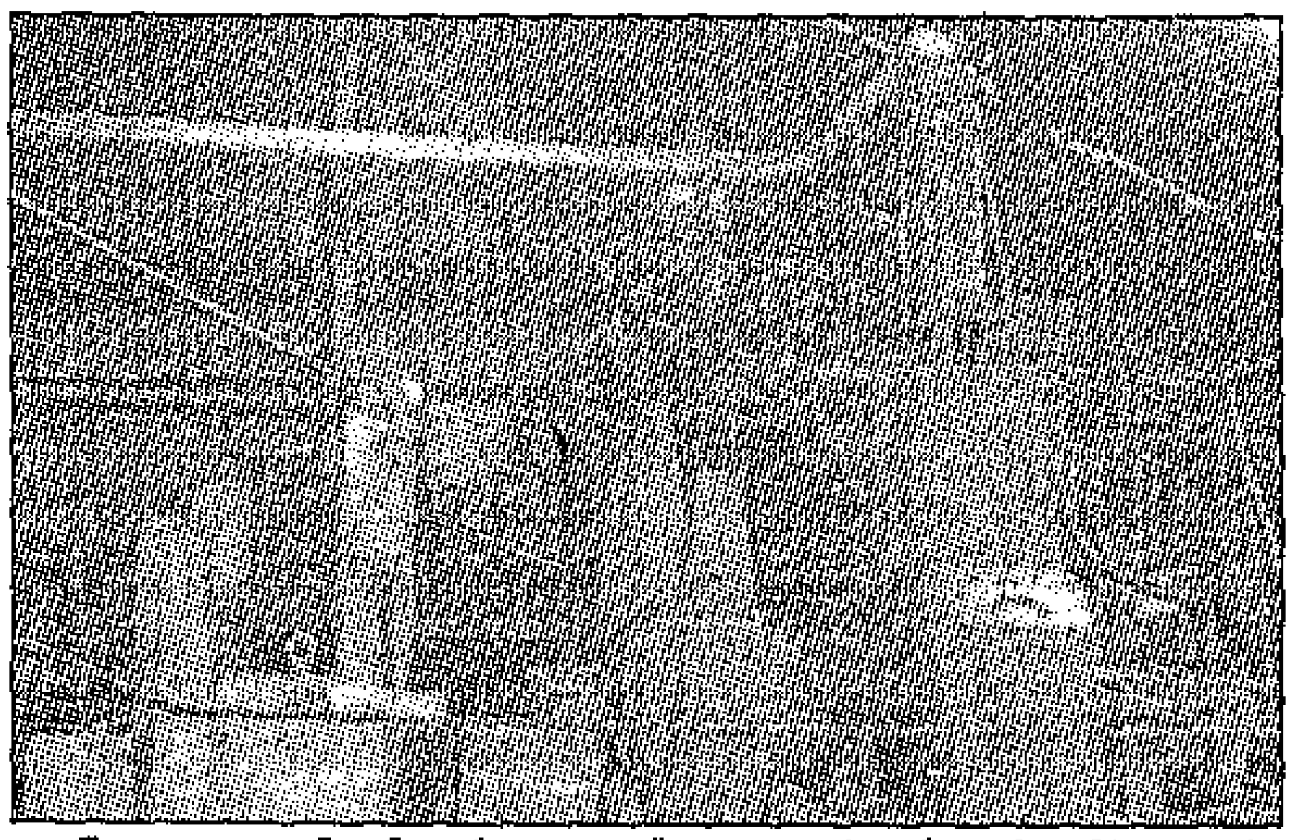
In the process, the company, part of the Hunting Group in the United Kingdom, has undergone radical change from an operation which concentrated on supplying moulding products to the automotive industry.

Today the focus is still on rubber compound but the target has broadened to encompass mining and industry with a growing degree of vertically integrated in-house capability.

Moreover, a new, specialised Belting Division catering for products allied to conveying has been created and is growing rapidly in its own right.

Marketing manager Dave Pitcher says: "Our original base in the automotive market was successful for many years, but due to a number of factors the viability of this sector deteriorated drastically and we had to take determined action.

"We set out to alter course radically if not completely by rationalising the product range and setting up centralised manufacture and marketing headquarters in Knights, Germiston."



Quality rubber compound being produced at Field Rubber.

Compounds for heavy duty rubber linings remained the base business but the company began to focus marketing efforts on the intermediary service industry rather.

Initially as the change of direction was implemented, compounds only were manufactured and supplied to "converters" who processed the materials into linings for protection against corrosion and abrasion or oxidation in the likes of pumps, pipes, tanks and so on.

More latterly, the company has extended its scope so that it now handles manufacture of compounds in a slab form or calendared into specific width, length and thickness and in addition a comprehensive range of cured rubber sheeting products is produced.

This flexibility provides a real need in the market place in that it allows the rubber lining service industry access to product at any one of the primary stages without the need for them to invest in highly capital intensive machinery.

There is now a gradual move towards more high-tech compounds by Field and to this end, fresh capex on new equipment is being made, Pitcher says.

Along with the move into rubber sheeting production it was soon realised that there was tremendous potential in a related, complementary direction.

Field Rubber in its original form had held the agency for an adhesive for conveyor belt splicing and, in fact, had ultimately produced its own product.

"This got us thinking in the direction of products allied to conveyors and we duly went into the production of products such as rubber pulley lagging, skirt board rubber and scraper rubber.

"So successful has this been that it has grown into a division in its own right and we have since added to the product range," says Pitcher.

The belting division now markets Pirelli conveyor beltings under a sole distribution agreement. It also distributes light-duty PVC belting for the food and packaging industries.

Now plans are to expand the geographic spread of the company's operations which until recently have been limited to within 200km of the Reef.

If you are interested in any of the products or services of Field Rubber, please telephone (011) 828-0000.

Sub-grade tyres flood SA market

(196) CT 30/3/93

DANGEROUS and inferior tyres have been flooding the market because of a loophole which allows substandard tyres to be imported legally.

Imported tyres are not subject to quality control, as import permits only distinguish between new and used tyres. Used tyres may only be imported for retread purposes.

Unscrupulous importers will be able to exploit the loophole for at least another six months while the SA Tyre Manufacturers' Conference and the SA Bureau of Standards work towards having European tyre standards (the E-mark) adopted.

Dr Piet Barnard, the director of Import and Export Control, said he favoured the imposition of quality controls on tyres.

SA Tyre Manufacturers' Conference executive director Dr Gert Fischer said: "Customs are helpless. Without quality control a loophole exists for unscrupulous dealers wanting to make a quick profit."

The availability of cheap, inferior tyres has also raised the ire of local tyre manufacturers.

A national survey in 1992 showed that 16% of all 14-18 seat taxis were riding on dangerous tyres — some only suitable for animal-drawn transport.

Imported snow and mud tyres are typical of the sub-standard tyres cited by both the SA Black Taxi Association and the National Association of Automobile Manufacturers as the cause of one in three minibus accidents.

Snow tyres soon blister and disintegrate in the South African heat, according to Mr Piet Venter, managing director of a local tyre company.

Star 1/4/93

BTR Dunlop plans expansion

By Stephen Cranston (1916)

BTR Dunlop is prepared to spend R100 million over the next three years on plant to meet the swing towards steel car and truck tyres, says MD Clive Hooper.

Writing in the annual report for the year to December, Hooper says, however, that this investment will only take place if there is adequate protection.

He says the tyre industry has suffered from the non-implementation of the 1991 ministerial decision to restrict import permits last year to 1988 levels. On top of this there has been an eight percent reduction in vehicle sales from 1991.

Last year, the group completed a three-year, R110 million capital expenditure programme which went some way towards meeting demand for steel tyres.

Dunlop's industrial division suffered from expenditure cuts by mining houses. But there was a satisfactory increase in conveyor belts for the coal industry.

Large and small collapsible rubber containers were supplied to both Zimbabwe and Angola which were used for drought relief.

As there is unlikely to be more than marginal growth in the market, the focus of the division will be on new products, the expansion of the existing product ranges and further productivity improvements.

The flooring division was affected by the high level of empty office space, but there was some stimulus from continued refurbishments by the major institutions and a broadening of the client base.

Three new ranges of tufted carpets launched in May were well received.

Dunlop sports goods faced unusually strong competition from imports, brought in because of overstocked foreign markets and sold at firesale prices. The inventories of imported products are now in line with the lower demand.

Dunlopillo saw a substantial decline in the automotive and consumer markets, but partially offset this with higher sales in the economy bedding and industrial segments of the market.

The group's Detroit engine benefited from a substantial increase in the number of trucks and other units being repowered in the mining sector and in on-highway equipment.

Various new rubber and wheel products were temporarily shelved because of economic uncertainty, but the delayed introduction should benefit this year's results.

Laursens metal pressings suffered from reduced demand because of the Phase VI local content legislation, but should benefit from the expansion of container manufacturing.

Dunlop expects slight profit lift in 1993

BDay 13/4/93 (196)

EDWARD WEST

POWER, sports and rubber products maker BTR Dunlop expected only slight profit growth in 1993, but was planning a R100m investment over three years on plant for steel radial tyres, MD Clive Hooper said in the 1992 annual report.

The investment would be dependent on the outcome of the question of greater import protection and how it related to new and second hand tyres and local raw materials.

Government was completing a study on the formula duty application by the SA Tyre Manufacturers' Conference — comprising SA's four tyre makers — for increased protection. A decision was expected in 1993, Hooper said.

In Dunlop's 1992 financial year its tyre operations were again affected by vehicle sales which were 8% below that in 1991 and record levels of imports of new and second hand tyres, he said.

The industry suffered from the non-implementation of a ministerial decision that 1992 tyre imports be limited to 1988 levels.

The group's rubber products division expected only marginal growth and would concentrate in 1993 on product expansion and development.

Limited profit growth was also expected in the flooring interests due to productivity and efficiency improvements.

Operations would benefit from expansion in the container manufacturing industry, said Hooper.

BTR DUNLOP 196 FM 16/4/93

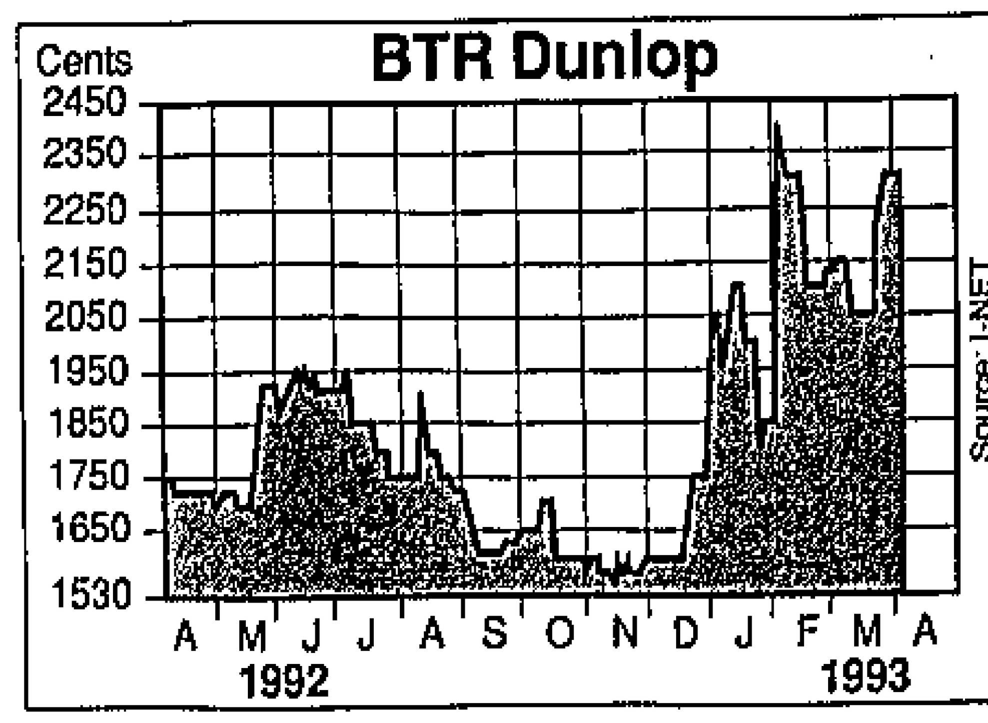
Bitter about imports

Through no fault of its own, BTR Dunlop's 1992 results were pedestrian. Unless something unexpected happens, they are likely to remain that way this year. The good news, however, is that declining profits over the past two years have not brought any financial strain and the balance sheet remains as sound as ever.

Last year's 10% fall in trading profit brought the cumulative decline from the 1990 peak to 32%. About half the slack was absorbed by the taxman (the effective tax rate fell from 46,2% in 1990 to 32,1%),

Activities: *Manufactures and markets industrial, engineering, automotive and consumer products.*
Control: *BTR Plc (52,1%).*
Chairman: *A M D Gnodde; MD: C R Hooper.*
Capital structure: *23,8m ords. Market capitalisation: R522m.*
Share market: *Price: 2 195c. Yields: 7,5% on dividend; 11,1% on earnings; p:e ratio, 9,0; cover, 1,5. 12-month high, 2 300c; low, 1 560c. Trading volume last quarter, 591 000 shares.*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	3,5	3,5	4,1	7,2
LT debt (Rm)	0,5	0,4	0,1	28,0
Debt:equity ratio	—	(0,02)	0,02	0,02
Shareholders' interest	0,65	0,52	0,56	0,54
Int & leasing cover	27,6	15,2	8,8	15,0
Return on cap (%)	27,1	28,9	21,9	17,5
Turnover (Rm)	632	701	672	668
Pre-int profit (Rm)	110,9	134,3	89,7	91,3
Pre-int margin (%)	17,6	19,2	15,1	13,7
Earnings (c)	236	287	239	244
Dividends (c)	140	165	165	165
Net worth (c)	908	1 027	1 095	1 182



limiting the dip in EPS to 15%.

Divisional performance basically mirrors the economy — the closer a company gets to consumer spending, the worse the results become. Thus, comparing 1992 with 1991, the consumer division, which includes sport equipment and clothing, mattresses and floor coverings, saw trading profit slashed by a third.

This was exceptional to the extent that results were affected significantly by destocking of imported competitive products in the sport goods sector and some large bad debt write-offs in the furniture industry. Nevertheless, it was almost three times the decline recorded by Motors, while Engineering & Industrial, where sales are not directly consumer-based, proved the most resilient, with virtually unchanged profits.

INCOME SOURCES

	Sales 1991 Rm	Sales 1992 Rm	Trading profit 1991 Rm	Trading profit 1992 Rm
Engineering/ Industrial	329	341	49	48
Motor Industry	269	260	40	35
Consumer Products	74	67	12	8
	672	668	101	91

Like others in the tyre industry, the group continues to complain bitterly about low-cost imports of new and second-hand product. And not without reason: with new vehicle sales still declining and the effect this has had on the original equipment market, local manufacturers have been hit hard by imports which have reduced what should have been a contra-cyclical increase in demand from the replacement market.

A related factor is that the SA tyre industry is obliged to use expensive locally sourced raw materials in the manufacturing process, adding to uncompetitiveness against imports. BTR Dunlop sees this situation as sufficiently serious to put on hold the next R100m phase of its capex programme until the Board of Trade & Tariffs completes its study of the industry's application for increased protection.

That the group is ready to go ahead with this programme provided the expenditure can be justified is underscored by the restructuring of its balance sheet. During 1992, it raised a net R28m long-term debt through sale and leaseback of plant and machinery and at year-end held corresponding cash resources totalling almost R31m (1991: nil). These changes did not have any effect on gearing (net borrowings, after cash, were up only R153 000) which remains a minuscule 2% of the permanent capital base.

This year, however, even a favourable (for tyre manufacturers) decision by the board is not likely to have much more than a marginal effect on results, which will still be dominated by the weak economy. Against this, cash flow is more than adequate for current needs. So, despite the present narrow cover, the dividend should not come under pressure unless profits collapse.

Judging by the 7,5% dividend yield at the current R21,95 and nine times p:e ratio, investors (like management) are not looking for short-term fireworks. But over the years, the company has shown that it is soundly managed. The share could be worth watching once there are signs of an upturn.

Brian Thompson

Inferior imports worry Gentyre

Star 18/6/93

(196)

By Stephen Cranston

The level of tyre imports is now several times higher than in 1988, says Gentyre chairman Terry Rolfe.

He says in Gentyre's annual report for the year to December that appeals for protection are unfashionable, but it seems anomalous that while there are high barriers to the importation of cars, there is little or no control over tyres and components.

Gentyre is concerned about the inflow of inferior quality products from the East. The SABS is considering the introduction of a standard for tyres.

Rolfe says that provided this is not set too low, it may go some way towards addressing the problem.

Rebating

Trading conditions were further exacerbated by the effect of the drought on the agricultural sector. There was excessive rebating and discounting in the tyre market which placed margins under pressure.

Gentyre's tyre division held margins and increased market share, but the light truck replacement sector was the only sector of the tyre market not to show a sales decline in 1992.

Gentyre is increasing exports, which it hopes will eventually account for 20 percent of production.

ANNEXURE A

JOB SECURITY/JOB CREATION

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1. OBJECTIVES

The parties commit themselves to the following objectives:

1.1 The continued viability and competitiveness of the New Tyre Manufacturing Industry in order that it may compete in South Africa and world markets, and may provide stable employment, growth and improved performance.

1.2 To contribute to the development of the economy.

1.3 to develop markets locally, regionally and internationally.

1.4 To develop the Industry's human resources and to contribute to a general improvement in productivity.

1.5 To carefully consider the environmental impact of all aspects of the Industry.

1.6 To maintain existing employment levels and expand employment in the future.

2. PROCESS

In order to address these objectives, a subcommittee will be formed consisting of senior representatives of the Industrial Council parties. Its functions should be:

2.1 To meet on a regular basis;

2.2 to propose to the Industrial Council ways in which the board objectives may be achieved.

3. MINIMUM REQUIREMENTS

3.1 *Productivity*

The parties commit themselves to a programme of improving productivity and the future growth and viability of and job security within the Industry. Such a programme will encompass short, medium and long-term elements. Elements which can be dealt with immediately will be the subject of this Agreement; medium and long-term elements will be dealt with through the auspices of the Job Security/Job Creation Subcommittee and will be the subject of separated agreements.

3.2 *Standard Times*

3.2.1 To ensure the viability of the Industry and to compete in the South African and world markets, both the unions and employers commit to improving the stability, growth and performance of the Industry.

3.2.2 The employers and unions agree that working to existing standards is essential. In the event of an existing standard becoming the subject of dispute, the review procedure as contained in 3.2.3 will apply. The performance criteria for all operations in the Industry will be standard times. These standards will be determined in accordance with ILO methods.

BYLAE A

WERKBEVEILIGING/WERKSKEPPING

1. DOELSTELLINGS

Die partye verbind hul tot die volgende breë doelstellings:

1.1 Die voortgesette lewensvatbaarheid en mededingendheid van die Nuwe Buitelandvervaardigingnywerheid ten einde in Suid-Afrika en wêreldmarkte te kan meeding, en om bestendige werkverskaffing, groei en verbeterde verrigting daar te stel.

1.2 'n Bydrae te lewer tot die ontwikkeling van die ekonomie.

1.3 Die ontwikkeling van markte op plaaslike, streek- en internasionale vlak.

1.4 Die ontwikkeling van die Nywerheid se menslike hulpbronne en by te dra tot 'n algemene verbetering in produktiwiteit.

1.5 Die omsigtige oorweging van die omgewingsimpak van alle aspekte van die Nywerheid.

1.6 Die handhawing van die bestaande werkverskaffingsvlakke en die uitbreiding van toekomstige werkverskaffing.

2. METODE

Ten einde hierdie doelstellings te verwesenlik, word 'n subkomitee bestaande uit senior verteenwoordigers van alle partye in die Nywerheidsraad in die lewe geroep. Sy funksies is soos volg:

2.1 Om gereeld te vergader;

2.2 Om aan die Nywerheidsraad voorstelle te maak oor hoe die breë doelstellings verwesenlik kan word.

3. MINIMUM VEREISTES

3.1 *Produktiwiteit*

Die partye verbind hulle tot 'n program van produktiwiteitsverbetering, en die toekomstige groei en lewensvatbaarheid van en werkbeveiliging in die Nywerheid. Sodanige program bevat kort-, medium- en langtermynelemente. Elemente wat onmiddellik behandel kan word, is die onderwerp van hierdie Ooreenkoms; medium- en langtermynelemente sal onder beskerming van die Werkbeveiliging/Werkskeppingsubkomitee behan del word en sal die onderwerp van afsonderlike ooreenkomste wees.

3.2 *Standaardtye*

3.2.1 Ten einde die lewensvatbaarheid van die Nywerheid te verseker en om mee te ding in die Suid-Afrikaanse en wêreldmarkte, verbind sowel die vakverenigings as die werkgewers hulle tot die verbetering van die stabiliteit, groei en werkverrigting van die bedryf.

3.2.2 Die werkgewer en vakvereniging stem saam dat dit noodsaaklik is dat daar volgens bestaande standaarde gewerk word. In die geval waar 'n bestaande standaard die onderwerp van 'n geskil word, geld die hersieningsprosedure soos in 3.2.3 bevat. Die werkverrigtingsmaatstawe vir alle bedrywe in die Nywerheid is standaardtye. Hierdie standaarde word ooreenkomstig IAO-metodes bepaal.

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3.2.3 Prior to the introduction of new or revised standards, the shop stewards and unions will be notified through the normal communication channels of each company of the requirements for changing these standards. The parties will be granted 15 working days from the date of notification of the need to revise or introduce a new work standard to consider the matter. An agreement on the new or revised standards shall be concluded within this period. In instances where these standards are not the subject of dispute, the employer may introduce the standard.

In the event of a dispute regarding the introduction of new or revised standards the parties may avail themselves of the normal dispute mechanisms. In order to expedite the resolution of the dispute the parties may, however, agree to the appointment of an accepted outside third party to assist in the resolution of such dispute.

3.2.4 Lasting agreement between the parties on standard times will be secured by the employers agreeing in principle to facilitate the training of one employee representative per plant as a qualified Industrial Engineer. Details of such arrangements must be concluded by the Job Security/Job Creation Subcommittee by 31 December 1992.

3.3 *Industry Viability*

In order to demonstrate their good faith and commitment to the growth and viability of the Industry, and to the protection of jobs, the parties commit themselves to—

3.3.1 the establishment of production tickets which will be discussed on a regular basis at plant level;

3.3.2 the full use of applicable industry procedures prior to industrial action;

3.3.3 the rescheduling and recovery of lost production due to plant-specific unlawful/ unprocedural industrial action;

3.3.4 joint absenteeism reduction actions as agreed to and for implementation at plant level;

3.3.5 flexibility and overtime work to cover absentees and maintain production tickets;

3.3.6 all efforts and programmes aimed at improving quality standards at plant level.

3.4 *Retrenchment Moratorium*

The employers will impose a moratorium on retrenchments from 6 July 1992 to 30 June 1993, on which date the moratorium will cease and be of no further force or effect.

3.4.1 The moratorium will cover retrenchments only and will not cover any other form of termination.

3.4.2 During the period of the moratorium, lay-off, short-time, unpaid leave and any other actions may be utilised to avoid retrenchments.

3.2.3 Voor die inwerkingstelling van nuwe of hersiene standaarde, word die vakvereniging-verteenwoordigers en vakverenigings deur die gewone kommunikasiekanale van elke maatskappy van die vereistes om hierdie standaarde te wysig, in kennis gestel. Die partye word 15 werksdae toegestaan vanaf die datum van kennisgewing van die noodsaaklikheid om 'n werkstandaard te wysig of om 'n nuwe een in te voer om die saak te oorweeg. 'n Ooreenkoms oor die nuwe of hersiene standaarde moet binne hierdie tydperk bereik word. In 'n geval waar hierdie standaarde nie die onderwerp van 'n geskil is nie, kan die werkgewer die standaard instel.

In die geval van 'n geskil oor die instelling van nuwe of hersiene standaarde, kan die partye gebruik maak van die gewone geskilprosedures. Ten einde die beslegting van die geskil te bespoedig, kan die partye egter ooreenkom oor die aanstelling van 'n aanvaarde buitestaander/derde party om in die beslegting van sodanige geskil bystand te verleen.

3.2.4 'n Blywende ooreenkoms tussen die partye oor standaardtye sal bereik word as die werkgewers in beginsel instem om die opleiding te bevorder van een werknemer-verteenwoordiger per fabriek as 'n gekwalifiseerde Nywerheidsingenieur. Besonderhede van sodanige reëlings moet teen 31 Desember 1992 deur die Werkbeveiliging/Werkskeppingsubkomitee afgehandel word.

3.3 *Lewensvatbaarheid van die Nywerheid*

Ten einde hulle goeie trou en verbintenis tot die groei en lewensvatbaarheid van die Nywerheid en tot die beskerming van werksgeleenthede te toon, verbind die partye hulle tot—

3.3.1 die instelling van produksiekaarte, wat op 'n gereelde basis op fabrieksvlak bespreek sal word;

3.3.2 die volle benutting van toepaslike nywerheidsprosedures voor nywerheidsaksie;

3.3.3 die herskedulering van en opmaak vir verlore produksie te wyte aan onwettige/nie-prosessuele nywerheidsaksie;

3.3.4 gemeenskaplike optrede om afwesigheid te verminder soos ooreengekom en vir uitvoering op fabrieksvlak;

3.3.5 buigsaamheid en oortydwerk om op te maak vir afwesiges en om met produksiekaarte voort te gaan;

3.3.6 alle pogings en programme gemik op die verbetering van gehaltestandaarde op fabrieksvlak.

3.4 *Moratorium op Personeelbesnoeiing*

Die werkgewers stel 'n moratorium op personeelbesnoeiing in werking vanaf 6 Julie 1992 tot 30 Junie 1993 op welke datum die moratorium beëindig word en van nul en gener krag sal wees.

3.4.1 Die moratorium is net van toepassing op personeelbesnoeiing en nie op enige ander vorm van diensbeëindiging nie.

3.4.2 Gedurende die tydsduur van die moratorium, kan tydelike ontslag, korttyd, onbetaalde verlof en enige ander optrede aangewend word om personeelbesnoeiing te voorkom.

3.4.3 The question of redundancy which may arise as a result of the closure of part or all of an operation will be dealt with in accordance with clause 20 of the Industrial Council Agreement.

3.4.4 Should any breach of the above undertakings (par. 3.2 and 3.3) occur, the shop stewards undertake to assist in resolving these at plant level. In the event of failure to maintain production tickets which is attributable to any plant-specific unprocedural/unlawful industrial action, and if the production loss remains unrecovered, the steps listed below will be followed:

(a) 48 hours for "in plant" discussions with shop stewards to agree as to arrangements for recovery—if this fails then;

(b) 48 hours for "in plant" discussions with union officials to agree as to arrangements for recovery—if this fails then;

(c) a further seven calendar days to resolve this at Industrial Council level, and if this fails then;

(d) a final further 48 hours to reach agreement,

failing which, the parties will be notified in writing of the immediate withdrawal of the retrenchment moratorium.

Recovery of production as referred to above or the maintenance of production tickets will be achieved by exploring the range of options available, which shall include but not be limited to changing of shift patterns, improved productivity, improved output, etc. or time worked in, in accordance with clause 6 (11), all as agreed at plant level.

ANNEXURE B

TRAINING

(1) The Industrial Council shall form a sub-committee consisting of up to eight employee representatives which shall, within the guiding principles below—

(a) Investigate and discuss training and education in the Industry and make recommendations thereon to the Industrial Council for approval;

(b) be set up immediately on conclusion of this Agreement;

(c) set priorities and an operational timetable.

(2) The committee shall be directed and guided by the following principles:

(a) Trade unions and employers have key roles to play in human resources development.

(b) Education and training initiatives should tie in with programmes for economic and industrial improvement in the New Tyre Manufacturing Industry.

3.4.3 Die kwessie van oortollige personeel wat die gevolg kan wees van die sluiting van 'n gedeelte van 'n werksaamheid of 'n hele werksaamheid word hanteer ooreenkomstig klousule 20 van die Nywerheidsraadooreenkoms.

3.4.4 Indien enige verbreking van bogenoemde verbintenisse (par. 3.2 en 3.3) plaasvind, onderneem die vakverenigingverteenwoordigers om te help om sodanige sake op fabrieksvlak te help oplos. In die geval van onvermoë om met produksiekaarte voort te gaan wat toegeskryf kan word aan enige fabriekspesifieke nie-prosessuele/onwettige nywerheidsaksie, en indien die produksieverlies onverhaal bly, word die volgende stappe gedoen:

(a) 48 uur word toegestaan vir fabrieksvlakbesprekings met vakvereniging-verteenwoordigers ten einde 'n ooreenkoms te bereik oor reëlings om te verhaal—indien dit misluk, dan;

(b) word 48 uur toegestaan vir fabrieksvlakbesprekings met vakvereniging-beamptes ten einde 'n ooreenkoms te bereik oor reëlings om te verhaal—indien dit misluk, dan;

(c) word 'n verdere sewe kalenderdae toegestaan om die saak op Nywerheidsraadvlak te besleg, en indien dit misluk, dan;

(d) word 'n finale verdere 48 uur toegestaan om 'n ooreenkoms te bereik,

indien hierdie stappe misluk, word die partye skriftelik in kennis gestel van die onmiddellike intrekking van die moratorium op personeelbesnoeiing.

Die verhaling van produksie soos hierbo bedoel of die voortsetting van produksiekaarte word bereik deur die ontleding van die reeks opsies beskikbaar, wat insluit maar nie beperk is tot die wysiging van skofstelsels, verbeterde produktiwiteit, verbeterde lewering, ens. of tyd wat ingewerk word, ooreenkomstig klousule 6 (11), alles soos op fabrieksvlak ooreengekom.

BYLAE B

OPLEIDING

(1) Die Nywerheidsraad moet 'n subkomitee stig bestaande uit tot agt werkgewer- en agt werknemerverteenwoordigers wat, binne onderstaande riglyne—

(a) ondersoek moet instel na opleiding en onderrig in die Nywerheid, dit moet bespreek en aanbevelings daaroor aan die Nywerheidsraad moet doen vir goedkeuring;

(b) onmiddellik na die afhandeling van hierdie Ooreenkoms in die lewe geroep moet word;

(c) prioriteite en 'n werkrooster moet opstel.

(2) Die komitee word deur onderstaande beginsels gerig en gelei:

(a) Vakverenigings en werkgewers het sleutelrolle te speel in die ontwikkeling van menslike hulpbronne.

(b) Onderrig- en opleidingsinisiatiewe behoort in te skakel in programme vir ekonomiese en industriële verbetering in die Nuwe Buitebandvervaardigingsnywerheid.

3.4.3 The question of redundancy which may arise as a result of the closure of part or all of an operation will be dealt with in accordance with clause 20 of the Industrial Council Agreement.

3.4.4 Should any breach of the above undertakings (par. 3.2 and 3.3) occur, the shop stewards undertake to assist in resolving these at plant level. In the event of failure to maintain production tickets which is attributable to any plant-specific unprocedural/unlawful industrial action, and if the production loss remains unrecovered, the steps listed below will be followed:

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ANNEXURE B

TRAINING

196

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(d) word 'n finale verdere 48 uur toegestaan om 'n ooreenkoms te bereik,

indien hierdie stappe misluk, word die partye skriftelik in kennis gestel van die onmiddellike intrekking van die moratorium op personeelbesnoeiing.

Die verhaling van produksie soos hierbo bedoel of die voortsetting van produksiekaarte word bereik deur die ontleding van die reeks opsies beskikbaar, wat insluit maar nie beperk is tot die wysiging van skofstelsels, verbeterde produktiwiteit, verbeterde lewering, ens. of tyd wat ingewerk word, ooreenkomstig klousule 6 (11), alles soos op fabrieksvlak ooreengekom.

BYLAE B

OPLEIDING

(1) Die Nywerheidsraad moet 'n subkomitee stig bestaande uit tot agt werkgewer- en agt werknemerverteenwoordigers wat, binne onderstaande riglyne—

(a) ondersoek moet instel na opleiding en onderrig in die Nywerheid, dit moet bespreek en aanbevelings daaroor aan die Nywerheidsraad moet doen vir goedkeuring;

(b) onmiddellik na die afhandeling van hierdie Ooreenkoms in die lewe geroep moet word;

(c) prioriteite en 'n werkrooster moet opstel.

(2) Die komitee word deur onderstaande beginsels gerig en gelei:

(a) Vakverenigings en werkgewers het sleutelrolle te speel in die ontwikkeling van menslike hulpbronne.

(b) Onderrig- en opleidingsinisiatiewe behoort in te skakel in programme vir ekonomiese en industriële verbetering in die Nuwe Buitebandvervaardigingsnywerheid.

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(c) The Industry accepts a responsibility to undertake and contribute to uplifting standards of education, including literacy and numeracy, to increase employees' skills.

(d) Employees who attend company approved and/or Industry Education and Training Board accredited education and training programmes shall receive their normal rate of pay for the duration of training courses scheduled during working hours.

(e) The parties acknowledge that the State, employers and trade unions have a role to play in training and education.

(f) Training must be continually updated to meet the needs of a changing economy.

(g) There should be clear links and bridges between formal education and industrial training systems and other education and training systems.

(h) Formal education should be free and compulsory to the highest level the economy can afford.

(i) Education and training should be available to all employees directly linked to defined needs, and in accordance with planned career paths.

(j) Training on a modular basis should be favoured and should be competency based and within an Industry framework. Such modules should be flexible and competency bases to allow for flexibility and transferability to benefit the Industry and economy.

(k) Wherever possible, training should provide portable skills, recognised in the Industry and in the workplace, and lay the foundation for further development.

(l) Education and training programmes must include a provision for recognising prior learning, however or wherever acquired, provided the skills can be verified.

(m) Education and training systems should include career paths for trainers.

(n) Adult basic education should be accommodated in the Industry's future training dispensation along the following lines:

(i) Trade unions should be involved in literacy training;

(ii) Courses should be capable of taking learners to nationally accepted standards.

(iii) Employers should provide facilities and support programmes for training of trainers within all principles stated here.

(o) All training and education activities shall be undertaken within the financial capabilities and constraints of the companies and the Industry. Training shall be arranged within the operational constraints and requirements of the companies and the Industry.

(c) Die Nywerheid aanvaar verantwoordelikheid om die opheffing van standaarde van onderrig, met inbegrip van lees-en-skryf-kennis en syferkennis, te onderneem en daartoe by te dra, ten einde werknemers se vaardighede te verhoog.

(d) Werknemers wat maatskappygoedgekeurde en/of onderrig- en opleidingsprogramme wat deur die Raad vir Bedryfsonderrig en -opleiding geakkrediteer is, bywoon, ontvang hul normale loon vir die duur van opleidingskursusse gedurende werksure.

(e) Die partye erken dat die Staat, werkgewers en vakverenigings 'n rol moet speel in opleiding en onderrig.

(f) Opleiding moet voortdurend bygewerk word om by die behoeftes van 'n veranderde ekonomie aan te pas.

(g) Daar moet duidelike skakeling en oorbrugging tussen formele onderrig en nywerheidsopleidingstelsels en ander onderrig-en opleidingstelsels wees.

(h) Formele onderrig moet gratis en verpligtend wees tot op die hoogste vlak wat die ekonomie kan bekostig.

(i) Onderrig en opleiding moet beskikbaar wees aan alle werknemers direk verbind met bepaalde behoeftes en in ooreenstemming met beplande beroepkeuses.

(j) Voorkeur moet gegee word aan opleiding op 'n modulêre basis, gebaseer op vaardigheid en binne 'n bedryfsnetwerk. Sodanige modules moet buigsaam en op vaardigheid gebaseer wees om voorsiening te maak vir buigsaamheid en oordraagbaarheid om die bedryf en die ekonomie te bevoordeel.

(k) Waar moontlik, moet opleiding verplaasbare vaardighede verskaf wat in die Nywerheid en in die werkplek erken word en sodoende die grondslag lê vir verdere ontwikkeling.

(l) Onderrig- en opleidingsprogramme moet voorsiening insluit om vroeëre opvoeding te erken, hoe of waar ook al verwerf, mits die vaardighede bewys kan word.

(m) Onderrig- en opleidingstelsels moet beplande beroepe vir opleiers insluit.

(n) Voorsiening vir basiese volwassene-onderrig moet in die Nywerheid se toekomstige opleidingstelsel ooreenkomstig die volgende riglyne gemaak word:

(i) Vakverenigingbetrokkenheid by lees-en-skryf-opleiding;

(ii) Kursusse moet leerlinge tot nasionaal aanvaarde standaarde kan bring.

(iii) Maatskappye moet geriewe en ondersteuningsprogramme voorsien vir die opleiding van opleiers binne die raamwerk van al die beginsels wat hierin genoem is.

(o) Alle opleidings- en onderrigaktiwiteite moet binne die finansiële vermoë en beperkings van die maatskappye en die Nywerheid onderneem word. Opleiding moet binne die bedryfsperke en vereistes van die maatskappye en die Nywerheid gereël word.

(p) Mutual agreement must be reached between the parties on the scope and content of the Industry education and training programmes.

(q) The actions of the proposed committee shall in no way inhibit training and education initiatives and programmes which address individual employer needs within the Industry framework.

(3) (a) The sub-committee shall investigate and propose the establishment of an Industry Education and Training Board composed of 50% employer and 50% trade union representation. Its functions would include the following:

(i) All matters of mutual interest relating to education and training.

(ii) Meeting on a regular basis and reporting to the Industrial Council.

(iii) Liaison with the Job Security/Job Creation Sub-committee to direct education and training to shortages and future Industry needs.

(iv) Development of Industry training standards within national guidelines to cover all employees.

(v) Co-ordination of the implementation of adult basic education programmes within national guidelines.

(vi) The monitoring and review of standards to ensure that training is up-to-date and relevant.

(vii) The establishment of links with educational institutions and community colleges.

(viii) The assessment of current training courses conducted at Industry and company level and accreditation of such training within Industry guidelines.

(b) The number of representatives should be limited to no more than eight employer and eight employee representatives. Experts to attend on ad hoc basis, to provide input.

(c) Representatives on the Industry Education and Training Board should be employed in the Industry or by parties to the Industrial Council.

(4) *Funding:* The parties agree that the Industrial Educational Training Board shall be financed from an initial contribution of R100 000 by the employers. Future funding shall be investigated by the sub-committee and recommendations shall be made to the Industrial Council.

(5) *Process:* The sub-committee and ultimately the Industry Education and Training Board members shall be requested to give effect to the principles, functions and funding guidelines agreed to here. They should advise the Industrial Council on a *modus operandi* for the Industry Education and Training Board and give attention to—

(a) steps to ensure that the Industry Education and Training Board is established before the end of November 1991;

(p) Onderlinge ooreenkoms moet tussen die partye bereik word oor die omvang en inhoud van die Nywerheid se onderrig- en opleidingsprogramme.

(q) Die optrede van die voorgestelde komitee moet geensins opleidings- en onderriginisiatiewe en -programme wat op individuele maatskappybehoeftes binne die Nywerheidsraamwerk gemik is, strem nie.

(3) (a) Die subkomitee moet ondersoek instel na die stigting, en sodanige stigting voorstel, van 'n Raad vir Nywerheidsonderrig en -opleiding wat bestaan uit 50% werkgewer-en 50% vakverenigingverteenwoordiging. Sy funksies sluit die volgende in:

(i) Alle sake van onderlinge belang met betrekking tot onderrig en opleiding.

(ii) Vergadering op 'n gereelde basis en verslagdoening aan die Nywerheidsraad.

(iii) Skakeling met die Subkomitee vir Werkbeveiliging/Werkskepping om onderrig en opleiding op tekorte en toekomstige Nywerheidsbehoeftes in te stel.

(iv) Die ontwikkeling van Nywerheidsopleidingstandaarde binne nasionale riglyne om alle werknemers te dek.

(v) Die Koördinering van die inwerkingstelling van basiese onderrigprogramme vir volwassenes binne nasionale riglyne.

(vi) Die monitor en hersiening van standaarde om te verseker dat opleiding by en relevant is.

(vii) Die daarstelling van bande met onderwysinstellings en gemeenskapskolleges.

(viii) Die waardebepaling van huidige opleidingskursusse op Nywerheids- en maatskappyvlak en akkreditering van sodanige opleiding binne nywerheidsriglyne.

(b) Die aantal verteenwoordigers word beperk tot nie meer as agt werkgewer- en agt werknemersverteenwoordigers nie. Deskundiges woon die vergaderings op 'n ad hoc-basis by om inset te verskaf.

(c) Verteenwoordigers in die Raad vir Nywerheidsonderrig en -opleiding moet in die nywerheid in diens wees of in diens wees van partye in die Nywerheidsraad verteenwoordig.

(4) *Fondse:* Die partye stem ooreen dat die Raad vir Nywerheidsonderrig en -opleiding gefinansier word deur 'n aanvangsbydrae van R100 000 deur die werkgewers. Toekomstige befondsing word deur die subkomitee ondersoek en aanbevelings word aan die Nywerheidsraad gemaak.

(5) *Metode:* Die subkomitee en uiteindelik die lede van die Raad vir Nywerheidsonderrig en -opleiding word versoek om uitvoering te gee aan die beginsels, funksies en funderingsriglyne waaroor hiermee ooreengekom is. Hulle adviseer die Nywerheidsraad oor 'n werkwyse vir die Raad vir Nywerheidsonderrig en -opleiding en gee aandag aan—

(a) stappe om te verseker dat die Raad vir Nywerheidsonderrig en -opleiding gestig word voor die einde van November 1991;

Gentyre keeps rolling along

EDWARD WEST 196

GENTYRE expected to maintain or slightly improve earnings in 1993 if there was no unforeseen deterioration in operating conditions, chairman Terry Rolfe said in the 1992 annual report.

Gentyre's infrastructure and productivity improvements should enable it to increase volumes and continue market penetration — a process which would be given impetus by the introduction of new products, he said.

Attention was given to export market development within the limits prescribed by the licensing agreement with Continental and there was every prospect of increasing exports to 20% of total production.

Rolfe said contrary to assurances by government, the tide of tyre imports was stemmed only in 1992 and this, in combination with the deepening recession, reduced SA's tyre industry sales volumes further. BDM 14/5/93

The only vehicle sector which did not shrink last year was the light-truck replacement market, which was buoyed by the taxi business. The level of imports was now five times higher than in 1988.

Rolfe said although appeals for protection were unfashionable, it seemed anomalous that while there were high protection barriers for the import of cars, there was little or no control over tyres and components.

Earnings a share dropped to 346c (392c) in the year to end December 1992, but the dividend was maintained for the third year in succession at 112c.

GENTYRE (196) FM 28/5/93.

Buying in the latest in rubbers

Activities: *Manufacturer and distributor of natural and synthetic rubber products.*
Control: *FS Group through Hunts (69%).*
Chairman: *T Rolfe; MD: C Tutton.*
Capital structure: *15,7m ords. Market capitalisation: R298m.*
Share market: *Price: 1 900c. Yields: 5,9% on dividend; 18,2% on earnings; p:e ratio, 5,5; cover; 3,1. 12-month high, 2 200c; low, 1 600c. Trading volume last quarter, 94 280 shares.*

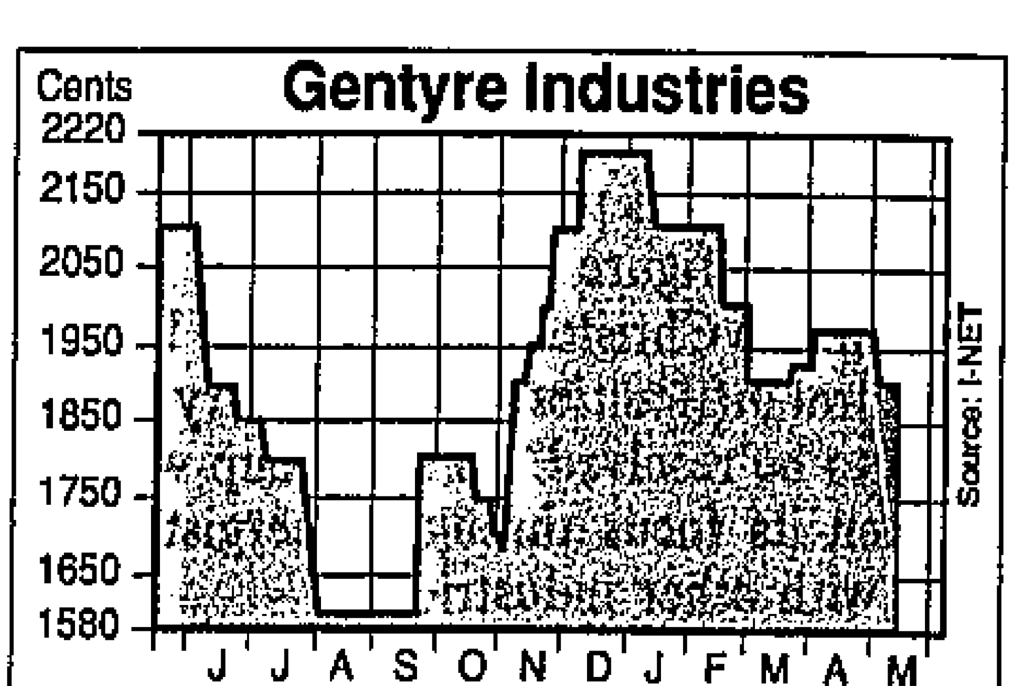
Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	4,1	—	—	75,0
LT debt (Rm)	—	—	—	(60,0)
Debt:equity ratio	—	—	—	0,05
Shareholders' interest	0,68	0,76	0,78	0,67
Int & leasing cover .	n/a	n/a	n/a	n/a
Return on cap (%) ..	22,0	20,2	14,4	7,9
Turnover (Rm)	452	520	484	521
Pre-int profit (Rm) ...	63,3	64,1	52,8	37,7
Pre-int margin (%) ..	14,0	12,2	10,8	7,2
Earnings (c)	280,0	442,0	392,0	345,5
Dividends (c)	93	112	112	112
Tangible NAV (c)	1 250	1 545	1 825	2 044

There wasn't much bounce in Gentyre's results for 1992. Turnover increased significantly to R521m (up 8%) but pre-interest profit fell a massive 29% to R37,7m. That means the trading margin took the strain — as it has consistently for the past four years. From 14% in 1988 it has halved to 7,2% and shareholders must be wondering where the slide will stop.

The picture changes at pre-tax level. Gentyre's sale of its properties to an institution on a buy-back basis released cash (Gentyre is now cash-flush) and earned interest, and permits it to continue capital expenditure without recourse to borrowings. EPS tumbled to 345,5c and the 112c dividend has been pegged for three years. This smacks of a company and an industry in decline.

Not if you listen to chairman Terry Rolfe, though. He's as enthusiastic this year as he was last, though results hardly support his hearty approach. Gentyre is, of course, very largely constrained by what happens in and to the motor industry and that hardly returned a good year in 1992. Nevertheless, Rolfe says Gentyre again expanded its share of the market though he won't say what this is.

Imports were a key cause of the difficul-




Rolfe ... *ensuring technology transfers*

ties faced by tyre manufacturers. Rolfe says government undertook to limit imports to 1988 levels but failed to take account of the mechanisms open to importers through other members of the SA Customs Union. At the same time, local manufacturers have to source most raw materials from SA suppliers (like Sentrachem) at costs uncompetitive with imports, which aren't permitted.

Rolfe says any businessman must take a long view of SA's future. The board resolved to keep Gentyre abreast of technological developments; that explains the emphasis on capital expenditure projects, on which it has spent R120m in the past few years and is devoting another R40m this year.

This is paying dividends in its own way, says Rolfe. Gentyre has repositioned itself in steel-belted radials, its long-standing relationship with Germany's Continental has brought it state-of-the-art technology, and market share reflects the quality of products.

Paradoxically, while Gentyre was investing heavily in plant, equipment and technology transfer, productivity declined. Ever-thoughtful, Rolfe says: "Wage rates in SA are too low. At the same time, wage costs are too high." If that is an intriguing dichotomy, it finds its explanation, at least partly, in the extraordinary politicisation of the labour force, notably in the eastern Cape.

Gentyre is an arresting case study of what happens to a company which finds itself in the forefront of a concerted, orchestrated and calculated strategy to confront authority. Rolfe says the great industrial relations task facing its managers has been slowly to recover the confidence and support of the workforce. There has been some success: workers' leaders are showing a much greater appreciation of the problems facing the company, but: "Heartening as this is, the change still has to filter down to the shop floor."

The industrial products division was a disaster area. The company would prefer not to dwell on its disappointments here though Rolfe does say there has been substantial rationalisation — a euphemism for wholesale lay offs. He expects the division to contribute to profits this year.

Immediate prospects are unexciting. The share trades on a p:e of 5,5, which probably fairly reflects investor assessment for 1993. But investors who believe in a bright future after the years of storm will have to look far to find a company better prepared for an economy in lift-off.

David Gleason

PROTEA ASSURANCE

A vigorous life

FM 28/5/93

Activities: *Composite Assurer.*
Control: *Sun Alliance Plc.*
Chairman: *D T Fletcher; MD: A L Tainton.*
Capital structure: *7,9m ords. Market capitalisation: R232m.*
Share market: *Price: 2 950c. Yields: 2,0% on dividend. 12-month high, R30; low, R16. Trading volume last quarter, 5 500 shares.*

Year to Dec	'89	'90	'91	'92
Total assets (Rm)	543,6	583,4	766,8	814,7
Solvency ratio (%) ..	140,5	98,5	90	98,5
Underwriting prof (Rm)	(0,8)	(39,5)	(31,1)	(3,9)
Investment Inc (Rm) .	19,6	21,2	25,1	26,0
Pretax profit (Rm)	18,3	(18,7)	(9,0)	23,0
Earnings (c)	172	(184)	(122)	164
Dividends (c)	53	53	53	60
Net worth (c)	2 692	2 492	3 299	3 508

Substantially improved results from Protea Assurance (Prosure) highlight the vigorous swings to which short-term insurance is prone. An attributable loss of R10,5m in 1991 turned into a 1992 profit of R12,9m.

That flowed directly from the curtailment of underwriting losses in the fire and accident department, from 1991's R32,1m to R5,4m. MD Andrew Tainton stresses that greater selectivity and the weeding out of less desirable business contributed to the advance. The short-term insurance market remained extremely competitive, he says, creating continued downward pressure on rates, and this necessitated a tough appraisal of account worthiness.

The commercial portfolio was heavily influenced by the economy, says Tainton. Keen competition effectively neutralised rate increases and led to a number of uneconomic accounts being relinquished.

Gross premium income managed a 1,1% rise but after reinsurance this became a 2,5%

cont

DIAGONAL STREET

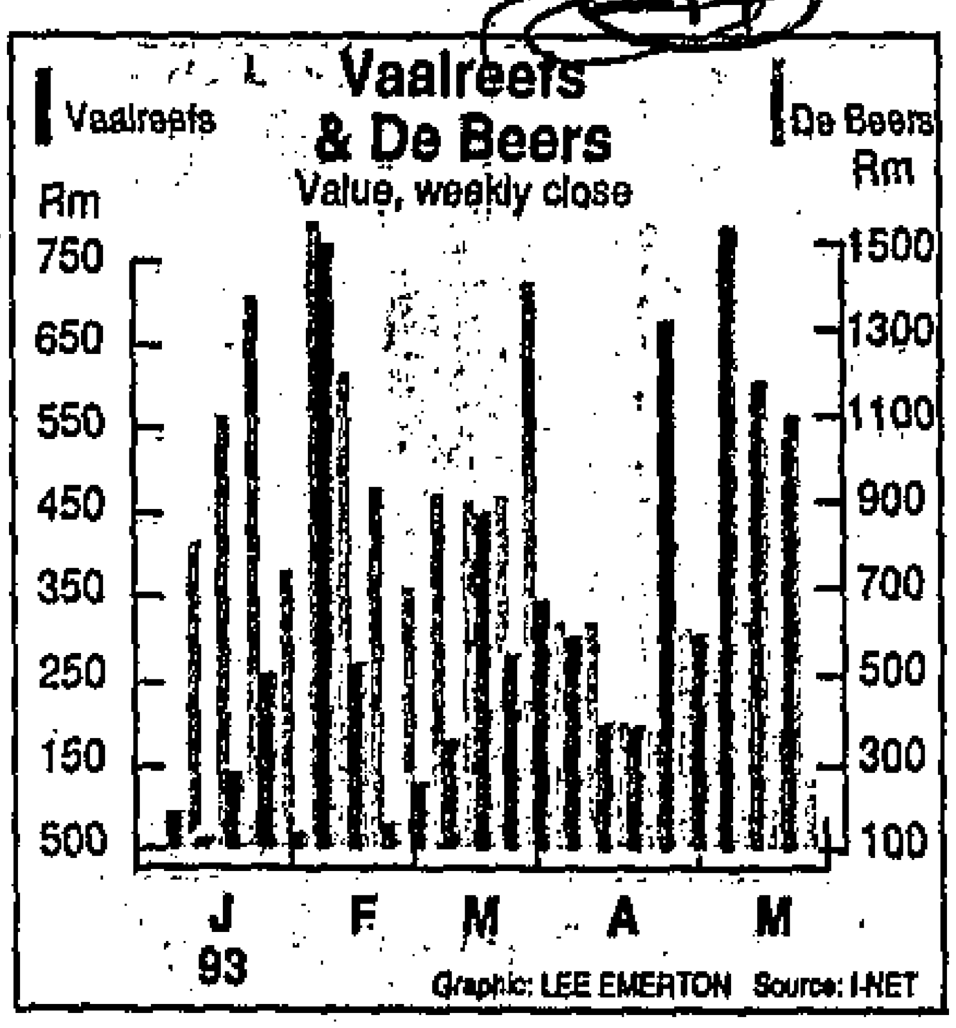
Stampede into gold demotes busiest shares

DE BEERS' position as the most actively traded share in value terms on the JSE has been challenged by the stampede into gold shares over the past few months. Buss. day

De Beers is still way ahead in turnover over the past year with 47,5-million shares worth R3,1bn changing hands in 22 600 deals. The price overall fell sharply, but ended R10 down on the year at just above R80.

It is followed by Richemont with a trade of 35-million shares worth nearly R1,3bn in 13 600 deals — the price has risen by almost R5 to R42,50 — and Anglos, which has seen trade of 11,5-million shares worth R1,2bn in 12 000 deals. The price has risen R17,50 to R139.

But all three shares have recently been overtaken by golds with De Beers falling back into fourth place in trade over the past month with 2,7-million shares worth R224m changing hands.



Top of the pops is Dries with 6,5-million shares worth R325m changing hands in 2 450 deals over the past month. Vaal Reefs is second with 920 000 shares worth R278m changing hands in 1 400 deals followed by Kloof with 4,8-million shares worth R240m traded in 2 450 deals.

The gap has narrowed even more over the past week with Vaal Reefs' high price of R335 pushing it into top spot with shares worth R75m changing hands followed by Dries with a trade of R64m and the price rising to R61,50.

De Beers slipped back behind several other gold shares into seventh place with shares worth R36m changing hands.

Much of the heavy trade in De Beers several months ago came on the sell-off on news of a dividend cut and the subsequent recovery of the shares.

Steel group Iscor is still streets ahead in the volume stakes on a yearly basis with 230-million shares changing hands. But the gap has narrowed over the past month as lightweight gold and platinum shares have come to the fore.

Knights, the most popular gold share in volume terms, with a turnover of more than 23-million shares over the past month, is now hot on the heels of Iscor, which has seen 26,7-million shares change hands during this period.

The huge trade in gold shares has come on renewed foreign interest following the surge in the gold price, which is testing two-and-a-half year highs above $380.

Stockbrokerage Martin & Co's coup in teaming up with UK merchant bank Robert Fleming could strengthen its position as a global player in SA equities, and broaden its product base.

Martin's ability to plug into Fleming's global network, which includes its association with Jardine Fleming in Hong Kong and other Far Eastern countries, will further enhance its international reach.

This will place the firm in a strong position when foreign demand for SA equities opens up once a transitional executive council is in place. The demand will be fuelled by international fund managers measuring their performance against the world equities index.

The increased level of foreign interest in gold shares has seen a net inflow of close on R2bn on to the JSE this year. But this figure is a big underestimate of offshore trade in SA shares. Much of the trade in gold shares has been between non-residents and does not go through the JSE. It is therefore not included in the statistics on daily and weekly turnover.

MERVYN HARRIS

Firestone pins hopes on new Firehawk range

Buss. day 1/6/93

TRACY SCHNEIDER

IT WAS hoped the launch of Firestone SA's new high performance tyre range would give the company "a new lease on life after a difficult two-year period", MD Gavin Hardy said at the weekend.

Hardy said the Firehawk range would replace the previously unsuccessful high performance tyre range, drawing on technology from Firestone's new international owner, Bridgestone Japan. (196)

Firestone SA — now in the Murray & Roberts Engineering fold after being bought from Federale Volksbeleggings, had invested more than R100m in technology and expansion for the Brits plant over the past three years. "This has resulted in the development of a tyre offering both performance and longevity," said Hardy.

Firestone truck tyres

Buss. day

prove major cost savers

3/6/93

USING internationally approved tests on the heavy trucks of fleetowners, Firestone says comprehensive and lengthy testing has proved its latest truck tyres are major cost savers.

Firestone manager (commercial vehicles) Les Hall says the tests were conducted by fleet operators Unitrans, Quattro Carriers, Tanker Services, Unity Longhauls and others.

This follows five years of research into premium skid depth, various rubber compounds and tread patterns.

The trucks were fitted with the 80-series tyres — low profile HP 3000s on the front and PSD 3000 steel-cords on drive wheels.

Testing took place on several routes, including travelling to Durban, Swaziland and Lesotho.

The cost saving in terms of tyre life was "substantial and outperformed all others", he says.

196

Capacity

"In addition, the low profile tyres on the front provided a 10% higher carrying capacity at 130km/h than conventional tyres."

Among the test results, the PSD 3000s travelled more than 250 000km and still had 4mm of tread — or 14 304km per mm of tread.

3000-series tyres major cost savers

USING internationally approved tests involving the heavy trucks of fleetowners, Firestone says it has proved its latest 3000-series truck tyres are major cost savers. B/Day 29/6/93

Firestone manager (commercial vehicles) Les Hall says the lengthy tests were conducted by fleet operators Unitrans, Quattro Carriers, Tanker Services, Unity Longhauls and others.

This follows five years of research in the US, Japan and SA into premium skid depth, various rubber compounds and tread patterns — making the range new in structural concept and materials.

The trucks were fitted with the 80-series tyres — low profile HP 3000s on the front and PSD 3000 steelcords on the drive wheels. (196)

Testing took place on several routes, including travelling to Durban, Swaziland and Lesotho.

The cost saving in terms of tyre life was "substantial. In addition, the low profile tyres on the front provided a 10% higher carrying capacity at 130km/h than conventional tyres," Hall says.

The PSD 3000s travelled more than 250 000km and still had 4mm of tread — or 14 304km per mm of tread, says Hall.

Firestone technical manager Johan Barnard says for SA, imported technology can only provide some of the answers.

Local operations differ from those abroad and SA tyre loads differ, as do road cambers and the abrasiveness of road surfaces.

SABS tyre plan opposed

B/Day 2/7/93

EDWARD WEST

TYRE manufacturers and the SA Bureau of Standards (SABS) were at odds over a plan to impose cumpulsory quality standards which could push prices up by between 80c-R1 a tyre, industry soruces said yesterday.

Tyre Manufacturers' Conference executive director Gert Fischer said SA's tyre manufacturers rejected an SABS plan to import its own equipment to monitor quality standards once they became compulsory as this would result in an increase in retail prices. (196)

However, the manufacturers nonetheless wanted quality standards based on European standards to become mandatory to prevent the flooding of the SA market by cheaper, poorer quality imported tyres once import duties were relaxed.

The manufacturers suggested that the SABS should instead use equipment available at the various tyre plants to monitor quality. This would eliminate the need to increase prices, said Fischer.

SABS engineering vice-president Martin Kellerman said quality standards could be made compulsory only for health, safety or environmental reasons.

It was impossible for the SABS to use manufacturers' equipment as it would be unethical to expect foreign competitors to have their tyres inspected for quality at the facilities of local competitors.

Furthermore, as the equipment had already been dedicated for the tyre manufacturers' own purposes, the SABS would have to "stand in line" to use the facilities. Measuring equipment at different plants also invariably produced dissimilar results, he said.

Trade delegation calls off SA visit

Own Correspondent

DURBAN — A 30-member trade mission from Dubai has cancelled its tour to Durban, Cape Town and Johannesburg because of last week's right-wing invasion of the World Trade Centre in Kempton Park.

The delegation of representatives from the electronics, textiles and consumer items sectors was to have met local chambers of business and members of government with a view to opening up trade between the two countries, according to Durban Regional Chamber of Business spokesman Sheila de Villiers.

The delegates were to have spent three days in each of the cities. They had also planned to visit Sun City and other tourist attractions.

De Villiers said she received a fax last week saying that the delegates had seen footage of the World Trade Centre events on TV, along with coverage of 12 murders that occurred in and around Johannesburg at the weekend, and that they had decided to cancel the tour.

Kathy Atkin of Jet International Travel, which was responsible for coordinating travel arrangements, said "the tourism industry and the commerce and industry sectors of this country cannot afford politically inspired events of this nature which directly affect their livelihoods".

De Villiers said it was still hoped the trade mission, which was the first from Dubai to have expressed interest in visiting the country, would "come at another stage later in the year".

Meanwhile, Sapa reports that a delegation of Egyptian businessmen arrived in Johannesburg yesterday on a fact-finding mission with the hope of establishing trade links.

The businessmen, whose interests cover a wide range of industries from financial services to agriculture and construction, have expressed great interest in SA and will meet a number of their business counterparts during their visit.

The visitors, a group of more than 25, will be meeting the Johannesburg Chamber of Commerce and Industry on Monday, according to a chamber spokesman.

The National Bank of Egypt will be officially opening its Johannesburg branch on Monday.

The bank's chairman Mahmoud Abdel Aziz arrives on Sunday to officiate at the function. — Sapa.

Plumbridge elected to top gold post

GOLDFIELDS CEO and chairman Robin Plumbridge has become the first South African to be elected chairman of the World Gold Council.

His appointment follows the body's recent annual meeting in Istanbul.

He has served as a member of the council's board of directors and executive committee since its inception six years ago. He has also been council vice-chairman and a member of the audit committee from June 1991 to June 1993.

The World Gold Council, based in Geneva, has offices throughout the Far East, Europe, the Middle East and the Americas. The council's main objective is to stimulate demand and develop new markets for gold throughout the world.

Plumbridge succeeds Fraser Fell, chairman of Placer Dome, Canada. — Sapa.

Suggestions to protect local truck makers

B/Day 2/7/93

EDWARD WEST

LOCAL diesel engine maker Atlantis Diesel Engines (ADE) and drive train manufacturer ASTAS have proposed that new entrants to SA's truck market be compelled to submit a manufacturing programme.

ADE financial director Peet Greyling said the proposal was made to the motor industry task group, appointed by government to determine the future of the industry.

Greyling said the proposal — which would also alleviate GATT related pressures by allowing import protection duties to be scrapped — was necessary to protect local manufacturers from cheaper imports.

The local market was overtraded by seven manufacturers, but Greyling said he already knew of 11 new or potentially new entrants to SA which had been lured by opportunities here.

SA truck manufacturers operated in a small market compared with light commercial or passenger vehicle markets, with specialised equipment at high capital costs and should thus have its own local content programme. (422)

An example of a local content programme possibly applicable in SA was the Philippines, where fully built imports were not allowed, eliminating the need for import duties.

Darmag expects to maintain its earnings

B/Day 6/7/93

MZIWAKHE HLANGANI

RUBBER and plastics producer Darmag expects to maintain its earnings in the year ahead, despite the constraints of the economy, chairman Donald Buchanan said in the group's 1993 annual review.

Darmag had adopted a "regional focus strategy" to preserve its traditional share of markets, he said. (196)

The company had started production of plastic components used by local manufacturers and it was expected these new markets would offset the expected further decline in sales of PVC separators and rubber battery cases, he said.

The level of activity in the lead acid battery industry would remain "virtually constant" in the year ahead and offered little in the way of growth in plastic components for Darmag.

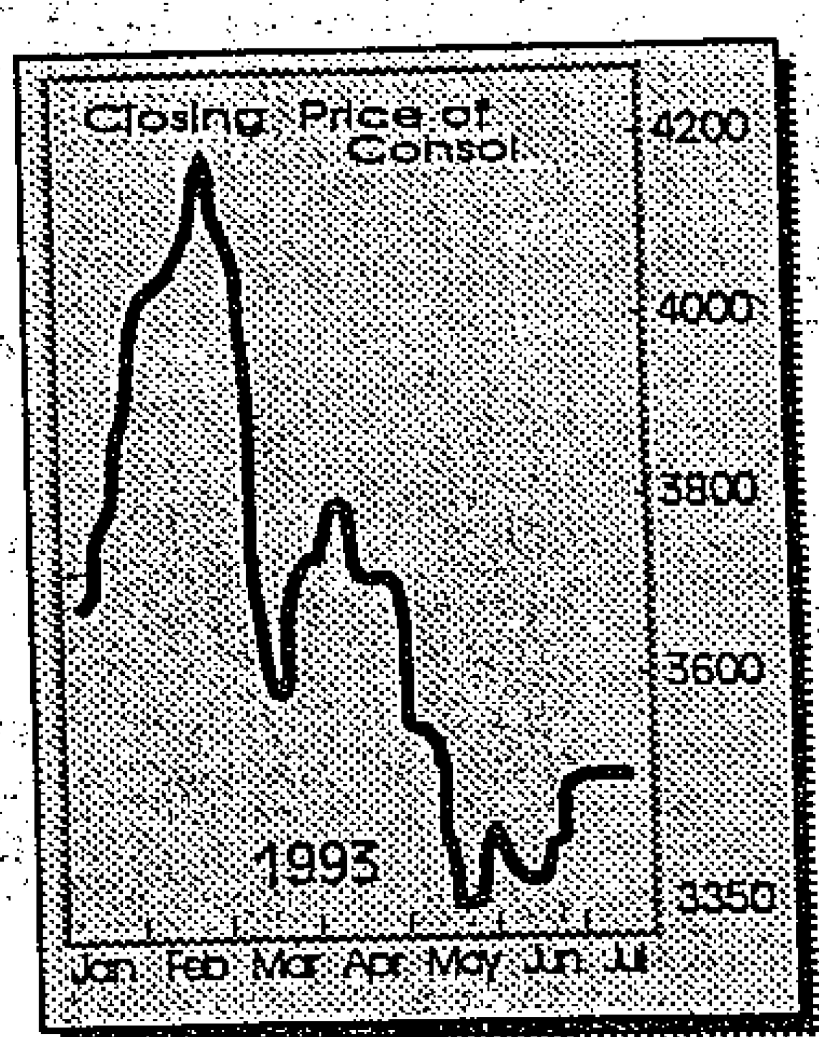
Buchanan said the purchase of additional and replacement plastic moulding was planned to secure additional plastic business and retain existing markets.

Despite a significant decline in sales, Darmag saw attributable income increase by 9% at R1,9m (R1,8m). Continued tight control over working capital and capex reaped positive cash flow benefits.

Turnover at R21,9m was 11% down on the previous year's R24,7m because of the closure of the loss-making rubber tyre division the previous financial year. The company reduced its borrowings and loans to become a net cash holder earning interest of R7 000 in 1993, compared with interest of R290 000 paid in 1992. A final dividend of 2,50c (2,25c) a share was declared.

Star 14-7-93

Consol extends its tyre interests to retail level



By Stephen Cranston

Consol, an Anglovaal group company, has acquired PWV tyre retailer Safe-T-Tyre.

The 100 percent acquisition was effected via Tredcor, a leading retreader and tyre distributor within Consol's rubber sector.

This follows the earlier acquisition of the remaining 25,6 percent of its rubber interests from Trencor.

Analysts believe the tyre industry will suffer after the removal of import permits and the reduction of tariff protection.

But Consol, with the strong Goodyear trademark, looks most likely to survive a shake-up in the tyre industry.

BTR Dunlop has the option of pulling out of the country as part of its worldwide rationalisation; Gentyre could fall victim to the rationalisation of W&A, which is now jointly controlled by Trencor, and Firestone is an uncertain fit into Murray & Roberts.

Yet the added risk provided by tyres goes some way to explaining why Consol's p:e ratio of 15,4 has slipped below Nampak's 17,4.

But analysts are revising their estimates of its earnings growth from 10 to 11 percent to around the 19 percent level.

This will be achieved in spite of operating profits remaining flat.

196

Packaging's operating profit fell by 15 percent and while internal disciplines and cost-cutting should reduce the fall in the full year there will be no help from the market.

Consol's core glass packaging division remains a cash cow as the plant is old and needs little capital expenditure while margins are wide.

But the market for new returnable bottles has reduced considerably as the beer market is growing at about 0,6 percent by volume and the cooler weather knocked demand for soft drinks after Christmas, leading to a net fall in demand.

The dumpy, in particular, has been hit by the resistance to the more expensive packaging formats, and it is losing out to cans, which have the added advantage that they are the ideal format for exports.

Corrugated is the most competitive packaging material and returns are not expected to be exciting for the full year, though profit was up slightly at half time.

Worst decline in decade for Sondor

B Day 28/7/93

MZIWAKHE HLANGANI

RUBBER and plastics manufacturer and converter Sondor Industries is budgeting for a moderate increase in pre-tax income in the coming year, with additional benefit from the lower tax rate, chairman Sonny Goldman said in the annual report covering the year to March 1993.

He said the group had experienced the worst decline in the past decade, and with political uncertainty and mass unemployment, it was difficult to attain targets.

A 17% increase in sales was mainly attributable to the incorporation of a full year's trading in the tapes division.

Sondor's in-house capability to expand polyethylenes and vinyl acetates manufacture were now well established and were pursuing new outlets, where its range of products was readily accepted.

Goldman said the tapes division had been integrated with the group's major centres since last April. In addition to recent acquisition of the Nashua tape franchise, the group acquired the franchise for the wellknown Anchor tapes.

The company planned to register its own brand name for a range of specialised tapes and an increased contribution from the tape division was expected in the current year. (196)

The company showed a 12% rise in earnings a share to 11,94c (10,69c).

A final distribution of 12,5c a debenture was declared.

Dealer blames 'cartel' as R2m tyres seized

CT 24/7/93 (196)

Staff Reporter

A RYLANDS tyre dealer has alleged that a cartel monopolising the local tyre industry was behind the confiscation by police of imported tyres worth R2 million yesterday.

Mr Rafiek Parker was commenting after police and Trade and Industry department officials, who had flown from Pretoria, seized about 8 000 tyres from an Ocean View warehouse.

He questioned the presence during the raid of employees from two major competing tyre companies.

Police spokesman Captain Wickus Holtzhausen referred all inquiries to the department, but a Mr Piet Badenhorst, a spokesman in Pretoria to whom the Cape Times was referred, was unavailable for comment.

Mr Parker said he had bought the tyres from a local importer, who had shipped them to South Africa.

The tyres were brought into the country with above-board approval of the Department from Brazil, Rumania, France and the United Kingdom, he said.

Mr Parker said he had been in close touch with the department's import and export control division after claims that the goods had landed in the country on an illegal permit.

More tyres confiscated

196

CITY detectives have confiscated 3 800 more car tyres worth almost R1 million at an Airport Industria warehouse.

Last week police confiscated thousands of tyres worth millions of rand at a warehouse in Ocean View. The snow and mud tyres were imported from Britain, Brazil and France.

The hauls are part of a police probe into the illegal importation of tyres and customs fraud.

Lower tax rate aids Consol earnings

B/Day .31/8/93

MARCIA KLEIN

PACKAGING and rubber group Consol reported a 12% earnings rise to 243,3c (216,7c) a share in the year to end-June as a lower tax rate helped offset the effect of lower demand for its products.

MD Piet Neethling said the recession, which had lingered for more than four years, and continued political uncertainty and violence had severely affected Consol's performance during the financial year.

Neethling said turnover rose only 3% to R2,2bn (R2,1bn). The 4% decline in operating profit to R280,5m (R290,9m) represented a 13% decline in the packaging sector, partially offset by a 7% improvement in the rubber sector. (196)

Higher net financing costs, reflecting the R210m acquisition of the remaining minority shareholding in Contred from Trencor and the redemption of preference shares, saw pre-tax profit decline 6% to R272,1m (R290,4m).

Neethling said the reduction in company tax was partially offset by the introduction of secondary tax on companies and "the cessation of exporters' tax allowances".

Nevertheless, the lower effective tax rate and lower minority interest and preference dividends saw bottom-line earnings grow 13% to R156,6m (R139,2m).

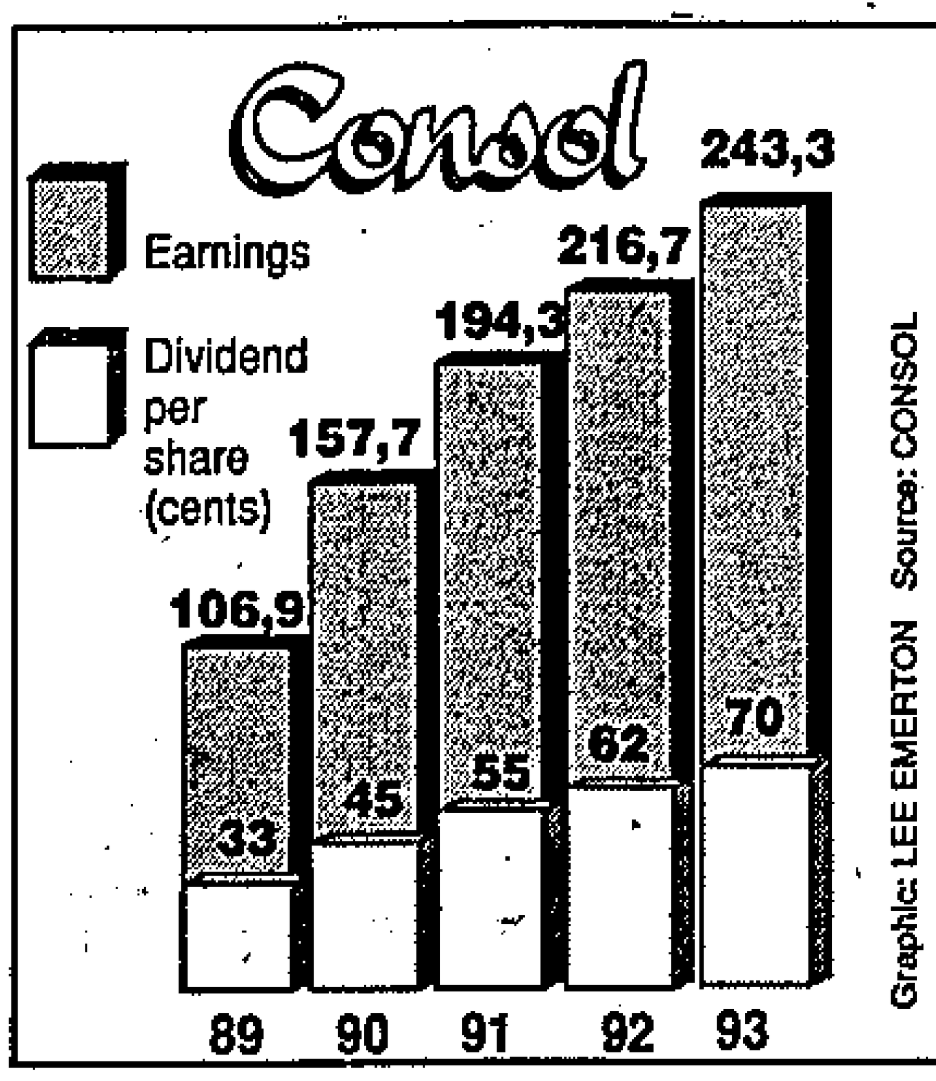
The full year dividend was 13% higher at 70c (62c) a share, with an unchanged cover of 3,5 times.

Neethling said all divisions in the packaging sector reported lower sales volumes, and conditions had worsened in the second half.

The plastics division's profit declined due to lower volumes and margins.

This was exacerbated by "the disappointing market performance of the 1,5l refillable PET carbonated soft drink bottle".

Neethling said about 85% of this division's profit was made in the first half.



The paper division improved its profit off a low base, largely due to rationalisation of the Transvaal operations.

Neethling said the rubber sector's 4% turnover growth "masked a net sales volume decrease as improvements in certain sectors of the consumer and farm tyre markets were more than offset by reductions in the commercial, construction and mining tyre sectors". Turnover was also affected by lower margins in a competitive market.

The 7% rise in operating profit reflected the effects of the sluggish economy and competition from imported products, Neethling said.

The acquisition of the remaining interest in Contred had resulted in a new structure of the rubber division. Wholly owned Contred's subsidiaries are Goodyear and Kelly tyre manufacturer Tycon and distributor and retreader Tredcor.

With effect from July 1, the group acquired Safe-T-Tyre, with a retreading facility and 11 outlets in the PWV area. Neethling said the acquisition was strategic, but relatively small, and would not have a material effect on earnings in the short-term.

DARMAG FM 6/8/93

Innovation needed

196 [illegible]

Rubber and plastics maker Darmag has been through a difficult year of consolidation. The composition of group businesses is being ra-

CONT →

FM 6/8/93 196 [illegible]

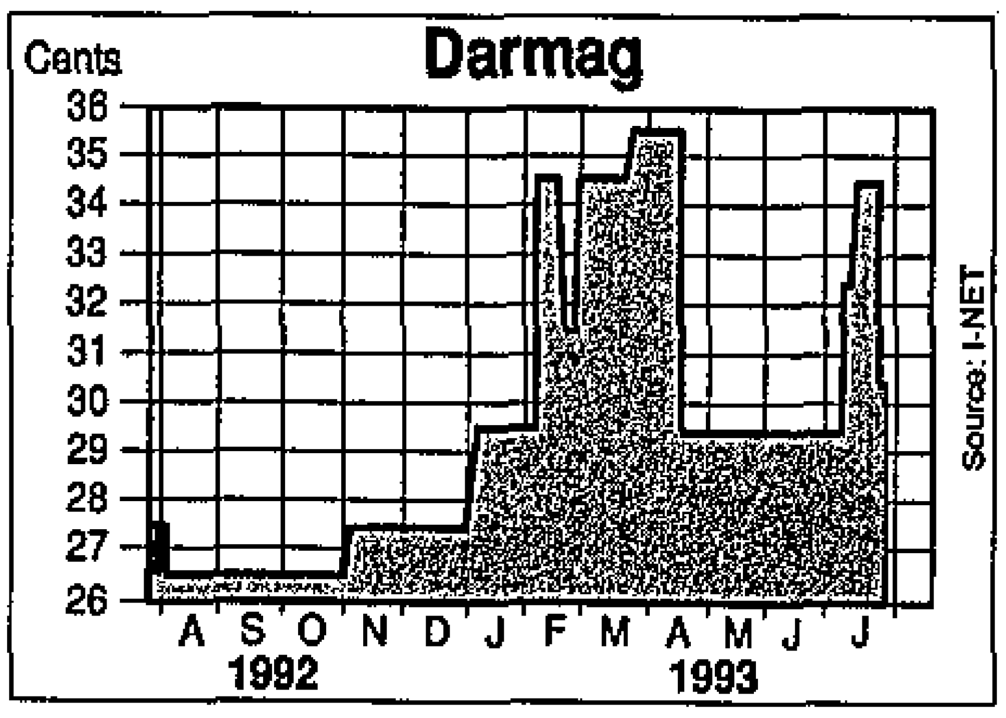
Activities: *Manufactures rubber and plastic products for a wide range of industrial applications.*
Control: *Zimco Industries 61%.*
Chairman: *D A Buchanan; MD: D Looms.*
Capital structure: *22,2m ords. Market capitalisation: R6,9m.*
Share market: *Price: 31c. Yields: 8,1% on dividend; 29% on earnings; p:e ratio, 3,5; cover, 3,6. 12-month high, 35c; low, 27c. Trading volume last quarter, 47,100 shares.*

Year to March 31	*'90	'91	'92	'93
ST debt (Rm)	3,8	1,2	nil	nil
LT debt (Rm)	2,7	1,7	1,1	1,5
Debt:equity ratio	0,7	0,3	—	—
Shareholders' interest	0,5	0,6	0,7	0,65
Int & leasing cover	1,3	3,2	9,3	n/a
Return on cap (%)	7,3	17,4	14,8	10,6
Turnover (Rm)	26,4	26,2	24,7	21,9
Pre-int profit (Rm)	1,5	3,1	2,7	2,2
Pre-int margin (%)	5,6	12,0	10,9	10,1
Earnings (c)	3,3	8,8	10,3	8,9
Dividends (c)	—	2,0	2,3	2,5
Tangible NAV (c)	42,4	49,3	55,2	61,6

* 13 months.

tionalised to cope with the ferocity of recession. Turnover fell 11% to R21,9m because the loss-making rubber tyre division was closed at the end of the last financial year. Operating profit fell nearly 18%, pulling margins down from 10,9% to 10,1%. EPS fell 13,4%.

Most of Darmag's products are not high value-added. The main business, making battery cases, accounts for about two-thirds of group trading profit but has been badly hit



by recession. Volumes of plastic battery cases exceeded forecasts, but margins suffered in pursuit of market share. Rubber battery case volumes fell short of expectations, though increased rubber toilet cistern sales compensated.

Disposal of the rubber tyre division has created opportunities to develop new plastic businesses, particularly in custom moulding. Lack of demand thwarted sales of a new line in plastic crates.

Increasingly technical development of battery separators has precluded Darmag from competing in this market. Growth prospects depend on its ability to be nimble and innovative in switching to different product lines.

The financial base has been strengthened over recent years. Interest charges were reversed this year to a small profit of R7 000: net cash of about R4m at the balance sheet date suggests capacity for acquisitions and changes to the product line.

The tax charge doubled to R246 000, partly because of the advent of STC; it equates to an effective charge of only 11%. Closure of the tyre division resulted in an extraordinary charge of R461 000 in 1992; there was no extraordinary charge this year.

In August 1989, the share stood at 90c; by August 1990, it had fallen to 25c. Since then, it has traded between 25c and 40c. The 3,5 p:e reflects the very competitive low value-added markets in which the group operates. An economic recovery will probably rerate the share, but until then the group must continue to develop its product mix.

Louise Randell

Gentyre earnings in decline

■ BY STEPHEN CRANSTON

Improved cost control and a well-balanced sales mix enabled Gentyre to improve operating profit by 11 percent to R25 million in the six months to June. Star

But a R2 million reduction in interest received to R3,7 million and a R1,3 million charge for the secondary tax on companies reduced earnings per share by four percent to 173c. 11/8/93

The dividend has been maintained at 55c.

Chairman Terry Rolfe says that the tyre market is still very weak and that the situation continues to be exacerbated by a flood of imports.

Problem

196

"The authorities have indicated that they are aware of the problem but so far we have seen no evidence that this is being successfully addressed.

Rolfe says sales remained up to budget until April when general instability severely disrupted production at Gentyre's Port Elizabeth factory.

Rolfe believes that without the unrest the tyre division would have increased volumes substantially.

As it is, group turnover increased by 7,6 percent to R262,4 million.

The industrial divison was restructured during the period and a number of underperforming operations were sold or rationalised.

It made a loss, but there was a significant improvement on the previous six-month period.

Operation

The division now focuses on solid tyres, hydraulic and mining hose, mouldings and extrusions for the mining and automotive industries, rubber crumb production and rubber linings.

The solid tyre operation was awarded the right to use the Continental brand name on its products.

There was continued investment in fixed assets, which increased during the period from R170 million to R186 million.

Rolfe says that trading conditions are not expected to improve in the short term, but that the tyre division has a strong market position and the continuing improvement of the industrial division should enable Gentyre to increase earnings in the second half of the year, provided there is no further deterioration in the general state of the economy.

41 000 tyres 'illegal imports'

196

CT 13/8/93

By DAN SIMON

POLICE in the Western Cape have seized more than 16 000 tyres illegally imported into South Africa.

And a commercial crime unit member yesterday disclosed that a syndicate operating with a Botswana-issued import permit to circumvent control measures had imported at least 41 000 tyres — valued at about R9m — since July last year.

South Africa and Botswana are party to the same customs union agreement.

Captain Gordon Duguid said many of the illegally imported tyres were inferior "downstream rejects" which could endanger the lives of South African motorists who used them under local conditions.

Numerous small-time tyre dealers were selling the illegally imported tyres at low prices to unsuspecting car owners and minibus taxi drivers.

Captain Duguid said no arrests had been made to date as the investigation was still at an early stage.

Motor Industries Federation divisional manager in the Western Cape, Mr Rod Hulley, expressed concern over the quality of the imports and their intended use on South African roads.

But he conceded that many of the illegal imports did meet with local quality standards.

Tyre men pumped up

Sowetan

ANNUAL negotiations in the tyre and rubber industry, which employs 8 000 people are on the brink of agreement.

The National Union of Metalworkers of South Africa is reporting back to members on an employer offer of a 10,2 percent wage increase. 19/8/93

Included in the discussions will be a moratorium on retrenchments for a year and an agreement that non-union members pay a bargaining fee of R4,75 a week to unions. A union spokesman

(196)

Sowetan 19/8/93

said the chances were good that workers would accept the offer. (196)

Tyre manufacturers offer workers 10,2%

ERICA JANKOWITZ

TYRE manufacturers offered workers a 10,2% wage increase at a dispute meeting this week. They also agreed to an agency shop arrangement with the deduction of a bargaining fee of R4,75 a week from all non-union members, National Union of Metalworkers of SA (Numsa) spokesman Gavin Hartford said yesterday.

In addition, parties to the industrial council offered to extend the moratorium on retrenchments for a year, during which time a work security fund would be negotiated.

Hartford said this final offer had been tabled in a bid to avert a strike. The union would take the offer back to its members this week and make a decision whether to "strike or settle" by tomorrow.

Meanwhile, wage negotiations between Dunlop and Numsa deadlocked after a first meeting last week as management had failed to respond to any of the union's demands, local organiser Gerald Nyembe said. Dunlop has steadfastly refused to join the industrial council and negotiates separately with the union, which represents the majority of its workforce.

He said Numsa had tabled a 20% wage proposal to which Dunlop had responded with a wage freeze until January. The company also demanded flexitime, shorter lunchbreaks, annual leave to be reduced by three days to 12 days, and the annual bonus be linked to industrial action.

In a new move, Dunlop also suggested shop stewards be employed only in "less critical job categories", specifically excluding driving, Nyembe said. (196) (855)

He said the company was gradually subcontracting services such as security and driving in a bid to undermine the union.

Nyembe blamed Dunlop's industrial relations practice for its low productivity levels — the company had the worst man hours to tyre ratio in the industry.

CONSOL FM 3/9/93

Smoother ride

Consol, Anglovaal's packaging and rubber subsidiary, must be delighted with its decision in November to buy out Trencor's minority stake of 25,6% in tyre maker and distributor Contred, which became a wholly owned subsidiary. (194) (196)

The R210m cost of this increased exposure in the tyre market was seen at the time

FM 3/9/93

as a favourable deal. It has also given Consol some breathing space — its impact on the bottom line is shown in the 12% increase in EPS to 243c.

In the six months to January, minorities received no less than 9% or R6,4m of Consol's R75m after-tax profit. In the second half of the financial year — with the Contred deal in place — this was reduced to 0,5%. The obverse of the coin, however, was the higher net financing cost, principally attributable to the acquisition and redemption of the preference shares.

This was offset by the substantial reduction in preference dividends to R1,6m — a sixth of that paid out in the previous year — and the lower effective tax rate. This more than neutralised lower demand, which saw turnover in the year to June increase a mere 3% with operating profit down 4% to R280m.

These globular figures hide the diverse performances of Consol's operations, particularly the pain felt by the packaging sector. MD Piet Neethling says all divisions saw declining sales volumes; margins were cut from 17,4% to 14,8%. Management ascribes the 13% slide in operating profit essentially to low sales of returnable glass bottles. Volumes, down 12%, are at levels last seen in 1985. Four furnaces are not operating.

But there have been some positive developments. Consol's competitor in green glass production, Nampak, has withdrawn. That has given Consol's glass operations increased market share. And though the paper market was soft in financial 1993, Neethling says the decline in volumes at Consol's operations was the lowest in the industry; that too suggests gains in market share.

Though the rubber operations weren't immune to weaker demand in the commercial, construction and mining sectors, improvements in consumer and farm tyre markets masked the net sales volume decrease. Turnover was up 4% and operating profit grew a modest 7% because of a sluggish economy and competition from imported products.

Though conditions aren't expected to improve soon — "the first two months of the current year have not been great" — Neethling is confident EPS will again be increased.

The consolidation of Contred and its wholly owned subsidiaries Tycon and Tredcor is expected to produce important cost reductions. Net financing costs are expected to decline but the extent will be limited by higher capex, which is forecast at R150m, about double last year's level. Capital spending has been delayed for some years. Commitment of funds to upgrade Consol's glass operations has become unavoidable.

Neethling says acquisitions are always possible, though the capex bill suggests any

(194) (196)

new purchases could strain cash reserves. Safe-T-Tyre was acquired in July. He admits another deal is planned.

The share price, at R36,75, trades at almost seven times tangible NAV. A p:e of 15 might be generous given the poor market outlook, though the rating is in line with the industry. Investors will have to look hard to find an alternative in the packaging sector.

Marylou Greig

Dunlop maintains rand sales

(19L) CT 10/9/93

Business Editor

POWER, sports and rubber products manufacturer BTR Dunlop maintained its sales in rand terms — but not in volume terms — in the six months to June, in spite of the recession and competition from imports.

A lower tax bill helped it to raise attributable profit by 20,1% to R33,9m (R28,2m). Earnings at share level were 142c (120c) including a favourable adjustment for deferred tax. Without the adjustment earnings were 118c a share.

The interim dividend is unchanged at 60c a share.

Turnover was R329,9m (R328,2m). Trading profit fell to R42,1m (R47,1m) and pre-tax profit to R40,5m (R44,3m).

Directors reported there was no indication of an improvement in the local economy and the group expected no major rise in sales or profits in the second half.

The company is 52% owned by the UK conglomerate BTR.

BTR Dunlop records 18% jump in earnings a share

B/Day 10/9/93

EDWARD WEST

POWER, sports and rubber products manufacturer BTR Dunlop's margins had been under pressure from rising costs in the six months to end-June, but earnings a share climbed 18,3% to 142c (120c) after a deferred tax adjustment.

Sales were maintained at R329,9m (R328,2m) but volumes were lower, results published today showed. An escalation in costs resulted in decreased trading profit of R42,1m (R47,1m).

Finance costs fell to R1,6m (R2,8m) from tight control over working capital and borrowings, leaving pretax profit down at R40,5m (R44,3m). The tax charge fell to R10,2m (R16,1m) due to the lower tax rate — partially offset by R2,1m secondary company tax —, and a favourable R5,7m deferred tax adjustment.

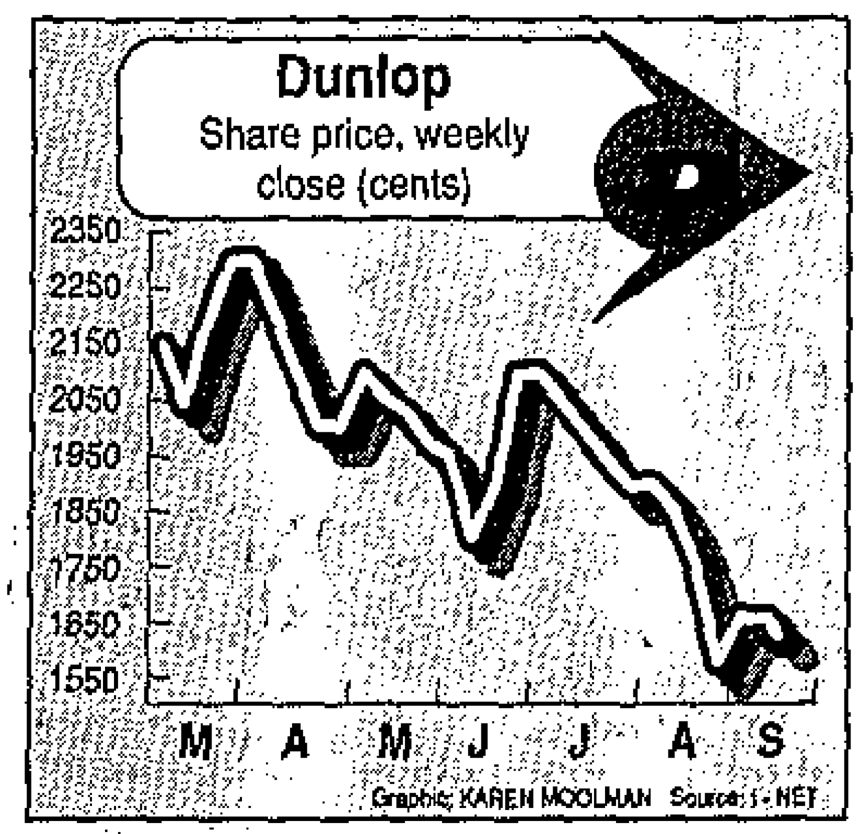
Attributable profit was higher by a fifth to R33,9m (R28,2m). Earnings were diluted by a slight increase in the average number of shares in issue. Earnings, excluding the deferred tax adjustment, were slightly lower at 118c (120c) a share. The interim dividend was maintained at 60c.

Directors reported there was no indication of an improvement in the local economy and the group expected no major rise in sales or profits in the second half.

(196)

The company is 52% owned by the UK conglomerate BTR.

MD Clive Hooper said imports of tyres had reached record levels which affected industry sales. A review of tariffs and permit controls on new and used tyres and raw materials by the Board on Tariffs and Trade was expected soon.



Industrial products for the mining industry were affected by the poor economy and the deferment of purchases and several new projects. Consumer products had felt the effect of the recession, but had performed satisfactorily, he said.

The group had completed a three-year R110m capital expansion programme in the interim period and Dunlop Tyres was now well positioned to meet demand for car, minibus and truck steel radial tyres.

Productivity and efficiency at the Ladysmith tyre factory had been boosted by the installation of Japanese equipment worth R22,5m, which would enable substantially increased production of steel radial tyres.

The share moved 25c lower on the JSE yesterday to 1 625c ahead of today's results. The share traded at a 12-month high of 2 400c in February this year.

BTR Dunlop enjoys a solid rise in earnings

Star 10/9/93 (196)

BY STEPHEN CRANSTON

Changes in the tax rate helped BTR Dunlop to a 20 percent increase in attributable profit to R33,9 million and earnings per share to 142c in the six months to June.

This was despite a 10 percent fall in trading profit to R42,1 million.

The dividend has been maintained at 60c.

MD Clive Hooper says imports of new and used tyres has reached record levels, leading to reduced sales.

Industrial products for the mining industry have been affected by the poor economy.

Consumer products, mainly sports goods, were hit by the recession.

The group has completed its R110 million capital expansion programme, which was sorely needed as Dunlop was the most technologically backward of SA's four tyre producers.

Hooper says the uniformity, efficiency and productivity levels at the Ladysmith factory have been boosted by the installation of high-tech Japanese equipment.

Tightly controlled working capital and borrowings reduced finance costs from R2,8 million to R1,6 million.

Tax fell from R16,1 million to R12,3 million and there was a R5,7 million credit for the deferred tax rate adjustment.

Wage agreement signed in tyre industry

ERICA JANKOWITZ

TYRE employers, the National Union of Metalworkers of SA (Numsa) and SA Iron, Steel and Allied Industries Union signed a wage agreement yesterday granting unskilled workers a 10,5% increase backdated to July. B/Day

Firestone and Gentyre would implement a R1,10 an hour and Tycon a R1 an hour across-the-board increase in an attempt to close wage gaps between employers. Ex gratia payments to employees in higher-paying companies would ensure all workers received the same increase in percentage terms.

Numsa negotiations co-ordinator Les Ketteldas said skilled workers would receive an across-the-board 8,25% increase, also from the first Monday in July.

The new minimum wage has been raised from R5,50 an hour to R9,50 an hour, he added. 14/9/93

Employers agreed to an agency shop arrangement whereby non-union members would contribute R4,75 a week to a fund which would be distributed proportionately between the two unions.

They also agreed to reinstate the current retrenchment moratorium agreement until either a work security fund was established or the agreement expired at the end of June. (96)

CONSOL FM 17/9/93

Still financially strong

Activities: *Makes glass, plastic, paper packaging and glass tableware. Makes tyres and has tyre interests.*
Control: *Anglovaal Industries 59,5%.*
Chairman: *C S Menell; MD: P J Neethling.*
Capital structure: *64,4m ords. Market capitalisation: R2,40bn.*
Share market: *Price: 3 725c. Yields: 1,9% on dividend; 6,5% on earnings; p:e ratio, 15,3; cover, 3,5. 12-month high, 4 200c; low, 3 050c. Trading volume last quarter, 193 000 shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	21,9	22,9	28,7	43,9
LT debt (Rm)	144	136	61	63
Debt:equity ratio	0,67	0,51	n/a	n/a
Shareholders' interest	0,34	0,40	0,46	0,40
Int & leasing cover	7,8	10,3	521	33,1
Return on cap (%)	24,3	31,4	29,9	33,2
Turnover (Rbn)	1,56	2,07	2,10	2,17
Pre-int profit (Rm)	215	319	291	281
Pre-int margin (%)	13,8	15,4	13,9	13,0
Earnings (c)	157,7	194,3	216,7	243,3
Dividends (c)	45	55	62	70
Tangible NAV (c)	314	453	546	524

With recession having curbed volumes of almost all local businesses, rubber and packaging group Consol must derive satisfaction from holding net cash of R49m. It provides capacity to increase its rand hedge element by developing exports — now providing only 1,5% of turnover — or to make another acquisition. (~~193~~) (196)

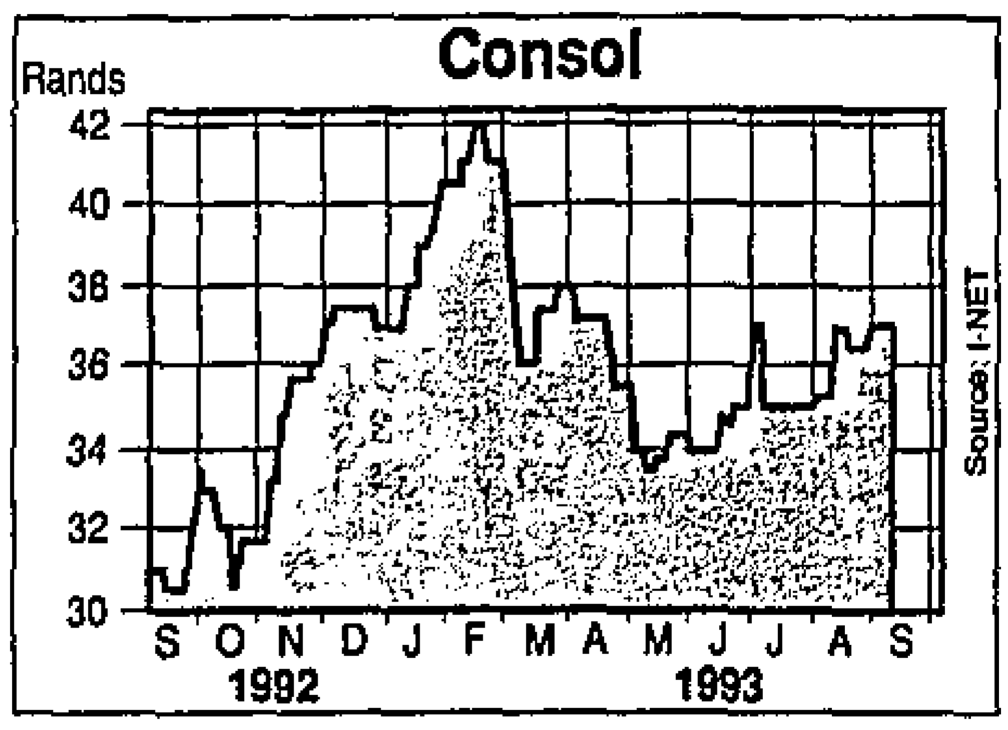
Group MD Piet Neethling admits there are plans for an acquisition during this financial year, though he would not say whether this is offshore. Goodyear's ownership of all its plants outside SA means any foreign tyre

FM 17/9/93

acquisition would place Consol at loggerheads with its American counterpart. But there could be other options. Consol could easily place paper to fund an acquisition.

Contred, the rubber division (now wholly owned, and housing Tycon and Tredcor), was the star performer with higher unit sales and operating income rising 7,4% to R141,8m on declining industry volumes. With a 51% contribution to group operating profit, this marked the first time the majority came from rubber operations and not packaging.

Whether this will become a trend is not clear. Though market share has been gained in the face of stiff local competition, volumes have been affected by the increasing number of tyres entering SA through the homelands despite a permit system and tariffs. The tyre industry has grown by less than 1% during the past five years; imports have increased almost 70%. Greater competition is expected to affect the industry in 1994, when the Gatt rules will require removal of the permit system. In the longer term, the industry will see a phased reduction of import tariffs, now 30% on new tyres and 20% on used.



Consol's packaging division, in particular its glass bottle operation, has been the cash generator, providing the financial clout to diversify into rubber. It holds about four-fifths of the glass container market. So the 12% decline in bottle volumes impaired packaging's operating income, which slid 13%, squeezing margins to 14,8% (17,4%).

This ability to provide massive cash flow would have encouraged management to allocate about R110m in provisions over the next few years to rebuild furnaces and recondition glass-making machinery. Consol has to be equipped with the latest technology if it is to vie successfully for the business of producing containers for exports such as wine.

Capex of R150m, almost double last year's figure, will not materially affect the interest bill which, for the 1993 year, was R8,4m and covered 30 times. The increase was attributed largely to the acquisition of Trencor's remaining 25,6% minority shareholding in Contred for R210m and R50m for the redemption of preference shares. However, the higher spending will bring down the effective tax rate.

Though conditions aren't expected to improve much this year — 1993 saw turnover up only 3% with operating profit down 4% — Neethling is confident EPS will continue to grow. The 1993 year's EPS were boosted by

(~~193~~) (196)

the substantial reduction in preference dividends to R1,6m (R6,7m) and the lower tax rate of 39% (44%). Earnings climbed 12,5%.

The share's rating on a p:e of 15 might look expensive, considering the poor market outlook. But it reflects Consol's ability to produce good results in toughening conditions. Further rerating of the share will depend partly on how difficulties in the tyre market are addressed.

Marylou Greig

BTR DUNLOP Fm 1/10/93

An industrial house?

Shareholders have endured two years of declining trading profits and stagnant dividends, plus halving of the share price; in 1991, it peaked at R35; now it fetches R16,25. They must, however, be pleased with the one-fifth rise in attributable profit to R33,9m for the six months to June. Though turnover improved marginally, trading profit declined by 8,9% to R42,1m, thereby narrowing the trading margin from 14,4% to 12,8%. Volumes were reduced and the further escalation of costs resulted in the lower trading profit. (196)

Benefits from the lower tax rate — partly offset by STC payable on the dividend — with lower financing costs produced the impressive rise in earnings.

Despite the weakening margins and purchase of plant, BTR Dunlop's balance sheet remains intact. In the six months to end-June, borrowings of R14,5m were cleared and replaced by R700 000 cash. Subsequently, interest charges fell from R2,8m to R1,6m. Hi-tech Japanese equipment costing R22,5m was installed at the Ladysmith tyre factory, which should boost efficiency and productivity. Fortunately, plant was acquired before the yen soared in value.

FOX

Fm 1/10/93

The consumer division, which includes sports equipment and clothing, mattresses and floor covering, saw trading profit slashed by a third at the end of the 1992 financial year. For the six months to June, this division "performed satisfactorily in the circumstances." Chairman Dru Gnodde and MD Clive Hooper are overseas and, therefore, unable to elaborate on this somewhat vague statement. Financial director Harrie Kemp declines to comment. (196)

Another area in need of clarification is the extent to which imports of new and used tyres affected the group. In December, BTR Dunlop announced that a R100m capex programme had been placed on hold until the Board on Trade & Tariffs had completed its study of the industry's application for increased protection. Whether this decision still holds, is unknown.

Due to the static dividend, on increased EPS the dividend cover rose from 2,0 to 2,4. Presumably this is in anticipation of the lack of fireworks expected in sales or profits during the second half of the year. But over the years, the company has shown that it is soundly managed and the share is well worth watching.

Kate Rushton

FM 8/10/93.

CONSHU

Exporting for growth

Activities: *Manufactures and distributes general footwear and rubber and plastic products.*
Control: *SA Breweries 67%.*
Chairman: *L van der Watt; CE: R M Feinblum.*
Capital structure: *46m ords. Market capitalisation: R110m.*
Share market: *Price: 240c. Yields: 7,9% on dividend; 20,2% on earnings; p:e ratio, 5,0; cover, 2,6. 12-month high, 320c; low, 210c. Trading volume last quarter, 102 000 shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	10,5	3,7	50,6	3,5
LT debt (Rm)	21,5	35,9	12,9	39,1
Debt:equity ratio	0,27	0,28	0,42	0,25
Shareholders' interest	0,47	0,46	0,46	0,51
Int & leasing cover .	5,6	5,2	3,8	4,1
Return on cap (%) ..	23,9	23,6	16,5	14,7
Turnover (Rm)	532	622	621	631
Pre-int profit (Rm) ...	60,7	71,1	54,8	48,1
Pre-int margin (%) ..	11,4	11,4	8,8	7,6
Earnings (c)	58,6	66,6	53,1	48,4
Dividends (c)	24,5	28,0	24,5	19,0
Tangible NAV (c)	232	273	305	336

(196)

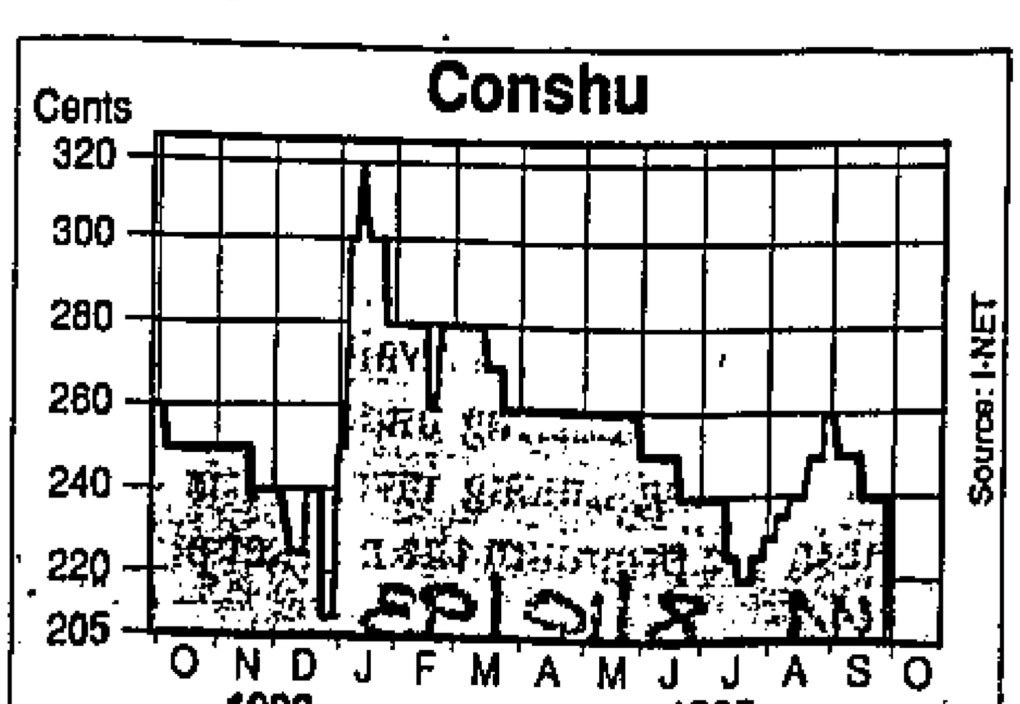
For Conshu, SA's largest shoe manufacturer, financial 1993 was a year of continuous attention to asset management, product ranges and tight control over working capital. The rewards, in an industry in which local footwear production fell 17% — the third consecutive year of real negative growth — were that Conshu continued to gain market share.

At first glance however, the results look contradictory: earnings declined 9% to R22,5m on turnover marginally up at R630,8m. But these numbers are deceptive and conceal the significant improvement, particularly in sales of branded footwear, during the second six months of the financial year.

Over the first half-year, EPS declined no less than 24%. Behind that deterioration was an increase in fixed overheads incurred through capacity expansion at Wayne, the company's rubber and plastic raw materials converter. Unfortunately, the expectation of increased demand failed to materialise.

But the broader measures taken, helped by improved productivity and a better climate for exports, saw earnings recover 12% in the second six months on year ago levels. To some extent this recovery was muted by continuous pressure on margins — the result of both political unrest and tough trading conditions.

A recent change in depreciation policy,



FM

says CE Robert Feinblum, is to enable the group to undertake the technological innovation necessary to maintain and increase Conshu's competitive edge in the industry. Intensified efforts to reduce debt lowered interest charges by 20%, more than offsetting a slight increase in the effective tax rate. The swing to longer-term financing is due to the granting of an IDC loan for capex on export development. 8/10/93

Currently, 55% of all exports go to the UK and Europe and 32% into Africa. Though exports make a relatively small contribution to total turnover — roughly 15% — new opportunities are opening up elsewhere, particularly in Germany and Australia — this suggests exports could become an important contributor to future earnings.

Conshu's performance continues to be impacted heavily by the company's large exposure to Wayne Manufacturing. Though enjoying leadership in specialised markets, Wayne saw earnings slump 62%. That was partly the reason for management's decision to delist the operation so as to focus attention on improving profitability. (196)

Imports continue to pose a major threat to the local footwear industry. Feinblum says they rose to 18,2m pairs in 1992 — equivalent to almost 40% of local production — and 70% of which came from China. However, imports were aimed mainly at the lower end of the market, an area in which Conshu claims to be less sensitive.

The balance sheet looks strong. Tight control of working capital resulted in positive cash flow of R20m. Gearing has been reduced to 25% (42%). Last year, Conshu's general footwear operations contributed 79% of turnover and rubber and plastics products the other 21%. Following SA Breweries increased stake in the group, Conshu's year-end has changed to March. Next figures will be for the nine months to March 1994.

Feinblum is optimistic earnings this year will be comparable with those of 1993, supported by positive developments on the export front and gains in domestic market share.

The share, at 240c and on an earings yield of 20,2%, reflects the poor rating of the sector. The counter is relatively cheap, though the constant threat of foreign competition adds to the risk. *Marylou Greig*

Tiger Wheels accelerates

EDWARD WEST

TIGER Wheels had budgeted for increased earnings this year if there were no unforeseen circumstances, joint chairmen Eddie Keizan and Martin Glatt said in the 1993 annual report.

B/15a4

Solid foundations had been laid in the manufacturing business to improve productivity and quality, while markets, especially abroad, had been created which could absorb increased production. Market share gains locally augured well for the future if a political settlement resulted in an economic upturn.

The UK tyre and wheel business, in which Tiger had a 30% stake, continued to grow while the US wheel operation, in which the group had a 45% stake, was showing promise of at least breaking even this year, the chairmen said.

27/10/93

Production at the group's alloy wheels manufacturing plant increased about a fifth in the past year. Capital expenditure was expected to be higher this year, most of which would be financed by the Industrial Development Corporation.

(19b)

All the group's 13 stores increased sales last year, but margins, especially on local tyres, were squeezed.

In the year to end-June 1993 Tiger's earnings a share climbed 32% to 16,5c a share from 12,5c the previous year. Gearing dropped to 15% (34%).

Tyre firm slams tariff offer to GATT

EDWARD WEST

THE tyre industry was not satisfied with government's offer to GATT to reduce import tariffs on tyres to a maximum of 30% over eight years, Gentyre MD Clive Tutton said at the weekend. BIDay 1/11/93

The offer was unsatisfactory as tyre manufacturers would first have to achieve parity with raw material pricing. The rand needed to reach its real level and appropriate anti-dumping legislation, which was currently bureaucratic and inefficient, needed to be introduced.

Import control had not been effective and the small devaluation of the rand had not protected tyre manufacturers against imports, Tutton said.

From 1990 to 1993 the total tyre market fell 7% in real terms, but imports increased 7,5% from 16,2-million kilograms to a projected volume of 17,2-million kilograms at the end of this year. (196)

Tyres carry a 25% tariff, with imports limited by permit to 1988 values. GATT requirements include removal of import permits, probably next year.

A Tycon spokesman said tyre manufacturers had made urgent applications to government in November 1991 to lift tariffs to counter cheap imports. So far no formal response had been received.

Tutton said local manufacturers were now discounting to maintain and grow their share of the shrunken market. Tiger Wheels joint chairman Eddie Keizan said this had fuelled a discount war among retailers which had squeezed Tiger's profit margins in the past year.

In sharp contrast to the tyre manufacturers' views, he said the local market was no longer under threat from cheap imports, because of tighter import control and the devaluation of the rand.

Packaging group buys Interpak from Lion Match

Consol in R205-m deal

Star 2/11/93

THE transaction gives Consol entry into the R630 million a year folding carton market

BY STEPHEN CRANSTON

Packaging and rubber group Consol has acquired Interpak from Lion Match for R205 million.

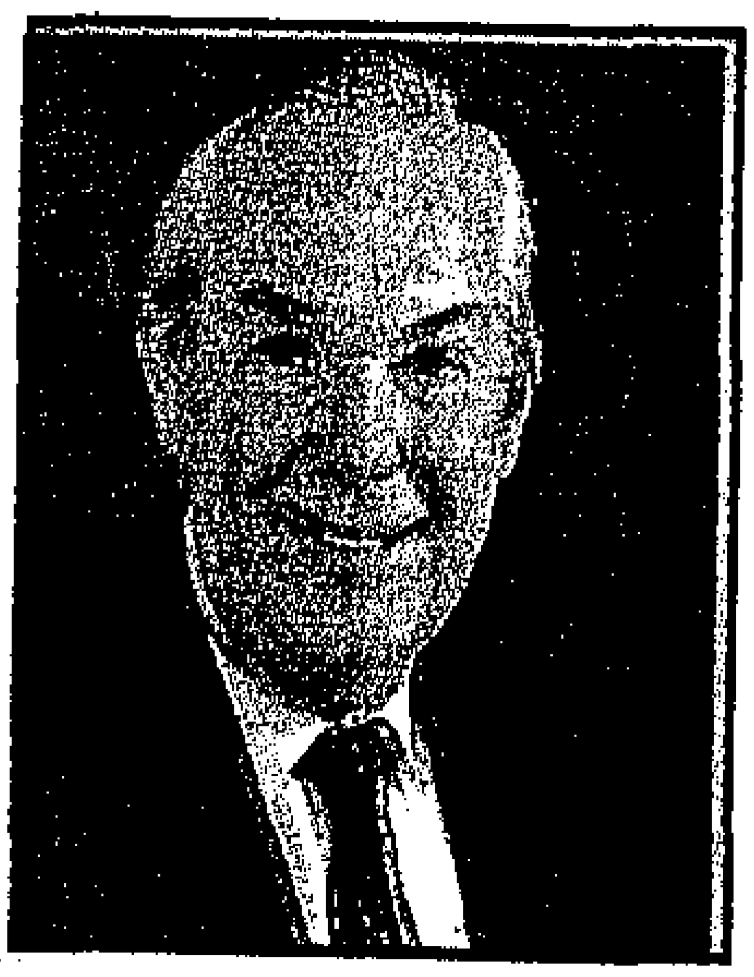
The business has been acquired debt-free, and adds folding carton, label and printing operations to Consol Paper.

Interpak also operates processes in the thermforming of plastics and metalises and laminates substrates for a variety of applications.

In a slightly odder fit with Consol's existing operations, Interpak produces books, and conducts a merchanting operation for a variety of printing inks and related materials.

Interpak has four plants — at Elandsfontein, Maritzburg, Cape Town and Durban.

Consol Paper's corrugated plants are also located in these main centres and share many customers.



Piet Neethling ... negative impact on earnings.

Interpak will fall under the control of Consol's paper division headed by MD Gert du Toit.

Consol MD Piet Neethling says that in the current year to June 1994 there will be a small negative impact on earnings, but that the sizeable acquisition provides Consol with strong presence in fields in which it is not involved.

The transaction gives Consol entry into the R630 million a year folding carton market and a label market exceeding R150 million a year.

Interpak is making an investment in upmarket metalised labels. (196)

Since buying Interpak in 1988, SAB has substantially upgraded plant and equipment which Consol now acquires.

Interpak has had a good profit record since its takeover by SAB. Further opportunities for expansion and profit growth exist.

The transaction requires the approval of the shareholders of Consol and Lion Match.

This should be a formality as the controlling shareholders, Anglovaal Industries and SAB, have undertaken to vote in favour of the necessary resolutions at the respective general meetings.

Consol is well-placed to absorb Interpak without a rights issue. At June year-end it was in a net cash position of R49 million.

Gearing will be less than 20 percent.

In a further transaction, Consol has swopped assets with Nampak, whose custom mouldings business has been exchanged for Consol's PET container business.

Nampak MD Trevor Evans says the PET market is extremely competitive and both companies are sitting with underused plant.

"In the present climate there is no room for two players in PET.

"By merging the two PET operations we can create one structure which can save costs and so price more aggressively."

Evans says that while sales of PET two-litre and 1,5-litre bottles are currently depressed, demand for the material has grown strongly worldwide.

Nampak's custom mouldings operations at Spartan in the Transvaal is old and has not been profitable for some time.

Consol will now focus on the blow moulding/injection moulding business, thereby providing the opportunity to improve its position in this market.

TIGER WHEELS

FM 12|11|93

Tightening margins

Activities: *Makes and distributes aluminium alloy wheels; distributes high performance tyres and vehicle body parts.*
Control: *directors (66% of pyramid Tiger Wheels Holdings).*
Joint chairmen: *E I Keizan and M B Glatt.*
Capital structure: *33m ords. Market capitalisation: R33m.*
Share market: *Price: 100c. Yields: 6,0% on dividend; 16,5% on earnings; p:e ratio, 6,1; cover, 2,8. 12-month high, 100c; low, 90c. Trading volume last quarter, 1,3m shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	2,6	1,1	1,0	1,9
LT debt (Rm)	3,4	6,6	5,5	4,6
Debt:equity ratio	0,48	0,56	0,34	0,15
Shareholders' interest	0,42	0,40	0,46	0,47
Int & leasing cover .	9,5	2,5	3,5	5,4
Return on cap (%) ..	22,8	11,6	16,4	13,6
Turnover (Rm)	51,7	64,4	87,5	104,2
Pre-int profit (Rm) ...	6,4	4,0	6,4	6,8
Pre-int margin (%) ..	12,4	6,2	7,3	6,5
Earnings (c)	12,2	6,3	12,5	16,5
Dividends (c)	4,5	3	5	6
Net worth (c)	42	46	60	71

Any company that can produce record earnings in the present economic climate must be doing something right. But shareholders who have to rely on Tiger Wheels' annual report may have difficulty in determining exactly what makes the group tick; with the concomitant problem of assessing the fairness or otherwise of the share's rating. (196)

To deal with the easy part first, factors behind the R1,7m increase in attributable earnings for the year to June 30 were lower interest charges (R636 000), lower tax (R445 000), higher trading profit (R339 000) and an improved contribution from foreign associates (R242 000).

The reduction in net interest payments from R1,8m to R1,2m reflected a continued strengthening of financial structure. Net borrowings are now down to R3,5m, less than half their level only two years ago, and debt:equity is a modest 0,15 (1992: 0,34). Interest charges amounted to almost 36% of year-end net borrowings, indicating this year will probably see a further reduction in interest payments and, consequently, another boost to the bottom line.

The improvement in associates' contribution from a loss of R19 000 to a positive R223 000 is mainly because the UK operation is now attaining critical mass and achieved what joint chairmen Eddie Keizan and Martin Glatt call its first solid performance since establishment as a greenfield venture five years ago.

The newer US operation is still in the red but Keizan and Glatt say it is showing promise of at least breaking even this year — which should also benefit earnings.

But from here on things become a bit more hazy. As regards tax, the lower charge is said to reflect export and decentralisation allowances, and the lower tax rate in Bophuthatswana, where the wheels manufacturing facility is located. However, no detailed tax

FM 12|11|93 (196)

reconciliation is given; without this information it is impossible to predict future tax rates, especially if some of the present perks do not extend into the "new SA."

There is an even more vexing question regarding trading margins. These, Keizan and Glatt say, were affected last year by conditions in the domestic retail tyre business, which is undoubtedly true. But the fact remains that since 1990, Tiger's gross operating margin has practically halved, with the result that though turnover over this period has doubled, trading profit in 1993 was only R400 000 (6%) more than in 1990. That hardly seems to justify the expansion of operations during the past three years.

Apart from the stated problems on the domestic front, what seems to have happened is that margins have crumbled as an increasing proportion of turnover is directed at more competitive foreign markets. If so, the problem has probably also been compounded by supplies to the UK and US associates, which would be reflected in turnover but not in operating profit since the associates are equity accounted. This would have been beneficial while both associates were incurring losses, but will start working against Tiger as these operations become profitable.

Considerably more detail is needed in order to make any meaningful assessment. As things stand, investors can base their opinions only on what is in front of them, which is a not particularly flattering picture in terms of the progressive whittling away of trading margins. From Tiger's viewpoint, that the picture may not even be fair if, as postulated, a changing turnover mix between local and foreign markets is affecting disclosed margins.

The potential importance of these points is reflected in the current share rating. In terms of profits and financial structure, the group looks to be performing well and, all else being equal, one would have expected the share to be accorded a better rating than is indicated by the present 6% dividend yield and 6,1 p:e.

Brian Thompson

AUTOQUIP
Fm 26/11/93

Squeezed margins

For this motor parts distributor and retailer, squeezed margins are indicative of the highly competitive industry in which it operates and the cost of chasing market share. Despite a 13,8% increase in sales to R60,1m, Autoquip's reaction to price cutting and stock liquidations by competitors narrowed its margins from 7,2% to 4,7% in the year to

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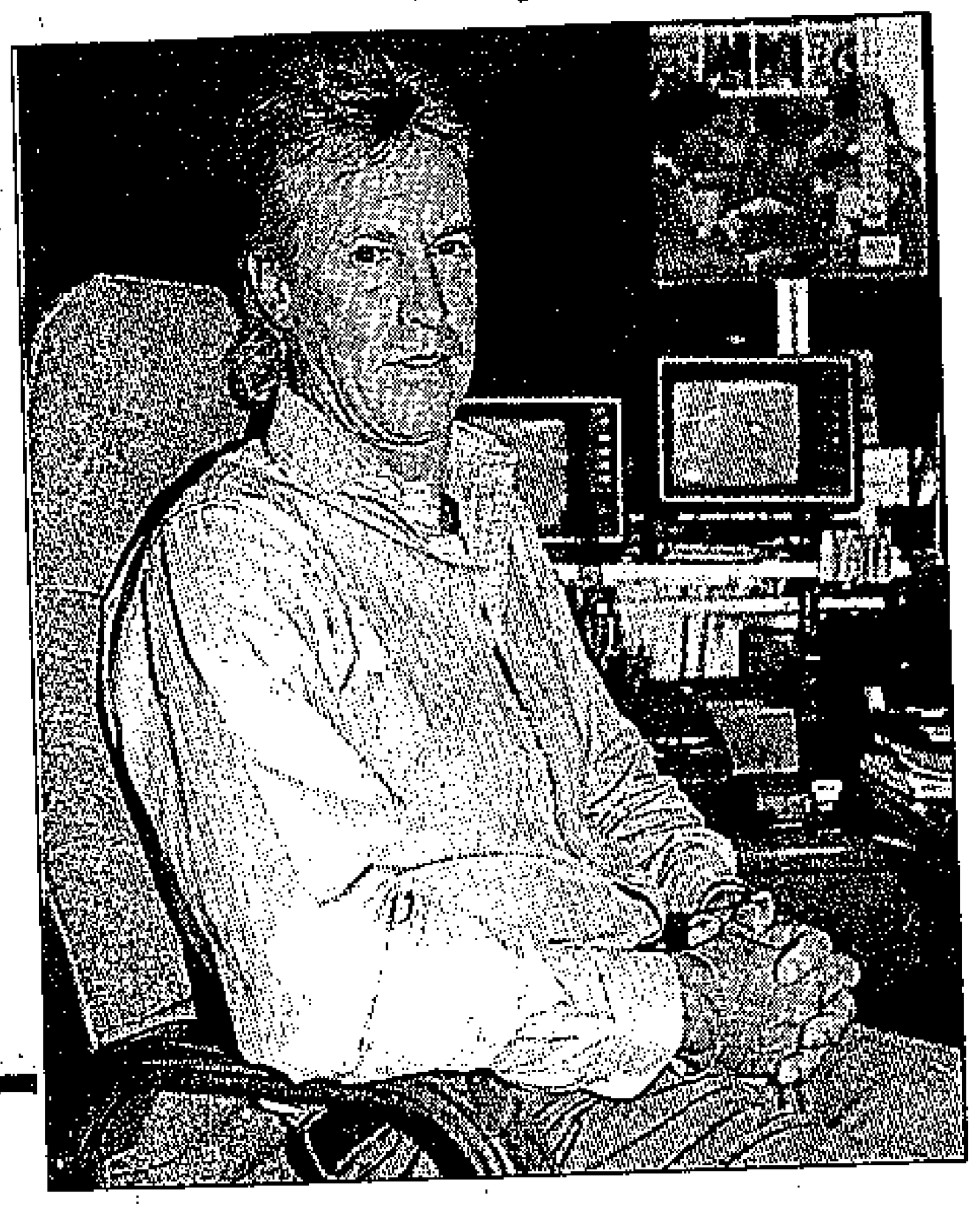
Autoquip's Coquelle ... *margins should improve*



Fm 26/11/93

Activities: *Wholesale distribution of automotive accessories, tyres and select replacement parts.*

Control: *Directors 38,2%.*

Chairman & MD: *B D'A Coquelle.*

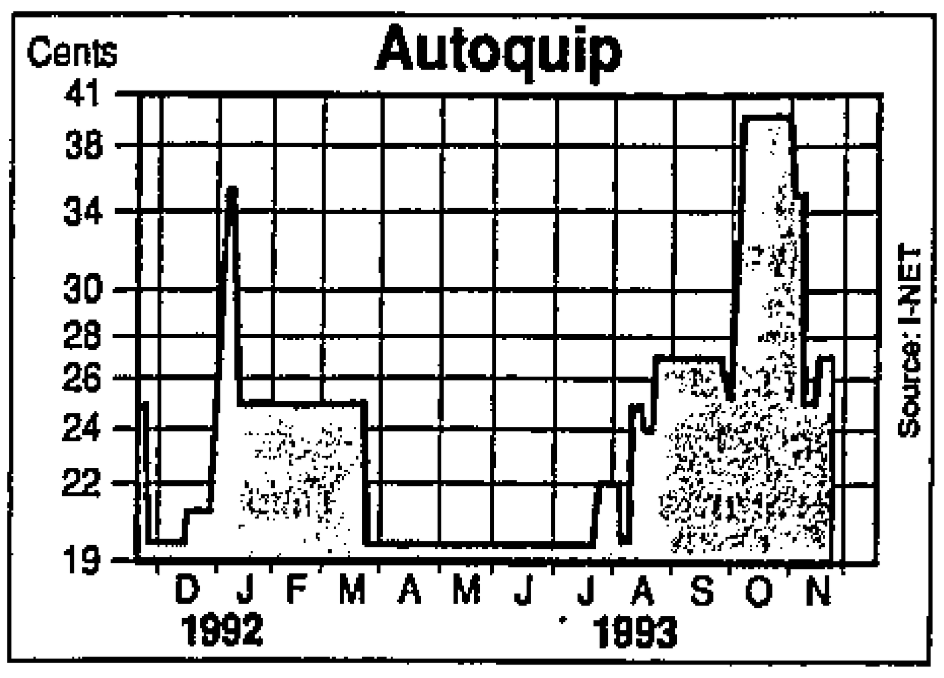
Capital structure: *10,9m ords. Market capitalisation: R2,7m.*

Share market: *Price: 25c. Yields: 26,7% on earnings; p:e ratio, 3,8. 12-month high, 40c; low, 20c. Trading volume last quarter, 592 000 shares.*

Year to June 30	**'90**	**'91**	**'92**	**'93**
ST debt (Rm)	4,4	4,1	4,8	2,7
LT debt (Rm)	0,37	0,26	3,5	3,0
Debt:equity ratio	0,53	0,45	1,30	0,98
Shareholders' interest	0,37	0,38	0,25	0,26
Int & leasing cover	4,3	3,1	2,0	1,8
Return on cap (%)	22,8	19,6	12,1	9,5
Turnover (Rm)	44,5	50,0	52,8	60,1
Pre-int profit (Rm)	5,2	5,0	3,8	2,8
Pre-int margin (%)	11,8	10,1	7,2	4,7
Earnings (c)	13,1	11,1	6,8	7,2
Dividends (c)	5,0	5,0	2,5	nil
Tangible NAV (c)	53,8	60,0	71,1	71,4

June 30. Operating income fell by a quarter to R2,8m.

Chairman and MD Bruce Coquelle says effects of the low level of new vehicle sales were worsened because most were being sold to fleet owners or sold under full maintenance programmes: these vehicles are normally serviced by franchise dealers who source their parts requirements direct from the vehicle maker.



Falling interest rates and a R2,6m reduction in debt cut the interest bill to R1,6m (1992: R1,9m), but pre-tax profit still fell by a third to R1,2m.

The lower effective tax rate of 14% (43%) helped, but attributable income of R783 000 was down 14%, continuing the steady decline begun in 1989. EPS were higher at 7,2c (6,8c) because the issued shares were reduced by conversion of ordinary shares into convertible redeemable prefs.

An additional tax payment incurred on a film investment resulted in an extraordinary charge of R751 000.

Benefits of restructuring to ease pressure on margins have yet to flow through. Despite effective asset management, a low write-off of bad debts and strict control on expenses, return on capital deteriorated further; at 9,5% returns are far below 1989's 25%. Return on equity has dropped from 34% to 10%

Divisional figures are not disclosed, but Coquelle says the Partquip division achieved a small gain in market share while Autoquip, the accessory & tyre division, maintained its share despite a poor performance. The division, he says, has been refocused into a consolidated niche market business and benefits of rationalisation are expected during 1994.

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Performance of Partco, a specialised distributor of quality automotive parts, was inhibited by lack of stock to support increased sales. Coquelle says the problem has been addressed and this, with better prices based on volumes, should improve margins.

At 25c, the share price is off the 40c peak set early last month. The p:e of 3,8 reflects the difficult trading conditions and investor perceptions of poor earnings potential this year.

Marylou Greig

MANUFACTURING – Rubber Products

1994

Rubber division adds bounce to Consol group

B/Day 16/2/94

MARCIA KLEIN

PACKAGING and rubber group Consol yesterday reported an 8% earnings rise to 123,5c (114,9c) a share in the six months ending December as lower operating profits from its packaging interests were offset by a more buoyant performance by the rubber division. (196) (197)

MD Piet Neethling said although there were tentative signs of an improvement in the economy, this had not yet influenced demand for the group's products.

Market shares were generally maintained, but most of the group's businesses experienced lower sales volumes than the previous year.

Turnover was 9% higher at R1,2bn (R1,1bn), and operating profit was 4% up at R139,4m (133,4m).

Higher net financing costs reflected the utilisation of internally generated funds to acquire Contred minorities and for the R205m acquisition of Interpak from Lion Match.

Pre-tax profit was 6% down at R127,4m (R135,1m). But sale and lease back arrangements and larger wear and tear allowances on fixed assets resulted in a lower tax rate, and profit after tax was 3% lower at R79,7m (R81,9m).

A lower minority interest, following the acquisition of Contred minorities and the redemption of preference shares in the year before, enabled the group to lift bottom line earnings 8% to R79,5m (R73,9m).

A dividned of 70c a share was declared in August and paid during the half year.

Neethling said the packaging division increased turnover just 4%, and operating profit dropped 11%. Glass was affected by shrinking consumption of soft drinks and unchanged beer consumption.

Paper showed growth in turnover and profit as a result of the acquisition of Interpak. The corrugated business maintained its profit growth, but the plastics division reported a loss for the period.

The rubber division increased turnover 13%, and operating profit 25%. Tycon showed an improvement in sales.

The rubber division's improvement was influenced by "excellent market acceptance of the Eagle GTA steel radial passenger tyre".

Neethling said he did not expect demand for the group's products to improve in the second half due to the political environment in the run-up to the April election. In addition, it woud be some time before an economic recovery would result in enhanced consumer spending.

In the full year, he expected a similar growth in earnings to that reported for the first half.

COMPANIES

Tiger Wheels burning rubber

BDay 28/2/94

MICK COLLINS

ALTHOUGH coming off a low base, Tiger Wheels Limited (Tiwheel) saw attributable profit soar 81% to R3,4m for the six months ended December compared with the previous period's R1,9m.

Turnover rose 38% to R67,6m (1992: R48,6m) while operating profit climbed 67% to R4,7m (R2,8m) on a better margin of 7% (5,7%). Pre-tax income rose 103% to R4,1m (R2m) while after-tax profit was up 74% at R3,2m (R1,8m).

Earnings a share rose 66% to 10c (6c). Tiwheel does not pay an interim dividend.

Tiger Wheels Holdings Limited (Tihold) — the pyramid which has an 80% interest in Tiwheel — posted attributable profit 80% up at R2,7m against R1,5m in the same period a year ago — equivalent to earnings a share of 8c (4,8c).

CE Eddie Keizan said the hub of the improved performance was a sharp increase in export business, improved productivity in its alloy wheels manufacturing operation and growth in domestic sales.

"A lot of developmental expenses incurred over the past five years are now starting to deliver. While the half-year results are clearly satisfactory, our return on sales was only 7%, which is not nearly enough given the extent of the vertical integration in the group." (196)

He said exports for the six months were 60% up on the same period a year ago.

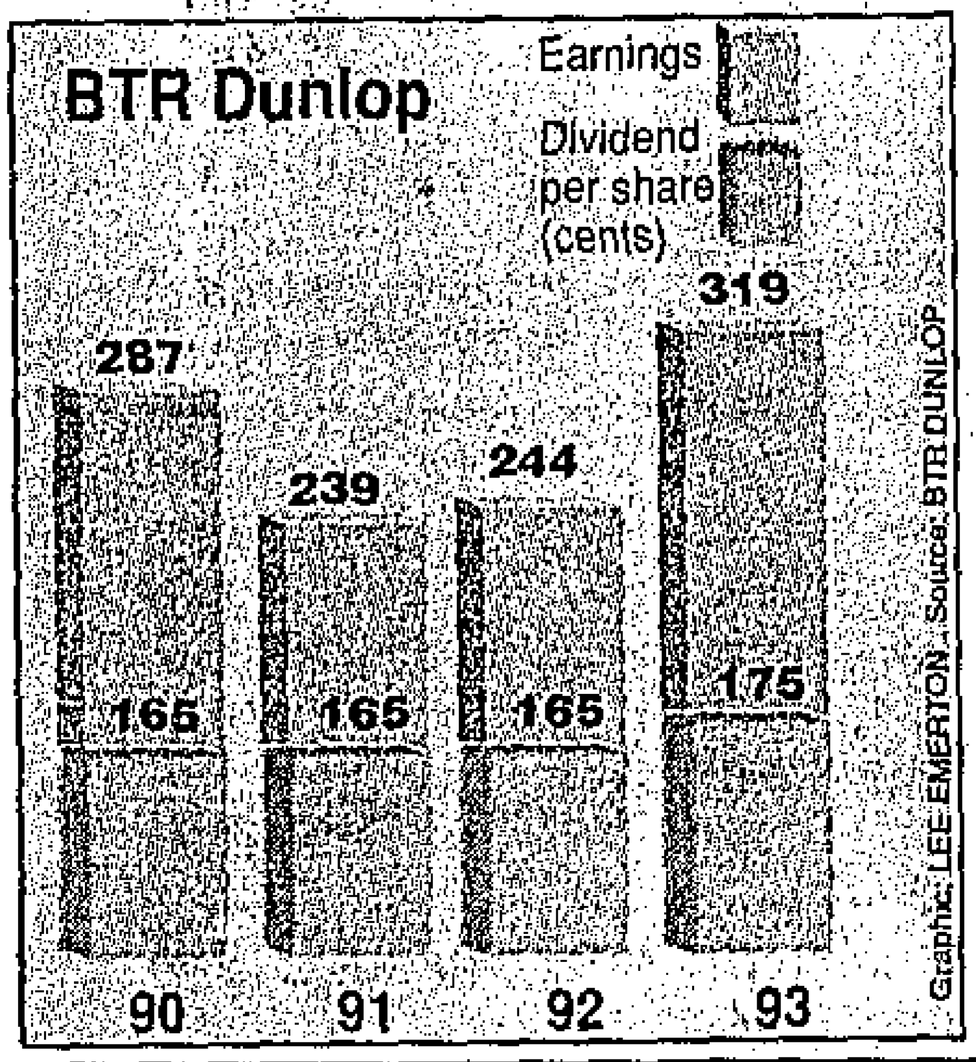
On the possible effect on trading of the April election, Keizan said: "One expects a certain degree of destabilisation. If it is not too high, we would expect to continue this upward trend."

BTR Dunlop lifts earnings

B/Day 11/3/94

MICK COLLINS

INDUSTRIAL and consumer rubber products group BTR Dunlop's pedestrian trading performance was offset by a tax holiday that enabled it to lift earnings for the year to December 1993.



Attributable earnings rose 31% to R76,1m (R57,7m), which equated to earnings a share of 319c (244c). Without a deferred tax adjustment, earnings a share would have been 272c. (196)

A tenacious rein on costs helped the group show a 3,2% increase in trading profit to R94,3m (R91,3m). Turnover increased 3% to R689,5m (R668,3m) due to increased sales, while the trading margin remained virtually unchanged at 13,6%.

MD of the UK-owned company Mike Smithyman said the group's excellent cash flow, together with tight cost controls, had significantly contributed to the improved results.

☐ To Page 2

BTR Dunlop

B/Day 11/3/94

☐ From Page 1

Pre-tax profit was 6% higher at R90,4m (R85,2m) as finance costs dropped to R3,9m (R6,1m). After-tax profit was up 32% at R76,2m (R57,7m), largely because of a deferred tax rate adjustment of R11,4m.

A final dividend of 115c (105c) was declared, giving a total dividend for the year of 175c (165c). Improved working capital management resulted in an operating cash flow of R52,2m and the group ended the year ungeared. (196)

Smithyman said group profits and sales for the first two months of 1994 were in line with a budget which "anticipates a small increase in sales and trading profit". Should this trend continue, the group would achieve an increase in the 272c earnings a share which excluded the benefit of the deferred tax rate adjustment.

He said the group was well positioned to make the most of any opportunities that might arise in the future.

Productivity and efficiency levels at the Ladysmith tyre factory had been substantially improved by the installation in 1993 of new equipment costing R22,5m.

The group had committed itself to capex of R100m over a three-year period.

"The introduction of the new products will benefit the group's industrial division which makes hoses and belting and was affected by the deferment of several major new projects in the mining industry last year due to the poor economy."

The group's consumer and engineering divisions were ready to take advantage of the expected improvement in consumer spending after the elections, he said.

☐ Sapa-AFP reports from London that British conglomerate BTR yesterday announced a 19% increase in 1993 pre-tax profit to £1,282bn (£1,078bn). The dividend rose to 12,25p (10,8p), while earnings a share were up at 24p (20,6p).

options on another eight.

future.

"Althou

Tax holiday fillip for BTR Dunlop

CT 11/3/94 (196)

From MICK COLLINS

JOHANNESBURG. — Industrial and consumer rubber products group BTR Dunlop's pedestrian trading performance was offset by a tax holiday that enabled it to lift earnings for the year to December 1993.

Attributable earnings rose 31% to R76,1m (1992: R57,7m) which equated into earnings a share of 319c (244c). Without a deferred tax adjustment earnings a share would have come in at 272c.

A tenacious rein on costs helped the group show a 3,2% increase in trading profit to R94,3m (R91,3m). Turnover increased 3% to R689,5m (R668,3m) due to increased sales while the trading margin remained virtually unchanged at 13,6%.

MD of the UK-owned company Mike Smithyman said the group's excellent cash flow, together with tight cost control, had made a significant contribution to the improved results.

Pre-tax profit was 6% higher at R90,4m (R85,2m) as finance costs dropped to R3,9m (R6,1m). However, after-tax profit was up 32% at R76,2m (R57,7m) largely due to the deferred tax rate adjustment of R11,4m.

A final dividend of 115c (105c) was declared, giving a total dividend for the year of 175c (165c). Improved working capital management resulted in an operating cash flow of R52,2m and the group ended the year ungeared.

Smithyman said group profits and sales for the first two months were in line with budget which "anticipates a small increase in sales and trading profit for the year". Should this trend continue, the group would achieve an increase in the 272c earnings a share which excluded the benefit of the deferred tax rate adjustment.

During the year productivity and efficiency levels at the Ladysmith tyre factory were substantially improved by the installation of new equipment costing R22,5m.

The group has committed itself to capex of R100m over a three-year period.

● Sapa-AFP reports from London that the British congolmerate BTR yesterday announced a 19% increase in 1993 pre-tax profits to £1,282bn (£1,078bn). The dividend rose to 12,25p (10,8p), while earnings a share were at 24p (20,6p).

Gentyre keeps results on track

B/Day 24/3/94

MICK COLLINS

FUELLED by market share gains and tight financial housekeeping, tyre and rubber products manufacturer Gentyre posted a 16,5% increase in pretax profit to R58,6m (R50,3m) in the year to December.

Tough trading conditions at the W&A subsidiary saw turnover creep up 7,5% to R560,5m (R521,4m) which CE Clive Tutton described as satisfactory in the circumstances.

Operating profit came in at R53,1m (R37,7m) which gave an improved trading margin of 9% (7%).

However, a R10,9m turnaround in tax — from a credit of R3,9m in 1992 to a charge of R7m in 1993 — affected attributable earnings, which were 4% lower at R51,6m (R54,1m). This was due to the introduction of secondary tax on companies and to a deferred tax charge in the tyre division.

This translated into earnings a share of 329c (346c) and a final dividend of 57c was declared to make the total for the year an unchanged 112c covered 2,7 times (3,1 times).

Extraordinary items of R13,5m related to the rationalisation of the industrial division and a settlement with the Receiver of Revenue on film investments in 1988 and 1989.

The results note that R75m of an amount due from W&A Manufacturing was received in May and used to repay short-term borrowings, helping to reduce interest-bearing debt from R81,3m to R1,4m. The balance of R55m owed by W&A is scheduled for repayment before April 30.

Tutton said: "Despite difficult trading conditions in 1994 and a high level of competitor activity, Gentyre remains firmly positioned . . . (196)

"Our commitment to utilising the latest research, development and manufacturing technology and our uncompromising approach to quality underpins the success of the Continental and General products."

He anticipated major changes to the industry in 1994. However, Gentyre would "capitalise on the opportunities becoming available".

Key priorities would include exploring further export markets.

"Product innovation to meet the rapidly changing needs of the domestic market will also be an increasingly important area of focus in Gentyre's forward planning," he said.

GENTYRE FM 1/4/94

Juggling loans

Results from this much-abused company confirm its position as the jewel in the faltering W&A group's crown.

Year-end EPS show a small decline to 329c (1992: 346c) but much of that is related to interest earnings and tax. Interest received is important in this company's life and it is right to dwell on it. In the 1992 annual report is an amount (which escaped me when I reviewed Gentyre) of R135m lent to W&A Manufacturing.

Strangely, the balance sheet also reveals the company borrowed R75m — and I can only presume it did so to be able to on-lend. In other words, one group of shareholders (Gentyre) were obliged to borrow money to lend it to another (W&A), though at a commercial rate. (196)

This is pretty incestuous. When I ask Gentyre chairman (and W&A deputy chairman) Terry Rolfe how this came about he shifts uneasily. His problem has always been that he is torn between loyalty and honour. When the truth finally emerges it appears that, within the central corporate treasury of W&A, the money was simply expropriated without so much as a gesture. Rolfe was left facing the problem — and it is he who must explain this to his shareholders in Gentyre.

However, it is only fair to report that R75m has been repaid; another R55m will be paid to Gentyre before the end of this month.

The results show that operations have improved considerably. On turnover which lifted only modestly (8%) to R561m, operating profit leapt 41% to R53,1m. Management has changed focus and cut costs: the effort has clearly been worthwhile.

FM 1/4/94

What has caught Gentyre this time is a substantial decline in interest earnings and the Receiver. Taken below the line are extraordinaries of R15,7m (R6m for a factory closure, and the rest for film investments).

The balance sheet is a lot stronger. Interest-bearing debt has fallen from R81m to R1,4m, and shareholder wealth has increased. (196)

Rolfe is reluctant to commit himself to any indication about prospects: given the state of the country, that's not surprising. My guess is that Gentyre's motivated managers will turn in a good result, with EPS up by about 10% to around 365c. That would put the counter on a forward p:e of 7,4 compared with the sector's current 9,5, making it a buy in my book.

David Gleason

FM 22/4/94

BTR DUNLOP
FM 22/4/94

Import pressures

(196)

Serving the automotive, mining, engineering and consumer goods markets, BTR Dunlop has done well to lift EPS 31% for the year to December 1993.

Activities: *Manufactures and markets industrial engineering automotive and consumer products.*
Control: *BTR plc (52,1%).* (196)
Chairman: *A M D Gnodde; MD: C R Hooper.*
Capital structure: *23,8m ords. Market capitalisation: R666m.*
Share market: *Price: 2 800c. Yields: 6,3% on dividend; 11,4% on earnings; p:e ratio, 8,8; cover, 1,8. 12-month high, 1 550c; low, 3 100c. Trading volume last quarter, 402 000 shares.*

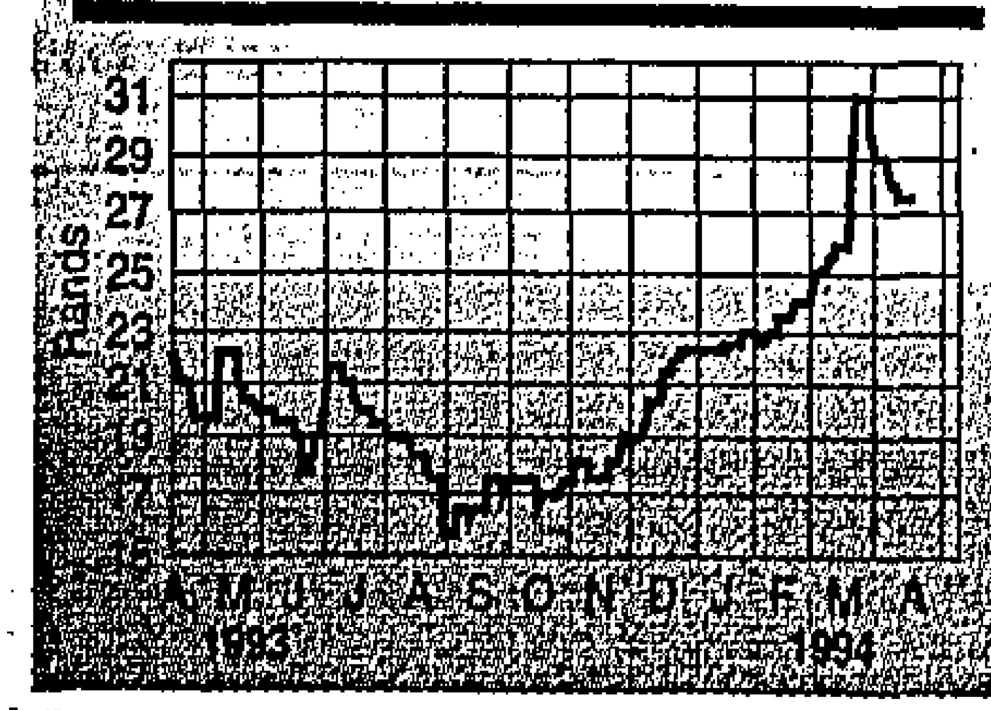
Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	3,5	4,1	7,2	8,2
LT debt (Rm)	0,4	0,1	28,0	19,7
Debt:equity ratio	n/a	0,02	0,02	n/a
Shareholders' interest	0,5	0,56	0,54	0,59
Int & leasing cover	15,2	8,8	15,0	24,2
Return on cap (%)	28,9	21,9	17,5	17,6
Turnover (Rm)	701	672	668	690
Pre-int profit (Rm)	134,3	89,7	91,3	94,3
Pre-int margin (%)	19,2	15,1	13,7	13,7
Earnings (c)	287	239	244	319
Dividends (c)	165	165	165	175
Tangible NAV (c)	1 027	1 095	1 182	1 326

Admittedly, the deferred tax rate adjustment of R11,4m and the 36% decline in finance charges to R3,9m had much to do with the apparent reversal of two years' earnings decline. But MD Mike Smithyman says the group has maintained market share in a number of key areas including tyres.

The motor division, made up predominantly of tyres, accounts for just less than 40% of sales. Despite marginal volume growth of 1%-2% last year and continued pressure on prices from imports — now absorbing 20% of the local market — Dunlop achieved a small increase in market share in the replacement market. The main impetus for industry growth comes from the replacement market; new cars account for less than 20% of the total car tyre sales.

Like others in the industry, management continues to lament low-cost imports of new and second-hand products. Obliged to use expensive locally sourced raw materials in the manufacturing process, the uncompetitive SA tyre industry has been hard hit by imports (much of which escape the 25% duty) flowing through neighbouring countries.

BTR Dunlop



Almost 55% (R341m) of sales revenue is from the engineering and industrial divisions. Deferment of major projects in the mining and construction industries resulted in marginal growth in sales. The increasing availablity of imported products is a further negative factor, says Smithyman, who expects some relief from the introduction of new products.

Cash flow has strengthened after the slower volume growth and constrained profits of the previous years; R52m operating inflow compares favourably with 1992's R35,2m: at year-end there was net cash of R15m (1992: net borrowings of R4m). Management is budgeting for R29m capex this year — similar to that spent in 1993.

INCOME SOURCES

	Sales		Trading profit	
	1992 Rm	1993 Rm	1992 Rm	1993 Rm
Engineering/ Industrial	341	372	48	49
Motor Industry	260	262	35	36
Consumer Products	67	55	8	9
	668	689	91	94

With sales keeping up with budget, Smithyman believes a small improvement on 1993's EPS of 272c (excluding the deferred tax adjustment) is possible.

Earnings will be sensitive to economic recovery and a 12% increase is possible. This puts the share on an inexpensive forward p:e of 9,4. Though the counter has recently softened from R31 in March to R28, the potential for earnings growth should support the price.

Marylou Greig

Gentyre moves steadily ahead

Star 24/4/94

BY STEPHEN CRANSTON

Market share gains and improved asset management enabled Gentyre Industries, the jewel of the W&A stable, to report a 16 percent increase in pre-tax profit to R58,6 million.

But there was a R10,9 million turnaround in tax — from a credit of R3,9 million to R7 million payment — which reduced attributable profit by four percent to R51,5 million and eps by the same percentage to 329c.

The total dividend was unchanged at 112c.

With the closure and rationalisation of underperforming operations and a major management upgrade, the industrial division continued to improve and operating losses diminished.

But MD Clive Tutton says that the Continental and General tyre products remained successful in the marketplace. There was an extraordinary loss of R13,5 million, of which R5,8 million relates to rationalisation costs in the industrial division and the balance on additional payments to the receiver on film investments made in 1988 and 1989. (196)

W&A Manufacturing paid R75 million which was owed, and this was the main contributor to a fall in borrowings from R81,3 million to R1,4 million.

Nu-World sparkles

Star 24/4/94

BUSINESS STAFF

Nu-World, a manufacturer and distributor of small electrical appliances, has reported a 43 percent increase in earnings to 7,3c a share in the six months to February.

Turnover increased by 50 percent to R47,3 million, and is expected to exceed R100 million in the full year.

Operating income was up 24 percent to R2,2 million, and margins were squeezed in both the local and export markets.

MD Michael Goldberg says that Nu—World is well-positioned to benefit from the likely increased in housing and electrification in the mass market. (185)

Accountants win appeal

BY LEIGH ROBERTS

In a landmark decision for the accounting pro-

Assets managed by insurers soar 35% to R278 billion

ARG 9/6/94

□ Group business depressed by stagnating employment

BRUCE CAMERON
Business Editor

THE life insurance industry is managing R278 billion in assets on behalf of policy holders and group fund members — and most of the money invested in shares and property.

The amount of money invested with insurance companies has grown by 35 percent over the past year, with money pouring mainly into individual business.

Premium income from individual policies increased by 23 percent to R26 billion, chairman of the Life Offices Association Neal Chapman said.

Premium income from new business increased by 31 percent (R26 billion).

Premium income from group schemes, pension and provident funds increased by 11,5 percent to R13,8 billion.

Mr Chapman said the relatively modest increase in group fund premiums was a result of stagnating employment and modest salary increases.

He said the industry had seen its tax bill grow by 22 percent a year over the past 10 years and paid R992 million into the state coffers last year. This is more than one percent of total tax collected.

Mr Chapman said that income from the investment of assets had been 9,65 percent for 1993. Although this was substantially lower than the increase in assets, it reflected the lower interest rates and low increase in dividends.

But this was countered by the significant capital appreciation of assets.

The aim of the industry was to protect people's savings against inflation.

"To do this we have to invest in avenues that will show a real return, rather than current income."

By investing in shares and property the industry not only earned attractive returns for policyholders, but also used their savings directly to finance the economic growth of the country.

Last year the industry increased benefits paid to policyholders by 27 percent to R27,8 billion. He did not say whether this figure included surrenders and lapses.

On the controversial issue of surrenders, he said withdrawal from a group fund or a policy surrender often reflected the collapse of somebody's financial planning.

"This causes the industry enormous concern, but it is usually the result of misfortune beyond the control of the affected individual or of the insurer."

Mr Chapman said one of the positive aspects in the 1993 figures was the containment of expenses to 11,6 percent of total income. Ten years ago the figure was 13,3 percent and in 1973 it was 18,3 percent.

He said this showed that life insurance had become chepaer over the years with computerisation making the industry more efficient.

Remgro's net income more than R1 bn

MARC HASENFUSS
Business Staff ARG 9/6/94

THE Stellenbosch-based Rembrandt Group (Remgro) notched up a satisfactory 10 percent increase in net income from normal business operations to just over R1 billion (R951 million) or 200,9c a share for the year ended March.

The results do not justify the slump in Remgro's share price to R27,75 — which is well off a 12-month high of R36,75. Market sentiment, however, has been shaken by speculation of increased excise duties on tobacco and liquor.

The group's tobacco and liquor interests contribute nearly half of total earnings.

Remgro directors noted recent speculation in the media on increased excise duties on the tobacco industry.

But they would only say: "With the facts currently at our disposal we are not in a position at this stage to comment on the possible impact on the industry."

A final dividend of 26,40c was declared, bringing the total payout for the year up 20 percent to 43,44c. A special dividend of 14,52c was also paid in October last year.

Net income before taxation crept up 6 percent to R1,3 billion in the period under review, but a lower tax bill pushed net income after tax up 19 percent to R925 million.

A 14 percent drop in net income from associated companies to R179 million and a higher payout to "other members" limited bottom line growth to 10 percent.

■ **Lydenburg Exploration** has paid R9 million for an additional 10 percent of the benefits from Gold Field's Kalkoenkrans Project near Ventersburg.

Premier earns more in difficult year

ARG 9/6/94

ALIDE DASNOIS
Business staff

THE giant Premier Group managed to lift earnings 11 percent in one of the most difficult years in its history, chairman Peter Wrighton said.

Turnover in the year ended April was hit by relatively slow rises in food prices and by unemployment. Prices of Premier's basket of goods rose only 4,5 percent over the year, he said.

Trading profit of R634,7 million was reduced by a heavy interest bill (R78,9 million) ascribed to the inclusion of the borrowings of United Pharmaceutical Distributors (UPD) and Bonnita, as well as changes in accounting practices and expansion.

During the year the group increased its stake in UPD to 51 percent and in Bonnita (which now owns ice-cream producer Aylesbury) to 53 percent. Premier Pharmaceuticals, which strengthened its product range through a series of acquisitions during the year, showed exceptional results, Mr Wrighton said.

Performance from the food division was disappointing, though fishing did well. Bonnita achieved budgeted profits during the year.

In other divisions, Metro Cash and Carry maintained its momentum, CNA and Teltron showed encouraging results, but Clicks disappointed.

Interest-bearing debt jumped from R244 million to R449 million, but the group said the debt-equity ratio, at 20,4 percent, was still at an acceptable level.

A total of R88 million was written off for extraordinary items, including the restructuring of the food division.

COMPANIES

Gentyre makes gains in all its markets

B/Day

MUNGO SOGGOT

TYRE manufacturer Gentyre's sound financial performance for the year to December 1993 hinged on the continued success of its Continental and General products, chairman Terry Rolfe said in the annual report. 15/6/94

Gentyre — a W&A subsidiary — posted a 16,5% increase in pre-tax profit to R58,6m on a 7% rise in turnover to R560,5m. Rolfe said the modest increase in turnover reflected the lack of real growth in the market.

MD Clive Tutton said Gentyre had made gains in all its market sectors, and Continental had "further consolidated its leadership in the performance tyre category, reinforced by its increased share of fitment to BMW 7 and 5 series cars".

(196)

Tutton said that through Continental AG in Germany, Gentyre had access to "leading-edge tyre technology" which would sustain its leadership position in key sectors of the domestic market.

But Rolfe said high levels of imports could threaten SA tyre manufacturers "particularly against a backdrop of political uncertainty, disrupted production and the propping of the rand, preventing a more rapid deterioration against the major hard currencies of the world".

He said these issues — as well as future industry protection levels and tariff structures — had been dealt with in joint representations to the Board of Trade.

"Looking to the future there is little doubt that the SA tyre manufacturing industry faces a number of difficult challenges."

FM 17/6/94

DEFINITIONS

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.
Net asset value: Net assets attributable to ordinary shareholders after adjustment for market and/or directors' valuation of investments, less intangibles.

apply this line in calculating EPS. Immediately below it, however, are extraordinary items of R13,5m — conveniently excluded for the earnings calculation.

This surprises me more than a little: Rolfe possesses a commerce degree, an MBA and is a chartered accountant to boot. He cannot be unaware of the widely publicised intention of the Institute of Chartered Accountants to remove extraordinaries from the accounting lexicon for ever.

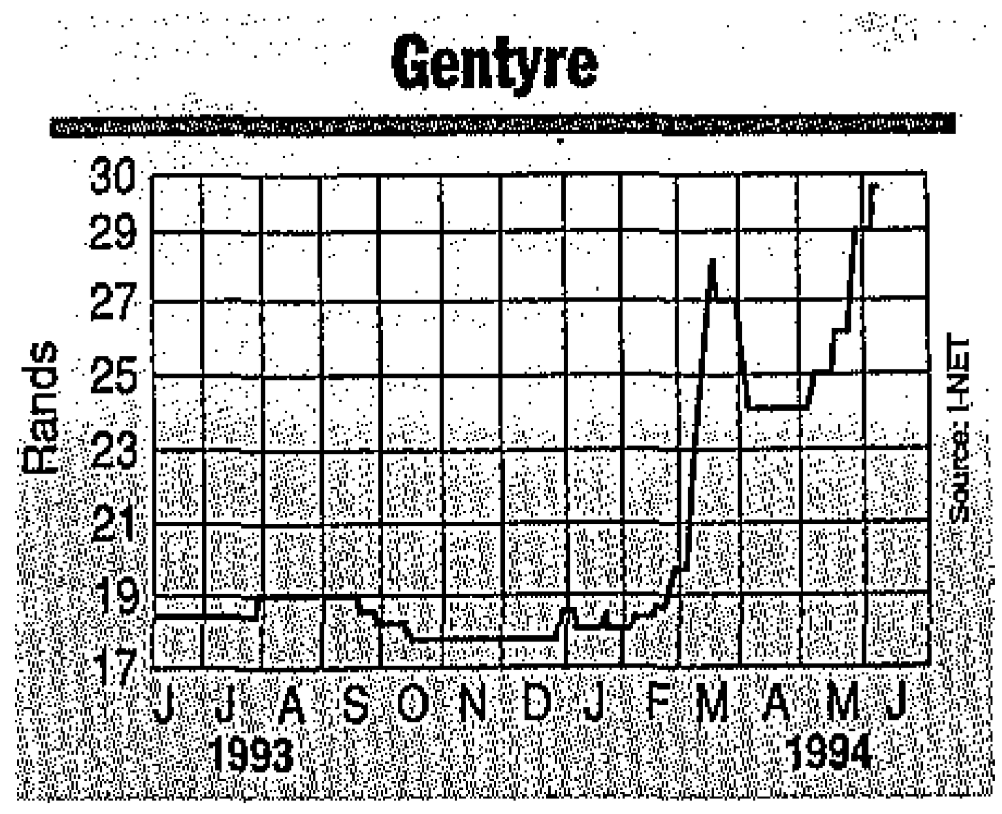
Since the change is meant to be implemented this year, I cannot understand why he and finance director Geoff Sproule persist in applying outmoded accounting standards, except solely for the facile and temporary reason of massaging the reported EPS. He protests that these represent the tax settlement on firms (R7,8m) and rationalisation costs of R5,7m, neither of which, he claims, have anything to do with 1993's earnings.

An interesting line in the income statement relates to interest earned: this fell to R5,5m from 1992's R12,6m. Part of this reflects lower interest rates; even more comes from a substantial reduction in its forced lending in 1992 of R135m to its holding company, Hunts. Last year, this was reduced to R55m and Rolfe says it has since been repaid in full. At the same time, Gentyre was itself obliged to borrow — in 1992, R75m (since repaid).

(196)

This is an intriguing state of affairs and about which I commented in April. Gentyre money was seized by head office diktat and peremptorily loaned to another company with another group of shareholders. It was an action which led, I am told, to a near revolt by Gentyre MD Clive Tutton. While the matter has been resolved, it underlines the need for discretion on the part of head office.

Those areas aside, Rolfe is enthusiastic about the company's prospects. So he should be: over the last six years Gentyre has committed about R200m of shareholders' money to capital projects. This reflects, of course,



the sea change in the tyre industry which has moved away from textile-based radials to steel-belted products. Keeping abreast of the new technologies has dictated large capital expenditures.

Gentyre's weakness is that this investment hasn't been matched by its profit performance. For a company with a sound balance sheet — it has little debt — and a strong technology base, the urgent need now is to turn these advantages into big increases in earnings.

David Gleason

Sondor 'will bounce back'

CAPE TOWN — Rubber, plastics and tape products manufacturer Sondor Industries' earnings slipped slightly to 11,83c (11,94c) a share in the year to end-March 1994, but the company was budgeting for a slight improvement this year. B/Day

A dividend of 2,5c was declared and directors said margins were restricted in an increasingly competitive market.

Group turnover was up 14% at R34,27m (R30,02m) and operating profit was 12,4% higher at R4,93m (R4,38m). 20/6/94

However, a higher tax bill at R1,73m (R1,56m) and finance charges of R356 000 compared with an inflow of R44 000 the previous year, pushed taxed income down to R2,84m (R2,87m).

A R4,46m extraordinary item included a R4,3m payment to the Receiver of Revenue in terms of a film scheme settlement and R160 000 goodwill was written off. (196)

Sondor shares slipped 25c or 16,6% to 125c yesterday, which was off their 150c annual high reached on June 9, but well above the July 1993 12-month low of 40c. (183)

EDWARD WEST

Workers stay away from Firestone and Goodyear

ERICA JANKOWITZ

ABOUT 6 000 tyre manufacturing workers did not report for work yesterday and instead held meetings to discuss the slow progress of wage negotiations, National Union of Metalworkers of SA (Numsa) negotiations co-ordinator Gavin Hartford said.

The workers were from Firestone's Brits and Port Elizabeth plants and Goodyear/Tycon in Port Elizabeth. Gentyre was not affected by the unprocedural strike.

Hartford said he received correspondence from Firestone yesterday afternoon indicating the company's plants would not resume production today unless workers clearly indicated their willingness to comply with their terms and conditions of employment.

They also would be required to give an undertaking to refrain from unprocedural industrial action in the future.

Hartford said workers were set to resume work today, but Firestone's "counter-action" could prevent this.

He said tyre manufacturers had yet to make a wage offer after several rounds of wage negotiations. Employers were apparently stalling until issues concerning wage policy had been settled with the union. Workers were losing patience with employers' apparent attempts to prolong the process, hence the one-day strike.

Firestone Human Resources GM Jimmy Furstenburg said the industry had already put a wage offer on the table. The industry had moved from its initial position to a secondary one, he said. (196)

Furstenburg declined to comment further, saying only that the wage issue was still under negotiation.

No comment could be obtained from Goodyear/Tycon.

Sondor set for major export drive

(196) ARCT 20/7/94 (3461)

MARC HASENFUSS
Business Staff

SONDOR — the Cape-based plastics and rubber manufacturer — is looking at a modest increase in earnings this year on the back of new product applications and a sustained export drive.

Sondor, in which Anglo American holds a 38 percent stake through Zimco, manufactures rubber and plastic products used mainly for sealing, insulation and cushioning by the motor and building industries.

Chairman Sonny Goldman noted in his annual review that the group had started selling rubber and plastic products in new applications. These showed promise of bulk sales in industrial outlets.

The group has further diversified by starting-up manufacturing processes aimed at securing a niche in the consumer market.

Products will include Body Boards, Swim Aids, Aerobic Steps, Shin Guards, toys and other related products.

Mr Goldman also reported further progress in the group's export drive. "Our marketing director has visited countries in South America that could become importers of our material."

He pointed out that Sondor — albeit from a low base — had achieved a marked improvement in exports in the year to end March and that further improvements were expected in the current year.

Sondor is thinly traded on the JSE, with the bulk of the shares held by directors (over 50 percent) and by Zimco. The share has, however, shifted up to the current ruling price of 100c — well up on the 40c low for the year.

■ Sasol's unsponsored American Depository Receipts (ADR) on the NASDAQ exchange in New York have been converted to fully sponsored status.

The group appointed the Bank of New York to support its move from a conventional ADR listing to a sponsored facility, which will enable international investors to trade more freely in its stock, Sasol said.

■ Nasionale Pers has taken another step towards a JSE listing with the approval by the Cape Supreme Court of a shareholders' meeting to discuss the increase of the company's authorised capital from 20 million to 40 million 10c shares, a five-for-one share subdivision and a change in the company's articles of association.

The meeting is to be held on August 12 in Cape Town.

Gentyre results flat because of harsh going

B Day 25/8/94

MUNGO SOGGOT

A HEFTY tax bill, highly competitive trading conditions and a 50% jump in the price of rubber slashed tyre manufacturer Gentyre's attributable earnings 33% to R18,2m (R27,1m) for the six months to June.

The W&A subsidiary's turnover rose slightly to R263m (R262m). Earnings a share were 116c (173c).

Gentyre's tax bill was R3,4m from R300 000 for the same period last year, when shareholders were advised that the phasing in of normal tax rates would make the company liable for tax this year.

Operating profit was cut 30% to R20m (R25m).

Chairman Terry Rolfe said the tyre division's average unit output was higher than in 1993, but unit sales had dropped by 6%. The division had also been hit by a 50% increase in the international rubber price and the weaker rand.

But export sales were up 50% on the previous year and the company's share of the local radial truck tyre market continued to grow, Rolfe said.

Gentyre's industrial products division — this operated in a "fragmented and overtraded" market — had also sustained losses, the chairman said.

"Action is under way to sell off or materially downsize portions of this division," he said. (19b)

Parent W&A had repaid the R55m owing to the company at the 1993 year-end.

Rolfe said Gentyre would be able to "more than make up the first half's shortfall" during the rest of the financial year, barring disruptions to trading conditions.

The company said it had decided on a capitalisation issue instead of an interim dividend. The shares would be issued at R27,50 a share, Rolfe said.

Star 1/9/94

Tiger Wheels goes roaring ahead

BY CHARLOTTE MATHEWS

The expansion of its manufacturing operations, increased overseas earnings and the success of its niche stores pushed up profits from Tiger Wheels by 72 percent to R9,4 million in the year to June.

Turnover was 50 percent up at R155,9 million and income before interest 94 percent better at R13,3 million.

Although interest paid was lower, the tax rate payable was 27 percent from 5 percent previously. On a slightly increased number of shares, earnings a share were 26c (15,6c).

Capitalisation shares in the ratio of 3 for every 100 held, or a cash dividend of 10c (6c), have been declared.

Tiger Wheels Holdings, which owns 73,7 percent of Tiger Wheels's shares, made earnings of 20,8c a share from 1993's 12,3c.

Tiger Wheels chief executive and joint chairman Eddie Keizan says the group is budgeting for higher sales and earnings in all divisions in the year ahead.

232 196

CONSOL

Fm 2|9|94

Heavy spending phase

For Consol, Anglovaal's packaging and rubber subsidiary, its golden anniversary was not accompanied by a set of similarly garnished results. Negative volume growth, an intensified price war and higher finance charges put paid to real earnings growth. (196)

The 13% rise in turnover to R2,44bn in the year to June is somewhat deceiving, because it incorporates the results from acquisitions: Interpak from SAB's subsidiary Lion Match and Safe-T-Tyre, bought by tyre manufacturing subsidiary Tredcor. If these are excluded, Consol MD Piet Neethling says, sales increased a more realistic 5% on a year ago.

Neethling ascribes the marginal 2% growth in operating profit to three major factors. First, a swing from profit to loss by the plastics division. The size of the loss is not disclosed, though Neethling hints that if the division had retained its profit of financial 1993, Consol's earnings growth would have been around 17%; this suggests about R17,5m.

Second, the loss of decentralisation transport benefits in the Eastern Cape previously granted to Tycon. Neethling puts this loss at R10m. Third, costs of R5m for the restructuring of tyre operations, the benefits of which will be realised only in future years.

Between them, these factors wiped at least 13% off the growth in operating income, squeezing the margin to 11,7% (1993: 13%). But Neethling is confident he can reverse the setbacks, which would contribute to an improved margin in the current year. Better volumes over the last few months — too late to have a significant impact on 1994's financials — will provide additional support.

There have been other positive developments: management has used this time of weak demand to upgrade and enhance installed capacity and to redesign information systems. Capex increased substantially in 1994 to R163m (R87m), with rubber interests absorbing 51% of this. Neethling says the group is not yet clear of heavy capex spending, with R215m earmarked for the current year — rubber again taking the lion's share.

Though such spending has impaired returns on shareholders' interest and capital employed, management is confident these ratios are at their lowest.

The negative cashflow of R263m (1993: R116,7m) — after the R205m Interpak acquisition and capex — will improve in the current year, though the position will only be positive in 1996. Gearing at 22% is not unduly high.

GEARED FOR GROWTH

Year to June 30	1993	1994
Turnover (Rm)	2 166	2 443
Operating income (Rm)	280,5	285,5
Attributable (Rm)	156,8	165,4
Earnings (c)	243,3	257,0
Dividends (c)	70,0	74,0

Fm 2|9|94

Sales of returnable glass bottles declined owing to the continued lack of growth in consumption of beer and soft drinks. Major structural changes in certain markets serviced by the plastics division resulted in a severe decline in volumes, requiring production rationalisation and reduction of overheads. Demand for tyres and conveyor belts from the mining and construction industries remained low, but demand for tractor tyres picked up.

Neethling believes earnings growth of 10%-20% could be achieved this year given the investments and the improvement in manufacturing. (196)

The share has climbed 60% over the past year to R57, outperforming the sector index. On a p:e of 21,7 and dividend yield of 1,2, it looks fully priced for now, though investors will have to look hard for a better alternative within the sector. *Marylou Grieg*

Dunlop's profit deflated by 'difficult conditions'

BDay 9/9/94

MICK COLLINS

TYRE and industrial products group BTR Dunlop saw attributable profit slide to R32,9m (R33,8m) for the six months to June, despite a favourable deferred tax rate adjustment.

Turnover rose by 6,2% to R350,5m on the back of increased sales while measures taken to control costs were maintained to bring operating income in by 8,1% more at R45,5m.

Earnings a share slid to 138c (142c) and a 63c dividend was declared (60c) covered 2,2 times (2,4 times).

MD Michael Smithyman said the group experienced varied and difficult trading conditions.

Further large increases in the rate of the secondary tax on companies to 25%, and the transitional levy of 5% included in the normal tax, were only partially offset by the reduction in the company tax rate to 35%. After-tax profit at R33m was down on the previous year's R33,9m.

Due to delays in delivery, capex during the six months was below expectations and operating cash flow of R52,1m was higher than anticipated. 196

Smithyman said the group's capex in the next few years would be between R30m and R40m.

Quality would be enhanced at the Ladysmith plant with two Mitsubishi tyre-moulding presses. Tube production was being upgraded with R4m at the Durban factory. Making machines at Ladysmith had been upgraded with a R2,5m investment.

He said the outlook for the rest of the year depended on the early resolution of various labour disputes in the country. Should this happen the group was confident improved trading conditions would continue for the balance of 1994 and into 1995.

Dunlop skids on tax bill

Star 9/9/94

■ BY CHARLOTTE MATHEWS

A higher tax bill turned BTR Dunlop's 8 percent improvement in trading profits in the six months to June over the comparable period last year into a 3 percent decline at bottom-line level.

The tyre and industrial products company lifted turnover by 6,2 percent to R350,5 million as weakness in consumer markets was balanced by increased sales in other areas.

Financing costs were a negligible R200 000, against R1,6 million, but the tax bill nearly doubled to R12,3 million from R6,6 million previously on higher secondary tax on companies, the transitional levy and a lower deferred tax adjustment.

Attributable profit was R32,9 million, compared with 1993's R33,8 million on which earnings were 138c (142c) a share.

An interim dividend of 63c (60c) has been declared. (196)

Delays in delivery meant capital expenditure was below expectations in the six months.

Capital expenditure over the next few years is likely to be R30 to R40 million, MD Mike Smithyman said yesterday.

So far R10 million has been spent on new plant for the Durban and Ladysmith factories, including tyre moulding presses and a new CAD system.

Smithyman said the outlook for the rest of the year depended on the resolution of labour disputes.

If these are resolved, continued trading improvement is likely in the rest of the current financial year and into 1995.

Tiger Wheels' earnings soar 72%

BIDay 1/9/94

MUNGO SOGGOT

WHEEL and tyre manufacturer Tiger Wheels lifted earnings 72% to R9,4m for the year to June, after high sales propelled turnover 50% to R156m.

Earnings were pegged at 26c (15,6c) a share, and the company offered a 10c dividend, or a scrip alternative. (1916)

CE and joint chairman Eddie Keizan said he was cautiously optimistic about the group's outlook. Despite tough trading conditions in the local tyre business, Tiwheel was budgeting for growth in all divisions.

The company would be able to increase its penetration of the alloy wheel market after buying engineering group Dorbyl's R13m wheel manufacturing operations.

The deal was wrapped up at the end of the financial year and had not affected earnings and it could take a year before the aquisition had an effect, he said.

Margins were up to 8,5% (6,5%). Keizan said one of the reasons for the improved margins was that the group was selling more products through its own stores.

Tiwheels had over R1m cash in the bank, and growth could be self-funded, he said.

BTR DUNLOP

Liquidity swing

FM 16/9/94

BTR Dunlop's interims lack bounce. But then again, the group's markets — automotive, mining, engineering and consumer — haven't been particularly exciting growth areas. What is pleasing, however, is that margins and the balance sheet remained sturdy. The R32 share price is closing in on its R35 high set in 1991.

Turnover rose 6,2% over the six months. MD Michaël Smithyman says this was derived mostly from the improving motor and industrial divisions. These more positive trading conditions should continue despite the motor industry strike; new car tyres account for less than a fifth of BTR Dunlop's total tyre sales. (196)

Meanwhile, the decline in the hard-hit consumer markets affected sales in the flooring, sports and engineering divisions. Sales here were well down. Even after allowing for a favourable deferred tax rate adjustment, profit after tax fell and EPS

FM 16/9/94

were marginally down at 138c.

For the full year, Smithyman expects a small increase in trading profit and, if the deferred tax rate adjustment is excluded, a corresponding increase in EPS on 1993's 272c — so a good second half is expected. In 1993, a deferred tax rate adjustment was largely responsible for the reversal of two years of earnings decline. Lower interest payments provided the rest.

Cash holdings rocketed from R700 000 to R38m. Interest payments were a minuscule R200 000 (1992: net borrowings R4m) and gearing is a negative 11,3%. Smithyman says that due to delays in delivery, capital expenditure was below expectations and accordingly operating cash flow of R52,1m was higher than expected. (196)

Given the more-than-adequate cash flow, and despite the narrow cover, the dividend is unlikely to come under pressure. On a p:e of 10,2 and dividend yield of 5,6%, the share is inexpensive. *Kate Rushton*

Higher confidence to result in better growth, says Consol

BIDay 2/9/94

AMANDA VERMEULEN

PACKAGING and rubber group Consol expected an improvement in business confidence to lead to increased volumes and earnings growth in the 1995 financial year, chairman Clive Menell said in the group's annual report.

But this trend was not expected to materialise fully until the end of this year at the earliest.

The group experienced sharp decreases in demand in its plastics division, resulting in the sale of its beverage bottle business to Nampak, and the simultaneous acquisition of its rigid plastics division.

This led to a reduction in overhead costs and retrenchments. The plastics division made substantial losses from poor demand and disrupted manufacturing operations, but a turnaround was expected this year (1996).

Depressed beer and soft drink consumption continued to have a negative effect on sales of returnable glass bottles.

The 11% turnover increase in the packaging sector was mainly due to the acquisition of Interpak in November 1993.

Both the glass and paper divisions recorded an increase in operating profit, assisted partly by the Interpak acquisition.

The group's rubber interests showed turnover growth from volume gains in the consumer and agricultural markets, but commercial, construction and mining markets declined.

The small increase in operating profit was a result of downward pressure on margins in a sluggish economy, competition from imported products and loss of decentralisation benefits. In addition, certain costs incurred in restructuring would provide benefits only in future years.

The rubber interests were well positioned to meet future challenges, said Menell, and restructuring would result in reduced warehousing, handling and overhead costs.

Conti incorporates Gentyre into marketing strategy

BDay 28/11/96

AMANDA VERMEULEN

GENTYRE and parent W&A Industries, together with Continental AG and Trencor, have reached an agreement in principle regarding the relationship between the companies, they said in a statement at the weekend.

Continental recently formed Conti International Division, which had structured its international marketing strategy for its eight tyre brands. Gentyre SA had now been formally incorporated into the strategy under the Conti International umbrella.

Continental would not require any investment in Gentyre SA, but would rely on stable and professional domestic management.

Ray Hasson said on behalf of W&A and Trencor that W&A's disposal programme was substantially complete. They intended to retain Gentyre as an important part of W&A's and Trencor's holdings.

(196)

All parties had committed themselves to extending the trademark and technical agreements for at least five years after the end of 1998.

Rough ride ahead for tyre industry

(196)

BD 20/12/94

MICK COLLINS

THE tyre manufacturing industry would face a flood of cheap imports if government scrapped the import permit system and lowered the 25% tariff on foreign products, industry sources said yesterday.

One source said the industry would be reduced to chaos if the brakes were not put on imports. Inefficient anti-dumping legislation had to be beefed up.

He said at risk was a R2bn-a-year industry which employed 15 000 workers. An additional 10 000-12 000 people were employed in the retail sector of the industry.

Gentyre marketing director Roger Tait said proposals concerning imports were currently with the Board on Tariffs and Trade and so far there had been no decision, but the board would retain quantitative controls on imports until the middle of next year.

At present imports were limited by permit, coupled with a nominal duty of 25% which was aimed at restricting imports of low-cost products. "But we expect the board's final recommendations to be in line with GATT," Tait said.

Tait said costs of certain raw materials had escalated, the most noticeable being natural rubber, with certain countries attempting to secure their positions.

The industry also imported the majority of its components, which made it vulnerable to the exchange rate. He said it was too early to predict the level of any price increases for next year.

Firestone sales director Mike Cotterell said while the industry was doing its utmost to make itself more cost efficient, prices would increase 3%-8% next year.

He said a shortage of rubber on world markets — with China reportedly taking up any surplus — was being exacerbated by the devaluation of the rand.

The industry had had to endure huge increases in the price of natural rubber, while wage increases and higher overheads would affect tyre prices. "Added to this will be changes to the import permit system in terms of GATT, which could lead to dumping. But the industry is readying itself for dumping and is putting mechanisms in place to prevent it. Despite this, we will see a lot of new products flooding into SA."

Goodyear/Tycon marketing director Gordon Wilmot said it was difficult to forecast with any accuracy what level of price increases could be expected.

Natural rubber prices had risen 50% during the past year. Other raw material costs had also increased.

"The depreciation of the rand has added to the problems of the tyre manufacturers, who also face an influx of imported tyres.

"We have, in the past, always endeavoured to hold price increases to an absolute minimum," he said.

'Consumers pay for tyre industry overprotection'

(196) BD 21/12/94

MICK COLLINS

THE consumer was paying for the continued overprotection of the local tyre manufacturing industry, a leading tyre importer said yesterday.

Reacting to claims that the local industry would face a flood of cheap imports if government lowered the 25% tariff on foreign products, Tyrequip MD Dennis Applebee said local manufacturers were uncompetitive in comparison to international producers.

Wholly owned by Amic, Tyrequip is one of the largest importers in SA and holds the franchise for the Michelin range.

Applebee said despite its levels of protection, the industry had apparently failed to focus production on high volume lines for local consumption and export. It also suffered from high input costs.

While manufacturers were concerned about the dumping of foreign products, locally manufactured tyres were on offer at internationally competitive prices in countries outside the Southern African Customs Union thanks to export subsidies.

"The taxpayer and consumer is footing the bill for these exports, and while the protection of jobs is laudable, the man in the street is paying above equivalent international market prices for his tyre," Applebee said.

A recent study by the University of Cape Town, commissioned on behalf of Cosatu, found that as a vehicle manufacturer's input, a standard tyre was 41% above the international price.

If the local industry was to rationalise production and go for exports there would be some job losses in manufacturing.

"The question is whether SA tyres can ever be competitive in a world market without state export subsidies.

"This is a key issue for the Trade and Industry Minister, given his commitment to creating truly viable industries," Applebee said.

Customs and Excise import statistics showed that over a five-year period (1989 to 1993), imports by mass accounted for between 11,3% and 12,8% of total original equipment and replacement market sales.

"The percentages do vary by category, but in no instance do they achieve meaningful penetration where a comparable local product is available," Applebee said.

He said that in June 1992 the local industry had requested an effective doubling of the import duty formula.

Following the request, the Board on Tariffs and Trade had published proposed duties for comment in late August which provided for ad valorem duties coupled with specific duties (rands a kilogram), the latter being phased out over eight years.

At an FOB of R10 a kilogram or less, the specific duties would not initially exceed 47% for car tyres and 40% of FOB value for truck tyres.

While the board's proposals would not by themselves stop dumping of low-cost products, they did raise the landed cost of most normally priced imported tyres as the specific duties only reached 25% of FOB value at R18,80 a kilogram for car and R16 a kilogram for truck tyres, Applebee said.

The board's investigation into the local tyre industry was understood to be at an advanced stage and recommendations were expected shortly.

He said the escalating price of locally produced tyres had already prompted the Tyre Dealers' Association to call for an urgent review of the industry.

MANUFACTURING – RUBBER PRODUCTS

1995

Tyres to cost you 8% more

(196)

Star 26/1/95

Durban — Tyre prices will increase by an average 8 percent from today, the second increase in barely five months.

Supertyres managing director Bob Horn said Tycon, owner of Goodyear Tyres, had cited the severe price increase of natural rubber as a reason for a higher price.

Firestone public relations manager Philip Nel said he expected the situation to deteriorate further by April.

He said a 10 percent rise in labour costs in Malaysia and fires that had destroyed rubber plantations had contributed to an increase in the price of natural rubber.

The impact on tyre makers was in excess of 10 percent. — Own Correspondent.

Tyre prices up by 8%

(196) CT 26/1/95

DURBAN. — Tyre prices will rocket by an average of eight percent from today — the second increase in barely five months.

Supertyres managing director Mr Bob Horn said he was "shocked" by the increase.

He said Tycon, owners of Goodyear Tyres, had cited the severe price escalation of natural rubber as a reason for price hikes.

Firestone public relations manager Mr Philip Nel said he expected the situation to deteriorate further by April.

He said the 10% rise in labour costs in Malaysia and massive fires which had destroyed rubber plantations had contributed to an increase in the price of natural rubber.

NEWS IN BRIEF

BD 27/1/95 (196)

Tyre prices up again

TYRE prices increased up to 7,5% yesterday, the second rise in five months. The price of passenger car tyres rose 6,5%, light truck tyres 6,5%-7,5% and large truck tyres about 7,5%.

Behind the spiralling costs was a supply and demand curve trend which had been severely distorted by depressed economies, rubber importers said. Manufacturer Firestone said the situation could deteriorate further by April.

Technician convicted

ELECTRONICS technician Kai Henry has been fined R10 000 or three months in prison for possession of software to alter M-Net decoders for pirate use.

Henry, of Bellevue, Johannesburg, admitted four previous convictions on related charges.

Gems and gold seized

COMMERCIAL crime units throughout SA reported 3 612 cases involving R214m in December, police said yesterday.

The diamond and gold branch had seized money, uncut diamonds and unwrought gold to the value of nearly R3m and arrested 199 people.

Minibus shootings

MEMBERS of a police reaction unit yesterday told an inquest magistrate that five suspects in a minibus they had opened fire on in Durban's Essenwood Road had slumped out of the vehicle one after the other.

It was earlier heard that the suspects were ordered on to the pavement and shot dead.

REPORTS: Own Correspondent, Sapa.

Wheat producers want old system

BD 27/1/95

LOUISE COOK

WHEAT farmers in the Free State voted overwhelmingly yesterday in favour of retaining the single-channel marketing system instead of switching to free trade.

Winter Grain Producers' Organisation chairman Chappie Ferreira said about 200 farmers had indicated that they favoured retaining the system for as long as possible.

Single-channel marketing through the Wheat Board guarantees producers a buyer and a price. In 1993, in a report to government, Stellenbosch University's Prof Eckard Kassier recommended swift agricultural market deregulation. The maize industry has slowly freed sales procedures and could have a completely new system in place in May when the new selling season starts.

Ferreira said wheat farmers had been warned that the upcoming new Marketing Act could force change in the wheat industry. "In the event of change being forced on us, we would have to privatise."

He said Free State farmers were "anxiously awaiting" the outcome of Transvaal and Cape farmers' marketing preferences, which would become clear within the next month.

Referring to a deal reached this week between interest groups in the wheat industry, which would prevent mass imports of cheap wheat, Ferreira denied that the agreement would protect the producer only.

"It was in everyone's interests, including the consumer's," he said.

He warned that government might have to re-introduce single channel marketing in the maize industry because the availability, price and supply of maize, which was a staple food, was in jeopardy as a result of the uncertainty.

Sapa reports Agriculture Minister Kraai van Niekerk met the SA Agricultural Union yesterday to discuss the drought and possible emergency measures to assist farmers.

In an interview, Van Niekerk said the talks were on several issues, including the debts of grain farmers who had no income.

"We also looked at the difficulties they have in paying their workers and the possibility of providing production loans," Van Niekerk said.

Various factors had to be evaluated because state assistance could be given only in cases of "proven need".

Van Niekerk said among the immediate problems which needed to be addressed was the plight of cattle farmers who had lost thousands of hectares of grazing in recent veld fires. The possibility of subsidising the transport of fodder over long distances had to be considered.

An assessment of the drought's extent should be completed soon.

Van Niekerk said the wheat harvest was down 50% and 500 000 tons would have to be imported this year. The maize harvest was expected to be about 5,51-million tons, far short of normal domestic consumption of 7-million tons.

"However, we still have about 2-million tons in stock, which means we will probably not have to import this year," Van Niekerk said.

Motor industry row goes on

BD 27/1/95

ERICA JANKOWITZ

THE simmering dispute between the National Union of Metalworkers of SA (Numsa) and the SA Motor Industry Employers' Association on the future of the motor industrial council was not resolved yesterday.

Numsa general secretary Enoch Godongwana said the union was disappointed at the association's apparent reluctance to discuss wages, as workers had not received wage increases since December 1991.

Garage attendants were among the most poorly paid workers in the country with some in rural areas receiving a weekly wage of R79,95. In urban areas, wages averaged R122,50 for a 45-hour working week.

The association was taking advantage of the unions' lack of organisation in the sector, which included garages and panel beating shops, he said. And, instead of driving a wedge between representative unions, employers had "unwittingly" brought Numsa and the Motor Industry Staff Association and the Motor Industry Employees' Union closer together.

These unions were previously divided along political and racial lines, but they had now joined forces in calling for the intervention of the Labour Ministry to prevent the collapse of the industrial council, Godongwana said.

Negotiations, which broke down last year, were resumed only after Numsa agreed to relax the closed shop arrangement in the industry.

The unions had opened with a wage demand of 35% to which the employers responded with a 10% offer for petrol attendants and 16% to 18% for other workers.

Godongwana said although this was too low, in the past employers had refused to make any wage offer. After report-back meetings, the parties had met for further talks.

Association general secretary Vic Fourie was not available for comment yesterday.

Firms expect higher wage bill

BD 27/1/95

ERICA JANKOWITZ

ALMOST two-thirds of surveyed companies expected wage increases to be higher this year than last year's recorded settlement levels, Andrew Levy & Associates researcher Renee Grawitzky said yesterday.

And 52% of participants believed industrial action stemming from wage negotiations would occur this year. In a poll of more than 100 companies currently preparing mandates for the 1995 wage round, Grawitzky found that only 16,4% of companies were budgeting for lower increases than were granted last year. About 20% expected similar settlement levels to those of 1994.

Companies predicted increases ranging from 7% to 13%, with the majority budgeting for a 10% increase in wage bills.

Grawitzky said 79% of surveyed companies anticipated a difficult bargaining year, largely attributed to heightened expectations.

COMPANIES

Tiger Wheels streaks ahead

(196) MARCIA KLEIN

INCREASED penetration of export markets and higher domestic retail sales allowed alloy wheel and tyre company Tiger Wheels to report a 71% hike in attributable income to R5,8m (R3,4m) in the six months to December. 30/1/2/95 (196)

Joint chairman and CE Eddie Keizan said the 65% rise in turnover to R111,6m reflected real growth in all operations. Margins improved, and income before interest was 77% up at R8,4m.

He said last year's motor industry strike "had no negative effect on operations". Local manufacturers became overstocked because of the strike, and the company's retail division took advantage of the buying opportunities. As a result, the interest bill rose sharply to R1,2m from R571 000. Gearing was nevertheless contained at 22% from 38% in the previous year.

A 175% hike in the company's share of associates' profit reflected a sharp increase in the earnings of its UK and US wholesale distribution businesses.

Although bottom-line income was 71% higher than in the previous year, earnings were 45% up at 14,5c (10c) a share on additional shares in issue. In line with policy, dividends are considered only at the June year-end.

Keizan said the company was in the process of integrating Dorbyl's aluminium plants into its manufacturing division, but the full benefits would be felt only in the next financial year.

Tiger Wheels had a store network of 18 at end-December. It had since bought one store, and would establish other retail sites this year.

Tiger Wheels Holdings, which has a 70,4% stake in Tiger Wheels, reported earnings of 11,6c (8c) a share.

Good second half helps Gentyre regain lost ground

BD 6/3/95 (196)

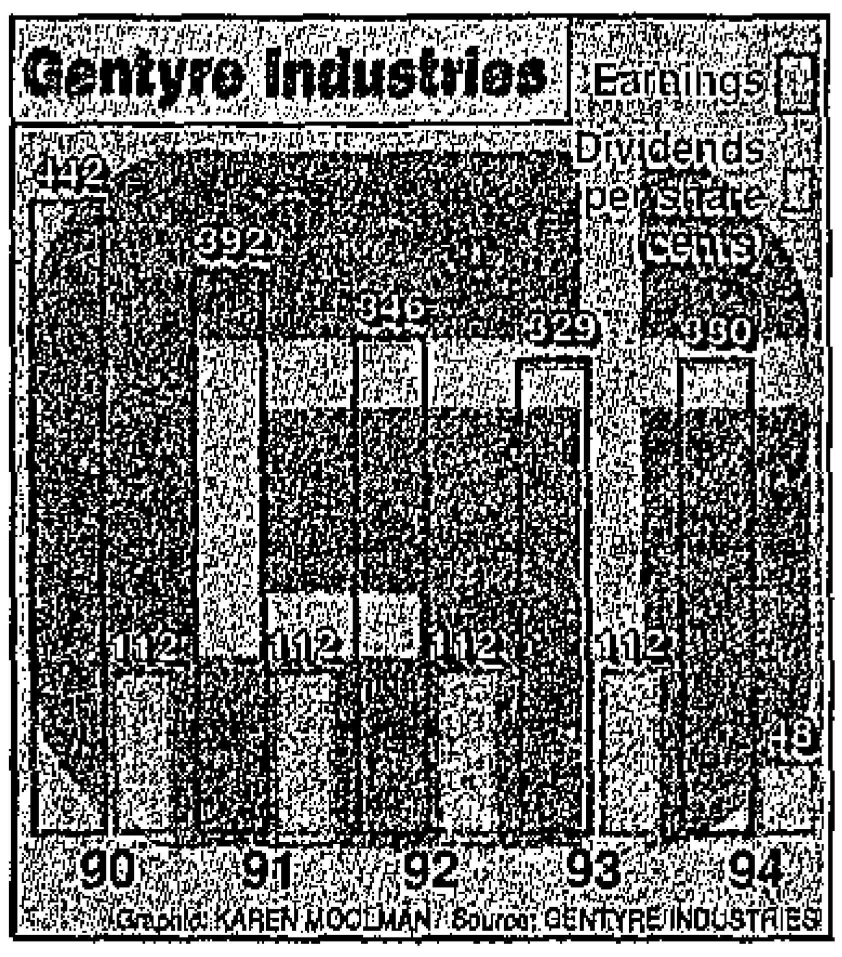
MARCIA KLEIN

TYRE manufacturer Gentyre's attributable profit inched forward to R52,1m (R51,6m) in the year to December as an improved second-half performance helped it regain some of the ground lost in the period to June.

Chairman Terry Rolfe said the second half had been stable, but the disruptions brought about by social and political change in the first half, when earnings were down 33%, were "never really overcome".

The company, in the W&A stable, has shut its struggling industrial products division, leaving it with its tyre interests. Extraordinary items relating to the closure, as well as other items, have been taken above the line, and 1993 figures have been restated to facilitate comparison.

Turnover of continuing operations was R485,4m from R536,9m previously. Operating profit of R72,8m (R47,4m) includes a R15,9m release of a provision which is no longer required and the R26,1m loss on the closure of its industrial products division. This loss was almost offset by a R25,5m profit which largely reflects the disposal of its investment in FSI Holdings Zimbabwe.



Excluding these items, operating profit was 8% higher at R57,4m.

The significant rise in taxation is a result of most of the income of the tyre division becoming subject to a deferred tax charge and the transition levy.

Earnings were 330c a share, against an actual 329c and restated 243c in the previous year. Shareholders may elect to receive a dividend of 48c a share or three new A shares for every 100 A or B shares held.

Directors said the tyre division had made progress towards completing its four-year R200m capital investment programme which has involved some key modernisation projects.

Gentyre has reached agreement with employees to manufacture on a seven-day production week, a move which would improve factory utilisation and productivity.

Rolfe said agreement in principle for Gentyre to be incorporated in the international marketing strategy of Continental AG has created the opportunity for it to be a major supplier to world and African markets through the Conti international network.

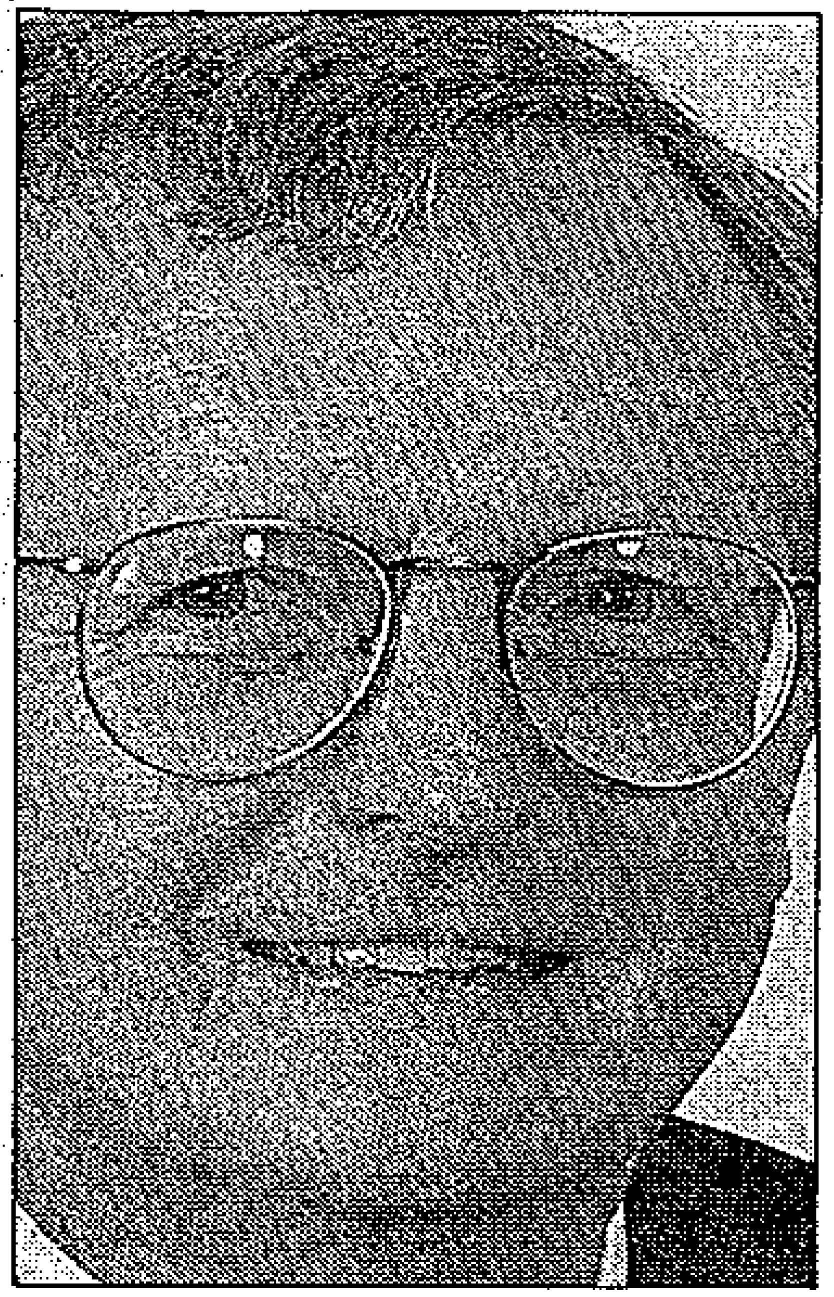
The industrial products division "failed to produce the desired returns in a fragmented and overtraded market" despite remedial actions. It has been closed down and most of its remaining assets have been sold.

The increase in non-current assets to R269m from R196,5m reflects Gentyre's acquisition of its strategic properties for R57m. R22m of this was paid in cash and the balance in a loan since repaid.

Rolfe said the company could compete effectively against higher levels of imports, as well as in export markets through "strong brand integrity and Gentyre's proven design".

BTR Dunlop profit above expectations

CT (BR) 10/3/95 (196)



MIKE SMITHYMAN *Expects further profits this year*

BY JON BEVERLEY

STAFF WRITER

Sales and operating profits at BTR Dunlop have moved ahead of inflation for the first time in four years, managing director Mike Smithyman said in Durban yesterday.

Earnings per share for the year to December 31 were 354c, against 295c in 1993. A final dividend of 122c had been declared (1993: 115c), totalling 185c (175c).

Attributable profit was R90,7 million (R81,7 million).

Smithyman said he believed sales and operating profits would increase further this year — but not at the rate achieved in 1994.

A buoyant second half had contributed to the results, which "had exceeded expectations".

This was due to a volume increase in the plants, while the high level of cash holdings and resultant net interest income had resulted in a "satisfactory" increase in attributable income.

The company planned to seek shareholder approval to split each share into five new shares.

It planned heavy capital expenditure of about R45 million in the year ahead, having spent about R30 million in each of the past two years.

Given the expected impact of the Gatt agreement and the lowering of import tariffs, the company needed to get its tyre and other businesses into a world-competitive position.

Talks were currently underway with the board of trade and Tariffs on what tariff changes were to be made in South Africa. No timetable had been set.

However, Smithyman said BTR Dunlop's world network would enable it to "benchmark" its South African operations in respect of quality and scrap ratios, and generally improve performance.

Programmes to improve the literacy and numeracy of the 4 760 members of staff would be introduced, together with bursaries and specific on-the-job training.

A highlight of 1994 was a 30 percent increase in exports, which had risen to R39 million (1993: R30 million) and now comprised 50 percent of sales. The company would continue to increase exports.

Smithyman said the company would bring in new products so that its lineup of products could compete with the rest of the world.

It had been faced with a tremendous increase in the price of rubber, but the rise was slacking off.

Capital spending included the installation of two R3,7 million Mitsubishi hydraulic presses at the Ladysmith factory, as part of a R10 million spending programme there.

There was also a R13 million project to upgrade the group's computer systems, which would result in it being the only South African tyre manufacturer to use the Catia 3D software.

The industrial products division had won a R4 million contract to supply conveyor belts for Alusaf's new R5,2 billion Hillside smelter.

The group had recorded sales of R777,7 million, up 12,8 percent on the R689,5 million in 1993.

But trading profit was up 17,4 percent to R109,4 million on the back of cost reduction programmes.

Net worth per share at December 31 was 1 489c (1993: 1 310c).

Dunlop buoyant

Star 10/3/95

(196)

BY JON BEVERLEY

Durban — BTR Dunlop sales and operating profits have moved ahead of inflation for the first time in four years, managing director Mike Smithyman said here yesterday.

Earnings per share for the year to December 31 were 354c, against 295c in 1993. A final dividend of 122c had been declared (as against 115c previously), totalling 185c for the year against 175c.

Attributable profit was R90,7 million against a previous R81,7 million.

Smithyman said he believed sales and operating profits would increase further this year — but not at the rate achieved in 1994.

A buoyant second half had contributed to the results, which "had exceeded expectations".

This was due to volume increases in the plants, while the high level of cash holdings and resultant net interest income had resulted in a "satisfactory" increase in attributable income.

The company planned to seek shareholder approval to split each share into five new shares.

It planned heavy capital expenditure of about R45 million in the year ahead, having spent about R30 million in each of the past two years.

Smithyman said in view of the expected impact of the GATT agreement and the lowering of import tariffs, the company would need to get its tyre and other businesses into a world competitive position.

Talks were presently under way with the Board of Trade and Tariffs on what tariff changes were to be made in South Africa.

A timetable for this is still be be decided on.

COMPANIES

Tiger Wheels gears up for exports

MARCIA KLEIN

WHEEL and tyre company Tiger Wheels is in the throes of significantly expanding its manufacturing operation, with most of the additional capacity earmarked for the export market.

Joint chairman and CE Eddie Keizan said the company was expanding capacity partly because of higher demand for its brands, and partly because it needed a certain economy of scale to ensure it was world competitive. (1196)

Last month Tiger Wheels reported a 71% increase in attributable income to R5,8m on 65% higher turnover of R111,6m for the six months to December.

Its products are sold to new car manufacturers, its own wholesale division (which onsells to retailers) and its international division.

Joint chairman Martin Glatt said when Tiger Wheels started to export some years ago, it did not have a product with a world name. Now it had importers in 21 different countries across the UK, Europe, the US and Japan. Its brand TSW had become accepted and acknowledged worldwide.

Since it listed in 1987, it had always offered shareholders a scrip dividend and had had an acceptance rate of around 80%. This had provided capital to help it expand.

Commenting on the possible loss of export incentives, Keizan said the company had been on a drive to be globally competitive without the help of incentives.

SA's re-entry into world markets meant that now the prices of raw materials like aluminium were world competitive, so it faced the same cost inputs as its competitors. Tiger Wheels' economies of scale were nearly large enough to ensure it could be a competitive global player.

He said details of the imminent restructuring of the motor industry were unknown. But what was known was that the industry would have an export focus, and as long as cars were sold, they would use tyres and wheels. BD 10/3/95

The company was currently having its products manufactured in other countries under licence.

Tiger Wheels to increase output

(???) Star 10/3/95 (196)

■ BY CHARLOTTE MATHEWS

Tiger Wheels is about to lift production by one third to increase its export capacity by introducing a new shift system at its factories in Babelegi and Elandsfontein.

At a presentation to analysts and the media yesterday, joint chairman and chief executive Eddie Keizan said the group will be changing its present shift rostering system to continuous production.

This means it will be able to increase the number of days worked by about 40 percent.

Tiger Wheels at present exports about 60 percent of its aluminium wheel production and expects this to increase to 75 or 80 percent once the new shifts get under way.

Workers will earn about 30 percent more than the current monthly wage excluding overtime, he said.

Keizan said the system had been presented to a meeting of the company's 520 workers in Babelegi two weeks ago and 95 percent were in favour of it.

(196)

BTR DUNLOP FM 17/3/95

Plenty of tread left

Last June, MD Michael Smithyman was carefully optimistic about BTR Dunlop's prospects for the year. Judging by the 1994 year-end preliminary results, he erred on the side of caution, with turnover up by 12,8% to R777,7m.

Trading conditions in BTR's markets loosened slightly in the second half, generating higher volumes of sales, and cost reduction programmes paid off in increased trading profits (up 17% on 1993 to R109,4m). The engineering and automotive markets should pick up even further in 1995, though Smithyman expects less impressive returns from the coming half-year.

Interest income from the R56,4m cash pile helped to raise attributable profit 11% to R90,7m. Smithyman says BTR will invest about R45m in capex over financial 1995 to modernise manufacturing facilities.

The group plans to become more competitive to compensate for the effects of the Gatt agreement and reduced import tariffs, especially in the automotive industry. It intends to increase the skills level of its labour force and will draw on its global connections to benchmark its operations in SA against world standards. Exports contribute about half to sales and are predicted to grow steadily in the future.

The share price, which has fluctuated between R24 and R35 over the year, is now at R32 and trading at a multiple of 8,4. If shareholders approve, the shares will be split 5-1 in May, making the stock much more liquid. Even at current prices, the share is a good buy.

Margaret-Anne Halse

SOLID PROGRESS

Year to December 31	1993	1994
Turnover (Rm)	689,5	777,7
Operating income (Rm)	89,3	111,1
Attributable (Rm)	81,7	90,7
Earnings (c)	343	380
Dividends (c)	175	185

GENTYRE (196) FM 17/3/95

Over the hump

Preliminary results for financial 1994 from Gentyre, effectively the most important company in W&A, are frankly confusing.

The results of 1993 have been "reclassified" — a curious word — to take account of international accounting standards which frown on extraordinary items taken below the line.

The *FM* complained about this last year (*Companies* June 17 1994) and the matter has been resolved. Even so, the reclassification hardly makes much difference to the numbers.

The only fact that counts is that Gentyre was unable to recover from the disaster of the first half. Much is written about SA's remarkable transfer of political power; little is heard of the cost. In Gentyre's case, shareholders have to pick up the pieces. Attributable profit of R51,1m was effectively the same as 1993's R51,6m. That translates into EPS of 330c (1993: 329c) — not much of an improvement.

Two interesting items emerge from the income statement. The first is that tax soared to R21,5m (1993: R7,1m) and much of this relates to recreating deferred tax for technical reasons related to the group's centre rather than at operating company level. The second is that Gentyre bit the bullet in the second half and closed its industrial products division at a cost of R26m. FD Geoff Sproule confirms that full

Continued on Page 140

Rolfe . . . *at last, something to smile at*

FOX

Continued from page 134

provision has been allowed to write off assets not sold.

The balance sheet is strong — it is completely ungeared and cash balances will strengthen further over 1995.

Two crucial factors will affect Gentyre's short-term future. The first is that new opportunities now exist for the company to increase its exports markedly, largely through its licensing arrangement with Conti of Germany.

The second is that agreement has been reached with the trade union for a seven-day working week.

The effect is to increase working days by 100 over a full year, adding 43% additional production capacity without any increase in the work force. Sproule confirms Gentyre is satisfied demand will match the extra production: "The trick," he says, "will be to get the mix between exports and local demand right."

This indicates the company is well positioned to take advantage of the economic recovery and it is probably reasonable to expect an EPS improvement of 25% this year. It implies EPS of 412c and puts Gentyre on a forward p:e of 4,9. That must be cheap.

David Gleason

Numsa demands a better pay deal

Sowetan 22/3/95

(196)

THE National Union of Metalworkers of South Africa is to table a 15 percent across-the-board pay rise for workers in the engineering, road vehicle and tyre industries, general secretary Mr Enoch Godongwana said yesterday.

The union will demand a further five percent rise for the lowest-paid workers, he said.

Numsa would also demand a minimum of 160 hours a year for adult basic education during paid time and additional training in operational skills.

Godongwana said these decisions were taken at a central committee meeting at the weekend.

"To close the apartheid wage gap our lowest-paid members must earn no less than 60 percent of an artisan's wage."

The union would also table a demand for a 40-hour working week.

"Our members and the employers in the motor manufacturing sector have led the way with a 40-hour week. Our demand this year is clear — employers in the other sectors must follow that lead.

Follow auto industry

"Employers in other sectors must also follow the auto industry lead by contributing five cents an hour to a work security fund. The purpose of the fund is to give training to retrenched workers to enable them to get new employment when retrenchment is unavoidable."

Godongwana said the central committee agreed that a quarter of workers' wages on September 24 be contributed to the reconstruction and development programme.

"Employers must, in exchange, contribute one per cent of their wage bill to the programme."

Negotiations on wages in the engineering industry take place towards the end of April, with other sectors following later in the month and in May. — *Sapa.*

COMPANIES

BTR Dunlop plans R200m capex

NICOLA JENVEY

DURBAN — Industrial holdings company BTR Dunlop would invest about R200min developing new products, upgrading equipment and facilities and staff training, MD Mike Smithyman said yesterday.

New product developments included light and heavy duty tyres, and a tyre catering especially for luxury car market would be launched in June. This was the first step towards re-establishing BTR Dunlop's name to the market.

Planning for the demise of protectionism was started late, but he was confident the company would handle the transition.

The company planned to expand its sports division to include a full range of equipment and clothing, but pressures from the Far East had had resulted in the closure last year of its Durban-based footwear factory.

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In the annual report chairman Drury Gnodde said the investment in training and modern equipment would ensure the group was "in a good position" to take advantage of any economic upturn and demand.

Smithyman said last year's exports had risen from R30m to R39m and now totalled 5% of group sales. Objectives for this year included increasing this figure to 20%. T

"We will take full advantage of SA's reintegration into Africa, as well as the country's ability to sell into other parts of the world."

BD 30/3/95

Sales and operating profits would increase further but not at the rate achieved last year, Smithyman said.

BTR DUNLOP (196)

Bouncing back

FM 7/4/95

Activities: *Makes and markets engineering and industrial, motor and consumer products.*
Control: *BTR Plc 52%.*
Chairman: *A M D Gnodde. MD: M J Smithyman.*
Capital structure: *23,9m ords. Market capitalisation: R790m.*
Share market: *Price: R33. Yields: 5,6% on dividend; 11,5% on earnings; p:e ratio, 8,7; cover, 2,1. 12-month high, R35; low, R24. Trading volume last quarter, 669 000 shares.*

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	4,1	7,2	8,2	9,4
LT debt (Rm)	0,1	28,0	19,7	10,4
Debt:equity ratio	0,02	0,02	n/a	n/a
Shareholders' interest	0,56	0,54	0,58	0,59
Int & leasing cover	8,8	19,0	23,9	n/a
Return on cap (%)	21,9	17,5	17,4	18,3
Turnover (Rm)	672	668	690	778
Pre-int profit (Rm)	89,7	91,3	93,2	109,4
Pre-int margin (%)	15,1	13,7	13,5	14,1
Earnings (c)	239	244	343	380
Dividends (c)	165	165	175	185
Tangible NAV (c)	1 091	1 182	1 310	1 453

BTR Dunlop continues to recover from its financial 1991 slump. Turnover, after a second-half surge which MD Mike Smithyman says exceeded expectations, has now climbed back above 1990 levels.

Performance ratios seem back on track. Most notable, though, is the strong cash flow (net R33,3m) and repayment of debt, which leaves Dunlop ungeared and with a cash holding up from R42,9m to R76,2m. Costs seem well under control — among other measures, staff has been steadily declining from nearly 6 000 in 1990 to 4 740 at year-end.

With early signs of growth in many of the market segments served by Dunlop, all this would seem to suggest a rerating of the share. The price has firmed — about 27% over the past year — but not in line with the strength of Dunlop's recovery.

Analysts point to two possible reasons: concern at the age and efficiency of some plant; and the lowering of import protection.

Smithyman, completing his first full year as MD, is aware of the concerns. He points out that what in some cases might be old equipment does not necessarily mean bad equipment.

However, it seems Dunlop may have neglected upgrading and modernising in the past. Capital spending of about R50m this year (R29m last year) should help. Smithyman says spending will primarily be on new equipment and the rebuilding and refurbishing of old plant.

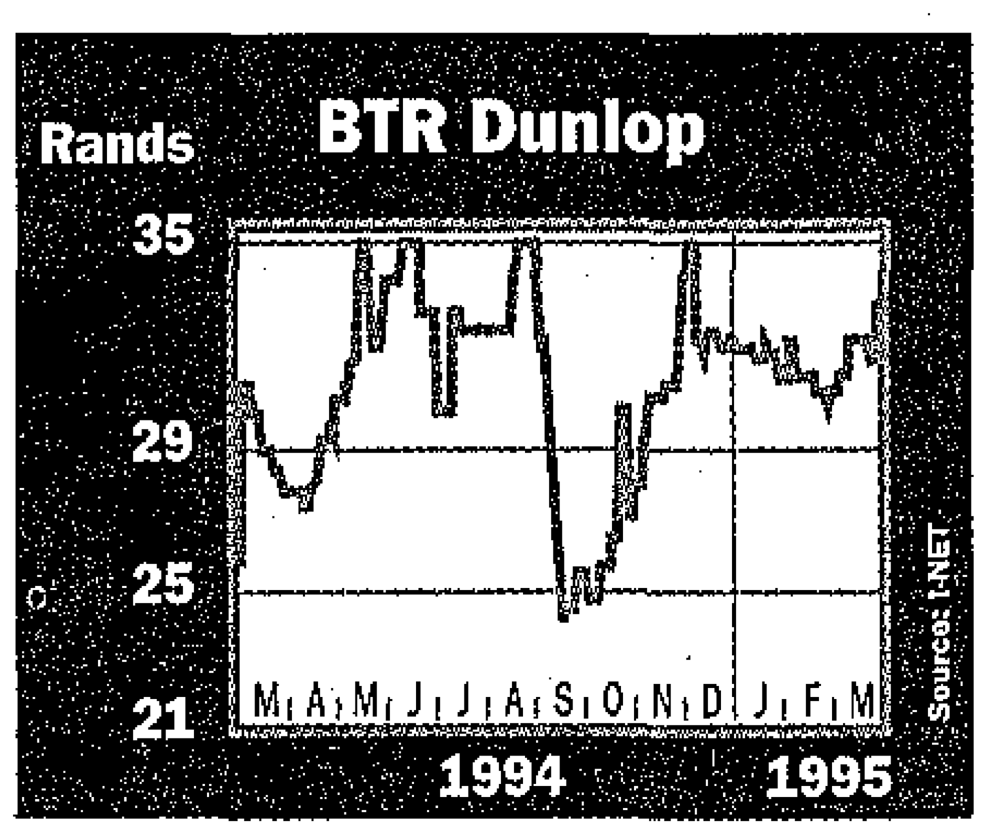
On the second point, Smithyman admits that new tariff regimes flowing from SA's compliance with Gatt could affect results "if these changes exceed our expectations." In the longer term, he has committed Dunlop to a programme of becoming globally competitive.

One way of doing this is to tap into resources available in BTR Plc and Sumitomo, maker and distributor of Dunlop tyres in the US, Europe and Asia. "As a result of the political changes and the re-acceptance of SA by the Free World, we have been able to make greater use of these resources," he says.

Smithyman

With improvements in productivity and quality, Dunlop is now able to benchmark operations according to international norms and to introduce new products. These will include new tyres, belting, hoses and sports goods — some from their international sources, others locally developed.

The plan is to expand exports from the current 5% of turnover to 20% over the next three to five years. Apart from the rest of Africa, Dunlop is selling products into markets as diverse as the East, the UK and the US. Smithyman has identified niche markets such as tyre inner tubing which many international groups no longer make but are still in demand in some countries.



Domestically, though, he remains cautious. He expects further growth in turnover and operating profit but less than last year. "Our target is real growth in earnings but we have local government elections coming up and a new Labour Relations Act. We could be in for a turbulent year."

In an effort to increase tradeability, ordinary shares will soon be split five-for-one. That could help if local institutions let some go — it seems unlikely that BTR Plc will lighten its shareholding.

The share price is a contradiction. At R33, it trades at more than double NAV; yet the p:e of 8,7 is well below the 13,9 for the industrial holdings sector. The rating seems out of line with the latest results. Perhaps more evidence of world competitiveness will help, especially if trading volumes pick up after the share split.

Shaun Harris

TYRES (196) FM 21/4/95

Treading firmly

Carlo Baldocchi, export and distribution manager of BTR Dunlop's tyre division, is a much travelled man these days.

Just back from France, he confirms that he has tied up an important export agreement to supply tyres to Dunlop France.

The picture emerging is that overseas connections are increasingly using SA sister companies to source product.

The latest export order is the result of "strong interest" in Dunlop SA by associate companies linked to the worldwide Sumitomo Rubber Industries network, he says.

Though not disclosing figures, Baldocchi says the deal will help the BTR group in its bid to boost exports to 25% of total group sales over the next three years. Currently these stand at 5% of the group's R778m turnover.

Baldocchi

The French agreement will see the local company exporting passenger-car steel radials on an ongoing basis. The company already exports its Regal steel radials to the UK, Holland and Italy. Also in the picture is Dunlop Japan, which recently sent a delegation to visit the local operation with a view to sourcing textile car tyres for the Middle East market.

BTR Dunlop MD Mike Smithyman says to survive in the global market, SA companies must export a high percentage of their products.

"As a result of political changes and the re-acceptance of SA into world markets, the BTR companies in SA are able to make greater use of the technology exchange agreements that exist between Sumitomo companies around the world. In recent months there has been a marked increase in visits by local personnel to overseas operations while various Sumitomo technical people have visited SA."

Downplaying recent reports of a R200m capital expenditure plan, Smithyman confirms BTR is taking full advantage of the latest technology available with state-of-the-art equipment being commissioned and advanced technology obtained through exchange agreements with Sumitomo. ■

Dunlop share split: A proposal by BTR Dunlop to attract smaller investors by subdividing its ordinary shares was given the go-ahead by shareholders in the Durban-based company yesterday.

Managing director Mike Smithyman said each ordinary share of 50c was to be subdivided into five ordinary shares of 10c each. At the current value of R33, a parcel of 100 shares would cost R3 300. Following the split, which will come into effect early next week, 100 shares will now cost R660. The number of BTR Dunlop shares will increase to about 120 million. (196) CT(BR) 25/4/95

TREADING ON TOES . . . Michelin Tyres' Paul Martin, who says import restrictions and high duties make South Africa's tyre market the world's most protected Picture: CHRISTINE NESBITT

Tyre importers squeal over trade barriers

ST(BT) 30/4/95 (196)

By DON ROBERTSON

AN acrimonious row has broken out between tyre importers and local manufacturers, with importers claiming the industry is over-protected and uncompetitive.

Tyre importers, led by Paul Martin, director of Michelin Tyres in southern Africa, say a 25% duty and quantitative import restrictions make South Africa's tyre market the world's most protected.

Mr Martin says the local manufacturers — Dunlop, Firestone, General Tyre and Tycon — operate as a cartel, often increasing prices at the same time by the same amount.

Gavin Hardy, chairman of the SA Tyre Manufacturers' Conference, says the SATMC "categorically refutes (sic) the statement that the tyre industry is over-protected. We make tyres which are internationally competitive in terms of specifications, performance and quality.

"If the industry was to be overcome by imports, can the importers suggest what alternative employment could be arranged for about 16 000 people?"

Mr Hardy says price increases are announced "at more or less the same time (. . .) probably because raw material price increases impact on local manunufacturers' production costs simultaneously".

Mr Hardy says South Africa does not enjoy the economies of scale of its overseas competitors. It also has to pay 25% more for raw materials and buy sophisticated equipment with a weak rand.

He disputes importers' claim that the industry produces 1 500 tyre sizes, saying only 300 are made, and queries whether importers could supply sufficient numbers to meet a market of South Africa's size.

Importers also accuse manufacturers of having a large stake in the retail industry, pointing out that Firestone has a stake in Supa Quick, Performance Tyre, Natyre and Quality Tyres.

The SATMC says manufacturers own less than 38% of the retail tyre trade and that all outlets sell the full range of tyres, as well as some imported tyres.

Imports will drive SA's tyre market

(196)

ST(BT) 28/5/95

By DON ROBERTSON

THE planned relaxation of import quotas on tyres from July 1 will shake up the R3-billion a year industry and give motorists a wider selection and more competitive prices.

Quantitative import restrictions have for many years limited the number of tyres importers could bring into South Africa, thereby restricting distributors' ability to expand their markets for brands such as Pirelli, Michelin and Yokohama.

Importers have complained that the SA tyre market is the most protected in the world.

But with South Africa a signatory to the World Trade Organisation (formerly Gatt), restrictions have to be dropped, while import duties of as much as 25% will be phased out over eight years.

Etienne Human, secretary of the SA Tyre Manufacturers' Conference, in a proposal to the Board on Tariffs and Trade, has asked for phasing out of restrictions over four years and reduction of duties over eight years.

"We don't mind fair competition, but import quotas or restrictions cannot be dropped immediately or jobs will be affected," says Mr Human.

"Some manufacturers in the Far East are able to export tyres at almost the raw material cost because of government subsidies," he says.

In anticipation of the scrapping of import restrictions, however, Performance Tyres, which imports Pirelli, has started importing the L6 light commercial vehicle tyre.

In terms of the restrictions, Performance Tyres could import passenger tyres only.

"Local content regulations plus the import permit and duties have sucessfully kept the share of imported tyres in the passenger car market under 10% for the past few years," says Johan Kotze, managing director of Performance Tyre.

"The abolition of the permit system will definitely see imported tyres gaining a much greater market share, rising to 15% of the passenger market this year and to 25% next year. In the light commercial market, we anticipate imports taking 8,4% this year, rising to 22% in 1996. At Performance Tyre we intend increasing our Pirelli units by 51% this year," he says.

Mr Kotze has no objections to import duty while the local industry gets its product and productivity to an acceptable standard and he notes one manufacturer plans to increase exports from 5% to 25% in three years. He also accepts the industry must be protected from dumping and low quality imports.

"In the high performance sector, however, I find it hard to understand how local manufacturers sell high performance tyres at low prices, given the short production runs.

"I believe it would be in their long-term interest to leave these areas for high quality imports and concentrate on more viable long production runs which can enhance export opportunities. For instance, there must be large untapped export markets for textile car tyres in Africa and the Middle East," he says.

Eddie Keizan, chief executive of Tiger Wheels, which imports Yokohama tyres, says the local industry is "hopelessly uncompetitive" and the lack of a decision from the Board has made market planning impossible.

Gentyre prepares for competition

BD 9/6/95 (196)

Marcia Klein

GENTYRE was well equipped to compete against higher levels of imports, as well as in the export markets, chairman Terry Rolfe said in the annual review.

The company, in the W&A stable, increased earnings by 36% to 330c (243c) a share on marginally higher turnover of R571,9m (R560,5m) in the year to December. Rolfe expected earnings to grow further in the current financial year.

He said speculation regarding the threat of higher imports did not "threaten to dislodge the strong position of Continental and General tyre products".

Higher levels of imported products could be expected following the introduction of GATT and the phased relaxation of import controls. Gentyre would counter this with its strong brand, design, development and manufacturing capabilities.

Commenting on Gentyre's performance over the year, he said a major portion of the industrial products division was sold off or closed during the period after "repeated unsuccessful attempts to obtain satisfactory returns".

The R26m loss on closures was offset by a R25,5m profit, largely on the sale of its interest in FSI Holdings Zimbabwe.

Rolfe said every effort was made to strengthen the balance sheet. Under-performing assets were sold off or closed and low yielding investments realised, and Gentyre ended the year without borrowings and with cash resources of R28m.

CE Clive Tutton said a decision was made towards the end of the year to move to a seven-day production week, and improved factory utilisation and productivity benefits were expected.

An opportunity had been created for Gentyre to become a major supplier to Conti International "for distribution of product to world and new African markets", he said. This followed an agreement in principle which incorporated Gentyre into the Conti International world marketing strategy.

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GENTYRE INDUSTRIES

The Sunday shift

FM 16/6/95

Activities: *Manufactures and distributes rubber products, mainly for the automotive industry.*
Control: *Hunts Manufacturing 68%.*
Chairman: *T Rolfe. CE: C Tutton.*
Capital structure: *16m ords. Market capitalisation: R360m.*
Share market: *Price: 2 250c. Yields: 2,1% on dividend; 14,7% on earnings; p:e ratio, 6,8; cover, 6,9. 12-month high, 3 600c; low, 1 600c. Trading volume last quarter, 70 927 shares.*

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	—	75,0	5,0	—
LT debt (Rm)	—	—	—	—
Debt:equity ratio	—	0,05	0,013	—
Shareholders' interest	0,78	0,67	0,81	0,79
Return on cap (%)	14,4	7,9	10,4	13,5
Turnover (Rm)	484	521	561	572
Pre-int profit (Rm)	52,8	37,7	47,4	72,7
Pre-int margin (%)	10,8	7,2	8,5	12,7
Earnings (c)	392	346	243	329
Dividends (c)	112	112	112	48
Tangible NAV (c)	1 825	2 044	2 350	2 680

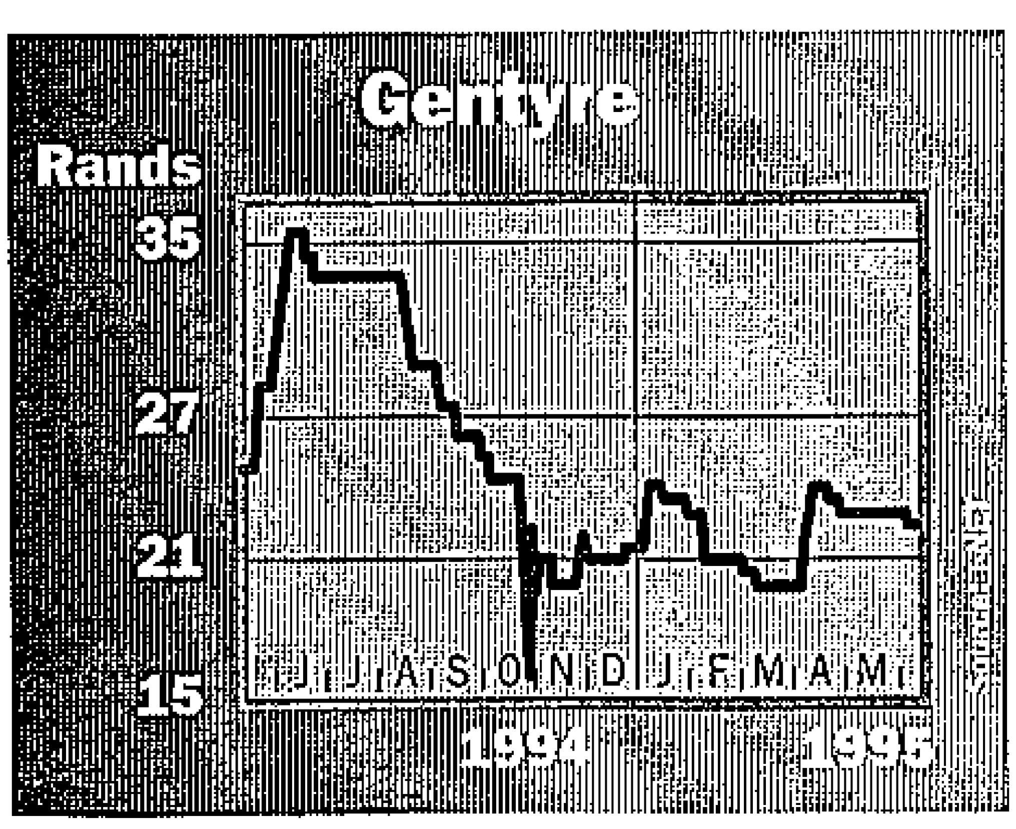
Financial 1994 brought significant changes to Gentyre.

Accounting policy now conforms with international standards and takes extraordinaries above the line (1993's results have been restated).

An agreement with the unions has led to the introduction of a seven-day working week; that will increase factory utilisation and productivity with only small cost increases.

And a four-year, R200m capex programme was completed in the tyre division while loss-making operations in the industrial products division were sold off.

The second half-year helped to pull the figures up after a bad interim result which carried all the pain of election uncertainties and labour unrest. Turnover crept up 2% to R571,9m (R560,5m) and operating profit from "continuing operations" rose 8% to R57,4m (R53,1m). The gross operating profit of R72,8m was bolstered by several extraordinaries, chiefly a R15,9m provision now released.



EPS rose to 329c — the restated figure for 1993 is 243c. The dividend figure of 48c reflects the optional cash amount available to shareholders who decline the capitalisation award for the second half-year.

The interim dividend did not carry a cash option. If it had, the full dividend would have surpassed the 112c declared in the last three years. Although net interest earned fell from R5,5m to R820 000, the group remains ungeared, with no debt and R28m in cash.

The group wrote off R26m on the closure of the loss-making industrial products division, a sum neatly neutralised by including R25,5m profit primarily from the sale of the group's investment in FSI Holdings Zimbabwe.

The closure cleared the way for expansion in its core business — the manufacture of Continental and General tyres. A deal with German manufacturer Continental AG will siphon off a "significant" quantity of tyre production for export, though exactly how much, financial director Geoff Sproule won't say. "It's not going to come through overnight," he adds, but expects full export capacity to be reached by mid-1996.

Having sold off unproductive assets, the group is positioning itself to face increased competition from imports as Gatt is phased in. The revamped manufacturing facilities, which consumed about R56m of capex, include state-of-the-art technology for manufacturing radial tyres and a new high-speed test facility. The group also spent R59,5m to buy back its land and plant from the institutions.

Sproule estimates Gentyre has about 20%-25% of SA market share in local production, "slightly more in the high-speed passenger sector." As the motor vehicle market expands, the demand for tyres both as original equipment and as replacements should rise commensurately.

Sproule says: "This year, things should be good for Gentyre." Results are due in a month; they will be final figures as Gentyre is changing its year-end to June in concert with the restructured W&A. Shareholders will then be able to gauge how effectively the group has been in generating a return on its investment.

The share has fallen from its 12-month high of R36 to R22,25 and is now on a p:e of 6,8. NAV has held up well, rising to R26,80 (R23,50), which puts the price on a discount of 17%. The share looks inexpensive on all counts.

Margaret-Anne Halse

Bosal aims to take on the world

(196) ST (PR) 22/6/95

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

Bosal Afrika's tube division has installed a mill to produce thin-walled tube at its plant in Waltloo in Pretoria as part of its plan to expand internationally.

Bosal installed the mill to meet demand from the irrigation market and other industrial users, said Rob Sweetnam, plant director at the tube division.

He said Bosal had experienced a substantial increase in domestic tube demand, which was related to the improvement in the economy, and an increase in market share.

He also attributed the growth to traditional suppliers closing down or not being consistent with supply.

Bosal was satisfied it could meet the increased demand, he said, and saw it as an opportunity to develop as part of its expansion process throughout the world.

Sweetnam would not comment on how much capital had been invested in the new mill, but said it came from Europe.

Expansion

The mill was designed to produce steel tube with diameters from 89mm to 159mm, and wall thicknesses from 0,9mm to 1,6mm.

Bosal was investigating further expansion at the tube plant to maintain market leadership and quality standards.

The tube division of Bosal led the field in all its markets, which included tube, conduit, leisure equipment and manipulated tube products, he said.

Sweetnam said the export market was vibrant, which was related to the international steel price.

Bosal had recently experienced an increase in demand from export markets for its tube and had secured major orders for thin-walled tube from Sri Lanka. However, he said the export market was exceptionally small and depended on world steel prices.

SA tyres draw interest

ST 2/7/95 (196)

By DON ROBERTSON

THE opening up of South Africa's R3-billion-a-year tyre industry in terms of Gatt requirements has prompted tentative investigation by international groups wishing to return to South Africa.

The "concept" of Goodyear buying back into the local industry has been discussed, says Piet Neethling, managing director of Anglovaal's Consol group which controls Tycon, formerly Goodyear SA.

Goodyear disinvested six years ago and at the time asked for a pre-emptive buy back agreement. This was refused.

"Tycon would not consider a deal for the cash aspect only, but would require technology transfer and the lifting of regional constraints to allow us to export," Mr Neethling insists.

Dunlop SA recently negotiated an order to supply tyres to Dunlop France.

Gavin Hardy, chairman of the SA Tyre Manufacturers Association, says associations with overseas principles are getting closer.

Hopes by tyre importers that quantitative import controls would be dropped this month have been dashed by the director-general of Trade and Industry, Zav Rustomjee.

Last week he said import controls would continue until the end of the year.

Tyre industry nears agreement

196

Renee Grawitzky

BD 12/7/95

PARTIES to the tyre industry industrial council were close to an agreement, with negotiations scheduled to continue today between three of the four main employers and the National Union of Metalworkers and the Yster en Staal, parties said.

Firestone, Gentyre and Tycon have been party to central negotiations for some years, but Dunlop has persistently refused to take part. As a result, their minimum wage was not in line with the industrial council minimum, sources said.

Dunlop spokesman Glen Sutton said "negotiations with unions take place in line with recognition agreements at each of the units. Therefore, we will not be taking part in any three-year agreement."

The parties to the industrial council were close to an agreement which was very much in line with the agreement reached in the car manufacturing industry, signed on June 29.

The tyre agreement would be a three-year agreement providing for increases based on the consumer price index, the reduction of wage differentials, education and training and a productivity framework agreement negotiated at enterprise level.

BUSINESS DAY, Thursday, July 27 1995 5

Tyre producers sign three-year wage deal

Renee Grawitzky

(196) MD 27/7/95

TYRE manufacturers and unions party to the new Tyre Industrial Council signed a three-year wage agreement yesterday covering 6 000 workers which follows closely on the heels of the motor manufacturers' "ground breaking" agreement which was signed at the end of last month.

The agreement reached between three main manufacturers — Firestone, Gentyre and Tycon — and the National Union of Metalworkers of SA (Numsa) and the SA Iron, Steel and Allied Industries' Union, has been hailed as a "path-breaking agreement" which was intended to lay the foundation to ensure the industries' survival "in the global market place while at the same time significantly improving the conditions of workers".

Numsa negotiator Tony Kgobe said Dunlop was not party to the industrial council agreement, but that the parties had committed themselves to take all steps to extend the scope of the council.

The majority of workers will receive an 11% wage increase this year while those earning above the maximum per grade will receive a 10% increase. The new minimum wage in the industry will be increased from an average minimum of R12,16 to R13,69 per hour — with workers working a 40 or 37 hour week.

As with the motor agreement, wage increases will be linked to the rate of inflation with increases on the minimum wage being 2% higher than inflation.

The motor manufacturers' body on the national bargaining forum committed itself to expanding the forum to include component suppliers.

BRIEFS

Tyre industry, unions agree (196)

JOHANNESBURG: Three tyre manufacturers and two trade unions have reached agreement on wage increases, training and job grading, Firestone SA said yesterday. The three-year agreement would benefit about 6 000 workers. Most wages would increase by 11% this year, while future rises would be two percent above the inflation rate.

CT 27/4/95

IDC gives R716 000 to organisation for handicapped in Atlantis

CT (B/R) 18/8/95 (196)

By Françoise Botha
Staff Writer

The RDP has been given a boost by the Industrial Development Corporation (IDC), which has provided R716 000 in financial assistance to the Orion Centre, an organisation for the physically and mentally handicapped in Atlantis.

The Orion Centre provides work, education, training and shelter to the mentally and physically handicapped.

Carel van der Merwe, managing director of the IDC, said: "Not only does this meet the IDC's objectives to help smaller businesses start, expand and modernise, but it is in line with the RDP objectives of developing human resources and meeting the basic needs of all people".

Van der Merwe said that in the current year, the corporation's cumulative contribution towards black empowerment would exceed R416 million.

The grant to Orion was to fund the purchase of equipment to expand the protective workshop run by the handicapped and to provide jobs for an additional 30 workers, bringing their number up to 210.

"This means that Orion will be less dependent on state handouts to support its other facets such as the Dawn Training Centre, which teaches basic life skills to more than 50 handicapped children, and the group shelter scheme which offers a home to many of the employees of the workshop," said Van der Merwe.

The Orion organisation aims to fund its workshop entirely, and its training centres and group shelters partially, by the income generated by the workshops.

"The IDC firmly believes that the manufacturing industry and the beneficiation of raw products are the two real wealth creators in any country. This is probably even more true in the case of South Africa," he said.

Since the IDC's inception in 1940, the assets it controls have grown to in excess of R10 billion. The majority are tied up in long-term commitments to manufacturing enterprises.

In the financial year to June, the IDC had approved facilities totalling R7,3 billion.

Black business unites in bid for empowerment

ET (WA) 21/8/95 (196)

By Thabo Leshilo

Staff Writer

The disunity in black business appears to have been overcome, enabling the development of a common vision on black empowerment, Benjamin Wauchope, the new chief executive director of the National African Federated Chamber of Commerce and Industry (Nafcoc), said at the weekend.

"It is because of the lack of unity that we are perceived as not being active in pursuing black empowerment, which is probably the single most important item on the agenda of black business," he said.

Wauchope, Danisa Baloyi, the executive director of the National Black Business Caucus and Bheki Sibiya, the managing director of the Black Management Forum, were chosen at the recent Nafcoc conference at Sun City to drive the process of setting up the united forum.

The committee of three has almost completed preparations for a meeting to launch the unified forum in mid-September to foster a common vision of black empowerment, lobby the government and to bring black business into the economic mainstream.

This practical step towards unity has been hailed as the most important outcome of Nafcoc's 31st annual conference. Business says the move reflects a new-found realism on the part of Nafcoc and that it has realised it cannot dismiss other organisations as irrelevant.

There is unanimity, however, that unity need not mean the replacement of all existing bodies with a monolithic structure, but rather to find a mechanism to enable co-operation on policy issues.

Said Wauchope: "Black business interests are as varied as you can get. Although it bodes well for us to have a unified organ to promote our common interests, it is not desirable to have one amorphous group."

The planned forum would enable black business to "move away from rhetoric", pool its limited resources and devise practical policies on issues including privatisation, unbundling and government and tenders.

However, black business must "mature to a level where we can compete effectively against each other", Moshapalo said.

BTR Dunlop overcomes materials price increase

By John Sherrocks

KwaZulu Natal Business Editor

Despite increases in the cost of raw materials, the tyre manufacturer BTR Dunlop was able to inflate its attributable income for the six months ended June 30 by 19 percent to R43,2 million.

"Pricing has been a great challenge over the past six months owing to large price increases in raw materials and other costs," said Mike Smithyman, the managing director.

The Durban-based group raised turnover by 18 percent to R414,4 million (R350 million). Earnings a share were up by a similar percentage to 36,1c (30,4c).

The interims show the group to be sitting on R100 million. The cash will be used to fund the planned capital expenditure programme which is geared to improving the group's global competitiveness. Smithyman attributed the turnover increase in part to an improvement in the equipment and export tyre markets.

The group is concentrating on exports and ties with Dunlop and BTR associates have been strengthened world wide.

Declaration of the interim dividend has been deferred until October 1 to allow affected shareholders to benefit from the cessation, from that date, of the liability for payment of non-resident shareholders' tax.

(196) CT (BR) 8/9/95

Tyre sector 'leaking R20m'

(196) BD 20/9/95

John Dludlu

THE SA tyre industry is losing more than R20m a year because of illegal imports, according to industry sources.

In an interview this week, SA Tyre Manufacturers' Conference chairman Gavin Hardy said the industry was suffering as a result of imports. "Things are tough at the moment," he said, referring to the flood of "grey" or illegal imports estimated to total "well more than R20m" a year.

These imports, which were "causing confusion to the consumer", were entering the SA market through "unofficial channels" or were entering the country without being detected by customs and excise officials.

The complaint by the tyre industry comes soon after similar grievances were raised by the textile and clothing industries, which claimed to be losing about R1bn a year to illegal imports.

This underscores the serious weaknesses in the customs and excise department in monitoring imports as SA embarks on tariff reduction programmes in terms of its international obligations.

The complaint by the tyre manufacturing industry comes amid calls by importers for the state to relax import controls on the tyre market, which is regarded as one of the most heavily protected in the world.

Protection of the local tyre market is enforced via a 25% tariff duty and an import permit.

Importers want government to relax these measures. But speculation that the permit would fall away last July failed to materialise when the state decided to retain it.

The matter, Hardy added, was now being discussed between the trade and industry department and the Board on Tariffs and Trade, a state agency whose job it is to recommend new tariff levels to Trade and Industry Minister Trevor Manuel.

Hardy said industry sales had been adversely affected by uncertainty about government's views regarding the relaxing or total lifting of import controls.

Tyre manufacturing leaders including Dunlop, Tycon and General Tyre favoured a three-year liberalisation programme. If the permit was scrapped, the 25% duty should be retained and be raised to adequately perform its protective function.

He said: "A 25% tariff duty is okay in G-7 countries (the group of the world's richest nations), not developing nations like SA."

Hardy said the general upswing in the economy had not yet started to filter through to the tyre market, which exported about 30% of its production to neighbouring countries in Africa.

Transport and the RDP

(297) (295)

Mduduzi ka Harvey

BD 20/9/95

THE long-awaited White Paper on transport would be released in January next year, Transport Minister Mac Maharaj said at the opening of the Transport Expo '95 in Johannesburg yesterday.

Maharaj stressed the important role of transport within the reconstruction and development programme, and said the revision of transport policy was at an advanced stage.

He said input reports from six working groups on infrastructure, land passenger transport, land freight transport, road traffic, maritime transport and civil aviation would be finalised in January.

Maharaj called on leading players in the transport industry to join forces to reduce the costs of commercial and industrial transport, especially where they threatened the competitiveness of SA products on world markets.

Gauteng finance and economic affairs MEC Jabu Moleketi called on SA's printing and publishing industry to ensure it remained internationally competitive. For the country's economy to grow in a sustainable manner, creating jobs for SA's 5-million unemployed in a GATT-dominated world, SA would have to be more internationally focused.

Challenging printing to become more involved in literacy training, he said literacy was the key to achieving the 5,5% growth the country needed.

MOTORING

Tyred of waiting

(196) FM 22/9/95

Local motorists, who pay about 40% more for tyres than is the norm internationally, may have to wait another four years before volume imports become freely available.

This results from local tyre manufacturers lobbying government to implement a Gatt clause which allows the extension of import controls for four years — before the five-year tariff phase-down is introduced.

The Board on Tariffs & Trade confirms that the powerful tyre manufacturing industry is fighting for the clause to be retained.

"But this would be a grave exception to the normal rule of tariff application in terms of Gatt," a board spokesman says.

The board is expected to bring out its final tariff application report "soon," after an industry investigation that has lasted more than three years.

Though tariff application proposals in terms of Gatt were originally expected to be announced before the July 1 deadline, the day of reckoning has again been postponed to January 1.

Industry pundits say SA's big four tyre manufacturers — Tycon, which makes Goodyear tyres, Firestone, BTR Dunlop and Gentyre — stand accused of operating a cartel in the R3,8bn/year local market.

"To prevent a flood of cheaper imports, they are now banding together to protect a noncompetitive industry hiding behind protective walls."

But the SA Tyre Manufacturers' Conference, of which all four manufacturers are members, says it favours the abolition of import controls — which are still subject to import duties of about 34%.

However, this would be on condition that tariff protection ranging from 25%-100% be instituted against "dumping subsidised and even slave labour exports" to SA.

Countries that export to SA include China, India, South Korea, Pakistan, Russia and Poland.

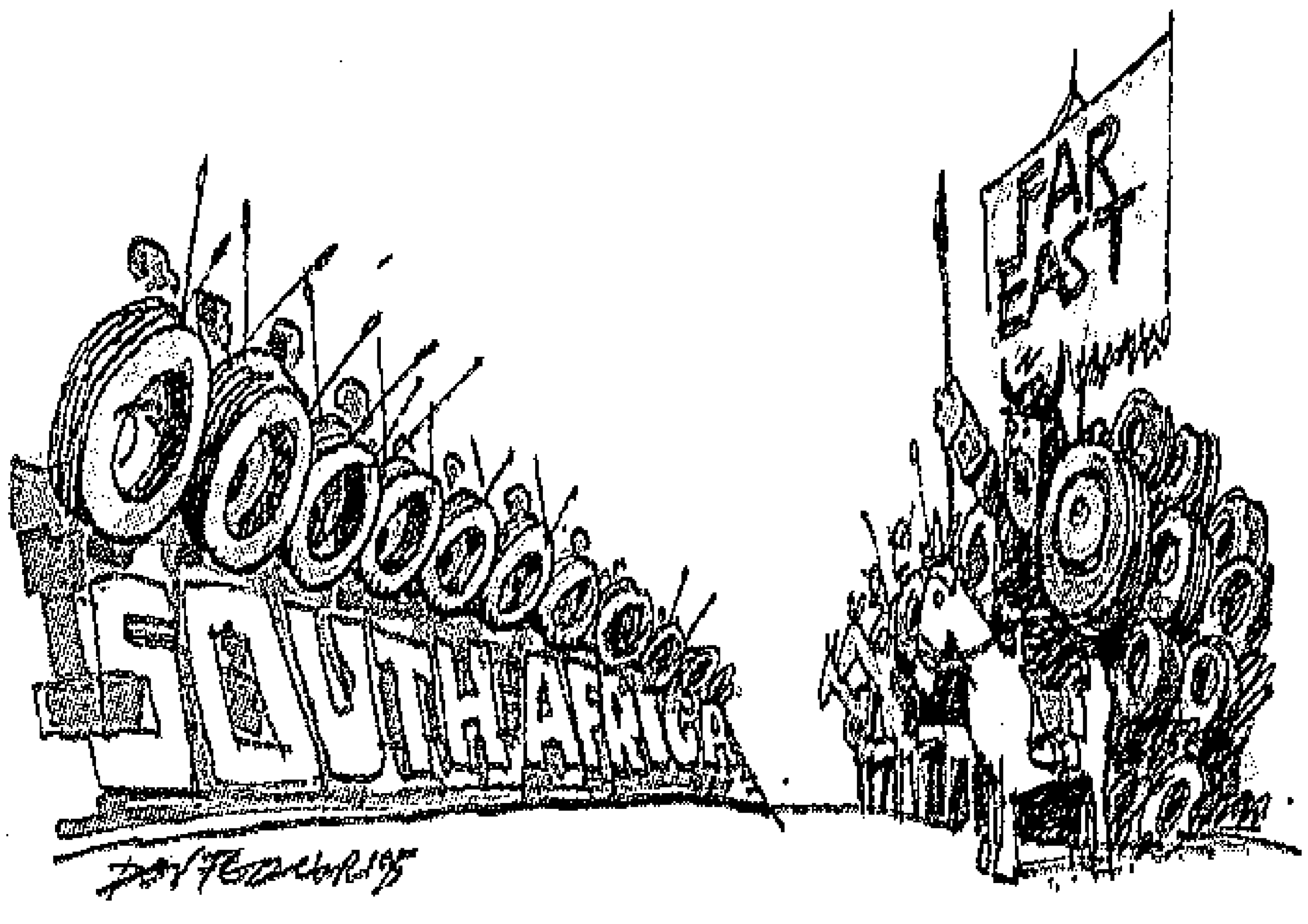
Conference chairman Gavin Hardy says SA is considered a soft target by many overseas manufacturers, some of whom don't even know their production costs and are merely seeking foreign exchange.

Hardy claims local manufacturers are competitive on the quality front, a fact he says ~~is~~ proved by the increasing volumes of tyres being exported.

"And, while raw material costs are a factor — rubber prices have increased by about 100% over the past year — in keeping prices relatively high, this is being discounted by the level of competition in the local market. The real reason we cannot compete, price-wise, globally is our level of productivity."

But tyre importers are frustrated by the fact that the board has been investigating the industry for the past three years — without bringing out a final report.

They say the manufacturing industry is "protecting itself out of existence" and when imports are allowed without hindrance, it will be too late to make the industry globally competitive.



"Two tariff proposals have already been gazetted by the board for comment by the industry. But, to date, there is still no clarity on when a decision will be made on Gatt. It is extremely difficult to plan a business in these circumstances," says Tiger Wheels CE Eddie Keizan.

Michelin Tyres southern Africa director Paul Martin says his company is still limited to an import quota based on 78% of its 1988 import permit levels. Only about 11% of local new tyre sales are from imported stock.

With most tyre manufacturing companies either in the Eastern Cape or KwaZulu-Natal, Martin fears the political "jobs argument" might feature strongly in considering the necessity and levels of tariff protection eventually granted to the industry.

The strong arguments from both sides will be considered later this year by Trade & Industry Minister Trevor Manuel.

But if Manuel is serious about opening markets to competition he will be forced to pick his way through a political "jobs" minefield and concentrate on making SA a global player in an industry that has been cosseted for far too long. ■

AVIATION

Dog fight

US commercial aviation officials hope to meet their SA counterparts in Washington next month to overcome tensions over a new bilateral air service agreement to replace the one abrogated by Congress in 1986.

Operating under a tough new set of policy guidelines, the US Department of Transportation (DoT) has been playing hardball in trying to push SA to accept a timetable for opening its market to unrestricted international competition.

Specifically, DoT wants US carriers to be able to serve the SA market by entering "code sharing" alliances with third country airlines. For example, Northwest Airlines might sell tickets to SA through Europe with KLM hauling its passengers on the SA leg.

Each country now allows the other to operate the same number of flights — or frequencies — between their respective shores on the principle of comity and reciprocity. This principle would continue to hold under a new agreement, at least in the early phases, but the Americans don't want code shares to count as full frequencies.

Negotiations on the treaty stalled over this issue in early August and things have been getting increasingly acrimonious since.

To lever SA concessions, DoT blocked SAA's plans to increase its US frequencies from seven (including one cargo flight) to nine in time for the Christmas season. SAA appealed against this decision, even offering the US 10 frequencies if it could have the nine. It said it had already booked 6 000 passengers on the extra flights.

DoT declined after consulting the US airline industry. It said it had set forth its position in "the most explicit terms" and suggested SAA should feel lucky to be allowed any US frequencies given its intransigence on the third country code sharing question.

Northwest Airline, United, USAfrica and TWA all opposed SAA's request in filings with DoT. Northwest, which is exploring an SA code share, said the US had no other "leverage" to "gain the ability for US car-

BTR DUNLOP (196)

Lifting capital spending

FM 22/9/95

Interim results show a respectable increase in EPS of nearly 19%, indicative of Dunlop's continuing recovery. A year ago, interim EPS was 3% lower than in June 1993.

Margins were under pressure, probably because Dunlop was unable to fully recover raw material and other cost increases from customers, squeezing 18% growth in sales to a 16% increase in operating profit. Still, the 20,5% advance in pre-tax income must be regarded as satisfactory.

The notable feature of the accounts is the strengthening balance sheet. It has been ungeared for the past year. Cash resources are growing, at R102m (including R57m for the sale of two divisions) nearly 55% higher than the preceding period.

That is despite capex of R28,7m spent over the first half as Dunlop continues to upgrade equipment, part of a drive to ensure the group is world-competitive as tariff protection is reduced.

MD Mike Smithyman says R60m or more will be spent over the full year, with a capex bill of about R100m in financial 1996. "It takes a while before the full benefits of capital spending are felt. New equipment has to be integrated and staff must be trained," he says.

The commitment to modernising Dunlop's plant should help to answer one of the concerns about the group voiced by analysts — its ability to be competitive with ageing equipment.

The industry remains in the dark on details for the new tariff regime. Announcements on the new tariff structure have been postponed and now appear to be due at the start of next year. Smithyman says that whatever the outcome Dunlop will make sure it is competitive.

Exports are growing, up about 50% over the period and now about 7,5% of turnover, partly from orders placed by Dunlop companies abroad (which are increasingly sourcing low-volume tyres from SA) and from Dunlop tyre maker and distributor Sumitomo, which supplies the US, Europe and Asia.

Dunlop tends to be a second-half company but Smithyman remains cautious on the outlook for the full year. He says the economy has become difficult to read. "Consumer spending seems to be under pressure; yet some of the business sectors we supply are doing very well."

The share has not performed in line with EPS growth, at 650c trading at the same level as a year ago after briefly touching a high of 700c, though it has received no help from the generally flat market.

If Dunlop can maintain the growth pattern established over the past year until the benefits of its capital spending programme start to kick in, it should be due for rerating. Investors may be concerned at the lack of clarity about tariff reduction but the share is worth watching for what should be strong recovery prospects. A p:e ratio of 7,7 is too low.

Shaun Harris

Gentyre lifts income 17%

Star 26/9/95 (196)

BY CHARLOTTE MATHEWS

Increased productivity resulted in a 17 percent increase in attributable income from Gentyre Industries, which is part of the Forward Corporation, to R21,3 million in the six months to June compared with the same period a year ago. Management said the results were "gratifying".

Turnover from continuing operations lifted 30 percent to R274,8 million on which operating margins of 9 percent (8 percent) were achieved.

On a higher number of shares in issue, earnings a share rose 14 percent to 132c (116c). Capitalisation shares, or a cash dividend of 48c, has been declared.

Cash generated from operations was R36,5 million and was applied mainly towards investment in plant and machinery and to increase cash held on the balance sheet, which stood at R45,1 million from R29,2 million a year previously.

The group has changed its year-end from December to June to fall into line with Forward Corporation, which was previously known as W&A Investment Corporation.

Gentyre's management said the results were starting to show the benefits of the capital expenditure programme and the decision to introduce a seven-day working week.

The closure of the industrial division had enabled management to focus on developing long-term opportunities in the international tyre market.

The aim of these steps was to make Gentyre a globally competitive tyre manufacturer, able to capitalise on its recent agreement with Continental.

The group is now implementing a plan to increase production volumes and to reduce costs a unit to internationally acceptable levels.

Gentyre is now in a better position to compete in domestic as well as export markets and expects further earnings growth in the coming year.

Gentyre's 17% income rise 'gratifying'

(196)

By Charlotte Mathews

INVESTMENT EDITOR

CT (BR) 26/9/95

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Gentyre income shows bounce

(196)

Yuri Thumbran

RUBBER and tyre group Gentyre lifted attributable income 17,2% to R21,3m from the previous R18,2m for the six months ended June, despite mixed trading conditions in the domestic tyre market.

The results were for a six-month financial period brought about by the change in the group's financial year-end from December 31 to June 30 in line with that of holding company Foward Corporation.

Earnings a share rose to 132c (116c) and a dividend of 48c (nil) was declared. The dividend cover was 2,8 times. Directors announced a capitalisation share award whereby three new shares would be issued for every 100 A and/or B ordinary shares held.

Turnover from continued operations increased by 30% to R274,8m

BD 26/9/95 Continued on Page 2

Gentyre

(196)

Continued from Page 1

BD 26/9/95

compared to the previous review period's R211m, with margins widening to 8,9% (7,6%). Operating profit increased to R24,5m (R20m). Interest received came to R1,6m (R1,5m).

A higher tax rate of 18,5% (15,7%) pushed the tax bill up to R4,8m (R3,3m), with profit after tax increasing to R21,3m (R18,2m).

Progress in the capital investment programme to modernise its plant to world standards and the introduction of a seven-day working week had started to improve productivity.

"The ultimate aim is to make Gentyre a globally competitive tyre manufacturer, able to capitalise fully on the recent agreement with Continental AG which incorporates the group into Conti International's worldwide marketing network," directors said.

With the closure of the industrial division, management's attention was on developing long-term opportunities.

Directors noted that the group was implementing a plan to increase production volumes, thus endeavouring to reduce cost per unit. "The continuing emphasis on the highest product quality, improved efficiencies, cost reduction and increased volumes, together with the recently concluded three-year wage agreement with the trade unions has placed Gentyre in a better position to compete effectively."

(196)

GENTYRE

Turning the corner

FM 29/9/95

It has been a long time in arriving but, not before time, Gentyre finally looks as though it is on the verge of rewarding patient shareholders.

Sometimes called the jewel in holding company Forward Corp's somewhat tarnished crown, Gentyre has returned results for the six months which indicate an important corner has been turned. The remaining cloud, labour problems having been resolved to everyone's apparent satisfaction, is the danger presented by tyre imports, mainly from the Far East.

Turnover for the six months (which is an interim following a decision to bring Gentyre's financial into line with Forward's) remained almost identical to that for December but income from continuing operations rose to R24,6m (R20,4m for December and R20m for the previous June half year).

The comparison is difficult to make because the last 12 months were confused by a provision of R15,9m on lossmaking operations, since sold, and for which the provision has been written back.

The balance sheet continues to improve:

ROLLING ALONG

Six months to	Jun 30 1994	Dec 31 1994	Jun 30 1995
Turnover (Rm)	211,0	274,9	274,4
Operating income (Rm)†	20,0	*24,3	24,6
Attributable (Rm)	18,2	33,9	21,3
Earnings (c)	116	214	132
Dividends (c)		48	48

* After writing back R15,9m provision not needed.
† From continuing operations only.

there is no debt and the cash balance has increased to R45m (R28m at December). A capitalisation issue is offered in lieu of the dividend of 48c per share, and it has to be assumed controlling shareholder Forward will elect to take the new shares. This would enhance Gentyre's underlying NAV by about R8m.

The import threat needs further consideration. Unlike the European Community or the US, SA does not have technological specifications for tyres which must be met before imports are permitted.

Many tyres are now flooding into SA from the Far East, principally Korea, which do not, it seems, meet the same technical standards set locally. SA producers claim that not only are the tyres substandard but they are also so cheap as to make tariffs meaningless.

Gentyre's long-term future, however, is in the export business: sales are being funnelled into Europe and the US. The irony will be if it sells successfully into Korea.

At 2 050c, the counter is discounting a modest p:e of only six times — low enough to suggest it is worth collecting. *David Gleason*

RMBH

Staying on target

After Momentum Life reported a 20% gain in EPS last week (*Fox* September 22) top company RMB Holdings (RMBH)'s 21% increase was expected.

There was little help from subsidiary Australian Gilt Holdings (AG), nor from associate Hollandia Reinsurance, which both reduced their contribution to group earnings. Newly merged associate Glenrand performed in line with expectations, says RMBH chairman GT Ferreira.

But these associates are not that important in the bigger earnings picture. The strong performance from 20%-held NBS Holdings, which increased EPS 28%, provided the impetus to income from associates, which grew by 38% over the year to nearly R44m. Associates now account for about 38% of attributable income, compared with about a third in financial 1994.

RMBH's bottom-line growth is respectable. It could have been significantly better had the strong performances of core operations Momentum Life and Rand Merchant Bank not been muted by the current weakness in the short-term insurance companies, Aegis and Hollandia.

This, however, lends attraction to the share. The short-term underwriting cycle seems to have bottomed. Though Ferreira cautions Aegis may continue to "experience difficulties" related to the crime wave, analysts expect a better contribution from the company this year.

Glenrand and Hollandia are also expected to improve results, as is RMB Properties (the timing of uncompleted development projects took some shine off its contribution). Momentum Health will probably contribute a maiden profit.

Ferreira says RMBH will take advantage of opportunities in local and world markets presented by increased competition, deregulation and greater internationalisation of the SA economy.

The decision to sell AGH to Rand Merchant Bank (it was previously held directly by RMBH) could prove strategically important. AGH will effectively become Rand Merchant Bank's Australian branch office, which apart from the entry it provides into the Australian market could be a useful springboard into the financial markets of the East.

An improved bottom-line performance this year, perhaps around 25%, does not make RMB Holdings' 21,8 p:e ratio look too demanding. *Shaun Harris*

Gentyre ban puts heavy pressure on a small rival

(196)

ST (BT) 15/10/95

By CIARAN RYAN

THE managing director of a car products business who once picketed the offices of Trade and Industry in protest against restrictions on tyre imports, now plans to picket outside the Gentyre factory in Port Elizabeth to save his company.

International Car Products, a small, family-owned business which introduced Barum tyres to South Africa from Czechoslovakia, faces extinction because the tyre agency will be handled by Gentyre next year.

Adnaan Motan, ICP's managing director, says the company has been told it will no longer be allowed to handle Barum tyres in South Africa nor will it be able to market any of the other brands handled by Gentyre.

The company has complained to the Competition Board and the Department of Trade and Industry, claiming abuse of a monopoly position by Gentyre. The board says it is investigating the matter.

Gentyre disputes the allegations, saying 52 imported brands compete for a 25% share of the SA market. The balance is shared among four manufacturers.

ICP says it introduced Barum tyres to South Africa and established the brand here. "We have dedicated ourselves to this one product and without this source of income we will go out of business.

"One of the conditions for handling the agency for Barum tyres was that we refrain from handling any other tyres — this we did. We battled every step of the way."

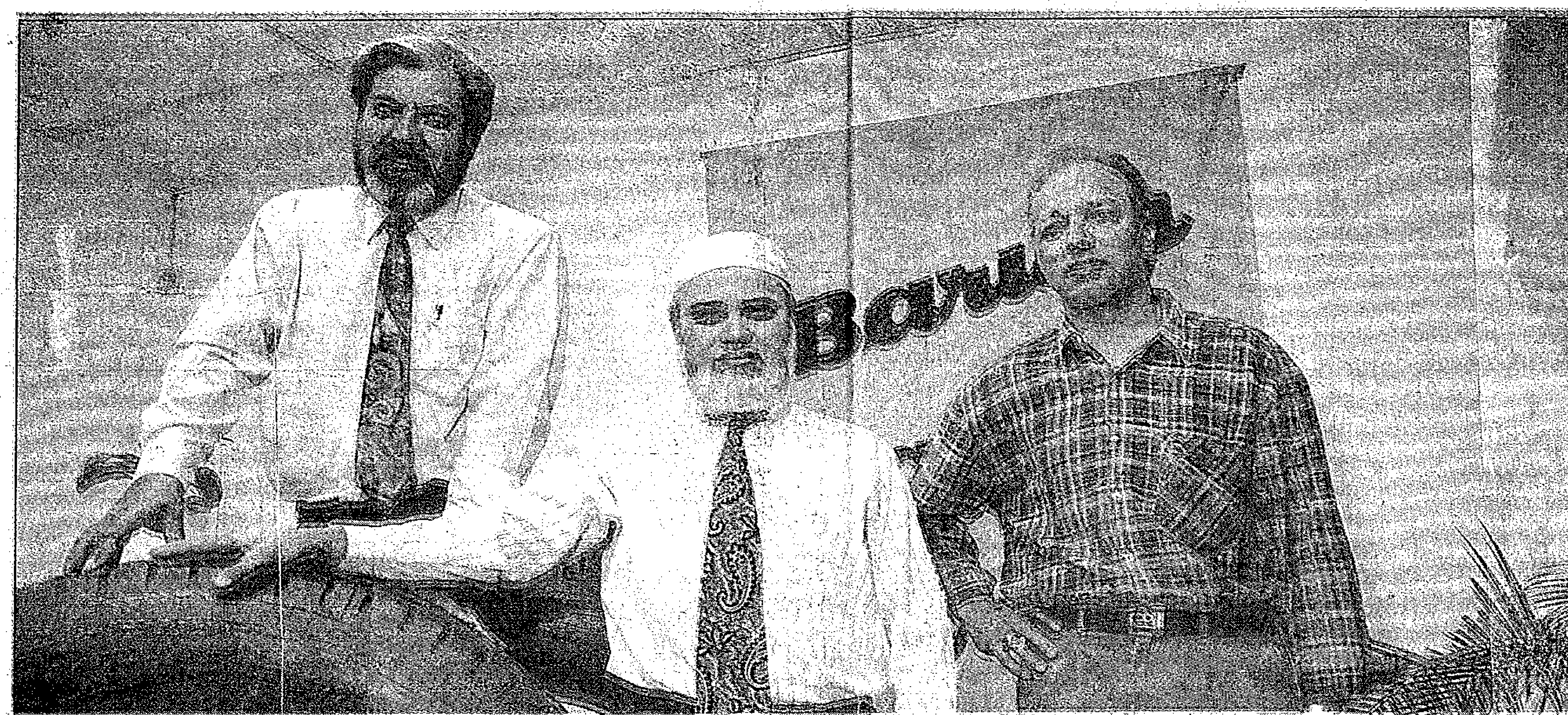
Gentyre, SA agent for Continental and other tyres, says the decision not to renew ICP's agency was not made by itself, but "by overseas parties" as part of an international restructuring by Continental. Continental acquired Barum in 1992.

"Continental AG and Gentyre concluded an agreement which cleared the way for Gentyre to become an active player in Continental's worldwide marketing and manufacturing operation," says Gentyre in a statement.

"In terms of our new role within the Conti International group, Gentyre has the exclusive rights to manufacture and market Continental brands — not only for the SA markets but also to manufacture selected sizes for world markets in terms of reciprocal product agreements within the Continental worldwide family."

Roger Tait, Gentyre's marketing director, says Gentyre will commence manufacturing Barum tyres in South Africa. "We need to rationalise our manufacturing."

Gentyre says it "fully appreciates ICP's situation" and has held several meetings with the company to seek a resolution in the matter.



SQUEALING: Rowan, Mohammed and Adnaan Motan, whose company introduced Barum tyres to South Africa Picture: RUSSELL ROBERTS

Gentyre not likely to grow as predicted

(196) ET (BR) 12/12/95

By Charlotte Mathews

Johannesburg — Gentyre is unlikely to achieve its forecast, made in September, of further earnings growth for the year to June 1996 because of increased competition from imported tyres, chairman Clive Tutton said.

"Present indications are that the group's forecast increase in earnings a share is unlikely to be achieved in the year to June 1996," he said.

"Nevertheless, in the longer term, your board remains confident that the group's careful strategic positioning will enable it to compete profitably in the local as well as the international market."

Gentyre has changed its year-end to June from December, so the annual report covers only six months. In that period, the group reported attributable profits of R21,3 million, compared with R52,1 million for the year to December 1994.

Tutton said it was encouraging that in broad terms the economy had stabilised, investor confidence was growing and the trading environment was positive.

Flaws

However, in the tyre industry market conditions were near-chaotic, the result of increasing competition from cut-price imports as well as flaws in the existing import permit system.

Although the tyre industry agreed with government that imports would be limited to 10 million kilograms in 1995, it appeared as if imports would instead exceed 30 million kilograms.

Gentyre's international competitiveness was also being damaged by a rand which it considered was being kept at an artificially high level.

"Clearly the development of a rational, integrated import-export strategy for South Africa has now become a matter of extreme urgency," Tutton said.

MANUFACTURING - RUBBER PRODUCTS ~~B~~ ~~TEXTILES~~

1996 ~~- 1997~~

Tyres remain protected for longer

(196) BD 1/2/96

Edward West

GOVERNMENT has extended the import permit regime on tyres — due to be scrapped last year — for six months, pending the outcome of an investigation into the industry.

Tyre manufacturers' conference chairman Gavin Hardy said it appeared a new duty structure could not be finalised because the trade and industry department was busy last year formulating industry strategies for the motor and textile industries.

Department officials could not be reached for comment.

The permit system was to be replaced by a tariff structure in line with the former GATT's proposals.

Importers have described SA's tyre market as one of the most protected in the world, with SA consumers paying up to 40% more for tyres.

Hardy said local manufacturers wanted the permit system scrapped and replaced with an effective mechanism to curb dumped imports.

He said the system was rendered ineffective by poor customs controls.

Without a mechanism to curb dumping, import tariffs would have to be "100% or more," to prevent the local market being swamped, he said.

Tyre industry probe drags on

(196)

STAFF WRITER

Johannesburg — The Board of Tariffs and Trade has yet to complete its almost four-year-old investigation into the R3,8 billion-a-year local tyre industry, Alwyn Kraamwinkel, the chief director of the board, said last week.

He said he hoped the investigation would be finalised "in the near future".

The board undertook the investigation in 1992 amid calls for the relaxation of import quotas.

Tyre importers have blamed import quotas for the fact that South African motorists pay 40 percent more than the international norm for tyres.

Kraamwinkel said the board was "taking into account fully" the requirements of the World Trade Organisation in its deliberation on the industry. He also said the department of trade and industry was reviewing the current policy of import control and "should be able to finalise the matter within the next few weeks".

Meanwhile, the government has extended the import permit system, which was due to be scrapped last year, by another six months, pending the outcome of the investigation.

ST (BR) 6/2/96

Tyre division fails to deflate Consol's results

(196) CT (BR) 15/2/96

By Ann Crotty

Johannesburg — Despite a disappointing performance from the import-ravaged tyre division, Consol, the packaging and rubber products group, succeeded in increasing earnings a share by 19 percent to 174,8c in the six months ending December last year from 146,5c in the same period in 1994.

Operating profit was up 24 percent to R248 million on a 16 percent increase in turnover to R1,688 billion. This reflected an improvement in group margins to 14,7 percent from 13,8 percent.

The improved profitability at group level was due to the good showing within the packaging and related products division.

This division's performance helped to compensate for a declined profitability within the rubber and related products division.

Net financing costs almost doubled to R43,5 million from R22,2 million.

Piet Neethling, the managing director, said the increase in financing costs resulted from the acquisition of Plastform in January 1995 and the high levels of expenditures on fixed assets and working capital.

This was reflected in the December balance sheet, which showed that interest-bearing current liabilities almost doubled to R270 million and inventory and accounts receivable rose 32 percent to R1,3 billion from R972 million.

The sharp increase in finance costs held back the pre-tax profit improvement to 11 percent, up R157,5 million from R142 million.

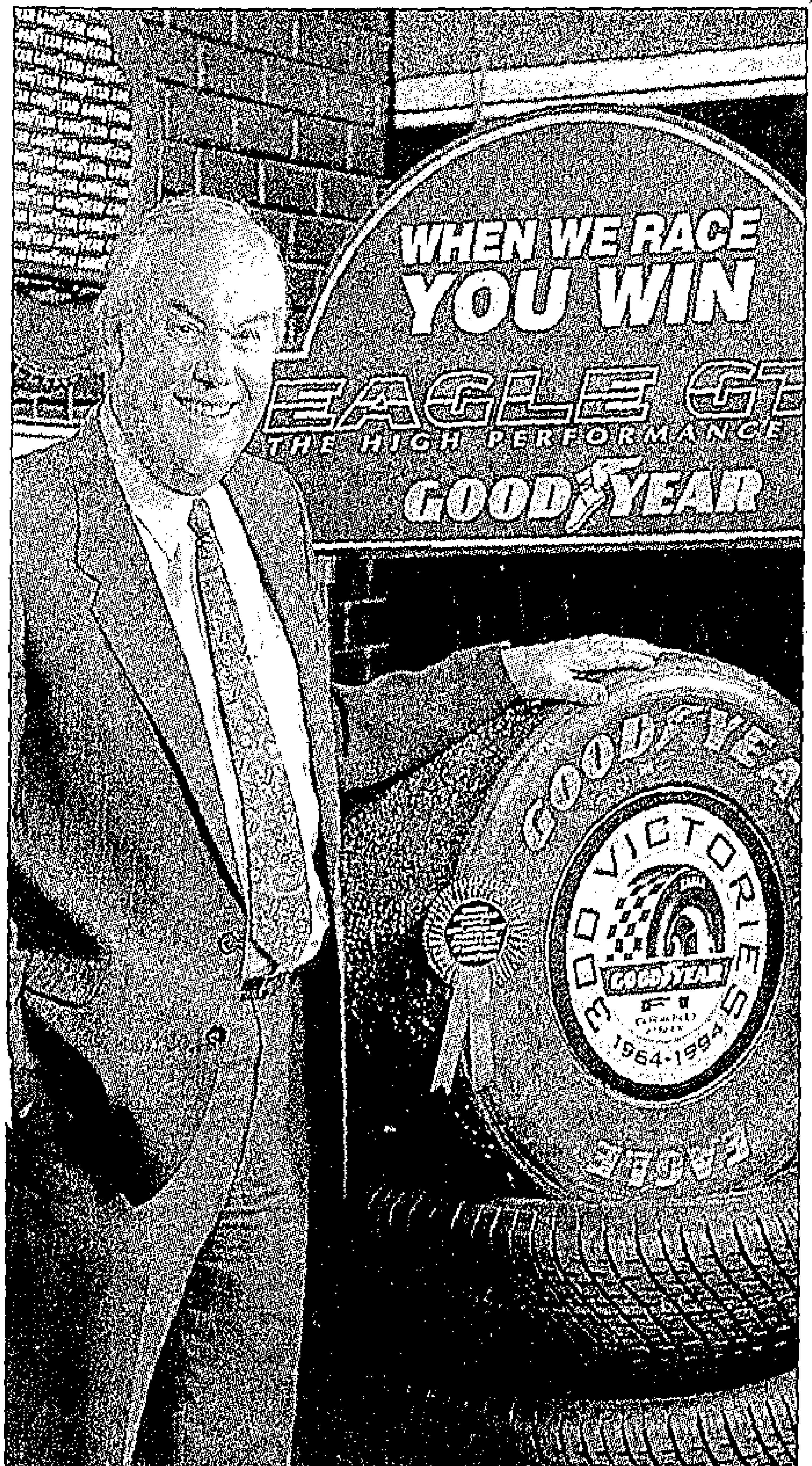
Strong demand for wine, soft drink and beer glass bottles, corrugated boxes and beer bottle labels underpinned the 25 percent increase in turnover in the group's packaging division.

Good cost controls in the paper operation and better-than-budgeted performance at Plastform, and improvements in quality and service in the glass packaging business, all helped to convert the increased turnover into a 40 percent advance in operating profit.

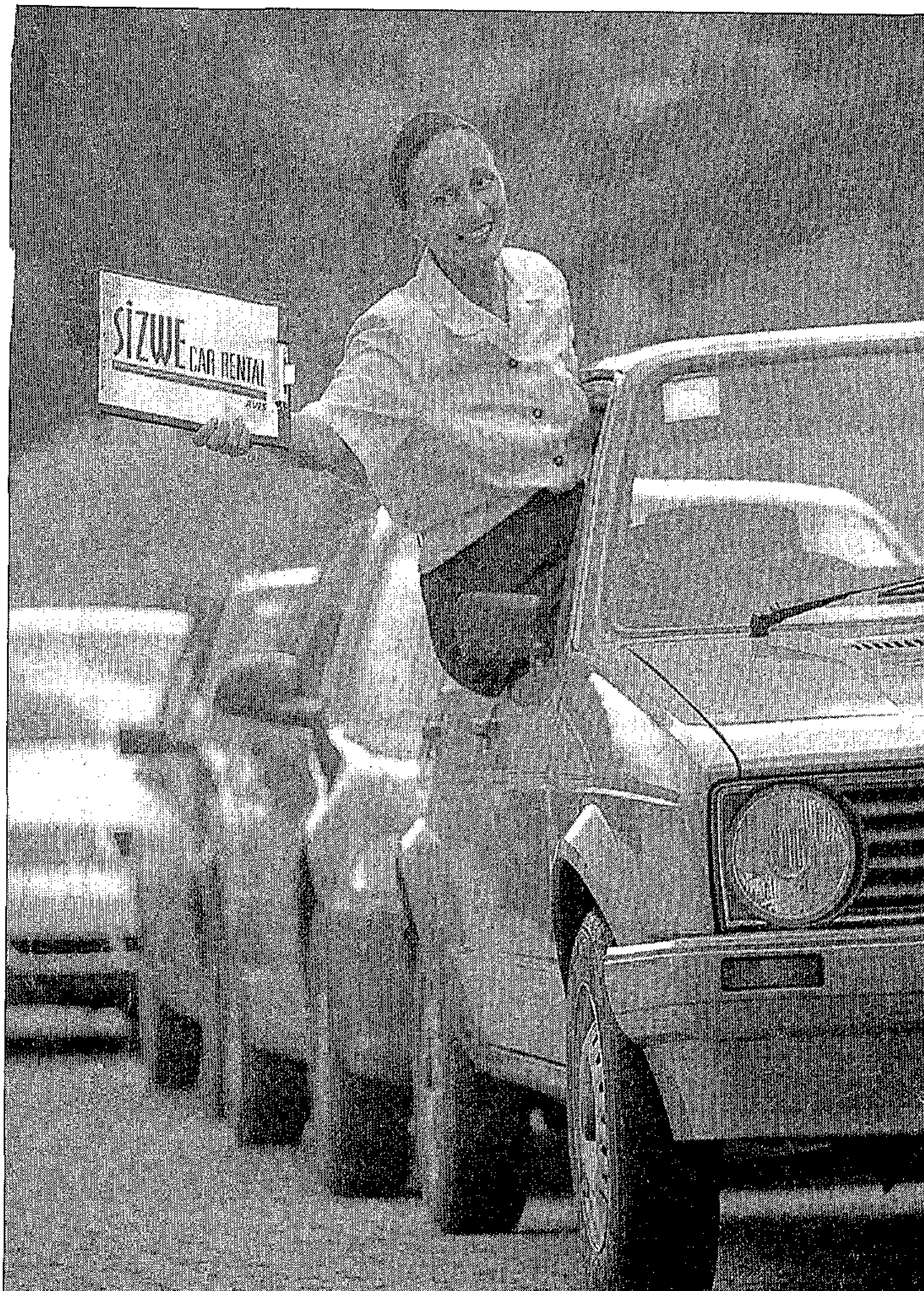
Consol chairman Jan Robbertze expressed concern about the "less than optimum manufacturing performance levels" in the glass packaging business and said the management had made efforts to ensure competitiveness.

The rubber division was hit by a substantial increase in tyre imports and a fall in sales volumes following customer purchases in anticipation of price increases.

Earnings for the year were expected to match the growth achieved in the first half.



PRESSURE *Piet Neethling, group managing director of Consol, with some of the Tycon products that suffered competition from imports*



GOING PLACES *Elizabeth Tryon celebrates Sizwe Car Rental's alliance with Avis* PHOTO: JOHN WOODROOF

Avis buys into Sizwe Car Rental

By Thabo Leshilo

Johannesburg — Sizwe Car Rental, a fledgling black-owned car rental company, has sold 60 percent of its equity to Avis to boost its position in the R500 million industry.

Elizabeth Tryon, Sizwe's general manager, said the link with Avis gave the company the funding, expertise and technological capabilities necessary to compete in the highly competitive industry.

Avis was expected to benefit from the goodwill associated with the development of black business. It will gradually reduce its stake in Sizwe in favour of black investors.

Glenn van Heerden, the Avis chairman, said the company would provide Sizwe with full marketing, operational and training support. Avis would supplement Sizwe's fleets when necessary and give it access to Avis's worldwide online reservations and information system.

Sizwe would continue to operate in the greater Johannesburg area, concentrating on the corporate vehicle-replacement business. It plans to grow into a national player in three years.

"People who rent from Sizwe can do so with complete confidence, safe in the knowledge that it is backed by Avis's very high standard of personal service, its large state-of-the-art system (and) the insurance protection it can offer them," said Van Heerden.

Thebe Investment established Sizwe two years ago. Thebe decided that Sizwe, which employs four people, was too small and handed it over to Tryon.

Gentyre posts fall in profit

(19b) CT (BR) 28/2/96

By Llewellyn Jones

Johannesburg — Gentyre managed to produce a steady performance for the six months to December despite the bumpy ride being experienced by the local tyre industry as a result of the unrestricted flood of cheap imports, Clive Tutton, the managing director, said yesterday.

While turnover rose 13 percent to R311 million, operating profit fell 50 percent to R26,4 million from the comparable period last year.

But Tutton said comparisons with the six months to December 1994 were distorted by the write-back of a substantial provision and the sale of the company's Zimbabwean interests.

This translated into a 36,5 percent decline in attributable profit to R21,5 million and an 84c drop in earnings to 130c a share.

Tutton said that these results were reasonably satisfactory considering the turbulent state of the domestic market and Gentyre's attempt to move from being a local supplier to an export-directed company.

"We saw some years ago that the key to survival was to transform Gentyre into a world-standard producer," he said.

"We have therefore been placing strong emphasis on product quality, increased production volumes, improved efficiencies and cost reduction," Tutton said.

He said the success of this programme was reflected in the company's production and trading performance during the six months to December.

"Production volumes reached a new record high and in the face of fierce competition we maintained, and in some sectors increased, our share of the domestic market.

"In the international market, exports through Continental's worldwide network continued to grow at a gratifying rate. Our export sales have trebled over the past 18 months and now account for more than 20 percent of Gentyre's sales by volume.

"Production costs a unit are not yet at an internationally acceptable level, but we continue to reduce them and believe our targets in this area are attainable in the medium term," Tutton said.

Plessey scraps digital system plan

Samantha Sharpe

CAPE TOWN — Electronics group Plessey had scrapped plans to manufacture locally a digital telecommunications system designed for telephone access in rural areas after changes to SA tariff protection.

Plessey Communications MD Rob Shaw said yesterday that the system would be imported directly from Japan. Its local manufacture would have involved a multimillion-rand investment by the group. BD 28/2/96

Shaw said the recent removal of local tariff protection of between 15% and 20% on various items, despite the recommended level under GATT being 15%, had made the system's production in SA "commercially unviable".

"We cannot justify the level of investment with the constant threat that competitors have this advantage in our own backyard. The playing field is simply not level."

Potential exports to countries with telecommunications needs similar to SA's would be restricted, while 50 potential new jobs would not materialise.

The tariff situation had forced the group into a position where it was faced with higher barriers when exporting to SA's trading partners than international competitors importing to the group's home base, Shaw said.

"Any international customer requires a reference point when purchasing a product... If you're not selling products in your home market successfully, customers are immediately suspicious," he said.

"I would urge that tariff levels be applied at GATT levels, not higher, to ensure a level playing field."

Gentyre deflates in the face of cheap imports

(196)

Robyn Chalmers BD 28/2/96

GENTYRE's attributable earnings fell to R21,5m (R33,9m) for the six months to December, as cheap imports gave the local tyre industry a bumpy ride.

Earnings fell to 130c from 214c and the interim dividend was unchanged at 48c. Shareholders were also offered a scrip option.

Comparisons with the six months to December 1994 were skewed by the period's write-back of a substantial provision and the realisation of the company's investment in Zimbabwe. Earnings over the past 18 months would have been relatively static excluding these factors, the company said.

Turnover rose to R311,3m from R274,4m while operating profit dropped to R26,4m from R36,3m. Interest received of R1,5m (R761 000 interest paid) led to pre-tax profit settling at R27,9m from R51,9m.

A significantly lower tax bill of R6,4m (R18m) left post-tax profit of R21,5m (R33,9m).

Chairman Clive Tutton said the results were reasonably satisfactory considering the turbulent state of the domestic market and that Gentyre had been re-orienting itself from a local supplier to an export-directed company. "We saw some years ago that the key to survival was to transform Gentyre into a strong producer," he said.

"We have therefore been placing emphasis on increased production volumes, improved efficiencies, cost reduction and product quality."

Tutton said tyre production had reached a record peak during the review period and costs a unit, while still not at an internationally acceptable level, were reduced.

The company maintained, and in some sectors increased, its share of the domestic market while exports continued to grow. Tutton said during the review period, exports accounted for 21% of the company's sales by volume, having increased more than 150% over the past 18 months despite the strength of the rand.

MTN weighs in at R5,5bn

Mungo Soggot ... said the SA Clothing and

Anti-dum

BD 28/2/96

Dunlop a tip for investors

(196) BD 7/3/96

Nicola Jenvey

DURBAN — Industrial holdings company BTR Dunlop was expected to post a 17% earnings increase to 89c a share for the year to December when it releases its results tomorrow, despite the current depression in the tyre industry, analysts said yesterday.

There has been speculation that the current state of the industry could affect Dunlop's results. Its tyre division contributes about 40% towards the bottom line.

Analysts said that the company was realigning its core business to the UK-based parent company, BTR Dunlop.

This realignment was expected to contribute to growth in the current financial year.

Analysts believed the thinly traded share was priced relatively low for its sector, and offered investors good value. The share closed at 750c on the JSE yesterday.

Numsa warned of retrenchments

BD 7/3/96 (196)

Renee Grawitzky

COMPETITION from cheaper imports had started to affect the tyre industry with major manufacturers advising Numsa of possible retrenchments, the union's Eastern Cape regional secretary Bimba Mangqabashana said yesterday.

He said in the wake of retrenchments at Firestone that both Tycon and Gentyre had requested meetings with the union to discuss possible retrenchments and the tabling of voluntary retrenchment packages.

He said both companies had indicated possible retrenchments were in the offing because their products had not been able to penetrate the local markets.

Mangqabashana said workers at Firestone had conducted a strike ballot this week following the declaration of a dispute over the unilateral restructuring of one department. This had resulted in the retrenchment of 120 workers and the retrenchment package proposed by the company.

The results of the ballot would be made available today, he said.

In January, Numsa members held protests at Firestone about the manner in which the company had conducted the negotiation process around the retrenchments and restructuring.

Dunlop improves earnings despite competition

BY JON BEVERLEY

Durban — The tyre industry had a tough time last year, said Mike Smithyman, the managing director of BTR Dunlop, reporting on last year's results.

He said there were large-scale imports and he expected the sector would continue to be fiercely competitive.

Sales were up 3,3 percent to R803,6 million and earnings a share were up 6,6 percent to 81c a share from 76c in 1994.

After paying an interim dividend of 15c, the board has postponed a final dividend decision until after the Budget because of the uncertainty relating to the secondary tax on companies.

Smithyman said the motor industry was expected to perform well this year. Mining and industry were expected to be buoyant.

He warned that a number of areas in the group had scope for improvement. The company had provided R15 million for improvements that "could result in major rationalisation and disposals".

Capital expenditure would continue at a high level and exceed the R65 million spent last year.

In the past year the group sold BTR Power Products and the floorings division.

Stripping these out, sales rose 10,8 percent from continuing operations.

The sales combined with operating cash flows gave the group a net cash position of R51,5 million at the year end.

Smithyman said exports last year had increased by 23 percent from R39 million to R48 million. This represented 6 percent of the group's sales and the target was to increase this figure to 20 percent within three years.

ET (BR) 8/3/96

(196)

Firestone workers vote to strike, Toyota stays closed

ED 8/3/96 (196) ([illegible])

Renee Grawitzky

THE plant closure affecting 6 000 workers at Toyota continues, while close to 1 000 Firestone workers have voted to strike in protest against the retrenchment of 120 colleagues.

Workers at Firestone in Port Elizabeth voted to strike after the parties failed to reach agreement on retrenchments and packages for workers.

Toyota's manufacturing plant in Durban and its distribution centre in Sandton have been closed since Monday after workers marched in Durban to protest against incentive scheme payments. Management reported some damage to property.

Last year, the National Union of Metalworkers of SA and Toyota held talks on implementing an incentive scheme which was initially linked to achieving production targets. Numsa's Tony Ngcobe said Toyota thereafter extended the scheme to cover targets linked to profit. Without an agreement on the method of payment, the company paid a flat rate to workers while salaried staff got a percentage of their annual earnings.

Ngcobe said workers felt they were being discriminated against.

Toyota's Andrew Bowering said the company had to pay out the profit share by end-February, the close of the tax year. The plant would remain closed today and talks would continue.

The plant has lost production amounting to 1 500 units.

Meanwhile, more than 80% of Numsa members at Firestone voted to strike. The union had given management until this afternoon to reopen negotiations involving restructuring and retrenchments.

Firestone said the company had introduced an "interactive planning process" to generate ideas from all parties on a survival plan for the plant to ensure it became competitive. The company said the union rejected any need for retrenchment.

Good sales raise Dunlop's income

BD 8/3/96 (196)

Nicola Jenvey

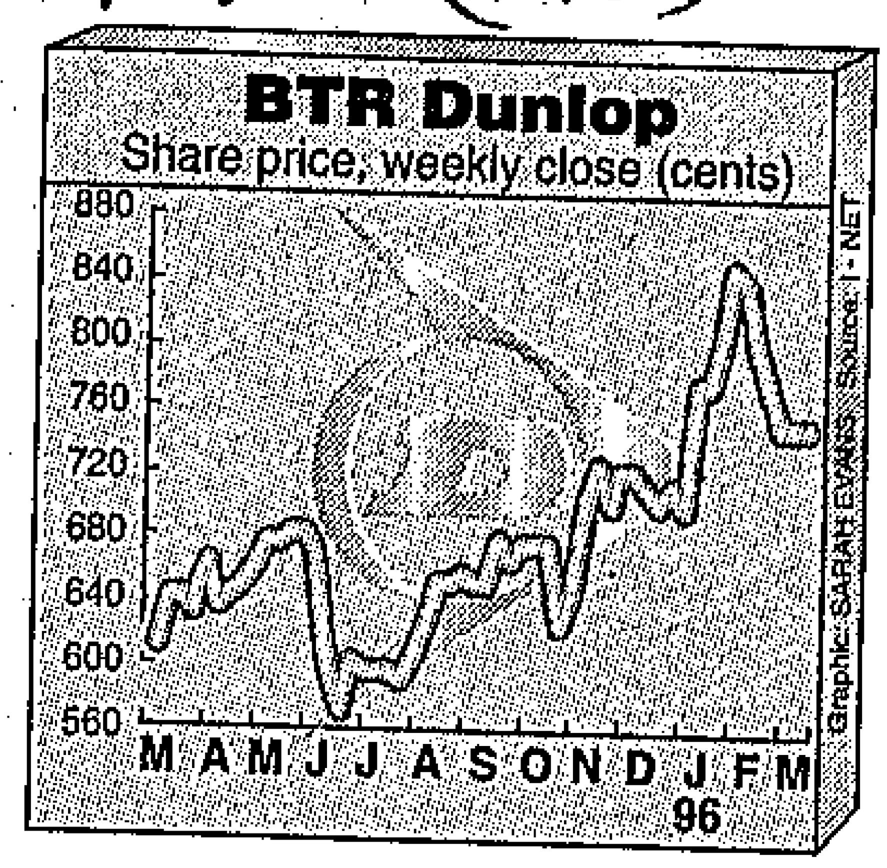
DURBAN — Industrial holdings group BTR Dunlop reported an increase in attributable income before extraordinary items to R97m (R90,7m) for the year to December after increased sales despite disposals of BTR Power Products and the flooring division during the year.

After an extraordinary item of R12,2m, attributable income recorded a 5% drop to R84,8m. Earnings a share came in at 81c (76c), but the group postponed announcing a final dividend (37c) until after the Budget to obtain clarity on secondary tax on companies. A 15c interim dividend had been declared for the six months to June.

MD Mike Smithyman said yesterday R12,2m had been provided as extraordinary item to cover costs expected for major rationalisation and restructuring this year. He said Dunlop would look to increasing volumes and retraining staff during the rationalisation process rather than cutting jobs.

Turnover rose 3,3% to R803,6m in spite of the disposals, large-scale tyre imports and the highly competitive local market.

Last year exports rose 23% to R48m, representing 6% of group sales. Dunlop planned to increase this figure to 20% within three years. "The group is now exporting around the world and has forged major links with Dunlop Tyres International, enabling it to benefit from the Dunlop overseas network when selling our tyres," Smithyman said.



Closer relationships with Dunlop companies in Zimbabwe and Zambia had aided sales within southern Africa. The Laursen Brothers division, manufacturer of container locks, and the Sarmcol division, producing hose, belting and pinch valves, also showed an increase in exports.

Smithyman said the extensive imports of tyres and dumping by overseas manufacturers would keep the local tyre industry "fiercely competitive" this year.

However, he expected mining and industry to be buoyant this year and that the motor industry would continue to do well, even though pricing had become "extremely competitive".

COMPANIES

Local tyre makers on skids as illegal imports run amok

(196) ST(BT) 10/3/96

By DON ROBERTSON

AN ESTIMATED R320-million of illegally imported tyres are reaching the SA market, many of which do not meet local safety standards, according to Gavin Hardy, chairman of Fedstone, the holding company of Firestone SA.

In recent months, a number of tyre manufacturers have reported financial results which have been affected by illegal imports.

Mr Hardy says tyre imports have more than doubled in the past year and that imports exceed government-issued permits by about 40%.

Latest estimates of annualised tyre imports suggest a figure of at least R750-million or 32% of the market compared with total sales of about R1,8-billion at wholesale prices from the six local manufacturers. Of the R750-million represented by imports, about R320-million are thought to be "grey" imports resulting from smuggling.

Total imports equate to an additional two tyre factories in South Africa and lost job opportunities of about 1 500 people, says Mr Hardy.

He says local tyre manufacturers face growing competition from imported tyres and tubes.

"While recognising the need to meet this challenge with reduced unit manufacturing costs, it is imperative that local manufacturers be allowed to compete favourably on the local market and to develop the export market to take advantage of economies of scale.

GAVIN HARDY

"There are in the region of 100 different makes of tyre on the market today, with 52 imported passenger tyre brands coming in during the past 12 months. Control of the massive inflow of imported products is woefully inadequate.

"Only about 25 of the 130 or so ports of entry into South Africa are manned — some by a single policeman. Imported products are pouring into the country unchecked and unscrupulous importers are taking advantage of the situation," he says.

Many containers of tyres landing in South Africa are destined for neighbouring states, but they never reach those markets.

There are also indications that some imported tyres are now landing in South Africa at prices which are 40% cheaper than a year ago, which suggests that dumping is taking place, claims Mr Hardy.

He says there has also been a substantial increase in reports of tyre failures resulting from the use of tyres that do not meet safety standards.

"Some unscrupulous traders have resorted to selling illegal tyres from the back of bakkies, door-to-door and from the side of the road. Some of these tyres are locally made rejects which manufacturers cut up to prevent their being used. These have been illegally obtained and glued back together again," says a Firestone spokesman.

Others are imported used tyres which have not been retreaded and are sold as used tyres.

They have not been subjected to any quality checks. In some cases, smooth tyres are regrooved, damaging the cords and increasing the risk of a blow-out.

Discussions are taking place with the government to find a solution to the situation.

But Mr Hardy concedes there is a big job to be done to convince both labour and management of the need to reduce unit costs and raise productivity and efficiency levels in the local industry.

pensions. [Interjections.] We would take them a little more seriously. [Interjections.]

The fact of the matter is that, whether hon members think so or not, I am very much in charge of my portfolio. I would also advise them, when they listen to locker-room gossip at the golf club, to get the story straight. The Cabinet never sent my budget back.

The SPEAKER: Order! Hon Minister, your time has expired.

The MINISTER: The Cabinet never sent my budget back.

The SPEAKER: Order! Hon Minister, your time has expired. [Applause.]

Debate concluded.

Permits for importation of tyres/motor vehicles/trucks

3. Dr K RAJOO asked the Minister of Trade and Industry: (196)

Whether he or his Department will give consideration to granting more permits for the importation into the Republic of (a) car and truck tyres and (b) used motor vehicles and trucks; if not, why not; if so, for what reasons?

N455E.INT

The MINISTER OF TRADE AND INDUSTRY: Madam Speaker, the question relates to the granting of permits for the importation of car and truck tyres and used motor vehicles.

Let us deal with the latter first. Clearly it cannot be an option when the motor industry, which employs in total 110 000 people in South Africa, finds itself in dire straits and affluent societies are exporting second-hand vehicles into markets. It is not a policy option; it is not now and it is unlikely to be in the future.

In respect of the importation of tyres, we did issue import permits for tyres during the first three months of this year. Permits for the importation of 9,1 million new tyres were granted, compared to 27 million tons of tyres which were imported last year. However, import controls and the issuing of permits are being phased out in terms of our GATT obligations. These will be replaced by a tariff which will probably be announced around May this year. Some allowances have been made for the importation of second-hand tyres as well where these casings are used primarily in the retreading industry.

That is it.

Dr K RAJOO: Madam Speaker, I thank the hon the Minister for giving us some pertinent information. What I would like to point out to him is that this import-permit system is not working. The situation has broken down entirely.

I would like to read to the hon members what was written in last night's *Daily News* under the heading "Illegal tyre imports double". This is what it says:

> Tyre manufacturers say they are being driven all over by illegal imports. Gavin Harley, Chairman of Fedstone, holding company of Firestone South Africa, says: "Import control is woefully inadequate. About R320 million's worth of tyres are being smuggled into this country illegally this year alone."

I would like to know why we have these import controls. Why is that hon Minister keeping on controls that are not working, that are useless? The people are bringing in cars, tyres are being smuggled in here, and people are doing it all the time. Small-business people who want to bring in tyres and other cars are not given permits to do so. Other people are doing so illegally, because, as the Minister has stated, Durban is practically a free port. Durban is practically a free port because customs checks have broken down.

I want to know what that hon Minister is doing about it. What is he doing about getting the money and making certain that his colleagues who are Ministers are doing something to control this type of breakdown in the policies of this Government? [Interjections.] They are not collecting at customs. They are allowing tyres to be brought in illegally. All those tyres are being brought in here. [Interjections.] I would like to tell the House that that is the situation.

As far as protecting the local industry is concerned, nothing is happening. These people who brought in those cars charged exorbitant prices. [Interjections.] Suddenly, when it was decided to lower import control on cars, they began to lower their prices. What was done with all that money that was made on those cars? Did they put it into the RDP fund? Did they do any one of those things? They did not. The Minister must not shield those people who did not do anything to help the people of South Africa.

We ask the Minister to do away with these controls and to let free-market trade work. That will help South Africa. [Interjections.] If one allows a thousand different licences for tyre imports, one can multiply that number by ten to calculate the number of people who could have been employed. That would be far more people than those who are being sheltered and shielded in this country by that Minister. The time has come for us to open up these particular avenues.

As far as trade is concerned, the situation is as follows. We cannot trade and compete with the world tyre industry and pay big salaries. People are paid R22,00 per hour in South Africa. In Malaysia they are paid R7,00 per hour, in Poland R6,00 per hour, in China R2,00, in Indonesia R1,00, and in India 60 cents. [Interjections.] How can South Africa ever hope to compete in world trade in such circumstances?

These tyre manufacturers are saying that they must be protected so that they can export. Can they export? Is that realistic? Do not shield the people who do not know what they are doing. [Interjections.]

Ms Y L MYAKAYA-MANZINI: Madam Speaker, on a point of order: I would like to know whether it is parliamentary for a member of Parliament to shout in Parliament and to ask questions about tyres all the time. [Laughter.]

The SPEAKER: Order! Regrettably, the level of noise in this House makes it necessary for members to shout—on both sides. If you wish to avoid that, it is in your hands, hon members. Members may address questions on anything they like.

The MINISTER OF TRADE AND INDUSTRY: Madam Speaker, I do not know what the question is. There was a lot of scolding, but I do not know what the question is. [Laughter.]

I think that, if the hon member did some homework, he would have found that the Department of Trade and Industry is not responsible for the administration of customs. Indeed, the difficulties experienced by customs, which will hopefully be remedied in the very near future, are a problem. Unless we take a balanced view about job creation and saving jobs in South Africa and not just about creating jobs somewhere in Far East Asia, we will have failed in our mission to create a better life for all our people in this country.

The policy approaches of the Department of Trade and Industry are clearly above reproach in respect of its balance in advancing a programme of trade liberalisation as well as focusing attention on the need to sustain jobs in this country. We have nothing to fear. I still do not know what the hon member's questions are.

Rev M ABRAHAM: Madam Speaker, I do not think that the hon the Minister applied his mind when he gave this answer, because he did not apply the same measures when it came to the textile industry. Furthermore, I want to say to this House that my colleague Dr Rajoo has done a good job with the tyres on this side of the House, while those colleagues did a good job with tyres and matches in the past. [Interjections.]

An HON MEMBER: Where is your spear?

Rev M ABRAHAM: Madam Speaker, the present policy of the department allows for very limited importing of used cars. One of the reasons advanced by the department is that the motor industry contributes 4,5% of the GDP and employs a staff of approximately 110 000. The department says that there is little or no chance . . .

The SPEAKER: Order! Hon member, there is a point of order.

Rev M ABRAHAM: . . . of relaxing import controls on second-hand cars.

The SPEAKER: Order! Hon member, there is a point of order.

Mr P D DEXTER: Madam Speaker, on a point of order: I would like to know whether the hon member would like to explain what he was implying by tyres and matches.

The SPEAKER: Order! I am sorry, but that is not a point of order.

Mr P D DEXTER: Madam Speaker, it is a point of order, because I think that implicit in what the hon member was saying was an accusation that members on this side of the House had been involved in some kind of activity that would lead to the loss of life. I think he was implying that people here had been involved in necklacing, and I think that he should withdraw that.

The SPEAKER: Order! Hon member, will you repeat what you said or withdraw it.

Rev M ABRAHAM: Madam Speaker, my colleague on this side of the House Dr Rajoo had done a good job speaking about tyres. In the past my colleagues on that side of the House did a good job, not only with tyres but also with matches. That is what I said. [Interjections.] There is nothing wrong in that. [Interjections.]

The SPEAKER: Order! Hon member, I think there was an imputation in what you said there. So would you please withdraw that? [Interjections.]

Rev M ABRAHAM: Madam Speaker, do you want me to repeat what I said? I said that they had done a good job with tyres and matches.

The SPEAKER: Order! Hon members will keep order in this House and will allow people to be heard! Please, Mr Dexter, will you sit down. I heard very clearly what the hon member said, and I said that it had an implication which I think the hon member took up, and in that context I asked him to withdraw it. If it had another implication, perhaps he could explain it.

Rev M ABRAHAM: Madam Speaker, let me explain. There are many implications. [Interjections.] One of the implications is . . . [Interjections.] That is what he inferred from what I said. I meant drivers smoking when they are driving along. [Laughter.]

The SPEAKER: Order! Hon members, I have been very tolerant. I will adjourn this House if you persist in not allowing people to be heard. Hon member, will you withdraw that comment.

Rev M ABRAHAM: What comment, Madam Speaker?

The SPEAKER: Order! Your original statement, because there is no question in terms of your explanation. [Interjections.] Mr Van der Merwe, will you please sit down. Hon member, will you please sit down. I am addressing a particular member, and I am asking him to withdraw the statement. [Interjections.] Will you please sit down and allow the member to respond. When I have completed the first point of order, I will take your point of order. I have given a ruling to a member, and the member has to respond. [Interjections.] You may address me on that ruling after the member has responded to my request. [Interjections.] Order! I cannot hear the speaker!

Mr J H VAN DER MERWE: Madam Speaker, you have given a certain ruling. You want my colleague to withdraw a certain statement that he has made. I wish, as his Chief Whip, to address you on why he should not withdraw it. I am entitled to do that.

The SPEAKER: Order! Hon member, I have, on a previous occasion in this House, informed you, in similar circumstances, that members in this House speak for themselves. They do not need lawyers or anybody to represent them. [Interjections.] Yes, hon member, if you raise it as a member, but as a Chief Whip, trying to protect your member, which is the point which you have just made, I am saying that is not the position.

Mr J H VAN DER MERWE: Madam Speaker, may I say, with respect, with great respect, that you are totally wrong. What I am trying to do is done in all civilised parliaments of the world and I insist on that right. [Interjections.]

The SPEAKER: Order! Hon member, I have ruled that in the past. This is a civilised Parliament. You did not challenge my ruling at that time. Will you now take your seat.

Mr J H VAN DER MERWE: I did challenge your ruling at the time. You would not give me a chance to speak. [Interjections.]

The SPEAKER: Order! Will you now take your seat. [Interjections.]

Mr J H VAN DER MERWE: I cannot hear you! [Interjections.]

The SPEAKER: Order! Hon member, will you now take your seat.

Mr J H VAN DER MERWE: No, Madam Speaker, I want to address you on a fundamental right that I have. [Interjections.] I have a fundamental right as a Whip to protect my members.

The SPEAKER: Order! Hon member, I am asking you for the last time, will you please take your seat.

Mr J H VAN DER MERWE: I will take my seat, but you are wrong, Madam Speaker. [Interjections.]

The SPEAKER: Order! Hon member Abraham, I requested you to withdraw a statement.

Rev M ABRAHAM: Madam Speaker, I will defend myself. [Interjections.] Please, will hon members remain quiet. [Interjections.]

The SPEAKER: Order! I am sorry. [Interjections.] Order! Members will please keep quiet!

Rev M ABRAHAM: Madam Speaker, I am going to address you on the subject that went before. I am not going to make a comment about withdrawing. Let me explain something. You asked me to

explain what I meant by my statement, what the implications were, and I gave you an implication which I meant from my speech. Are you trying to judge me on the two implications?

The SPEAKER: Order! No, I asked . . .

Rev M ABRAHAM: That is what he understood by what I said.

The SPEAKER: Order! Hon member . . .

Rev M ABRAHAM: Are you simply trying to say that I must just withdraw because it has implications for the ANC?

The SPEAKER: Order! No, not because of an implication . . . [Interjections.]

Rev M ABRAHAM: Well, that is all I can see Madam Speaker, because I am very clear.

The SPEAKER: Order! Hon member will you let me complete my sentence. It was not because of an implication for the ANC. A point of order was raised, I asked you for an explanation, you gave it to me. I did not agree in terms of your explanation, and that is why I asked you to withdraw it, because the inference was quite clear. In terms of what you said later that was not a necessary inference from that, and it was that which I asked you to withdraw.

Rev M ABRAHAM: Madam Speaker, this is what I meant by my statement. If your interpretation, your understanding of what I . . . This is what I meant.

The SPEAKER: Order! What did you say you meant?

Rev M ABRAHAM: I said that he understood me to say that he was involved in necklacing or she or whoever that was. That was not my intention. [Interjections.] I said "drivers lighting their matches and driving". [Interjections.] That is what I meant. [Interjections.] Let me continue with my turn. You have got to give me at least half an hour for this interpellation now. I have lost a lot of time . . .

The SPEAKER: Order! It is not possible to hear members. I am being forced into a position of wanting to adjourn the House if you do not allow members to be heard. Sorry, would you continue with what you were saying, because I could not hear it.

Rev M ABRAHAM: Madam Speaker, I am going to continue with my speech to say that the Minister . . .

The SPEAKER: Order! That is not what I am asking you.

Rev M ABRAHAM: . . . is trying to overprotect the motor industry, which is a very weak industry in the country, because it has . . .

The SPEAKER: Order! That is not what I asked you to continue with!

Rev M ABRAHAM: . . . so many models for such a limited market.

The SPEAKER: Order! Hon member, I did not . . .

Rev M ABRAHAM: Sorry, I cannot hear you because there is a lot of heckling going on on this side of the House. [Interjections.]

The SPEAKER: Order! I did not ask you to continue with your speech. You were addressing me on the ruling I had given. That is what I asked you to repeat.

Rev M ABRAHAM: Madam Speaker, then I refuse to withdraw, because I have a right to say what I meant.

The SPEAKER: Order! If you refuse to withdraw, then please leave the Chamber.

Rev M ABRAHAM: Sorry?

The SPEAKER: Order! You are asked to leave the Chamber if you refuse to withdraw.

Rev M ABRAHAM: Madam Speaker, is anybody else going to accompany me?

The SPEAKER: Pardon?

Rev M ABRAHAM: Will anybody else accompany me? [Interjections.]

The SPEAKER: Order! I am asking you to leave the Chamber. [Interjections.]

[Whereupon the member withdrew.]

Dr K RAJOO: Madam Speaker, we are simply asking a straightforward question. The Minister must deregulate the tyre industry in South Africa.

The reason why we had to raise our voices was because of the high level of noise, and I am sorry if the lady finds my loud voice offensive.

We are saying that there are illegal imports into this country, at such a rate that customs duties are not working at all. I know that the Minister is not responsible for this. However, he made a statement about this in Durban, so we are taking him up on that. We are simply saying that he should deregulate. If he does that, he will create more jobs. The small business person will then be able to buy a truck, and in true RDP fashion create small businesses throughout this country. That is the intention of the question; that is what we are asking of the Minister.

We are saying that the cost of tyres is exorbitant in South Africa. The cost of used cars is also exorbitant. We can get these cars at one third of the cost overseas. If we bring those cars in, and the people are able to benefit from that, then why not do it? [Time expired.]

The MINISTER OF TRADE AND INDUSTRY: Madam Speaker, I have with me here a letter from one tyre company in South Africa that explains their problem. One factory in Port Elizabeth faces the risk of closure, which would mean the loss of 3 000 jobs. If one takes the tyre industry alone, it has probably in the order of 15 000 jobs. That is a kind of risk I am not prepared to take in the interests of one or two of Dr Rajoo's friends, maybe prospective importers of tyres. [Interjections.]

In respect of the importation of cars, the choice is whether we want this country to become the scrapyard for the importation of second-hand cars from the affluent parts of the world. [Interjections.]

The SPEAKER: Order! Are you rising on a point of order?

Dr K RAJOO: Madam Speaker, on a point of order: I would like to know if the Minister is imputing that I am taking up this issue on behalf of friends of mine who want to import tyres into this country? I would like to ask him that direct question.

The SPEAKER: Order! That is a point of information, not a point of order. The Minister may proceed. [Interjections.]

The MINISTER: Madam Speaker, yes, it was a suggestion that I made. In case Dr Rajoo did not hear me, yes, that is what I said. That is a point of information, which I think has now been supplied.

Debate concluded.

Prisoners: pornographic literature

4. Mr W A BOTHA asked the Minister of Correctional Services:

(1) Whether he or his Department has granted permission for any prisoners to have pornographic literature in their possession in future; if not, what is the position in this regard; if so, for what reasons;

(2) whether any prisoners who have been convicted for sex crimes are excluded from this permission; if not, why not; if so, what are the relevant details?

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The MINISTER OF CORRECTIONAL SERVICES: Madam Speaker, the question, if I understand it correctly, has to do with what the Department of Correctional Services will do on the subject of pornography in future.

The answer to that is as follows. As far as we know, the whole question of pornography will be governed by legislation which is now in the pipeline. We will be governed, in the future, by whatever legislation is finally passed by this House. That takes care of Questions 1 and 2.

*Mr W A BOTHA: Madam Speaker, pornography is a social evil. Absolutely nothing good can be said about it. The consequences of pornography fall in the same category as drugs. This is even worse, however, because drug abuse is mainly detrimental to its user, whereas innocent and defenceless women and girls are often the victims of pornography.

According to studies at the well-known University of California 87% of all child molesters who molest girls, and 77% of those who molest boys, use pornography to stimulate themselves and to condition their victims. In the same vein it is a well-known and proven fact that sexual criminals virtually without exception use pornographic material.

A study by the world-renowned Prof Diana Sculley, which deals with more than 114 cases of rape, proves that the rapist in virtually every case imitated scenes which he had seen in pornographic material. According to the Michigan police, which investigated 38 000 cases of sexual assault, sexual criminals used pornographic material during or just before the crime in 41% of the cases, and pornography was involved to a lesser or greater degree in all the other cases. It was an important motivation for the crime in all the cases.

In South Africa approximately 300 000 women are raped every year, and probably over 130 000 children are molested sexually. The lives of these women and children have been destroyed to a great degree. They have been done a tremendous

injustice. We may not allow anything to exacerbate this tragic situation; indeed, it is our duty to leave no stone unturned to stamp this evil out completely.

The argument that a prisoner has the right to read whatever he wants to is not correct. Persons in detention as well as persons in society have rights, but no right is unqualified or absolute. Freedom of speech does not give any person the right to slander another or shout "Fire, fire" or "Bomb, bomb" in a public place. A prisoner in fact has the right of access to drinks such as water and cold drinks, but I do not believe that he has the right of access to strong drink. He does in fact have the right of access to medication, but this does not give him the right of access to drugs. No person's rights are unqualified. They are controlled, and for very good reasons.

Therefore it would be absurd to argue that a prisoner has a right to pornography, which, in a certain sense, is more dangerous than strong drink or drugs. It is a pity that while the rest of the world is becoming more critical about the desirability of pornography, and even more countries are prohibiting it completely, and imposing heavier sentences in this regard, the Government is relaxing measures relating to this to such a degree that it is now even legal in prisons. This is not in the interest of an orderly society. [Time expired.]

*Dr W J BOTHA: Madam Speaker, the answer which the hon the Minister gave, is simply not acceptable. Does he want to tell me that we are entering an era in this Parliament in which a Minister can say in reply to a question that legislation is coming, and that we should simply have to wait until that legislation arrives, and deal with matters accordingly?

I want to say, with all due respect, to the Minister that he has not answered the question. I do not know why he answered it. The only deduction that I can make is that he apparently does not yet know what is going to be included in the legislation. I want him to tell us a little more.

My colleague quoted from authoritative sources. He made reference to what is being said by tertiary institutions of great repute. I agree wholeheartedly that innocent people are the victims of pornography. The least that the State could therefore do is not to promote this evil. The Minister could certainly by this time tell us in his personal capacity what his standpoint is in this regard, if he does not want to tell us what the legislation says in this regard. The State itself concedes, if he includes sexual transgressors in this legislation—and we would like to know whether this is the case—that pornographic material could have a bad effect on the community.

The FF is not opposed to providing prisoners with certain basic necessities. What these necessities are, is something which one could debate. The Americans, for example, have started privatising their prisons, and have decided that television is an unnecesary luxury. A radio is sufficient. Now I want to say that a newspaper is sufficient; study material is sufficient. I do not believe that pornographic material is really essential equipment for a prisoner.

The MINISTER OF CORRECTIONAL SERVICES: Madam Speaker, while I appreciate the very high moral standards of the two previous speakers, I need to point out that the question which was put to me has to do with what the department will do in future.

I also need to remind hon members that the legislation does not emanate from my department, but from the Department of Home Affairs. We will then be guided by the legislation, the Constitution and the Bill of Rights. We are, after all, a democracy.

*Mr W A BOTHA: Madam Speaker, I would like to tell the Minister that pornography is already permitted in the prisons, and that no objections have been raised against this.

The reason for locking a person up in a prison in the first place is to protect the public, and in fact doing so by removing that person from society for a certain period, or in certain instances for life. In the greater majority of cases those people, however, have to be released into society again. It is the responsibility of the Government to ensure that the violators of the law are rehabilitated citizens upon their release and that they are no longer dangerous to their fellow-man.

Secondly—and this is very important—is that the rehabilitation of the criminal is aimed at turning him into a useful, law-abiding citizen who will be an asset to the country, the community and his own family. Naturally this is a very important objective in sentencing. In order to achieve this purpose much of the taxpayers' money is spent, and social workers and psychologists who work in prisons play a very important role as regards the treatment of offenders.

Flood of cheap imports

The relaxation of import duties and smuggling of cheap textiles, footwear and tyres is costing South Africa millions of rands in revenue and jobs. **Alan Morris** explains why... ~~(245)~~ ~~(192)~~ ~~(187)~~ (196)

SOUTH AFRICAN CAR, TYRE, textile, clothing and footwear industries are reeling from an inflow of cheap imports, with thousands of workers losing their jobs.

This inflow is partially due to the lifting of protective tariffs in terms of an agreement the Government reached with the World Trade Organisation and the determination of Trevor Manuel, the former minister of trade and industry, to cut the tariffs protecting South African industry.

Illegal imports are flooding into the country due to inadequate control by the hopelessly understaffed and inefficient Department of Customs and Excise.

Ben van Rensburg, chief economist of the South African Chamber of Business, estimates that the Government is losing about R12,6 billion a year in import duties due to smuggling.

The Department of Customs and Excise has responded to growing pressure and 600 additional staff will be hired over the next few months.

Hardest hit

The textile industry has been one of the hardest hit, with millions of rands worth of textiles entering the country from neighbouring countries without duty being paid.

Michael Hankinson, president of the Textile Federation, estimates that between 30 and 40 percent of all textile imports are entering the country illegally.

Basil Hersov, chairman of the giant company Anglovaal, contends that this flood of textiles is threatening to destroy the industry. "I understand it will take three to five years before effective customs control is restored. By which time we may well be out of business," he said.

According to Dave Berry, president of the Footwear Institute of South Africa, the number of people employed in the industry has shrunk from 56 000 in 1989 to 28 000 last year. Local producers now have 47,9 percent of the market compared to 87,36 percent in 1989.

Cheap imports

At the end of March, the National Union of Leather Workers and the South African Clothing and Textile Workers' Union took to the streets to protest against cheap imports, alleged custom fraud and the resultant job losses.

Paul Theron, chief economist of the Clothing Federation, estimated that about 50 million garments worth more than R360 million were smuggled into the country in 1995. This represented about half of all clothing imports.

The motor vehicle and tyre industries have also been affected by the relaxation of import duties.

Trevor Manuel ... as Minister of Trade and Industry he was determined to cut the tariffs protecting South African industry.

sowetan 12/4/96

'It will take three to five years to restore customs control. By which time we may well be out of business'

Mike Smithyman, managing director of Dunlop and the chairman of the South African Tyre Manufacturers Conference consisting of South Africa's tyre makers Dunlop, Firestone, Continental and Goodyear, said that about R336,8 million worth of tyres had been smuggled into the country last year.

He claimed that many of these tyres were unsafe and had contributed towards the high accident rate. This was particularly so in the case of the minibus taxi industry, where some of the imported tyres being marketed "are not designed to take heavy loads".

Stephen Gelb, an economist at the University of Durban-Westville, argues that "while tariffs need to be lowered as one mechanism to encourage higher productivity and improve the competitiveness of South African industry, to effect this move too rapidly and without adequate support for affected firms and workers, simply leads to the destruction of productive capacity".

Imperative

He feels that it is imperative that the Government develop retraining schemes for workers and support for firms in the areas of technology, investment finance and export promotion.

"It is a simple administrative task to cut tariffs, but far more complex to establish the necessary structures to assist affected firms and workers," he said.

Profound effect

Clearly, the spate of cheap imports has had a profound effect on workers in the industries concerned. Few of the thousands of retrenched workers have been retrained for new jobs. Many have found it impossible to find work.

Robert Tshandu, a former textile worker, was retrenched last August. He was the sole breadwinner and has five children.

"We are suffering terribly. I worked in the industry for 15 years and now there are no jobs. I don't know what I am going to do."

For Tshandu and thousands of other workers, the relaxation of import duties and the near collapse of Customs and Excise has brought acute misery.

The endeavour to resuscitate the Department of Customs and Excise is a hopeful sign, but it appears the Government is doing little else to offer renewed hope for Tshandu and his counterparts. – *Africa Information Afrique*.

Deal ends Firestone strike

(196) ([illegible]2) ARG 16/4/96

PORT ELIZABETH. – Union members and management at the Firestone tyre plant in Port Elizabeth, where a six-week strike has ended, have agreed to work together to ensure the viability of the plant.

Management and the National Unin of Metalworkers of SA reached an agreement to end the strike which began on March 7. Employees began returning to work today.

Firestone spokesman Howard Ferguson said 120 former employees would be paid severance packages equal to three weeks' pay. – Sapa.

Firestone could face a boycott of its products

BD 10/4/96 (1/96)

Renee Grawitzky

FIRESTONE SA — in the throes of a month-long strike over retrenchments and restructuring — could face a consumer boycott of its products by automanufacturing workers.

National Union of Metalworkers of SA spokesman Tony Kgobe warned yesterday that the industrial action at Firestone could accelerate into a consumer boycott after motor manufacturing shop stewards resolved to approach their employers to put pressure on Firestone management to resolve the dispute. He said the shop stewards had indicated that if employers failed to put pressure on Firestone then they would refuse to handle any Firestone products.

The legal strike by about 1 000 workers at Firestone's Port Elizabeth plant followed a lengthy dispute over retrenchments and possible further retrenchments as a result of restructuring and productivity improvements.

The strike had cost the company more than R23m in lost turnover.

Sapa reports the company said it was operating at about 30% of capacity. Last year 120 workers were retrenched after the parties were unable to reach agreement during the consultation process. Some of these workers included those whose jobs had become redundant after the company stopped producing passenger tubes.

During this lengthy dispute, the union accused the company of unilaterally restructuring without prior consultation and of adopting a "closed minded approach".

The company said that in December last year the union and shop stewards were informed and invited to participate in discussions on how to overcome a number of problems facing Firestone and the industry in terms of the influx of cheaper imports and the need to become globally competitive.

Firestone had indicated that imports in the last year more than doubled and the number of brands available increased from 30 to more than 100 in the last year.

Kgobe said since the start of the strike, the union had made two approaches to meet with the company, but during these meetings the company had refused to change its position..

Meanwhile, the three-day strike by an estimated 3 000 workers at Delta Motor Corporation in Port Elizabeth ended last Thursday after the parties agreed to refer a dispute over incentive schemes to mediation.

Govt tries to patch up rupture at tyre plant

(196) CP 14/4/96

THE EASTERN Cape Government has intervened to try to end a five-week strike by workers at Port Elizabeth's Firestone plant.

More than 1 000 workers downed tools when Firestone announced the retrenchment of 120 workers as part of cutbacks to survive the removal of tariff protection for local producers.

To date the strike has cost the company R24 million in turnover – a figure which grows by R1 million for every day the strike continues – and workers R7,5 million in wages.

Management claims daily tyre production is down from 4 000 to 1 200, but union organiser Tony Kgobe is reluctant to accept the figures since Firestone took on scab labour.

Racial tensions

"They are raising racial tensions by bringing in white workers to break the strike," he says, admitting the working relationship between management and the union has "completely broken down".

Having spoken to both sides at the Port Elizabeth plant on Wednesday, Eastern Cape economic affairs MEC Smuts Ngonyama continued efforts to patch their relationship by inviting them to Bisho on Thursday.

He spent much of the day shuttling between Firestone managers and union officials, who by late the afternoon had yet to sit around the same table.

Talks had not resumed by late afternoon when the union's rejection of Firestone's R4,1 million retrenchment deal and their demand of R14 million still stood.

Intervention

Firestone managing director Steve Shiller refused to say more than that he hoped the government's intervention would bring the parties back to the negotiating table.

Port Elizabeth is home to Delta and Uitenhage to Volkswagen. Both motor manufacturers draw on a large support industry which produces goods from sun roofs to tyres.
– Ecna

Numsa warns of a 'crisis' looming for industry

BD 17/4/96 (196)

PORT ELIZABETH — National Union of Metalworkers of SA (Numsa) officials warned yesterday that the widening gulf between workers and management was becoming a major crisis for SA industry.

The union officials were speaking at the end of a five-week strike at tyre manufacturer Firestone, which ended this week. Production at the tyre maker's plant in Korsten, Port Elizabeth, resumed yesterday.

Numsa regional secretary Mbuyiselo Ngwenda said a clear lesson to be learnt from the strike was that organised, unionised workforces were able to prevent managements unilaterally changing rules of employment and working conditions.

He said while Numsa was not opposed to the restructuring of industries hard hit by tumbling tariffs and international competition, the union did not want this to be done unilaterally.

"Numsa, as a national union, has demonstrated its fullest commitment and respect to open and genuine, good faith negotiations on all matters relating to basic conditions of employment, restructuring, retrenchments and general challenges which are confronting union-management relationships."

In terms of the agreement reached on Monday the retrenchment of 120 workers would stand but the affected workers would receive marginally improved packages.

In addition, 129 workers over the age of 55 and those who suffered ill health would receive an improved package.

Ngwenda said: "We may have been a bit unfair on some of our members who have records of long service. We compromised a lot."

Meanwhile, Firestone human resources manager Howard Ferguson said the four-week strike at its Eastern Cape factory cost it R26m in lost production. "It has cost us about R1m a day. The strike lasted 26 days." — Ecna, Reuter.

BTR DUNLOP (196)

TREADING WATER

FM 26/4/96

The impression is that this is a company keeping its head above water — but only just. Growth was sluggish: turnover rose a bare 3,3% — a real decline of about 3% — and trading profit trickled up 9,6%, boosting EPS 7%. However, MD Mike Smithyman points out that turnover and operating profit from continuing operations rose 10,8% and 11,2% respectively.

- **ACTIVITIES:** *Industrial holding company with operations in the automotive, industrial and consumer markets.*
- **CONTROL:** *BTR Plc 51,5%.*
- **CHAIRMAN:** *D Gnodde. MD: M Smithyman.*
- **CAPITAL STRUCTURE:** *120,5m ords. Market capitalisation: R843m.*
- **SHARE MARKET:** *Price:700c. Yields: 5,6% on dividend; 11,6% on earnings; p:e ratio, 8,6; cover, 2,1. 12-month high, 850c; low, 560c. Trading volume last quarter, 1,8m shares.*

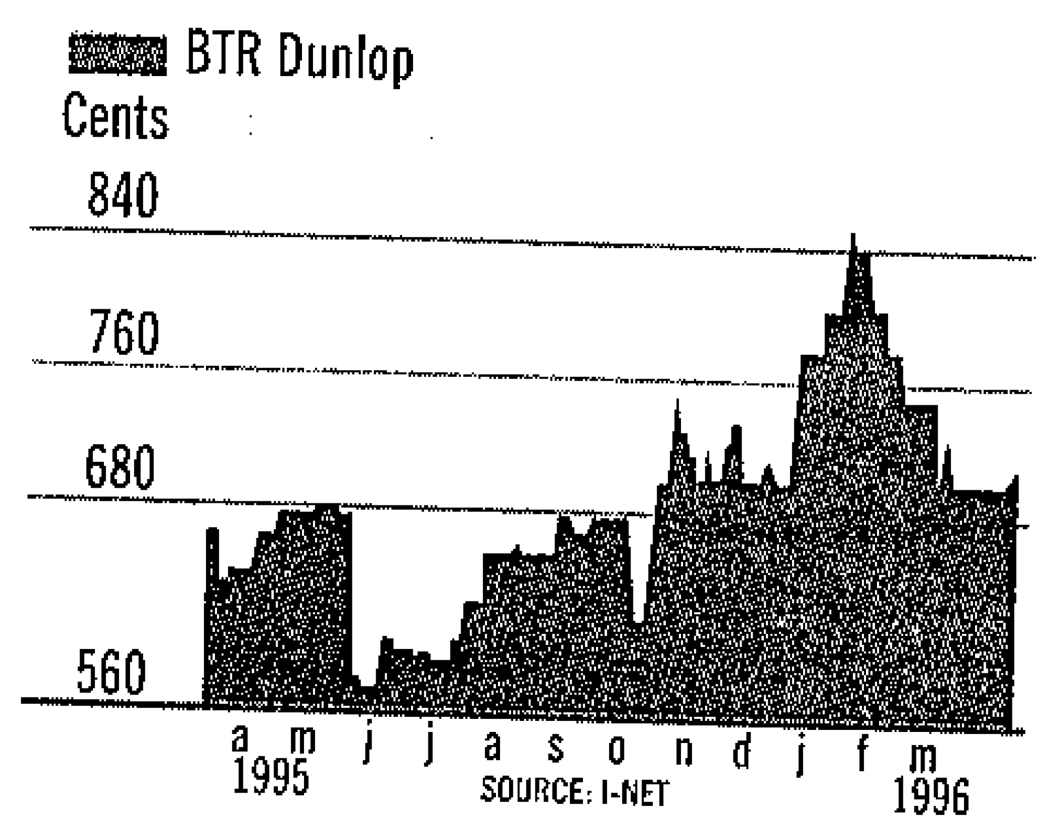
Year to December 31	'92	'93	'94	'95
ST debt (Rm)	7,2	8,2	9,4	0
LT debt (Rm)	28,0	19,7	10,4	0
Debt:equity ratio	0,02	n/a	n/a	n/a
Shareholders' interest	0.54	0,59	0,59	0,61
Int & leasing cover	15	24,2	n/a	n/a
Return on cap (%)	17,5	17,6	18,4	19,4
Turnover (Rm)	668	689	778	804
Pre-int profit (Rm)	91,3	94,3	109,4	120,0
Pre-int margin (%)	13,7	13,7	13,6	14,9
Earnings (c)	49	64	76	81
Dividends (c)	33	35	37	39
Tangible NAV (c)	236	265	291	314

In a bid to strengthen its competitive clout, management implemented rationalisations.

Extraordinaries of R18,6m before tax, which include a R15,2m provision for future restructuring costs and a R3,4m loss on disposal of noncore operations, hit attributable income hard. Excluding extraordinaries, it rose 7%; including them, it dropped 5% from 1994. EPS were 81c and 71c respectively.

To be fair, BTR Dunlop's markets face particular problems. The motor assembly industry, which buys a variety of BTR components, is struggling with deregulation and competition from imported parts, plus a slowing car market. Exposure to the tyre industry is now a serious disadvantage.

Industrial products were hit by higher plastic prices, but otherwise did well, particularly in the sale of steelcord belting.



In 1994, consumer goods contributed 10% of trading profit. The drop of nearly 50% indicates the severe pressures faced by local firms competing against imports.

Management acknowledges that, despite high manufacturing standards, short product runs mean economies of scale are lost. One solution is a larger market. Smithyman says the "major effort to increase exports" continues. They were R48m — about 6% of turnover — in 1995. The bottom line was also squeezed by higher taxes. The effective tax rate jumped from 18,3% to 22,3%, boosting taxes paid by 37% to R27,8m.

However, good news radiates from the balance sheet, now debt-free after the retirement of R19,8m debt last year. This leaves scope for funding proposed 1996 capex of R125m, long overdue.

The share price is 700c for a p:e of 8,6, compared with an average 15,3 for industrial holdings. It was hoped that last year's five-for-one split would make this tightly held share more liquid, but shareholders seem to be hanging on.

Though the trading discount offers value, uncertainty in the motor and consumer markets must make potential investors think twice. *Margaret-Anne Halse*

Local company patents puncture-proof tyre

(196)

MtG 26/4-2/5/96

Bronwen Jones

PROTOTYPES of puncture-proof tyres just made at a factory in Carletonville mark the beginnings of what is expected to become a multi-million rand industry for South Africa.

The main design project started in 1991, when military users asked the Defence Research and Development Council and Allthane Technologies International to find a solution to the high cost of tyre punctures.

Together they have devised a polyurethane replacement to pneumatic rubber tyres. While the first designs were smooth, there is now a treaded version, with vane-like spaces all around the rim.

A provisional patent was filed in early 1996, but the fine detail is top secret as attorneys carry out thorough patent searches in Australia, France, Germany, Japan, the United Kingdom and the United States. Then a further R40 000 will be spent to register patents in all those countries.

At the same time, extensive meetings have been held with Chinese scientists and industrialists. John French, project manager of Allthane, said: "The market there is vast. They could use more tyres than we could ever make."

Tyres are big business for military users and for heavy industry, particularly mining. An insider commented on espionage attempts: "We've had people from General and Michelin hanging around, trying to photograph our tests. We had to confiscate a camera from one guy who was just pointing it in our direction and taking pictures on motordrive."

Spooks should not surprise the military, but Armscor was alarmed when, a mere 17 minutes after a prototype failed at the Gerotek vehicle test facility outside Pretoria, it was mentioned in casual conversation by someone in a head office corridor.

Not only do all those involved want to recoup the R2,4-million development costs, but the potential employment and foreign exchange benefits to South Africa are vast.

Finite element analysis on the tyres was completed at the University of Pretoria in April. This involved immersing the material in oil, stretching and squeezing it at different temperatures to see how it elongates and compresses under different conditions. All this data is then fed into a computer to simulate loads on the material.

By the end of this year, a 35cm wide, 50cm inside diameter, puncture-proof tyre will be for sale. While each one, at about R8 500, will cost twice as much as a conventional military tyre, it is expected to run for some 8 500km, whereas a conventional counterpart would run for 3 000km if it didn't puncture.

Rooikat Armoured Car tyres can puncture every running 11km, making the tyres contribute more than 10% of the total running cost per kilometre. While these features are common to many military vehicles around the world, the last thing soldiers want to do in a conflict is to have to change a wheel.

Add to that the flammability of rubber and vehicle burnouts are common. Even the heat generated by rubber tyres in normal use helps enemies locate a vehicle by its infra-red signal. And then there is the cost of support vehicles to consider, with their loads of spare wheels and tyres. The new tyres remove all these problems.

Whether the polyurethane tyre will also one day replace ordinary car tyres is not yet up for discussion. But the puncture-proof prototype from Carletonville proves not only that it makes good sense to reinvent the wheel, but that a host of civilian spin-offs from military hardware may doubly justify the existence of the much maligned defence budget.

Importer takes ministry to court over tyre quotas

(196) CT(BR) 2/5/96

By Jon Beverley

Durban — A Durban-based tyre importer will take the trade and industry department to task today in the Pretoria Supreme Court over the restrictions on imports.

Farhaad Khan, of Falcon Tyre Centre, said the rules applying to tyre importers were unfair and unconstitutional, and infringed on his right to "freely engage in economic activity".

His argument with the department centres on an import quota system that the department admits is under review following agreements made under the World Trade Organisation's Marrakesh accord.

The accord rules that quotas are not permissible and imports may only be controlled by a system of import tariffs. However, the department said this was a complex issue and it needed time to draw up an equitable method.

Kahn said importers in business before 1989 were entitled to continue to import the quantities allowed in that year. However, he said, new importers who started up after 1989 were restricted to imports of 32 800kg, or R400 000 in value, a year.

He said about 60 percent of all imports, valued at about R670 million, were brought into the country by the old importers.

The court documents include an affidavit from Mike Smithyman, the managing director of Dunlop and the chairman of the South African Tyre Manufacturers Association.

Smithyman said the tyre industry needed to be protected for at least another three to five years. He favoured tariff protection but conceded that a quota system should remain until a new system was in place and effectively implemented.

Smithyman said the volumes the manufacturers were permitted to bring into the country were not adequate, but they had been refused additional imports.

According to Smithyman's affidavit, about 40 percent of tyre imports were illegal.

He said local sales of tyres declined from 85,5 million kilograms in 1991 to less than 74 million kilograms last year. He said the fall was because of increased imports, a large portion of which were illegal.

He said that because of sanctions the domestic tyre industry was not competitive.

However, he said reducing the different tyre types, improving labour and rationalisation might increase exports.

Govt soon to unveil its new tyre tariff structure

(196) BD 5/6/96

Edward West

GOVERNMENT hoped to soon finalise a new tariff regime on tyres — four years after it began probing changes to the industry's protection structure.

The tariffs and trade board, which initially had planned to scrap the industry's current protection structure at the beginning of this year, said in February it would finalise a new tariff structure on tyres "in the next few weeks".

This week, however, the board said "good progress" had been made on the investigation and finalisation of the recommendations was expected "in the near future".

Importers in the R3bn-a-year industry were currently operating under quantative restrictions including a 25% import duty and a permit system.

There are only four SA tyre manufacturers — BTR Dunlop, Firestone, Gentyre and Tycon. The board undertook the probe in 1992, amid calls for the relaxation of import quotas after it was found consumers were paying substantially more for tyres than for overseas tyres.

Tyre Dealers Association spokesman Chris Immelman said that government had been "dragging its heels on the issue," mainly because of administrative constraints.

Tyre manufacturers' conference chairman Mike Smithyman said it was just as well that the new trade régime had not yet been formulated, as customs control had broken down.

Immelman said legal imports had exceeded the import volumes allowed by government by three times last year, while the level of illegal imports was much higher.

"Dealers don't mind whether they sell a good quality import or a locally produced tyre. But the dumped tyres represent unfair competition to us," he said.

Immelman said he expected that the import permit system would be scrapped, with the 25% import duty likely to rise to about 47% to prevent the local market from being "flooded" with imports.

In Australia a rapid reduction in tariffs had soon reduced the number of manufacturers there to three from ten. SA jobs needed to be protected, he said.

Smithyman said consideration should be given to defining tyres in customs documents as motor components, thereby making the industry part of the motor industry development programme. That would give the industry a tariff of about 45%, to be reduced to about 30% in the next eight years.

Dunlop accepts bargaining

(196)

Renee Grawitzky BD 6/6/96

TYRE producer Dunlop has finally agreed to centralised bargaining — after years of resistance — and will join the tyre industry industrial council which includes the other major tyre manufacturers.

The move has been hailed as a major breakthrough by the National Union of Metalworkers of SA, which since 1989 has participated in numerous court battles and strikes to force Dunlop to agree to centralised bargaining. The union said the final initiative, besides the new Labour Relations Act which pushed Dunlop in this direction, was a recent three-week strike at two of Dunlop's plants.

Meanwhile, parties to the three-year auto manufacturers' wage agreement meet during the next few weeks to discuss the increases on minimum rates in terms of the wage model. The agreement says that increases would be based on the CPI plus 2% and if the year-on-year CPI for May fell below 8,5% or exceeded 14%, negotiations would have to be reopened.

Strike 'pays dividends'

(196)

CP 9/6/96

By JEFFERSON LENGANE

PRESSURE by the National Union of Metal Workers of South Africa (Numsa) on BTR Dunlop to enter the Tyre Industrial Council paid dividends this week when the company finally bowed down.

Dunlop agreed at a meeting held with Numsa on Tuesday to enter the council.

The company's shift follows various pressures which spun from a court action by the union in 1989 to an industrial action last April in which workers at Ladysmith and Durban plants downed tools for three weeks.

"BTR Dunlop has long been resisting this move. It has been paying workers R7,92 an hour as opposed to the industry's minimum laid down by the Industrial Council," said Numsa's Tony Kgobe.

"When the path-breaking agreement was signed with unions in the Auto and Tyre Industry last year, Numsa made a further commitment to get BTR Dunlop into the agreement. The pressure has now paid dividends," he added.

Further meetings are expected

Progress made in employment talks

BD 1/7/96

Renee Grawitzky

LABOUR, government and business are said to be moving closer on four controversial sections of the green paper on employment standards — the phasing in of a 40-hour week, the scope of the proposed legislation, the variation of standards and maternity leave.

When the green paper was published, Business SA expressed concerned as to whether it could achieve a balance between maintaining labour standards and ensuring that legislated costs of employment were not imposed to the detriment of job creation. In particular it opposed the introduction of a 40-hour week.

Negotiations have attempted to trade off between a 40-hour week and increased flexibility. Parties are exploring options around the phasing in of a 40-hour week over a number of years, achieved through a national framework agreement.

Within this context, various options could be explored relating to working a compressed week, where employees work up to 12 hours per day at normal rates of pay, to averaging working time over a cycle longer than one week.

Sources have indicated that disagreement could result over whether the legislation would make any reference to a 40-hour week.

Intense debate has taken place around the scope of the proposed legislation and which type of workers and elements of business should be excluded. Labour has opposed business's demand for the partial exclusion for small business and pioneer businesses.

Business has emphasised the need for flexibility and has demanded that employment standards could be negotiated below the minimum standards through collective bargaining. Government has proposed four months (unpaid) maternity leave linked to job security. This has been opposed by business which has proposed that the current three months unpaid leave apply. Labour has proposed a minimum of six months paid leave. Sources indicated that the parties might agree on a lesser, but paid period.

Elements within some constituencies feel the negotiations have been shrouded in secrecy. This has been greater than that during the Labour Relations Act negotiations, they say.

However, National Economic Development and Labour Council executive director Jayendra Naidoo, who was brought in to act as chairman halfway, said parties were attempting to explore options to reach agreement on an overall package of issues, which necessitated that they did not negotiate through the media.

Inflation forces new wage talks

Renee Grawitzky

EMPLOYERS and trade unions which are party to the three-year vehicle manufacturing and tyre agreements entered into last year have had to revisit certain clauses of the agreement due to the decline in inflation.

National Union of Metalworkers of SA spokesman Tony Kgobe said yesterday that in terms of the three-year agreements signed in both industries, the parties would have to revisit the section relating to the wage model if inflation fell either below 8,5% in the case of vehicle and below 8% for tyre or if it rose above 14%.

He said during discussions with the employers, the union had proposed a 14% increase for those workers on the minimum of each grade and 12% for remaining workers. Kgobe said employers indicated that they could not go beyond the published inflation rate of 5,9% as it would impact on the wage model, but thereafter proposed a 6% across-the-board increase and an additional 2% to increase the minimum.

Auto Manufacturing Employer Organisation chairman George Stegman said that during discussions both parties had concurred with the need to uphold the intent and spirit of the agreement and in that vein would have to find agreement on the wage issue.

Spokesman for the tyre industry Juan Dewelzin said the agreement only provided that parties should review the wage model which excluded negotiations on an across the board increase.

BD 1/4/96

Erwin denies claim of down-phasing

BD 1/7/96

John Dludlu

TRADE and Industry Minister Alec Erwin has dismissed claims from business that government has accelerated its tariff reduction programme to levels far below SA's offer to the Uruguay round of GATT talks.

Erwin told the SA Labour Bulletin: "The notion that there has been a dramatic down-phasing of tariffs is in general not true."

He is quoted as saying only 5% or 10% of SA's tariffs are above the binding offer made by government to GATT. Actual tariffs are in virtually all cases below the offer. The exceptions were clothing and textile, motor vehicles and certain electronic goods.

Some labour sources have called for the tariff reduction programme to be slowed down, especially as it has not been accompanied by supply-side instruments to assist industries undergoing restructuring. However, Erwin says no one has made a conclusive case that the sole reason for job loss is tariff protection. "The reason is industry is overprotected and will not sustain itself over time."

He points to the motor industry: "How are you going to compete in the car industry when you've got seven plants, the average throughput of those plants is 50 000 to 60 000 cars, and a Japanese plant produces 400 000?... The longer you leave the delay, the worse your position is."

Erwin says training should have "high levels of generic training ... portable skills. You can't have training that will equip you only for the chemical industry, because that industry will change."

Tyre industry reaches 11% settlement

(190) BD 25/9/96

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) hailed an agreement reached in the tyre industry which for the first time settled ahead of its counterparts in the auto-manufacturing industry.

Numsa spokesman Tony Kgobe said usually the tyre industry waited to see what settlement had been achieved in the auto industry. This year, however, an increase of 11% was achieved for tyre workers earning the minimum in each grade, as determined in the wage model incorporated in the three year agreement signed last year. Workers earning above the minimum would receive an across the board increase of 9%. The new industry minimum would now be R15,20 per hour.

Numsa said its members, "in a demonstration of wage solidarity with their lower paid colleagues", agreed to an 8% increase as a way to close the apartheid wage gap. This position was rejected by the SA Workers' Union, formerly the Yster en Staal, which demanded 9%.

Kgobe said auto industry employers had declared a dispute over the interpretation of the three-year agreement.

He said the parties were meeting today to continue discussions.

Increase comes 'despite heavy competition'

Dunlop earnings up 10%

CT(BR)9/8/96 (196)

By Shirley Jones
KWAZULU NATAL EDITOR

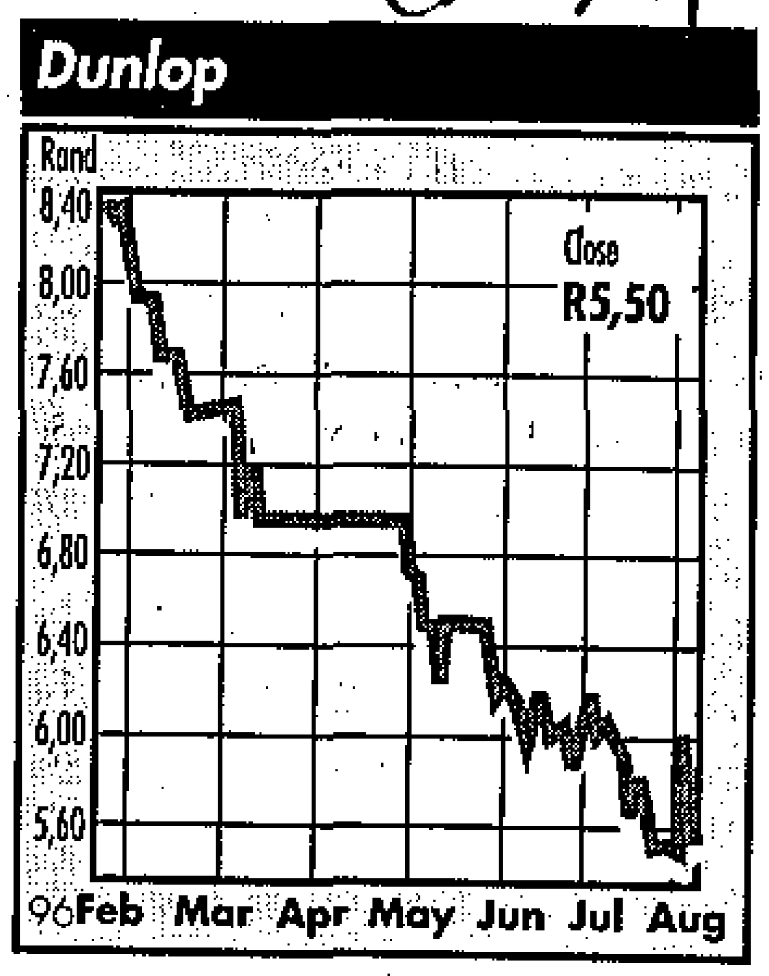
Durban — Durban-based BTR Dunlop, the tyre manufacturer, lifted attributable earnings 10 percent to R43,5 million in the six months to June 30 from R39,7 million in the same period last year.

Earnings a share were 36,2c, up from 33,1c last year. The company declared an interim dividend of 15c, which was unchanged from last year.

Mike Smithyman, the managing director, said pretax profit rose 18 percent to R59,5 million from R50,5 million, despite extremely competitive conditions in the group's core tyre, belting and hose markets.

Turnover, however, fell 4 percent to R412,4 million from R396,2 million.

Smithyman said a three-week strike in the group's two tyre factories and labour disruptions at its other plants meant that sales in



continuing operations increased by just 6 percent.

The aircraft tyre business was closed down during the year as the group refocused on core activities.

Exports to Europe, East Asia, South America and Africa increased 32 percent to R36 million. They now represent 11 percent of the company's total sales.

Smithyman said he expected exports to continue to play an important part in the company's business mix.

In a continuing bid to achieve world competitiveness, he said the company had increased capital expenditure by 49 percent to R42,7 million.

All the expenditure was raised from the company's cash holdings, so its gearing remained negligible.

Smithyman said the group's performance during the rest of the year depended on continued growth in the economy, a reduction in crime and a return to more stable labour conditions.

He said the market for tyres would probably remain fiercely competitive because of a slowdown in the local economy and a high level of imports.

"On the other hand, it is hoped that exports will continue to grow," he said.

"Our order book for other products is healthy and provided labour conditions remain stable the group should report further progress for the full year."

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(196) Star 9/8/96

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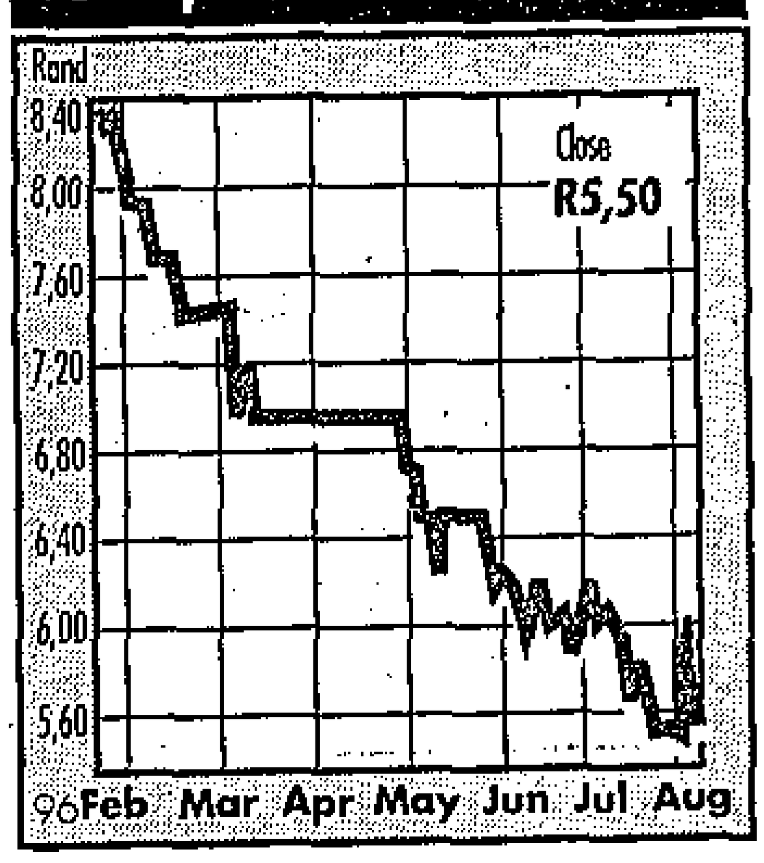

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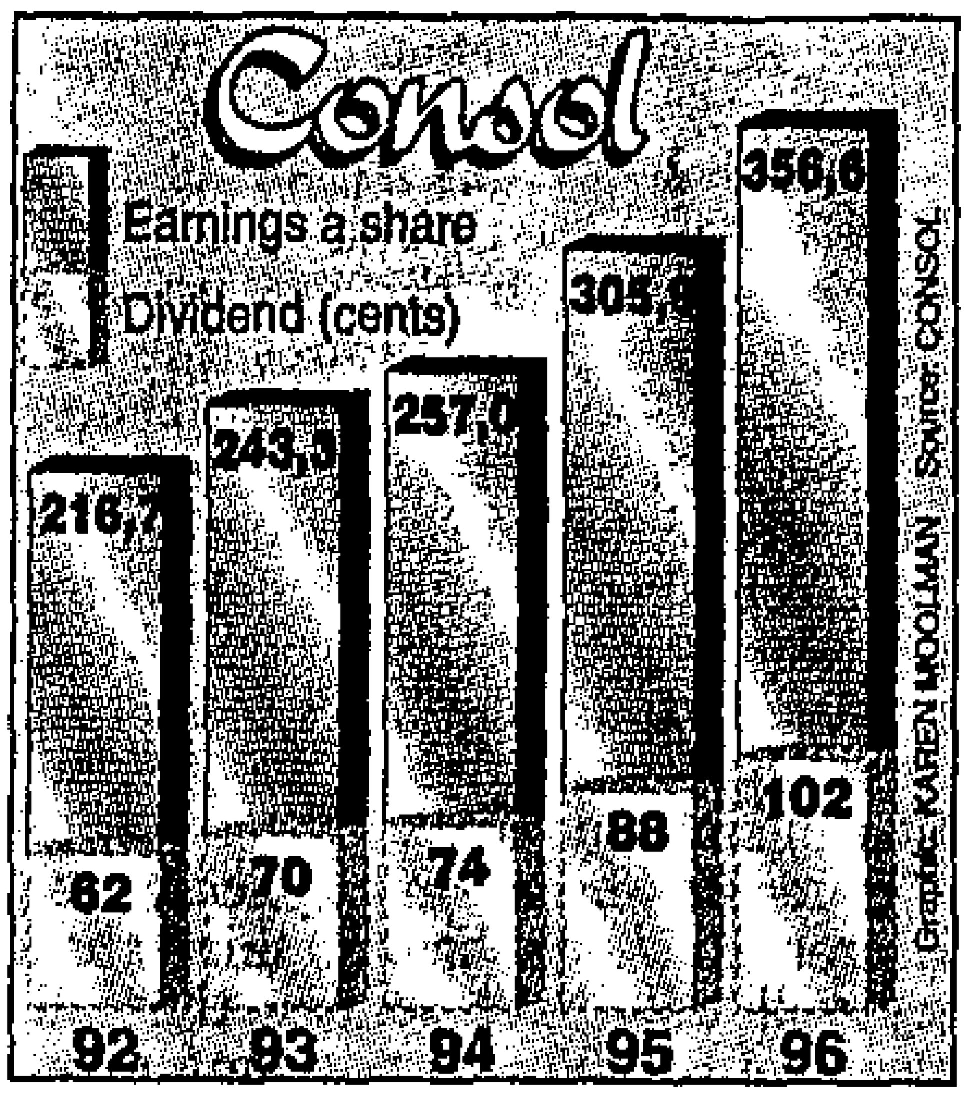
Anglovaal's Consol beats decline in the economy

BD 21/8/96

(196)

Edward West

PACKAGING and rubber manufacturer Consol increased earnings 17% to R229,5m in the year to June, overcoming a substantially weaker performance induced by the decline in the economy in the second half.



The Anglovaal subsidiary's earnings a share rose 17% to 357c. Dividends a share rose to 102c (88c), with dividend cover kept at 3,5 times.

Group MD Piet Neethling said yesterday he did not expect the economy to improve at a meaningfully higher level than in the last six months of the year under review. However, the group could realise earnings growth from cost and efficiency improvements.

Group turnover rose 11% to R3,32bn, with packaging sales up 16% to R1,5bn and sales from the group's rubber interests up 8% to R1,82bn. Operating profit rose 15% to R389,3m.

Reflecting the slump in activity in the second half, paper packaging turnover grew only 6% compared with 25% growth in the first half. Similarly, glass packaging sales grew 3% com-

Continued on Page 2

Consol

Continued from Page 1

(196)

pared with 18% in the first half.

Net financing costs increased 52% to R87,2m. Debt to equity climbed to 43% from 37%. Net borrowings stood at R529m at year-end, a figure which was expected to increase by about R150m by the end of this financial year.

The glass division's capital expenditure would continue at a relatively high rate, resulting in a further increase in financing costs.

The plastics division started making operating profits from November, but a loss was reported for the full year due to high restructuring and retrenchment costs.

Tyre manufacturer Tycon reported a decline in virtually all sectors, except sales into the new vehicle market.

The paper packaging division reported a meaningful improvement in profit. However, the paper and board packaging industry experienced its largest increases recorded in the cost of its principle raw materials.

BD 21/8/96

Improvement beats market expectations

Consol earnings leap

T96) CT(BR) 21/8/96

By John Spira
DEPUTY EDITOR

Johannesburg — Consol, the packaging and rubber manufacturer in the Anglovaal group, boosted earnings before exceptional items by 17 percent to 357c a share in the year to June 30.

The improvement, which was ahead of market expectations, came on the back of an 11 percent turnover increase to R3,3 billion. Dividends were 16 percent higher at 102c a share.

Net financing costs rose 52 percent to R87,2 million on the back of a debt-to-equity ratio that rose to 43 from 37.

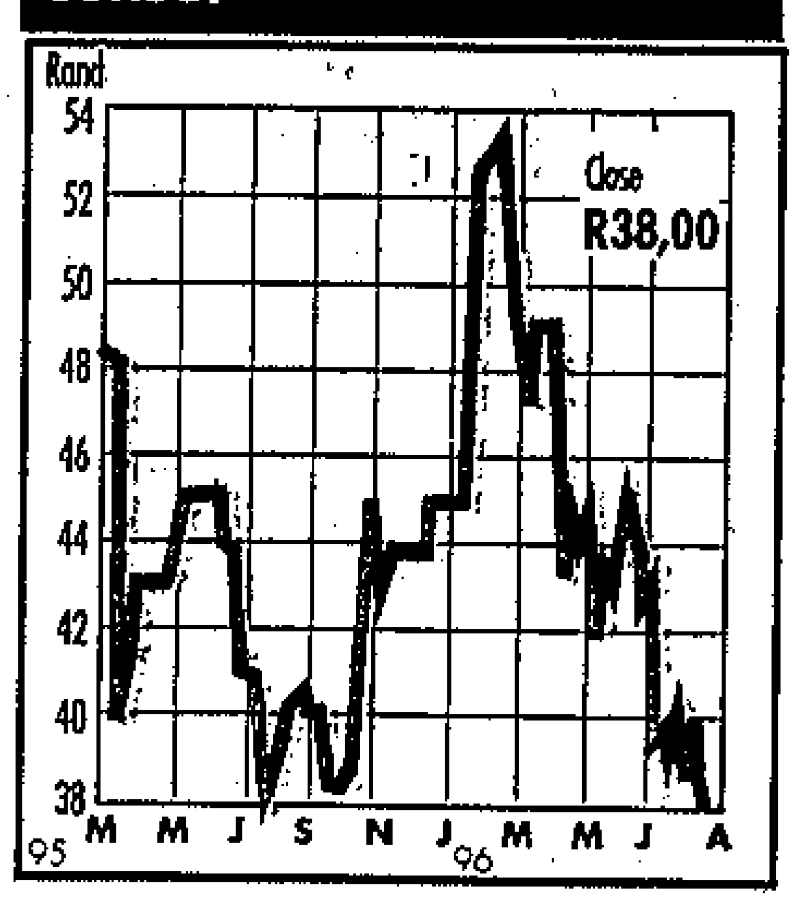
Piet Neethling, the managing director, said yesterday that Consol's packaging activities, where turnover had grown 16 percent and operating profit 22 percent, had performed especially well.

The rubber operations, where sales were 8 percent higher and operating profit 7 percent ahead, reflected the competitive pressures in the tyre industry.

Neethling said packaging had done well in spite of the effect of lower volumes after a slowdown in the local economy in the second half of the financial year and despite increasing import volumes.

Consol's glass division had achieved "small" profit growth. However, the technological updating of the division was escalating and he expected a better performance this year.

Consol



Construction of a R180 million furnace project in the Western Cape had started.

Neethling said the paper division had recorded a "meaningful" profit increase.

"The major portion of this division's capital investment and renewal programmes has been completed. The division is therefore geared for growth, and production efficiencies measure favourably against overseas manufacturers."

Plastics suffered a loss, but it was smaller than last year.

"From November the division has been in profit on a monthly basis and the prospects for next year are promising," Neethling said.

Tyre manufacturer Tycon and tyre retreader Tredcor were affected by lower-priced imports.

Neethling nevertheless believed Consol's rubber operations were "optimally positioned to meet current and future challenges in the long term".

Neethling said the South African economy was not expected to "perform at a meaningfully higher level than that experienced in the last six months of the financial year. Demand for group products is likely to reflect that performance."

He nevertheless expected Consol to achieve a further earnings increase this financial year. "An advance of between 10 and 15 percent is a rough prediction."

☐ See Business Watch

SA tyre groups unite against fraud

(196)

Sowetan 28/8/96

GROWING alarm about inferior tyre imports that threaten lives on the road and jobs in the market place has prompted South Africa's four tyre manufacturers to join forces and aggressively promote a united front against the threat of unknown imported brands.

The South African Tyre Manufactures Conference (SATMC), which represents the interests of Continental, Dunlop, Firestone and Goodyear, has placed a series of hard hitting advertisements in the media, warning of the dangers of false economy of buying unknown, inferior tyres that have not been designed for local conditions.

"Thousands of unsuspecting motorists are buying tyres that have not been manufactured for South Africa's extreme driving conditions.

"While there are some excellent imported tyres on the market, unknown inferior tyres can often have compounds that are unsuited to our roads, and tread depths that are lower than those on SA tyres."

Sometimes these tyres are even second hand," said SATMC spokesman.

"All locally manufactured tyres, however, carry a five year warranty against latent factory defects and are made to international standards to suit local driving conditions," he said.

Cash rewards are on offer for successful legal action in the campaign to combat tyre theft, illegal imports and dealing in unsafe second hand tyres.

Anyone with information can phone the tollfree 24-hour Tyre Hotline 0800 119558, or write to Tyre Hotline, PO Box 212, Pinegowrie 2123. Confidentiality is guaranteed.

Cash rewards are on offer for information which will lead to a successful conviction of operators who illegally import tyres into South Africa.

Condom market gets a new flavour

CT(BR) 28/8/96 (196)

By Stuart Rutherford

Durban — Pietermaritzburg-based GP Prophylactics is about to come into its own in the retail condom markets of South Africa, Kenya, Egypt, Ivory Coast and Ghana.

Vijay Parmar, the business manager of GP Prophylactics, said the company planned to double its capacity and launch its Pleasure range of condoms before the end of the month. Condoms in the range come in banana, strawberry, mint and natural flavours.

"The new range of condoms will improve our margins and will give us visibility in the market," he said.

The company, which already supplies almost 15 percent of the condoms distributed by the government and local non-governmental organisations, has ordered electronic testing and foiling machines that will boost its annual output to 60 million.

GP Prophylactics supplies other brands of condoms to the health department and Population Services International. Its order book for these products is full until next April.

Parmar said the company hoped the Pleasure brand would take up 20 to 30 percent of its capacity over the next two years.

He said though there were other competitors, they tended to bank on "saucy pictures" to sell their products. Pleasure came in a sober pack that anyone could buy.

GP Prophylactics is 90 percent owned by the GP Group, which supplies about 3 percent of the world condom market.

The GP Group has already launched the new range in Thailand, Brazil and Vietnam. It is enjoying considerable success.

Parmar said all of the condoms were imported from the GP Group's plant in rubber-rich southern Thailand and were SABS approved.

A distributor and promoter for the range is being sought in South Africa.

Gentyre feels effect of cheap imports

(191)

Lukanyo Mnyanda BD 29/8/96

HIGHER export earnings helped lift tyre manufacturer Gentyre's attributable income to R56,8m (R55,2m) for the year to June, despite strong competition from cheap imports.

Earnings a share fell to 338c from 346c as a result of a rise in the weighted average number of ordinary shares in issue. The company declared a final dividend of 67c, bringing the total to 115c (96c).

Turnover jumped 21% to R665,6m, while operating profit dropped to R70,5m from R77,3m during the corresponding period.

Interest received rose to R1,8m (R869 000), while pre-tax profit dropped to R72,3m from R78,2m. The company's tax bill dropped to R15,5m (R22,9), leading to a slight rise in post-tax profit to R56,8m compared with R55,2m in the corresponding period last year.

Chairman Clive Tutton said tough conditions in the local market would lead to the company focusing more on its export performance.

It had managed to increase units sold in the international market by a massive 123%, enabling export earnings to jump to R114m (R51m).

"The SA tyre market has changed dramatically in the in the past 18 months. With the country's pariah status disappearing, we are now global players with all the competitiveness that this implies."

Tutton said changing market circumstances had been reflected in the company reducing its operating margin to 7,6% from 8,9%.

Its unit sales in the local market had risen 7%, meaning it had managed to increase market share and counter the increased inflow of cheap imports, which was compounded by the collapse of border controls. Gentyre would continue reorientating itself from a local supplier to an export-directed company and hoped to export 50% of its output before the end of the decade.

It had increased output 29% despite a drop in employee numbers. The Port Elizabeth plant was in a strong position to increase output a further 35% without major capital expenditure.

Gentyre would attempt also to strengthen its links with Continental AG, which gave it access to international markets.

The outlook for the future was promising with the company well placed to ensure that sales in Africa, Europe, US and Far East were backed by an efficient distribution operation centred on the new warehouse facility in Port Elizabeth.

"Labour relations are stable and increased production levels combined with the ability to maximise on future business opportunities ... augur well for the future," said Tutton.

Strong exports help to limit Gentyre's losses

(196) CT (BR) 29/8/96

By John Spira

Johannesburg — A steep increase in exports helped Gentyre limit its share earnings decline to 2 percent in the year to June 30, during a period when conditions were unusually difficult for domestic tyre manufacturers.

Attributable profit increased from R55,2 million to R56,8 million on turnover which grew 21 percent to R666 million. A rise in the weighted number of shares in issue reduced earnings a share from R3,64 to R3,38.

In a difficult local market, Gentyre was able to export vigorously

Dividends for the year totalled R1,15 a share against the previous year's 96c, reducing the dividend cover from 3,6 to 2,9.

Clive Tutton, the chairman of Gentyre, interpreted this year's results as reflecting the underlying strengths of the company. "In a difficult local market and with significantly increased factory throughput, Gentyre was vigorously able to pursue the export market."

Export sales, up 123 percent at R114 million, represented 17 percent of turnover. Tutton said these volumes accounted for 44 percent of the total units exported by the South African tyre industry.

"The local market," he said, "has for the past year been highly competitive owing to the major inflow of imported products compounded by the collapse of border control. However, with an increase in unit sales of 7 percent, the company has been able to increase market share and certainly hold its own against these circumstances."

He said the focus would remain on developing links with Continental, "which gives access to international markets". Tutton said output had increased by 29 percent during the year despite a marginal drop in employee numbers. Gentyre increased output at its Port Elizabeth plant by 35 percent without the need for large-scale capital expenditure. This would enable the company to export 50 percent of its output by the end of the decade.

☐ See Business Watch

Local firm to buy parent's foreign tyre rights

BTR Dunlop to move offshore

CT (BR) 4/9/96 (196)

By Jabulani Sikhakhane
BUSINESS EDITOR

Johannesburg — The recent announcement by BTR Dunlop, the local tyre and rubber products manufacturer, that it would buy the offshore tyre interests of BTR, its British parent, is part of a broader campaign by the struggling local tyre industry to place itself on an internationally competitive footing.

BTR Dunlop said it would buy BTR's trademark rights in 70 countries in Africa, South and central America and Malaysia. It would also acquire 75 percent of Dunlop Zimbabwe, a tyre manufacturer.

The deal will create opportunities for BTR Dunlop to increase export sales, achieve longer production runs and use excess capacity at its production facilities, thus reducing the unit costs of production. The local manufacturer will also benefit from marketing and manufacturing synergies with Dunlop Zimbabwe, the company said.

Analysts said the BTR Dunlop deal should not be seen in isolation. Under pressure, particularly from cheap imports which are gaining an increasing share of the local market, the R3,5 billion-a-year tyre industry was looking at ways of reducing the number of tyre ranges that each manufacturer produces.

A year ago, imports accounted for 10 percent of the local tyre market. They now comprise more than 25 percent.

Figures compiled by Firestone, the tyre-producing subsidiary of Murray & Roberts, showed that local productivity levels were low.

Industry analysts said local tyre manufacturers produced a wide range of tyres in relatively small runs for the limited local market. This led to inefficiencies and contributed partially to the low local levels of productivity.

Locally, each employee produced about 100 kg of tyres compared with 700 kg in Asia, 500 kg in the United States and 300 kg in Europe.

Piet Neethling, the managing director of Consol, the packaging group which also manufactures and retails tyres, said that Consol produced 10 000 tyres of between 215 and 300 sizes a day at its Uitenhage plant.

At Goodyear, the US tyre maker, one plant that Neethling visited recently produced 55 000 tyres in 52 to 80 sizes a day.

"We manufacture a far too wide a range of tyres and have to cut back the number of tyre ranges. Our skills base is reasonable, but it is spread over 300 different tyre ranges. Through rationalisation, those skills will be devoted to fewer ranges," said Neethling.

He said Consol was negotiating with Goodyear, its technology partner, in a deal that would allow Consol to produce fewer tyre ranges but in larger volumes from its plant while importing the tyres it would not produce from other Goodyear plants.

The existing technical agreement with Goodyear restricted Consol to supplying neighbouring countries such as Zimbabwe and Namibia and the Indian Ocean Islands. Consol would like to supply other countries as well, he said.

Gentyre Industries, the other local tyre maker, is increasing its links with Continental.

The company, which reported its financial results yesterday, said that by joining Continental's worldwide supply network it would increase exports to comprise 50 percent of its production by 2000.

UPSTREAM DOWNSTREAM

Tyre industry has to take a road less travelled

(196) CT (BR) 18/9/96

The local tyre manufacturing industry is at the crossroads.

At present it relies for survival on both dominance in home markets and a growing export market. How long can this last, given the changing scenario in quantity control and the flood of imports? With levels of imports having risen dramatically over the past year from 10 percent to 25 percent, the growth rate of the local manufacturing industry is under real threat. It is time to take the road less travelled and find new strategies.

The tariff dispensation gazetted early this month proposes initiating levels of 43 percent for cars and 36 percent for heavy-duty vehicles. These would be reduced to 30 and 25 percent respectively over the next five years. The bottom line is that permit control is going and we have a period of grace in which to ensure that our industry is competitive.

With low gross domestic product growth, the growth rate in consumption of the local market is small. Over the past two years it has been typically under 3 percent.

What is really galling, says Etienne Human, Firestone's executive manager for special projects, is that roughly one-third of the imports have been illegal in terms of existing permit controls.

COLIN WOOD

The illegal importation explosion is best illustrated by comparison with 10 years ago when six tyre brands were imported into South Africa. Today, there are 85 brands from about 60 different manufacturing units.

This is all to change next year with the phasing out of quantity control by the permit system, which is heavily censured by the General Agreement on Tariffs and Trade (GATT). The potential increase in imports will be restricted by raised tariff barriers. This is acceptable to GATT provided initiating tariffs are under 50 percent and are reduced over time.

The industry worldwide is a cyclical one as a result of supply/demand imbalances. This means the local industry will have to be ever vigilant to the vagaries of dumping. A few years ago production exceeded consumption by 20 percent. Now supply and demand are in balance.

Exports rely on the benefits of the general export incentive scheme (GEIS) at 6 percent. When this is phased out next year, the problem will be offset by reducing the tariffs on certain raw materials. At present the industry believes its raw material costs are the same as those in other manufacturing units worldwide.

To be truly competitive the local industry has to address a number of problem areas, notably productivity, wastage and standards of management. The productivity of the South African industry is significantly lower than other trading blocs, at 100kg per employee compared with Asia at 700kg, the US at 500kg and European Union at 300kg. This is attributed, in part, to the large number of different sizes produced compared with overseas counterparts. The local industry is seeking to address this by importing special grades and focusing on bread and butter lines.

The strengthening of traditional areas such as training and technology will receive attention but economies of scale will always remain. A world-class plant of say 10 million units a year is equivalent to the whole of South Africa's production.

Expressed differently, South Africa has 1 percent of world share at present, which could be doubled by judicious exporting. This would merely ensure survival of the local industry because expansion to world-player status, at say 8 percent, is unlikely because an export volume of such vast quantities into competitors' home markets with our long supply routes becomes a herculean hurdle.

One possible initiative mooted by Piet Neethling, the managing director of Consol, of which Tycon-Goodyear SA is a subsidiary, is that if a controlling interest was negotiated by Goodyear International, it is not impossible to consider expansion of the Uitenhage plant to world-class size.

Should this materialise, South Africa would have essentially doubled its world share. But the fact remains that it would be difficult for other players to do likewise. In addition, such a pre-emptive strategy by Goodyear, or any other player, would have damaging implications for the rest of the industry — a view that would have to be given consideration by the Competition Board.

Given these problems it would be an overstatement to say the local tyre industry can become internationally competitive at present. Offshore interests may serve to bolster an ailing industry but long-term solutions are required.

Could it be that to become part of the global village the best way to bring operating costs down to international standards would be by negotiating a controlling interest with large multinationals?

☐ *Dr Colin Wood is an international strategic business development consultant*

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'Corruption and lack of controls' deflate tyre industry

(196) BD 19/9/96

Lukanyo Mnyanda

CORRUPTION and a lack of proper controls had led to tyre imports far exceeding the legal limit, compounding unemployment and causing profitability problems for the industry, SA Tyre Manufacturers' Conference chairman Mike Smithyman said yesterday.

The industry, with R2,8bn in annual sales, would suffer huge job losses if cheap imports were not restricted, especially those from the Far East.

Local manufacturers said earlier this month that legal imports had cost about 1 200 jobs since January last year. Smithyman said the industry — which has asked government to increase duties on imported tyres — was not opposed to tariff reform but needed time to become competitive. He suggested a six-year period. Tyre manufacturers were already adjusting their operations to increase exports and enhance international competitiveness, he said.

The organisation has recommended duties on agricultural and earth mover tyres be doubled to 20%, on bakkie, taxi and truck tyres to 36% from 25%, and that on car tyres should be pushed up to 43% from the current 25%.

Dunlop SA plans R100m upgrade

By Shirley Jones (196)

CT (BR) 24/9/96

Durban — BTR Dunlop, the listed tyre manufacturer, is to convene a summit early next month to develop a strategy for the management of the international tyre interests which it acquired from its British parent BTR a month ago.

Andrew Walker, the financial director, said yesterday the meeting would include representatives from Birmingham, Zambia, Zimbabwe, Nigeria and South Africa. Walker is standing in for Mike Smithyman, the managing director who is to move to the Forward group, which owns competitor Gentyre.

Walker said synergistic benefits of the enlarged group would filter through and have a significant effect over the next three years.

Planning had already begun, and the acquisition of trademark rights in 70 countries had provided a new focus for South African operations, such as the plant in Ladysmith.

This plant will complete a R100 million upgrade at the end of next year. A second development of similar size which could only be commissioned by the year 2000, although not yet approved, is in the melting pot.

Dermot Joubert, who heads the Ladysmith operation, said the latest upgrade was already making an impact in terms of capacity. A 35 percent increase in capacity could be expected by 1999, he said.

Joubert said this expansion, coupled with improved technological inputs from Japanese conglomerate Sumotomo Rubber, which owns the Dunlop trademark, would have an effect on sales and profit.

BTR Dunlop summit will map out a strategy for new tyre interests

Joubert said the product mix at the Ladysmith factory was dominated by steel-belt tyres, which made up 80 percent of the mix, with the balance comprising short runs of textile-based tyres. By next year, the plant would be repositioned to produce only steel-belt tyres which would enable Dunlop to achieve highly beneficial economies of scale.

Although the operation was keen to push aside the old textile technology, there would be spare capacity on the textile side if the need arose.

Joubert hinted that there was likely to be a shuffling of product between Ladysmith, Durban, Zimbabwe and Zambia. He said the manufacture of textile tyres could be shifted to a more appropriate plant, where the technology was better suited to this product.

Walker said the R23 million cash injection received from the sale of its sports subsidiary, together with a R40 million loan which the company had secured at 10,5 percent, fixed for three years, would go some way towards funding the Ladysmith capital expenditure.

He said that as BTR Dunlop had historically been a good generator of cash and had always been in a positive gearing position, it had significant capacity to borrow.

NEW

Import quota system and low import duties could soon be a thing of the past

Tyres are driving tariff talks

(196) CT(BR) 3/10/96

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The deadline for discussion on the new tariff-structure proposals for the tyre industry, which have been tabled in the Government Gazette, has been set for Friday October 4, Andrew Walker, the acting managing director of Dunlop, said yesterday.

Walker and Kathy Roberts, the spokesman for the South African Tyre Manufacturers' Conference, said the conference hoped the import quota system, which had proved ineffective, and low import tariffs would be things of the past by the early next year.

Walker and Roberts said this would level the playing field for local manufacturers to compete against tenacious importers.This means import tariffs on tyres will rise.

Roberts said that the existing quantitative permit system stipulated that just 10 million kilograms of tyres of similar size to those produced locally could be imported. However, import statistics supplied by the Central Statistical Service showed that 30 million kilograms of tyres had been imported last year, indicating a lack of customs control and abuse of permits. Roberts said these statistics were probably under-declared by at least 40 percent.

The tyre industry, which has been at the forefront of campaigns to tighten up on customs and excise controls, recently concluded a training course for customs officials at the ports of Cape Town, Durban, Port Elizabeth and Durban. However, just 25 of the 130 points of entry including the borders of neighbouring states such as Botswana, Lesotho, Swaziland and Namibia, are adequately manned.

Should the proposals be implemented, duties on passenger vehicle tyres will be increased from 25 percent to 43 percent and duties on bus and truck tyres from 25 percent to 36 percent. Duties on herringbone tyres, which are fitted to earth-moving and agricultural equipment, will rise to 20 percent and duties on imported tubes will rise from 10 percent to 43 percent by the beginning of next year.

The tariffs will then be reduced from year to year in terms of the General Agreement of Trade and Tariffs which the tyre industry does not find threatening.

Dunlop on global learning curve

BD 28/10/96

Edward West (196)

BTR Dunlop management had been on a steep learning curve since it became a "global" player in August with the acquisition of Zimbabwean and Nigerian operations as well as the Dunlop trademark in 70 countries, a company spokesman said on Friday.

Working groups had been established between BTR Dunlop and representatives of the African operations, a meeting had taken place in Durban recently, and the first tyre manufacturing mould had been sent to Zimbabwe as a first move in a strategy to eliminate duplication and improve efficiencies in the region.

BTR Dunlops' exports, which grew 23% to R48m or 6% of sales last year, were expected to grow substantially. The 70 trademark countries were in Africa, south and central America and Malaysia, with royalties from Malaysia alone amounting to R6m a year.

The R94m acquisition in August from the London-based BTR had included a 75% stake in Dunlop's Zimbabwe tyre operation, a 38% stake in tyre distributor and retreader National Tyre Services, a 99% stake in Zimbabwean tyre distributor Cobra Tyres, and a 25,2% stake in a Nigerian tyre and industrial products manufacturer.

The Nigerian and Zimbabwean operations were profitable, the spokesman said. They had market values of R60m and R88m respectively at the time of acquisition.

In the six months to June BTR Dunlop lifted share earnings 9% to 36,2c after attributable income increased 10% to R43,5m.

An analyst forecast share earnings at 80c for the full year, compared with 70,3c in the year to December last year, an increase of 13,3%.

The share price was untraded at R6,05 on Friday, a rise of 4,3% since the acquisition was announced. The price to earnings ratio of 7,46 was well below the industrial index ratio, which opened at 15,5 on Friday.

Analysts said the share was tightly held and generally untradeable. One attributed the low price to earnings ratio to investor disdain for tyre companies and the import protection afforded the industry. Industry restructuring was required, the analyst said.

'Devulcanising' set to change tyre industry

(196) Star 12/11/96

By Winnie Graham

The massive stockpiles of old tyres and scrap rubber now threatening to engulf the world will soon be a thing of the past thanks to a major breakthrough in recycling rubber.

A "devulcanising" process has been invented by a Malaysian rubber scientist, Tan Sri Dr B C Sekhar, and a Russian polymer scientist, Professor Vitaly Kormer, who have made it possible to regenerate scrap rubber. The process is expected to revolutionise the rubber industry – and impact dramatically on the environment.

Two South African companies, Zimco and the Sandton-based West African Group, are promoting the process in South Africa. Industrialists and rubber experts have expressed "enormous interest and excitement" in the invention. Last week members of a Malaysian company met the South African Institute of Materials to spell out all the details of the invention.

Christie Robert, the senior vice president of Sti-K Polymers of Malaysia, told the meeting that there were some 10 billion tyres lying around the world – a figure which was increasing annually by an awesome 800 million.

"Disposal has long been a problem," he said. "Scrap rubber at dumps is considered both a health hazard and a fire hazard while the incineration of tyres in kilns emits a toxic gas and contributes to global warming. At a dump in Canada it took 12 *years* to put out a fire. Ontario, in fact, has banned incineration."

He said the two scientists had made a major breakthrough when they learned how to "uncouple the sulphur crosslinks" initiated in the process of vulcanisation. (Vulcanisation, discovered by Charles Goodyear in 1839, is the conversion of rubber molecules into a stable network through the introduction of sulphur.)

Devulcanisation can now be brought about by a chemical reactant known as "De link" which is used in the recycling process.

The recovered rubber retains between 50 and 85% of the technical properties of the original product. Its use has already resulted in major cost savings at big factories.

The new technology has taken the industrialised world by storm. In the New States, where the Malaysians have established subsidiary companies, it has been hailed as a method of "turning waste into profit."

"10 billion old casings lying round world"

Roland Newell of Sti K Polymers, Britain, outlined the technology of the process. He told the meeting that tyres made with the addition of devulcanised rubber had been monitored for a year – and there had been virtually no difference in their lifespan.

"It makes available a valuable raw material at no cost or capital expenditure," he said.

The first container of the De Link reactant is already in South Africa. It was tried out for the first time in a rubber factory in Krugersdorp where sceptical rubber experts watched expectantly.

Robbie MacNab of Zimco said: "I held my breath when we tried it – but it worked."

Jack Doherty of the West African Group said the financial implications of the invention would be considerable as the rand depreciated and the dollar price of natural rubber increased.

"The availability of recycled rubber must eventually have a beneficial impact on the price of rubber goods and the environment," he added.

UPSTREAM DOWNSTREAM

Greenies get the wheels turning in the tyre industry

CT(BR) 14/11/96 (196)

COLIN WOOD

You had better believe the "greenies" have influence when they can get the wheels turning in the powerful tyre industry on a global scale. But this is the 1990s, and the latest "green" tyre technology promoting a fuel saving of 5 percent is worth having if it helps in the environmental cost equation. The technology, catching on fast in Europe over the past three years, is about to be developed in South Africa. While it does not represent a dramatic change, it can help to delay the day of reckoning when the world runs out of oil and a major paradigm shift in transport without fuel becomes the only option.

From a marketing point of view, however, the technology is dramatic. It is predicted that for Europe in 1997, more than 90 percent of passenger tyres fitted to new vehicles will be "green". As a necessary renewable item for cars and trucks, there is no doubt tyres represent mega-business for the multinational tyre companies. Globally, the big three: Michelin, Goodyear and Bridgestone/Firestone each have a comparable turnover to a major South African mining house like Gencor, and that's in tyres alone. All four tyre manufacturers in South Africa plan to introduce the "eco" or "green" tyre locally from 1997, so its South African launch is imminent.

Technologically, the tyre system is progressing to the stage where it can be regarded as high-tech. Many additives are used to tailor the end properties of what is essentially a composite material. The result is a property modification which cleverly combines science and engineering. The green tyre is the result of the application of these two disciplines to a fairly simple concept.

Two ultrafine materials, carbon black and precipitated silica, are dispersed into the rubber matrix to increase hardness and toughness. The loading of the silica is limited by the area of the interface between the organic rubber phase and the inorganic silica phase.

Heat build-up (from friction) generated by the flexing at the interface results in degradation of the properties of the tyre and limits the loading and fineness of the silica. This heat build-up can be significantly reduced by chemically bonding a layer of silicone-related materials to the silica such that the particle is more compatible (organic) with the rubber. The result is a lower rolling resistance of up to 20 percent and benefits like longer tyre life and slightly improved skid resistance.

This simple concept achieved prominence during the global energy crisis of 1973-74 when plastic prices suddenly became expensive. The possibility of loading the expensive plastic with higher levels of cheap surface-treated crystalline silica, without loss of properties of the silica, received increased attention in laboratories worldwide.

The improvements are not without some penalty, however, like a lower resistance to abrasion, but the fuel-saving benefits are expected to be more beneficial in truck tyres where long hauls are the issue.

For the tyre manufacturer, the processing principles and engineering hardware are totally different and more akin to a chemical processing plant. The precipitated silica has to be dispersed in the rubber and then the silicone-related layer is reacted around the silica particles in situ. This means the tyre manufacturer has to include an additional process step which requires additional capital costs.

While the new tyres are expected to be more expensive, at a premium of 5 to 10 percent in the market place, the technology is forging ahead rapidly: prestigious high-performance cars are converting first and the cheaper models are expected to follow.

"Eco" or "green" clout will continue to have impact on new age technology. The fact that noise emission levels can also be lowered with other techniques will greatly boost the new tyres' acceptance in the marketplace.

☐ *Dr Colin D Wood is an international strategic business development consultant*

Consol seals Goodyear's return to SA

BD 19/11/96 (196)

Amanda Vermeulen

THE Goodyear Tyre & Rubber Company has returned to SA, buying 60% of Consol tyre company Contred from Anglovaal Industries (AVI) for R568m in a move touted as a vote of confidence in government's macroeconomic plan.

US-based Goodyear's acquisition follows a transaction between AVI and subsidiary Consol in which AVI bought 100% of Contred in a deal valued at R1,1bn. AVI said it would announce a R415m rights offer in two weeks' time to fund the transaction and expansion projects being undertaken by its other subsidiaries. AVI also said it was involved in other talks with local and international groups to internationalise AVI's business.

The Goodyear transaction includes a factory in Uitenhage, bought by Consol from Goodyear in 1989 when it disinvested from SA, a chain of 195 retail stores and the country's largest retreading operation, with 41 plants.

Goodyear chairman, CEO and president Samir Gibara said the return to SA reflected group strategy of acquisitions and expansion, fast and profitable growth in all its core businesses and maintaining a leading position in every market in which it operated.

AVI MD Richard Savage said the reduction of import tariffs in SA and the opening up of the economy had led to competitive pressures intensifying.

"To become globally competitive, SA manufacturers are forging closer international links. The Goodyear deal brings the necessary product development and technical skills to make Contred internationally competitive and to increase exports.

"It is also a vote of confidence in government's macroeconomic policy."

AVI, which has a 40% stake in Contred, has a five-year option to sell its stake in the tyre operation to Goodyear.

If it maintained its interest AVI would be partners with Goodyear "in perpetuity", Savage said.

Following Goodyear's re-entry to the SA market, the group would grow its business, providing exports to sub-Saharan and other African countries, and develop new products, particularly for mining operations. The Uitenhage factory would be integrated into Goodyear's international distribution network as an export source.

Savage said Contred's 7 000 employees were unlikely to be affected by the deal, and job numbers should increase over the long term as exports climbed. "But labour must play its part and convince Goodyear that SA is an attractive investment destination."

The Uitenhage plant, which manufactured about 260 kinds of tyres, would rationalise its product list to about 40.

Consol's disposal of its tyre interests had been motivated by opportunities for it to expand its core businesses of packaging.

Historically, limited investment opportunities had forced the cash-strong Consol to diversify into non-core areas, but changes in the economy and government support for the company to expand into the Southern African Development Community offered new opportunities.

Consol would consider refurbishing plants in Angola, Zambia and Zimbabwe, as well as pursuing other investment opportunities, buoyed by a balance sheet which had seen its debt wiped out by AVI's acquisition of Contred, Savage said.

Contred deal a bid to raise competitiveness

Consol sells to returning Goodyear

(196) CT (BR) 19/11/96

Jabulani Sikhakhane

Business Editor

Johannesburg — Consol, the packaging group, is selling Contred, its tyre manufacturing subsidiary, to Goodyear Tire & Rubber, the international rubber products group, and Anglovaal Industries (AVI), Consol's parent company, for an effective R1,07 billion, the three companies said yesterday.

The return of Goodyear, which left South Africa in 1989, is part of a broad attempt by the local tyre-manufacturing industry to place itself on an internationally competitive footing, especially in the face of increasing competition from cheap imported tyres.

The R3,5 billion-a-year local tyre industry has been under pressure from imports, which account for more than 25 percent of the local market, compared with 10 percent a year ago.

Under the transaction announced yesterday, Consol will sell 100 percent of Contred to AVI for R728 million cash and AVI will also take over the R300 million debt in Contred.

Because the deal is effective from January 1, Consol will receive a cash dividend of R38 million from Contred in respect of the six-month period to December 31.

In turn, AVI will sell 60 percent of Contred to Goodyear for R437 million cash.

Richard Savage, AVI's managing director, said both legs of the transaction were based on a historic price-earnings ratio of about seven, based on Contred's R108,3 million net attributable earnings for the year to June 30.

He said the deal had to be evaluated on the basis that in addition to the R728 million cash Consol would also be relieved of Contred's R300 million debt.

Consol would also receive a cash dividend of R38 million from Contred. Taken together, the effective benefit to Consol is about R1,1 billion.

With the cash injection, Consol will be able to reduce its borrowings and will also be better placed to take advantage of investment opportunities in its core packaging business.

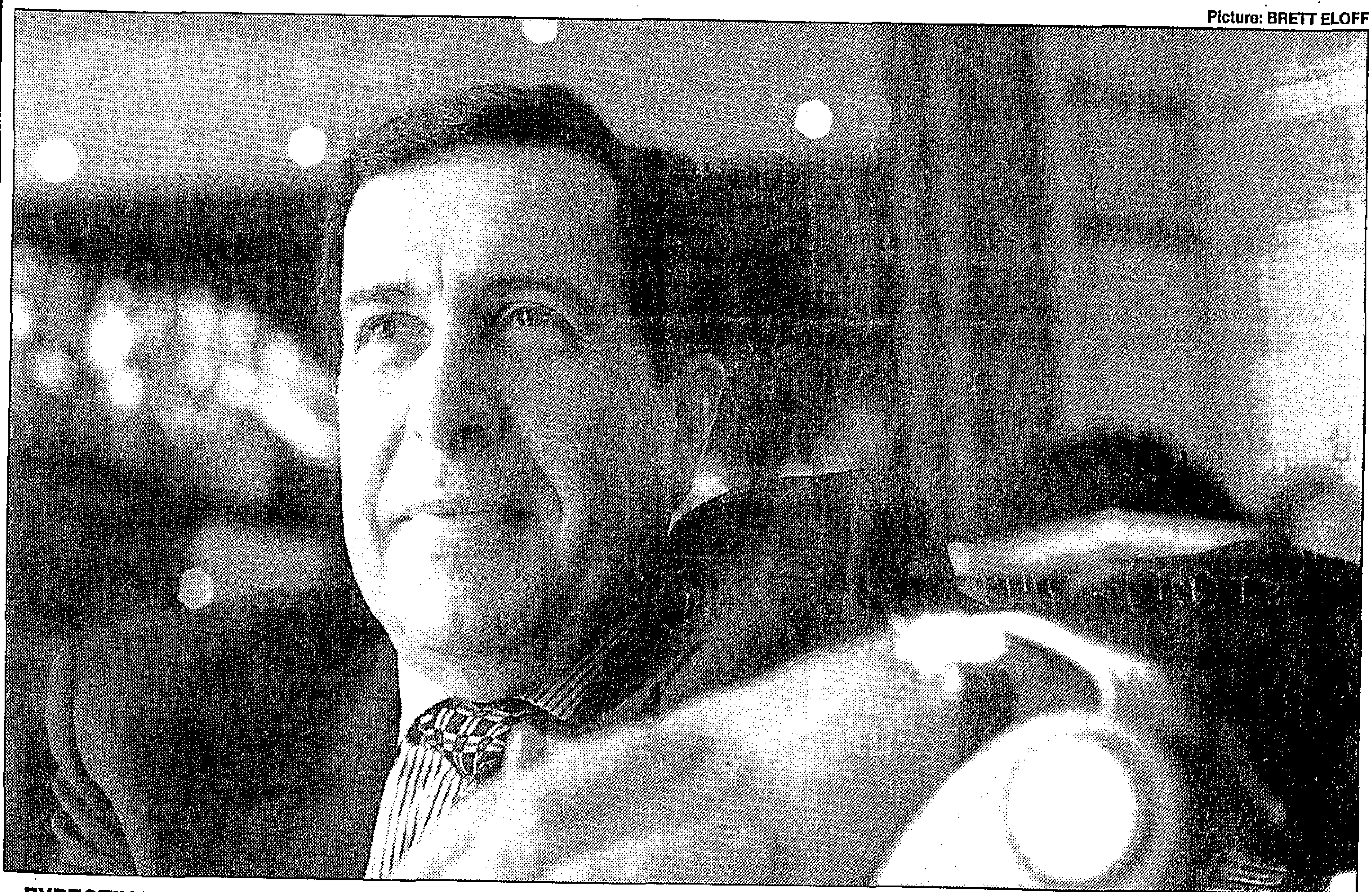
Savage said opportunities had been identified in Zambia, Angola, Mozambique, Zimbabwe and Burundi. There were also opportunities locally, including possibilities that would arise from the unbundling of local conglomerates like Malbak, which would sell its interests in packaging group Kohler.

Samir Gibara, Goodyear's president and chief executive officer, said Goodyear intended to expand Contred's tyre products primarily to Africa. But there were also opportunities to export retread plant equipment manufactured by Contred to Goodyear operations in Europe and the US.

Goodyear planned to invest about R100 million in the upgrading of Contred's Uitenhage plant.

☐ Business Watch, Page 16

Picture: BRETT ELOFF



EXPECTING GOOD RETURNS . . . Goodyear chief executive Samir Gibara says South Africa will be used as an export base

Local tyres are back in the race

(196) ST(BT) 24/11/96

INVESTMENT

By ZILLA EFRAT

ANGLOVAAL Industries has sold 60% of its tyre interests to multinational Goodyear for about $121-million (R568-million) in a bid to boost the local plant's competitiveness.

The local tyre industry has been hurt by international competition and, in particular, cheap and illegal imports.

Faced with problems of economies of scale, Goodyear's South African tyre operation had become inefficient and uncompetitive. It made about 270 types of tyres, against only 30 to 40 made by its international competitors.

AVI managing director Richard Savage confirms that without the Goodyear deal, the possibility of closing the plant loomed.

Goodyear's South African operation had become inefficient and uncompetitive

Goodyear chairman, chief executive and president Samir Gibara says his group's objective is to make the local plant a world-class operation. It will reduce the number of tyre types made, use South Africa as an export base and import sizes not made locally.

Goodyear will also spend $20-million on modernising the Uitenhage plant over the next two years.

The tyre operations Goodyear is buying are three times larger than those it sold to AVI subsidiary Consol when it disinvested seven years ago.

A chain of 195 retail stores and 41 retreading plants have been added, giving Goodyear a 38% share of the South African tyre distribution market, far higher than in most of its other markets.

Goodyear, which began selling tyres in South Africa in 1916, will be taking many of its former South African employees back on board. Many of them regarded themselves as "Goodyear people" during the period of disinvestment and relationships were kept up through technical assistance and other contact.

Goodyear's purchase follows an agreement which resulted in AVI buying Consol's tyre interests for R728-million in cash.

Consol will receive a dividend from its former tyre business and be relieved of their debt of about R300-million. As a result, Consol will enjoy a boost of about R1,1-billion, which will enable it to refurbish its plant and expand its packaging interests through new products and acquisitions.

It will also get involved in ventures further afield in Southern Africa, says Savage.

Consol's rating may benefit as the market has viewed its weakening tyre interests negatively.

In the past, AVI has insisted on having a stake of at least 51% in its investments. But Savage says the group may look at minority positions if international parties can "bring more to the party than we can".

AVI is taking a more critical look at its returns and repositioning itself in a drive to boost its international competitiveness.

Other interests have already been unbundled and three AVI businesses were sold last year. However, Savage says: "We will not unbundle for the sake of unbundling."

AVI will also undertake a rights offer to raise about R415-million to finance its tyre acquisition from Consol and future developments.

GENTYRE (196)

IMPORTS AND OTHER WOES

FM 29/11/96

The tyre industry is only one sector hit hard in recent years by a flood of imports. The latest Gentyre annual report offers insight into why SA attracts dumpers.

- **ACTIVITIES:** *Manufactures and distributes rubber products, mainly for the automotive industry.*
- **CONTROL:** *Forward Corp (68%).*
- **CHAIRMAN:** *C W Tutton. CEO J Bester.*
- **CAPITAL STRUCTURE:** *17,4m ords. Market capitalisation: R326m.*
- **SHARE MARKET:** *Price: 1 880c. Yields: 6,1% on dividend; 18% on earnings; p:e ratio, 5,6; cover, 2,9. 12-month high, 2 050c; low, 1 470c. Trading volume last quarter, 448 000 shares.*

Year to June 30	'93†	'94†	'95*	'96
ST debt (Rm)	5,0	0,0	0,0	0,0
LT debt (Rm)	0,0	0,0	0,0	0,0
Debt:equity ratio	0,01	(0,07)	(0,10)	(0,11)
Shareholders' interest	0,81	0,79	0,79	0,76
Return on cap (%)	10,6	13,5	8,5	10,1
Turnover (Rm)	561	572	550	686
Pre-int profit (Rm)	47,4	72,8	49,1	70,5
Pre-int margin (%)	8,5	12,7	8,9	10,3
Earnings (c)	242,8	329,2	264,6	337,9
Dividends (c)	112	48	96	115
Tangible NAV (c)	2 303	2 680	2 777	3 034

† Year to December 31.

* Six-month accounting period, annualised.

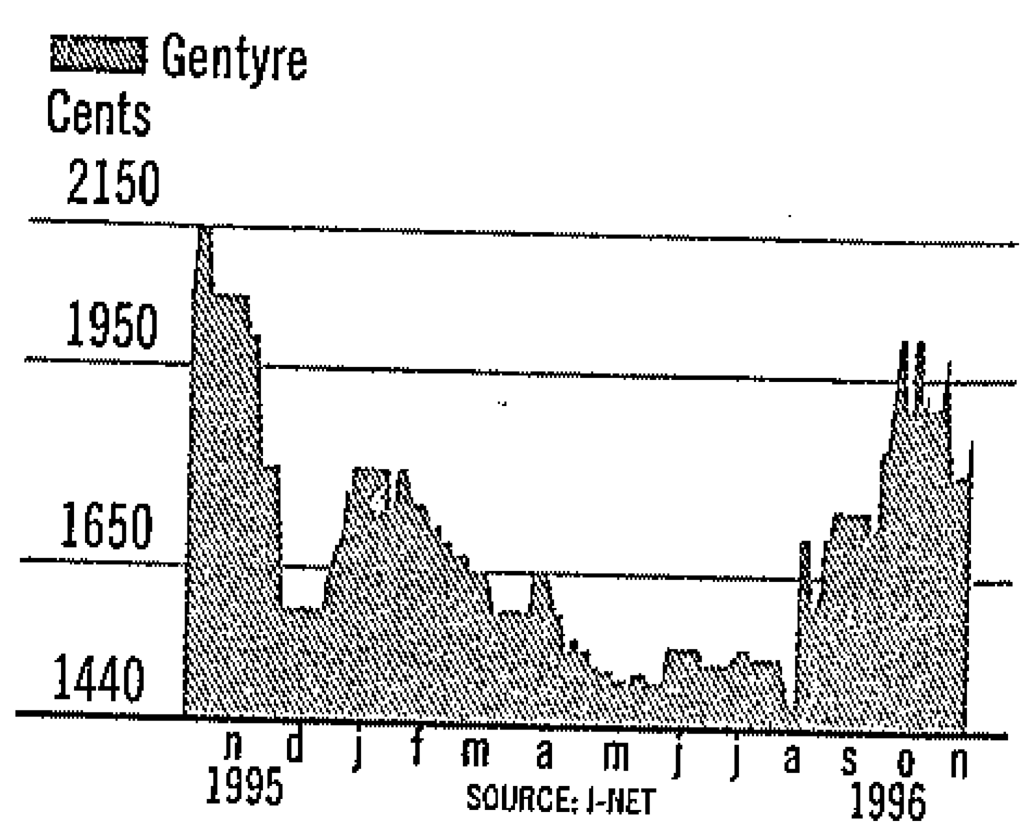
Discussing his group's performance over the past 18 months, chairman Clive Trutton notes that operating margins — excluding income from the realisation of investments — have dropped from 11,8% in the six months to December 1994 to 8,9% for the June 1995 half-year and subsequently to 7,6% in the financial year ended June 30 1996 — a cumulative decline of more than 35%.

The main reason given is the inflow of imported products. CEO Johan Bester says the market "is awash with cheap imports." This is aggravated by the collapse of border controls.

But Trutton says the lower margins also reflect Gentyre's growing export business "and the competitive nature of this activity." He adds that margins are expected to remain at the lower level "for the foreseeable future" as the group pursues its export strategy.

Translated to the macro-economic picture, this suggests at least some of the pain suffered by local industry has been self-inflicted in that, during the years of isolation, local firms lost sight of what was going on in the real world. The disciplines of international competition could be ignored and companies were able to operate at margins which their foreign counterparts could only dream about.

Little wonder that these companies found the market attractive when SA regained its political respectability and that some local companies have found the re-



establishment of what elsewhere would be considered normal trading pressures to be a painful "wake-up" call.

But it also seems that current asset management could do with some attention. The ratio of net working capital to turnover has been rising progressively in recent years, reaching 24,9% in 1996 against 20% in 1993.

With turnover of R685m, the difference represents an excess investment in working capital of more than R33m — banked, these funds could earn an additional R5m in interest, boosting pre-tax income by almost 7%.

The share price over the past 12 months shows a net gain of only 3% to 1 860c, basically reflecting the flat earnings picture of recent years. However, downside risk should be limited by the high dividend yield of 6,1% and low p:e ratio of 5,6.

An upward rerating, though, depends on real growth being re-established. It is hard to fault the measures taken to improve profit performance but, at a time when the local economy is slowing, it is equally hard to say when they are likely to take effect. *Brian Thompson*

Gentyre plans export drive

(191)

Edward West

BD 2/12/96

GENTYRE Industries planned to export 50% of its output by the end of the decade, with the weaker rand likely to provide a hedge against competition from imported products, chairman Clive Tutton said in the latest annual report.

The tyre producer's underlying strength was its ability to gear up production for exports by a further 35% without significant capital expenditure at its Port Elizabeth factory, he said.

Gentyre's share of SA's tyre exports had grown to 44% this year from about 15% in 1994. As the leading exporter of tyres, its reliance on the local market had been reduced, thus cushioning the cyclical swings in the vehicle manufacturing market.

Year-on-year Gentyre's export sales had grown 123% to R114m in the year to June, equal to 17% of its turnover.

Attributable profit increased to R56,8m from R55,2m. The company's focus would remain on the development of links with Continental AG, which gave access to international markets.

Price war grips tyre trade

Big four retailers accused of dirty tricks

ARG 31/12/96 (19b)

WILLIAM-MERVIN GUMEDE
POLITICAL STAFF

A price war is being waged in the R4-billion-a-year motor tyre industry between small retailers and the four big manufacturers, with allegations of price-fixing, death threats and phone bugging.

Tyre prices have increased three times this year. In February, they rose five percent, in June nine percent and this month between 10 and 13 percent. Another big price increase is expected early in January.

The South African tyre market is dominated by four big manufacturers – BTR Dunlop, Firestone, Gentyre and Tycon. Small retailers accuse the four of preventing them from selling tyres cheaply.

They allege the big companies have bullied them into withdrawing advertisements from major newspapers in Cape Town. The ads announced festive season discounts.

They also accuse the big manufacturers of using dirty tricks and intimidatory tactics to maintain control of the industry.

However, spokesmen for tyre companies flatly deny the allegations of price fixing and "dirty tricks".

The National Tyre Dealers Forum, which represents emerging small black retailers, has taken the four big companies to the Competition Board for alleged price fixing.

"Tyre prices are kept artificially high by the four big tyre monopolies," said Anees Samsodien, interim co-ordinator of the forum.

"We have a situation in the industry where the big manufacturers also operate their own retail outlets against which the small emerging independent tyre retailers have to compete," he added.

The forum had met Competition Board chairman Pierre Brooks and was preparing a formal complaint of price fixing against the manufacturers.

He said the forum was also launching its own investigation into allegations that the manufacturers had put pressure on small retailers to withdraw adverts for tyre discounts.

The forum has also met Chris Nissen, Western Cape Minister of Economics and Reconstruction and Development, to complain about the alleged bully-boy tactics used by the big companies.

Small tyre retailer Achmat Jainoodien accused one of the manufacturers of refusing to supply him with tyres and cancelling his order for about 6 000 tyres, worth more than R1 million, because he sold them at discount prices. Mr Jainoodien claimed he had had numerous death threats and his telephone was bugged.

Roger Tait, sales and marketing manager of Gentyre, dismissed the allegations of price fixing and dirty tricks as "crazy".

He said his company was neither a monopoly nor a cartel.

Etienne Human, spokesman for Firestone, said his company was not involved in dirty tricks or price fixing. He said there was fierce competition between the four big manufacturers and the Trade and Industry Ministry had previously cleared them of price collusion.

He said the steep increases in prices were because of high labour costs.

MANUFACTURING —
RUBBER PRODUCTS

1997

Tyre importers to oppose petition to raise duties

(196) CT (BR) 23/1/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Tyre importers would fiercely oppose a call for a 66 percent duty on imported tyres submitted by South Africa's four major tyre manufacturers, a spokesman for a group of 14 importers, calling itself the Concerned Group of Tyre Importers, said yesterday.

The South African tyre manufacturers' conference — which represents BTR Dunlop, Fedstone, Gentyre and Goodyear (Tycon) — lodged a petition with the government in December calling for anti-dumping tariffs on tyre imports from Indonesia, South Korea, Taiwan, China, the Slovak Republic, Mozambique, Malaysia and Singapore.

"We won't sit back and take this on the chin. We are forming our own representative body to challenge the local industry and government on both the duties and the anti-dumping petition. If we don't, we may as well close our doors," the import group's spokesman said.

Ironically, some of the local manufacturers behind the petition imported tyres from these countries, while major international conglomerates which were buying stakes in South African manufacturers — like Bridgestone of Japan which bought Fedstone for R290 million this week — also sourced tyres from these countries. The tyre industry in South Africa is worth R4 billion. Manufacturers estimate the market share of imported tyres to be about 25 percent.

Twenty-eight tyre brands will be imported this year, according to the South African Bureau of Standards. Of these, 50 percent will be brought in by the major manufacturers. Gentyre will import five brands, the Firestone group three, and Natyre, a Firestone subsidiary, six. Independent importers, including Michelin, account for the remainder.

According to last Friday's Government Gazette, the tyre manufacturers conference had provided sufficient evidence that increased imports of passenger car tyres at prices below those in the countries of origin were adversely affecting each of the four manufacturers.

The tyre manufacturers conference argued that since 1994, export prices in the countries in question had fallen. After the removal of import quotas for South African importers this month, exports were expected to escalate, causing further damage to the local industry, it said.

A spokesman for the concerned group said it would represent half of the tyre importers. The other half was affiliated to the local manufacturing industry. He described the tyre manufacturers conference as a cartel strangling importers.

Board to probe alleged dumping of tyres on SA market

BD 5/2/97 (196) (~~195~~)

Ingrid Salgado

THE board on tariffs and trade is to launch an investigation into alleged dumping of passenger car tyres in the SA market originating from eight countries, a board spokesman confirmed yesterday.

This follows a complaint from local tyre manufacturers BTR Dunlop, Fedstone, Gentyre and Goodyear that increased imports of tyres from South Korea, Taiwan, China, the Slovak Republic, Indonesia, Mozambique, Malaysia and Singapore were priced substantially lower than the normal values of the products in their countries of origin.

If the investigation concluded that dumping took place, and had caused material injury to local manufacturers, it could lead to SA imposing an equalising dumping duty on tyre products exported from those countries.

Notice of the investigation was gazetted late last month, after the SA Tyre Manufacturers' Conference alleged that estimated dumping margins were "substantial". The board has invited public comment until February 23.

Tiger Wheels boosts income 56%

Ingrid Salgado BD 13/2/97 (196)

TYRE and wheel manufacturer and retailer Tiger Wheels boosted attributable income 56% to R13,1m for the half-year to end-December, helped by healthy sales as well as growth in all its divisions.

Share earnings rose 39% to 28,8c on an increase in the number of shares in issue to 45,7-million. No interim dividend was declared in line with company policy.

Turnover increased 25% to R208m (R166m), helped by good export volumes. Operating profit rose 29% to R16,7m (R12,9m). The group maintained operating margins despite pressure, Tiger Wheels joint chairman Eddie Keizan said.

The group earned net interest for the first time since its listing, receiving R782 000 following last May's rights issue which raised R54m. Keizan said the funds would contribute towards organic growth in all divisions.

Payment of dividend is deferred until the national Budget next month

BTR Dunlop earnings bounce up

CT (BR) 24/2/97 (196)

Stuart Rutherford

Durban — BTR Dunlop, the tyre and other rubber products group, reported a 10 percent rise in earnings for the 1996 financial year and has postponed the payment of a final dividend until after the Budget next month, Drury Gnodde, the chairman of BTR, said at the weekend.

He said BTR had decided to postpone the declaration of a final dividend in view of uncertainties about the future rate of secondary tax on companies (STC).

Companies, in addition to the corporate tax on profits charged at a rate of 35 percent, pay STC at a rate of 12,5 percent on dividends declared.

STC was introduced in March 1993 at a rate of 15 percent but increased to 25 percent in June 1994. The STC rate was reduced last year to 12,5 percent at the recommendation of the Katz commission on tax. The commission was chaired by corporate lawyer Michael Katz.

Strengthened by the acquisition of parent company BTR's international tyre interests, BTR lifted earnings 10 percent to R80,9 million for the 12 months to December 31, up from R73,3 million last year. Earnings a share rose to 65 cents (61 cents), despite a 3,4 percent increase in the average number of shares issued.

"It is most encouraging to note ... that combining the actual 1996 full-year performance of the continuing operations, including the newly acquired companies, the enlarged BTR Dunlop group shows an earnings a share growth over 1995 of 30 percent," Gnodde said.

Trading profit from operations, including R15,6 million arising from the sale of the Sports division and a surplus on certain Dunlopillo fixed assets replaced during the year, increased by 17 percent to R118,1 million (R101,3 million). Continuing sales increased by 11 percent to R814,1 million, compared to R732,3 million.

Gnodde said the acquisition of the tyre interest of BTR's UK parent in September, together with expenditure of R122 million to modernise facilities, had resulted in an increase in net asset value a share of 34 percent.

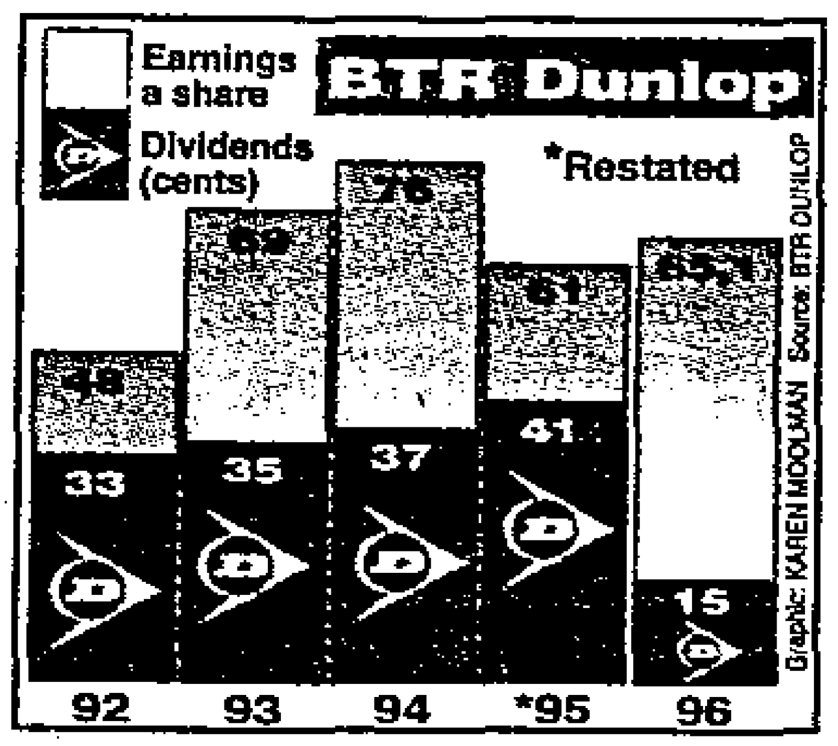
He said the robust performance in the tyre business had compensated for the weakness in the industrial products area and the loss of sales from the outbreak of fire at Dunlopillo's Johannesburg factory.

With regard to the group's prospects, he said the new tyre tariff levels introduced in January and synergies from the acquisition would improve the tyre group's competitive position and provide a firm platform on which to achieve substantial growth in export sales levels.

"Capital expenditure will continue at a high level in 1997, and it is expected that further rationalisation opportunities will be realised as we proceed with our strategy to focus on our core businesses of automotive tyres and industrial polymer products."

BTR Dunlop delays dividend announcement

(196) BD 24/2/97



Nicola Jenvey

DURBAN — Industrial holdings group BTR Dunlop lifted attributable income 10% to R80,9m for the year to December, despite the lacklustre economic environment which restricted retail and industrial sector growth opportunities, chairman Drury Gnodde said at the weekend.

Share earnings rose to 65,1c from 61c on a 3,4% increase in the weighted average number in issue. Due to uncertainties about the secondary tax on companies, Dunlop has postponed releasing the final dividend until after the national budget presentation.

Turnover from continued operations rose 4% to R763,3m, while the group's other African automotive trademark rights in 70 countries in Africa, south and central America and Malaysia bolstered turnover by a further R50,8m.

Acquisitions included a 75% shareholding in Dunlop Zimbabwe, 38% shareholding in National Tyre Services, 93,75% shareholding in Cobra Tyres, 100% control of Rubber and Allied Products, 25,2% shareholding in Dunlop Nigeria and the rights to the Dunlop trademark (automotive tyres, belting and hose) in SA, Botswana, Lesotho, Swaziland, Mozambique and Namibia.

The acquisitions' R94m price was settled by issuing 14,5-million ordinary shares of 650c.

During the year Dunlop sold the sports division. Discontinued operations contributed R20,9m to turnover. The net result saw turnover increase 4% to R835m.

Trading profit from operations, including the R15,6m from the sports division sale and a surplus on certain Dunlopillo fixed assets replaced during the year, increased 17% to R118,1m.

The group paid R36,5m (1995: R32,8m) in taxation, leaving net income at R81m (R73,4m).

Gnodde said the acquisition of the BTR plc international tyre interests, coupled with the R122m capital investment to modernise the manufacturing facilities, had lifted the net asset value by 34%.

Last year the group undertook capital projects aimed at upgrading and enhancing facilities to world-class standards. In the tyre division the R96m investment at Ladysmith, initiated in 1995, was progressing on schedule and Gnodde said new equipment installed had boosted the steel radial capacity 30% by year-end.

In the industrial products division, phase 2 of the plied rubber belting facility would continue for 1998 completion.

Tough trading punctures Gentyre interim earnings

(196) BD 26/2/97

Lukanyo Mnyanda

WEAKER exports, tough local trading conditions and industrial unrest pushed tyre manufacturer Gentyre's attributable earnings into a 68% slump to R6,9m (R21,5m) in the six months to December.

Share earnings plunged to 40c from 130c in the corresponding period last year, and consideration of an interim dividend was postponed until after the presentation of the national budget next month, due to uncertainties about the future of the secondary tax on companies.

Gentyre lifted turnover marginally to R332,5m (R311,3m) while operating profit dropped 69,3% to R8,1m compared to R26,4m last year.

Interest paid was maintained at R1,5m, leaving pre-tax profit at R9,6m, compared to R27,9m.

A significantly lower tax bill of R2,7m (R6,4m) left after tax profit at R6,9m (R21,5m).

CEO Johan Bester said the company had suffered from intense local competition while industrial action at its Port Elizabeth plant in October and November last year had exacerbated the problem.

The group's export drive through its association with Continental AG's worldwide network was thwarted by weaker international trading conditions, especially in Europe.

The group said that when it reported results for the year to June last year export earnings had helped it lift attributable earnings, despite pressure from cheap exports.

Chairman Clive Tutton said at the time that tough local conditions would lead to the company to focus on the export market.

Bester said yesterday that the outlook for the second half was better and that large export orders had been secured from Continental AG and also from other customers.

"We are confident this will provide us with export opportunities in the short to medium term. We expect an upturn in local trading conditions in the second half of the financial year.

"This will be assisted by the introduction of new import duties which will make foreign products less competitive," Bester said.

The group would tackle problems caused by industrial action by realigning its sales and market divisions, streamlining the distribution chain and improving production cycles.

However, Gentyre, which recently sold its interest in Tiger Wheel Holdings for a R92,8m profit, expected operational results for the full year to be lower than the previous year.

Gentyre reports huge drop in operating profit

MATT GETZ (196) CT(BR)26/2/97

Johannesburg — Gentyre, the tyre manufacturer, said yesterday that operating profit in the six months to December 31 fell 69,3 percent from the same period a year earlier as the group was hit by intensified local competition, slow overseas trading conditions and strikes at its Port Elizabeth plant in November and December.

Operating profit fell to R8,095 million, from R26,410 million the previous year, even though turnover rose 6,8 percent to R332,536 million, from R311,298 million. Margins were thus slashed from 8,5 percent to 2,4 percent. The group was also affected by a tax bill which came in at 28 percent, up from 23 percent the year before.

Earnings a share dropped 69 percent to 40c, from 130c. The group said it would postpone announcing the interim dividend until after the March 12 Budget, because of uncertainty over the secondary tax on companies.

Johan Bester, the chief executive officer, said yesterday that the Port Elizabeth strike had "severely affected production and impacted on stockholding levels over the festive season".

The balance sheet shows that cash on hand fell from R59,088 million on June 31 to R2,101 million at the end of the period, but the group is debt-free.

Bester said a cost-cutting and reorganisation programme had been put into place. He also said large export orders secured with Continental, a German tyre maker, should help the group's results improve in the second half. He expected local conditions to improve and new import duties to make foreign products less competitive. Still, "operational results for the full year to 30 June will ... be materially lower than the previous year", he said.

Dumping still a thorn in tyre sector's side

(196)

Nicola Jenvey

BD 7/4/97

DURBAN — Higher import tariffs for car and truck tyres and tubes, and the 66% antidumping duty petitioned by the SA Tyre Manufacturers' Association, should alleviate unfair competition in the local industry, BTR Dunlop chairman Drury Gnodde said in the annual report.

Competition was "intense" last year, with imported tyres claiming about 25% of the R4bn market. However, he said the situation was exacerbated by dumping from Indonesia, South Korea, Taiwan, China, the Slovak Republic, Mozambique, Malaysia and Singapore.

Gnodde said the new tariff regime, which came into effect on January 1, would enable Dunlop to continue with its capital expenditure programme, which was necessary to manufacture a world-competitive product.

Dunlop lifted attributable income 10% to R80,9m in the year to December, despite a lacklustre economic environment.

Share earnings rose 3,4% to 65,1c in the average number of shares in issue. Turnover from continued operations rose 4% to R763,3m, while the group's other African automotive trademark rights in Africa, south and central America and Malaysia bolstered turnover by R50,8m.

During the year Dunlop acquired the tyre interests held by parent company BTR for R94m. The company said the move would permit the group to rationalise various production facilities within southern Africa while expanding export opportunities internationally.

MD Brian Crowther said Dunlop had disposed of three Dunlop Zimbabwe subsidiaries involved in the manufacturing of engineering products, furniture and associated wood products.

The new Dunlop African Tyres group had begun benefiting from access to the African and south and central American markets, while existing SA export sales had been augmented by the British-based trading organisation

Brazilian market worth over $100m a year

Dunlop belts are reeling in South American profits

CT(BR) 11/4/97 (196)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Dunlop's industrial products division, which manufactures rubber and PVC products for the mining, industrial and automotive industries from factories in Howick and Benoni, was making inroads into the South American market, the company confirmed yesterday.

According to a company spokesman, the division has secured its first conveyor belting order from Brazil, a growing economy with an industrial and mining belting market worth more than $100 million a year.

The first contract, for product marketed under the BTR Sarmcol brand, was concluded two months ago, with more to come, the spokesman said.

He said that BTR Sarmcol — with agents in Chile, Argentina and Brazil — had already been supplying South America with hydraulic hose products for more than a year.

The company's Brazilian agent, Bozza SA, which has been marketing industrial and mining products for the past 40 years, was interested in entering the conveyor belting market and was looking for a reliable and competitive supplier, he said.

"There is enormous potential for us, but the quality of the initial order and subsequent pricing, quality and reliability of supply will determine whether we get future orders," said Roger Henderson, the general manager of BTR Dunlop Hose.

A visit by a delegation of the main industrial products distributors from Chile, Argentina and Brazil had also yielded a positive response, Henderson said. "The newest, and potentially the largest, market opportunity for a concerted export drive is in Brazil."

As the only manufacturer of hydraulic hose in South Africa, Henderson explained, the visit presented the company with numerous opportunities. "Delegates ... felt that the products produced in South Africa would find acceptance in South America."

He added that BTR Sarmcol's conveyor belting was also proving its worth in Australia. African markets included the Zambian copper mines.

New export contracts for the last financial year to December 1996 totalled R41,25 million, Henderson said.

BRIDGESTONE/FIRESTONE

Firm grip on growth path

Japanese tyre giant lends muscle to local operation

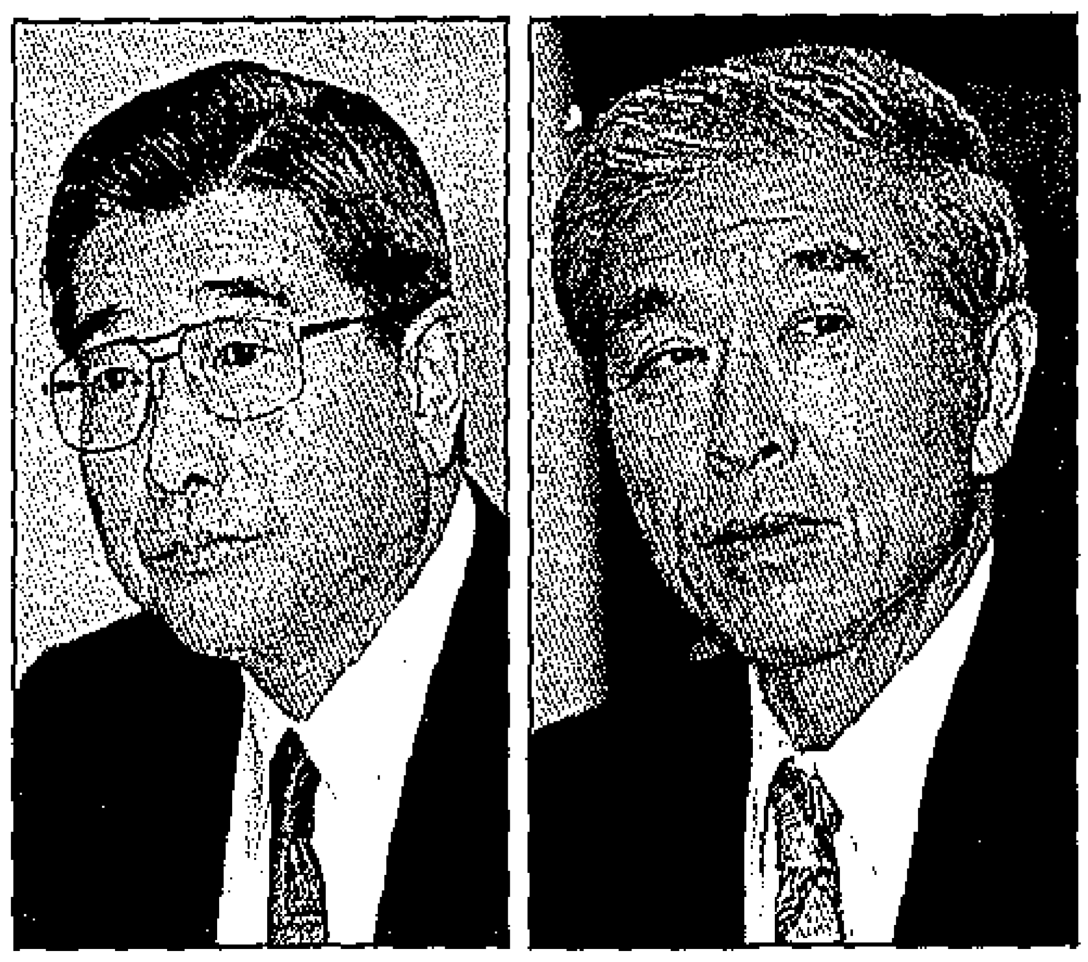
(196)

FM 25/4/97

Following its January R260m buy-out of Fedstone's controlling interests in the local Firestone operation, Japan's Bridgestone corporation now plans to grow the group's domestic and export markets.

Part of the growth initiative is a planned US$10m investment over the next two years to enable the Brits Firestone factory to manufacture Bridgestone tyres.

This will allow Bridgestone/Firestone SA to deliver Bridgestone tyres to BMW when the German car maker launches its planned R1bn investment to export the new BMW 3-series sedan from SA after 1998.



Yoichiro Kaizaki *Katsuhiko Yamamoto*

"Our Brits factory has passed the BMW quality and performance audit and we now await finalisation of this deal," says Bridgestone Corp president and CE Yoichiro Kaizaki.

Bridgestone also plans to increase Firestone's domestic market share, which now stands at about 24% — or number two, after Goodyear.

"We would like to achieve a 35% share of the domestic market as quickly as possible. This would also help us achieve our target of growing our global market share from 18% to 20%," says Kaizaki. The local operation houses Natyre, Supaquick and Quality Tyre

Gentyre is boosted by delisting talk

(196)

MATT GETZ CT(BR) 7/5/97

Johannesburg — Shares in Gentyre, the tyre manufacturer, have taken a significant step upwards since Forward, its parent, said on April 14 the tyre company would soon be delisted.

The upward movement has been even stronger over the past few days as details of negotiations started filtering through to the marketplace.

After the announcement, Gentyre A shares jumped from R13,50 to R16. They continued moving up, reaching R17,10 on Monday before rising 11 percent to R19 yesterday. The B shares have followed a similar route and are also at R19.

"Before the announcement, Forward had already sounded some minorities out," said one analyst. "They might have reached some sort of accommodation with minorities, and I suspect the share is responding because we have a notoriously leaky market."

Gentyre A and B shares have been trading at a massive discount to their net asset value (NAV), which analysts peg at about R30 a share, but they warned that the NAV would have little bearing on the purchase price and might inflate expectations unduly.

"The discount on NAV does not suggest that minorities will get a premium on the share price," said one analyst. "You have to remember, it's traded at that price for some time now."

He said Forward would probably pay about R100 million for the 32 percent of Gentyre it did not own. If it paid net asset value, which he said was extremely unlikely, that would rise to about R178 million.

Analysts and the market have regarded Forward's decision to delist Gentyre as largely positive all round. Gentyre has been losing money and is difficult to trade, so its listing has become difficult to justify.

On Forward's side, Gentyre has good access to technology and a fair amount of cash after selling Tiger Wheel & Tyre for R97 million. What's more, Mike Smithyman, the chief executive officer of Forward, was formerly the head of BTR Dunlop and is considered very capable in the tyre business.

Smithyman said yesterday that Forward was discussing Gentyre with various advisers to establish a fair price, but they had come to no conclusion. He expected a decision to be reached in the next two weeks.

BTR DUNLOP (96) FM 9/5/97

Waiting for the changeover

New management could capitalise on earlier investments and agreements

BTR Dunlop began the Nineties in trouble — and, despite the right moves, conditions still aren't easy. Sales have dropped in real terms, partly because of reduced import tariffs and poor Customs control.

- **ACTIVITIES:** *Operates in the automotive, industrial and consumer markets.*
- **CONTROL:** *BTR Plc 56,6%.*
- **CHAIRMAN:** *A M Drury Gnodde. MD: B E Crowther.*
- **CAPITAL STRUCTURE:** *135,1m ords. Market capitalisation: R707,7m.*
- **SHARE MARKET:** *Price: 535c. Yields: 7,7% on dividend; 12,1% on earnings; p:e ratio, 8,2; cover, 1,6. 12-month high, 710c; low, 490c. Trading volume last quarter, 1,8m shares.*

Year to September 30	'93	'94	'95	'96
ST debt (Rm)	8,2	9,4	—	37,5
LT debt (Rm)	19,7	10,4	—	10,3
Debt:equity ratio	n/a	n/a	n/a	0,03
Shareholders' interest	0,59	0,59	0,61	0,58
Int & leasing cover	24,2	n/a	n/a	196,8
Return on cap (%)	17,6	18,4	16,4	13,5
Turnover (Rm)	689	778	804	835
Pre-int profit (Rm)	94,3	109,4	101,4	118,1
Pre-int margin (%)	13,7	13,6	12,6	14,1
Earnings (c)	64	76	61	65
Dividends (c)	35	37	41	41
Tangible NAV (c)	265	291	313	425

Just when things started looking up, during extensive plant upgrades and after last October's merger with the tyres division of UK parent BTR, MD Mike Smithyman left unexpectedly to head up Forward (parent of competitor Gentyre).

It was a bad time for Smithyman to go. The acquisition of BTR Plc's tyre interests for R94m in shares permits the local group to rationalise production and expand export opportunities in various world markets.

But policy decisions could drift until Mike Hankinson (ex-Romatex), who takes over next month, finds his feet in a new industry. Hankinson is no stranger to the complexities of global markets — but in clothing, not tyres and industrial goods.

This doesn't detract from the group's investment prospects in the long term. BTR Dunlop is certain to profit particularly from the deal with BTR's parent company.

Its subsidiaries own the Dunlop Automotive trademark in 70 countries worldwide; product trading and distribution is well established internationally. Benefits are likely from the co-ordination of buying activities, product and process rationalisation, and marketing.

Had the acquisition been effective on January 1, EPS would have risen 30% (instead of the actual 6,6%).

World-class manufacturing efficiency in all divisions is the target of an extensive upgrade programme. The upgrade cost R121m last year and it continues this year. Benefits will take time to show in financial results.

The plant upgrade was partly funded through the proceeds (undisclosed) of the disposal of the group's Dunlop Slazenger division to that global group. This sale was another step towards focusing on core businesses of tyres and industrial polymer products. It followed a management buy-out in the UK of Dunlop Slazenger International.

"The UK company is the supplier of product technology and know-how to the SA division; it is logical that it should own and manage the division," says chairman Drury Gnodde.

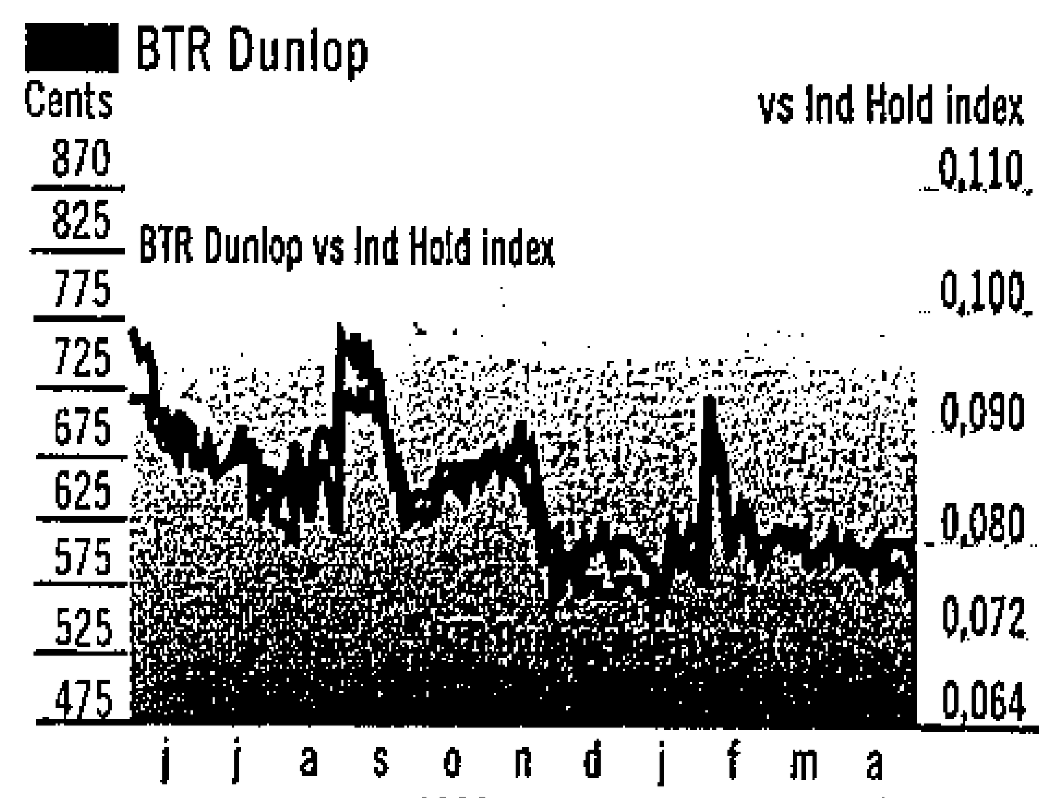
***Mike Hankinson** . . . finding his feet in a new industry*

A robust performance in the tyre business doesn't compensate for weakness in the industrial products area, where trading profit has more than halved since 1994. A fire at the Denver facility partly accounts for the loss of sales last year.

Engineering and industrial sales account for 31% of sales but dropped to 26% of trading profit; motor accounts for 64% of sales and climbed slightly to 59% of trading profit. Consumer goods from both divisions make up the balance.

Current difficulties can hardly be written off as transitory, but they are a dip in a longer record of good results.

The share is discounting weak earnings. This is the time to watch the group and, if you are prepared to speculate on new management, acquire the Michelle Joubert



SOURCE: I-NET

Dates to remember

Last day to register for dividends:
Friday May 16: Barprop 10,06c; Fidbank 26c; Growthpoint *31c; Intrust 8c; Metprop †17,13c, New Clicks ▲4c, OTK ▲*20,341c; Spanjaard 11c; Sycom †37,85c; Tamboti †18,5c; Umdoni †6,2c; Yabeng ▲27c.
Meetings:
Monday May 12: Rooiberg (S).
Tuesday May 13: De Beers (Lucerne); G F Namib (Windhoek).
Wednesday May 14: Amic; Enviroserv (S & Ord) (Benoni); FIT; Fraser Alexander (S) (Boksburg); Liberty Life; Libhold; Libsil; Libvest; Minorco (Luxembourg).
Thursday May 15: Af Lease; Cadswep; Eastvaal; Ergo; Vaal Reefs.
Friday May 16: Awande; Elandsrand; Freegold; Independent News; Sallies; Western Deep.

All meetings are in Johannesburg unless otherwise stated.
S = Special meeting.
▲ = Cap award option.
* = Per combined unit.
† = Per unit.

GRINCOR

Currency effect fails to impress

The share is in the dog box even though it's a near-perfect rand hedge

Given what has happened to the rand over the past 16 months or so, the performance of Grindrod Unicorn Group shares — supposedly a currency hedge — has been odd.

After reaching a 12-month high of 575c last August, the share started drifting; by April this year, it was at a three-year low of 350c. A rise to 380c has left it with a net decline of 32% since end-April 1996 which, including dividends for the 1996 financial year, gave shareholders a 28% loss against the positive 2% return of the industrial holdings sector.

Eddie Keizan . . . aggressive statement from the world's second-biggest manufacturer

TYRE INDUSTRY

Top players losing grip in hazardous conditions

(196)
FM 16/5/97

The sector tilts as balance goes awry. Them stones may yet puncture hopes of a comeback by threadbare marginals

Competition among tyre manufacturers is nothing new — but the latest round of bitter in-fighting could see one of the four local manufacturers go to the wall.

BTR Dunlop and Gentyre are struggling for survival, beset by major top management changes. And while the competition is in disarray, market leaders Bridgestone and Goodyear have redoubled efforts to capture market share.

"During the past six months, Bridgestone's global chairman was in SA saying the group's market share will double. That's a hell of an aggressive statement from the world's second-biggest manufacturer," says Tiger Wheels MD Eddie Keizan.

"Then Goodyear, the third-biggest, announced its R437m acquisition of the local factory from Anglovaal Industries (AVI). That's another bold move. When Gentyre and Dunlop are struggling for survival, it makes for real instability in the market."

Some analysts say the threat now posed to Gentyre could sink the operation.

New Forward Corp and Gentyre MD Mike Smithyman, who recently left BTR Dunlop, says no businesses have come forward with an offer to buy the tyre group. One of the reasons could be the company's outdated equipment, which makes the group costly to run. Gentyre, it appears, is urgently in need of a foreign white knight if it is to weather the competitive storms ahead.

Analysts say that without anyone to make the decisions, Gentyre has gone through a rough period during management changes.

The trend is for local groups to link with mother companies, to provide technological and marketing support. That was the result of Japanese tyre giant Bridgestone-Firestone's purchase of Murray & Roberts' Firestone operation. The deal was said to be worth more than R300m.

At the time of the Goodyear acquisition, AVI MD Richard Savage noted that the reduction of import tariffs and the opening up of the economy intensified competitive pressures. "Goodyear brings the product development and technological skills necessary to ensure production will be globally competitive and its exports will increase."

Tyres constitute only one sector hit by a flood of imports in the past few years. Analysts say the industry will change radically within a few years and don't expect all four manufacturers to survive. The result, says Keizan, is a "volatile domestic retail market." Some retailers seem to be trading irrationally to grow market share."

At least some of the pain suffered by the industry is self-inflicted. During the years of isolation, firms lost sight of what was going on in the real world. Companies were able to operate at margins which their foreign competitors could only dream about.

Little wonder then that some of these companies found the SA market attractive and experienced what elsewhere would be considered normal trading pressures as a painful wake-up call.

Customs & Excise is aware that import controls are not stringent enough but amendments aren't having much effect.

Some countries will continue to dump "cheap and nasties" unless Customs tightens up, says the chairman of retailer Autoquip, Bruce Coquelle. "It's the difficulty of controlling the proliferation, rather than quantity, of imported brands which concerns local manufacturers and retailers."

In 1991, local brands accounted for 92% of sales; imports at 8% were made up of 13 brands. Though imports increased by only 3% last year, almost 90 brands are now imported. Some of the imports are now 40% cheaper than they were last year.

Action is being taken, though local manufacturers aren't convinced. "The major problem is the lack of an electronic information base which scanners could use," says Customs spokesman Christo Henning. "There is no set of coherent information on which to rely."

Henning says a major portion of fraud involving Customs relates to fraudulent documentation. "Currently, all Customs work is done manually. Moreover, different ports of entry have different manual systems. The release document is relatively easy to duplicate, so fraudsters make their own copies and the cargo is released."

Michelle Joubert

FOREIGN BANKS

No olive branch for Registrar

Stiff price for real business opportunities

Some representative offices of major international banks are reluctant to seek branch status in SA. And they are critical of the Registrar of Banks, who is putting pressure on them to upgrade (*Economy & Busi-*

Dunlop gets technical aid from Japanese firm (196)

BTR Dunlop, the South African-based tyre manufacturer, and Sumitomo Rubber Industries of Japan have signed a new technical aid agreement that allows for direct co-operation between the two companies. In terms of the agreement, subsidiary Dunlop Tyres will for the first time have access to Sumitomo's advisers, who will be based permanently in South Africa. Other key features of the deal include Sumitomo's help with local plant efficiencies, production and performance enhancement. Agreement has also been reached on the formation of a technical council in which all future technical developments can be discussed in a mutually beneficial forum. — *Staff Reporter, Pretoria*

CT (BR) 27/5/97

Gentyre negotiations under way to cut costs

BD 3/6/97 (196)

Business Day Correspondent

UNIONS and management at Port Elizabeth-based Gentyre are negotiating cost-cutting measures which could result in the loss of more than 400 jobs.

Gentyre, along with other tyre manufacturers like Goodyear and Firestone, is having to adapt to the challenges of international competition following government's decision to drop import tariffs. During the sanctions era SA tyre companies were protected by high tariffs and the productivity levels in most factories dropped below international standards.

Gentyre is seen by analysts as the company most threatened because it lacks a foreign equity partner. Last year Goodyear of the US reinvested in SA, and the Japanese Bridgestone company bought a controlling interest in Firestone.

More recently Dunlop SA and Japanese giant Sumitomo Rubber Industries signed a technical aid agreement.

Speculation about the future of Gentyre was fuelled in April when the controlling company, Forward Corporation, issued a cautionary announcement. It warned shareholders that "discussions regarding the shareholdings of Forward and minority shareholders in Gentyre and MacPhail are taking place".

"These discussions will include an evaluation of the merits of retaining the listings of Gentyre and MacPhail."

Speculation is that Forward may be looking at delisting Gentyre to sell off all or part of the company to Continental of Germany. Gentyre's relationship with Continental dates back nearly 20 years.

Gentyre CEO Johan Bester admits, "we will have to slim down. This has been a bad year for us."

Bester is angry about reports of "antiquated equipment".

"That is patent nonsense," he said. Technical audits by two German manufacturers had found Gentyre to "be the equal of any other company", he said.

Gentyre would inevitably have to follow other manufacturers and reduce its wage bill.

This would entail about 20% of the total payroll, or more than 400 people.

Negotiations were under way with all relevant unions on how best to meet the challenge.

Gentyre may lay off 400 workers

(196)

Sowetan 4/6/97

Company must adapt to international competition after drop in tariffs

TRADE unions and management at Port Elizabeth-based tyre manufacturer Gentyre are negotiating cost-cutting measures which could see more than 400 jobs lost.

Gentyre, along with other tyre manufacturers like Goodyear and Firestone, is having to adapt to the challenges of international competition after the Government's decision to drop tariffs on imported tyres.

During the sanctions era, South African tyre companies were protected by high tariffs, but productivity levels at most factories dropped below international standards.

Gentyre is seen by some analysts as the industry's most threatened company as it lacks a foreign equity partner.

Last year Goodyear of the United States reinvested in South Africa, and the Japanese Bridgestone company bought a controlling interest in Firestone.

More recently, Dunlop South Africa and Japanese giant Sumitomo Rubber Industries signed a technical aid agreement.

Speculation about the future of Gentyre was fuelled in April when the controlling company, Forward Corporation, warned shareholders that it was considering delisting Gentyre and MacPhail from the Johannesburg Stock Exchange in order to sell off all or part of the company to Continental of Germany. Gentyre's relationship with Continental dates back nearly 20 years.

The company said it would have to cut back on costs to stay in business and would inevitably have to follow the path of other manufacturers and reduce its wage bill by about 20 percent, which means retrenching more than 400 employees.

Negotiations are under way with all the relevant unions to decide how best to meet the challenge. – *Sapa.*

to protect, in some measure, local industry from unfair foreign competition, and it must guard

Altron reported 60% growth in attributable earnings to R115m for the current financial year, al-

ments would enable Altron to return to traditional earnings patterns, Venter said.

BTR Dunlop set to develop its potential

(196)

Nicola Jenvey BD 26/6/97

DURBAN — Industrial holdings group BTR Dunlop is now in a position to reach its manufacturing and production potential following recent major developments, newly appointed MD Mike Hankinson said yesterday.

Dunlop acquired significant trade marks last year and signed a technical aid agreement with Japanese giant Sumitomo Rubber Industries.

The technical aid agreement with Sumitomo allowed for direct co-operation between the two companies. Dunlop now had access to SA-based Sumitomo advisers as well as Japanese assistance with local plant efficiencies, production and performance improvement.

In future Dunlop will be informed of product developments within the Sumitomo group, thereby allowing a new product to be launched simultaneously in SA and Europe.

Last year Dunlop bought the automotive trade mark rights for 70 countries plus significant interests in Zimbabwe, Zambia and Nigeria from Dunlop UK. Trade mark rights are held in Africa, Malaysia and central and South America.

Hankinson said the basics were now in place for Dunlop to reach its manufacturing and production potential. The changes in the organisation required time to become effective and he expected the group to experience "a rough road" in the short-term.

Although acknowledging that the group had accepted a significant expansion step with the trade mark rights acquisition, he did not disregard the possibility of Dunlop making further acquisitions in the future.

In the tyre division, the R100m investment in Ladysmith initiated in 1995 was progressing well. By the end of last year the facility had installed new equipment capable of providing a 30% increase in radial tyre output during this year and was currently about halfway through the programme.

Bridgestone injects R220m into SA

(191) (●) CT (BR) 30/6/97

JONATHAN ROSENTHAL

Johannesburg — Bridgestone, the Japanese tyre multinational, has approved a R220 million investment in its South African operations, the group said in a statement at the weekend.

This is substantially more than the group's previous statements that it would need to invest about $10 million to bring quality in line with the rest of the group.

Bridgestone acquired Fedstone, the holding company for Bridgestone and Firestone in South Africa, from Murray & Roberts for R290 million early this year.

Katsuhiko Yamamoto, the chairman and chief executive of the South African operations and a board member of Bridgestone in Japan, said the cash injection would allow the company to increase its production capacity at both its manufacturing plants in Port Elizabeth and Brits.

"Our biggest challenge is to be world-competitive ... With this additional production capacity we will be in a position to expand both our domestic and export markets," he said.

Yamamoto said the company would also improve its quality systems and strengthen its financial status.

The 1 800 employee group has previously said Bridgestone and Firestone brands account for a claimed 24 percent of domestic sales but the group said it planned to seize the dominant South African market position from rival Goodyear.

At the time it said it hoped to increase tyre production by 30 percent within two years and double production over five years.

LABOUR *Three-year industry agreement holds*

Across-the-board wage increases for car workers

CT(BR) 4/7/97

Roy Cokayne

Pretoria — South Africa's seven vehicle manufacturers and the two key unions in the industry had reached agreement on wage increases ranging from 8,5 percent to 11,5 percent for the industry's 25 000 hourly paid workers, the Automobile Manufacturers Employers' Organisation (Ameo) said yesterday.

Brian Smith, the chairman of Ameo, said the wage increases — effective from July 1 — were agreed with the National Union of Metalworkers of SA (Numsa) and the SA Workers' Union (Sawu) at a meeting of the National Bargaining Forum (NBF) on Wednesday.

"The across-the-board wage increase agreed is in terms of the wage model, which forms part of the three-year NBF agreement which was signed in June 1995.

"In terms of the agreement, employees in skills levels one to four will receive an increase of 9,5 percent, and employees in skills levels five to seven will receive an increase of 8,5 percent," said Smith.

Tony Kgobe, the Numsa co-ordinator for the car manufacturing sector, said a wage increase of 11,5 percent — 2 percent above the inflation rate — had also been agreed in the minimum salary level.

Kgobe said this increase would affect about 7 000 workers and was in line with their desire to close the wage gap. He said identical increases had also been agreed recently for the tyre industry.

Smith added that in terms of the three-year car industry agreement, only an across-the-board wage increase effective from July this year was negotiated as all other terms and conditions remain unchanged until the agreement expires in June next year.

Smith expects negotiations on a new agreement to start next April.

Kgobe said he did not want to be pre-emptive about the overall assessment of the agreement but indicated there had been some teething problems with the agreement.

He said there were certain aspects they would like to continue while they might not continue with others.

"The whole question of training needs to be modified to take care of development and also national development in regard to what is contained in the government's Green Paper," he said.

We won't budge over pay, say sugar unions

CT(BR) 4/7/97

Ravin Maharaj

Durban — Unions in the sugar industry bargaining council said yesterday they were more determined than ever to push for a 20 percent wage increase and warned industry not to "foolishly accept" that they would "eventually budge".

Industry sources said discussions were proceeding but the quicker a resolution was found, the less damage would be done before the end of the crushing season in five months.

Yesterday the first collective sugar industry strike entered its second day after the five unions, representing about 4 500 workers and 80 percent of the workforce, deadlocked with management over its 10,5 percent wage increase offer.

Operations at 14 milling and refining operations shut down. The industry exports to 27 countries and earns foreign exchange of more than R1 billion.

Selby Nsibande, the executive president of the National Industrial and Commercial Workers' Union, said workers were "not prepared" to change their minds.

The strike was a "historic event" for workers in the sugar industry.

Workers previously went on strike, under their respective unions, in 1995 when they demanded housing for employees close to the mills.

But Bheki Sibiya, the chairman of the Sugar Manufacturing and Refining Employers' Association, said again yesterday that management would not change its offer, which had been influenced by this year's 7,2 percent rise in the sugar price.

Numsa in auto and tyre deal

(196)

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Seifsa) reached a wage agreement for the auto and tyre industries yesterday.

In terms of the deal, an increase of 11,5 percent was granted for those earning the minimum wages, while 9,5 percent was granted top higher grades and 8,5 percent to artisans, Tony Kgobe, the sector's co-ordinator said.

He said the settlement was signed in terms of the industry's three-year agreement signed three years ago.

Meanwhile Brian Angus, Seifsa's executive director, has said Siefsa's negotiators will "move and settle" with Numsa's engineering sector when the parties meet on July 15. — Frank Nxumalo

CT(BR) 4/7/97

LABOUR RELATIONS *Bridgestone layoffs to be challenged*

Natyre labour dispute simmers

(196) CT(BR) 8/7/97

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Durban — Bridgestone, the Japan-based tyre multinational, faces its first significant labour dispute in South Africa just months after it bought Fedstone from Murray & Roberts for R290 million and announced a further investment of R220 million earlier this year.

The multinational group, which claims a 19 percent share of the international tyre market, was accused by its employees this week of unfair labour practices over the retrenchment of more than 30 people in Natyre, a tyre sales subsidiary.

Natyre employees, who declined to be named for fear of retribution, yesterday said they had not been consulted on a decision to close Natyre's administrative centre in Durban, and had been informed by memo that they would be retrenched.

The memo said Durban's administration would be incorporated into the structures of Quality Tyres or Supa Quick, sister companies in the Fedstone group.

Benita Whitcher, a lawyer representing several of the employees, said the new Labour Relations Act required that any closures or retrenchments had to make business sense and that employers were obliged to discuss alternatives and means of mitigating the effects of retrenchments with affected employees.

"My clients are saying there was no need to retrench because they don't think there is an economic rationale to closing the administration centre. It was presented to them as a fait accompli with no consultation," she said.

Employees have also alleged that Natyre had charged certain group expenses to the Durban administration centre's account, making the Durban centre appear less economically viable.

Schinichi Matsunaga, the executive vice-president of the South African operation, yesterday said that the correct procedures had been followed.

"The management style of Murray & Roberts was to keep group companies separate and competing within the group. This seemed strange to us because we must be unified, otherwise we cannot survive in the future," he said.

The group was rationalising its operations to become the dominant tyre company in the domestic market.

Bruce O'Ehley, the managing director of Natyre, said the group had no choice but to restructure because it had lost R2 million in the four months to April. He also said correct procedures had been followed.

INSIDE LABOUR

Disabled ready to raise hullabaloo

d 96

CT (PM) 17/7/97

TERRY BELL

Apartheid's legacy of a racially skewed labour market has made affirmative action policies necessary; to achieve the equity implied in the new constitution, some form of redress is essential.

On this the labour movement and the ruling political alliance are united. However, the policy remains controversial, with entrenched interests often crying "reverse racism".

When parliament finally gets around to dealing with employment equity legislation, perhaps before the end of the year, the shrieks of outrage from historically advantaged sectors could be extreme. Especially if, as seems possible, provision is made for the introduction of employment quotas to ensure an equitable balance in the workforce.

Should this happen, it would have the support of Cosatu, the labour union federation, and the labour movement as a whole.

But in the hullabaloo to come, as with much of the fuss in the past, the most disadvantaged section of the population may go largely unnoticed. Yet this is the section campaigning the hardest for the inclusion of an employment quota system.

In parliament, the campaign will be spearheaded by the wheelchair-bound ANC MP Maria Ranthu, who is also the chairman of Disabled People of South Africa (DPSA), the development group.

"When you are as far behind as we are, there really is no choice other than a quota system," Lichelle Berry, the DPSA national policy development coordinator, said.

South Africa — courtesy of a violent recent past and present — has a higher proportion of disabled people than most countries.

Most come from historically disadvantaged backgrounds, and half of them are women.

Berry is a classic example. Her spine was severed by a bullet in a drive-by shooting during an outbreak of taxi warfare.

She is now one of more than 5 million South Africans — an estimated 13 percent of the population — who are disabled, most of them physically.

The latest available survey, carried out for the SA National Council for the Blind (SANCB), found that only 0,18 percent of the national workforce comprises disabled people.

A survey conducted in 1986 by the University of Potchefstroom established that 0,25 percent of the workforce was disabled. Yet the average employment rate for disabled people in developing countries is 10 percent.

"We have actually lost ground over the past decade," Philip Bam, the Cape Town-based director of the League of Friends of the Blind, said. "And because of the level of inequity, we have to support quotas."

The quota system was also "reluctantly" supported by William Rowland, the SANCB executive director.

But Vanessa Bouwer, his deputy, said the group's focus remained on skills training for those who are permanently blind. "We also have to realise that more than half the blind people in South Africa suffer from cataracts, which are curable."

Those suffering from cataracts are mostly older people living in rural areas. If they were reached and treated there would be a dramatic reduction in the number of more than 1,5 million blind people in the country.

"But there is also so much more that could — and should — be done to assist in access for the disabled," Petronella Linders, the DPSA provincial co-ordinator, said.

She said there are regulations that make it compulsory for public buildings to have access for wheelchairs, for example, but there is no way of enforcing this.

"Just look at the average post office or police station for good examples," said Berry. "That is the level we are dealing with before we even get to the employment front. The previous government did nothing."

But this last comment is not strictly true. A racially biased and occasionally paternalistic regime did sponsor a few ghettoes of patronage in the form of "sheltered workshops". These were havens for the fortunate few.

But Bam said: "That's not what we want or need. The disabled should be integrated into society and the economy."

The constitution, the Labour Relations Act and other, recent, legislation all stress the principle of equity.

"There are enough pretty words," said Berry. "What we need now is positive affirmative action."

The days of mentally alert, willing workers having to "lie in a back room, a burden and embarrassment" to their families because of disability must come to an end. Similarly, the paternalism of the "welfare approach" should become passé.

Change — particularly in attitudes — may be slow. But, given the confidence and determination of the disabled campaigners and their supporters, especially in the unions, the voice of the most disadvantaged section of the population shows every sign of being heard and acted on.

Directors avoid Gentyre vote (9L)

Samantha Sharpe

BD 24/7/97

CAPE TOWN — Forward Corporation directors also represented on the board of Gentyre excused themselves from voting on the restructuring of Gentyre into Forward, Forward deputy chairman Hennie van der Merwe said yesterday.

The comments followed a warning by the Shareholders' Association of SA to Gentyre minority shareholders to reject the restructuring plan, which involved "a clumsy and confusing buyout" from holding company Forward.

The association said the directors had a responsibility to their own shareholders and "should they have any other directorships the Gentyre interests cannot be subordinated to other interests".

The association also said Forward was not justified in offering minorities a R14 a share discount on net asset value.

Van der Merwe said that the company had made full disclosure in terms of Forward's offer and Forward was not voting on the offer.

In terms of the offer to minorities, shareholders will be offered three Forward shares and R9 a Gentyre A or B share.

They may then elect to renounce their Forward entitlement to Coronation Holdings, receiving 36 Coronation N shares or R300 cash for every 100 Forward shares to which they are entitled.

This equates to an offer of R18 a Gentyre share.

JSE MICROSCOPE

ETIENNE SWANEPOEL

Gentyre disposal affected by lack of effective dumping laws

CT(BR) 28/7/97 (196)

Gentyre, subject to shareholder approval last Friday, has disposed of all its shares and claims against certain of its subsidiaries to Lexshell 28, a subsidiary of Forward. Gentyre will distribute the consideration received to its shareholders by way of a special dividend and a reduction of its share capital. The record date to determine those Gentyre shareholders entitled to participate in the distribution is this Friday.

Gentyre said one of the rationales for the disposal is the lack of effective South African anti-dumping legislation. Is this true? Dumping takes place where a foreign manufacturer sells its products in South Africa at a price lower than it sells its products for on its home market and where such dumping causes material injury to local manufacturers. If dumping is found to take place an anti-dumping duty, usually equal to the price difference, becomes payable by the importer.

Dumping is an activity regulated by article 6 of the Gatt itself and the Gatt Anti-Dumping Code. The regulatory-legal framework containing local dumping legislation is contained in the Board on Tariffs and Trade Act, no 107 of 1986, and the Customs and Excise Act, no 91 of 1964, read with South Africa's international legal obligations as a member of the WTO and as a signatory to Gatt. Local dumping laws are administered by the Board on Tariffs and Trade.

Article 16(iv) of the WTO agreement provides that members shall ensure the conformity of their laws with their obligations under the agreement. Article 18.1 of the Anti-Dumping Code in turn provides that no specific action against dumping can be taken except in accordance with the provisions of the WTO agreement and the GATT Anti-Dumping Code.

Article 17.1 of the code provides that the Dispute Settlement Understanding, an annexure to the WTO agreement, is applicable to disputes under the code. Article 22 of this understanding provides the sanction for non-compliance that the defaulting nation will either have to bring its domestic laws into conformity, offer compensatory market access to the complaining nation or accept retaliatory withdrawal of market access by the complaining nation.

The Board on Tariffs and Trade Act does not comply with the Anti-Dumping Code. No regulations have been issued under the act, and consequently there is a lack of rules on how the board conducts anti-dumping investigations. Other shortcomings include the lack of an appeal mechanism, the period for which an anti-dumping duty is to be imposed and the board's right to search premises and seize documents. It is also arguable whether the act complies with the Bill of Rights.

It is understood that legislation that complies with South Africa's international obligations will be in place in the near future. Until such time and in the absence of an extension of time from the WTO, South Africa runs the very real risk that any of its trading partners may invoke article 22 of the Dispute Settlement Understanding. This will lead to grave consequences for South African exporters, especially in view of the negotiations concerning South Africa's accession to the Lomé IV convention.

□ *Etienne Swanepoel is a director of the Cape law firm, Fairbridge Ardene & Lawton. The opinions expressed do not constitute advice. Readers should direct any queries to their legal advisers. Company information supplied by Stock Press*

Gentyre plan approved despite protest

Ingrid Salgado

GENTYRE shareholders have opted to restructure Gentyre into holding company Forward Corporation despite a call by the Shareholders' Association of SA to reject the plan, which will result in minority shareholders receiving a cash settlement of R18 a share.

The outcome of a special shareholders' meeting on Friday also came despite an agreement by Forward directors represented on Gentyre's board to recuse themselves from voting.

Shareholder and association representative Irwin Benson said Forward had failed to treat minority shareholders fairly. "I hope that the R18 per share offer will not jeopardise your reputation," he told Forward and Gentyre chairman Mike Smithyman.

He criticised Liberty Life, which has a 5,2% stake in Gentyre, for failing to object to the deal.

"The major minority shareholders are apathetic. Liberty is to be condemned for not even attending the meeting despite numerous requests. They handed their proxy in favour of Forward without even listening to what we had to say," Benson said.

In terms of the offer to minorities, shareholders could opt for cash, cash and Forward shares, or cash and Coronation Holdings shares. This equated to R18 a Gentyre share.

Benson said Gentyre had about R200m in net current assets and R100m cash, valuing the share at R19. This was before taking into account fixed assets, estimated at a minimum replacement value of R450m. He said it would cost Forward about R19m to increase the payout to minorities by R5 or R6 a share.

Gentyre's history showed a sound, profitable business, while the latest annual report referred to the ability to grow exports significantly, a revision of marketing strategy and the benefits of a devalued rand for exports. "I cannot accept that the picture you are painting is all doom and gloom," Benson said, insisting that Gentyre remained Forward's primary source of earnings.

Smithyman said it was difficult to replicate the tyre industry's past performance as the environment had "changed entirely", due in large part to international competition.

Gentyre had no foreign equity partner, while US group Goodyear had returned to SA and Japan's Bridgestone had taken a controlling stake in Firestone, he said.

Gentyre's performance had been declining steadily and the group was running at a "significant loss", which he declined to disclose.

Earnings slumped 68% to R6,9m in the six months to December.

Referring to speculation that a buyout of minorities was a precursor to Continental taking a stake in Gentyre, Smithyman said the German tyre manufacturer was not interested in the group, although Forward would "continue to persuade them to do so".

He would not answer a hypothetical question about whether Forward would accept R18 a share if it sold a portion of its stake, but said the offer to minorities was "well above" the ruling share price.

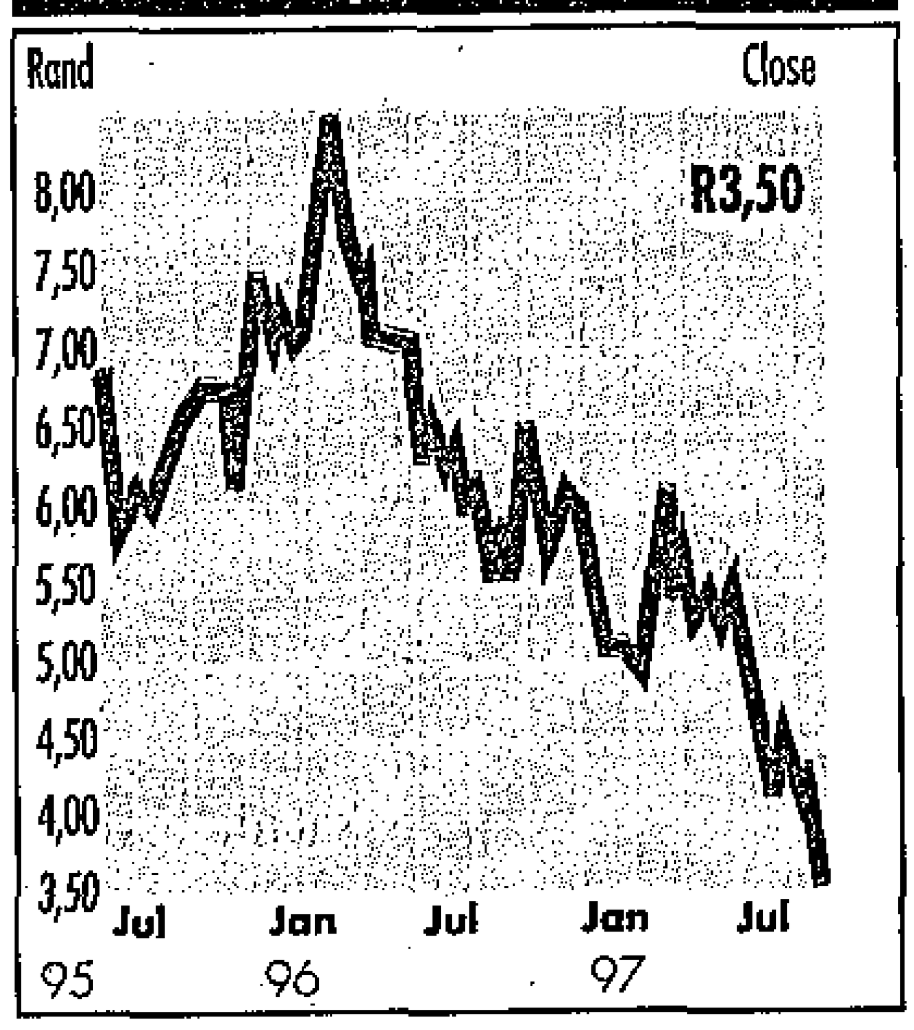
BD 28/7/97 (196)

BTR Dunlop looks down the road for profitability

CT(BR) 6/8/97 (196)

SHIRLEY JONES
KWAZULU NATAL EDITOR

BTR Dunlop



Durban — BTR Dunlop, the tyre manufacturer, was unlikely to match its 1996 profit performance this year, although its long-term prospects were sound, analysts said yesterday.

They said the company was unlikely to equal either the 10 percent increase in attributable income, 3,4 percent increase in earnings a share and 17 percent increase in profit for the year to December 1996, or the 10 percent increase in attributable earnings and 9 percent growth in earnings a share reported for the six months to June 1996.

Mike Hankinson, the new managing director, said the 1997 financial year had proved tough and, like many companies, Dunlop had taken a knock from a difficult trading environment. Margins in the original equipment and the aftermarket were being squeezed.

"The automotive sector is having a hard time, and we are feeling that pinch too. We have, nevertheless, maintained a reasonable market share in the original equipment business," he said. Although this was a small part of Dunlop's overall business, it provided an important entry point into the aftermarket, he said.

Hankinson did not blame imports for Dunlop's difficulties. "Yes, there are cheap and sometimes unsafe imports in the marketplace, but this is getting neither worse nor better," he said.

He was pleased with Dunlop's retail interface (the Dunlop Accredited Dealer) programme. Competitors such as Goodyear and Firestone own their own retail outlets in Trentyre and Supa Quick, while Dunlop had no such advantage until late 1995.

The company stuck with its core competency, manufacturing, sidestepped the risks of direct investment and boosted independents through the programme.

The programme's greatest growth came during last year. Its period of consolidation was this year, during which it reached 140 dealerships.

But Hankinson warned the programme would not deliver a sudden upswing in profit. "We should ultimately see a gradual pickup in market share.. Dunlop Accredited Dealer has become our biggest customer base. Although we have given the independents a shot in the arm and they are able to compete with the bigger chains, this doesn't take away the importance of these chains. We are not forging ahead with Dunlop Accredited Dealer to the exclusion of others," he said.

Hankinson's cautious approach is against a background of massive management changes at Dunlop over recent months. The company has been under the caretaker leadership of Brian Crowther since the departure of Mike Smithyman, who left to head up Forward shortly after Dunlop acquired its UK-based parent BTR plc's international tyre interests at the end of September last year.

Afrityre buys stake in retread company

(196)

Patrick Wadula

BD 26/8/97

AFRITYRE, a joint venture company between black business group Uhuru Holdings and tyre company Maxiprest, has bought a 25% stake in Maxiprest's subsidiary Roadgrip Retreaders in Pinetown, KwaZulu-Natal.

Afrityre group executive chairman Joey Morgan said yesterday the Roadgrip deal followed lengthy discussions because of potential conflict of interest in Roadgrip between black empowerment groups Amasondo Tyres and Afrityre.

Amasondo Tyres was Roadgrip's distribution and marketing arm, established in 1995 by Charles Poobalan Govender and Roadgrip Retreaders. For Afrityre to enter the KwaZulu-Natal market, it bought Amasondo to avoid the marginalisation of either of the black empowerment companies, he said.

He said the new company, Afrityre Amasondo, was planning a second retreading and distribution facility in Richards Bay. New premises, consisting of offices, storage and distribution facilities for Afrityre Amasondo, were under construction and would be completed in the next three months.

He said the Afrityre Group, established in 1993, which had retreading and distribution facilities in Rustenburg, North West Province and in Gauteng's Centurion, planned to build at least one such factory in each of the nine provinces.

The company would operate from the existing premises of Maxiprest until it developed sufficient business in an area to warrant the cost of establishing its own facilities. This strategy would allow for the immediate training of previously disadvantaged people as well as ensuring sustainable growth.

Afrityre already holds the account of the North West government parastatal bus company North West Transport Investment and the supply of tyres to vehicles of Durban port.

Afrityre is 60% owned by Ujima, a black group that had acquired an Uhuru Holdings stake in June 1997. Maxiprest holds the balance.

Tiger Wheels plans new plant

(196)

Edward West

BD 27/8/97

TIGER Wheels, which stayed on track in the year to June with a 50% increase in attributable income to R32,5m, is considering a R200m investment in a new plant to export wheels to vehicle manufacturers overseas.

CE Eddie Keizan said the aim of the new manufacturing plant was to place the group in the lower quartile of world manufacturing wheel plants in terms of costs.

The plant would have an ultimate capacity of 2,4-million wheels a year.

The final go-ahead, size and scale of the investment would depend on the outcome of an application made in terms of government's recently announced tax holiday scheme, and co-operation from labour, he said.

Keizan said orders had continued to exceed existing output capacity and long term original equipment contracts were being negotiated for the new plant.

Tiger Wheels acquired the business of YTS Tyre Sales, the main distributor of truck, bus and earthmoving Yokohama tyres in SA, during the year.

The first Tiger Wheel & Tyre retail store was opened in London. Losses were less than budgeted.

Tiger Wheels takes sector's chequered flag

CT (BR) 27/8/97 (196)

SHIRLEY JONES

Durban — Tiger Wheels, the alloy wheel and tyre group, took the chequered flag in the beleaguered tyre sector with a 50 percent increase in attributable earnings to R32,472 million for the year to June 30.

Based on forecasts that growth would be sustained during the present financial year, Eddie Keizan, the chief executive, also announced plans to invest in a R200 million wheel manufacturing plant at Babalegi in the Northern Province.

Headline earnings a share were up 36 percent from 52c to 70,7c. The dividend increased 33 percent to 28c a share.

Tiger Wheels lifted operating income 23 percent to R37,5 million off a turnover increase of 19 percent to R428,5 million.

Pretax income was up 48 percent to R40,5 million while income after taxation increased 53 percent to R31,8 million. This reflected a lower tax rate due to tax-free decentralisation benefits, use of assessed losses and some group profits having been earned in lower tax regimes, according to Keizan.

Keizan said both the retailing and manufacturing divisions had performed satisfactorily in tough markets, a scenario he expected to continue during the present financial year.

He said labour proble-- had continued to affect producdivity at the Elandsfontein wheel plant.

Tough conditions cut BTR income by 44%

BD 1/9/97 (196)

Nicola Jenvey

DURBAN — Significant management changes in the past few months, coupled with unexpected problems in the industrial products division, severely hit industrial group BTR Dunlop in the six months to June.

BTR Dunlop financial director Rob Braithwaite was, however, confident that the difficulties had been resolved.

He said that key new appointments at senior level and the recent conclusion of a technical aid agreement with Japan's Sumitomo Rubber Industries would further support expectations for improved profitability in the full year.

Tough market conditions combined with manufacturing problems in certain divisions slashed attributable income 44% to R23,1m. Headline share earnings dropped to 19,7c (1996: 36,3c) and the interim dividend was slashed to 10c (15c).

However, the acquisition late last year of the majority shareholdings in Dunlop Zambia, Dunlop Zimbabwe, Rubber and Allied (Zimbabwe) and BTR Dunlop Holdings UK raised turnover 34% to R530,9m.

Braithwaite said the 35% drop in trading profit to R38m reflected the lower margins and the import problems affecting the market. Net profit after taxation fell to R21,9m from R41,3m.

MD Mike Hankinson said reduced margins affected SA and Zimbabwe tyre operations, while Zambia was affected by a liquidity shortage within the country and increased imports. The industrial products division, manufacturer of PVC products for the mining, industrial and automotive industries, performed poorly due to reduced volumes and manufacturing difficulties.

However, Hankinson was upbeat about the R94m acquisitions made at the end of last year coming to fruition in the near future. The R100m capital investment programme for the Ladysmith factory continued on track and prospects for an upturn in performance remained positive.

MANUFACTURING *Last year's buyout of BTR's foreign operations in question*

Dunlop to close Zambian tyre factory

CT (BR) 4/9/97 (196)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — BTR Dunlop, the tyre manufacturer, would close the loss-making Zambian tyre factory it acquired last year as part of the R94 million acquisition of international tyre interests from BTR, its British parent, Dunlop said yesterday.

The closure of the plant, which cost 200 jobs, has cast doubt over the benefits of the deal which Mike Smithyman, Dunlop's ex-managing director, likened in August last year to going into a jewel-laden Aladdin's cave.

He said then that the acquisition of Dunlop's automotive trademark rights in 70 countries would transform the largely domestic manufacturer into a continental producer with a global focus.

But Mike Hankinson, the present managing director, yesterday admitted it was not feasible for Dunlop to sustain four modern tyre factories in southern Africa.

He said the level of volumes produced by the Zambian operation, the country's only tyre manufacturer, did not justify the capital investment necessary to transform it into a world-class exporting operation.

"Zambia was the only loss-making operation inherited as part of the acquisition, but it is not the only one which will require adjustments," he said.

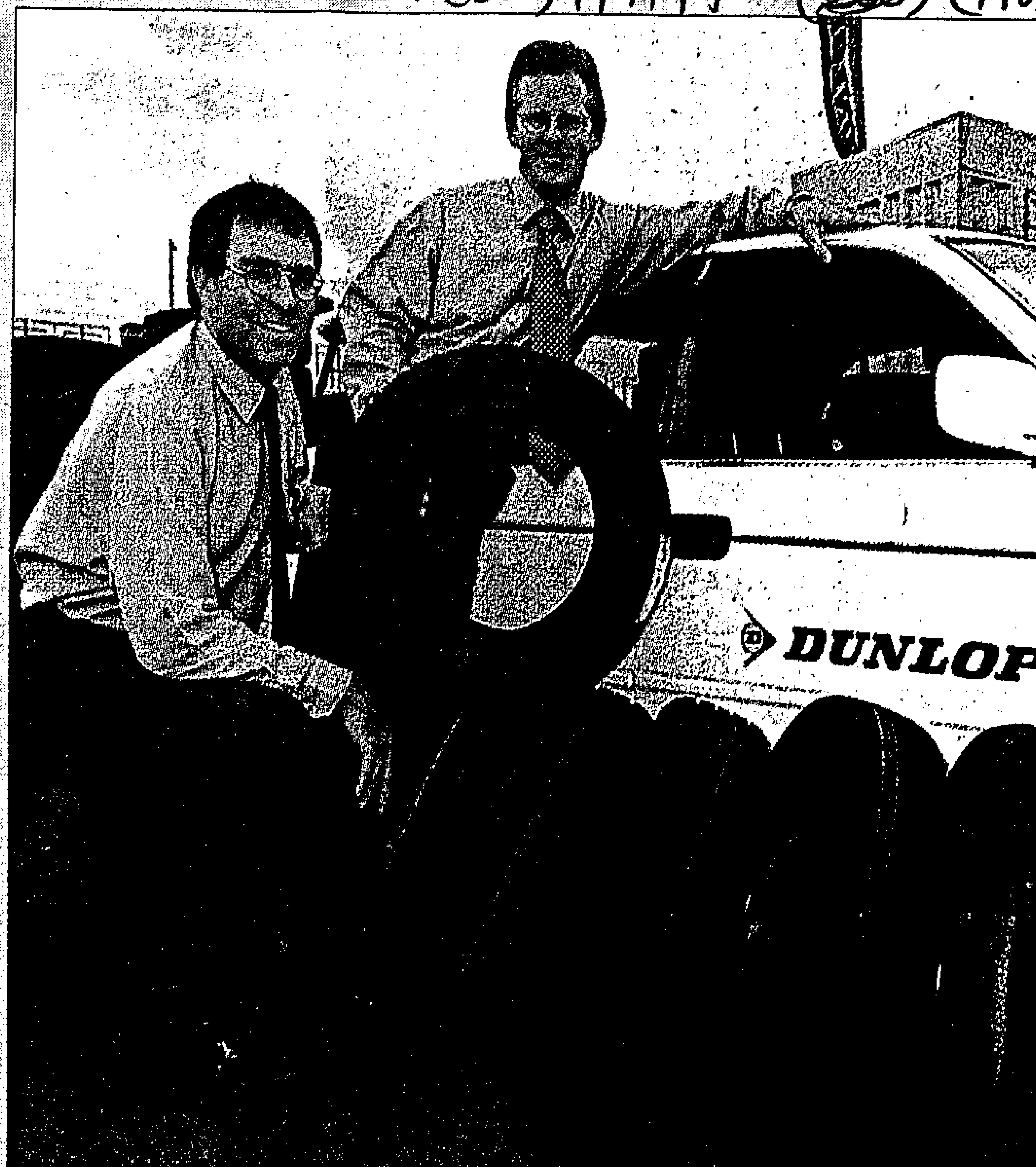
The more modern plant would be transferred to Dunlop's Zimbabwean operation, and the rest scrapped, he said.

Hankinson said that although the Zambian operation had proved problematic during the six months to June 1997, it had not made a material contribution to the company's 35 percent slump in trading profits to R38 million from R58 million, and the 52 percent decline in headline earnings from 30,2c a share to 14,6c a share reported late last week.

The problem was essentially the Zambian economy, he added. Liquidity problems and competition from cheap imports were cited as the main hurdles to the company achieving better interim results.

He said BTR Dunlop would now concentrate on upgrading its factories at Ladysmith, Durban and Bulawayo.

Dunlop's strong distribution network in Zambia would remain. Products would be sent to Zambia primarily from Zimbabwe, which had preferential access from a duty point of view, as well as from South Africa, he said.



RUBBER MEN *Mike Hankinson, Dunlop's managing director, and Rob Braithwaite, the financial director. Hankinson says the company cannot sustain a modern plant in Zambia*

MANUFACTURING - Rubber Products

1998

(198)

Dunlop tries to end speculation

CT (BR) 13/2/98

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — BTR Dunlop, the tyre and industrial belting manufacturer, had issued a cautionary yesterday to put the brakes on speculation, said Mike Hankinson, the managing director.

Hankinson said the warning was in response to moves in Dunlop's share price, which had climbed significantly since trading as low at R1,22. He declined to comment further. Yesterday the share closed at R2,25, up 25c on Wednesday's close.

He hoped a formal announcement could be made by the end of the month or early March, when the company's results were due.

Dunlop's warning that discussions which could impact on the future of the company were under way came despite last week's declaration that there was no truth in speculation that it would be selling its belting business to Goodyear.

Hankinson also said a week ago that there was little truth in suggestions that Dunlop's holding company, BTR, which has a 56,59 percent shareholding, wished to sell its South African interests.

However, hints of BTR's intentions have surfaced since Dunlop posted disappointing results for the six months to June 30. Headline earnings plunged 52 percent, attributable profit fell 44 percent to R23,1 million from R41,2 million, and pretax profit was down 47 percent at R31,4 million. BTR increased earnings by 34 percent over the same period.

Fired workers win court battle — 13 years later

Judges order Howick rubber plant to pay entire workforce compensation

(196) ST 8/3/98

CARMEL RICKARD

THE longest court battle in South African legal history reached a climax this week when the Appeal Court in Bloemfontein handed down a shock judgment finding the 1985 dismissal of the entire workforce at a rubber manufacturer's Howick plant was an unfair labour practice.

Now BTR Sarmcol faces a massive compensation claim on behalf of the 970 workers, many of whom have been unable to find work in the 13 years since their dismissal.

The sacking of Sarmcol's workforce, who had an average of 25 years' service, has gone down in labour history because of its negative impact on the community where the workers lived, Mpophomeni, and because of the strength of worker resistance to the dismissals.

It has also led to protracted litigation and 39 people have been killed in fighting related to the case.

In his strongly worded judgment, Judge Pierre Olivier said the company was, to a large extent, to blame for the strike which preceded the dismissals, and that its "real desire" was to get rid of the union and its members.

As a result, when the strike began, management "snatched at the opportunity" to sack the workers, which it did in "an unfair and overhasty manner".

Afterwards, it carefully followed a preconceived policy of selective re-employment to ensure that the union and its members would not return to the factory floor.

The Appeal Court has sent the case back to the industrial court to decide how much the company should pay each worker in compensation. However, it has recommended the two sides reach a settlement on how much should be paid so that the matter is not dragged out any longer.

A labour law expert praised Friday's judgment, saying it had "redressed a long-standing human rights tragedy using the means available to the Appeal Court in the law today".

The judgment has startled the legal community because of the deep divisions it reveals among the Appeal Court judges who heard the case. While three judges ruled the dismissal was unfair, two disagreed. The wording of the decisions makes it quite clear that the issue caused serious dissent.

Former Sarmcol workers who learnt about the decision on Friday said they were jubilant they had eventually managed to persuade a court to give them "real justice".

They said it was also the first time that a court had acknowledged the damage done to their community.

Petrus Ngcobo, the regional secretary of the union that represented the workers, the National Union of Metalworkers of South Africa, said a meeting of the dismissed men and the families of those who had since died would be held soon to inform everyone of the judgment and discuss the question of compensation.

FirstCorp-led consortium buys BTR stake in Dunlop

Nicola Jenvey (196) BD 9/3/98

DURBAN — A consortium which includes management and several SA investment groups has acquired UK-based BTR plc's 56,45% interest in BTR Dunlop for R157m.

The consortium, led by FirstCorp Capital Investors, includes BTR Dunlop CEO Mike Hankinson and members of his management team, Frankin Investments, Ellerine Bros and the Frangos Trust.

The purchase price represents R2,05 a Dunlop share, effectively providing the consortium with a 20% discount to Friday's closing price of R2,50. It is proposed that the company will change its name to Dunlop Africa.

Last year BTR plc announced plans to dispose of businesses worldwide, worth about £2,8bn of 1996 sales. The aim was to transform BTR plc from a diversified industrial group to a specialised engineering group. The Dunlop divestment is part of this process.

Hankinson said the group's trading record in the past year was "disappointing" but could not elaborate before the official release later this week.

He said the change in control provided management with an opportunity to form new alliances and to realise the potential of all its markets within SA, the rest of Africa and South America, where Dunlop holds certain rights.

Dunlop became a global player in 1996 with the acquisition of the Zimbabwean and Nigerian operations and the Dunlop trademark in 70 countries in Africa, south and central America and southeast Asia. Royalties in Malaysia alone were R6m a year.

The purchase from BTR plc included a 75% stake in Dunlop's Zimbabwe tyre operation, a 38% stake in tyre distributor and retreader National Tyre Services, a 99% stake in Zimbabwean tyre distributor Cobra Tyres and a 25,2% stake in a Nigerian tyre and industrial products manufacturer.

FirstCorp Capital Investors vice-president Eugene Stals said Dunlop was well-placed to benefit from industrial global rationalisation.

Mervyn King, who announced his resignation as nonexecutive chairman of the Frame Group last month, has been appointed nonexecutive chairman of the new company.

BTR Dunlop suffers 66% drop in income

(196) BD 11/3/98

Nicola Jenvey

DURBAN — BTR Dunlop's attributable income for the year to December collapsed 66% to R27,6m as poor market conditions hindered local growth, the company said yesterday.

Earnings a share dropped to 20,4c (1996: 65,1c) and a 5c (26c) final dividend was declared, bringing the total to 15c (41c).

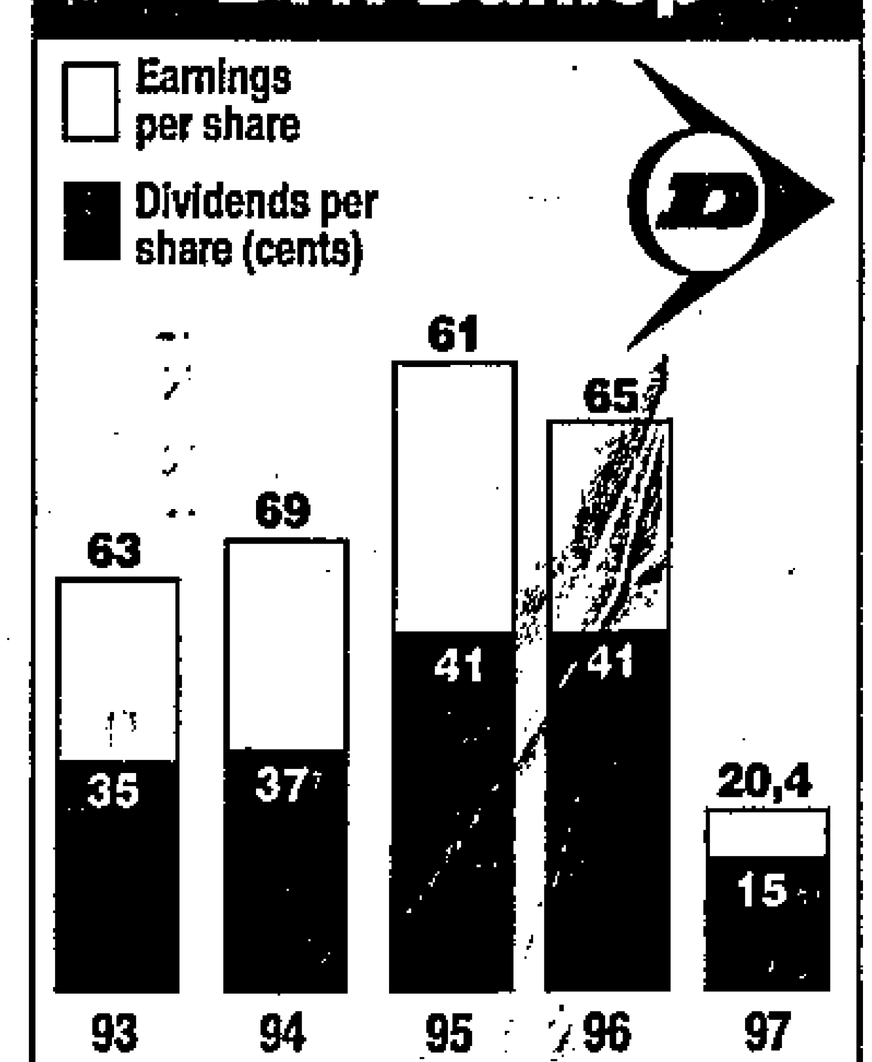
However, CEO Mike Hankinson was confident the problems experienced last year had been resolved and the newly named Dunlop Africa would exploit the international markets to capacity.

Earlier this week Hankinson confirmed a local consortium led by FirstCorp Capital Investors — and including himself and members of his management team along with Frankin Investments, Ellerine Bros and Frangos Trust — had acquired UK-based BTR plc's 56,45% stake in the industrial holdings group for R157m.

Releasing the results for the year to December, Hankinson said substantial changes had been made at senior management level and — by concentrating on product quality, financial controls and customer service — the new firm had extensive potential to exploit international opportunities.

Releasing the results, Hankinson said the majority stake acquired in late 1996 in Dunlop Zimbabwe, Dunlop Zambia, Rubber and Allied Products (Zimbabwe) and the tyre trading and engineering operations (UK), boosted sales 34% to R1,1bn. Offshore operations now accounted for 32% (9,8%) of sales.

Poor trading coupled with management and quality problems in the industrial products division hammered down trading profit from continuing operations 39% to R69,3m.



Graphic: KUBEN DAVID Source: BTR DUNLOP

Dunlopillo was also hit by softer trading conditions and production difficulties because of the slower than planned introduction of new plant and machinery. This followed a fire at the bedding foam plant at Denver, Johannesburg.

Hankinson said the tyre division was boosted by the improved performance from Dunlop Zimbabwe, while the associate companies in Zimbabwe (tyre distribution) and Nigeria (tyre manufacturing) performed "satisfactorily".

Tyre exports from the SA factories showed "pleasing growth", particularly to Zimbabwe, while the UK-based trading business reflected increased penetration of Africa and South America.

The Dunlop Accredited Dealer network of independent dealers also grew. During the year Dunlop closed the Zambian tyre plant and it sold the Laursens metal pressing business.

News

Headline earnings a share drop 60%

Dunlop fulfils disappointing results forecast

(196) CT(PR) 11/3/98

Shirley Jones
Kwazulu Natal Editor

Durban — Dunlop, the tyre and industrial belting manufacturer, reported a 60 percent drop in headline earnings a share to 23,3c (58,6c), fulfilling its warning of disappointing results for the financial year to December 31 1997.

It also reported a 66 percent drop in attributable earnings from R80,9 million to R27,6 million.

Although earnings a share plummeted 69 percent from 65,1c to 20,4c and pretax profits dropped 63 percent to R43,1 million (R117,5 million), turnover climbed 34 percent to R1,1 billion (R814,1 million). Nevertheless, profits from continuing operations slumped by 39 percent to R69,3 million (R112,9 million).

Dunlop declared a 5c a share dividend, bringing the full dividend for the year to 15c (41c).

Mike Hankinson, the managing director of Dunlop Africa, said crucial problems had been identified and were being investigated. Significant changes had been made at senior management level.

He said Dunlop's offshore operations — comprising majority stakes in Dunlop Zimbabwe, Dunlop Zambia, Rubber and Allied Products in Zimbabwe and tyre trading and engineering operations in the UK — accounted for 32 percent (8,6 percent) of total turnover and were major contributors to the turnover increase.

South African operations turnover had been largely static owing to tough market conditions and poor performance from the industrial division, which had management and quality problems.

Dunlopillo struggled with soft trading conditions and production difficulties as a result of delayed introduction of new machinery following a devastating fire at the Johannesburg plant.

Satisfactory performance within the tyre division in a tight automotive market, which put pressure on operating margins, was boosted by improved performance from Dunlop Zimbabwe and increased exports from South African factories.

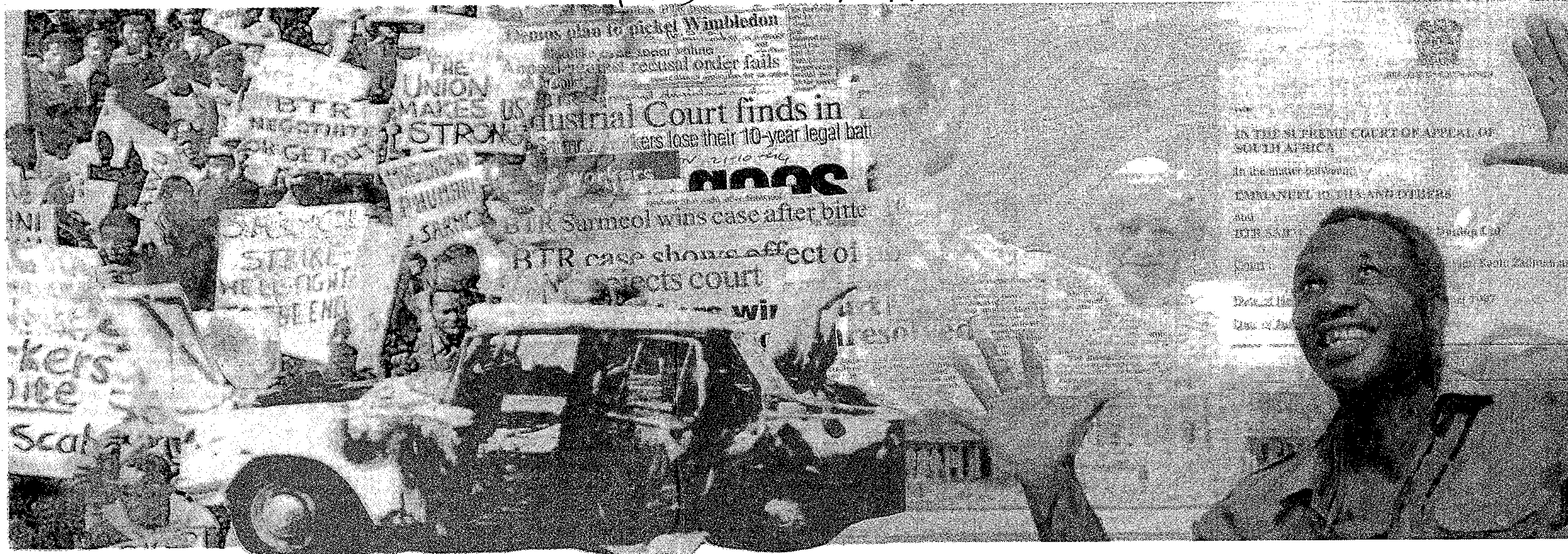
Although financing costs increased significantly from R600 000 to R17,1 million, gearing remained low.

Rob Braithwaite, the group financial director, pointed out that local operations' self-funded expenditure amounted to R78 million out of a total capital expenditure programme of R90,1 million.

Justice delayed, not denied

One of the most famous strikes in South African labour history is about to be settled 13 years later. CARMEL RICKARD looks at the … of an Appeal Court decision which rules that 970 workers were unfairly dismissed by BTR Sarmcol and must be paid compensa…

(196) ST 15/3/98



ANSWERED PRAYERS: Devout Catholic Micca Sibiya

Graphic: SHAHN IRWIN / Picture: MICH…

SURROUNDED by their eight children, Helen and Micca Sibiya beam for the camera. They have just heard that a 13-year-old labour dispute on which Sibiya staked his career — and his life — has been won.

The Appeal Court in Bloemfontein has ended the longest-running legal battle in South African history. It ruled last week that a Howick rubber plant's 1985 dismissal of its entire workforce, including Sibiya and 969 others, was unfair and ordered that compensation be paid.

Sibiya's family are delighted, but they feel a great sadness as well. The strike and dismissals at BTR Sarmcol left a community devastated. Mpophomeni, their small, close-knit home town outside Maritzburg, was dependent on income from the plant. When the men lost their jobs, lives were ruined, families split up, many never found new work.

Worse, when BTR hired new workers after the dismissals, financial ruin escalated into bloodshed and murder. Bitter fighting erupted between the sacked staff, all supporters of the then Metal and Allied Workers' Union and the men of the Inkatha-sponsored union who replaced them.

The dissent quickly spilled over into Mpophomeni, with fatal consequences: over the past 13 years, 39 people have been killed in fighting associated with the dismissals.

The sacking of BTR's workforce coincided with the start of serious political conflict in Kwazulu Natal which was to dominate the next decade.

It is now also well established that, at about this time, the first Inkatha units returned from covert quasi-military training in Caprivi.

But in December 1985, none of this was yet known. Unaware of the danger, a key witness in the industrial court challenge to the dismissals, BTR's chief shop steward, Phineas Sibiya (Micca's brother), called the other shop stewards and members of the strike steering committee to a strategy meeting in his house.

They did not live to carry out their plans. The top leadership was abducted from the house by members of Inkatha and taken to the Mpophomeni community hall, where they were locked up and tortured. Then they were forced into a car and driven to a deserted stretch of road on the way to Lion's River.

One by one, they were executed — all except Micca Sibiya. He escaped by rolling down a steep bank into the river below. He hid there all night, only his nose and mouth above water, while the executioners searched for him.

When they gave up the search, they left behind three charred bodies and a burnt-out car.

Sibiya spent the next five years on the run. Even now he asks that his exact whereabouts not be revealed. A devout Catholic, he finally sought sanctuary in a convent, where he still lives with his family.

His children have been brought up to remember the uncle martyred in the cause of worker solidarity and to recall with pride and terror their father's long night in the river and his eventual deliverance.

They also speak bitterly about the apparent powerlessness of the law: an inquest into the deaths of the three union leaders found nine Inkatha members responsible — but no one has been prosecuted.

As the strikers' cause shifted from one court case to another, the workers tried innovative ways to maintain solidarity.

They wrote a play about their dismissal and took it on tour. They started a co-operative making T-shirts.

Archbishop Denis Hurley raised funds from the Catholic Church in Germany so they could buy some land for a co-operative farming venture.

Inevitably, during the 13 years since the sackings, some of the workers have found other jobs, but a core of well over 400 have maintained close contact and word of the Appeal Court decision is spreading fast.

Now management and workers are considering their options: whether, as the Appeal Court urged, to try to reach a settlement or whether to face each other in court once more, this time for a ruling on the amount of compensation.

Ironically, the day before judgment, a local consortium, Dunlop Africa, finalised its buy-out of the company. According to its chief executive, Mike Hankinson, none of the managers involved in dismissal is still employed there.

This is just as well, as they will not now have to study the judges' scathing comments on the behaviour of the company and some of its "sanctimonious" managers.

The court handed down four judgments in all: the main decision, written by Judge Pierre Olivier with Judge Ralph Zulman concurring, supported in its conclusion by the separate decision of Judge Piet Streicher. Judges John Smalberger and Douglas Scott strongly opposed the majority view, and both wrote dissenting judgments.

Briefly, the majority blamed BTR to a large extent for the strike, saying its real desire was to get rid of the union. When the strike occurred, the company "snatched" at the opportunity to dismiss the workers and sacked them "in an unfair and over-hasty manner". Management then carried out a preconceived policy of selective re-employment to ensure the union and its members would never return.

But it was not simply in relation to the sacked workers that the majority in the court came to a significant conclusion. The judgment has far wider implications.

Traditionally, when Appeal Court judges consider the decision of a lower court in labour matters, they limit themselves to deciding whether the previous court erred on matters of law. Questions of fact tend to be immune from reversal except in the highly unusual circumstance when they decide "no reasonable court would have reached this conclusion".

In the BTR judgment, the Appeal Court strongly disagreed with the pro-management interpretation the lower court made on the facts. It wanted to make its own finding, but it had to get around the rule of not interfering with findings on fact. In doing so, the majority found the traditional approach could be too restrictive and might not lead to real justice.

If the court "sat idly by" on matters of fact when bad-faith tactics were used, it would "make a mockery of the law, of justice and of the administration of justice". And it could also mean the right of appeal was more illusion than substance.

Judge Olivier said he could hardly think of a more prolonged and frustrating attempt by a union to finalise a standard recognition agreement than in the BTR dispute.

"Certainly no more serious and extreme case has ever been reported in our law reports. The consequences of the dismissal mark this case as an extreme one. In my view, therefore, this Court is not only entitled but required to analyse closely the 'tactics' of the parties to ascertain whether one or both acted unreasonably or in bad faith."

No responsible employer, he found, knowing the inevitable consequences to a whole community, would dismiss its entire workforce of almost 1 000 people, each with an average service to the company of 25 years, after an ultimatum of just one hour.

The judge concluded that the labour appeal c… directed itself o… fact and its decis… be allowed to sta…

The impact of t… therefore to shi… Court away fro… narrow approach… bust view: if the… misdirection on t… sonable court co… to such a concl… Appeal Court wi… entitled to consid… such findings.

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Con

brought to account in the income statement. They were previously credited directly to reserves. This new reporting was responsible for the 62% headline EPS increase when compared with the previous basis of accounting.

The new accounting method will cause additional earnings volatility but, Gordon says, Liberty will smooth dividends and is targeting a dividend growth of about 20% a year. That fits well with estimates of embedded value growth of between 19% and 23% a year calculated by Clive Cook of BOE Securities who adds he is expecting EPS growth of about 23% for financial 1998.

On a 12,5 p:e basis Liberty does appear underpriced. But if other life assurers reported on the same basis, the probability is Liberty's rating relative to the other assurers would be similar to the one it had before the reporting basis changed.

There are big moves afoot for the greater group to be listed as one of the FTSE-100 companies. It may well be achieved by the concomitant collapse of the complex pyramid structure of the group with a simultaneous amalgamation of the group with Standard Bank Investment Corporation. Negotiations should be complete by end April when an announcement is expected.

Until then, Liberty Life shareholders should hold their shares and perhaps even buy some more for the scheme of arrangement should be beneficial to shareholders and policyholders. **Gerald Hirshon**

BTR DUNLOP (196)

Hitting the road running

fm 20/3/98

New owners inject life into company

The acquisition last week of a controlling stake in BTR Dunlop by a management consortium can only be seen as positive. It brings with it a group of able businessmen who are intent on turning the lacklustre industrial group into a successful specialised engineering operation.

The consortium that bought the stake from UK-based BTR Plc is led by FirstCorp Capital Investors and includes management, Frankin Investments, Ellerine Bros and the Frangos Trust. It brings to the board two giants of the business world — Mervyn King (now with FNB) and Eric Ellerine. More importantly, executive management has a meaningful stake and proper incentives to make the company perform.

At this stage, the group is not saying much about plans, other than that the move should provide an opportunity to "form new alliances and to realise the full potential of all our markets".

Financial director Rob Braithwaite says they do have specific strategies in mind, essentially to make it run better and expand its geographic reach. "We have picked up a company that is underperforming, and the initial plan is to get the basics right and get the muck out of the business."

He argues that BTR Plc probably "lost interest" in the business under its care and was more concerned with getting money out of it than putting money into it. This approach led Dunlop to neglect growth and run down its balance sheet, which carries net debt of R43,3m.

Management isn't commenting on what will happen to dividend cover as a result of the buyout. But cover of 1,4 times (1997) and 1,6 times (1996) is inappropriate for a company that is looking to expand aggressively throughout Africa and South America, where Dunlop holds key trademark and licence rights.

Braithwaite is elusive on the question of profit targets. "We have inherited the profit plan for financial 1998. But I would like to see some good growth from 1999 and 2000."

The company stands to make a reasonable recovery just by running its businesses better, even in tough trading markets. Its results for the year to December 1997 show a drop in EPS of 69%.

There are still plenty of unknowns about Dunlop, but a good management team with a sense of urgency is now at the helm. Investors are not going for the standby offer of R2,05, judging by the present market value of R2,40. The new Dunlop promises an interesting ride. **Stuart Rutherford**

SA MUSIC

Starting to rock 'n roll

Singing the praises of local tunes

If you think the SA music industry still aims to grow through flogging endless copies of Madonna and Michael Jackson, wake up. Just beginning is explosive growth in the SA music business. Industry executives speculate that it will grow by 20%-40% a year from its estimated R150m base.

Last year, two compact disc manufacturing plants were built — owned by German BMG and EMI — to compete with Gallo-controlled CD Technologies. Competition, say industry players, is breaking up an informal monopoly of music companies dominated by EMI, Gallo, Polygram, Sony and Tusk. Retail prices could be forced down. But director of Mega music division Gallo Africa, Ivor Haarburger, pours cold water on this notion, saying companies are trying to cover massive investments.

A host of new radio stations have launched in the past six months — and they are subject to laws stipulating minimum play times for local music. That has led to listeners asking music shops for local artists. And that pushes sales up.

Of course, manufacture and retail aren't the only ways to make money in this industry. Those in the business dream of signing up successful bands. Publishing rights on songs are a lucrative carrot. Bands aimed at white markets are profitable. But, say most industry players, it's musicians like gospel singer Rebecca Malope, Soul Brothers and kwaito music kings

BTR DUNLOP (196) FM 29/5/98

A SPECULATIVE RECOVERY STOCK

- **ACTIVITIES:** *Makes automotive, industrial and consumer products.*
- **CONTROL:** *Management-led consortium 56,45%.*

Year to December 31	'94	'95	'96	'97
Debt:equity ratio	—	—	0,03	0,11
Int & leasing cover	—	—	197	3,5
Return on cap (%)	18,4	16,4	13,5	6,1
Turnover (Rm)	778	804	835	1 094
Pre-int margin (%)	13,6	12,6	14,1	5,5
Earnings (c)	76	61	47	17
Dividends (c)	37	41	41	15
Tangible NAV (c)	291	313	425	384

Operating profit, 35% down at half-time, slid 49% for the year as the woes of the industrial division continued. Motor business, 71% of turnover and assets, contributed 98% of trading profit. A tabulated divisional breakdown shows a nil contribution from industry, though CE Mike Hankinson confusingly says the industrial division incurred a "material loss".

Chairman Mervyn King calls the results "very disappointing" and refers to problems throughout the group following lengthy uncertainty about ex-holding company BTR Plc's involvement and commitment. In March a management-led consortium acquired BTR's interest. The company is to be renamed Dunlop Africa.

Non-SA operations now account for 32% of total turnover. King says Hankinson has assembled a "largely new" management team. The board will consider several "strategic issues" in the next few months.

Borrowings rose by a net R40m as net investment of R74m was way above operating cash flow of R36m. However, liquidity has historically been excellent, and balance sheet ratios remain acceptable. So, though distribution was slashed, the company was able to pay out virtually all the reported headline EPS.

The share price peaked in 1996 at 850c, since when it has been downhill almost all the way. The operational review seems optimistic for virtually all activities, though the SA tyre market is expected to remain highly competitive. But the big question is whether the new management can restore what was once a most successful business, with well-established brands and products. For those who think it can, a price around 285c must, though speculative, offer recovery potential. **Michael Coulson**

INDEPENDENT NEWSPAPERS

SHARE COULD BE UNDERVALUED

- **ACTIVITIES:** *Publishes 14 paid and 11 free newspapers; also commercial printing, distribution and radio interests.*
- **CONTROL:** *Independent Newspapers Plc (60%).*

Year to December 31	'94	'95	'96	'97
Debt:equity ratio	0,34	0,21	—	—
Int & leasing cover	31,6	22,7	—	—
Return on cap (%)	22	26	31	30
Turnover (Rm)	724	872	992	1 093
Pre-int margin (%)	10,0	11,7	12,5	15,2
Headline earnings (c)	93	135	175	193
Dividends (c)	20	60	90	120
Tangible NAV (c)	389	375	423	581

Eleven of the 14 group papers recorded circulation gains for the first time since the 1994 election. The *Cape Times* made its first profit in more than a decade. An apparent 11% rise in group turnover is slightly unflattering; turnover of continuing operations rose 13%. But even this suggests ad revenue — the main source of income — remained under pressure.

The 42,5% stake in the *Sowetan* was sold to the major shareholder, New Africa Investments (Nail), the holding in Allied Publishing (now owned equally with Nail and Times Media) was cut from 72% to 33,3%, and magazine publisher Penta was sold after Caxton won a lengthy restraint of trade court battle. These sales brought in cash of R65m and (despite a R13,9m net loss on Penta) R31m exceptional profits.

Capex absorbed a mere R34m net, though chairman Liam Healy says the company is reviewing its print capacity and investment programme. The group is expansion-minded, and is investigating a relaunch of *The Friend* using print and editorial capacity in Kimberley. The Saturday titles are the subject of a major initiative, and Independent also wants to increase its radio interests.

Group titles were revalued by R526m to R1,18bn, which would add R25,50 a share to reported tangible NAV.

The year ended with net cash of R126m, allowing an even more generous dividend policy. It remains to be seen whether this can survive possible heavy capex. Healy says 1998 began well, with circulations continuing to rise and strong national advertising, despite a slow economy. Only in KwaZulu-Natal does the market remain depressed. **Michael Coulson**

UNISERV

A GIANT LEAP OF FAITH

- **ACTIVITIES:** *Holding company with its only interest being international forwarder Union Transport.*
- **CONTROL:** *Anubis Trust — British Virgin Islands.*

Year to January 31	'95	'96	'97	'98
Debt:equity ratio	0,49	n/a	n/a	n/a
Int & leasing cover	7,5	n/a	n/a	n/a
Return on cap (%)	14,5	13,7	14,7	14,4
Turnover* ($m)	—	465	504	528
Pre-int margin* (%)	—	1,72	2,80	3,18
Earnings (c)	40,7	23,3	31,6	39,4
Dividends (c)	11,0	6,0	8,0	10,0
Tangible NAV (c)	93	211	244	301

*of Union Transport

Uniserv has an effective 51,9% holding in Union Transport (UT) held through 34% of the ords and 100% of the pref shares. The latter will convert into ords in April 2000. UT operates in 127 countries, 36 of which are accounted for by own subsidiaries or joint ventures. It improved its headline earnings by 35,7% primarily due to the return to profitability of its US operations that now account for 25% of net profits off 31% of revenue. Africa, despite a 10% fall, remains the most important region with 43% of profits flowing from 24% of revenue. Europe and the Pacific contributed 23% and 9% of profits, respectively. UT listed in Luxembourg last September, raising an additional US$15,5m through a private placing. This has strengthened its balance sheet and will enable management to pursue its objective of both organic an acquisitive growth. During 1997 acquisitions were made in Australia, the USA, Taiwan, Uruguay, India and Hong Kong. Post year-end has taken 100% of its Italian network partner. Management says no more than these will "make significant contributions in the years ahead" again highlighting the need for more detailed information to shareholders who still appear required to act largely in good faith.

The OECD forecasts European and US growth in 1998 and 1999 at 2,7% pa which, despite the Far East slowdown, will keep total global growth at about 2,5%. This, combined with Uniserv's acquisitive expansion, should ensure sound profit growth. The share is on a demanding 29 p:e but appears set to advance further.

Stafford Thomas

Dunlop signals new start by foreign deals

(196) CT/BR 29/6/98

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Dunlop Africa, the rubber products manufacturer, would unlock value from its international interests as part of its new beginning, Mike Hankinson, the managing director, said this week.

Hankinson said international rights in 70 countries, acquired from UK parent BTR, had not yet delivered this value, and the immediate challenge was to focus and fine-tune.

He said Dunlop had carefully plotted its objectives for the interim period to June 30, and further objectives had been set for the rest of the financial year.

"We intend having a very different company 12 months from now. But I want to let the results show rather than simply talk about it," Hankinson said.

The same went for the share price. Hankinson said deals in the pipeline rather than empty promises to the market would determine this.

The first deal was a 20-year licensing agreement with DMIB Berhad Malaysia. The latter paid a royalty for Dunlop tyres sold in Malaysia, Singapore and Brunei.

According to Hankinson, one of Dunlop Africa's greatest assets since the change of ownership was a committed and interested board.

He admitted that BTR's involvement had been at arms' length. This injected uncertainty from 1996, when the sale of its majority stake first became a possibility, and intensified once BTR made a decision to sell after Hankinson took over as managing director. The result was not only an active board but a strong group of non-executive directors.

The new board's broom would not only sweep offshore, but clear the way for domestic market share growth. Although the local original equipment market was tight, the R2,3 billion replacement market still offered volumes.

Trading names would remain, and Dunlop was developing a strategy to build its image and dispel negative impressions dating back to the late 1980s.

"We are more than comfortable with the quality of both the tyres we manufacture here and those we import," Hankinson said.

Dunlop Africa must pay (196) R12m to end historic strike

CT(BR) 7/8/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Dunlop Africa, the tyre and industrial rubber products manufacturer, would pay nearly R12 million in compensation to settle the longest-standing industrial relations dispute in South African history, it emerged yesterday.

The company and the National Union of Metal Workers of South Africa (Numsa) said agreement had been reached on the compensation of workers dismissed in 1985 from BTR Sarmcol.

In terms of this agreement, 890 workers will each receive about R13 000 in compensation.

Mike Hankinson, the chief executive of Dunlop Africa, said he was pleased that the matter, which had been inherited from BTR in the UK, its previous majority shareholder, had been finalised.

Dunlop Africa was formed after a management buyout at the beginning of the year.

In March, after 13 years of dispute and debate, the Supreme Court of Appeal in Bloemfontein held in favour of the workers by finding their dismissal during a strike unfair. The matter was referred back to the industrial court to determine compensation.

Soon after the appeal court judgment, the parties agreed to explore other ways to settle the matter. After months of negotiation, the parties arrived at an agreement, which was endorsed at a general meeting of workers in Mphophomeni.

Peter Daantjie, the deputy general secretary of Numsa, said the union was very pleased with the outcome.

Hankinson said wiping the slate clean would allow Dunlop Africa to fine-tune and then meet set targets.

Company News

Two deals rev up Dunlop Africa's new strategy

(196) CT(BR) 18/8/98

Shirley Jones
Kwazulu Natal Editor

Durban — Dunlop Africa's strategic new direction gained momentum yesterday when it announced the purchase of a Zimbabwe tyre distributor and the sale of its automotive foam manufacturing facility for undisclosed sums.

Mike Hankinson, the chief executive, said Dunlop had bought National Tyre Services (NTS), the largest retail tyre distributor and retreader in Zimbabwe, and had sold its foam manufacturing facility to Island View Holdings, the Durban-based bulk storage and industrial products company.

Dunlop Africa was one of the few tyre companies that did not own its own distributor, he said. But Dunlop believed in adding value where it had investments, which was difficult to do through a 38 percent shareholding it had gleaned as part of the purchase of former holding company BTR's international trademark rights.

Hankinson said Dunlop Africa, formed after a management buyout earlier this year, had increased the 38 percent stake in NTS through a further 22 percent proxy shareholding, in effect giving it control.

NTS was a top distributor for Dunlop Zimbabwe, consistently Dunlop's best performer outside South Africa.

"The acquisition of a controlling stake in NTS substantially strengthens the position of Dunlop in Africa. There will be greater input from Dunlop Africa on all fronts," Hankinson said.

He said Dunlop's automotive foam facilities in Port Elizabeth and Rosslyn, near Pretoria, had been sold as a going concern to Island View's feltex foam subsidiary. The sale was effective from September 1.

Island View is trading under a cautionary as it divides into two — Island View Storage, the bulk storage operation that will list separately, and Island View Holdings, which will hold the industrial interests of the former Romatex group. It could not be reached for comment.

Attributable income up 18,3% to R25,9m

Dunlop's first half redeems 1997 disaster

ET (BR) 31/8/98 (19b)

Shirley Jones
KWAZULU NATAL EDITOR

Durban — After a disastrous 1997 financial year, Dunlop Africa, the tyre and rubber products manufacturer, reported an 18,3 percent increase in attributable income to R25,9 million (R21,9 million) during the six months to June 30.

Mike Hankinson, the chief executive, said last week he was cautiously optimistic about the future of the company.

Trading results for the first six months of 1998 reflected a turn in the right direction, as several of the targets set earlier this year had been met.

These targets included turnover of R551,8 million, 3,9 percent higher than the same period last year, pretax profit of R32 million (R30,9 million) and a 20,9 percent leap in after-tax profit to R26 million, R1 million above profit for the entire financial year to December 30 1997.

Dunlop's earnings a share were 19,1c (16,2c). Headline earnings a share were 9,4c (18,5c). The company declared an 8c a share dividend (10c). Dividend cover was increased from 1,6 times to 2,4 times.

Hankinson said Dunlop had delivered the quality and efficiency improvements promised by himself and Mervyn King, the chairman, when the company was bought out in March by a consortium comprising FirstCorp Capital Investors, Frankin, Ellerine Brothers and the Frangos Family Trust.

As a result, profit margins had improved, Hankinson said.

Dunlop's South African tyre division performed reasonably within an intensely competitive market, hampered by an unfavourable raw material contract which would expire at the end of the year.

The group's Zimbabwean and Nigerian subsidiaries had performed satisfactorily, and the Zambian distribution operation had returned to profitability.

Dunlop's industrial products division, a major stumbling black during 1997, was putting the final touches to a successful R30 million refurbishment programme which was already improving the company's bottom line.

The recent settlement of the Sarmcol labour dispute also paved the way for a new start.

Hankinson said Dunlop had already begun to implement some of its strategic plans to divest from peripheral businesses and grow core activities.

As part of this plan, Dunlop had acquired management control of National Tyre Services in Zimbabwe.

Dunlop was also exploring opportunities for using the Dunlop name in its numerous trademark territories, particularly South America, Hankinson added.

First blow in motor industry wage fight

(196)

Sowetan 31/8/98

By Mzwakhe Hlangani

AN estimated 220 000 members of the National Union of Metalworkers of South Africa (Numsa) will embark on a one-day solidarity strike nationwide tomorrow to put pressure on employers in the motor industry for increases that take the inflation rate into account.

Numsa spokesman Dumisa Ntuli said yesterday that the planned action was the start of a major fight with the industry's employers in an effort to bring wages and working conditions in line with the rest of the metal industry.

The strike action in the motor sector involves 65 000 workers at filling stations, panelbeating shops, car dealers and major motor components firms such as Dorbyl, Bosal and Gabriel. It will start tomorrow and continue indefinitely.

The national solidarity strike by 155 000 Numsa members in the automobile, engineering and tyre sectors will be characterised by pickets and marches on the offices of the South African Motor Industry Employers' Association (Samiea) in Johannesburg, Pretoria, Durban, Pretoria, Bloemfontein, Pietersburg and Witbank.

"We believe the national secondary strike is going to be the first of its kind under the new Labour Relations Act 1995 and will also be a test of the ability of the Act to allow workers in one trade union to strike in sympathy with members in other oppressed sectors," Ntuli said.

Numsa will today oppose an application for an interdict by the automobile employers' organisation regarding the solidarity strike by its 155 000 members in the tyre and automobile sector.

Ntuli charged that the employer organisations sought to convince the Labour Court to adopt a conservative approach that the notice for a solidarity strike could not be given until a primary strike had begun.

He said the employer organisations would also attempt to limit the constitutional rights of workers and to convince the court that the sympathy strike in the auto sector would not have a significant impact on employers.

Samiea has offered a minimum wage of 4,5 percent and rejected all Numsa demands of 12 to 18 percent wage increases for lower grades, training and that job outsourcing should be negotiated with the union.

Also high on the list of Numsa demands is an end to plant-level negotiations so that every company can be brought into mainstream industry negotiations.

Samiea spokesman Mr Vic Fourie said they were aware of the planned strike action and were not prepared to make any comment.

Ntuli also claimed that the motor employers had always negotiated in bad faith and the workers could not accept "wage-traps" when the industry was making huge profits.

Most marches will start at 10am. In Johannesburg it will start from the Cramerview shopping centre in Randburg to Surrey Avenue; in Pretoria from Paul Kruger Square and proceed to the Samiea offices in Beatrix Street.

• Negotiations between South African Airways, the SA Railways, Harbours and Allied Workers Union and other unions in dispute with SAA have in principle reached an agreement at the weekend.

A joint statement issued by SAA chief executive Mr Coleman Andrews said the agreement, which had the unanimous endorsement of all the negotiating teams, would be submitted for discussion by the represented employees.

On reaching agreement in principle with SAA, the negotiating team of one of the unions withdrew its previously filed notice of industrial action.

The unions also committed themselves to ensuring that SAA's operation ran smoothly during discussions and the ratification period.

Unions rally in motor sector strike

BD 1/9/98 (196) (~~194~~) (~~189~~)

Reneé Grawitzky

THOUSANDS of workers in metal and engineering, vehicle manufacturing and tyre sectors embark on a one-day sympathy strike today to coincide with an "indefinite" wage strike in the motor sector that could hamper service at filling stations.

The wage strike by thousands of workers in the motor sector will involve petrol attendants, panel beaters, and workers in spare parts shops and auto-component manufacturers.

The National Union of Metalworkers of SA's (Numsa's) call for the first national sympathy, or secondary, strike in terms of the new Labour Relations Act has led to fierce employer opposition. There has also been speculation that workers in some sectors might ignore the call.

The Automobile Manufacturing Employers' Organisation (Ameo) and the Tyre Manufacturers Employers' Association failed in their attempts to interdict the sympathy strike in the Labour Court yesterday.

The Labour Court rejected the interdict applications lodged by Ameo and the tyre employers on the grounds that both parties had failed to give Numsa proper notice in terms of the Labour Relations Act.

The act provides that if an employer is given 10 days' notice of an impending strike, the union should be granted five days' notice of the employer's intention to apply for an interdict.

The court found that the organisations had failed to comply with the provision and rejected the applications without considering the cases' merits.

Ameo argued in its affidavit that manufacturers had direct dealings with only a small number of the 18 000 employers covered by the Motor Industry Bargaining Council.

It was wrong to suggest that the organisation could influence these employers and, therefore, the secondary strike was unreasonable.

The counter-argument was that it was unnecessary to establish a relationship with every employer as the primary strike was against all motor sector employers covered by the council.

Sympathy strike goes ahead today

Labour court rules for Numsa

ET(MR) 1/9/98

(196) (122) (183)

Frank Nxumalo and Roy Cokayne

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) is set to take its 220 000 members out on the country's first one-day, sympathy strike today after the labour court yesterday rejected employers' urgent interdicts opposing the action.

Workers from the automobile and engineering sectors will be striking in sympathy with their colleagues in the motor components sector, who will be embarking on an concurrent primary strike over wage demands and an acceptable wage model.

The court rejected the interdicts by the Tyre Manufacturers Employers' Association and the Automobile Manufacturers Employers' Organisation (Ameo) against the sympathy strike, saying Numsa had not been given time to respond.

Dumisa Ntuli, the Numsa spokesman, said the union "viewed it (the court's ruling) as a major victory for Numsa on a major battle tomorrow with the South African Motor Industry Employers' Association (Samiea).

"We believe the unsuccessful attempt by Ameo is the first of its kind under the new Labour Relations Act, and was a good precedent for the ability of the law to allow workers in one trade union to strike in sympathy with members in other oppressed companies or sectors," Ntuli said.

However, the nationwide strike could be a crippling blow to the car industry, which has just emerged from a six-day strike with the same union.

This cost an estimated R780 million in lost production and threatened to hobble vehicle export contracts valued at billions of rands to the UK and Germany markets.

South Africa's seven vehicle manufacturing plants were planning normal production today despite the secondary strike, Brian Smith, the chairperson of Ameo, said yesterday.

Smith said indications from the seven plants were that support for Numsa's one-day strike would be limited.

He said the labour court indicated it was not prepared to entertain the application by Ameo as Numsa had not had sufficient time to consider its position regarding Ameo's application.

"However, the court held that Ameo could bring the application on the same papers on September 2, which would give Numsa sufficient time to consider the matter.

"The labour court did not consider the question as to whether or not the secondary strike was lawful," he said.

Smith said Ameo would make a final decision on whether it planned to bring the application on Wednesday depending on developing events at the seven plants today.

Ameo believed the secondary strike was unreasonable and unlawful, Smith said.

Reuters reports Matthys Strauss, an economist at the South African Chamber of Commerce, said investor confidence in emerging markets was already shaken and the sympathy strike was like "adding salt to the wound".

Police probe shooting during strike

Themba Hlengani

POLICE are investigating an attempted murder case after a worker was shot and injured by security guards at a condom and surgical glove manufacturing plant, Latex Surgical Products, south of Johannesburg, during a strike earlier this week.

Anna Sehlako was taken to South Rand hospital after she was shot in the ankle by a Metro Security employee. The Chemical Workers' Industrial Union claims the shooting was unprovoked.

CWIU spokesman Bongani Magqaza said the workers had been demonstrating since Monday because of a wages and working conditions dispute with the company.

On Tuesday, two security guards who were transporting nonstriking workers in a truck, suddenly started shooting randomly at striking workers, he said. Magqaza said Sehlako was discharged later that afternoon after being treated. He said other workers also suffered minor injuries during the shooting but did not need medical attention.

A Latex Surgical Products spokesman said yesterday the shooting occurred after strikers "attacked the vehicle transporting temporary workers to the premises".

Booysens police captain Ian Coetzee said police were investigating an attempted murder case against the security guards.

A Metro Security spokesman said the company was aware of the incident but would not comment as it did not have all the facts.

The union has demanded a 12% across-the-board increase and a minimum wage of R1 800, while management is offering a 2,5% increase and a minimum wage of R1 100.

Magqaza said the union rejected the company's offer because it translated into a meagre R30 increase, while the minimum pay offer was what most workers were receiving at the moment.

(196)

BD 20/11/98

Industyre's new plant is 'on track'

(196) CT(BR) 9/12/98

RAVIN MAHARAJ

Durban — South Africa's first double-dipping tyrecord plant in Port Elizabeth, valued at about R55 million, should be in full production by May 1999, Sarel Bam, the plant manager of Industyre, said yesterday.

Bam said the plant would open the door for exports and local business opportunities.

Industyre, which is building the new plant, is a wholly owned subsidiary of Industex Holdings, South Africa's largest technical textile manufacturer. Port Elizabeth is the local market leader in tyre manufacturing.

Bam said the construction of the modern plant was on schedule. He said 780 tons of state-of-the-art machinery from Benninger Zell in Germany was about to be installed and dry commissioning of the line was on track for March next year.

Bam said 130 long-term jobs would be created.

MANUFACTURING - RUBBER PRODUCTS

1999

DUNLOP AFRICA (196)

A POTENTIAL WINNER

FM 8/1/99

Moving into the fast lane

A management buy-out backed by the Ellerine Brothers, FirstCorp Capital, Franklin and the Frangos Family Trust, should alert any astute investor. More so following years of shoddy performance.

Poor management under BTR, UK's control, saw earnings stagnate, finally culminating in 1997's 69% earnings collapse.

Adding to poor management was a disastrous 18-month natural rubber contract. This started in the first quarter of 1997 at a fixed price of US$1 600/t. The price subsequently entered a steep decline, falling to its present $650/t level. CEO Mike Hankinson, estimates the cost to Dunlop at R25m in 1997 continuing similarly into the first half of 1998.

A strong start has been made in increasing efficiency, attaining the highest quality levels and expanding exports.

Tyres, the core operation, generate about R800m, or 70% of sales. Quality slipped badly, "particularly between 1988 and 1991," says Hankinson. "But now I can safely say we produce a world-class tyre." This is supported by the lowest tyre return ratio in SA. and exports of about R440m/year.

Exports account for about 44% of tyre sales with the group owning the Dunlop trade mark in 70 countries. About 60% of exports are to Africa and the Middle East and 40% to Europe and the Americas. Tyres are manufactured under contract for both European and US companies. Primary targets for expansion are South American countries.

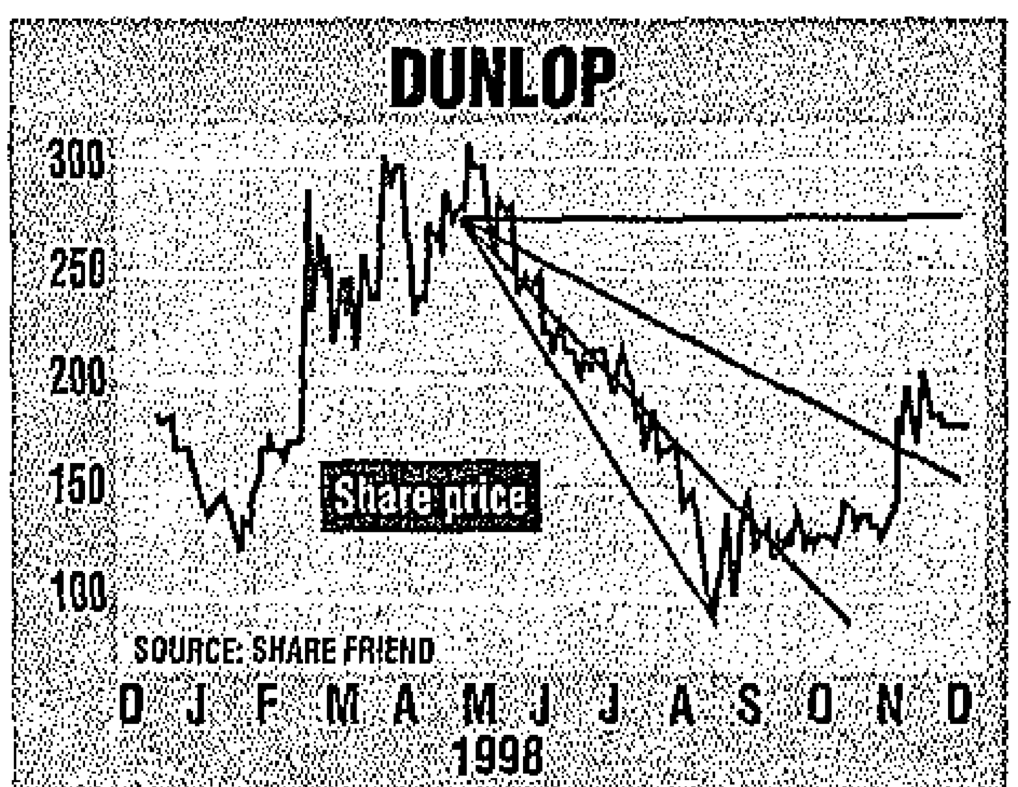
In SA the tyre marketing drive is spearheaded by a comprehensive marketing campaign and the appointment of accredited dealers. The decline in new vehicle sales will have little impact according to Hankinson.

Original equipment demand accounts for only 11% of total sales.

More significantly, the import of tyres has stabilised while many imported vehicles are fitted with Dunlops as original equipment.

The industrial products division's R20m loss in 1997 was transformed into a R4m profit at the June 1998 interim stage. "We just started doing things correctly," says divisional head, Mark Cvitanich.

The division's R30m refurbishment and expansion project is nearing completion. This will expand product range, allowing for import replacement and increased exports. At present exports account for only 10% of sales with a target of 25%. Quality wise, the division is the first southern hemisphere manufacturer to receive Volkswagen's "A" rating. Sales of about R310m in 1997 indicate an operating profit potential of at least R45m/year.



Dunlop's closing price chart, overlaid by speedlines shows how within four months the price has pushed upwards from the lower bottom into the top one-third section. Easing back in overbought territory some support may be felt at around the 150c level.

The fixed rubber price continued to affect interim earnings to June 1998. At 12,5c/share headline earnings were 8% below 1997's interim level but well ahead of the second half of 1997's 3c/share. The elimination of the "rubber factor" alone should boost second half 1998 earnings to about 24c/share giving a total of 36,5c/share for the year.

Since 1995 capital expenditure has totalled R300m. Hankinson says the major expenditure is now over.

The I-Net consensus earnings/share forecast for 1998 and 1999 are 20,9c and 25,4c, respectively. These appear conservative in the extreme. Hankinson's short- to medium-term target for return on shareholders' funds is 20%. His longer-term goal is 25%.

A 20% return represents earnings of about 80c/share. Elimination of the rubber contract, improved efficiency and growing volumes makes this an attainable goal by as early as 1999.

Trading volume has been heavy. Recent buyers include Old Mutual's Value Fund. Offering value and growth potential, it rates a strong buy. Stafford Thomas

Dunlop Africa may reinflate tyre talks

(196) CT (BR) 8/2/99

SHIRLEY JONES

Durban — Last week's multibillion-dollar alliance between Goodyear and Sumitomo Rubber industries (SRI), owner of the Dunlop brand in major world markets, would have singificant local repercussions, said analysts at the weekend.

Although not prepared to put their names to speculation, industry leaders and commentators said that Goodyear and Dunlop Africa, the two local companies likely to be caught in the aftershock of the global mega deal, would have to talk.

At first sight, the international deal structured around six joint ventures in North America, Europe and Japan, does not appear to affect Goodyear's operations in Poland, Slovenia, Turkey, Morocco and South Africa or the company's chemical division in France. Similarly, SRI's non-tyre interests also remain outside the alliance.

No official value has been put to the deal, but over and above the $930 million cash payment from Goodyear to SRI, Goodyear will take up a 10 percent stake in SRI. SRI will reciprocate with a stake of the same value in Goodyear.

The only snag, when it comes to developing a global brand strategy for Dunlop, is that Durban-based Dunlop Africa holds the rights to the Dunlop brand name in 70 countries, including Malaysia, Singapore, strategic parts of Africa and the whole of South America. These were purchased from BTR, its former British parent, in 1996.

Dunlop Africa, the subject of a R157 million management buyout last year, has not fully realised the value of its international rights and supplies the South American market from South Africa and other international Dunlop plants.

Last year, Dunlop increased its exports to Europe and South America from 11 percent to 17 percent of turnover, but this market is ultimately too large to supply adequately from South Africa. Goodyear has two plants there.

Goodyear, on its return to South Africa in 1996 after the R1,07 billion purchase of the Consol group's tyre division, cited exports into Africa as a primary objective.

Dunlop Africa has footholds in Zambia, Nigeria and Zimbabwe and a technical aid agreement with SRI, which was updated in 1997 and expires in 2016.

"This is the start of something which will go somewhere," an industry leader said. He added that a local alliance could either mirror the international deal and see the companies holding stakes in each other or be a takeover.

NY NEWS

Recovery expected from Dunlop Africa

CT(BR) 3/3/99 (196)

RAVIN MAHARAJ

Durban — A strong rise in Dunlop Africa's share price in recent weeks indicated the group could experience a turnaround in its results for the year to last December 31, analysts said yesterday.

The tyre and rubber products maker is scheduled to release its results later this week. In the six months to June 30, attributable income rose 18,3 percent after a dramatic fall in earnings in 1997.

Analysts said this year's rise would be impressive, though they would not offer forecasts.

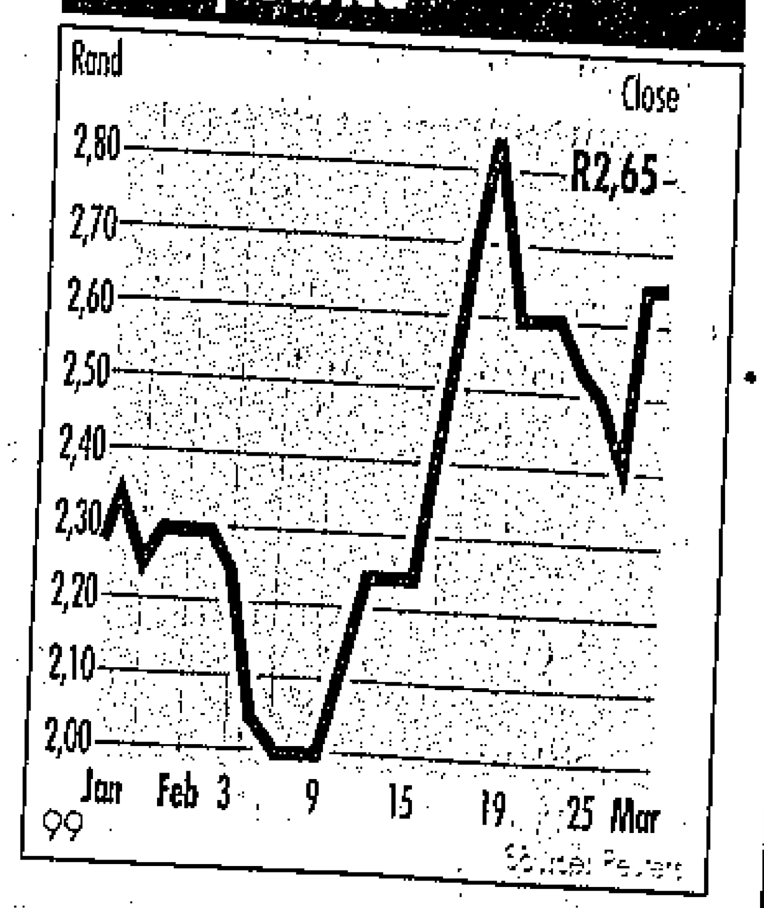
Dunlop Africa has assembled a largely new management team to concentrate on improving business basics and core businesses. Last year the management, with the help of outside finance, bought control of the company from Britain's BTR.

Analysts said the merger between US-based Goodyear and Japan's Sumitomo Rubber Industries had boosted the share price because the development could change the face of the local tyre industry.

Sumitomo has the rights to the Dunlop brand in leading international markets, but not here. Nevertheless, Dunlop Africa has a tyre technology agreement with Sumitomo, recently extended to 2016.

Goodyear-Sumitomo could form an alliance with Dunlop Africa. This, analysts said, could pave the way for an enlarged force in the local tyre industry.

Dunlop Africa



This prospect, which is likely to gain momentum this year, had lifted the share price from about R1 last year to R2,65 yesterday.

Analysts expected a significant recovery in the second half and thought the revitalised group could capitalise on the strong Dunlop trademark.

In another positive move, Carlo Baldocchi, the export manager for tyres at Dunlop Tyres, said yesterday that export volumes in passenger car, truck and off-road vehicle tyres had doubled in the past two years and growth of 40 percent was expected this year.

The company has the trademark rights for the Dunlop brand in South America and non-francophone African countries.

Baldocchi said South American exports should rise because the company had achieved Inmetro Certification in Brazil, the local transport department's quality standard requirement.

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(196)

Dunlop Africa meets expectations

Nicola Jenvey

DURBAN — Dunlop Africa boosted attributable income 60% to R44,2m in its maiden year to December, living up to the turnaround it promised at the interim stage and cementing the merits of its focused philosophy adopted since the management buy-out in March.

Net profit after tax rose 86% to R47,9m, while the group reported an 82,4% increase in sustainable earnings to R42,6m. Headline earnings were hit by the 13-year-old arrear wage settlement of R8,1m made to BTR Samcol employees.

The rise in attributable income translated into sustainable share earnings growth to 31,4c (1997: 17,2c), while the 8c (5c) final dividend brought the total to 16c (15c).

Trading profit grew 38% despite the flat R1,1bn (R1,09bn) sales base and Hankinson said the strong growth reflected the potential of Dunlop. However, there remained "much room for improvement ... without place for complacency".

He believed the growth had come mainly from more focused management across the operating divisions. Yet while there had been a sound turnaround in Dunlop Africa Industrial Products, Dunlop Tyres was not yet operating to full potential.

"The local tyre market is very competitive, but there is vast opportunity to strengthen exports."

The firm has already signed agreements with a major US client for specialist off-road tyres and also with German and French associates.

An announcement last month indicated "a global alliance" will be formed between Goodyear and Sumitomo Rubber Industries of Japan. Sumitomo is Dunlop's technical aid partner until 2016 and brand owner in many countries, excluding the 76 trademark territories owned exclusively by Dunlop Africa.

"The strengthening of international alliances is a major objective and this development may provide interesting opportunities for Dunlop," Hankinson said.

Although he would not speculate further, it is known Hankinson has been in talks with both Sumitomo and Goodyear since the merger announcement. Analysts believe the issue will be resolved in a few weeks.

RUBBER *60% rise in attributable income is a big improvement, 'but we have a long way to go'*

Dunlop Africa makes its first bounce back

CT (BR) 5/3/99 (196)

RAVIN MAHARAJ

Durban — Reviewing business basics and a focused management philosophy helped boost profit at Dunlop Africa, the tyre and rubber products manufacturer, for the financial year ended December 31.

The revitalised group, which is concentrating on its core interests in tyres and industrial products, reported yesterday a 60,1 percent increase in attributable income to R44,2 million for the year to December 31, compared to R27,6 million in 1997.

This translates into earnings a share of 32,6c, up from 20,3c.

Mike Hankinson, the chief executive, said he was pleased but there was still room for improvement.

"I believe the results vindicate our belief in the company," he said. "However, we still have a long way to go before we realise the full potential of Dunlop Africa."

Results were particularly encouraging in light of difficult trading conditions in South Africa, Zimbabwe, Nigeria and Zambia, Hankinson said.

The turnaround, achieved mostly through the buyout from British parent BTR, impressed analysts. They said the company had delivered on its promises in the second half.

The 1998 results contrasted sharply with the 66 percent drop in attributable income for the year to December 31 1997.

Analysts said there were compelling prospects for Dunlop, possibly through the merger of Goodyear and Japan's Sumitomo Rubber Industries, with whom Dunlop Africa has a technology agreement until 2016.

A merger between Dunlop Africa and Goodyear could deliver more than half of the South African tyre market to the two parties, analysts said.

Goodyear has about 32 percent of the local tyre market and Dunlop Africa about 20 percent.

Hankinson confirmed yesterday that there were ongoing discussions between Sumitomo and Dunlop Africa. "They need us and we need them.

"The move will be positive for the local tyre industry." He would not reveal further details.

Hankinson said the material improvement in trading profit — despite a marginal increase in turnover to R1,1 billion — reflected the success of the focus on internal controls and production efficiencies.

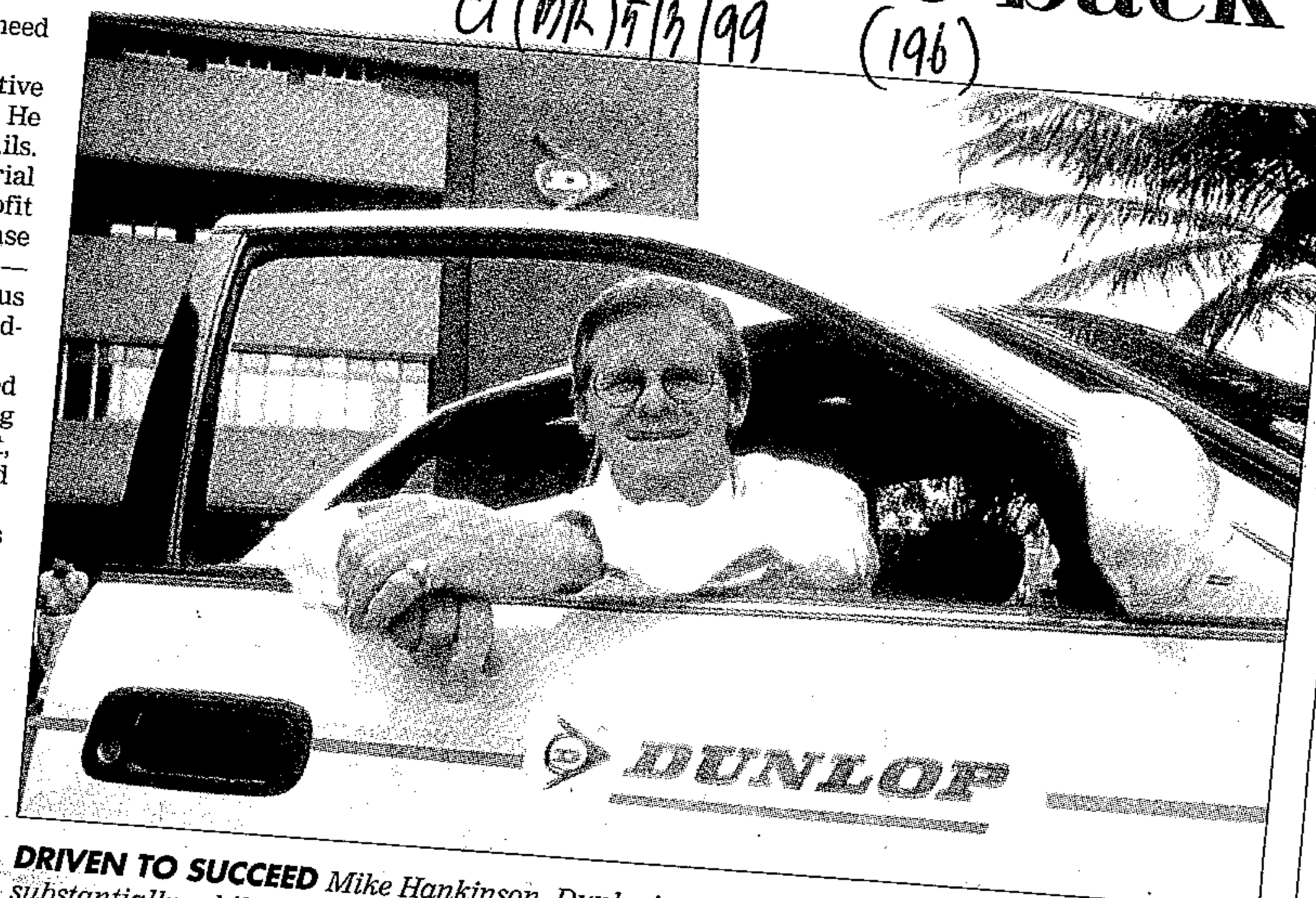
The tyre division continued to experience difficult trading conditions in the local market, but export initiatives had gained momentum.

The industrial products division continued its positive turnaround.

It yielded a reasonable profit for the year following a substantial loss in 1997.

The contribution from the Dunlopillo foam and bedding operation was disappointing, Hankinson said.

Dunlop declared a dividend of 8c, bringing the total for the year to 16c. It gained 15c to R2,85 on the JSE yesterday.



DRIVEN TO SUCCEED *Mike Hankinson, Dunlop's chief executive, says exports should increase substantially, while emerging markets in South America represent strong growth opportunities. A possible merger with Goodyear may deliver over half of the local market* PHOTO: PATRICK ROYAL

COMPANY

Trader's slip-up at Merrills deflates Dunlop

(196) CT(BR) 23/3/99

RICHARD STOVIN-BRADFORD
BANKING EDITOR

Johannesburg — A slip-up by a Merrill Lynch South Africa trader put Dunlop Africa's share price momentarily on the skids last Thursday, Mike Hankinson, Dunlop's chief executive, said last week.

The company's shares plummeted to R1,60 during dealings on Thursday before regaining their composure to close at R2,70. Volume, which normally hovers around the 100 000 level, rose suddenly to over half a million shares in 11 moves.

The Merrill Lynch trader who booked the sale of Dunlop stock was on leave on Friday, but a fellow sales trader said: "It could have been a little finger trouble."

However, Investec Securities' dealing systems were on the ball.

"When the stock came up at a price we were prepared to buy at," said one dealer, "we got stuck in for 10 000 shares, half at R2,01 and half at R1,95."

These were just two of the bargains with Investec Securities.

"We reversed the deals this morning after the error was brought to our attention," said the dealer.

The JSE was equally on the ball.

"We picked up the price movement, investigated it, saw it was a mistake and authorised the correction," said Leanne Parsons, the general manager of the markets division.

Hankinson had initially been shocked by the sudden fall in the share price, but he was relieved to see the share back on track within its normal trading range.

The shares added another 24c to R2,94 on Friday.

Flexitanks help float Dunlop to success

(196) CT(BR) 30/3/99

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Dunlop Industrial Products, the manufacturer of industrial and automotive industrial products, would continue its impressive turnaround with a focused export strategy, including fine tuning key niche markets for virtually unheard-of products, Mike Hankinson, the chief executive of parent company Dunlop Africa, said yesterday.

Hankinson said the division's production of large rubber flexitanks was an example.

Until now, Dunlop Africa had focused on a single, international client.

The company was now expanding this operation to appeal to local and international markets.

He said Dunlop Africa did not have a large international or local competitor and was focusing on both product and market development. Though not prepared to quantify the potential value of future markets or put a figure to the current, still unexplored operation, Hankinson said the operation had the potential to take an already impressive recovery still further.

In the 12 months to June 1997, the division produced an R18 million loss. By June 1998, it had reversed that to a R4 million profit, which was further cemented during the half year to December 1998.

Hankinson said the division had produced flexitanks for many years and had already established itself as a market leader in the shipment of non-hazardous bulk liquids.

Export plan includes key niche markets for virtually unheard-of products

The flexitanks, which are constructed from a woven nylon or polyester fabric coated on both sides with synthetic rubber, had capacities of up to $23m^3$ and converted a standard bulk container into a bulk liquid container capable of carrying up to 21,5 tons of product, he said.

The flexitank was a one-way cost system which cut shipping costs significantly because it could be refolded to 2 percent of its loaded capacity and returned to the exporter or manufacturer as cargo.

Additional advantages to clients included less labour and handling.

It was preferable to conventional transportation methods, such as drums, with the added advantage of no disposal problems. "Parcel tank shipments require costly storage and handling facilities and tie up cash in stock. Flexitanks facilitate just in time purchasing and can deliver from shipper to end user directly," he said.

The flexitanks were dedicated to specific products and could be designed and tested accordingly. They were ideally suited to the transportation of fuel but could also be used for other non-hazardous liquids such as water, latex, wine and vegetable oils.

An additional innovation was that the tanks, which came complete with repair kits, could be used either for transportation or as static tanks as a long-life, low-cost alternative to conventional rigid tanks.

☐ Business Watch, Page 2

TYRE MANUFACTURE (196)

CONTINENTAL TREADS INTO MOZAMBIQUE

9/4/99

Mozambique is preparing to hand over control of tyre manufacturer Mabor, one of the country's last big State-owned industrial companies. The SA subsidiary of Continental Tyres is involved in the deal, the cost of which has yet to be finalised.

The Mozambican government holds more than 90% of Maputo-based Mabor, the country's biggest exporter of manufactured goods. Mabor's technology licensing agreement has always been with General Tyre, which has now been taken over internationally by Continental Tyres. In line with its international policy to control companies with which it does business, Continental is talking to Mozambican government officials about Mabor.

The deal will be channelled through Continental's Port Elizabeth-based SA subsidiary, which currently holds less than 1% of Mabor. Mozambican MP and Mabor chairman Hermenegildo Maria Cepeda Gamito says government is happy to relinquish control. He says an option is for Continental SA to be offered exclusive management control without a majority shareholding, but that is thought unlikely.

Continental SA is also negotiating for control of another Mabor operation, in Angola. If it succeeds in both deals, extensive rationalisation is likely in all three countries.

Mabor MD Luis Filipe Rodrigues says his factory makes more than 80 kinds of tyre for cars, trucks and tractors. "Even 30 is too many for a factory this size." He hopes the deal will enable Mabor to concentrate on fewer variants, in greater numbers. Products made in each country may be rebranded for the others' marketing needs.

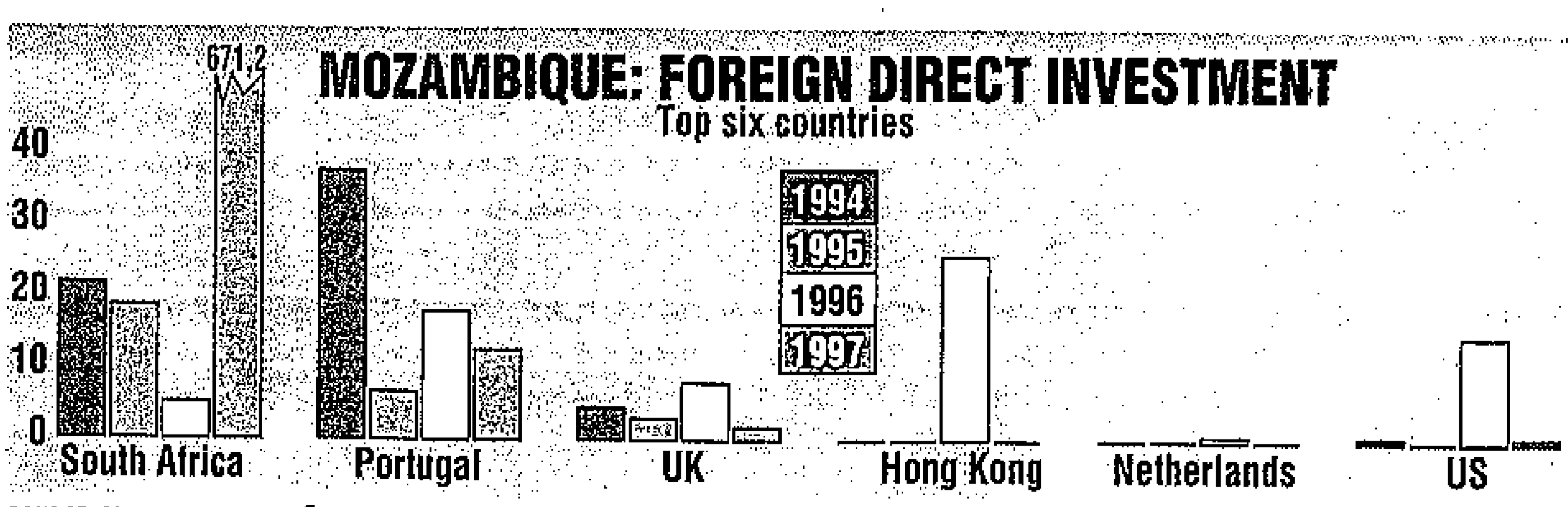
As well as its own-name brand, Mabor's SA marketing company also holds the franchise rights for Cooper, Ohtsu and Falcon tyres. It is represented in more than 500 dealers in SA and also operates in Zimbabwe. Mabor SA is headed by Shane Nesbitt, who is the biggest non-State shareholder in the Mozambican tyre manufacturer.

Mabor, which imports 80% of its raw materials from SA, makes between 800 and 1 200 tyres a day — 40% for Mozambique and 60% for export to SA

and other countries in southern Africa. Annual turnover is around R50m; exports are worth R30m. Though the company has been profitable for the past three years, Rodrigues concedes it urgently needs cost-effective product rationalisation. Mabor, which was established in 1989, has budgeted US$4,9m for plant modernisation over the next three years and has already spent $900 000. How the remaining $4m is distributed depends on the outcome of the Continental SA talks.

SA has been by far the biggest foreign investor in Mozambique since that country's transition to peaceful democracy in 1994. Between 1994 and 1998, SA companies invested R758m, six times as much as Portugal, the former colonial power. BusinessMap, an SA-based independent policy analyst, says Mozambique's privatisation process has been largely successful, mainly because of its transparency and government's commitment to make it succeed.

Big SA investors in Mozambique include the Industrial Development Corp, Eskom, Mondi, Illovo, SA Breweries, Sappi and Karos Hotels. **David Furlonger**



SOURCE: CENTRO DE PROMOÇÃO DO INVESTIMENTOS, 1998

Cumulative 1985-1998

	No of projects	Total value (m)
SA	167	758,6
Portugal	205	126,3
UK	54	46,7
Hong Kong	3	25,6
Netherlands	7	23,6
US	12	22,3

Local tyre company sells all over world

Exports roll on at Dunlop

CT(MR) 20/4/99 (191)

Shirley Jones
KwaZulu Natal Editor

Durban – Dunlop Africa's tyre exports had more than doubled last year, and growth was expected to top 40 percent this year, Mike Hankinson, the chief executive, said last week.

He said first-quarter exports had exceeded targets, helping to offset the soft local market.

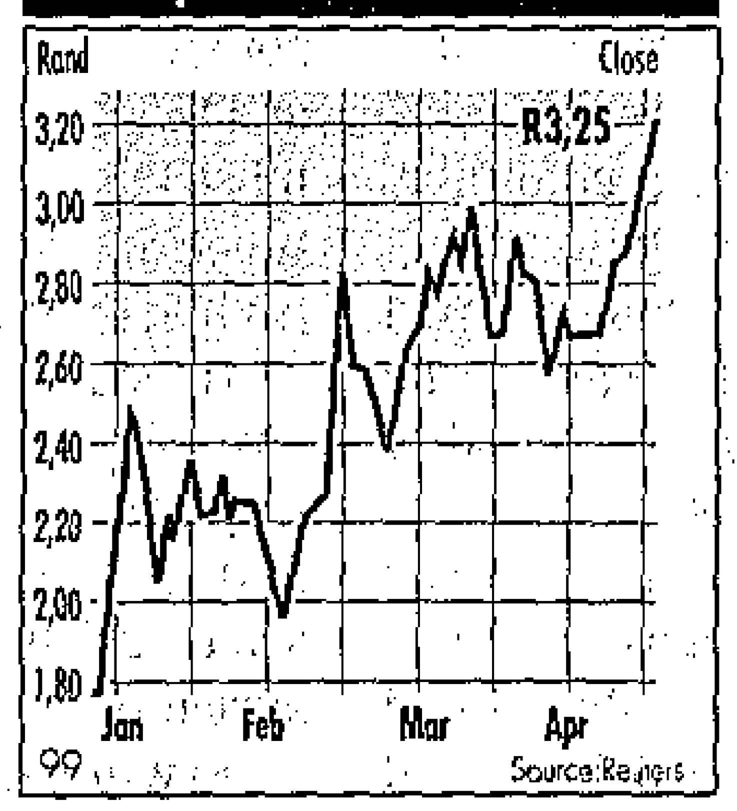
"I foresee exports increasing substantially," he said. "We have already signed agreements with a major client in the US for specialist offroad tyres, as well as with associates in Germany and France. The emerging markets in South America and Africa also represent strong ... opportunities."

Dunlop Africa has the trademark rights for the Dunlop brand in 76 countries. It is particularly keen to break into South America, but it has yet to scratch the surface of its largest potential market, having been concentrating on Europe through its Birmingham office.

Carlo Baldocchi, the tyre export manager, said South American sales were expected to accelerate now the company had the Brazilian transport department's quality standard certification. He said the market was worth $5 billion a year.

Hankinson said Dunlop's Durban tyre plant was one of very few which could do small runs and a wide range of sizes, opening up niche markets and unique opportunities.

Dunlop



International competitors such as Bridgestone and Goodyear had dropped out of small-volume special orders.

Baldocchi said Dunlop had expanded its range of tyres to cater for important foreign markets, notably Africa.

The Ladysmith plant now supplied local and European markets. The plant makes the Regal brand, which Dunlop was upgrading because the European after-market was ordering more innovative sizes and designs.

Hankinson said export growth in Africa would be more than 60 percent this year. The company would benefit from exports to francophone Africa through an arrangement with Dunlop France.

He said the company exported special tyre sizes, ranging from passenger to underground mining tyres, to Dunlop factories in France and Germany. Exports to Dunlop France had risen from 45 000 to 80 000 tyres.

Dunlop shares lost 5c to R3,20 on the JSE yesterday.

Workers support Continental strike

(196) BD 25/6/99

Renée Grawitzky

HUNDREDS of SA tyre workers embarked on a two-hour work stoppage at Continental General Tyre in the Eastern Cape yesterday in solidarity with their US counterparts who have been on strike for nine months at Continental's plant in North Carolina.

The National Union of Metalworkers of SA (Numsa) said workers had marched on the offices of Continental SA to demand that the company settle the US strike.

Numsa also said wage negotiations with Eskom had deadlocked, but no formal dispute had been declared after the company tabled an offer ranging between 6% and 8%. The union is demanding a 9% increase on rates and 10% on the minimum. Eskom denied that a deadlock existed or that it had negotiated in bad faith.

Meanwhile, employers and unions in the security industry have reached an agreement in principle on increases ranging between 9% and 11%, depending on the geographical location.

Finalisation of the agreement was complicated by the phasing in of provisions of the Basic Conditions of Employment Act. The act requires the industry to reduce its working week from 60 to 55 hours by December. The union does not want a reduction in hours to lead to a corresponding reduction in wages.

The Transport and General Workers' Union said it wanted to ensure, through discussions with the labour department, that this would not occur.

Clothing employers indicated yesterday, contrary to an earlier report, that a draft agreement had been reached with the SA Clothing and Textile Workers' Union. It is expected to be finalised soon.

Dunlop's tyre exports grow 30% in first half

(196)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban – Dunlop Africa's tyre exports between January and June 1999 had grown by 30 percent on the same period last year, Mike Hankinson, the chief executive, said last week.

Hankinson said Dunlop's export successes had been an important hedge against poor conditions in the local market. The company expected to grow its offshore sales still further during the current financial year to December 31 1999.

"Exports are increasing monthly and we expect this trend to continue."

He added that exports had steadily gained momentum over the past 18 months, starting off a very low base and growing to the point where 30 percent of production was exported.

Small, low-volume niche markets have made a major contribution to Dunlop's export earnings. The company has moved into markets which key international competitors abandoned.

Pierre Dreyer, the managing director, ascribed the export growth to improved product quality and the company's ability to respond to the requirements of international markets.

Hankinson said Dunlop's Durban plant had just invested R3,5 million in new equipment for a key industrial tyres contract.

The tyres, bound for Germany, are expected to add about R20 million to turnover a year.

Although analysts do not expect a repeat of the startling 60,1 percent increase in attributable earnings for the financial year to December 31, 1998, they are looking forward to continued positive performance when the company reports its interim results.

Ford Credit speeds to R50m profit despite market brake

ROY COKAYNE

Pretoria – Ford Credit South Africa, the joint venture car financing company of the Ford Motor Company, had accelerat-

Robinson said the company had achieved this continuing success despite the decline in the South African new vehicle market since 1996.

Robinson said the South African Ford

TYRES *Impressive results attributed to improvements in income statement*

Dunlop raises earnings by 228%

UT(MR) 16/8/99 (19b)

Shirley Jones
KwaZulu Natal Editor

Durban – Dunlop Africa, the tyre manufacturer, at the weekend posted a startling 227,9 percent increase in headline earnings a share to 22,7c for the six months to June 30 1999.

Mike Hankinson, the chief executive, attributed this impressive performance to a reduced tax rate and to the fact that compensation paid to settle the 13-year-old Sarmcol dispute during the comparable period last year had not been repeated. "The 227,9 percent growth in headline earnings is a result of improvements to most components of the income statement," he said.

"Last year, we effectively reversed the compensation paid to the Sarmcol workers when calculating sustainable earnings. Even on this comparative basis, we have still managed to record an 81,6 percent improvement in sustainable earnings over the previous period."

For Hankinson this is the crux of Dunlop's performance, one he is confident will be carried over and improved upon during the balance of the financial year.

Market commentators said Dunlop had kept its head above water during an extremely depressed trading environment, characterised by strong global competition. Key markets had begun to turn, which could be reflected in earnings a share of more than 40c for the full 12 months to December 31.

Hankinson's predictions were not as detailed, although he said Dunlop was "comfortable" with its prospects.

Dunlop's trading profit increased 17,9 percent to R45,5 million, but net profit after taxation was 10,8 percent down at R23,2 million. Attributable profit took a 16,2 percent knock to R21,7 million.

However, trading margins were up from 7 percent to 8,4 percent. Interest cover was 5,4 times, with declining interest rates and relatively low gearing of 4,7 percent. The company declared an 18,8 percent higher dividend of 9,5c a share.

The two disappointments that contributed to Dunlop's 2,2 percent drop in turnover to R539,9 million were its Zambian operation and its industrial products division.

Another contributor to the fall-off in turnover was the sale of some operating divisions.

But turnover from continuing operations was up 3,9 percent to R528,7 million. Hankinson said the South African operation's results were encouraging.

Dunlop Africa stock traded unchanged at R3,25 on Friday.

BD 1/12/99

(196) (3)

Small farms to grow Limpopo latex

Louise Cook

THE Limpopo valley in the Northern Province is set to be transformed into a haven of plots for small farmers to grow a Mexican shrub used in the manufacture of health-care products, including catheters, surgical gloves and condoms.

The shrub, guayule, is an anti-allergic rubber latex, native to the Chihuahua desert in Mexico. It serves as an alternative to rubber — to which large numbers of people are allergic — and has never grown commercially in SA before.

The project is a joint-venture between US-based Community Revitalisation International (CRI), a company that manufactures products using the latex, and the Northern Province government.

CRI recently established three SA subsidiaries, CRI Economic Development Enterprise, CRI Seeds and Seedlings and CRI Guayule Growers Company — to get the R36m project off the ground.

Most of the 30 000ha of land needed was donated by Venda chiefs in the valley.

"It is projected that the communal lands will be subdivided into small farms of 15ha each," CRI spokesman Chris Mitchell said.

"In five years about 2 000 farm families will be settled on the land.

"They will be able to become members of a guayule cooperative that will provide them with training, farm equipment sharing schemes and assist in negotiating long-term supply contracts," he said.

Agriculture Research Council researcher Claude Dekaardt said the venture was likely to be very successful. "The shrub is suited to dry conditions and input costs are minimal."

"It is anticipated that 10 000 tons of latex and 105 000 tons of fibre a year will be produced down the line. Harvesting and processing of the first guayule will commence in three years' time," Mitchell said.