MINING - GENERAL

1990

OCT. - DEC.

SA gold industry faces bleak future — analyst

210 Star 3/10/90

By Sven Lunsche

NEW YORK — A leading US gold analyst paints a gloomy picture of South Africa's gold industry in the 90s as the country enters a new political era

Warren Myers, a vice-president at the equities research department of brokers Merrill Lynch, argues that whatever political course SA takes, gold production could fall significantly over the next 10 years

This will probably boost its price, leaving only producers outside SA as the beneficiaries, he says.

Mr Myers, who left SA six years ago to join Merrill Lynch, says that even with a scenario of capitalism as the economic system, high inflation will take its toll.

"With inflation running at around 14 percent, some of the ore reserves at lower-grade mines have already been made unpayable," he says

This could worsen in the years ahead as increased spending on education and medical facilities will be inevitable and highly inflationary in the short to intermediate term

"We expect that inflation will remain in the 15 to 20 percent range, even in a capitalist environment

"In these circumstances it is likely that SA's gold production could fall to around 450 tons by the year 2000 from just over 600 tons last year," Mr Myers says.

In his "low-road" political scenario — socialism and nationalisation — the long-term implications are even more disastrous.

"Nationalisation would inevitably lead to a significant fall in gold production, which would be further aggravated by a flight of skilled manpower and capital

"We also believe that in a socialist society, South Africa's inflation rate would soar even further.

"If this worst-case scenario were to occur, SA's gold production could fall from 608 metric tons last year and around 585 tons in 1990 to perhaps 150 tons by the turn of the century," he says

The gold price would be the major beneficiary of the short-fall because other producers will not be able to make up for the losses in SA production.

"US, Canadian and Australian gold producers are likely to be the major beneficiaries of this trend."

De Beers' share price under pressure

210 Star 4/10/90

By Jabulani Sikhakhane

De Beers share price is coming under pressure amid concerns about slower growth in the world economy and higher interest rates, which are expected to have a negative impact on the diamond market.

Indications are that the diamond market is already showing signs of a downturn, with India (a principal cutting centre) reporting a fall of 15 percent in its export sales of polished diamonds in the past three months

US diamond sales, particularly of lower-priced stones, have been falling. (The US accounts for two-fifths of world sales)

Also having a negative effect on De Beers' share price are market perceptions that its price will continue trailing New York's Dow Jones, which is expected to slide further in response to clear signs of a ~~US~~ recession.

After reaching a high of R110 on the creation of De Beers/Centenary earlier this year, De Beers' price has fallen 38,2 percent to yesterday's close of R68

At this price, the share is trading at over 15 percent discount to its net asset value, which directors put at R80,32 at the end of financial 1989.

Some analysts reckon this NAV to be understated due to De Beers' conservative accounting policies

Mathison & Hollidge analyst Barry Sergeant estimates De Beers' market-related NAV at R162. On this assumption, De Beers is trading at a discount of 58 percent to its NAV.

On a positive note, analysts say the share price is fundamentally inexpensive. Among international blue chips, De Beers has a positive earnings outlook

Diamond sales remain buoyant in Europe and Japan, boosted by the weakening dollar

Analysts forecast that Japan will beat the US, emerging as the world's single biggest market for diamond jewellery.

In his recent report on De Beers, Mr Sergeant forecasts that final 1990 figures should show Japan with 33 percent of final diamond jewellery sales, against 28 percent (US 32 percent) in 1989

Underpinning this optimism is the strength of the Japanese economy and the fact that analysts expect the next Japanese boom to be led by consumer spending.

Forecasts are that Japan will have the highest consumer expenditure growth of industrialised countries this year.

Other positive factors are that an ad hoc committee of the Japan Jewellery Association recently proposed the establishment of a diamond exchange to the Ministry of International Trade and Industry (Miti)

The replacement of the 15 percent retail commodity tax by a three percent VAT has also proved a positive factor in the Japanese market.

Japanese import statistics show that in the first five months of this year, imports of polished diamonds from Antwerp (a major cutting centre) were 80 percent of the comparable figure for a year ago, while imports from Bombay were 92 percent.

Taking a bearish view is Michael Spriggs of S G Warburg Securities, who suspects that Japanese diamond sales will be hit by the slump in shares and real estate

Outlook brightens for Western Areas mine

210 Star 4/10/90

By Derek Tommey

Western Areas gold mine, which was in dire straits at the end of June, should start making profits of R1 million to R2 million a quarter and possibly more, chairman Kennedy Maxwell said at the AGM yesterday.

Shareholders approved resolutions providing for the sale of certain mineral rights and part of its lease area to South Deep Exploration (Sodexco), and the sale of Western Areas' Sodexco shares to Western Areas' shareholders

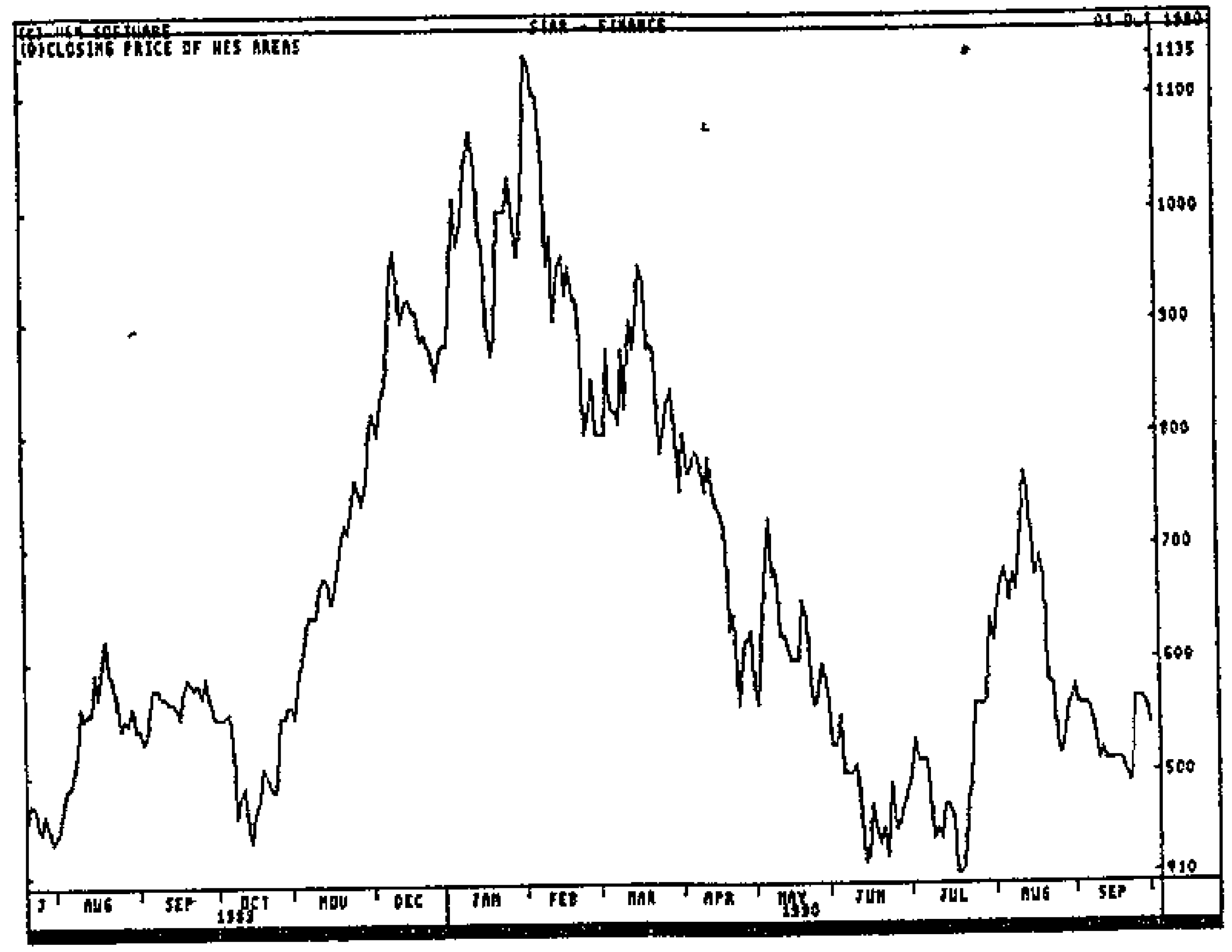
Shareholders are being offered 40 Sodexco shares at R14,30 a share for every 100 Western Areas held. This will produce R230 million for Western Areas

About R95 million of this will go to Sodexco, so that after Western Areas has repaid its loan debts, which were R130 million at end-June, not much of the new capital will be left.

The recovery in Western Areas comes after major changes at the mine, including shutting most of the operations at the North Shaft.

The capital being raised from the sale of West Areas' Sodexco shares will greatly improve the mine's financial position.

Mr Maxwell said the mine was expected to break even this quarter and return to profitability in the December quarter.



Western Areas closing price

He expected values of about six grams a ton from the South Shaft area and about three grams a ton from the North Shaft, giving an average of 4,5 to five grams for the mine Western Areas needs to mine some North Shaft ore for its uranium

While this grade was not all that different from that achieved in the June quarter, costs should be much lower, said Mr Maxwell.

Heavy costs were incurred in the June quarter in attempting to improve results in the North Shaft. As Western Areas would have repaid its loans by November, and would not have to pay interest, currently running at R2 million a month, he expected a profit for the quarter.

Mr Maxwell would not make a dividend forecast and warned that the company might decide to build up its cash reserves.

But he believed that Western Areas and certainly the South Area would be profitable

The South Shaft had always made a profit. Reducing operations at the North Shaft would lessen overheads

He said the mine had a life of at least 25 years If the gold price recovered, then the North Shaft, where there were substantial reserves, could be reopened

Mr Maxwell said the purchase by Sodexco of part of Western Area's lease area would result in substantial cost savings

It had been proposed to sink a twin shaft in the South Deep area But by incorporating part of Western Areas in South Deep only one shaft needed to be sunk as this would be able to link up with the 95 level twin haulages being driven from Western Areas South Shaft

He said the haulages would reach the reef at South Deep in 1991 after which development would start This was less risky than sinking a shaft on the information received from boreholes

The value of R14,30 placed on Sodexco shares was derived after valuing the South Deep mineral rights at R350 million to R400 million

Buffelsfontein hoping for higher gold price

Star 4/10/90 (210)

By Derek Tommey

Buffelsfontein gold mine, now more than 40 years old, is waiting for a higher gold price, the annual report says.

Operations in its existing mining areas are slowly being run down because, as the mine is worked out, it becomes increasingly difficult to find payable ore at the current gold price.

However, given an increase in the gold price, Buffelsfontein's outlook would immediately improve and it could continue operating for some time.

This is because development results from the as yet unmined Tertiary area, south and east of the Strathmore Shaft, shows that there is considerable gold there.

But mining it will become economically viable only at a gold price of about R46 000 a kilogram, says chairman TI Steenkamp.

Some 10 751 metres of development was carried out in the Strathmore Shaft area in the year ended June.

In the Strathmore South area, 522 metres were sampled, giving an average value of 1 059 centimetre-grams a ton for gold. In the Strathmore East area, the 212 metres sampled gave an even better average value of 1 543 centimetre-grams.

But however hopeful these results are, the mine's ore reserves are declining and production is being curtailed.

The result is that the work force was reduced by 1 700 in the year to June, of which 690 were retrenched. The remainder left as a result of resignations, transfers and retirements.

Buffels still has its stake in the untroubled Beatrix gold mine, which is considering increasing production by a further 60 000 tons a month.

It seems this will come from the north-eastern portion of the mine's lease area where it has had some encouraging results from boreholes.

But this will require a shaft and a feasibility study in in progress.

State control over mining proposed in ANC report

MGd 4/10/90 2.10

By PETER FABRICIUS, Political Staff

JOHANNESBURG. — The mining industry comes in for special State interventionist measures — and a strong warning of possible nationalisation — in the ANC's new draft economic policy, which has just been drawn up.

It proposes a State Minerals Marketing Authority to control all mineral marketing, the formation of cartels to stabilise prices and hints at smashing private sector mining conglomerates as well as possible nationalisation.

"The mineral wealth of our country needs to be husbanded in such a way that it benefits all of the people through the contribution it makes to national development.

"The policy of a democratic non-racial government should aim to enhance the role of the sector as a job creator, foreign exchange earner and supplier of raw materials to local industry."

'STRATEGIC INVESTMENTS'

An ANC government would consider using fiscal policy to encourage venture capital in new mines and also itself making "strategic investments" in mines.

It would also root out "racist labour practices" and substantially improve miners' living and work conditions. It also would consider creating an inspectorate to police mining health and safety, mining legislation, transfer pricing and high-grading.

"The ANC is concerned that the current conglomerate control of mining finance is an impediment to an alternative strategy for the sector.

"So, too, is the current trend towards privatisation and deregulation which amount to abdicating the State's responsibility for ensuring that the mineral wealth, which is the heritage of all South Africans, benefits the nation as a whole."

The ANC document also said: "A new government would need to explore various options in respect of ownership patterns in the mining industry and, in view of the sector's strategic importance for the achievement of national development objectives, consideration would have to be given to the nature and extent of State intervention and ownership".

In recommending the formation of a State Minerals Marketing Authority, the ANC said such an agency would be empowered to enter into marketing agreements with other countries.

 210

'SA mines not apartheid crucible'

By SHARON SOROUR
Labour Reporter

SOUTH AFRICAN mines were not the "crucible" in which apartheid was strengthened, according to the Chamber of Mines.

Rejecting allegations made overseas by trade union leader Mr Cyril Ramaphosa, chamber president Mr Clive Knobbs said the mining industry had been at the forefront of the campaign to have discriminatory workplace laws abolished.

Speaking in Brussels this week, Mr Ramaphosa, general-secretary of the National Union of Mineworkers, urged overseas governments to maintain sanctions against South African minerals.

In a statement yesterday, Mr Knobbs said: "Calling for the maintenance of sanctions against South African minerals at the same time as demanding higher wages and the creation of additional jobs is contradictory."

It also threatened the economic survival of the union's members.

All mining jobs were now open to people of all races and there was no job differential in pay, Mr Knobbs said.

Thousands of blacks had moved into mining industry jobs, previously reserved for whites, in the short time since the statutes were removed.

Mr Knobbs accused Mr Ramaphosa — who said the average monthly wage for black mineworkers was $134 or R348 — of being "out of touch with reality" and presenting "a distorted argument".

Mr Knobbs said by quoting wages in dollars and by doing so "erroneously", Mr Ramaphosa's argument was distorted as the rand/dollar exchange rate was irrelevant unless used in an import or export context.

"It is inappropriate to use a dollar conversion to illustrate South African wage levels because overseas audiences will equate the conversion with the purchasing power of the quoted dollar amount in the United States and then assume that it has similar value in South Africa.

Taxman takes shine off GFSA's efforts

Star 5/10/90 (210)

By Derek Tommey

Mining house Gold Fields of South Africa is winning the fight to increase its gold mining profits in what is a most difficult time for the gold mining industry

Three of the group's six operating mines — Driefontein, Libanon and Kloof — showed increased profits in the September quarter

While Venterspost, Doornfontein and Deelkraal had lower profits, it seems that production from areas now being developed should help them improve profits in the near future even if the gold price remains at present levels.

Against this, sharply increased tax and lease payments took some of the shine off the group's achievements.

Alan Munro, head of Gold Fields' gold division, said in many ways it was a good quarter with several operations showing signs of coming right.

In the face of a static gold price great attention had been paid to containing costs and increasing grade

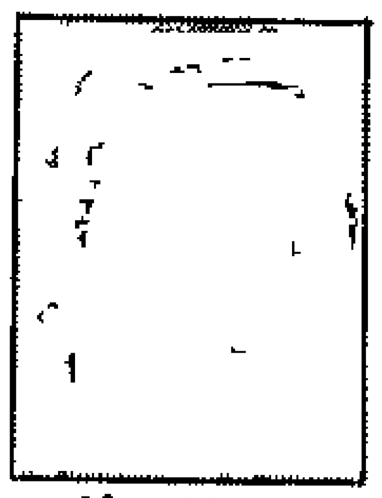
Total working costs rose only 3,8 percent from R575 million to R597 million in spite of the mines having to bear in full for the first time the mid-year pay rises

Mr Munro said these pay rises averaged 15 percent. With labour accounting for 50 percent of costs, one would have expected at least a seven percent increase in costs

The average yield of ore milled by the group mines rose from 7,2 grams a ton to 7,6 grams a ton which lifted gold production by 781 kilograms to 27 341 kilograms

The average price received for the group's gold rose R315 to R31 752 a kilogram.

Aggregate pre-taxed profit was R4 million higher at R312 million But developments at Driefontein and Kloof almost trebled the tax paid from R36 million to R97 million, and group after-tax profit declined from R272 million to R214 million.



Alan Munro

Driefontein Consolidated showed an increased profit even though a rock hoist problem at East Driefontein led to the mine losing 25 000 tons of production which resulted in a lower yield and increased costs

East Dries' profit dropped from R86,2 million to R67,2 million.

At the **West Driefontein** division an increase in the yield from 9,4 grams to 10,3 grams a ton with only a slight increase in costs pushed up profits from R87,1 million to R103,5 million.

Altogether Dries had a pre-taxed profit of R202,8 million (June, R195,3 million) But tax jumped from R61,9 million to R94,4 million and taxed profit dropped from R133,5 million to R108,3 million

Kloof increased its yield from 11,6 grams to 12,4 grams and, with costs up only R1,10 a ton, operating profit rose from R81,8 million to R96,6 million

But a R28,4 million swing round in tax payments from a credit of R27,8 million in the June quarter to a payment of R566 00 in the September quarter, reduced taxed profit from R115,7 million to R97,3 million

Plans to expand production at Kloof and increase profits are making good progress Production is expected to start in the new Leeudoorn area in the first quarter of next year at a rate of 60 000 tons a month. This will increase total mine production from 180 000 tons to 240 000 tons a month

At **Libanon** a fairly sharp increase in the milling yield from 4,1 grams to 4,7 grams, a 10 000 tons increase in the ore milled, good cost control and a reduction in tax led to a R6,9 million turnaround in profits The R2,6 million loss in June was followed by a profit of R4,3 million in the September quarter

Doornfontein continues to battle. A jump in costs from R168,87 to R183,08 a ton resulted in the taxed loss increasing from R2,45 million in June to R6,8 million in the September quarter

However, relief is in sight. Mining of the Carbon Leader Reef in the new No 3 Shaft area is expected to start in the current year and build up gradually.

Mr Munro said that if the mine was able to keep down costs it still had a lot of life ahead of it. However, it could not continue running for long with a loss of more than R6 million a quarter.

Working costs jumped at **Deelkraal** from R129,10 to R145,65 a ton and this, plus a small drop in yield, cut the operating profit from R23,4 million to R14,3 million. Taxed profit dropped from R28,5 million to R15,8 million.

Mr Munro said the increase in costs was unacceptable However, part of the cost rise was the result of increased development which should give the mine more flexibility and should lead to an upward trend in production

Venterspost continued to find the low gold price of R31 732 a kilogram too much for it in the September quarter and had a loss for the quarter of R9,5 million (R9,1 million) However, shareholders need not despair Good progress in being made with the No 4 Shaft complex and production from what is in effect a shallower and apparently richer new mine will start in July 1992.

Vlakfontein, which is in the last throes of shutting down, is seeking a buyer for its dumps and also for its freehold land.

Joel at crossroads

Star 5/10/90

Diagonal Street

210

DEREK TOMMEY

Holders of Joel shares are no doubt hoping that the mine's September quarterly report will contain evidence of an improvement in its affairs.

Dubbed the super gold mine when it was launched in 1986, Joel has failed miserably to reach its planned production targets.

This has led to unforeseen losses and large debts, which are causing concern about the future.

This is reflected in the share price, which has fallen from 1290c at the end of last year to 425c.

And not even the higher gold price resulting from the Gulf crisis has been able to boost it.

Joel's problems stem mainly from its inability to meet its initial production target of 80 000 tons of ore a month. While the milling rate rose from 37 000 tons a month in last year's September quarter to 54 000 tons in this year's June quarter, it has some way to go to 80 000 tons.

Failure to reach its production target has lost the mine 2 900 kilograms of gold worth R90 million in the 12 months to June. With this extra R90 million Joel's outlook clearly would have been brighter.

The loss of revenue has led to an operating loss and mounting debt. Joel had a loss of R8,9 million in the September quarter last year. It grew to R10,1 million in the December quarter, to R16,6 million in the March quarter, dropping to R15,7 million in the June quarter.

To these losses have to be added interest on growing loans. These rose from R40,1 million last December to R74,2 million at end-March and to R107,3 million at end-June.

Interest on the loans in March was R3,2 million.

By end-June interest paid had risen to R5,5 million. Therefore Joel's total loss in March, after including interest, was R19,8 million and in June R21,2 million.

As the interest payments continue to rise, it is clearly going to be more difficult for Joel to produce a profit.

Some brokers have even suggested that because of Joel's poor financial position it might have to close.

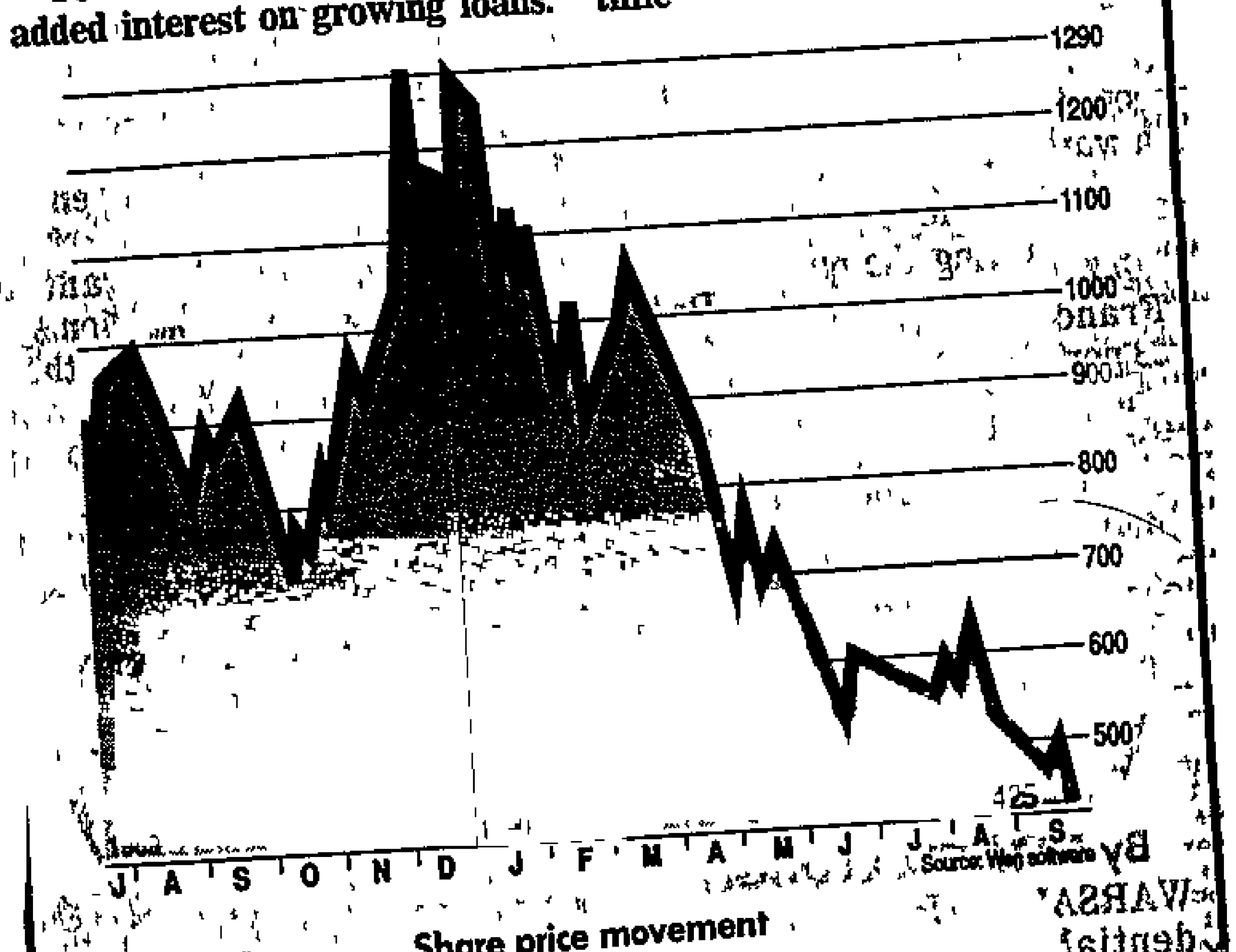
But others say the milling rate has been increasing and that it should be within the mine's capabilities to get production somewhere near target.

This, and an incease in the gold price in 1991, as some people are expecting, would be enough to turn it around.

Were this to happen, Joel would have little difficulty in raising fresh capital.

It could then repay its debts and start with a clean slate on the second phase of its development plan - lifting its milling rate to 120 000 tons a month.

Joel's September quarterly report should throw some light on prospects. This report will be published in about two weeks' time



Share price movement

Rich new gold mine floated

210

6/10/90

DEREK TOMMEY

SOUTH AFRICA's newest gold mining company, South Deep Exploration Company, comes to the stock exchange on Monday The listing has been long awaited and is likely to generate great interest as the mine will work what has been described as "the most exciting orebody in the world"

Trading will start on Monday in the "rights" to take up shares in Soudex, the JSE's name for the company, at R14,30 a share

The price investors are willing to pay for the rights should give some indication of what they feel about the company's prospects

Mr Kennedy Maxwell, chairman of JCI's gold and uranium division, said last night the project was an exciting one

Recovery grade

The South Deep project area contains more than 780 million tons of gold-bearing ore and some 116 million tons of ore with an average grade of 9,0 grams a a ton

This ore will be sufficient to keep the mine going for more than 40 years at a milling rate of 118 000 tons a month and at an average recovery grade of 7,8 grams a ton.

The mine is expected to produce gold at R17 800 a kilogram — well below the current market price of R32 000 a kilogram.

However, JCI is not rushing into full scale shaft-sinking at South Deep "The mine will cost R2,2 billion and we want to be as sure as we possibly can about the project," said Mr Maxwell

To do this, a detailed underground prospecting programme will be carried out from the 95 level twin haulages which are being driven into the South Deep area from the adjoining mine, Western Areas

The haulages will continue to the area where the shaft is to be sunk and then to the western boundary of South Deep.

Ramping to the reef intersection in the probable shaft area will be undertaken and the shaft pillar mined and replaced with slimes and aggregate. This will provide more stable conditions

Boreholes will be drilled from the haulages to check the results obtained from surface boreholes So far 12 of these boreholes have been driven and they have confirmed the surface borehole results

The haulages will also enable mining operations to start on a small scale and it is expected that some 15 000 tons of ore a month will be conveyed through the haulage to Western Area's South Shaft where it will be treated for gold and provide money for the mine's operations

At the same time an ore reserve equal to at least four years' stoping at full production will have been proved

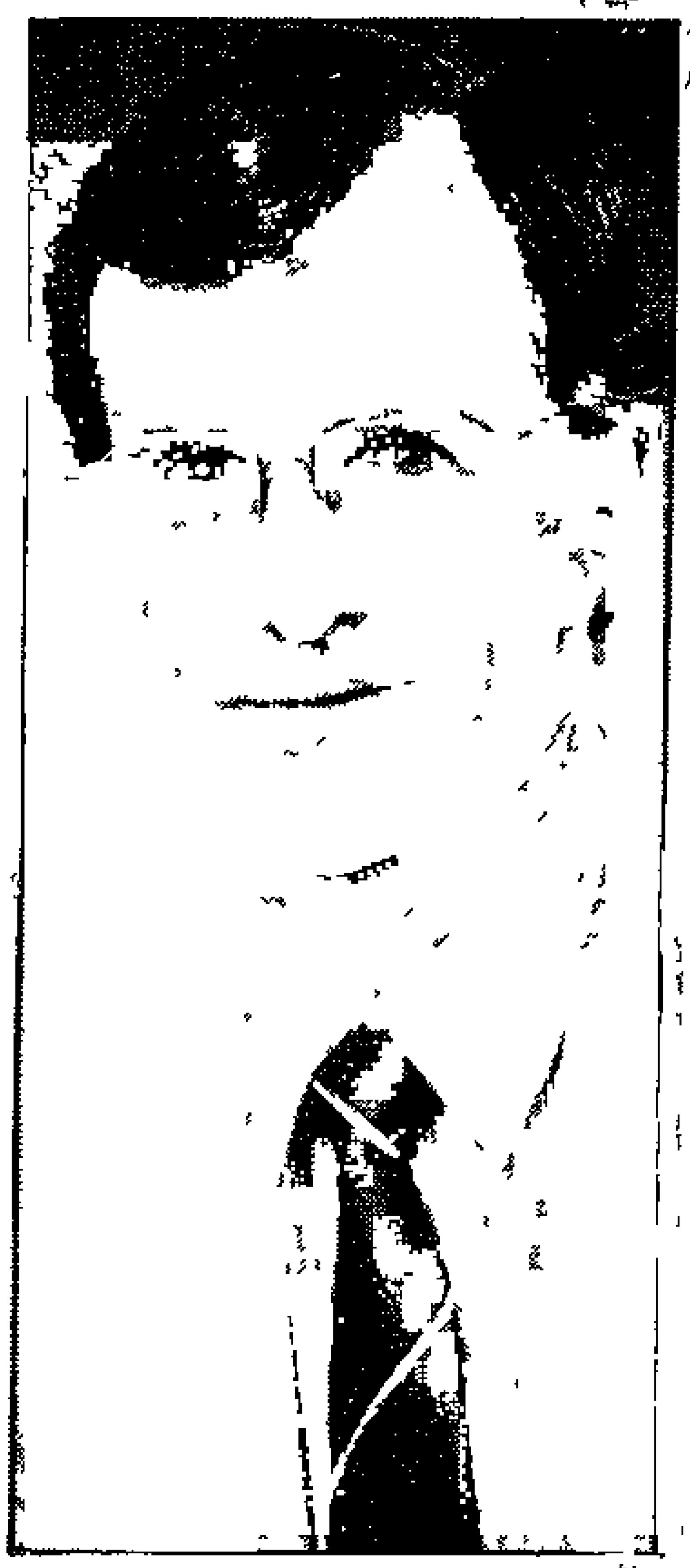
"This will enable any final approval for the full-scale development of a mine to be given with greatly enhanced confidence," said Mr Maxwell

The existence of the twin haulages should greatly reduce the cost of opening the mine

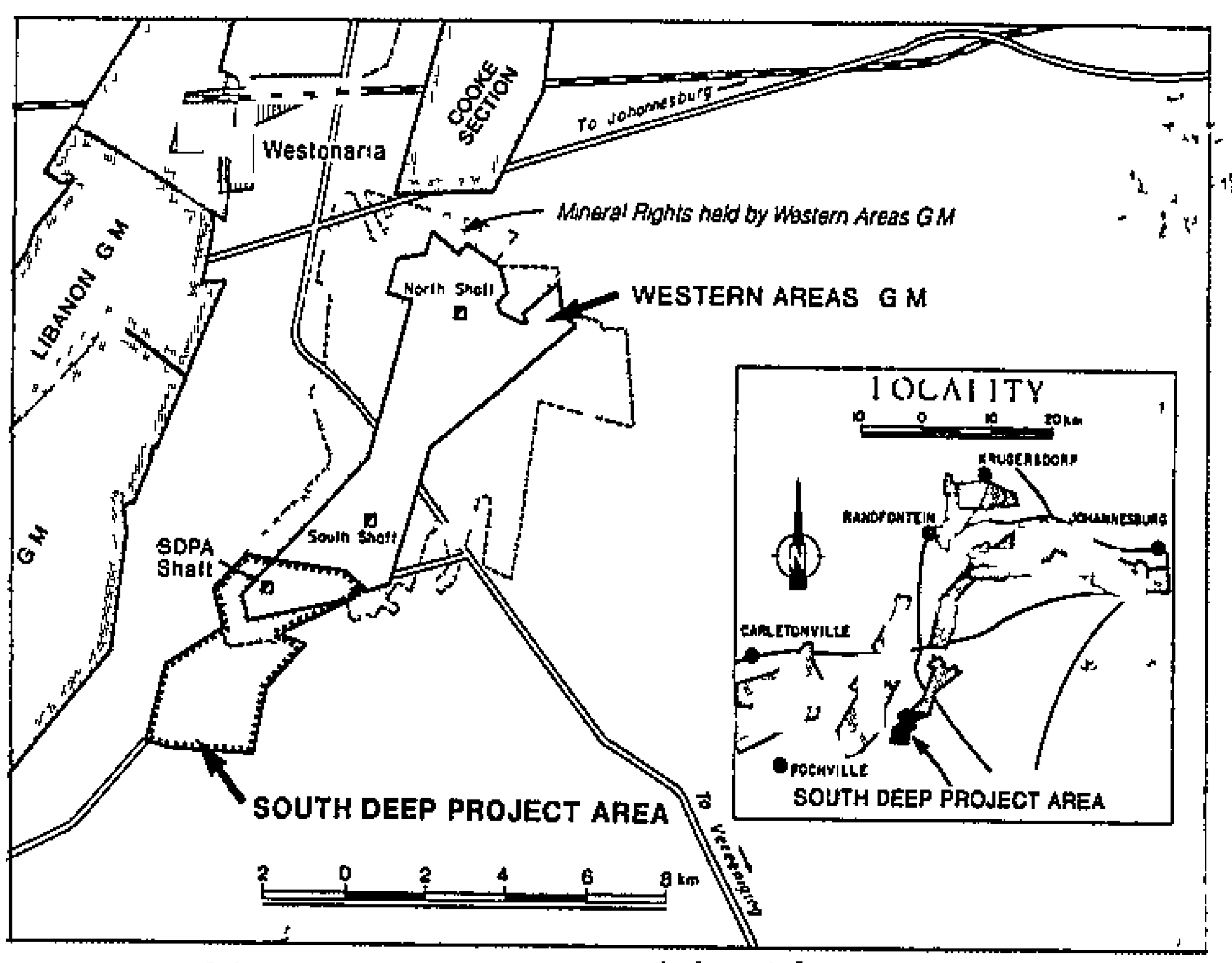
They are an integral part of future mining plans and will minimise the capital costs of bringing larger mining operations to production.

They would facilitate the provision of intake and return airways at an early stage of the undertaking They would also provide the statutory second outlet enhancing the expected returns on a full-scale mining venture

Mr Maxwell said South Deep was planning to use ammonia as a refrigerant in its cooling system This would save the company hundreds of millions of rands



KENNEDY MAXWELL: The mine will cost R2,2 billion.



SOUTH DEEP: Location of the rich new mine.

EC calls for SA presence

S Times 7/10/90

(210) (160)

Business Times Reporter

A PLEA for SA's private sector to "get aligned with the new Europe" was made in Pretoria this week by the Ambassador to the EC in Brussels, Dr Bhadra Ranchod

"Business in every state in the US has set up its monitoring and lobbying office in Brussels, but the SA private sector is unrepresented," he told the SA Bureau of Standards Europe 1992 National Symposium on Product Certification

The 450-odd delegates saw the signing of an agreement which makes the SABS the first standards organisation outside the EC whose certification will be recognised by the German certification body DQS

Calling for the SA economy to be "relaunched" like Western Europe's, Dr Ranchod did not mention bodies which he felt could lighten the load of his mission's two officials dealing with trade matters However, when the matter was raised in question time, he named the SA Foundation, the Chamber of Mines and the coal industry

"The coal people have offices in London and Bonn, the Chamber of Mines an office in London and the SA Foundation offices in London, Paris and Bonn. They continue to behave as if Europe is still separate nations and not an integrated place with Brussels as its capital"

Power

A private-sector monitoring and lobbying office could, for instance, produce a monthly update on developments in the EC, for which his office did not have the capacity.

Stressing Brussels' importance, Dr Ranchod referred to power wielded by EC Commission president Jacques Delors "As chief executive of the largest trading bloc in the world he holds enormous power

"It was a major breakthrough for SA when State President De Klerk met Mr Delors when he visited Brussels in May"

Apart from that meeting and the visit of the Fact Finding Mission to SA in April, further evidence of an improving EC attitude towards this country was a statement last week by the commission's senior vice-president in charge of development. He had even called on the SADCC countries to address their task "in a renewed light with South Africa as a partner"

● Next week, Business Times will carry a special feature on Europe 1992.

ANC plan for mining outlined

Sowetan 8/10/90

210

THE mining industry comes in for special state interventionist measures - and a strong warning of possible nationalisation - in the ANC's new draft economic policy, which has just been drawn up.

It proposes a State Minerals Marketing Authority to control all mineral marketing, the formation of cartels to stabilise prices and hints at breaking up private sector mining conglomerates and possible nationalisation.

"The mineral wealth of our country needs to be husbanded in such a way that it benefits all of the people through the contribution it makes to national development.

"The policy of a democratic non-racial government should aim to enhance the role of the sector as a job creator, foreign exchange earner and supplier of raw materials to local industry."

An ANC government would consider using fiscal policy to encourage venture capital in new mines and also itself making "strategic investments" in mines.

It would also root out "racist labour practices" and substantially improve miners' living and work conditions and would consider creating an inspectorate to police mining health and safety, mining legislation, transfer pricing and high grading.

"The ANC is concerned that the current conglomerate control of mining finance is an impediment to an alternative strategy for the sector.

"So, too, is the current trend towards privatisation and deregulation which amount to abdicating the State's responsibility for ensuring that the mineral wealth, which is the heritage of all South Africans, benefits the nation as a whole.

"A new government would need to explore various options in respect of ownership patterns in the mining industry and, in view of the sector's strategic importance for the achievement of national development objectives, consideration would have to be given the nature and extent of state intervention and ownership."

"Given the volatile nature of mineral prices, a policy of stabilising prices through the formation of a State Minerals Marketing Authority would also need to be investigated.

"Such an agency would control all minerals marketing and enter into marketing agreements with other countries."

Star 9/10/90

210

The Star
Finance

Consmurch in uphill battle for survival

By Derek Tommey

JCI scientists are racing against time to find a new arsenic-antimony separation process in order to keep Consolidated Murchison (Consmurch) in production

If they do not find the process soon and the antimony market weakens further, the mine will probably have to close, says chairman MW Hawarden

This could cost 1 250 people their jobs

A further fall in antimony prices and a month-long strike caused Consmurch to finish the year to June with a loss of R6,4 million (profit of R10,2 million in the previous year)

After adding to this R4,2 million in capital expenditure, it had a deficit for the year of R10,6 million.

With only R3,9 million available after providing for the 1989-90 deficit and no end in sight to operational losses, the mine has had to take drastic measures

Since June it has cut production by 25 percent and relocated or retrenched 353 workers

It has imposed a general salary and wage freeze for the current financial year, which has been accepted in good spirit by all employees, says Mr Hawarden

ESSENTIAL

The mine is to limit capital expenditure for the next two years to items essential for continued production

JCI has agreed to defer all fees due to it.

But at the end of September, Consolidated Murchison already had a cash deficit of R3 million, owed to JCI, and is selling surplus equipment in order to repay its debt

Mr Hawarden warns that any further deterioration caused by an even weaker market for antimony could necessitate placing the mine on a care-and-maintenance basis, thereby forestalling the work of the JCI scientists.

Consequently, they have only a limited time to develop their process

The importance of the process lies in the fact that antimony prices are unlikely to improve materially in the short to medium term, says Mr Hawarden.

"The only hope the company has for survival is to increase gold recovery significantly and to produce a value-enhanced antimony product," he says

He believes the use of the so-called Foxsmelt technology developed by JCI could enhance gold recovery and produce crude antimony oxide

This would permit the phasing out of the pipe reactors with their high operating costs

"It remains necessary, however, to define more precisely the operating conditions required to minimise gold reporting in the crude oxide before proceeding with the detailed engineering design and costing of the necessary reactors"

ARSENIC

He says much of the gold being lost is associated with arsenic, an undesirable impurity The problem is being addessed by the JCI research laboratory with as much urgency as available resources permit.

He hopes that a workable solution will be offered before next June.

Mr Hwarden says success by JCI scientists would also enable the company to realise the antimony, gold and base metal values of stockpiled arsenical middling and other residues on surface

He does not elaborate, but reading between the lines it seems that the process could provide Consmurch with a cheap source of gold and antimony.

"Should the outcome of this work prove that increased capital expenditure is warranted, ways and means of financing it will be examined," he says

ET Cons to prove platinum find

Star 10/10/90

(20)

By Derek Tommey

Eastern Transvaal Consolidated Mines (ET Cons), which has been mining gold in the Barberton area of the Eastern Transvaal for more than 100 years, could undergo a metamorphosis.

It has found nickel, copper and platinum group metals on the farm Slaaihoek, where it owns the mineral rights and mining title.

The chairman, Mr Rob Wilson, said last night that ET Cons was to spend R5,1 million determining the nature and extent of the mineralisation on the farm.

He said some R3,5 million would be spent in the current financial year (which ends in June, 1991)

This expenditure would be in addition to the proposed R6,3 million for other prospecting.

Prospecting

The prospecting programme on Slaaihoek should be completed towards the end of next year

ET Cons has been intensively seeking new gold deposits to offset the depletion of reserves at its New Consort mine. ET Cons is also prospecting in the vicinity of its Sheba and Agnes mines

In the year ended June total gold-bearing ore reserves dropped from 1 344 000 tons averaging 3 133cm g/t to 937 000 tons averaging 4 067cm g/t.

ET Cons shareholders agreed at the annual meeting yesterday to sub-divide their odinary 50c shares into 20 shares of 2,5c each.

ET Cons shares are currently trading at 10 300c. The split should lead to the price of ET Cons shares becoming a more manageable 515c.

Chamber, NUM to fix racial policy

The National Union of Mineworkers (NUM) and the Chamber of Mines decided at a meeting yesterday to draw up a framework for addressing the problem of racial discrimination in the mining industry, the union said

Yesterday's meeting was the second to take place between the NUM and the Chamber since the union started a defiance campaign against racial discrimination earlier this year

Star 10/10/90

The NUM said miners had stepped up their defiance against alleged racial discrimination on mines

210

Miners were now conducting defiance actions at Kriel Colliery near Witbank, the union said — Sapa.

BUSINESS MAIL

Mintek president applauds ANC stand on mineral beneficiation

By REG RUMNEY

THE ANC could conceivably take a stronger line on exporting finished goods rather than raw materials than the present government

This, known as "beneficiation" of or adding value to raw materials, has been applauded by Mintek president Aidan Edwards, one of the chief proponents of beneficiation for some years

"The ANC is absolutely right. The one advantage South Africa has is its mineral wealth."

WMail 12/10 - 18/10/90

Edwards reckons that stronger action could be taken to protect the domestic manufacturing industry. He even advocates some form of regulation to prevent raw materials streaming out of the country. Thailand, for instance, a major tin producer forbids tin leaving the country in concentrate form

Here, says Edwards, the corporations have gone for the quick buck in exporting raw materials

It can also be a method of taking money out of the country

210

Exporting to an overseas subsidiary, which then makes and sells products means most of the money to be made stays abroad and relatively little is remitted to South Africa The process is helped by subsidiaries underinvoicing for raw materials from South Africa

Only relatively recently has the South African government come to recognise the importance of this course Edwards cautions that it is easy to talk glibly about adding value to raw materials, but another thing to do it However, he believes opportunities can be created for beneficiation.

Beneficiation and export of finished goods are often linked, because of the need for economies of scale to make local manufacture viable.

Crucial is the creation of products which can sell in the international marketplace, and here Edwards notes it is ideal to work with someone who has knowledge of the marketplace

State 'should control the minerals'

W/Mail 12/10 - 18/10/90

Who should own what lies beneath South Africa's soil? The ANC's economic policy document hints at an alternative to nationalising the mines — owning the raw materials. **REG RUMNEY** *reports*

210

IF the mines themselves aren't nationalised, the State should at least own the minerals which form the mining industry's raw materials

That is the implication of the recent African National Congress discussion document on economic policy.

The ANC has not abandoned the option of nationalisation of mines, as can be seen by the following, carefully phrased statement "A new government would need to explore various options in respect of ownership patterns in the mining industry and, in view of the sector's strategic importance for the achievement of national development objectives, consideration would have to be given to the nature and extent of State intervention and ownership."

Though it is understood the drafting of the document involved National Union of Mineworkers (NUM) and Congress of SA Trade Unions (Cosatu) representatives, the ANC's document takes a softer line than NUM

NUM, according to the union's economic adviser Martin Nicol, is still strongly in favour of nationalising the mines

The document also expresses concern over the "current conglomerate control of mining finance" and "the current trend towards privatisation and deregulation, which amount to abdicating the State's responsibility for ensuring that the mineral wealth, which is the heritage of all South Africans, benefits the nation as a whole."

Both, the document reckons, are an impediment to an alternative strategy for the mining industry So the ANC would renationalise mineral rights

In theory, all mineral rights now belong to the State and are leased by exploration companies and mining houses The draft Minerals Bill now before parliament proposes to transfer all mineral rights to private ownership

The Bank of Lisbon's *Economic Focus*, written by an anonymous economic consultant, discusses the matter extensively. The author notes a National Minerals Corporation, was proposed some years ago, by Kruger and De Wit in an *International Affairs Bulletin.*

Kruger and De Wit proposed that all mineral rights be vested in this corporation Some South African groups have been accused of at times retaining mineral rights for decades without undertaking meaningful prospecting.

State ownership of mineral rights would arguably not entirely solve these problems, according to *Economic Focus*

But it would transfer ownership of mineral wealth to the people, without nationalising the mines themselves.

Previous mineral rights holders would receive shares in exchange for their rights, though the corporation would buy mineral rights from mines

"They would own shares," says *Economic Focus*, "in the National Minerals Corporation for prospecting and mining licences.

"Prospecting licences issues to mining companies on an annual basis by the National Minerals Corporation could follow the consolidation of mineral rights, and could be based on geologically defined parameters and not inefficient farm boundaries. Once a viable deposit is discovered security of tenure could be conferred on the discoverer, who could then mine or trade the deposit."

Clearly coming from a free-market position, *Economic Focus* proffers some strongly worded arguments against a State Minerals Corporation.

It believes, among other things, there would be problems in accurately ascertaining the value of mineral rights acquired from private owners, that it cuts across South African common law on land ownership, and that mining companies would be expected to explore mining prospects with no guarantee that they could negotiate successful agreements on mineral rights to begin mining, that granting of mineral rights could quickly reflect considerations of patronage

These and other knotty points need to be weighed carefully by any future government, and underline the complexity of the matter The ANC will probably want to study the details of the minerals policies of other countries to test these and other arguments

One argument adduced by *Economic Focus* is crucial because it touches on another aspect of economic policy sketched in the discussion document Nationalisation of mineral rights in South Africa, it says, might unduly emphasise commodity production in a era where other developing countries are likely to step up production of primary commodities

The emphasis, it adds, should be on minerals "beneficiation" projects — projects which turn minerals into products which can be sold at far higher prices than the raw commodity, for example, gold jewellery rather than gold bullion

The ANC's economic policy document makes it clear "adding value" to our raw minerals is an area it considers of paramount importance.Hence it will have to take into account the effect of its minerals policy on the chain of production.

In sum, it can be seen that forging a new minerals wealth policy won't be easy. What to do about minerals provides a good example of the difficulties any new government will encounter in trying not to throw out the baby with the bathwater

(210)

Corporate giants trade at low levels

BIDcom 22/10/90

NEIL YORKE SMITH

SOME of SA's corporate giants are trading at or near their lowest levels on the JSE this year — but fund managers and analysts expect prices to fall further as the threat of world recession looms.

"Yields are still nowhere near levels reached in previous bear markets so shares could well fall further," a J D Anderson analyst said

Mining based conglomerates dominate the list of "blue chips" trading at dismal share prices

They include industry leaders like Barplats (at 500c, a fraction of the 1 800c 12-month high), Rusplats (5 875c off 9 250c), De Beers (6 150c off 11 000c), Anglo American (9 100c off 14 900c), Johnies (3 350c off 6 100c) and Gencor (840c off 1 375c)

"The outlook for precious metals is bad — the heavyweights are being sold down in favour of cash instruments which are safe and offer real returns," a Davis Borkum Hare analyst said

But non-mining leaders have also been battered. Companies like electronics group Reunert, industrial holding company F S Group and chemicals business Sentrachem all touched annual lows recently.

"Heavyweights are more liquid — they are being sold as investors hope to buy them cheaply when the market bottoms"

"Shares in smaller companies are less tradeable and some investors are riding out the storm as they may be unable to repurchase the shares they sell when the market turns," the J D Anderson analyst said

Another broker said clients were advised to sell holdings in diversified conglomerates and buy into more focused businesses

"At best the conglomerates will match the indices, but some of their subsidiaries should outperform the market," he said

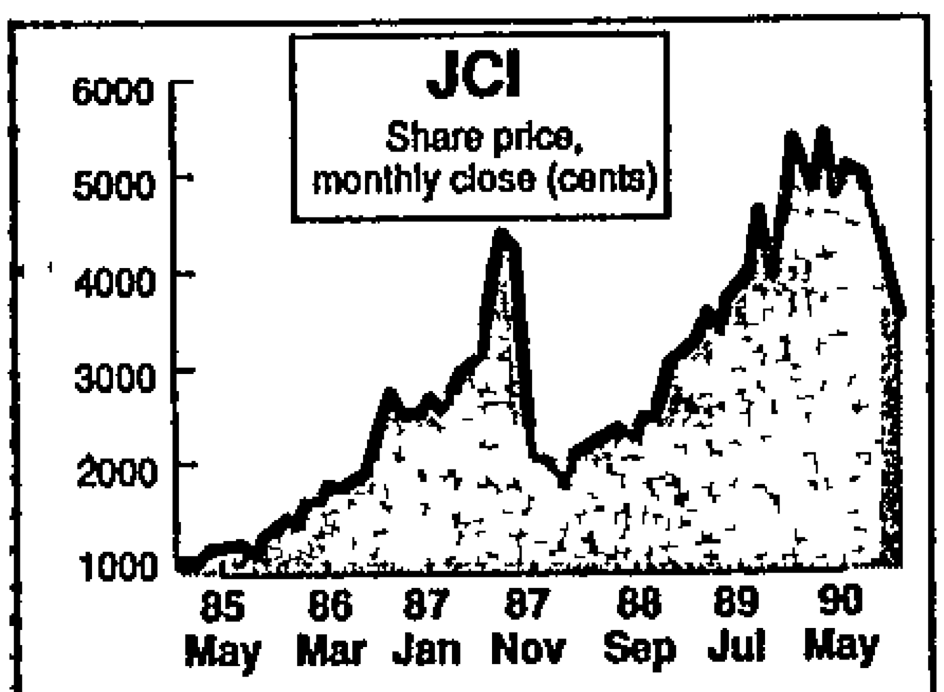
Are bargains to be found at current prices was the question put to AA Life GM (investments) Stephen Meintjies. He said "Some shares look oversold but institutions are holding back in case they move even lower."

This was confirmed by Sanlam's GM (investments) Ronnie Masson "We are not selling equities but are withholding funds as share prices may drop further"

As usual, institutions were acting on the herd instinct, an analyst added

"Selected shares look attractive at these prices but at current interest rates cash is still king," he said

"The moment one institution starts buying they'll all rush in and chase the same stocks."



Graphic: LEE EMERTON Source JSE

Weaker showing at base metal mines

Star 12/10/90 (210)

Lower average metal prices, with the exception of copper, affected after tax profits of Gold Fields coal and base metal companies for the September quarter.

All companies, with the exception of Zinc Corporation of SA, reported lower after tax profits The further decline in the tin price resulted in Rooiberg Tin continuing to incur loses despite the beneficial effect of the rationalisation programme

Gold Fields Coal's tonnage mined was little changed at 2,6 million tons, but the company reported lower sales of R56,9 million (R67,1 million) and a drop in sundry revenue to R809 000 (R1,6 million) After tax profit reflected a sharp drop to R4,4 million (R9,0 milion)

Capex was higher at R2,6 million (R2,1 million)

Rooiberg Tin's ore treated decreased to 60000 tons (66000 tons), while tin grade increased to 0,59 percent (0,50 percent) This resulted from further planned steps taken by the company to reduce losses being incurred

Cost of sales were lower at R4,6 million (R5,5 million) and after tax loss for the quarter was reduced to R51 900 from the previous quarter's loss of R893 000

Black Mountain Mineral Development reported higher sales at R66,0 million (R47,7 million), but the sharply higher cost of sales at R44,9 million (R23,7 million) as well as lower sundry revenue of R1,3 million (R2,6 million reduced after tax profit to R14,1 million (R14,9 million)

Zinc Corporation of SA's higher sales tonnage of 22812 tons (18977 tons) boosted sales revenue to R104,5 million (R88,8 million) Profit after a higher tax was accordingly at R8,8 million (R8,6 million) in spite of a higher tax bill of R8,7 million (R7,5 million)

O'Okiep copper company's higher tonnage milled of 508300 tons 489200 tons) was offset by a lower grade of 1,32 percent (1,45 percent) and an increase in cost of sales to R34,3 million (R26,6 million) A drop in sundry revenue to R2,4 million (R4,2 million) further impacted on profit after tax which fell to R12,9 million (R13,7 million).

Northam Platinum's capital expenditure was lower at R67,2 million (R106,1 million). Net income after tax increased to R11,9 million (R3,3 million)

Gold Fields of Namibia reported a drop in tonnage treated to 407302 tons (413769 tons) and lower sales of R100,0 million (R102,5 million)

Lower cost of sales at R81,3 million (R84,7 million) and freight and realisation costs which decreased to R9,2 million (R9,6 million), helped to boost before tax profit to R8,6 million (R7,2 million)

Profit, after a tax bill of R3,6 million (R3,4 million), increased to R5,1 million (R3,8 million) —Sapa

De Beers under pressure

Star 13/10/90 (210)

JABULANI SIKHAKHANE

DE BEERS and associate ANGLOS staged a late recovery on the JSE yesterday to close off midday lows after coming under foreign selling pressure in the morning.

Foreigners have been net sellers of De Beers shares in recent weeks as they expect the slowing world economy to impact on the world diamond market. On local buying, the diamond share recovered from an early 125c loss to close 80c easier at R64,20 with foreign sellers at R64,20 and R64.

Anglos recovered the 25c loss to close unchanged at R94.

On the gold board, heavyweight gold shares attracted some interest in thin trading. VAAL REEFS and DRIES closed firmer, while among other golds BABROOK, DOORNS, KNIGHTS and LIBANON also made gains. This helped the gold index close 7 points firmer at 1445.

Against the trend, mining financial, GFSA gained 200c to R68, while in other minings platinums weakened further.

Industrials were steady to a touch easier with institutional buyers nibbling at selected stocks. AMIC rose 150c to R73,50 on 140 981 shares worth over R10,362 million traded in 14 deals.

In the chemicals and oils sector, SASOL and ENGEN made strong runs with gains of 20c and 50c to R14,5 and R27,50 respectively. Rubber producer, BTRDUNLOP, attracted good institutional demand and the share rose 150c to R22, while retail share WOOLTRU rose 15c to R51,50.

RICHEMONT and LONRHO were easier, despite a weaker financial rand but BARLOWS held steady at R30,75.

Workers, owners to tackle mine racism

THE National Union of Mineworkers and the Chamber of Mines are to join forces to stamp out racism on mines.

The two groups decided at a Conciliation Board meeting this week to jointly draw up a framework for addressing the problem.

This was the second Conciliation Board meeting between the two since the Num initiated a defiance campaign against racial discrimination on the mines earlier this year.

Once such a general framework for addressing the problem of racism was agreed to between them, they would return to the Conciliation Board, the Num said in a statement.

This general framework will cover the drafting of a definition of racial discrimination; a declaration of intent on abolishing racial discrimination; the drafting of a charter prohibiting racial discrimination in the mining industry; the drawing up of a programme of action to abolish racial discrimination; and the establishing of disciplinary procedures for handling violations of the principles enshrined in the charter.

■ Meanwhile, miners – mainly at Witbank Collieries – have stepped up their defiance against alleged racial discrimination on mines, the Num said

Miners at Matla Colliery are using bathrooms and change-rooms reserved for whites The Num said mine security had allegedly been using teargas in an attempt to drive the workers out

Also, in defiance of mine regulations, workers are using buses reserved for whites to get to and from work.

The Num added miners were conducting similar defiance actions at Kriel Colliery near Witbank.

In a provisional memorandum handed to the Chamber of Mines at Tuesday's meeting, the Num said: "It should be made clear to you that our members can recognise racial discrimination, no matter how it is disguised

"Our members feel that you are disguising racism Indeed they see only one change since some laws that enforced discrimination were removed earlier this year, and that is in the way discrimination is now justified."

Miners see this as an excuse for carrying on as before and they reject it, the Num said

"We remain adamant that all practices that are and have always been racially discriminatory must be stopped

"We cannot compromise on this matter as it involves our members' human dignity and involves the question of human rights which are universal."

The Num attached an extensive list alleging instances where racial discrimination was still practised on the mines. – Sapa

Star 16/10/90 (210)

The Star
Finance

Sharp drop in gold dashes hopes of higher growth

By Magnus Heystek

The sharp drop in the price of gold and platinum, two of South Africa's major export earners, will lead to upward pressure on domestic interest rates, dashing any hopes for an early return to higher growth

Investors' fears, coupled with forced liquidation of bullion in the Middle East, pushed the gold price down by more than $13 to $375 an ounce at the close in New York last night

It opened in Hong Kong today at $374,10

It was fixed in London yesterday afternoon at $380,70, down more than $7 an ounce compared with closing prices at the weekend

Platinum was also depressed by fears of a worldwide recession with the price dropping to a four-year low of $403,75 an ounce.

Investors fear that a worldwide economic recession will depress sales for the motor industry, the major user of platinum

Economists said today the rise in the oil price, coupled with overnight drops in gold and platinum, would reduce the expected surplus on the current account of the balance of payments for this year

The surplus of between R4 billion and R5 billion, generally forecast for this year, now seems to be in doubt, considering the sharply increased cost of oil

At current levels oil is costing South Africa an estimated extra R3,7 billion compared withlast year Gold needs to trade at levels around $450 an ounce to fully compensate for the higher cost of oil

The behaviour of the gold price since the start of the Gulf-crisis has been disappointing After an initial upward rise, the price has retraced much of its gains and is now trading around the same levels prior to Iraq's invasion of Kuwait on August 2

On the JSE gold shares came under renewed pressure yesterday with the all gold index dropping by 49 points to 1396 while the JSE overall index shed 58 points to 2621

The JSE is expected to weaken further today as the major part of gold's decline came after the close of the market yesterday.

But stockbrokers this morning pointed out that a further weakening of the financial rand could act as a cushion for share prices.

ERPM rescue operation looks good

STAR 16/10/90 (210)

By Derek Tommey

The staunch efforts made earlier this year to keep in operation Rand Mines' ERPM gold producer, were well rewarded in the September quarter, with production, gold output and profits significantly higher and total working costs sharply lower

But another Rand Mines producer, Harmony, produced poor results due mainly to labour problems which also affected Barbrook where lower than expected grades have led to a revaluation of ore reserves

Quarterly results issued today show that **ERPM's** working loss was reduced by 70 percent from R16,3 million in the June quarter to just over R5 million which includes the payment of some R3,8 million in retrenchment benefits

Following the sale of some of its sand dumps and slimes dams, the mine showed an overall profit of R12,6 million for the quarter This represented a turnaround of some R37 million from the June loss of almost R25 million

Working costs reflected the rationalisation programme, dropping from R60,6 million to R47,8 million, while gold production was a higher-than planned 1 340kg of which 1250kg was sourced from underground.

Tonnage milled from underground was 33 000 more than planned at 242 000 tons, and grade improved from 3,9g/t to 5,17g/t

Surface gold production dropped from 166kg to 90kg owing to extraction difficulties, but production is now back at the planned rate

Welcome as the improved profit is, ERPM still has a long way to go before it is out of financial difficulties.

At September 30 its net borrowings totalled R360 million, of which R47 million comprised deferred interest

Durban Roodepoort Deep has also benfited from the rationalisation policy at the mine Helped by an increase in tonnage milled and a higher grade, total revenue for the quarter was R33,5 million (R32,1 million) while costs were R30,8 million (R29,5 million) leaving a working profit of R2,7 million (R2,6 million)

Blyvooruitzicht which also faced difficulties earlier this year reports a working profit of close to R4 million for the quarter, down from R5,8 million in the June quarter

Pre-tax profit was R4,2 million (R6,7 million) and taxed profit was R3,2 million (R5,6 million)

Blyvooruitzicht has sold forward over the next three quarters almost one third of its production at prices ranging from R24 938 to R36 242 a kg. (The current gold price is about R31 800)

Harmony had an after tax loss of R11,6 million for the quarter after having a R164 000 loss in June

Ilegal work stoppages and other disruptive tactics, coupled with underground fires at three shafts, affected production

Harmony officially recognised the NUM during the quarter and negotiated wages increases of between 14 percent and 17 percent.

Barbrook's operations were plagued by industrial action and a lower than expected ore grade which resulted in a net loss for the quarter of R3,5 million

Anglovaal pushes up its earnings to R238m

BDay 19/10/90

ROBERT GENTLE

THE Anglovaal group, whose myriad subsidiary and associate companies operate in finance, mining and industry, has increased consolidated attributable earnings for the year ending June by 30% to R238m (R183m)

The R238m figure comprises minerals and other metals (31%), foods and beverages (21%), diversified business (15%), packaging and rubber (13%), finance and other (8%), construction/electronics (7%) and gold mining (5%)

Earnings a share rose 24% to 530c (427c). This translated into a 21% increase in the total dividend a share from 76c to 92c.

The group, which employs 88 000 people, thus boasts a 28% average annual growth in earnings a share over the past five years. The corresponding growth in dividends per share is 21%.

Chairman Basil Hersov said in the annual report released yesterday that the most significant factor contributing to the higher earnings had been another considerable increase in the equity accounted earnings of 60%-owned Associated Manganese Mines of SA.

The reasons included increased dispatches of manganese, iron ores and ferrochrome; higher US dollar prices for all products; and the lower average value of the rand against the US dollar.

Group earnings had also been enhanced by results flowing through for the full year from recent acquisitions.

The cessation of losses relating to the operations of the Klipspruit Colliery, sold in June last year, had been "another positive factor", Hersov said.

However, reduced profits had been recorded by most of the group's gold mines — the result of a declining gold price and escalating working costs.

This was reflected in the huge fall in gold mining's contribution to group attributable earnings — from 16% last year to only 5% this year.

Gold earnings were further constrained by the effect of expenditure on exploration and purchase of mineral rights.

The exploration programmes for gold in the northern Free State, conducted through Sun Prospecting & Mining and Oribi Prospecting & Mining, continued to account for the largest portion of such expenditure, Hersov said.

210

Strategic

Total expenditure on the Sun area amounted to R205m by end-June 1990, while total expenditure for the current year was estimated at R51m.

On the foreign front, Anglovaal's associate mineral resources company Anglo Pacific Resources (APR) made "satisfactory progress" in consolidating its position and expanding in industrial minerals.

Hersov said the investment in APR was strategic and it was not expected that APR would make any significant contribution to group earnings in the short term.

On future prospects, Hersov said the major challenge of the coming year would be the maintenance of earnings a share on the increased share capital resulting from the R882m rights offer and the simplifying of the share structure.

Digging its way to profitability

Mom 17/10/90

(210)

BASIL Read Mining was formed three years ago and has grown to an expected turnover of R100m this year.

Mining MD David Lawrence says mining operations are in three areas — underground construction, railway and civil work, and open cast mining

However, as the economy slows down, increasing the workload becomes a problem, though this has been offset somewhat by the fairly active platinum industry

Gold mines have cancelled work, several major projects have been temporarily or permanently shelved, and Basil Read is again gazing further afield

"We are presently involved in Botswana and looking at Mozambique and Zimbabwe," says Lawrence.

"New projects undertaken include the Letaba power station on the Vaal River, where we are engaged in tunnelling under the main turbine hall to create the necessary expansion voids in heaving clay

"We are also involved in driving a 2,5km tunnel for the Johannesburg City Council, which passes under the Jukskei River, the N3 and Buccleaugh."

The lower rand value has aggravated, among other things, the price of sophisticated underground plant and the company has developed a specialist plant rebuilding division which is already proving its worth

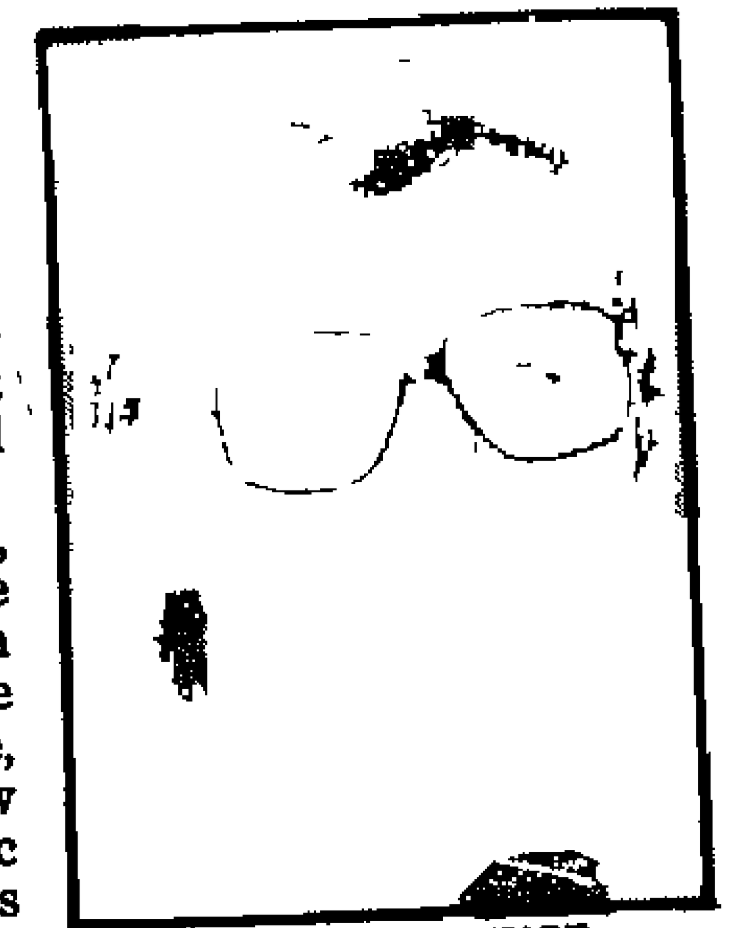
The company is building its own shaft drilling jumbo (for long hole retreat mining) and has recently completed a three boom hydraulic drill rig (to drive a 2,5kg decline shaft)

The company has also just completed the remote concrete lining of a vertical shaft, using equipment designed in conjuction with an overseas company.

The relining system involves lowering and raising a rapidy spinning nozzle which sprays concrete under high pressure around the perimeter of a shaft

The major advantage is that no personnel are required to enter the shaft from the beginning until the end of the operation

Looking at the long term, Lawrence is confident "the future of southern Africa has to hinge around the mining industry as a whole, and from that point of view alone we remain optimistic of the future developments of the company"



DAVID LAWRENCE

Anglovaal mines sell some gold forward

Star 17/10/90 210

By Derek Tommey

All four Anglovaal gold mines have sold forward part of their gold output. They will receive R33 449 for gold delivered in the December quarter, and R34 689, and R35 859 and R37 037 for gold delivered in the first, second and third quarters of next year.

Hartebeestfontein is selling about 27 percent of its production, ET Cons about 30 percent, Village Main about 24 percent and Loraine about half.

Hartebeestfontein milled 757 000 tons in the quarter, down from 789 000 tons in June and this led to a reduced gold output and increased working costs

Revenue dropped from R223,3 million to R214,9 million while costs rose from R156,7 million to R161,1 million, resulting in a working profit of R53,7 million (R66,7 million) Profit at the low grade plant dropped from R10,5 million to R9,6 million.

Profit before taxation and state's share of the profit was R71,0 million (R84,9 million) and taxed profit was R34,5 million (R38,5 million).

At Eastern Transvaal Consolidated a drop in ore milled from 96 800 tons to 81 100 tons resulted in revenue dropping from R29,5 million to R25,0 million and the working profit falling from R12,5 million to R7,3 million.

Taxed profit was R4,0 million (R9,2 million).

Village Main had a working profit of R742 000 (R1 193 000) reflecting a lower tonnage treated, the lower gold price and increased costs. Its taxed profit was R503 000 (R1 203 000)

Loraine milled 378 000 tons during the quarter, up from 367 000 tons in the June quarter It also increased its yield from 4,9 g/t to 5,1 g/t which helped lift gold production from 1 801kg t0 1 920 kg

The working loss was cut from R6,2 million to R3,8 million. After taking into account other income Loraine had a loss after tax for the quarter of R1,16 million (R1,15 million).

Gold prices reflect some small gains

Star 18/10/90 210

By Michael Chester

Gold prices showed signs of pulling out of their dramatic tailspin on world bullion markets today and recorded marginal recoveries in key centres.

Gold was quoted at $369,95 an ounce in first deals in Hong Kong this morning, $2,14 higher than at the close yesterday, but still nearly $50 below recent peaks at the start of the Middle East crisis

The modest rise followed fractional gains to $366,70 in New York, in line with the London market.

Dealers said "technical corrections" were steadying prices after a massive wave of selling by Far East and Middle East speculators earlier in the week

The Chamber of Mines has warned that thousands of mine jobs were at risk, with 18 mines operating at a loss, if gold stayed below $390

At Gengold, where retrenchments have already hit 17 000 workers in the past two years, managing director Gary Maude revealed that a further 10 000 jobs would be in jeopardy if gold prices stayed in the doldrums.

The National Union of Mineworkers has estimated that retrenchments on South African gold mines as a whole had reached 32 000 since the start of the year.

● 10 000 jobs at risk — Page 23.

Mandela approached Anglo

210

ANC wants funding from big business

BDay 18/10/90

ALAN FINE

THE ANC has launched an initiative to raise millions of rands in funds from SA's corporate sector, a move that has created huge dilemmas for the business community.

It is understood that senior ANC leaders, including Nelson Mandela, have met a range of top businessmen in the past few weeks to broach the subject of monetary donations and payments in kind for activities ranging from the resettlement of exiles to the purchase of office equipment.

Indications are that the organisation is seeking large amounts — well into seven figures from the larger corporations.

Business Day has tracked down two corporations that have been approached, and one that has reason to believe it will receive a request "any minute now".

One of the former, Anglo American, refused to comment at all on the approach made by Mandela at an October 3 meeting with chairman Julian Ogilvie Thompson and former chairman Gavin Relly. The encounter was described at the time as "private and informal".

Citing the extreme sensitivity of the issue, the other two — also leaders in the SA business community — agreed to talk to Business Day only on condition that they were not identified.

Neither has yet given, or is ready to give, a firm response. They indicated requests to fund party political activities raised dilemmas in principle. Regarding the ANC in particular, there was concern about its hostile attitude to big business.

There was a general resistance towards getting involved in party political funding for the purpose of buying business or financial favours. One company's representative said he believed that if businesses were going to be involved in funding political parties, they would have to be more even-handed than they had been in the past.

He agreed there had been substantial corporate funding of the NP and the DP and its predecessors. It now had to be recognised that company stakeholders supported a range of parties.

His approach, if party funding was to become the norm, would be to support all groups that upheld values such as commitments to negotiating a new SA, to economic growth, to multi-party democracy and to the rule of law.

"There are obviously groups which would not qualify in terms of these principles — for instance, the CP, and the PAC too for as long as it refuses to participate in the negotiating process," he said

He added it would be a cynical view to assume that providing funding to the NP and the ANC was a way for companies to "hedge their bets". If there was to be corporate funding of political parties, the goal should be to "contribute to a constructive political process".

Both he and the spokesman for the second company made it clear they would feel more comfortable if the requests were for specific social projects — such as the resettlement of exiles — rather than for pure party political activities.

The second spokesman said it was basic policy not to sponsor political parties and

☐ To Page 2

ANC

BDay 18/10/90

210

☐ From Page 1

his company was unlikely to fund pure political activities "although we would be foolish not to consider any request".

ANC economic policy, particularly its attitude to large businesses, would be an important issue, one spokesman said.

Few businessmen believed that nationalisation was a serious policy option for the ANC, but there was concern about its policy on dismembering conglomerates

"We would certainly first demand answers to questions about their intentions on economic policy, and particularly whether they expect us to support a party whose strategy is to break us up," he said

A further dilemma on the part of both spokesmen was expected anger on the part of non-exiles, should the companies make large donations to exiles

"This would, for example, mean giving exiles privileged access to housing while many of our own employees are not adequately housed," one said

Repeated attempts to reach the ANC's treasury department for comment were unsuccessful

Strangest bedf

Star 20/10/90 (210)

PATRICK LAURENCE

Can ANC, big business pay a joint d

UNEASY RELATIONSHIP: Mr Mandela and Mr Relly after their meeting in Soweto earlier this year. The ... from big business but there is no guarantee that the movement has abandoned its commitment to national... wealth

THE image of the African National Congress, metaphorical cap in hand, seeking donations from big business, startles the mind and arouses suspicions of disinformation

Yet, in a carefully phrased statement, the ANC acknowledges its leaders have approached business barons as part of its "strategy of internal fund-raising"

There is, of course, nothing unusual about politicians seeking funds from business or of businessmen lobbying for favours from politicians

The ANC has, however, declared ideological war on big business in the past Asserting that apartheid and capitalism are "two sides of the same bloody coin", its spokesmen have accused business of conniving with Government to sustain apartheid

Thus, while it was not surprising that the former chairman of Anglo-American, Gavin Relly, led a party of businessmen to Zambia in 1985 to confer with ANC leaders, an ANC approach to capitalist moguls for funds still merits headline treatment

The ANC remains formally committed to the Freedom Charter, clauses of which are calculated to induce neuralgia, if not worse, in the august chambers of commerce, industry and mines

"The national wealth of our country, the heritage of all the people of South Africa, shall be restored to the people," the Freedom Charter declares "The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole"

There have been sophisticated attempts to argue that the Charter is not a mandate for socialism and nationalisation, i e for State ownership, in the name of people, of the means of production But against these arguments there is the testimony of Nelson Mandela himself

Writing from prison less than a month before his release, Mr Mandela declared "The nationalisation of the mines, banks and monopoly industry is the policy of the ANC and a change or modification of our views in this regard is inconceivable"

Mr Mandela was apparently stung by newspaper reports insinuating that he had become a sybarite who had acquired a taste for fine wine and good food and who favoured development of a black capitalist class above the achievement of socialism

Exhorting a trusted comrade to give the widest publicity to his views, he said. "Black economic empowerment is a goal we fully support, but in our situation State control of sectors of the economy is unavoidable."

Barely a month later, in a speech at the Grand Parade in Cape Town, a few hours after his release from prison, Mr Mandela offered no solace to South African or, for that matter, international capitalists He again provided little or no succour to big business in his speech, a few days later, to 100 000 people in Soccer City, Soweto

The result was disastrous

As Front File put it "The Johannesburg Stock Exchange panicked Foreign investors, particularly Americans, dumped large holdings of South African gold shares and prices of gold and platinum stock dropped in London and New York by 25 percent Both rand and finrand weakened"

But in May, when he addressed businessmen at a major conference in Johannesburg, Mr Mandela, was more judicious, he now realised how sensitive the nationalisation question was and how ill-chosen words could seriously harm the South African economy, to the detriment of all

"We are very conscious of the critical importance of the confidence in the future of both the national and international business communities and investors," Mr Mandela said

He was reassuring on the question of nationalisation, rejecting as false the view that "the only words in the (ANC's) economic vocabulary are nationalisation and redistribution"

He did not, however, shirk discussion of another controversial aspect of South Africa's economy the concentration of wealth in a few hands

It was an issue which had to be addressed

"It is said that less than 10 corporate conglomerates control almost 90 percent of the shares listed on the Johannesburg Stock Exchange," he pointedly noted He reckoned that the number of directors controlling these companies was less than 1 000, almost all of them white males

For the business barons in command of much of the economy, ownership without control cannot be an attractive notion. By talking to the ANC and by replenishing its coffers, their plan may be to ensure that the 'moderates' in the ANC triumph over the communists.

It was clearly not enough to deracialise and democratise South Africa politically. "If we are genuinely interested in ending the old social order and in bringing in a new one characterised by the notions of justice and equity, it is quite obvious that the economic power relations, represented by the reality of excessive concentration of power in a few white hands, have to change"

Mr Mandela then invited the business leaders to discuss with the ANC "nationalisation of assets that might at the moment be privately owned" The ANC, he insisted, had "no blueprint" ... omy ...

He ... stating ... firmly ... has ... force ... which ...

The ... recent ... bate ... ment ...

The ... ing ... word ... vocate ... not be ...

It ... for " ... and " ... rect ... thr ...

The ... mit ... ANC ... tions ... mixed ... mark ... "perp...

est bedfellows

St 20/10/90 (210)

big business pay a joint dividend?

Mr Mandela and Mr Relly after their meeting in Soweto earlier this year. The ANC now needs money ... is no guarantee that the movement has abandoned its commitment to nationalisation and redistribution of wealth.

For the business barons in command of much of the economy, ownership without control cannot be an attractive notion. By talking to the ANC and by replenishing its coffers, their plan may be to ensure that the 'moderates' in the ANC triumph over the communists.

90 percent of the shares listed on the Johannesburg Stock Exchange," he pointedly noted. He reckoned that the number of directors controlling these companies was less than 1 000, almost all of them white males

It was clearly not enough to deracialise and democratise South Africa politically "If we are genuinely interested in ending the old social order and in bringing in a new one characterised by the notions of justice and equity, it is quite obvious that the economic power relations, represented by the reality of excessive concentration of power in a few white hands, have to change"

Mr Mandela then invited the business leaders to discuss with the ANC "nationalisation of assets that might at the moment be privately owned". The ANC, he insisted, had "no blueprint" as to what sectors of the economy should be nationalised

He minced no words, however, in stating the ANC's premises "We are firmly opposed to the process of privatisation on which the Government has embarked (It) cannot but reinforce the economic power relations which we assert have to be changed"

The next major shift came with the recent release for publication and debate of the ANC's "discussion document on economic policy"

The document has one distinguishing feature it does not mention the word "nationalisation", much less advocate it Avoidance of the word cannot be accidental

It speaks, instead, about the need for "growth through redistribution" and "economic restructuring" to correct "racial and gender imbalances through affirmative action"

There is a partial or qualified commitment to a market economy the ANC recognises that "market relations are an essential component of a mixed economy" but it believes that market forces alone will merely "perpetuate the existing disparities of income and wealth"

It proposes State direction of the public or State-controlled sectors of the economy in terms of a "national development plan"

Where the public sector was used by the National Party to promote "sectional interests' — presumably those of whites in general and Afrikaners in particular — an ANC Government will deploy it to meet the basic needs of the whole community

The document refers specifically to housing, transport electricity, roads and water It offers the assurance that "commandist planning methods" will not be used

(Commandist is a new word used to condemn the dictatorial methods used by communist regimes during the high tide of Stalinism)

The apparent softening of the ANC's stance on nationalisation setthe scene for its approach to big business for financial assistance for fulfilment of its huge tasks

These include repatriation and settlement of 20 000 or more exiles They do not exclude winning the first post-apartheid election

The rapprochement of the ANC and big business may raise, in the minds of the far-right, the spectre of an ANC-AAC alliance, AAC standing for the Anglo-American Corporation as a symbol of big business

Against that, however, there is a another question has the ANC really abandoned its quest to nationalise the mines, banks and "monopoly industries" or has it merely chosen to move more cautiously or, as its foes would have it, more stealthily?

At the moment it is a supplicant desperately in need of funds but there is no guarantee that it will remain as reasonable if it wins power

Its long-standing partner in the pursuit of power, the South African Communist Party, remains committed to socialism But, according to its general secretary, Joe Slovo, its commitment is a socialism liberated from "commandist Stalinism", a socialism wedded to democracy

"Nationalisation," says Mr Slovo, "is not a catch-all solution for the problem of social ownership"

He adds "The purely legal transfer of ownership to the State does not mean we can assure the redistribution of wealth

"There has been a high degree of nationalisation within capitalism (without a redistribution of wealth)"

Calling for a more refined understanding of nationalisation, Mr Slovo says "What isn't negotiable is that the new power which takes over must be able to achieve effective control over the direction of the economy for the purpose of beginning to redistribute wealth"

For him the critical issue in correcting the economic inequities of the present order is not ownership, but control

ANC foreign affairs director Thabo Mbeki agrees "Any democratic government will have to alter the structures in the economy to create a system which can redress the (gross) imbalances The issue is who controls the wealth in order to effect a more equitable system of redistribution"

For the business barons in command of much of the economy, ownership without control cannot be an attractive notion By talking to the ANC and by replenishing its coffers, their plan may be to ensure that the "moderates" in the ANC triumph over the communists

The recession is hitting home

Star 10/10/90 210

Inside Out

ANN CROTTY

MYLES is becoming decidedly edgy. He reckons that somehow the recession didn't seem quite so serious when it involved the dismissal of thousands of miners. But it's an entirely different thing when colleagues at Diagonal Street start getting the chop.

And it's not limited to the Diagonal St brokers — Standard Merchant Bank has stripped its gilt department down to the bone. If an institution that size can't or doesn't want to carry overheads during tough times, what hope is there for broking firms?

Myles hears that the figure of 100-150 retrenchments expected following the merger between Frankel, Kruger, Vinderine and Max, Pollack, Freemantle is a bit on the extreme side. But things are grim.

The other week Kaplan Stuart retrenched almost 30 people, Balderson's have retrenched and Myles has heard disquietening talk about more casualties being on the cards if things don't pick up within the next two or three months.

Not even in the best of times do things pick up in November, December and January.

On a brighter note it seems that prospects for Spareco employees are much improved following the acquisition by the Vaaltrucar consortium of the businesses of Spareco. The banks, creditors and shareholders are probably not too happy with the outcome of the liquidation proceedings.

Other bidders in the Spareco auction included Midas which stopped at R15,25 million. Myles thought it was fairly brave of Midas to be thinking of spending this sort of money given that on the same day it reported a 78 percent drop in earnings.

Of course if Midas had managed to pick up Spareco it would have created a formidable operation that would be very well placed if and when the economy picks up.

And of course FSI was there. But Myles reports that the FSI guys weren't that keen and dropped out of the bidding at a fairly early stage.

Eddies' share price is moving ahead on expectations that the Vaaltrucar consortium will make another bid. Myles hears that the consortium is quite keen to take Eddies into the deal.

By the end of the week Gant's had slipped down to 54c — a new low for the share. At this level it seems to be in line with the price that one or two parties were putting on the group's nav per share.

No news about the Choice deal. No news about the Furntech deal And no news about the Fedfood deal.

Myles was unable to establish the identity of the investor that sold around 1,5 million Rusfurn shares. But given the volume involved it can only be one of 6 or 7 institutional shareholders —with the shares moving into another institutions' hands. Myles hears the seller was under some cash flow pressure.

The non-event of the week was the briefly rumoured merger between Da Gama and Romatex. Myles says he heard something about it from a fairly reliable source. At the time he couldn't imagine SAB and Barlows getting together — remember when they tried it back in the 1970s? Anyway it seems that the only thing behind the trade in the two shares was some institution thinking they were attractively priced.

Genbel trades at discount to net asset value

BDay 22/10/90 (219)

GENBEL Investments, which manages a portfolio of primarily mining and resource investments, is trading at a 26% discount to its net asset value.

Genbel chairman Tom de Beer said net asset value had declined by 18,3% since June 30 this year At the year-end, it was 785c a share and the share price 650c.

De Beer said although the outlook for the world economy had deteriorated, he was optimistic Genbel would show earnings growth in 1991 The company now has a healthy cash balance and significant borrowing facilities. — Sapa

Miner claims R2-m after methane gas explosion

Star 23/10/90 (210)

A miner who was severely disfigured after an underground methane gas explosion has set a precedent by claiming nearly R2 million damages in the Pretoria Supreme Court

In terms of a draft order — made an order of court yesterday — Secunda Collieries and seven other respondents were ordered to remunerate Mr van Rooyen

Mr "Ben" Barend Johannes Nicolaas van Rooyen (39) of Pietersburg claimed R1 895 994 from Secunda Collieries for third degree burns he sustained during an explosion at the Middelbult Coal Mine in 1986.

The action in respect of the total amount to be paid was postponed indefinitely.

Mining house pays Wesselton bill

Star 24/10/90

210

Therese Anders
Highveld Bureau

Genmin's Ermelo Mines has come to the rescue of beleaguered Wesselton township where residents are facing health hazaards after being without water for nine days.

The mining house, which has a large number of employees living in Wesselton, was due to hand R130 000 today to the Conservative Party-controlled Ermelo Town Council which cut water supplies.

Last Friday, electricity was restored to Mhluzi township after Middelburg Steel and Alloys gave R370 000 to Middelburg's CP-controlled council.

Ermelo's town clerk, Pieter van Oudtshoorn, said Wesselton's water would be reconnected as soon as Genmin's cheque arrived

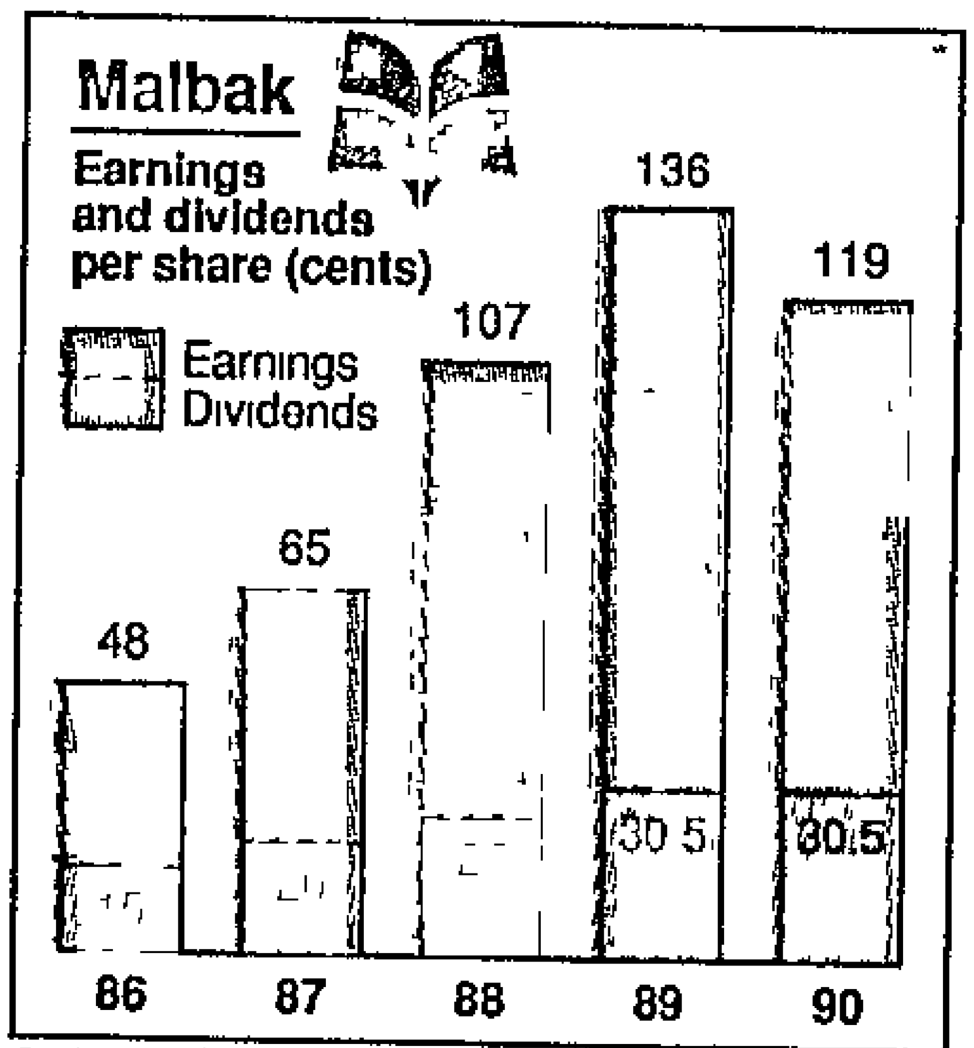
A Genmin spokesman said the Basil Read construction company and other concerned bussinesmen had launched a fund-raising campaign aimed at assisting Wesselton residents

Malbak earnings drop 13%

6 \Day 25\10\90

BRENT MELVILLE

MALBAK'S results for a difficult year to end-August could be a harbinger of things to come from SA's diversified industrial groups which have yet to report their financial results



Graphic FIONA KRISCH Source MALBAK

The R8bn-a-year industrial holding group of Gencor reported a 13% drop in earnings to 118,6c (136,1c) a share today, though the dividend was maintained at 30,5c — reducing cover to 3,9 (4,5) times

Explaining the performance, executive chairman Grant Thomas said that in view of the fact that the economic downturn started accelerating last September, Malbak's financial year had comprised 12 difficult months.

"Considering the extremely difficult conditions, it was encouraging that the group's five major divisions (which account for 97% of group pre-tax income) have had held up well, with some companies producing extremely good results," said Thomas

He felt quite sure Malbak's performance would hold up well against other similar-

☐ To Page 2

Malbak

6 \Day 25\10\90 210

☐ From Page 1

sized groups for the year.

Divisionally, the branded consumer products division, consisting of listed Tedelex and Ellerine Holdings, as well as unlisted Malcomess, Quality Tyres and MMH, was the largest contributor (25%) to group bottom-line profits of R233m (R251m).

Packaging and paper, represented by recently structured Holdains, contributed 24% (22%) to profits.

Engineering and mining supplies, grouped under Standard Engineering and Haggie, donated 22% (23%) to profits as assessed losses contributed to a higher tax rate. A higher tax rate also applied to Darling & Hodgson, whose contribution dipped marginally to 16% (17%)

Thomas said he expected earnings within the food division listed under Kanhym (11% to bottom line) to turn in an unchanged performance next financial year

While the international division was hit hard by the R13m loss from Abercom (holding group of London based MY Holdings), earnings were bolstered by good performances from Protea International and Eagle Freight Bottom line profits fell from R13m to R6m.

Group borrowings increased 10% to R827m (R755m), though gearing dipped to 45,8% (48,4%) as a result of tight working capital control.

At yesterday's share price of 525c, the group is trading on a price-earnings ratio of 4,4 and a dividend yield of 5,8%, compared to Barlow's historical price-earnings ratio of 6,0 times

BUSINESS MAIL

W/Mail 26/10-1/11/90.

SA industries sloppy in use of 'cheap' electricity

210

By REG RUMNEY

BY comparison with other countries, South African industry and mining is sloppy in its use of energy.

In the light of this, the question must be asked whether South Africa can keep its energy artificially cheap to give it an edge in exporting.

At a Press conference last Friday Minister for Administration and Economic Co-Ordination Wim de Villiers reiterated the plan first set out by State President De Klerk to boost exports.

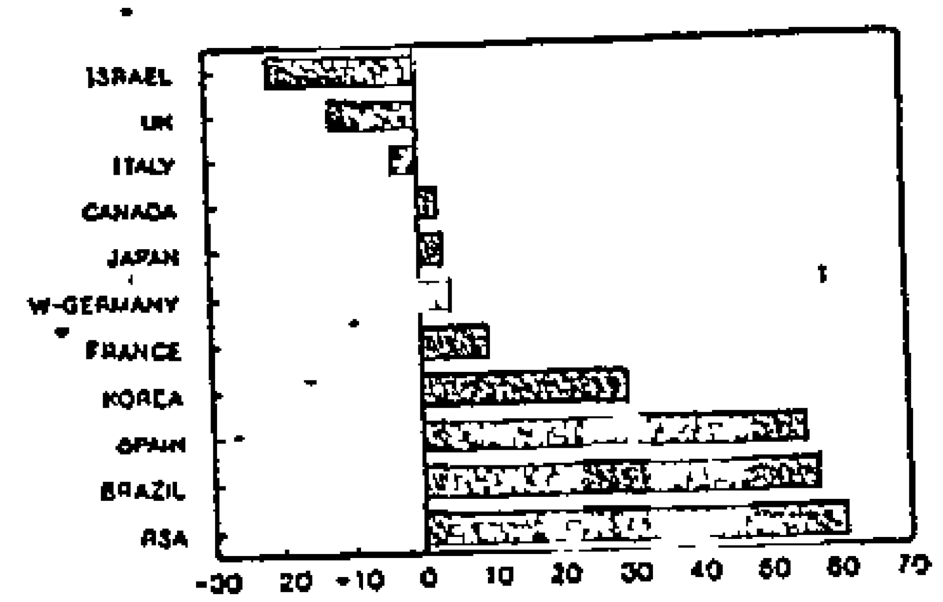
This involved cheap energy from Eskom and transport costs (through Transnet) to help South African exporters keep their costs down.

About 75 percent of the electricity produced by Eskom is used by mining, industry and commerce.

According to National Utility Services (NUS), an international electricity survey company, South African energy prices were among the lowest of 14 industrialised countries recently surveyed. The survey was done before the most recent price increase.

Industrialists and the mines may be able to avail themselves of cheaper energy and transport. But their actual use of energy leaves much to be desired.

CHANGES IN ENERGY CONSUMPTION PER UNIT OF REAL OUTPUT: 1965 TO 1988 RELATIVE TO THAT OF THE USA



Source: World Development Report

Economist Johan Louw points out in the latest *Sanlam Economic Review* South African industry and mining uses more energy to make products than most countries in the First World and some in the Third. South Africa uses 80 percent more energy to produce a unit of output than the United States.

Hence there is scarcely room for complacency on the energy front. Cheaper energy prices won't encourage industrialists to be more energy efficient.

Mining used 3,5 times more electricity and industry almost 3 times as much in 1989 as in 1966 to produce a unit of real output. "It seems he economy has become more energy intensive in the past 25 years. This is related to an increase in the capital intensity of these sectors (owing to, among other things, mechanisation and developments in the exploitation of ore reserves) and the establishment of energy-intensive industries."

Do industrialists need to be energy efficient, if coal is so cheap and abundant in South Africa?

Louw estimated South Africa is dependent on oil for only 20 percent of its total energy requirements, and relies on coal for about 85 percent of its electricity requirements.

Despite this, the oil price shock may have a spin-off for coal exports.

This is because of the likely effect on the price of coal of a prolonged high oil price.

Louw argues there is a relatively close relationship between the prices of coal and of oil.

The price of oil has risen much faster than that of coal over the past 20 years. However, if oil prices go up coal prices must follow. Does this mean there is a hidden cost in "cheap" coal-fired energy? While South African coal reserves are abundant they are not inexhaustable.

To look at it another way, NUS South African MD George Rahr points out energy users could be said to buy units of energy like gigajoules rather than coal, gas, or oil. If so, the continuing price rise of oil and gas must be followed by coal, which is also a fossil fuel.

However, there is no direct relationship between world coal prices and the price Eskom pays for its coal.

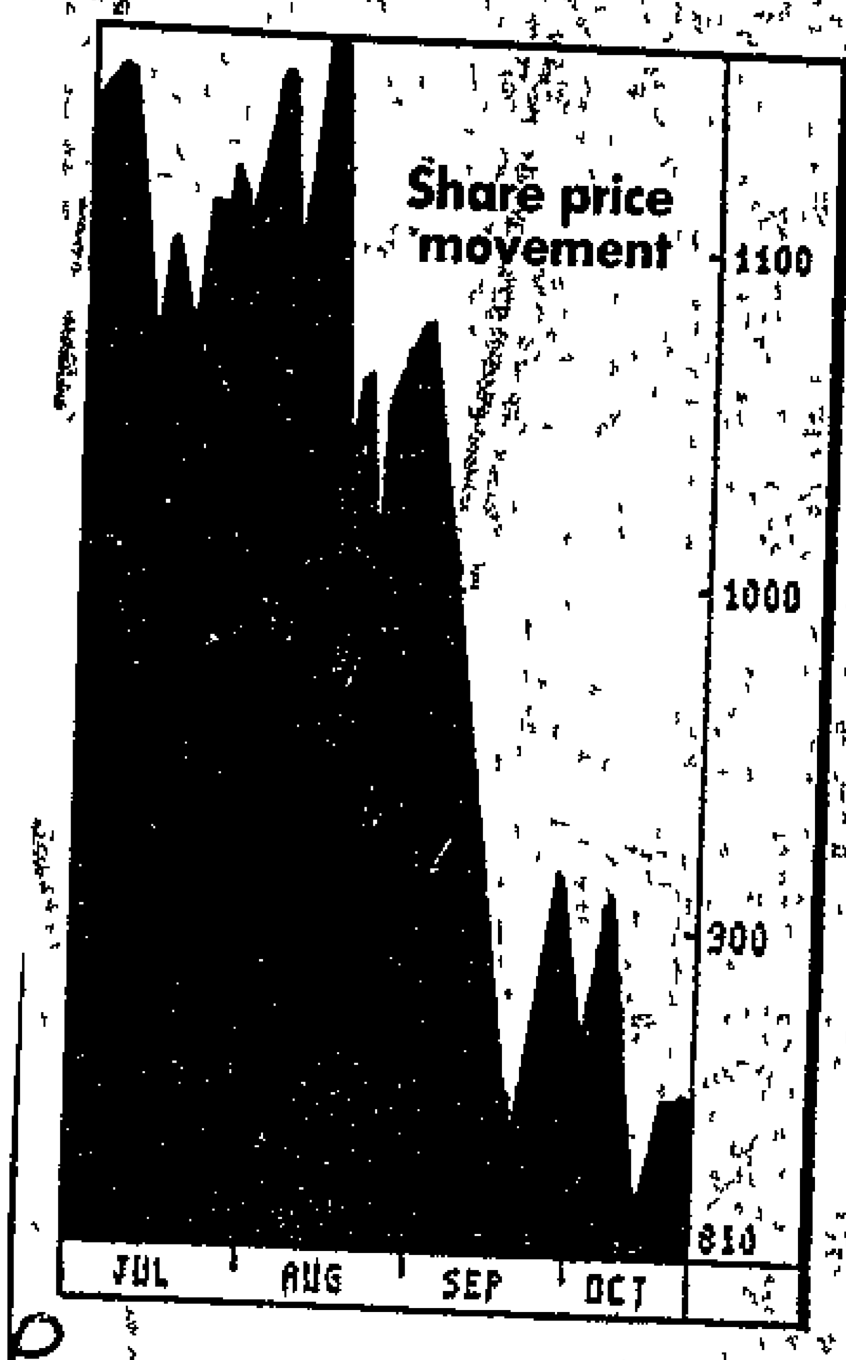
Much of the coal used by Eskom comes from "tied" mines, and more importantly most of it is of such low quality it could not be exported or used in any other way.

But a hidden cost is the pollution caused by the coal-fired power stations. This and the depletion of natural resources should be weighed against keeping electricity cheap.

Again, on the other side of the scale is the need to keep electricity affordable for domestic use. Many households do not yet have electricity, and there are signs township residents have difficulty paying for electricity even at present prices.

Keys still has the magic touch with Gencor

Star 30/10/90 (210)



By Derek Tommey

Profit figures issued today by mining house Gencor show why this company is a major favourite with institutional investors

Although Gencor was hit by the downturn in international commodity prices and the softer domestic economy, the figures show that chairman Derek Keys still retains his magic touch for producing handsome profit increases

Gencor reports a R396 million increase (38 percent) in attributable earnings in the year ended August — from R1 050 million to R1 447 million

Earnings a share, in spite of the 20 percent increase in the number of shares issued following last year's huge rights issue, also showed real growth — by 17 percent from 105,5c to 123c.

The final dividend of 26c a share brought the total dividend payment for the year to 40c — an increase of 18 percent on last year's 34c.

Mr Keys is optimistic about the prospects both for South Africa and for Gencor

Potential

He says that on February 22 "South Africa entered an era of great potential for good if only we know how to realise it. This is as true for Gencor as it is for the country itself"

He warns that the risk and uncertainty levels will be higher in the short-term, but he is confident that South Africa should be able to handle this

And while Gencor's operating income is likely to fall in the year-ending August, 1991, he expects Gencor comfortably to maintain its dividend at its increased level.

Engen, the group's energy company created by merging Trek with Mobil, proved a most valuable asset, by making a major contribution to Gencor's increased earnings

Engen contributed R203 million to Gencor's attributable income — a swing around of R232 million from last year's loss of R29 million With a market capitalisation of R3 billion it is now Gencor's largest investment

Minerals

Mr Keys says Engen's profits should rise further this year.

"Genbel and investments" was another major area of earnings growth, with this division contributing R414 million or 29 percent of earnings This was more than double the R191 million contributed last year. It partly reflects investment income from the proceeds of the rights issue.

Coal producer Trans-Natal also made a valuable contribution to the profit increase with an attributable income of R73 million (R36 million) Income from the minerals dividend jumped from R77 million to R119 million, but lower earnings are expected from this sector this year.

Contribution

The gold mining division, Gengold, managed to increase its contribution from R154 million to R157 million in spite of the lower gold price. The platinum producer, Implats, maintained its contribution at R91 million. However, the contribution from the managanese producer, Samancor, dropped from R321 million to R251 million.

The contribution of paper and pulp producer, Sappi, dropped from R276 million to R240 million, while that from Gencor's industrial arm, Malbak, declined from R145 million to R116 million.

Exploration expenditure was well maintained at R97 million (R95 million) but a sign of the times, corporate expenditure fell from R57 million to R39 million.

In the short to medium term, Gencor can expect new earnings from its two new mines, Weltevreden and Oryx, and also from the expansion of production at gold mine Winkelhaak

Exploration

Mr Keys says that Gencor is planning to increase its international exploration work This could be linked with Engen's plans to look further afield for oil

At August 31, Gencor had no net debt and gross assets of more than R16 billion, equal to a net asset value of 1 375c a share, compared with 1 211c last year

With this financial muscle the group is "in shape to tackle the best of the opportunities that are likely to present themselves in the new South Africa," says Mr Keys

Gencor shrugs off weaker economy

(210)

B Day 30/10/90

BRENT MELVILLE

IN A year devoted to consolidation, Gencor managed to shrug off a weakening domestic economy and softening international commodity prices to record a hefty 38% rise in attributable earnings to R1,45bn (R1,05bn).

Incorporating the 20% increase in share capital resulting from last year's rights issue, however, Gencor produced earnings up a more sedate 17% at 123c (105,5c) a share. A total dividend of 40c (34c) a share was declared.

Gencor is said to be the world's second largest mining house after Anglo American on gross assets of R16,3bn (R14,4bn).

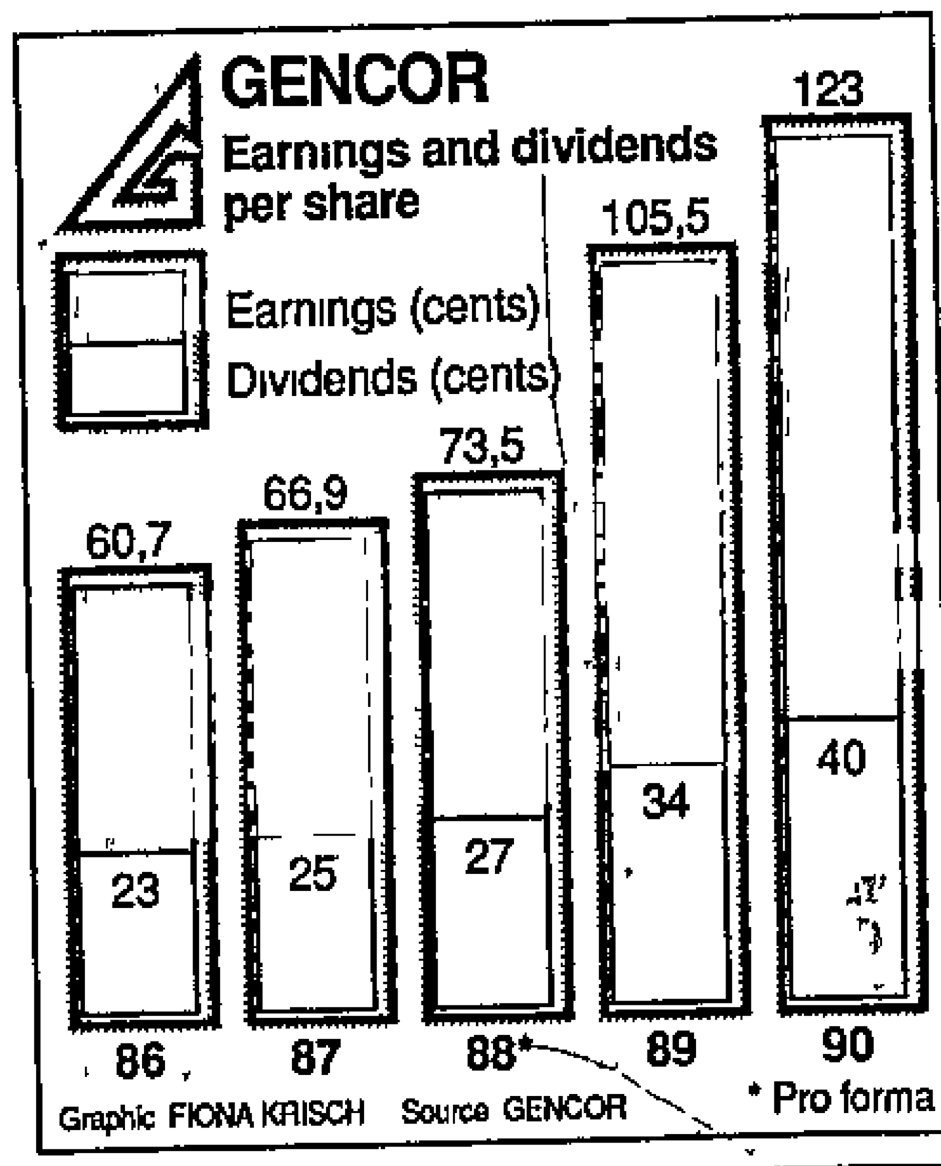
The performance comes on the back of a warning by Gencor executive chairman Derek Keys that operating profits are likely to fall next year. Keys said subsidiary Genmin was likely to be one of the hardest hit as Samancor, Gengold, Implats and Trans-Natal were likely to post earnings at levels about 10%-15% lower.

In addition, he said the Genmin contribution, reduced to 41% (54%) of attributable earnings for the period, would be further diluted by a higher level of international exploration spending, as it began to look further afield, and by lower earnings from its mineral sands investments.

Although Samancor remained the major contributor to Genmin for the year, its portion fell to R251m (R321m), or 17% (31%) of the Genmin bottom line. Gengold was next on the list of contributors at R157m (R154m), and the recently formed minerals division put in R119m (R77m), upping its contribution slightly to 8% (7%).

Implats, which joined forces with Lon-

☐ To Page 2



Gencor

B Day 30/10/90

(210) ☐ From Page 1

rho's platinum mines this year by selling Lonrho its contiguous Karee developing mine in exchange for a 27% interest in Lonrho's enlarged operations, left its contribution at R91m.

Gencor's industrial activities took a pounding, however, as pulp and paper group Sappi's contribution to group attributable profit fell to 16% (26%) on deteriorating domestic and international markets.

Keys said it was unlikely Sappi, which chipped in R240m (R276m) to attributable profits, would show growth next year, although five paper mills bought in the UK were seen as important building blocks for the future.

Malbak also reduced its contribution to R116m (R145m) as a result of the higher tax charge on the exhaustion of assessed losses and a reduced Gencor holding in the diversified industrial group.

Recently listed energy giant Engen, market capitalised at more than R3bn, contributed a maiden R203m, or 14%, to bottom-line earnings, and Genbel and investments added a full 29%, or R414m (R191m).

Gencor slipped 10c yesterday to 890c, a 35% discount on the group's estimated net asset value of 1 375c.

Anglo funds technology from Israel

RIAAN SMIT

ANGLO American Corporation has established a venture capital fund to invest in Israeli technology with a view to making it available in SA. (210)

The fund, AATKS Ventures Limited, will also give Anglo a back door into European markets when trade barriers are scrapped in 1992 or soon afterwards

Potential areas of technological development are medicine, biotechnology, and computer science.

"AATKS will fund technology-based companies in Israel and support them in penetrating markets in Europe," an Anglo statement said yesterday.

The value of the investment had not been decided, but management of AATKS would be based in Israel, an Anglo spokesman said yesterday

Anglo chairman Julian Ogilvie Thompson said SA's limited technology base was well known. BDay 31/10/90

"If we are to make significant strides in the industrial sphere, then we have to have access to foreign technology markets. AATKS affords us that opportunity.

"Anglo American has established a record of developing new industrial business from the grassroots level, and this remains a very important part of our plans for future growth.

"For this reason we need to keep abreast of the latest technological advances. The size of our group enables us to invest in what is a high risk venture," Ogilvie Thompson said

The new investment will be monitored by Anglo's recently established technology and industrial development unit, the specific aim of which is to identify new business in the field of manufacturing

A director of the AATKS management company, Gideon Tolkowsky, said investment in Israeli-related enterprises by international industrial groups could be extremely beneficial to the industrial investor, who could expect access to new technology as well as financial return.

It would also be beneficial to technology-based Israeli companies, which often had few financing alternatives.

Anglo funds technology from Israel

RIAAN SMIT

ANGLO American Corporation has established a venture capital fund to invest in Israeli technology with a view to making it available in SA.

(210)

The fund, AATKS Ventures Limited, will also give Anglo a back door into European markets when trade barriers are scrapped in 1992 or soon afterwards

Potential areas of technological development are medicine, biotechnology and computer science.

"AATKS will fund technology-based companies in Israel and support them in penetrating markets in Europe," an Anglo statement said yesterday

The value of the investment had not been decided, but management of AATKS would be based in Israel, an Anglo spokesman said yesterday.

Anglo chairman Julian Ogilvie Thompson said SA's limited technology base was well known. BDay 31/10/90

"If we are to make significant strides in the industrial sphere, then we have to have access to foreign technology markets. AATKS affords us that opportunity.

"Anglo American has established a record of developing new industrial business from the grassroots level, and this remains a very important part of our plans for future growth.

"For this reason we need to keep abreast of the latest technological advances. The size of our group enables us to invest in what is a high risk venture," Ogilvie Thompson said.

The new investment will be monitored by Anglo's recently established technology and industrial development unit, the specific aim of which is to identify new business in the field of manufacturing.

A director of the AATKS management company, Gideon Tolkowsky, said investment in Israeli-related enterprises by international industrial groups could be extremely beneficial to the industrial investor, who could expect access to new technology as well as financial return.

It would also be beneficial to technology-based Israeli companies, which often had few financing alternatives

BD 31/10/90 (210)

Anglo starts Israeli venture

Anglo American and associates have formed a company to exploit Israeli technology.

The venture capital fund, known as AATKS Ventures, is aimed at the indentification and commercial development of Israeli technology.

The purpose of Anglo's first investment in Israel is to provide a vehicle for transfer of technology to SA.

Anglo chairman Julian Ogilvie Thompson says: "That this country has a limited base of technology is well known. If we are to make significant strides in the industrial sphere, then we have to have acess to foreign technology markets. AATKS affords us that opportunity."

The investment will be monitored by Anglo's recently established technology and industrial development unit.

AATKS will fund technology-based companies in Israel and support them in penetrating markets in Europe.—Sapa

Move would 'boost shareholder wealth' (210)

Gencor looks at proposal to split up group

B/Day 1/11/90

ROBERT GENTLE

PORT ELIZABETH — Gencor, SA's second biggest mining house after Anglo American, is "seriously studying" breaking itself up into its constituent companies so as to more fully realise the value of its assets.

Gencor senior executive Dawie de Jongh said at a conference yesterday that chairman Derek Keys had authorised him to announce that the group was studying the pros and cons of "unbundling".

The investment conference at the University of Port Elizabeth was attended by senior members of the ANC, the DP, the Reserve Bank, the JSE and the Free Market Foundation.

De Jongh said: "Gencor is at present seriously studying the option of breaking up the conglomerate into its constituent companies

"The real purpose would be to capture the conglomerate's discount and realise the full value of the underlying assets."

Earlier in the speech, De Jongh said that, historically, conglomerates normally traded at a discount to net asset value. The discount for Gencor the previous day had been 35%.

"The reason for this discount is very simply a belief by the investing community that the underlying assets of the conglomerates are more valuable when held directly than through the conglomerate itself."

The major advantages to dismembering conglomerates, De Jongh explained, was that it got rid of the corporate discount, captured the full value of the underlying assets and resulted in a more efficient allocation of capital.

However, there were also distinct disadvantages in that smaller companies could not benefit from such conglomerate-type benefits as economies of scale, spreading of risk and superior management efficiency and expertise.

After his speech, De Jongh told our Port Elizabeth correspondent: "It's a very important decision to make (to break up). The second biggest mining house could disappear from the scene."

Asked why the announcement was made at such a venue, De Jongh said: "It is part of the economic debate — the debate and arguments of nationalisation, the break-up of conglomerates and of free markets, and with the ANC saying it wants nationalisation and the break-up of conglomerates."

RIAAN SMIT reports that Keys yesterday told analysts during a briefing on Gencor results that "the only reason for unbundling would be to increase shareholder wealth".

It was "perfectly possible" for Gencor to unbundle because its five divisions — Genmin (mining), Sappi (forestry products), Malbak (industry), Engen (energy), and Genbel (investments) — were operating as separate businesses, he said.

Calculations showed a probable gain in shareholder wealth of about 10% if unbundling occurred.

But he then said: "My question is: Is it really worth it? Who would carry out a transaction like Mobil, if the group was unbundled?"

Gencor bought Mobil in SA for R400m

☐ To Page 2

Gencor

BDay 1/11/90 (210)

☐ From Page 1

when that company's US parent disinvested last year.

In his speech, De Jongh alluded to ANC concern about the concentration of economic power in SA, and said there was no evidence to suggest one way or the other that conglomerates were intrinsically good or bad. There were advantages and disadvantages.

He concluded: "If conglomerates are to be broken up into smaller units, it has to be done on a case-by-case approach. A broad-based policy directive to break up conglomerates cannot be advocated."

It will not be lost on financial observers that the unbundling argument Gencor is putting forward is identical to that which prompted the Hoylake consortium in the UK to launch the £13bn mega-bid for the tobacco, industrial and financial services giant BAT Industries.

The rationale for that bid — which eventually failed — was that an unbundled BAT would more fully capture the value of the conglomerate's assets.

Similar reasoning led to the wide discount to net asset value of the tobacco and luxury products group Rothmans.

It eventually led to a bid from Rupert family-controlled Richemont, who now is the major shareholder.

● See Page 4

Sex, race to go from mining law

Cape Times 1/11/90

Political Staff

SEX and race discrimination are being removed from mining.

For the first time women will be allowed to work underground and people of colour will be able to acquire prospecting and mining rights.

In terms of the Mines and Works Amendment Bill which has been published in Cape Town, women will be able to go down the mine as long as they do not do "manual work".

They will have to hold management positions or be employed in health or welfare services. Women will also be allowed underground if it is required for their studies.

A memorandum with the Bill says it aims "to delete certain obsolete restrictive measures in the Mining Rights Act which discriminate on the grounds of race

Duto'it ->) Verm y fthaid.

Gencor probe gets Sanlam's backing

BDay . 2/11/90

(210)

KEVIN DAVIE and ROBERT GENTLE

GENCOR's parent Sanlam has backed the mining house's investigation into the possibility of breaking itself up into constituent companies to better realise asset value.

Gencor chairman Derek Keys said yesterday the probe had been going on since April and special task groups had been appointed to look into the issue.

He expected a full report on the study before the year-end.

"We have to look after our shareholders. There is nothing in this which should cause the politicians ill-ease," he said.

Keys told Business Day the matter was still at the investigative stage. But a "primary" unbundling was possible, making Gencor's five subsidiaries — Sappi (paper and forestry), Engen (energy), Genmin (mining), Genbel (investments) and Malbak (industrial) — completely autonomous.

Sankorp chairman Marinus Daling said yesterday he supported the investigation in principle, adding that if the idea could add wealth it should be seriously considered.

He contrasted the Gencor approach to that of other companies — he would not name names — which were "digging in" in defence of conglomerates.

While the news was greeted with scepticism by the market yesterday, an ANC spokesman said he regarded the move as a serious and interesting response to the ideas being presented by the liberation and trade union movements.

But Keys stressed that the decision was taken for business reasons and had not been influenced by politics.

Should Gencor go ahead and unbundle, the subsidiaries would become "free-standing companies with their own shareholders who will elect their boards. They will be big businesses".

At a later stage there could be secondary unbundling should the five decide to break themselves up.

Keys said Gencor's calculation was that the breakup could improve shareholders wealth by about 10%. This was because on the JSE the underlying value of the assets of a conglomerate generally had a higher value when directly held.

Keys admitted that some large deals might be missed: "Big possibilities may fall between the cracks."

However, JSE analysts and industry sources canvassed were unanimous in

□ To Page 2

Gencor

BDay 2/11/90

(210)

□ From Page 1

their view that such an unbundling made no financial sense and that consequently there had to be some other reason for it — probably political.

"It won't happen," said an analyst from Simpson McKie "SA will always need conglomerates to provide the capital and expertise for big projects."

Another analyst, referring to concern that the ANC may nationalise or break up conglomerates, said bluntly: "I think Gencor is playing politics, letting the ANC know what it can do."

A leading industry spokesman agreed, saying "I think they're setting up a strawman."

ANC chief economic spokesman Tito Mboweni called the Gencor initiative "very interesting" and said the conglomerate was seriously trying to grasp the nature of the SA debate.

"It would be interesting if Gencor approached us and discussed the issue with us," he said.

● See Page 8

ANGLOVAAL CONSOLIDATED FM 2/11/90 210

INDUSTRY OFFSETS LOW GOLD PRICE

Activities: *Mining and Industrial group.*
Control: *Anglovaal Holdings has 50,3% of the voting ordinary shares equivalent to 14,8% of the ordinary share capital The Hersov and Menell families own 51,4% of Avhold*
Chairman: *B E Hersov, deputy chairman C S Menell*
Capital structure: *17,8m ords, 42,7m "N" ords Market capitalisation. R2 783m*
Share market: *Price 4 600c Yields 2% on dividend, 11,5% on earnings, p e ratio, 8,7, cover, 5,8. 12-month high, 8 000c, low, 3 900c Trading volume last quarter, 168 000 shares*

Year to June 30	**'87**	**'88**	**'89**	**'90**
Investments				
Book value (Rm)	279	338	652	714
Marked value (Rm)	1 389	1 188	1 603	1 686
Performance				
Trading income (Rm)	258	404	475	588
Investment inc (Rm)	64	57	66	48
Earnings (c)	311	340	427	530
Dividends (c)	58,5	65	76	92
Net worth (R)	34	32	42	47

A sharp rise in earnings from Associated Manganese and an increased contribution from Anglovaal Industries boosted performance, despite a decline in the profitability of gold interests. To promote long-term development, the group held an R822m rights issue, entered the financial services field, consolidated its electronic interests and restructured its capital and loan stock.

A fall in the gold price in real terms is reflected in the poor performance of the four gold mines (Loraine, Harties, ET Cons and Village), whose cumulative distributable profits fell 30%. Capex of only R53m (R111m) cushioned the squeeze of a lower rand gold price and steadily increasing working costs, but gold's contribution to group earnings fell from 16% to 5%.

The rise in the contribution of other minerals and increase in equity accounted earnings from R46m to R104m was mostly due to

SOURCING EARNINGS

	1989 Rm	**%**	**1990 Rm**	**%**
Gold mining	28,7	16	12,6	5
Other minerals	26,0	14	73,9	31
Construction/ electronics	11,0	6	17,1	7
Diversified businesses	30,1	16	34,3	15
Dry food/ beverages	23,2	13	24,4	10
Frozen food	23,6	13	24,4	10
Packaging/ rubber	27,4	15	30,6	13
Finance and other	12,6	7	19,0	8
	182,6	100	238,2	100

Anglovaal's Hersov . . *a challenge to maintain EPS*

a significant increase in AssMang's profits. Higher dollar prices for manganese and iron ores and manganese and chrome alloys and a lower average value of the rand/dollar exchange rate allowed for a 133% rise in profits after tax to R160m.

Earnings were also bumped up by a full year's contribution from chrome producer Lavino SA But reduced volumes and prices in the second half limited the benefits.

Prieska's bottom-line earnings fell to R3m (R12m). Problems with implementing a new mining plan for treatment of low-grade surface ore turned a R21,3m operating profit into a R1,1m loss and led to a fall in the production of zinc and copper concentrates

Continuing oversupply and weak prices of antimony and a 41% drop in gold output pushed Cons Murch into the red at operating level. Capex exacerbated this and there was a net loss of 170c a share (75c profit).

UK-based Anglo Pacific Resources went some way towards achieving its goal of becoming a diversified mining group. It acquired industrial mineral company Anglo European Minerals for £10,5m and also Fife Silica Sands and Shetland Talc and has started mining a marble deposit in north-western Scotland.

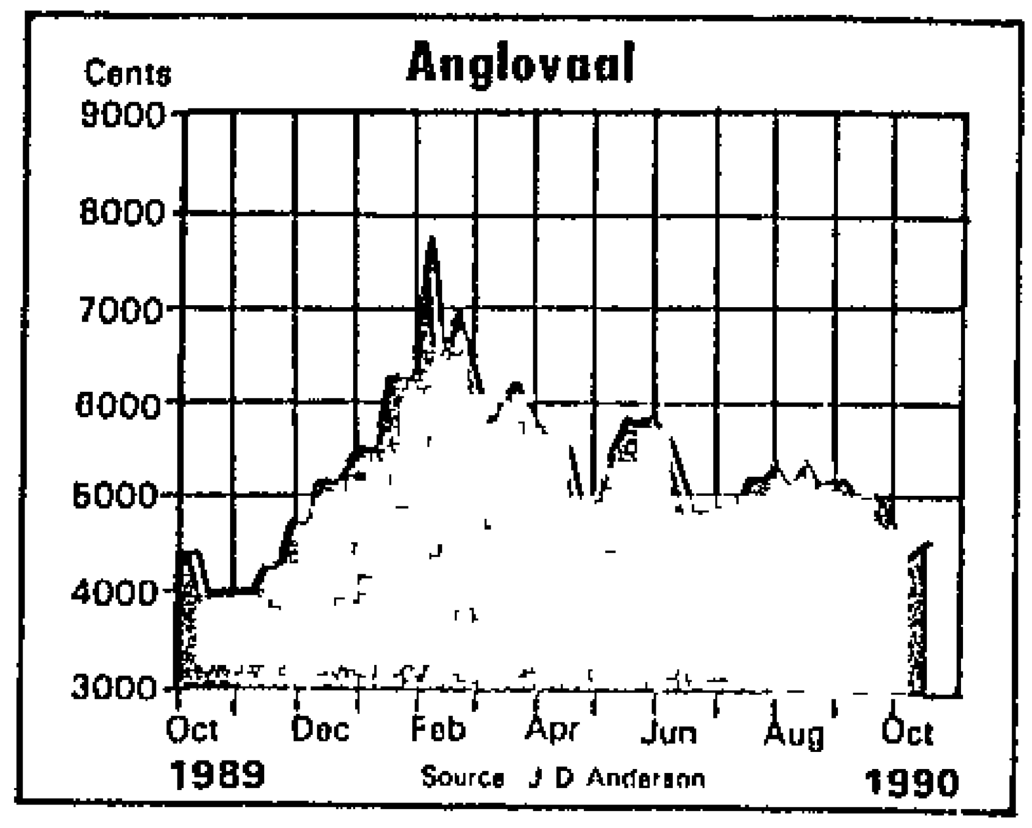
Continuing high spending on exploration and mineral rights also restricted earnings growth Most of the R97m was spent on continuing gold exploration in the northern OFS while exploration for platinum and base minerals took place elsewhere.

AVI's industrial interests increased operating profits 30% to R634,8m despite deteriorating trading conditions but per share earnings rose by a comparatively low 12% following a restructuring (*FM* October 26).

The group established a new R500m assurance arm. In April 1989, a 42% interest in AA Life Assurance was acquired and listed via a reverse takeover in February 1990 In May, agreement was reached for AA Life and Crusader Life to combine their assets, with AV Insurance Holdings becoming the holding company and the two companies as independent operating companies A centralised administration is expected to achieve substantial savings But Clive Menell, the new group's chairman, says life assurance will not escape general economic slowdown

The outlook for MidWits remains tied to trends in metal prices but earnings will be buoyed by interest on the R439m raised in its rights issue The fall in the ferrochrome price will affect AssMang, though prices of some of its other products are rising And the decline in volumes and prices of chrome ore may affect Lavino Prieska's future contribution is expected to be minimal but conditions at Cons Murch could stabilise.

Difficult trading conditions and volatile commodity prices are cited by Basil Hersov as reasons for seeing the "maintenance of earnings per share on the increased share capital" as a challenge, though total earnings should grow The group is budgeting for improved earnings from industrial interests



but this could be tempered by a further deterioration in socio-economic conditions.

Net worth of R47 is fully reflected in the current share price

Avhold — whose only material investment is 50,2% of Anglovaal — reported earnings of 527,6c, a quarter higher than in 1989, and paid a dividend of 91,5c (75,5c) Its net worth is R4,93, slightly higher than a R4,80 market price

Pam Baskind

TRADEGRO/METRO FM 2/11/90

AREAS OF DISCOMFORT

Sankorp's "optimism" has over the past five years repeatedly led many investors to believe that its wholesale and retail arm, Tra-

Gencor's break-up feelers given a long yawn

210

S/Times 4/11/90

DEREK KEYS Unbundling of a giant is not to be sniffed at, but the market isn't impressed Picture. TOM EDLE

By DAVID CARTE

THE stock market's apparent indifference to Gencor's proposal to break itself up means the scheme is unlikely to go ahead.

Gencor chairman Derek Keys says the proposal was aired at a conference this week partly to gauge investors' reactions

He says "There was one long yawn from the market, absolutely no reaction, so the idea is not a brilliant possibility."

The proposal was to distribute shares in Gencor's five main businesses — Genmin, Engen, Malbak, Sappi and Genbel — to shareholders in specie and thus to reduce the 25% discount between the Gencor share price and the value of its underlying holdings.

Shareholders in Gencor Controlling would also have received shares in the five underlying companies and a discount of 35% in the top company would thus also have been eliminated. Mr Keys says the five divisions are centres of excellence run by highly competent managers whose need for a head office is doubtful.

The reason for the existence of conglomerates is questioned abroad, particularly because of the discounts to asset value

"Twenty-five percent of R11-billion is a fair old sum. Of course, even if we did unbundle Gencor, we could not get down to brass bolts. There would still be something of a discount — but even if the net gain was only 10%, we would be looking at R1-billion.

Smart

"Gencor's present structure does give financial strength. We would not look too smart if we had to forgo another Mobil because we did not have the means to go for it. We have made a gain of R2-billion on the Mobil acquisition already."

Mr Keys says a break-up is operationally practical. The mining house's mine servicing functions could all go into Genmin. The only head office functions that would be left would be treasury, foreign exchange and insurance. These could serve all divisions contractually.

Unbundling is also possible in Malbak and Genbel, but he doubts if it would be wise.

SA's No 2 mining house this week announced attributable income up 38% to R1447-million in the year to August Earnings a share rose by 17% to 123c in spite of the recent R1-billion rights issue.

Gencor declared a final dividend of 26c, making 40c for the year, an 18% increase Engen contributed R203-million to the bottom line, Sappi R240-million, Genbel, thanks partly to rights-issue proceeds, R414-million, Malbak R116-million and Genmin R592-million.

At the end of August the stake in Genmin was worth R7,9-billion, Genbel R3,9-billion, Engen R2,5-billion, Sappi R1,5-billion and Malbak R606-million. Net assets were 1 375c a share, but by October 25 were down to 1 242c. The share price this week was 915c There were gross assets of R16-billion and no net debt

Forecast

Mr Keys expects earnings to be down next year, but says transaction profits in Genbel should be large and the dividend should be maintained. Transaction profits arise from the sale of gold shares held for years to fund Genbel's TransAtlantic purchase

Mr Keys says these share sales are unquestionably capital gains and therefore not taxable. Gencor does not need an objective definition of capital gains for peace of mind on this question

The Reserve Bank has

■ To Page Three

Long yawns for Gencor's unbundling idea

S/Times 4/11/90

■ From Page One

stated that defending the rand's internal and external value is priority No 1. Is this policy detrimental to the mining industry, SA's biggest net exporter?

Mr Keys says "The rand's external value is being maintained But progress on maintaining its internal value is slow

"While revenue stagnates or declines, costs continue to rise, putting the mines under enormous pressure. But I'm in favour of containing domestic inflation It would make a huge difference to a project like the new Oryx mine"

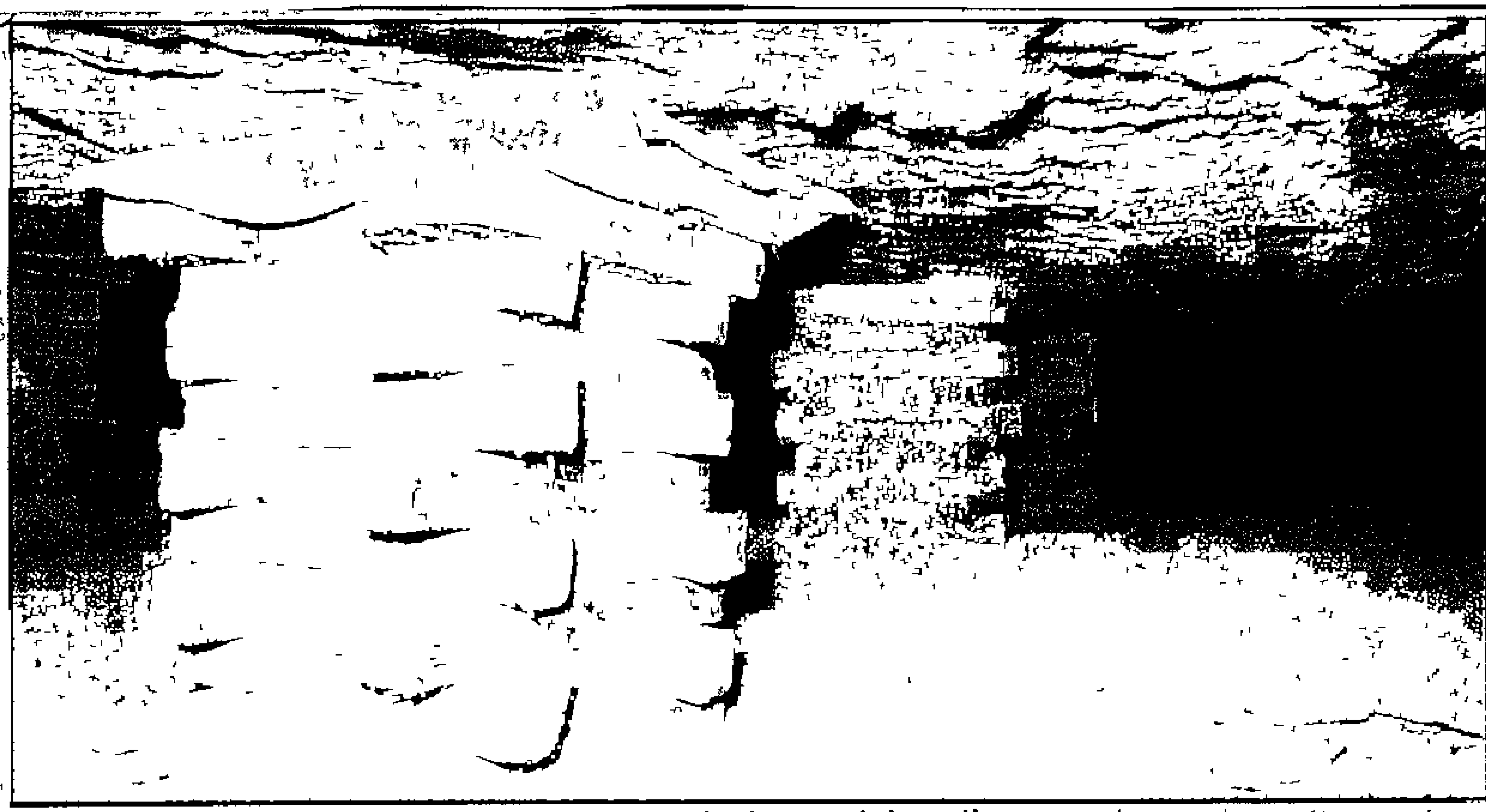
Mr Keys rejects the contention of some authorities that the mining industry's management methods are obsolete, unproductive and too labour intensive.

"That may have been the case once, but it certainly isn't true of Genmin."

l on way

4/11/90

...ations will go to the Government
...e months' time and a decision is
...he first half of next year.
...vill have to be supported by about
...cane, opening the industry to
...nall-scale growers in KaNgwane
...rg
Association chief executive Mike
...ys expansion in Natal and the
...nsvaal will expand SA's 2-mil-
...ut by about 300 000 tons a year.


The award-winning pack in action

Star 5/11/90 (210)

Mine pack wins award

By Derek Tommey

A new mining pack (left) developed by four South African companies has been awarded the prestigious Cullinan Chairman's Design Award.

The pack is expected to lead to substantial cost savings in the mining industry and to increased safety

Called the Packsetter, it comprises a specially designed wooden pack on top of which is placed a pre-stressed bag made by Nampak subsidiary Tufbag.

The bag can withstand pressures of up to 400kPA

When the pack is put into place the bag is filled with a special grout made by Fosroc with a lightweight pump designed by Nicro

The bag takes up the contours of the hanging wall and provides a far wider area of support than the normal pack.

The grout is designed to have the same crumbling rate as the wood in the pack

Colin Sawyer, managing director of HL&H Mining Timber, which was the prime mover in the design project, says the pack has been hailed as a major breakthrough by the mining industry.

It is the first time that a mine support has been able to meet the strict Chamber of Mines requirements for active stope support

The pack could be installed in far less time than the traditional packs. It could be installed close to the stope face The packs were not blasted out so that timber wastage was reduced.

Gold loses ground to manufacturing

B Day 8/11/90

(210)

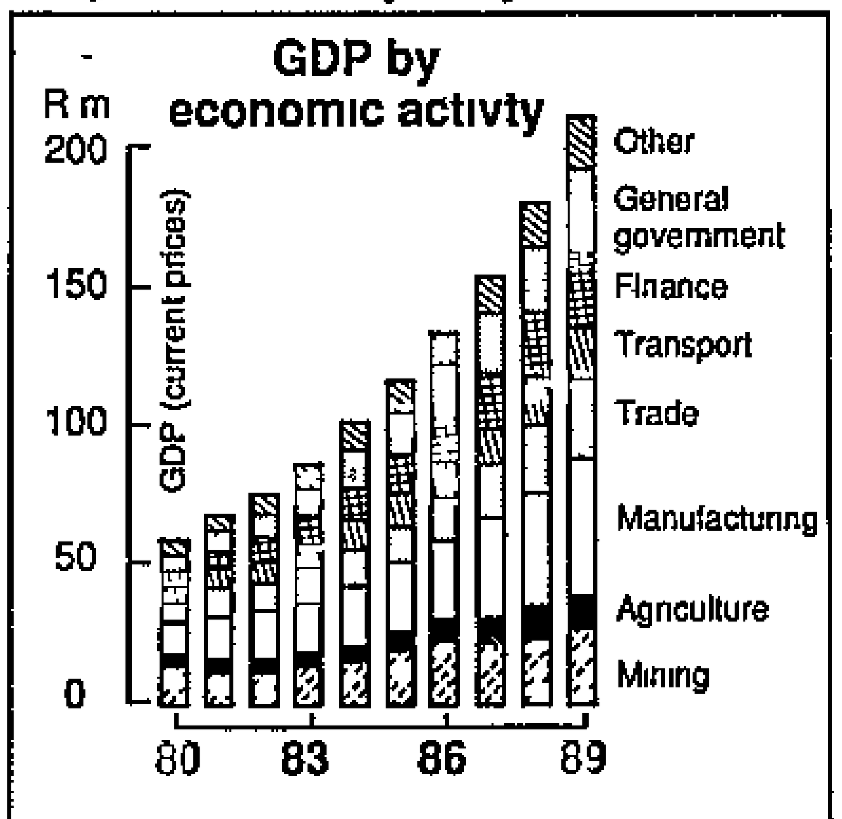
RIAAN SMIT

THE mining industry's contribution to gross domestic product (GDP) has shrunk steadily during the 1980s while the contribution of manufacturing has increased.

A graph in the Minerals Bureau review of 1989 released this week shows that while mining contributed about 20% of SA's R60bn GDP in 1980, last year its contribution was down to 12% of R210bn.

Manufacturing and mining's contributions to GDP were roughly equal in 1980. By 1989, manufacturing was contributing more than twice mining's contribution of R26bn

But the bureau said in its review that in terms of foreign exchange earnings, mineral exports accounted for no less than 51% of total exports.



Graphic LEE EMERTON Source MINERALS BUREAU

This was largely due to gold's dominance, in value, of mineral exports

If the various processed mineral products such as ferro-alloys and steel were included, the mineral industry's contribution to both GDP and foreign exchange would be "significantly" higher, it said

The review also showed a definite trend toward adding value to metals and minerals before export in the 1980s

For example, the export beneficiation ratio for chrome ore to chromium alloys — the percentage of ore being re-worked (beneficiated) into chromium alloys compared with raw ore exports — was 57% in 1982 compared with 87% last year

210

Sowetan 8/11/90

Gencor is confident

AS a result of the State President Mr FW de Klerk's initiatives of reforms after February 2, South Africa had entered an era of great potential for business, the executive chairman of Gencor, Mr Derek Keys, said in Johannesburg this week.

He said the company was optimistic about the prospects for the new South Africa.

A great potential existed if only it was known how to realise it.

"This is true for Gencor as it is for the country itself.

He added that in both cases risk and uncertainty levels would be higher in the short term but, he said confidently, "there is no reason why we should not be able to handle this."

Keys observed that the company was a well-run diversified group, with no debt, looking for fresh opportunities

"As South Africa returns to international acceptability we expect that many will present themselves and we hope to be in shape to tackle the best of them".

Surveying the likely performance of Gencor companies in the year ahead, Keys predicted the company's operating income was likely to fall but transaction profits should be fairly substantial and should certainly be to maintain its dividend at its increased level

(210) GENCOR AND UNBUNDLING FM 9/11/90

IDEA WHOSE TIME MAY COME

Not without reason, Gencor chairman Derek Keys has gained a reputation for creative thinking. The debate he has sparked off about the need to "unbundle" shareholdings of listed companies must be pursued, even if Gencor ultimately does not go ahead with the plan it is considering.

Two distinct but related issues have been raised. One is the possibility of creating value for shareholders. This could be achieved in a single step by eliminating mining, financial and other conglomerates, whose shares generally trade at a discount to underlying net asset value.

The other issue, expounded by Martin & Co director Richard Stuart at the *FM* Investment Conference, is the need to improve the tradeability of listed shares. To say the least, it is stretching a point to describe the JSE as an efficient and liquid capital market when 40% of market capitalisation represents double counting. Large proportions of the shares of many industrial and mining companies never trade, as they are locked away in the control structures of holding companies and ubiquitous pyramids.

As far as Gencor is concerned, Keys is suggesting shareholders in the mining house simply be given shares in the major underlying companies in proportion to their existing Gencor holdings. Should the process be worked through to its logical conclusion, Gencor would cease to exist, its functions assumed by the five major subsidiaries.

From a commercial and financial standpoint, this may well be practical. After recent restructuring, most of Gencor's interests are held by five companies: Genmin, Sappi, Engen, Malbak and Genbel. It would not be difficult to slot the few outstanding investments into these Sanlam's concurrence would presumably depend on its being satisfied that effective control can be maintained, which up to now has been a tenet of the assurer's attitude to "strategic" investments.

Apart from potential elimination or reduction of the asset discount — a one-off event — shareholders would have greater freedom to select their own portfolios. As in the case of share splits, there is no guarantee that share trading would increase, given that existing holders may not be sellers; but investors would have greater freedom of choice.

Keys rightly argues that investors here and abroad prefer pure asset plays to conglomerates. Gencor's price is now about 25% below net worth; even industrial conglomerates like Malbak and Barlow Rand, which have often traded at a premium, are generally close to, or below, asset value.

This is in line with the rating of conglomerates in the UK market The highly successful Hanson offers a dividend yield of 7,5% and earnings multiple of 10; BTR a 7,7% yield and earnings multiple of 8. In contrast, the average yield for the industrial market is 5,5% and the p:e about 10.

Share prices aside, a question to consider is whether the mining house — or other large holding company — still needs to exist, or whether historical functions, such as the ability to raise large amounts of capital, provide ostensibly inexpensive services and spread risk, can be fulfilled as effectively in another way

The answers will vary with each case. Last year, Gencor was able to raise R1,5bn in a rights issue This was a successful issue close to the peak of a bull market, even though the cash was not earmarked for specific new projects Whether the subsidiaries could have held similar issues is a moot point.

A related aspect is the ability to seek out new business. Keys has said that one achievement of Gencor's refocusing is that top executives now concentrate on this task.

According to the mission statement, the group's business is "starting or acquiring major business ventures, and accelerating the development of our existing businesses " Indeed, without a creative approach at head office, the expansion into energy almost certainly would not have happened — as Keys acknowledges.

Keys denies that political considerations are any part of the motivation for possible unbundling. He insists there is no intention of seeking an escape mechanism, but that Gencor happened to reach a stage this year where the move could be considered from a commercial point of view.

Perhaps so; but this is a politically sensitive topic, from which commercial aspects cannot be made to stand apart. Both politics and economics provide good reasons for every conglomerate and mining house to evaluate unbundling and both will certainly have to be taken into account.

ANC criticism of the excessive power of mining houses might be deflected if their key assets were dispersed among a broad group of shareholders — though this would not apply to Gencor, where control would simply revert directly (rather than indirectly) to Sanlam.

In its official comment, Anglo American has remained non-committal, offering reminders that big business is not necessarily bad and that SA has a capital and skills shortage. Given the sensitivities as well as complexities and financial inefficiencies inherent in Anglo's shareholding structure, it must be assumed that the house is, or soon will be, carrying out its own internal studies, whatever the conclusion

This debate should go well beyond the potential elimination of a few conglomerates of uncertain merit, perhaps involving the greater enrichment of some shareholders.

While lamenting the market's poor liquidity and, tacitly, limited efficiency as a capital market, the JSE continues to allow the listing of pyramids and even multi-tiered pyramids — such as FSI — a practice which would not be allowed in many foreign markets and which was also criticised by Stuart.

These serve no other purpose than to lock in control and offer no assurance that the underlying operating companies concerned will continue to be run by adroit entrepreneurs. Yet another instance of the JSE's impotence? ■

Unfazed Pouroulis set to revamp his empire

W/CARGUS 10/11/90

210

From MALCOLM FOTHERGILL

JOHANNESBURG. — Major rationalisation is on the way at Loucas Pouroulis's mining empire.

Fresh from quashing the R67-million fraud and theft charges against him and three of his co-directors, the Cyprus-born entrepreneur has turned his energies to looking critically at his group's investments and mines.

Mr Pouroulis, who declined to comment on the recent court case in which he and three co-directors were acquitted without having to present their defence, says "quite dramatic" ventures, including new mines, are on the cards.

"We're busy looking very carefully at our investments and our mines to see what's best suited to our needs."

New developments are not necessarily in the group's sphere of operations, which include chrome, gold, platinum, manganese and diamonds, he says.

Mr Pouroulis, a mining engineer who immigrated 25 years ago, was a salaried employee at Anglo American before acquiring the rights to several mine dumps on the East Rand.

He was the first to apply the then-ridiculed carbon-in-pulp process to the extraction of gold from low-grade dumps.

With the money he made from the small amounts of gold he recovered, he acquired control of JSE-listed gold mining companies Consolidated Modderfontein and South Roodepoort.

Then, from under the nose of Johannesburg Consolidated Investments, he snatched the rights to mine a platinum prospect that he turned into the Lefkochrysos mine and took to the JSE in July 1987.

Hit by a declining gold price and high costs at Lefko, he had to sell Lefko to the Rand Mines subsidiary, Barplats.

However, he bounced right back in July this year, opening his latest venture, Goudini Chrome.

"Rubber ball"

At the opening, Minister of Finance Barend du Plessis described Mr Pouroulis as a "dynamo" and a "rubber ball".

Mr Pouroulis was arrested at his home in April last year on the theft and fraud allegations and released on bail of R250 000.

Mr Justice Stegmann found the State did not have a case against him and his three co-accused, Edwin Coombes, David Willis and Roger Daniel.

Hard times for Barlows

WIK ARGUS 10/11/90

From CLAIRE GEBHARDT

JOHANNESBURG. — Barlows, the giant company whose economic health is generally regarded as a barometer of the country's, is widely expected to report a huge 20 percent earnings drop in the year to September.

Results are due out on Monday.

At the interim, Barlow's earnings were already down 9,3 percent in line with the generally grim outlook for the domestic economy and world commodity prices

Further deterioration in economic activity to September has seen all but a handful of Barlow's subsidiaries report declines this week. This dispels any doubts that the country is in the grip of a painful recession.

Lowest level

With turnover equivalent to nearly 10 percent of GDP and interests stretching octopus like into almost every sector of the economy Barlow's results also give notice that 1991 will be a very tough year indeed.

Business profits are already at their lowest level in nearly 20 years, and with little prospect of a drop in interest rates early next year a long winter of redundancies could be in the offing

In 1990 all five of Barlow's core divisions — mining and minerals, industrials, food, international and property — encountered difficult trading conditions.

Overcapacity in the base minerals market, domestic inflation, widespread labour problems and continued high interest rates on borrowing which rose along with the take-up of the group's Rand Mines rights offer allocation, weighed in negatively.

Results out this week revealed that Barlows has received very little support from the fixed investment side or from mining. Major offshore arm Bibby & Sons came right this time and Reunert held up reasonably well in the circumstances

ICS Group presented the market with a shock with a 35 percent drop in earnings and Robor was not up to expectations

However computer group TSI's 25 percent decline in earnings was no surprise after the 33 percent drop at the interim.

Rand Mines was on the retreat on virtually all fronts apart from coal

Earnings a share were down 17,4 percent to 1592 from 1929c, because of an increased number of shares in issue following the 33-for-1000 rights issue in December 1989

In a swift move, the group this week announced the closure of its loss-making vanadium pentoxide production at Vansa, the mothballing of the Kennedy's Vale platinum mine as well as a cut in operations at Harmony gold mine.

Cement group PPC, part of the non-industrial interests, unveiled a concrete performance in a weak market with a 5 percent increase in earnings to 266,2c (252,6c).

Middleburg Steel and Alloys (MSA), long the icing on the cake, is expected to come in with substantially lower-than-expected results

With ferro-alloys and stainless steel plagued by tough world markets, the full-year contribution from MSA originally forecast to be stronger than at the interim, is now expected to be two-thirds down.

However J Bibby & Sons, lacklustre over the past two years with the degree of decline being hidden by the depreciation of the rand, saw a reverse with a 22,5 percent increase in earnings to 20,4p (16,6p) a share

Tiger Oats' 16 percent earnings growth in a troubled year reflects the group's broad spread of interests across the food and pharmaceuticals sector.

CG Smith reported its sixth successive year of real profit growth despite the fact that Romatex had to contend with tougher competition from imports and Nampak was faced with major problems on the industrial relations front.

Exports

Reunert, helped along by exports reported a 15 percent increase in earnings to 234,1c (202,7c) having posted a 31 percent increase in earnings at the interim.

Unlisted industrials including earthmoving equipment, motor appliances, building materials, steel and paint, down 13 percent at the interim, are expected to continue to slide.

This week Barlows was trading at 3100c, well down from 3815c at the interim and a high of 5450c on February 5.

Who might merge with whom in the tough decade ahead

(210)

BDay 12/11/90

MERVYN HARRIS

WHAT will the face of corporate SA look like at the turn of the century? In spite of calls from the ANC and others for a deconcentration of power in the corporate sector, the '90s might see exactly the opposite happening in certain key sectors of the economy — banking and mining

The current concept of a mining house with its diverse industrial and other interests could disappear to make way for only two exclusive mining groups an enlarged Anglo American mining arm which could include the mining interests of JCI and Barlow Rand, and a second mining group under the combined control of Sanlam and Rembrandt, encompassing the mining interests of Gencor, GFSA and Anglovaal.

These are some of the intriguing developments which stockbroker and former financial journalist David Meades of Meades, De Klerk Inc believes will result from the economic changes ahead

His views are based on the assumption that the creation of the new SA will go ahead relatively smoothly, although negotiations will be slow and protracted, which in turn will inhibit economic growth in the early part of the decade

This will put pressure on corporate growth, leading to the rationalisation of activities in many sectors in the form of mergers and acquisitions as companies seek to become more effective with the aim of surviving in the process of creating a new SA.

The slower growth rate will make any redistribution of wealth very difficult. Indeed, Meades says, a redistribution of poverty is more likely as living standards decline, especially among the more affluent.

By the year 2000 the Rembrandt Group could establish itself more firmly as one of the big power houses together with the Old Mutual, Anglo American and Sanlam, while groups like Sasol, Iscor and Eskom will strengthen their positions as giants in their own right.

Meades sees a healing of the rift between Anglo and the Old Mutual which was caused a couple of years ago when Premier gained effective control of SA Breweries He expects the Old Mutual to regain representation on the board of Anglo, which ceased when Jan van der Horst resigned in protest after the SA Breweries move

The restoration of a closer relationship between Anglo and the Old Mutual could lead to the amalgamation of the banking interests of the two groups — First National and Nedbank. "One can perhaps also see the NBS joining such a combination," Meades says

SA will need bigger and stronger banking groups to help finance the sort of growth which will be attainable in the second half of the '90s as the economy moves into the "high road" scenario, he says

Bankorp should be in a position to attract suitors or make its own overtures if Piet Liebenberg succeeds in his aim of bringing it back to the investment scene as a sound and profitable banking group

This could lead to Bankorp amalgamating with UBS/Volkskas/Allied/Sage if negotiations are consummated Meades says such a move will signal a closer relationship between Sanlam and Rembrandt, which in turn could lead to the two pooling their mining interests at a later stage

Rembrandt could then very well be prepared to allow Sanlam effectively to control the new banking group, which will still leave Rembrandt with a possible partnership control position at Standard Bank.

This takes into account the growing relationship between Rembrandt and Liberty The two already effectively control GFSA, while in the UK Rembrandt's offshoot in Europe, Richemont, is a partner of Liberty's First Investment Trust (FIT) in the TransAtlantic group

MEADES

Meades says the impetus for change in the mining scene could come from the possibility of a severe world recession, a prolonged depression in international commodity prices would come against a background of rising local costs

There is also the possibility of the discovery elsewhere in the world of vast new deposits of metals and mineral which SA exports This could well follow a new "colonisation" of Africa at the request of Africa itself

Meades says these sort of developments will necessitate the formation of much stronger mining groups. Unbundling Gencor, if it comes to fruition, would facilitate such moves, enabling Gencor's mining interests to be combined with others outside the Gencor stable. This would enable SA to compete more effectively in the international arena

A slump in the price of energy in the wake of a long recession, or the discovery of extensive new oil fields, will put the local chemical industry under immense pressure Meades believes that under pressure from intense competition from Sasol, AECI and Sentrachem could well amalgamate or Sentrachem become part of Engen

Because of the sheer size of Sasol and the enormous cash flow it generates, Meades sees the oil-from-coal group also diversifying into the international energy scene to become a bona fide member of the big league Locally Sasol could expand its retail network by perhaps linking up with Caltex or Shell

In agriculture, the '90s could well see the demise of the co operative movement in SA. Most of the smaller co-ops could disappear while the bigger ones could amalgamate with the big food groups in much the same manner as Tiger Oats gained control of Langeberg. Candidates for mergers or privatised public companies include NCD, Sasko, and Vleissentraal

Meades says there could also be an amalgamation of Tongaat and Premier in the Anglo group, and Renhym, Crown Foods and Fedfood in the Sankorp group The third big player would be the food empire of Barlows which encompasses ICS Tiger Oats and C G Smith

Meade expects the retail field to be dominated by two large groups SA Breweries and Sanlam's Tradegro empire — which will get together with Pepkor, with Pick 'n Pay possibly joining the Sanlam fold at later stage

There will also be many smaller groups while the explosion during the '90s of the informal sector will by the turn of the century, result in the creation of thousands of more formal black businesses

Meades also foresees a major change in the motor industry He expects that rationalisation in the wake of a sharp drop in the living standards of whites will see fewer luxury vehicles on the roads, this could lead to Mercedes Benz, BMW and possibly VW pulling out of SA

Meades says Toyota and Samcor could get together, which would leave Nissan as the only other big motor vehicle manufacturer

The new SA would not be able to afford the local manufacture of luxury vehicles "SA is a poor country with a couple of rich patches rather than a rich country with a few poor spots," Meades says

His forecast is not all pessimistic the restructuring process of the first half of the '90s could send SA into the 21st century able to develop from regional economic power into an effective international competitor

LETTERS

Anglovaal expecting to boost last year's earnings

B Day 12/11/90 **Business Day Reporter** (210)

ANGLOVAAL's earnings in the current financial year to end-June 1991 should exceed last year's, chairman Basil Hersov said on Friday.

But he cautioned that it "remained a challenge" to maintain earnings on an increased number of shares in issue

Speaking at the financial, industrial and mining group's AGM, Hersov said earnings growth would be assisted by interest earned on its cash resources of R1bn

Anglovaal Industries' consolidated pre-tax profit for the September quarter was marginally ahead of the same period a year ago, despite a continued softening in a number of the markets served by the group's companies, Hersov said

"At the earnings level, the results to date reflect a slight decrease for the same three-month period, but the Anglovaal Industries (AVI) group is budgeting for a moderate hike in earnings for the year ending June 1991."

Contributions from Anglovaal's mining investments were lower than the same period last year because of reduced Associated Manganese earnings, generally lower profitability of the gold mines — caused by the decreasing real-terms gold price — and continuing high expenditure on exploration.

During the year to end-June Anglovaal's consolidated earnings improved by 30% to R238m (R183m) This translated into 530c (427c) a share, and a dividend of 92c (76c) was declared.

Mining's need for local and foreign investment spelt out

BDay 13/11/90 (210)

Business Day Reporter

EVEN if the industry is successful in cutting its working costs to more acceptable levels, there can be no sizeable expansion without substantial renewed investment from local and foreign sources, Chamber of Mines vice-president Naas Steenkamp warned yesterday.

And, he told the investment conference in London, the fond expectation in some quarters that political settlement would mean an ample inflow of investment was doubtful

"Sceptical risk aversion analysts will be considering interest rates, the skills and productivity profile of the SA work force, nationalisation rhetoric, global alternatives and a host of other variables which may impact on their return on investment.

"But let me add that substantial foreign investment is an objective that demands relentless pursuit by the public and private sectors in SA Without it SA will be condemned to increasing deprivation and a widening chasm between the haves and the have nots"

He said SA's mining industry owed a considerable measure of its successful development to the capital input of offshore investors.

He said although capital flight had drastically reduced foreign holdings in SA's industries, almost 25% of gold mining shares were kept by overseas investors. Whether extra investors could be found and individuals and corporations persuaded to increase their stake, would have a bearing on decisions to open new deep level mines.

"Unfortunately, recent events in SA have quickened and dashed hopes for the restoration of investor confidence," he said, referring to political developments set in motion by President F W de Klerk earlier this year and the subsequent violence

He was more encouraged by the progress of the economic debate between major SA interest groups "There appears to be a realisation that neither simple socialism nor crude free market liberalism can provide the conditions for a flourishing business sector and at the same time create the mechanism to address poverty and inadequate access to opportunity."

But he criticised aspects of the recently published ANC economic policy document dealing with the mining industry.

"I must express puzzlement and concern at . the anxiety over what the ANC describes as the current conglomerate control of mining finance, and its suggestion that there is a need for a state minerals marketing authority.

"The estimated cost of the establishment of a new gold mine is R2bn On this kind of scale it seems logical that the major groupings funding and managing the industry should be viewed as an asset in the new post apartheid SA and not as an inhibitor of the ANC's notion of growth through redistribution."

Star 13/11/90 (210)

Anglo boss wants blacks in Govt

The Star Bureau

LONDON — Julian Ogilvie Thompson, chairman of Anglo-American, has called for black members in the South African Government by the end of next year.

"I personally would hope that it would be by next Christmas, but it may well be by 1992," Mr Ogilvie Thompson said during an interview on television.

He said he believed the chances of the full nationalisation of Anglo-American by a future ANC-led government were receding as the party (ANC) is "beginning to see that this is not a sensible route to go down".

Asked by interviewer Mary Goldring about the prospect of a government shareholding in the company, Mr Ogilvie Thompson replied "This is a different matter .. it is a question of what the overall stake of the government is."

He added that "there is a balance between what will encourage development of the economy and what will discourage development".

Asked if there would be a black director of Anglo in "three, four or five years", he replied "I would have thought something like that, probably nearer the earlier figure you mentioned."

The ANC today welcomed Mr Ogilvie Thompson's preparedness to see a partial nationalisation of his corporation.

ANC spokesman Gill Marcus said the organisation welcomed the fact that Anglo had accepted it had a greater responsibility than merely to itself.

Directorships probe may spark changes

B'Day 15/11/90 (210)

KEVIN DAVIE

THE Competition Board has begun an investigation into interlocking directorships which could radically affect the face of SA business

Interlocking directorships are common throughout business, particularly where companies are closely linked partners

The investigation, an informed source said, formed part of a Competition Board probe initiated in August after the Anglo/De Beers group had earlier increased its shareholding in Gold Fields of South Africa (GFSA) to 25% from 20%

The probe is to determine whether the acquisition of additional shares constituted a "restrictive practice" which could place Anglo in a "monopoly situation"

In terms of the gazetted mandate for the inquiry, the Competition Board is empowered to investigate the effect the share acquisition could have on the right of Anglo or De Beers to appoint one or more of GFSA's directors. Anglo and GFSA have only one director in common, Peter Gush, formerly head of Anglo's gold division.

It is understood the Competition Board intends using the present investigation as a test case of interlocking or cross directorships to establish a defined policy on the issue

Competition Board chairman Pierre Brooks declined to comment yesterday Business Day has learnt, however, that the board believes conglomerates must not only compete but be seen to compete Should the board take the view that interlocking directorships facilitate behaviour inimical to competition, it could use the Maintenance and Prevention of Competition Act to redress the situation.

The Anglo group's 25% stake in GFSA allows it to block special resolutions where a 75% vote is required The 75% rule applies to all companies and is designed to protect shareholders. In this case Anglo could, for example, block attempts by GFSA's board to restructure the group's capital

Robin McGregor, author of Who Owns Whom yesterday welcomed the Competition Board inquiry but said he was disappointed it was "only having a go at cross directorships

"Interlocking directorships do not matter a lot Most important is who controls the company Concentration is the problem Derek Keys's unbundling proposals are a good start which could cut down the bureaucracies"

Star 15/11/90 (210)

ANC issues land rights blueprint

More land must be made available free of charge to people in rural areas who stay together in one place and want communal ownership, according to the African National Congress (ANC) report on its workshop on land, released in Johannesburg this week

The ANC report also issued a call for banking systems to provide financial loans on the basis of future production, the establishment of "progressive" farmers' unions, and the scrapping of all payments and legal privileges for chiefs and headmen

All those in South Africa who had been dispossessed had a claim to land, the ANC said

"Through nationalisation, land will become the property of all the people (and) all people in dispute over land should submit their claims to the Land Claims Commission for arbitration."

The workshop group responsible for discussing communal land acknowledged, though, that "complexities" existed in different areas of the country concerning the legal protection of communal land It proposed that

Mines

- In urban areas, a land trust must be created where people agree that South Africa's shores, the sea and water resources belong to all South Africans
- In terms of mining land mineworkers must have residential rights, mines must make land available for residential purposes, and minerals should be controlled by the State
- In rural areas where people stay together in one place and want communal ownership, more land must be made available without cost
- The title deed must be for the community as a whole
- Individual rights of use and control must be recognised for residential land, a plot for crops, and communal grazing

On the role of chiefs, it was decided there was a need to

- Scrap all legislation pertaining to chieftainship, including the Black Local Authorities Act
- Scrap all the allegedly corrupt practices pertaining to chieftainship that had arisen in the course of "our colonial history"
- Acknowledge the right of communities to elect democratically their own leaders and representatives
- Acknowledge the right of communities to recognise someone as their chief and to continue traditional practices of their own free will

On the question of financing and communities, the ANC workshop called for

- Alterations to the banking system, permitting loans on the basis of future production, an active policy of State assistance, the formation of credit unions, the establishment of a rotating-credit fund, by which farmers on communal land are assisted on a step-by-step basis, and the establishment of progressive farmers' unions

Delegates also proposed investigating the possibility of using communal lands and livestock as collateral.

On the issue of economic rights of individuals in a community, the report said

- Communities must be allowed to decided democratically about newcomers from outside

Individuals in the community should be given freehold title to a piece of land, and both the residence and the plot of land should be marketable

- There should be a right to sell one's house/structure on the residential plot, with community consent, there should be no right to sell communal land, there should be no right to sell or alienate residential land
- There should be no right to sell a farming plot — Sapa

MONTHLY SUPPLEMENT TO THE WEEKLY MAIL

/Environment

ECOLOGY ★ CONSERVATION ★ NEW PRODUCTS ★ BUSINESS & ECOLOGY ★ GREEN STRATEGIES ★ WILDLIFE

The Midas touch destroys as it creates

210

(Suppl) W/Mail 16/11 - 22/11/90

EDDIE KOCH reports on mining and ecological damage

ACID water as sour as vinegar seeps into rivers used for drinking and irrigation Spontaneous fires ignite in disused collieries and burn for years underground Heaps of deadly arsenic dust are dumped next to streams and rural villages Rare dune forests are strip-mined for titanium ore Ugly quarries and gullies scar the slopes of mountains across the country

The 1 000-odd mines and quarries that dot the South African landscape, and form the backbone of the country's economy, have often been criticised for promoting repressive labour practices and maintaining low standards of healthy and safety Recently another complaint has been added to the litany of maladies associated with the industry the damage that mines have caused to our air, water and earth.

"Excavating minerals always entails environmental risks It involves blasting, digging and hauling thousands of tons of ore to the surface, then grinding it to a fine powder and washing out the metals with harsh substances like cyanide, mercury and sulphuric acid," says a recent report by the Worldwatch Institute entitled "Apartheid's Environmental Toll"

"South Africa has treated mining like a sacred cow, fearful of disturbing the cash flow Air and water near mining and smelting operations are hardly monitored, and what little monitoring is done is not reported In SA the extent of ecological damage from mineral extraction is massive, from poisoned streams to stripmined hillsides "

How accurate is this assessment by the institute — an international environment monitoring group based in Washington — of the impact that mining has had on this country's ecology?

Examples abound to illustrate that mining practices, past and present, are causing extensive damage to their natural surrounds But recent developments within the industry — which include commitments, at least at corporate level, by major mining houses to clean up their act — make it difficult to label the industry as a whole as a bogeyman throwing noxious matter into the eyes of all South Africans

Mining engineers, even though they have varying degrees of loyalty to the industry, agree that the two main ecological problems associated with mining in South Africa are the vast amounts of acid that seep into ground and surface water during the production of gold and coal and extensive arsenic pollution caused by gold mines in the Eastern Transvaal

Says Fanie Geldenhuys, environmental science manager for the engineering firm Stefan, Robertson and Kirsten "All gold mining concerns have problems with seepage of acid water A mineral in the rock is iron sulphide which, when it is oxidised through exposure to air and water, produces a diluted form of sulphuric acid "

Coal-mining belts on the Eastern Transvaal Highveld and in Northern Natal are another source of acid water contamination Most aquatic life in the Loskop Dam, north of Witbank in the Eastern Transvaal, and the rivers around Vryheid and Dundee in Natal, including the Black Umfolozi, has been killed or seriously depleted by acid leachates from the collieries and the Department of Water Affairs is known to be perturbed by the problem

"South African coal, gold and base metal mines will have to equip themselves with expertise to manage acid mine water effectively or risk suffering the same fate as some mines in Canada which will have to spend almost a quarter of their entire profits for the next two decades on combating this problem," says a statement issued by representatives from SRK and the Department of Water Affairs last month after their conference around the problem

Toxic pollutants from the mines have led to some dramatic eco disasters Earlier this year *The Weekly Mail* tested samples of water running off dumps in Crown Mines, an old mining area near Johannesburg, into a stream that flows through Soweto, and found an astonishing cocktail of poisons The samples included eight million micrograms of acidic sulphate for every litre of water as well as large amounts of uranium, arsenic and cyanide

Paul Reynolds, a farmer in the Standerton district, said that neighbouring gold mines had polluted the Waterval River — used to irrigate his arable land — so badly that it has cost him R300 000 in damages over four years

"If I irrigate with 500mm of water from the river I add seven tons of salt to a hectare of land, he said "It's like watering your garden with seawater Plants get scorched and salt crusts on the surface of the ground so that seeds aren't able to come through " Corrosive matter in the water has "chewed up" underground water pipes on Reynolds' lands

In the mining belt around Barberton a major ecological threat is caused by clouds of arsenic gases released into the air and dumps of arsenic dust left near villages and the banks of rivers

"The gold-bearing ore in this area as well as in Botswana and Zimbabwe is different to that on the Witwatersrand It is located in rock with a high content of arsenopyrites," says a mining engineer, who asked not to be named "The classic method of getting the gold out of this rock is to roast it in huge furnaces This sends volatised arsenic gases up the stacks and into the air and creates a fine arsenic dust that has to be disposed of The mines try to sell some of this and treat the rest before they dump it But it's an extremely dirty process

●To PAGE 26

Bonus inside today LIVING WORLD, an eight-page pull-out advertising supple

ENVIRONMENT

supp W/Mail 16/11 - 26/11/90

Mining: The Midas touch

210

●From PAGE 25

which generates all kinds of problems."

Vegetation around some of the mines has been stripped bare by the arsenic that precipitates from the stacks. Late last year an Anglo American prospecting team left hundreds of tons of waste containing arsenic and toxic cadmium next to a mountain river. One night a storm washed the waste downstream and it killed all the fish in a farmers' dam. Recent newspaper articles claim fish in a dam near Barberton have been blinded by arsenic toxins.

The controversy at St Lucia, where a foreign-owned mining consortium plans to stripmine dunes in the reserve, generated one of the country's most heated environmental protests. Less well publicised were plans by a South African corporation to start a similar project on the Transkei coast which hosts an indigenous forest.

On the collieries around Witbank in the Eastern Transvaal, at least five underground fires are out of control One of these is the subject of a R100 million lawsuit. The Blackstone Mining Corporation is suing the Witbank Town Council and the minister of mineral affairs for flooding the shafts after trying to extinguish the blaze with water and the town's sewerage

There is a host of less dramatic environmental effects which accumulate to create serious problems Quarries gouge huge scars into mountain sides. Prospecting teams from the mines leave trenches and gulleys which become the sources of soil erosion Dust blows off dumps and becomes an irritant for people living nearby

"The problem in essence," says mining engineer and consultant Mike Salamon, "is that current legislation and efforts by the government to control the effects of environmental degradation by the mines is extremely inadequate."

Three main pieces of legislation govern mining operation the Mines and Works Act, the Water Act and the Environment Conservation Act. All contain clauses that control the ecological impact of the mines. Where penalties are listed, they usually involve small fines.

"Often it is more profitable for a mine to pollute the surrounds and pay a tiny fine than it is for them to clean up behind them," says Salamon The Conservation Act, passed this year, provides that environment impact studies be conducted and approved by the government before new mining projects can be undertaken "I have seen some of these studies and, quite frankly, they are a joke," says Salamon "The Inspectorate of Mines is grossly understaffed and cannot monitor the rehabilitation work that mines are required to do in terms of the studies Often inspectors are not qualified to evaluate the studies."

Recently, however, major mining corporations have begun to show a sensitivity, at least in their boardrooms, to the ecological consequences of their activities. John Frear, group environment consultant for Genmin, says the company is spending large amounts on rehabilitating old dumps and preventing acid water from leaching out of their slimes dams. The group is concentrating on containing dust that blows off their dumps and is investigating ways to dispose of saline underground water that is pumped out of the shafts.

In the Barberton district, Genmin has pioneered a unique method of using bacteria that grow on slimes dams to erode the sulphides in arsenopyrite ore and expose the gold, making it unnecessary to use the dangerous roasting method Known as the "biox process", this environment friendly method of extracting gold is being marketed internationally by the corporation.

Says Butch Smuts, ecologist for Anglo American. "Anglo has decided at executive level that no new project will be funded without the environmental side being considered. This year we adopted an integrated environmental approach which requires consultants to be appointed from the word go."

Anglo is also examining acid drainage problems and is spending about R3 500 per hectare to rehabilitate its colliery dumps in Natal and the Eastern Transvaal.

But there are still numerous defects in the system. These stem from weak legal obligations on companies to refrain from damaging activities and an inadequate state machinery to ensure mines toe the line.

Effective penalties must be imposed on companies that are still polluting the environment and a strict statutory framework must regulate the activities of the industry

Until this happens, the Worldwatch Institute can stand by its claim that 1 300 mines and quarries which "scrape the earth's crust and burrow deep into it" are a major cause of ecological degradation in South Africa.

B.Day 16/11/90

Mining sector cutbacks add to bad news

210

PETER GALLI

CUTBACKS by the mining sector were responsible for the deterioration of business conditions for builders and subcontractors, OFS Goldfields Building Industries Association (BIA) president Bruce Garfield said at the association's recent AGM.

Fortunately, many BIA members had anticipated the slowdown and were finding work in sectors not related to the mining industry, he said.

He also said government restraints on public expenditure were adversely affecting the building industry.

Garfield said price increases for materials well above the inflation rate; the petrol price increase; and the weak exchange rate of the rand also hampered the industry.

Unrealistic wage increase demands and the growing incidence of stayaways in the building sector on the Goldfields were counter-productive to the welfare of the workforce.

Garfield appealed for an end to "political and personal differences" so that the negative publicity accorded the area could be countered.

Woes ahead for building industry

B Day 16/11/90

MARIETTE DU PLESSIS

EXPECTATIONS for SA's building industry for the next year were gloomy, the Bureau for Economic Research's latest quarterly survey found.

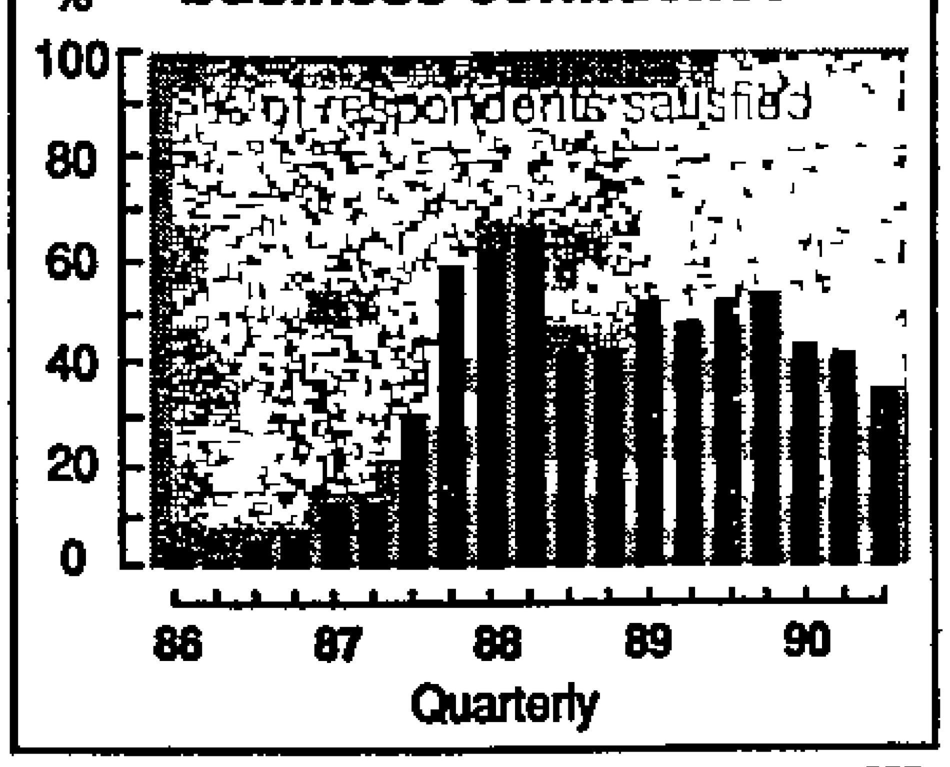
Indications were that the downward trend in the industry would continue into 1991, with conditions turning upward only towards the end of 1991 or early 1992.

The survey found the main concerns of architects and quantity surveyors were the political uncertainty, labour unrest and that many government projects were being halted.

Building contractors also indicated that high interest rates and high building costs were causing problems in all sectors, particularly in the residential sector, drastically curbing any building — two firms stated that this was the worst slump they had experienced in about 30 years.

Results obtained from architects and quantity surveyors showed conditions experienced by the groups during the third quarter of 1990 to be substantially worse than those experienced during the second quarter.

Building contractors' business confidence



Graphic: LEE EMERTON Source: BER

The BER survey found building contractors in the residential sector tended to fare slightly better during recessionary times than their non-residential sector counterparts, who experienced notable deteriorations in the value and volume of work, compared with the same period a year ago.

Expectations generally for residential and non-residential sector contractors were for conditions to deteriorate further during the fourth quarter of 1990, with little hope of an improvement before late 1991, leading to a further deterioration in their level of business confidence.

The sharp increase in tendering competition in the non-residential sector also indicated that there was limited work which was being tendered for by an increasing number of contracters

Despite fairly substantial increases experienced by residential sector subcontractors in the value and volume of work on hand during the third quarter of 1990, compared with the second quarter, deteriorations were also expected for the fourth quarter.

The survey concluded that the overwhelmingly depressed current and future situation in the building industry would improve only once the political situation became more certain and positive.

Squeeze on

Govt may be softening

R10m slashed from research budget

Business Day Reporter

210

THE Chamber of Mines Research Organisation (Comro) is to cut about R10m from its budget next year and concentrate its efforts on health and safety matters

More retrenchments would be necessary because of the budget cut-back, the chamber said in a statement at the weekend.

This followed the reduction of the proposed R70m budget for 1990 to a targeted figure of R40m as a result of the mining industry's declining revenues.

The chamber said expenditure on its 1991 research programme — funded by gold mining members — was expected to be about R30m.

"The core programme of co-operative research will now be focused on health and safety, primarily on rockbursts and rockfalls — and on the underground environment.

"A priority will be to retain the skills needed to ensure the continued viability of the industry's effort," the chamber said in its statement

When the first cuts were announced during April, Comro came under attack for placing the health and safety of workers in jeopardy by slashing its hazardous materials unit's budget

The statement said Comro would continue to undertake technological research and development on a contract basis with individual mining houses and mines.

In addition, the gold mines would continue with their own research and development programmes

Star 19/11/90 (210)

Way now seen open for investment in SA

By Magnus Heystek

The political green light for investment in South Africa has now been given, says Mining Journal, an international publication of high repute

"All that remains is for fund managers to be persuaded of the economic perspective, says the journal in an editorial in its latest issue

"Certainly the Johannesburg gold market (which, at some $16 billion, has a similar capitalisation to the Toronto gold market) is looking enticing," it adds

Mining Journal quotes John Taylor of London stockbroking firm James Capel who, while he thinks gold shares are overvalued on fundamentals, still feels bullish enough about gold bullion to recommend a build up of trading positions high-quality South African shares

According to Mr Taylor the major players in world stock markets are the pension and mutual funds which, because of their sheer size, cannot move quickly in and out of investments

Decisions to invest are deliberated at great length

When compared to the Toronto gold share market, South African gold shares are looking remarkably cheap

Using financial rands, the average P/E ratio of local gold shares is 13, compared with the average P/E on the Toronto bourse of that of 32

The same vast difference applies to dividend yields, namely 5,8 percent on the JSE, compared with Toronto's wafer-thin 1,1

The world gold equity market is estimated to have a market value of some $53 billion, of which South Africa contributes over 31 percent, Toronto 30 percent, the US 21 percent and Australia 17 percent

"Considering that many of the larger gold funds are still precluded from investing in almost one-third of what is already a relatively small market, it is not surprising that the multiples of gold equities elsewhere are at such dizzy levels," Mining Journal says

However, adds the publication, the September quarter emphasised the difficulties facing South African gold mines

Most companies recorded a decline in profit margins, despite considerable cost reductions

The industry is going through a difficult period and further restructuring would be necessary if rand gold prices remained at current levels.

Looking ahead, there is no reason to expect an improvement in the profits of the SA gold mining industry except in the event of a sustained improvement in the international gold price

The widespread restructuring in the SA gold mining industry has already led to the loss of more than 100 000 workers over a period of four years.

And mining heads have already warned of the loss of another 80 000 jobs if the rand gold price does not recover

Retrenchments to follow R10m mines cutback

210

CAPE TIMES 19/11/90

Own Correspondent

JOHANNESBURG. — The Chamber of Mines Research Organisation (Comro) is to cut about R10m from its budget next year and concentrate its efforts on health and safety matters.

More retrenchments would be necessary because of the budget cut-back, the chamber said in a statement at the weekend

This followed the reduction of the proposed R70m budget for 1990 to a targeted figure of R40m as a result of the mining industry's declining revenues.

The chamber said expenditure on its 1991 research programme — funded by gold mining members — was expected to be about R30m.

"The core programme of co-operative research will now be focused on health and safety, primarily on rockbursts and rockfalls — and on the underground environment.

"A priority will be to retain the skills needed to ensure the continued viability of the industry's effort," the chamber said in its statement.

When the first cuts were announced during April, Comro came under attack for placing the health and safety of workers in jeopardy by slashing its hazardous materials unit's budget.

The statement said Comro would continue to undertake technological research and development on a contract basis with individual mining houses and mines.

In addition, the gold mines would continue with their own research and development programmes.

Talk of pension funds' pullout from Sage Holdings discounted

(210)

JIM JONES

TALK that the Mine Officials' and Mine Employees' pension funds have ditched their interests in Sage Holdings are not correct, despite apparent evidence to the contrary

On October 5, the Mine Employees' fund transferred its entire 11,01% interest in Sage to Standard Bank Nominees and was followed three weeks later by the Mine Officials' fund which moved its 18,57% interest. Shares worth more than R40m were transferred.

Initially some stockbrokers assumed the transfer represented a sale or at least a repositioning ahead of any change in the relationship between Sage, Allied, Volkskas and UBS.

The rumours gained ground when Sage employees started to tell brokers that Sage founder Louis Shill, 60, had been dropping hints of early retirement

Also, people close to Sage believe Shill is not happy about loosening his tight control of Sage if it is to be part of the merger.

Through his secretary, Shill yesterday denied any retirement plans, while pension fund investment manager Graham Dickason poured cold water on the share transfer story. Apparently the pension funds decided at the start of this year to transfer all of their share investments to Standard Bank Nominees to facilitate settlement procedures.

Dickason believes the nominee company is better equipped to manage the funds' investment portfolios.

Some brokers are not convinced. "What happens if the Mines Pension Funds sell and ownership of the shares remains registered in the nominee name? How will we know there's been a transfer?" they ask.

Goldfields builders hit by mining cutbacks

Star 29/11/90 (210)

Business conditions for builders and sub-contractors on the Free State goldfields are deteriorating as a result of cutbacks by the mining sector, says Bruce Garfield, president of the OFS Goldfields Building Industries Association.

He told the association's annual meeting: "Fortunately, many builders anticipated the slowdown and are finding work in sectors not related to mining.

"Government restraints on public expenditure are also adversely affecting the industry, which is unable to absorb any cost increases."

Mr Garfield said he doubted whether the goldfields would ever again see the massive development of the late 'seventies when the area recorded the highest growth rate in the country.

"Our community leaders must start offering investment incentives to attract industrial sectors which are not dependent on the mining industry," he said.

SEx 20/11/90 (210)

More miners set to lose jobs

By Shareen Singh

The Chamber of Mines Research Organisation (Comro) is to cut its budget by about R10 million next year, which will result in more retrenchments in the mining inustry

Severe economic conditions had contributed to the additional cutback in research expenditure, which is funded by the gold mining industry, the chamber said in a statement

The budget was cut from about R70 million to R40 million in May this year and expenditure in 1991 was expected to be about R30 million

Comro would now focus its research primarily on health and safety, especially rockfalls and rockbursts

Over and above this, Comro would continue to undertake technological research and development on a contract basis

The latest cutback in Comro's budget would necessitate organisational restructuring

"This will inevitably and regrettably involve additional retrenchments "

Star 22/11/90 (210)

Safety paramount, chamber tells union

By Shareen Singh

The Chamber of Mines has rejected the National Union of Mineworkers' contention that it was reducing production costs at the expense of miners' lives.

The chamber said on Tuesday that it expressed the same concern as the union about health and safety and it regarded the safety of employees as paramount.

Cuts

Intensive research was being conducted by the chamber on developing a system that would predict rockbursts, a major cause of mine fatalities, chamber spokesman Peter Bunkel said.

This research and other aspects of health and safety would not be affected at all by the chambers R10 million budget cut, as the NUM believed, he said

"Our ideal is no deaths and no injuries and it is an objective we are working towards."

Killed

There was a consistent decline in mine fatalities in the past decade with the exception of a few years, the chamber said

For the period January to September this year, 377 miners were killed on mines.

Mr Bunkel said this meant that less than one miner per thousand was killed during the period.

This record was better than in other years, he said.

Mine research cuts hit mechanisation work

PETER GALLI

(210)

WORK on mechanisation would be most affected by the budget cutbacks announced recently by the Chamber of Mines Research Organisation (Comro), Chamber of Mines senior manager general operations Horst Wagner said

B Day 27/11/90

More fundamental work on gold deposition would also be affected, he said, adding that Comro would continue research in other areas of importance to the industry

The mining houses had agreed to contract work with Comro in areas of importance to themselves CSIR and Mintek would continue to receive specific projects from the mining houses in their fields of expertise.

CSIR president Brian Clark said the effect of the Comro cutback could not be determined, but the CSIR was keen to expand its area of sponsored work and wanted any extra contract work which might become available as a result of the cutbacks.

"We are seeing an increasing number of individual mining companies applying to us to do contract research for them, and we foresee an increase in this," he said.

CSIR corporate mining programme manager Brian Protherow said the aim of the council's corporate mining programme was to use its available skills more broadly, which meant focusing on priority areas for the mining industry and then seeing in what way it could assist it.

The CSIR had an "out-and-about policy", he said, and was always looking to improve and increase its skills base. The mining industry was in a period of consolidation and was concentrating on fundamental research only, he concluded

Anglo American's gold and uranium division spokesman said that in 1990 the division was expected to spend R47m on in-company research into new mining technologies, safety and health

A similar budget was projected for 1991, with the move away from industry to in-company research.

STAR 27/11/90 (210)

Joint effort to curtail mine violence

Staff Reporter

The Chamber of Mines and the National Union of Mineworkers made a joint commitment at a meeting last week to do everything in their power to stop mine violence.

In a joint press statement, the chamber and the NUM expressed grave concern about the high level of violence on mines.

Following recent incidents of inter-group violence on certain mines in northern Natal, the chamber and the NUM held a meeting at which the parties unconditionally rejected violence on the mines and agreed to take steps to prevent it.

Prevent

Earlier this year, after inter-racial violence erupted in Welkom, the Chamber of Mines and employee organisations in the industry established a forum to look into the causes of the violence and possible ways of ending it.

At last week's meeting, the parties agreed on the following

- The absolute and unconditional rejection of such violence, whatever its source or motivation, on mine property.
- To do everything in their power to prevent the recurrence of violence.
- To identify the perpetrators of such violence, remove these persons from mine property and impose a penalty for their actions in terms of company disciplinary procedures as well as the law of the land.
- The prohibition on employees having or bringing weapons of any kind into the workplace, including hostels.
- The appropriate utilisation of all existing channels to enable employees to effectively inform management of any impending violence or their fear thereof.
- To learn from their experience of the violence so that a repetition may be avoided.
- To establish a conflict monitoring group that would monitor violence on mines.
- To approach other parties to become involved in resolving the violent conflict.
- To make every effort to encourage people to show tolerance for the views of others.

Mine cuts 'will not affect safety' 210

MATTHEW CURTIN and PETER GALLI

CUTBACKS in the Chamber of Mines budget would have no impact on the organisation's commitment to health and safety, Chamber spokesman Peter Bunkell said yesterday.

And Chamber of Mines Research Organisation (Comro) rock engineering division director Nic Gay said yesterday the budget for research aimed at minimising deaths through seismic events would be increased to R11,4m.

Bunkell admitted there had been a number of serious accidents since the end of September. Although the Chamber had announced a R50m cut in research funding over two years, the health and safety budget would not be affected. B/Day 28/11/90

Twenty-two mineworkers died in rockfalls and mudslides between November 17 and 23 on mines in the Carletonville area.

The NUM has condemned the safety record of mines in the area and alleges mining houses are cutting the cost of production at the expense of mineworkers' lives. The Chamber denies the claim.

Chamber statistics disclose at least 300 mineworkers have died in accidents on gold and coal mines this year, but the NUM claims more than 400 have died.

Gay said the SA mining industry was striving to reduce deaths by controlling rock-bursts and falls of ground. This commitment to improved safety was evident in the 1990 rock engineering budget of R9m which was to be increased to R11,4m next year.

The budget was funded entirely by mines that were members of the chamber, with the research programme for each year being drawn up by Comro in consultation with the industry.

The fact that 23 miners had been killed in the last 10 days highlighted the need for stringent mine safety methods.

While rock-bursts were a fact of life, the problem could be controlled. Comro's aim was to reduce these and to provide the mining industry with the tools to enable them to mine as safely as possible.

BRIEFING

Star 29/11/90 (210)

Feelings that simmer like a subterranean fire

Labour Reporter BRENDAN TEMPLETON looks at the causes of violence in the mining industry this year

THE attack on mineworkers returning from a union meeting in Welkom on Sunday was just another incident of mine-related violence which has been sporadically flaring up since May.

According to National Union of Mineworkers (NUM) spokesman Jerry Majatladi the growing trend of violent confrontation on mines had its roots in the changing political face of South Africa.

Tensions normally kept under control in other situations emerged too easily in the political and racial melting pot at the rock face.

He believed violence on mines could be divided into three categories

● Group violence between Inkatha and organisations like Cosatu. This was seen in Natal recently when NUM members were forced to leave the Durnacol and Hlobane collieries after repeated attacks on them.

"This is nothing different from the broad violence gripping the country and aimed at destabilising all progressive groupings."

The attacks were aimed at weakening the "progressive" movement, so that it would not be able to present a strong, united force at the negotiating table, said Mr Majatladi.

● Racial violence between black and white workers underground. Factors influencing this type of violence could be linked mainly to the weakening force of apartheid.

White workers were feeling threatened as their traditional privileges were undermined, resulting in increasing tensions.

But, at the same time, racial discrimination continued in the form of the "piccanin" system where black workers were forced to carry the tools and clothing of white workers, in segregated facilities like canteens and change rooms (these were open to certain grades of workers of which the great majority were white), and in the hoisting system whereby blacks were forced to queue when going down a shaft while white workers could simply step into the cage.

● Vigilante violence which took the form of outside right-wing groups assaulting workers. This was especially characteristic of mining towns like Welkom where the whole economic infrastructure revolved around the local mines. Outside right-wing groups also felt threatened by the changing political climate and took out their frustrations on the most visible "progressive" grouping in the area, the NUM.

Examples of racial violence, which has received the most publicity since it hit the headlines in May, have taken place mainly in the Free State.

Right-wing sentiment in Welkom reached fever pitch when two whites, Johannes du Preez (57) and Sydney Koen (43), were killed during a clash between black miners and mine security personnel at the President Steyn No 1 Shaft.

An uneasy calm had only started to settle when Steve Buitendag (42), a personnel manager of the Harmony Gold Mine, near Virginia, was killed outside a mine hostel.

Tensions flared up again in August when three black workers were killed in a clash with mine security personnel at President Steyn.

The body of Nicholaas Jordaan (42) was later found at the bottom of a shaft.

Following the tension in the Free State and a meeting between Law and Order Minister Adriaan Vlok, the Chamber of Mines, right-wing groups, the white Council of Mining Unions (CMU) and the NUM, it was agreed to conduct regular meetings to discuss ways of preventing racial flare-ups.

The meetings had proved to be successful, leading to a greater understanding of different points of view, Mr Majatladi said.

Now, rumours were circulating in Witbank and Welkom that Inkatha impis could be brought in from other areas to disrupt the union's organisation.

In an attempt to combat the possibility of such violence flaring up again, the NUM and the Chamber of Mines recently drew up a joint document banning the possession of weapons in the workplace. They also agreed to the establishment of a joint monitoring group to keep an eye on violence on the mines, that stringent disciplinary action be taken against perpetrators of violence, and that existing channels be used to enable employees to effectively inform management of any impending violence.

But the NUM still had not identified a way of combating vigilante violence, said Mr Majatladi. It would be up to Mr Vlok to ensure that right-wing elements did not get out of hand. □

ANGLO AMERICAN 210

GROWTH PHASE OVER

Changes in the local and overseas economies in 1990 have brought to an end Anglo American Corp's seven years of earnings growth Interim earnings have dipped and there is no firm prospect of a recovery in the second half of the 1991 year.

Most of the major interests have reported slower or reduced profit. Some R53m was lopped off the trading result, largely because operating profit reported by Amcoal — the major operating subsidiary — was lower by R42m, at R229m. Anglo's other net income dropped by R9m because of lower interest and fee income, and prospecting costs

The group had some relief through a lower tax charge, which fell by R48m, thanks to a reduced tax charge at Amcoal as well as the fall in other net income FM 30/11/90

But the other major problem was continuing pressures in the gold mining interests In the gold sector Anglo brings to account only the dividend receipts, so the lower pay-outs have directly affected the cash position.

By last year gold's contribution to investment earnings had dwindled to 17%, compared with more than 30% a few years back, and the contribution to equity earnings had slipped to 12% On present trends, a further decline looks likely.

Other factors affecting the interim figures include a softer diamond market, weaker profits from mining financials and the stable rand In rand terms, the combined interim dividend declared by De Beers and De Beers Centenary was 5,4% higher, though the second half may be slightly better, this is clearly a much tougher year for the diamond operations

Among the mining financials, JCI paid a final of 90c, which was 20% better than the

LESS LUSTRE

Six months to	Sep 30 '89	Mar 30 '90	Sep 30 '90
Investment inc (Rm)	632	898	594
Trading inc (Rm)	279	302	226
Other income (Rm)	28	115	19
Attrib earnings (Rm)	599	908	540
Equity earnings (Rm)	1 310	1 827	1 150
Earnings (c)			
— attributable	260	391	233
— equity	568	787	496
Dividend (c)	85	240	85

FOX

FM 30/11/90 210

previous year's final dividend Minorco is now deriving more of its income from cash after the sale of its holding in Consolidated Gold Fields, and lifted its pay-out for the 1990 year by 14%.

The curbs on Anglo's cash income are reflected in a 12,7% drop in equity earnings, compared with the 10,4% fall at attributable level. A maintained interim dividend was declared with the cover narrowing from 3,1 to 2,7 times Shareholders are told that, with a difficult local economy, the slowdown in demand for exports, and a firmer rand with reduced profit margins in the gold industry results for the full year will show a similar trend to the interim figures.

That suggests attributable earnings will be down by about 5%-10% and the dividend will almost certainly be pegged At 9 250c, the share has dropped nearly 40% from the R149 high set in February. The 3,5% yield remains a better rating than the 4% average for the mining house sector *Andrew McNulty*

TOP 100 COMPANIES

Ranked by taxed profits (R000s)

No	SHARE NAME	AMOUNT
1	De Beers	4 078 000
2	Anglo American	3 104 000
3	Gencor	1 447 000
4	Sasol	1 066 464
5	Iscor	949 750
6	Barlows	859 000
7	Remgro	749 500
8	Amic	652 000
9	SA Breweries	636 400
10	Sappi	595 500
11	Johnnies	588 300
12	Rusplat	553 800
13	Samanco	537 483
14	Implats	422 700
15	CG Smith	343 400
16	Stanbic	333 200
17	FNB	329 800
18	GFSA	328 200
19	Hiveld	318 239
20	AECI	310 300
21	Amgold	308 500
22	Nedcor	287 000
23	Palamin	281 767
24	Amcoal	255 246
25	Tiger Oats	255 000
26	CGS Foods	249 000
27	Safren	245 893
28	Anglovaal	238 000
29	Malbak	233 000
30	Rand Mines	226 400
32	Engen	213 000
33	Nampak	204 500
34	AVI	196 700
35	Liberty	180 500
36	Tongaat	174 230
37	Wit Colls	163 067
38	Ass Mang	156 238
39	Sun Bop	152 328
40	M&R Hold	150 339
41	Kersaf	136 930
42	Wooltru	130 600
43	Trans-Natal	128 300
44	Fed Volks	124 018
45	Prem Group	123 144
46	Edgars	122 407
47	Genbel	119 883
48	Southern	115 200
48	Volkskas	115 200
50	Toyota	113 176
51	Sentrachem	111 700
52	Dorbyl	110 176
53	Anglo-Alpha	108 805
54	PP Cement	106 700
55	Consol	100 517
56	HLH	99 071
57	Rusfurn	93 114
58	Blue Circle	88 066
59	Distil	87 141
60	TSI	86 789
61	Rainbow	85 437
62	W&A	82 975
63	Pick 'n Pay	82 800
64	Afrox	82 471
65	Trencor	81 530
66	Haggie	77 853
67	Pepkor	73 683
68	Holdains	73 343
69	Reunert	73 300
70	CMI	70 995
71	Altech	70 502
72	FSI	64 739
73	Confram	63 681
74	D&H	62 630
75	Da Gama	60 484
76	Hunts	60 336
77	I&J	57 753
78	Argus	56 462
79	SFW	55 645
80	Foschini	55 070
81	ICS	53 459
82	Metkor	52 215
83	Romatex	52 200
84	Plateglass	51 483
85	Messina	49 945
86	McCarthy	49 927
87	Adcock	49 408
88	Elcentre	48 932
89	Fedfood	48 538
90	ABI	46 607
91	Afcol	46 561
92	CNA Gallo	45 212
93	Transun	45 089
94	Gentyre	44 174
95	Altron	43 500
96	Keeley	42 647
97	Frame	42 110
98	RIH	41 500
99	Homemaker	41 212
100	SA Drug	40 468

Anglo dwarfs the lot

St Times 2/12/90

DE BEERS and Anglo American are by far South Africa's most profitable companies.

The two hold associate stakes in each other, so there is clearly a bit of double counting. But it does not amount to much.

With JCI, Amic and SA Breweries also in the Top 10, this table serves to stress the extent to which Anglo dwarfs all others.

Under Derek Keys, SA's No 2 mining house Gencor, has done some dramatic catching up to take third position. Samancor, Impala and Sappi bring Gencor's total in the top 11 to four.

Some company chairmen will fume at this list because they will recall that their bottom line was slightly different.

That is because for most companies we have excluded from earnings previous-year adjustments, gains and losses on sales of fixed assets, investments, currency movements, all non-operating or extraordinary items and investment allowance benefits

Unfair

210

We have deviated from this rigour in regard to September reporting companies We believe it is more important to have up-to-date numbers than to wait for annual reports in order to be consistent to the nearest R1-million.

Some Barlows-controlled companies therefore have something of an unfair advantage — some, not all. Barlows itself, Nampak and Robor actually reported lower earnings this year than last.

First National also benefited from late inclusion, moving up within spitting distance of great rival Standard Bank Investment Corporation.

Nedcor was also included at the last minute, but thanks to a notional tax provision and the R29-millon loss in UAL, its earnings gain was only 12%, so it did not move much. Were it not for these things Nedcor could well have been ahead of its rivals.

COMI

New venture could boost Fralex

B Day 21/12/90

CHARLOTTE MATHEWS

THE venture by Fralex into underground mining will have a significant effect on the group's long-term profitability, although the group's short-term outlook is negative

Fralex is the holding company for materials handling company Fraser Alexander

Financial director Les Maxwell said yesterday the group's recent venture into underground mining on its own account had uncovered some deposits and feasibility studies were now being done

Fraser Alexander had mined chrome deposits in the past and it was likely to look in that direction as well as mining gold, coal and other minerals if the opportunity arose

In the group's annual report released in September Fraser Alexander chairman Peter Flack warned that a decline in activity had been experienced in several of the group's operating divisions in the preceding six months

Maxwell said this still held true

"I don't think our results will be as good as last year Certain of our markets have been affected by factors which were not as clear in September as they are now — for example, township violence has prevented getting any concrete products into the townships.

"Tenders and inquiries are now starting to come in but we are uncertain if we will be able to recapture the fall in volumes experienced in the last three months"

210

Doubled

The decline in the group's shares reflects this perception. Holding company Fralex's shares have slipped nearly 40% in the last six months from 925c in May to 560c yesterday In the five months from December 1989 to May 1990 the shares doubled from 450c and trade was frequent. At their peak the volume of shares traded was nearly 80 000 in one day

Operating company Fraser Alexander's shares closed at 950c after climbing to R13,50 in August from 760c in December

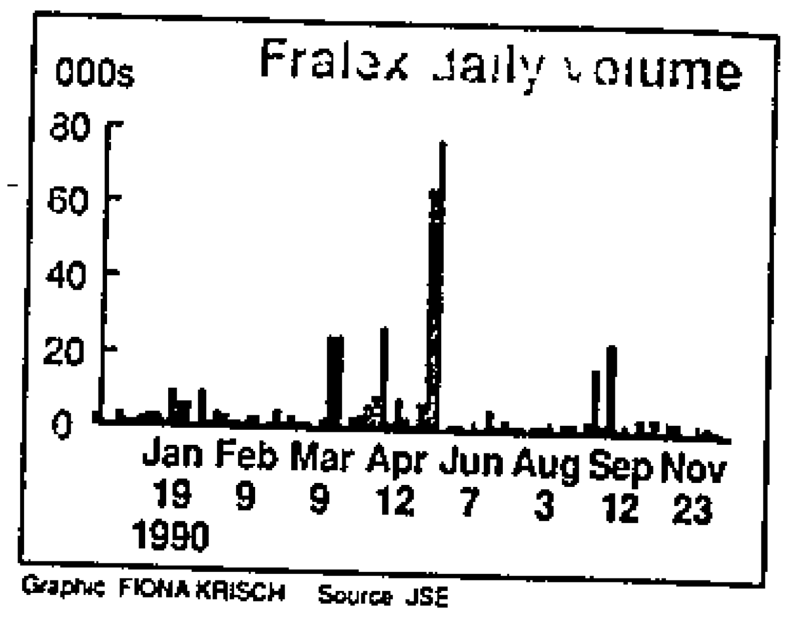
Analysts are unable to offer any conclusive explanation for the shares' movement

Fralex holds 72,9% of Fraser Alexander, whose core business is handling mining and industrial tailings

The group's five-year profit history reflects steady growth which has seen earnings climb from 37,6c a share in 1986 to 165,5c a share in the year to June 1990 In the same period total assets have risen from R46m to R142m.

Fralex shares are tightly held According to the latest annual report, directors and employees hold 34,8% of the issued share capital, pension funds, insurance companies and other corporations hold 45,2% and another 44 individuals hold 16,6%

Of the 27,1% of Fraser Alexander shares not held by Fralex, pension funds, insurance companies and other corporations hold 22,4%



Graphic FIONA KRISCH Source JSE

Maxwell said the shares tended to trade thinly as a result of this structure and the price moved sharply on small trade volumes

He believed the group's track record and expectations of continuing growth in earnings was the reason for the upward movement in the share price this year

The large volume movement in May was believed to have been primarily the result of one major institution balancing its holding in the group between Fralex and Fraser Alexander

TOP 100 COMPANIES

Ranked by taxed profits (R000s)

No	SHARE NAME	AMOUNT
1	De Beers	4 078 000
2	Anglo American	3 104 000
3	Gencor	1 447 000
4	Sasol	1 066 464
5	Iscor	949 750
6	Barlows	859 000
7	Remgro	749 500
8	Amic	652 000
9	SA Breweries	636 400
10	Sappi	595 500
11	Johnnies	588 300
12	Rusplat	553 800
13	Samanco	537 483
14	Implats	422 700
15	CG Smith	343 400
16	Stanbic	333 200
17	FNB	329 800
18	GFSA	328 200
19	Hiveld	318 239
20	AECI	310 300
21	Amgold	308 500
22	Nedcor	287 000
23	Palamin	281 767
24	Amcoal	255 246
25	Tiger Oats	255 000
26	CGS Foods	249 000
27	Safren	245 893
28	Anglovaal	238 000
29	Malbak	233 000
30	Rand Mines	226 400
32	Engen	213 000
33	Nampak	204 500
34	AVI	196 700
35	Liberty	180 500
36	Tongaat	174 230
37	Wit Colls	163 067
38	Ass Mang	156 238
39	Sun Bop	152 328
40	M&R Hold	150 339
41	Kersaf	136 930
42	Wooltru	130 600
43	Trans-Natal	128 300
44	Fed Volks	124 018
45	Prem Group	123 144
46	Edgars	122 407
47	Genbel	119 883
48	Southern	115 200
48	Volkskas	115 200
50	Toyota	113 176
51	Sentrachem	111 700
52	Dorbyl	110 176
53	Anglo-Alpha	108 805
54	PP Cement	106 700
55	Consol	100 517
56	HLH	99 071
57	Rusfurn	93 114
58	Blue Circle	88 066
59	Distil	87 141
60	TSI	86 789
61	Rainbow	85 437
62	W&A	82 975
63	Pick 'n Pay	82 800
64	Afrox	82 471
65	Trencor	81 530
66	Haggie	77 853
67	Pepkor	73 683
68	Holdains	73 343
69	Reunert	73 300
70	CMI	70 995
71	Altech	70 502
72	FSI	64 739
73	Confram	63 681
74	D&H	62 630
75	Da Gama	60 484
76	Hunts	60 336
77	I&J	57 753
78	Argus	56 462
79	SFW	55 645
80	Foschini	55 070
81	ICS	53 459
82	Metkor	52 215
83	Romatex	52 200
84	Plateglass	51 483
85	Messina	49 945
86	McCarthy	49 927
87	Adcock	49 408
88	Elcentre	48 932
89	Fedfood	48 538
90	ABI	46 607
91	Afcol	46 561
92	CNA Gallo	45 212
93	Transun	45 089
94	Gentyre	44 174
95	Altron	43 500
96	Keeley	42 647
97	Frame	42 110
98	RIH	41 500
99	Homemaker	41 212
100	SA Drug	40 468

Anglo dwarfs the lot

St Times 2/12/90

DE BEERS and Anglo American are by far South Africa's most profitable companies.

The two hold associate stakes in each other, so there is clearly a bit of double counting. But it does not amount to much.

With JCI, Amic and SA Breweries also in the Top 10, this table serves to stress the extent to which Anglo dwarfs all others.

Under Derek Keys, SA's No 2 mining house Gencor, has done some dramatic catching up to take third position. Samancor, Impala and Sappi bring Gencor's total in the top 11 to four.

Some company chairmen will fume at this list because they will recall that their bottom line was slightly different.

That is because for most companies we have excluded from earnings previous-year adjustments, gains and losses on sales of fixed assets, investments, currency movements, all non-operating or extraordinary items and investment allowance benefits.

Unfair

210

We have deviated from this rigour in regard to September reporting companies. We believe it is more important to have up-to-date numbers than to wait for annual reports in order to be consistent to the nearest R1-million.

Some Barlows-controlled companies therefore have something of an unfair advantage — some, not all. Barlows itself, Nampak and Robor actually reported lower earnings this year than last.

First National also benefited from late inclusion, moving up within spitting distance of great rival Standard Bank Investment Corporation.

Nedcor was also included at the last minute, but thanks to a notional tax provision and the R29-millon loss in UAL, its earnings gain was only 12%, so it did not move much. Were it not for these things Nedcor could well have been ahead of its rivals.

Gencor scores high

Sowetan 6/12/90

An analysis of the Gencor annual report which was released this week shows how cash-rich the group is.

The group generated net cash of R954-million from its operations during the year ending August 31 and after distributions to shareholders, retained R580-million in cash.

The year under review saw a further improvement in Gencor's already strong financial position. While net cash and money market assets declined by R290-million, this was accompanied by R222-million loan repayments, as well as a R258-million increase in the total value of surplus funds invested in listed shares.

Gencor's surplus funds at the year-end were valued at R1 675-million of which R1 028-million was represented by net cash and money market assets and R647-million by listed share investments.

210

Assets

At the year-end Gencor held over R1-billion of its R16,2-billion assets in cash alone, balances that generated attractive returns for the company.

The report shows that while Gencor held over R1-billion in cash which earned a rich harvest, nine percent of its assets did not contribute to the past year's income.

Mines 'won't buy safety device'

210

By Brendan Templeton

Lives are needlessly lost every year on some Anglo American mines because managers refuse to buy specially designed mud-rush control chutes, according to the man who manufactures the device.

Tony Cremen claims that some Anglo managers have blacklisted his product and are conducting a vendetta against him.

Anglo American has denied the accusations and said Cremen chutes were only installed where necessary It has held a top-level meeting with Mr Cremen

Mud-rushes in mines occur when water combines with sand and ore falling down an ore pass The resultant mud separates from the rock and hurtles down the passage at a speed capable of filling an average bedroom in seconds.

Mr Cremen says normal chutes in operation at some Anglo mines are incapable of handling mud-rushes

This does not happen with his device because it has an in-built safety feature which automatically closes the chute when a rush occurs, he says

Managers contacted at mines which use the chute confirmed that the device was effective

Mr Cremen approached The Star after three miners were killed in a mud-rush at Anglo's Freegold Western Holdings mine recently He claimed his chute could have prevented the deaths

Anglo spokesman Adrian du Plessis said allegations that lives could have been saved at Western Holdings had the Cremen chute been installed were very serious, and unproven The deaths were still under investigation, he added.

Mr Cremen claimed that certain Anglo mine managers, especially in the Free State, had blacklisted him because he prevented them from infringing on his patent rights a few years ago.

He produced an Anglo document which recommended in 1986 that the Cremen chute be installed once its capabilities "were proven"

Its effectiveness was subsequently confirmed beyond doubt: it won two design awards, and held fast in more than 50 mud-rushes in different mines, he said

Anglo has denied that Mr Cremen was blacklisted or that his chute was recommended "as a standard" on its gold mines

Chutes, including the Cremen chute, were installed according to specification because ore-passes varied in size and design, Mr du Plessis said

Gencor unbundling issue 'unresolved'

210

Business Day Reporters

GENCOR'S unbundling was still under consideration though a task force's report on the issue had not presented startlingly compelling arguments either for or against the idea, Gencor's executive chairman Derek Keys said in London yesterday.

Speaking to a group of British fund managers and investment analysts, he said: "It is clear that the issue needs a lot more thought and our executives have now gone away to think about the implications of unbundling for the Gencor group."

Asked whether the examination of unbundling Gencor had been provoked by political posturing, Keys said definitely not. "My responsiblity as executive chairman of this group is to ensure that the group is correctly valued.

"If the Gencor share price stands at a 33% discount to its net asset value as it was last week, it means shareholders are being denied R5,4bn of their real wealth. This surely is an issue that deserves our keenest attention?" B/Day 14/12/90

JOHN CAVILL reports Keys also said another factor behind the unbundling idea was that "within the SA environment large organisations are not particularly popular. Nor are they popular with the general public either."

Analysts said they understood this to refer to the ANC and the government and that it appeared to contradict the Press statement claim that the proposal had "definitely not" been provoked by political posturing

GENCOR

FM 14/12/90

A BROADER PORTFOLIO

(210)

Activities: *Mining house with interests in gold, platinum, base metals and minerals, coal, forest products, industry, oil and gas, and mining finance and investment*
Control: *Gencor Beherend 54,8%. Sanlam holds 50%, and Rembrandt more than 25%, of Gencor Beherend.*
Chairman: *D L Keys.*
Capital structure: *1 176m ords Market capitalisation· R11bn*
Share market: *Price. 935c Yields 4,3% on dividend, 13,2% on earnings, p·e ratio, 7,6, cover, 3,1. 12-month high, 1 375c; low, 795c Trading volume last quarter, 6,3m shares.*

Year to Aug	*'87	†'88	'89	'90
Investments ..				
Book value (Rbn) .	2,59	3,73	5,08	5,85
Market value (Rbn)	7,41	7,99	13,16	16,54
Earnings (Rm) .	655	720	1 051	1 447
Earnings (c) .	66,9	73,5	105,5	123
Dividends (c) . ..	25	27	34	40
Net worth (c)	862	819	1 211	1 376

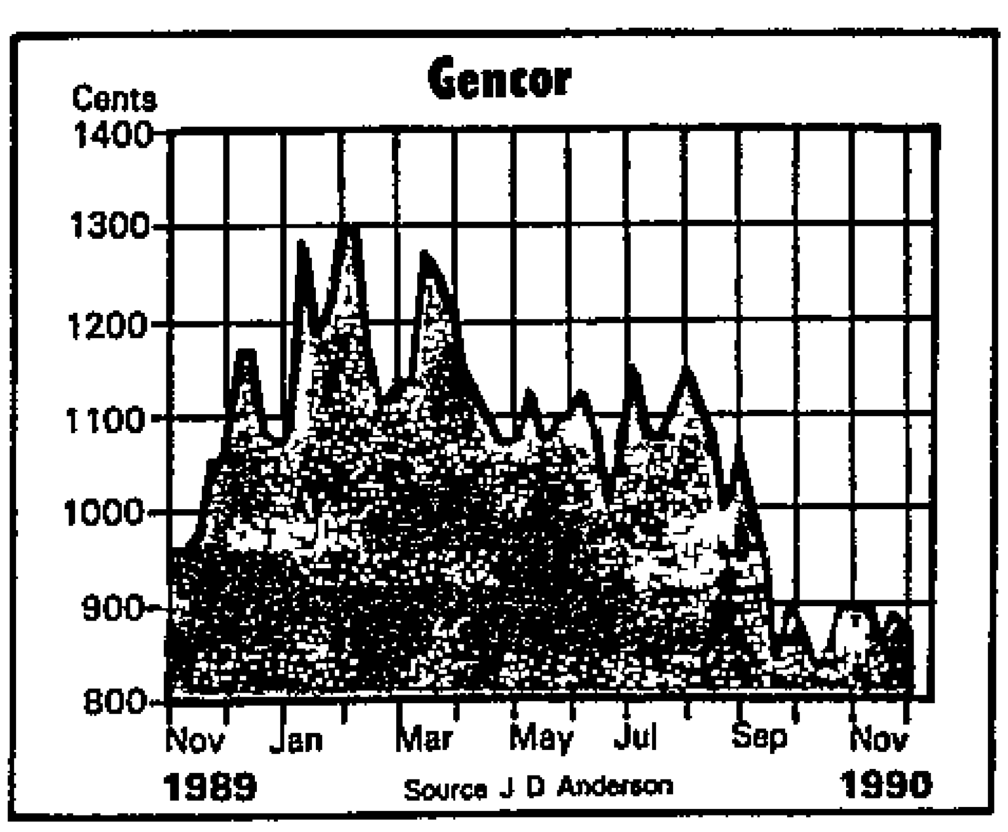
• Year ended Dec 31 † Pro-forma figures.

Like most groups with large exposure to export markets, Gencor will have to deal this year with more difficult conditions, at home and abroad. Thanks to groundwork laid over several years, in the subsidiaries and at the centre, the house should cope better than many others.

All the significant businesses now have sound and active management teams and it would be difficult to pinpoint areas of real weakness attributable to management rather than markets. Gencor has grabbed opportunities and broadened its portfolio. Whereas a year ago about half of group earnings came from Samancor and Sappi, in financial 1990 major contributors included: Samancor (16%), Sappi (16%), Genbel (29%) and Engen (14%). And the group has entered the downturn with financial strength, including a year-end cash balance of R1bn.

More building blocks were put into place last year. Most notable was the creation of Engen, which has confirmed it will spend R670m in what is seen as the first stage of a capital programme likely to exceed R1,2bn. As Gencor chairman Derek Keys says, Engen not only blossomed, through its listing, into the group's biggest single investment, but bore fruit to the extent of a maiden contribution of some R200m to the bottom line He expects this performance will be improved upon this year.

Gencor's Keys .. *Engen blossomed*



The pace of Engen's expansion will influence the deployment of Gencor's funds. Engen's long-term strategy includes doubling capacity of the Genref refinery. Phase one should be funded internally, but the next stage will probably include a call on shareholders The process is also likely to involve a reduction in Gencor's present 84% interest in Engen.

Trans-Natal completed its recovery, with its earnings contribution doubling to R73m Near-term profit growth will be restrained by Eskom closures as well as weak export markets. Meanwhile, the coal producer is lifting export capacity, and plans to spend more than R1bn over the next five years, funded internally. It is contributing to the proposed Moatize project in Mozambique, whose total cost could be US$1,5bn. An investment decision is not expected before the mid-Nineties.

Though manganese income should rise, Samancor predicts lower profit this year unless ferrochrome prices rise sharply. Negotiations with the Taiwanese partner for the R1,5bn-odd Columbus stainless steel project have been suspended and management is pursuing alternative options.

Earnings from metals and minerals other than Samancor rose from R77m to R119m, derived mainly from 25%-held Richards Bay Minerals (RBM) and 30%-held Alusaf. RBM is expanding production of titanium slag to 1Mt/year, at a cost of R925m. The environmental impact assessment relating to St Lucia area should be completed during the current year. Alusaf is investigating new projects, particularly the hooding of all pots and conversion of potlines B and C to prebaked anodes, for about R330m. It may be listed within three years

As expected, weaker pulp and paper markets depressed Sappi's earnings contribution, and another reduction is expected. The group continues to bolster its position in international markets, and 1990 saw the purchase of five fine paper mills in the UK.

Profit margins will probably remain depressed in the gold division, though benefits of active management should increasingly be felt. Steps taken to keep the gold producers in the black included shrinkage of unpayable mining operations, an improvement in grade and reduction of 9 618 employees. Oryx should be in full production by end-1993, but needs additional funds and a rights issue is being considered for 1991.

Impala will have to finalise arrangements this year for its expansion. Last year saw the Karee/Western Platinum merger, re-negotiation of the General Motors contract on terms more favourable to Impala, acquisition of Messina's platinum reserves and the arrangement with the Bafokeng tribe to enable mining of the Deeps — all of which should underpin the share's rating. Weakness in the platinum price and fears of oversupply have pushed the price down, but Impala is better placed for a rights issue than a few years ago.

Malbak, largely dependent on the local economy, is also looking forward to an earnings decline, though the dividend should be maintained. Genbel, one of the house's best

EARNINGS SOURCES

Year to August 31	1989	1990
	Rm	
Gold ..	154	157
Platinum	91	91
Coal .	36	73
Metals & minerals	398	370
International & other	40	37
Exploration	(95)	(97)
Corporate .	(57)	(39)
Genmin	567	592
Sappi	276	240
Malbak	145	116
Engen	(29)	203
Genbel & investments	191	414
	1 150	1 565
Corporate .	(23)	(26)
Financing costs	(76)	(92)
Gencor .	1 051	1 447

P.T.O.

COMPANIES

FIM 14/12/90 (210)

performers in 1990, predicts slower growth, with interest receipts set to fall.

Most mining financials have been rerated downwards and Gencor's share price trades at nearly a third below the 12-month high. At 935c, the 4,3% yield is in line with the average for the mining house sector, while the discount to net worth has returned to former levels of around 20% — suggesting investor scepticism about "unbundling" prospects, as well as caution on the 1991 earnings outlook

Still, the house should produce a dividend increase of at least 5%-7%. The quality of the investments continues to improve and the share offers attractions for those who want an investment in a broadly based portfolio of commodities *Andrew McNulty*

THAT'S RIGHT . a smiling Dr Mangosutho Buthelezi seems to approve of Minister Adriaan Vlok's message to reporters at Thokoza

A walk on the WILD SIDE

S/Times 16/12/90

DOMINIC JONES goes on peace safari with Mandela

IT started with tea and scones at the South African Council of Churches' offices in Marshall Street, Johannesburg — and ended in much the same way

ANC deputy president Nelson Mandela, decked in a dayglo green shirt, offered ritual handshakes and leathery smiles as the who's who of left-wing politics filed three by three into Khotso House.

But the man whose hand would have added meaning to an otherwise generally meaningless day, was conspicuous by his absence. Inkatha leader Dr Mangosothu Buthelezi was too busy to join the SACC's peace safari to the East Rand killing fields on Wednesday

Instead, he and Law and Order Minister Adriaan Vlok took an early-morning helicopter ride to the war-ravaged townships, adding fuel to the fire of those who increasingly complain of collaboration between Inkatha and the SAP

The SACC's general secretary, the Reverend Frank Chikane, was disappointed that the chief minister could not make his tour two hours later.

Invitations had been sent out four days before, by fax, and a perplexed Mr Chikane told guests over a cup of Ceylon's finest that he was sure "everyone" must have received the invitations by Monday morning at the latest

TRUTH

In the end, Dr Buthelezi indicated he could not join the tour "at such short notice". His visit with Mr Vlok may have been "an old plan he couldn't change", said Mr Chikane.

But that was not the case Law and Order spokesman Captain Craig Kotze told the Sunday Times that Mr Vlok and Dr Buthelezi planned their trip only the "previous evening".

So Mr Chikane and his 60-strong party set off sadly to stop the fighting and seek the truth about the week's township toll without the chief minister

At Zonk'izizwe — the largest squatter camp on the Reef — things were unusually quiet.

The peace corps alighted from the air-conditioned coach and milled around uncertainly They chatted among themselves and nodded sagely as Dr Allan Boesak explained that he was there neither as churchman or politician, but in response to a beckoning from God

Mr Mandela and mother-of-the-nation Winnie did not leave their car Instead, they dispensed Charles-and-Di-like smiles and waves to the adoring throng staring into their fish bowl

Then the tour guide ordered everyone back into the bus. A journalist tried to explain that she had it wrong and that the second bus had not yet even arrived

But she was having none of it and bus No 1 set off solo in the direction of Phola Park, its occupants none the wiser about the death and terror that stalk the sprawling shanty community near Heidelberg

Phola Park, the squatter camp that has taken root beside the Alberton township of Thokoza, was still mourning the deaths of 13 people killed the day before.

Had Mr and Mrs Mandela braved the obstacle course, they would have come to a halt at a muddy junction and looked across a water-filled trench at the burnt-out ruins of a shack.

"We have found someone who lived in one of the shacks, maybe we should ask him to tell us what happened," said Mr Chikane, fighting to be heard above the sudden din of cameramen's feet on sheets of corrugated iron as they fought for the best angle to make the nightly TV news

A young man said he was the first person to be shot in the 8am attack.

"It was a blue kombi The attackers opened fire at random. A white man got out of the kombi and started firing wildly into the rows of shacks and scattered men, women and children," he intoned

A wave of toyi-toying, banner-waving supporters made a sudden, loud appearance, signalling that Madiba had decided to leave his car after all and do some fact-finding of his own.

As the TV crews jostled for position a few minutes of chaos ensued, but eventually, the delegation moved back to the centre of the camp where about 1 000 residents were chanting "ANC, ANC" and responding vigorously to Mr Mandela's clenched-fist salutes

It took the affable Mr Chikane some 15 minutes to gain their attention, but no sooner had the speeches started than they had to stop The roofs of two shacks chose this moment to collapse under the weight of enthusiastic youths who had sought a better vantage point

The next leg of the tour — which was fast becoming reminiscent of the annual Bob Hope roadshow to whatever war zone GIs happen to find themselves in at Christmas — was Thokoza

Scores of ANC supporters lined the streets leading to Hostel No 1 — Inkatha territory The Zulu stronghold was deliberately included in the itinerary to allow the group to get both sides of the war story.

SURVIVORS

But the Zulus were in no mood for talking. The convoy was stopped by a group of placard-bearing Inkatha members shouting: "Go back! Go back, it is the ANC and the church that is killing us"

SA Communist Party secretary-general Joe Slovo shook his head in disbelief and the caravan rolled on

The final stop was Natalspruit hospital, where Mr Mandela had a 45-minute chat with superintendents before entering the ward of the wounded

He spoke softly to the survivors, took the hand of a taxi-driver swathed in bandages and wished him a speedy recovery.

At another bed, Mrs Mandela whispered to a young man lying motionless on his side A nurse said the man was too heavily sedated to hear and she moved on

So Nelson Mandela went east in the hope of bringing peace and returned with little more than the hope of another — and by now much-needed — cup of tea

And Chief Buthelezi missed out on the feather-light scones that were waiting at Khotso House as the tour de farce came to an end

Gencor/Lohnro merger denied

210

Business Day Reporter

GENCOR executive chairman Derek Keys yesterday denied a London Sunday Telegraph report on a possible merger between the SA group and international conglomerate Lonrho. B Day 11 12 90

Keys, who is visiting London, said in a statement issued in Johannesburg "Gencor is not considering merging with Lonrho. At divisional level there are discussions from time to time aimed at possible synergies between businesses in the two groups."

The Sunday Telegraph report by Bill Jamieson said Lonrho chief executive Tiny Rowland was "pondering" a merger with Gencor, which would create one of the world's largest mining, precious metals, farming and industrial groups. It would have a market value of close to £4bn.

Jamieson said the idea had been discussed "in initial outline" between Rowland and Keys, though talks had not yet been held on details.

"A draft of the merger, prepared in Johannesburg in the late autumn, is understood to be under consideration at Lonrho. It proposes a share offer by Lonrho, priced on the Johannesburg Stock Exchange at R10,8bn (£2,2bn) against Lonrho's £1,3bn."

● See Page 3

Price inflation, high costs hit mineral exports

B Day 17/12/90

MARC HASENFUSS

RISING costs and price inflation had weakened the international competitiveness of SA's mineral exporting industry in 1990 compared with 1989, the latest Mineral Bureau (MB) Bulletin says.

During 1990 the SA mining industry's Producer Price Index (PPI) increased by 12,5% against 7,2% in Australia, 5,4% in Canada and 4,5% in the US.

SA's Wholesaler Price Index (WPI) for the year was projected at 13,7%, compared with 7,1% for Australia, 3,9% and 1,9% for the US and Canada.

The MB reports the negative impact of the PPI and WPI rise on the mineral industry's competitiveness was only fractionally softened by a 1% decline in the effective rand exchange rate in 1990.

The rand exchange rate dropped by an average 12,4% over the last five years, against an average fall of 3,5% for Australia and an annual strengthening of the Canadian dollar (0,28%) and US dollar (0,06%). 210

The MB said it was imperative that costs and price inflation be contained so that the mineral industry remain competitive on international markets.

Envisaged R20bn for Gencor's growth 'may create 33 000 jobs'

Business Day Reporter

CAPITAL expenditure of the Gencor group over the next few years could amount to R20bn and involve the creation of 33 000 new jobs if its expansion plans reached fruition, Gencor executive chairman Derek Keys said in London on Friday.

Addressing a group of investors and analysts, he said there were a number of exciting projects in the pipeline

The final go-ahead on the projects and their financing would, however, depend on the state of demand for the products and the condition of the markets which Gencor would use for funding.

Partners

Keys said that while Gencor had the funds available for all the projects to which it was committed, mining finance houses traditionally did not finance 100% of each project.

"We work in conjunction with our partners and other shareholders in these projects and they would obviously provide their portion of the financing."

Examples of possible expansions, Keys said, were Gengold's plans which could involve expenditure of about R7bn and the creation of 11 000 new jobs in the next few years. It was already establishing two new mines, Oryx and Weltevreden, and expanding three of its existing mines — Winkelhaak, Kinross and Beatrix.

Engen, the integrated fuels company, had already announced plans to materially increase the capacity of its Genref refinery in Durban, the first phase of the expansion would cost around R670m. Keyes said this would further strengthen Engen's role as an important regional player.

"The company's shares are highly rated and in strong demand — in financing its expansion we may allow our shareholding to fall"

Keys said the Columbus stainless steel project — a 50/50 venture between Samancor and Highveld — could involve a total expenditure of R2,6bn for the hot mill to be set up in SA and about R900m for the cold roll mill at a location yet to be determined. "If the Columbus project gets the green light the Gencor group will end up with an effective 22% of the project. It could eventually lead to the creation of some 1 200 new job opportunities."

Impala's planned capex for the Impala 14 shaft, the Deeps shaft, for UG2 growth and for the Messina expansion amounted to about R2,3bn. These projects could well generate more than 17 000 new jobs.

Papermaker Sappi had more than R1bn in possible expansion projects in the pipeline at its Saiccor, Enstra and Tugela mills.

Keys said Gencor's mission was to start or acquire major business ventures and to accelerate the development of its existing businesses.

"From these numbers you will see that we are prepared to put our money where our mouth is."

2.10

BD 17/12/90

Bearish view of the mining sector

B Day 17/12/90 (210)

LIZ ROUSE

THE outlook for the industrial equity market appears reasonable, especially in the second half of 1991, but brokers are taking a bearish view of the mining sector.

The mining market will be neutral to down, says Derek Esterhuizen of George Huysshamer & Partners Inc, who are a shade bearish on mining producers and expect that mining houses will not be fully protected by their diverse holdings.

With the mining sector closed to cash-flush institutions, they could turn to the industrial market as interest rates decline. However, they would have to bid higher to find scarce scrip.

Another broker said that institutions were unlikely to chase scrip while they could earn real returns on cash holdings.

He said corporate results would continue to be disappointing in the first half of 1991. He foresaw a quickening of interest in industrials in the second half of the year — provided the gold price did not deteriorate.

Gold remained the wild card. Given an early resolution to the Gulf crisis, investors could see gold weakening further.

Industrial shares appear to have reacted too quickly and too sharply and the industrial market might see a consolidation in January and February, said John Liackman of Frankel Max Pollak Vinderine.

The market might well wait on the Budget. However, he foresaw a good bull run in the bond market with long-date stocks possibly down to 14,5%, which would make equities look more attractive.

In general, Liackman said, he was not too optimistic about the industrial market although the banking and consumer sectors should remain steady. He was cautious about the length of the recession, which could run into the third quarter of 1991.

Liackman was very bearish on gold stocks He said that, although other metals and commodities might well turn up in the latter part of 1991 as world recession faded, any action on the gold front was likely to be waves of more selling.

There was a possibility of rallies in the gold price but it was now perceived that gold shares were high risk stocks

A less pessimistic view on gold was taken by Lloyd Pengilly of Martin & Co. He said forward selling by producers, especially the US and Australia, might dry up or the gold price could reach the level where they would have to cover positions.

Pengilly said the metal appeared to be stuck in the \$360-\$400 range at present but he did not rule out a price rise at some stage in 1991. Prices needed to come down more before investors could be lured by cheap prices.

Martin & Co brokers were taking a more optimistic view about industrials, based on excessive institutional liquidity, expectations of lower interest rates and the fact that there had been few sellers.

Lonrho, Gencor in merger talks

Star 17/12/90 (210)

LONDON — Lonrho, the international trading company built up by Roland "Tiny" Rowland, is in merger talks with Gencor.

Mr Rowland, who was preparing to leave for Africa on business, confirmed yesterday that talks were taking place.

"If it suits Gencor we will be merging. Lonrho will be taking over Gencor if it happens," he said.

Talks have been in progress, according to Mr Rowland, Lonrho's chief executive, for a year. It is believed if the merger did proceed it would be carried out through the issue of shares by Lonrho in exchange for Gencor shares.

However Gerncor chairman Derek Keys would only comment that "from time to time there were discussions aimed at possible synergies between businesses in the two groups".

Last week in London Mr Keys met a group of high level investors and analysts and told them there were a number of exciting projects in the pipeline for Gencor.

"Developing new projects or expanding our existing businesses will also involve the creation of new employment opportunities.

"We estimate that up to 33 000 new jobs could be created throughout the Gencor group."

He added: "My responsibility as executive chairman of this group is to ensure that the group is correctly valued. If the Gencor share price now stands at a 33 percent discount to its net asset value as it was last week, it means shareholders are being denied R5,4 billion of their real wealth This surely is an issue that deserves our keenest attention."

If the merger goes through it would strengthen Lonrho's management which is dominated by Mr Rowland, who is now in his seventies.
— Independent News Service.

Lonrho 'searching for a big brother'

Star 18/12/90.

210

Tiny Rowland ... annual income £1,3 million.

By Derek Tommey

Shares of Lonrho, boosted last week by speculation of a possible merger with the giant South African mining house Gencor, dropped 60c yesterday to 1400c.

This followed the denial by Gencor's chairman, Mr Derek Keys, that the group was considering a merger with Lonrho.

However, Mr Keys said that certain divisions of the two groups did hold discussions from time to time aimed at possibly synergies.

This negative response from Gencor after Lonrho's chief executive, Mr Tiny Rowland, said merger talks had taken place looks distinctly odd

But one possible explanation is that Mr Rowland is looking for a big brother for Lonrho to help it out in what could be a difficult time in the next year or so And it could be that he sees Gencor in this role

With the political climate in sub-Saharan Africa changing in South Africa's favour, Mr Rowland may see a merger with Gencor, or for that matter, with any other South African mining and investment house, as being most beneficial for Lonrho

Lonrho has a wide spread of activities, many in Africa. But a number of them of them could have been hurt by current economic conditions

The drop in the platinum price will have affected operations at Western Platinum, the higher oil price and the move towards a world-wide recession will have taken their toll on Lonrho's huge motor trading business and also on its important hotel business, and the drop in commodity prices is weakening the economies of the African states in which it extensively trades.

High interest

In addition, its 55 percent net debt/equity ratio at the time of its last balance sheet 15 months ago when interest rates were lower than they are now, suggests that interest payments could also be depressing Lonrho's earnings.

The 36 percent slump in Lonrho's share price between July and November, in fact, tends to confirm the view that Lonrho is expected to report fairly poor results for the year ended September when these are issued next month.

In this situtio Mr Rowland might well welcome a big brother who could help the company through the expected difficult times.

For Lonrho does not have any large institutional investors who might be prepared to invest more money in it to safeguard an existing stake. A year ago Lonrho's largest shareholder was the Australian, Mr Alan Bond He held about 19 percent of the company but he is no longer in a position to follow up this investment.

The next largest shareholder is Mr Rowland himself with a 15,3 percent stake. The balance of the shares are held mainly by small investors.

A further factor which could be causing Mr Rowland to link up with Gencor is that Lonrho is virtually a one-man-show and he is no longer young He is facing the same problem as all successful entrepreneurs have when choosing a successor.

Lonrho's interests in Africa could also have frustrated attempts to seek friends in the Northern Hemisphere There is little enthusiasm in Europe or America these days for investing in Africa.

But South Africans see Africa differently What others see as a problem, they see as an opportunity

Because of this it would seem that if Lonrho is to continue to be active in Africa after Mr Rowland has relinquished control, it will need to be run from Johannesburg and not from London.

Gencor is likely to see things rather differently. While it obviously will continue to co-operate with Lonrho in the platinum field, and may see some synergy in linking the two companies' oil interests, there seems no other areas where it would benefit from a closer link with Lonrho.

So the denial of a merger with Lonrho would not seem to be a matter of Mr Keys playing hard to get. Rather, it would appear that Lonrho has little to offer Gencor.

B Day 19/12/90

CMI boosts Dabi's profit

210 PETER GALLI

MINING investment company DAB Investments (Dabi), a JCI subsidiary, posted a 29% rise in attributable profit to R2,78m (R2,15m) for the six months to end-December.

A JCI spokesman said this increase was due to the receipt of Consolidated Metallurgical Industries' (CMI's) final dividend for its 1990 financial year during this period

CMI, in which Dabi has a 4,4% holding, had changed its dividend declaration date to July from June and, as a result, this income was included in Dabi's results to end-December.

Income from this source was R0,85m or 18,7c a share higher than for the corresponding period last year

The spokesman said little growth was expected in Dabi's portfolio, with most of the companies at best likely to maintain dividends

Receiver wins bonus from mining firms' big tax rise

B Day 20/12/90 (210)

GILLIAN HAYNE

TAX payments by mining companies other than gold mines rose 106,4% in the first six months of the fiscal year, defying the 10,8% decline budgeted by government in March, the latest Reserve Bank Quarterly Bulletin reports.

Some analysts felt the discrepancy was "another typical Reserve Bank budgetary faux pas".

However, KPMG Aiken & Peat partner Alister MacKenzie said the difference was a combination of unpredictable timing structures and the periods when provisional payments were made.

"Although the figures are accurate the results they reflect are fortuitous. With such a mixed bag of inputs, half-year figures are not accurate indications of the long-term trends."

All non-gold mining companies were required to make three provisional tax payments a year — the timing of which was dependent on the companies' tax years — and the deadline months would obviously register far greater tax payments than others.

Similarly, other tax payments were reliant on the companies' order books, he said.

In June of the 1991 fiscal year Revenue collected R752,6m compared with R401,5m for the same period last year. These compared with the "lean" months which saw Revenue pay out R7m in refunds in May, R1,6m in July and R2,6m in August.

Revenue confirmed that a total of R1bn was received for the first six months of the 1991 fiscal year compared with R522m for the same period in 1990.

Many mining houses, in their quarterly reviews, include the caveat that there are huge fluctuations within the quarters which do not necessarily reflect the trend for the year.

Price Waterhouse partner Chris Frame said the discrepancy indicated a lag between government's premature recession predictions and the companies' experiences. "Last year government was trying to decelerate the economy without success and was forecasting a gloomy year. Companies were still doing well in the first six months, which government would not accept," he said.

'ANIES

Net asset discounts can hit investors — analysts

B Day 21/12/90

NEIL YORKE-SMITH

THE discounts to net asset value at which shares in Anglo American and Gencor trade can represent billions in forfeited shareholder wealth and prejudice long-term investors, say analysts.

Shares in Anglo American and Gencor trade at discounts of about 30% to net asset value while comparable conglomerates like Anglovaal appear to trade at very close to stated net asset value

210

Maximise

Analysts attribute the discounts to a shortage of available scrip, perceived quality of management, dividend policies, corporate structures and the difficulty in evaluating unlisted investments

Gencor, SA's second biggest mining group, recently announced it was studying the possibility of "unbundling" its diverse interests in an attempt to reduce the discount and maximise shareholders wealth

"Investors prefer investing directly in operating companies — they feel management is more hands-on and capital is better utilised," an analyst said

The question arises as to why the discounts vary so much from company to company

A Frankel Max Pollak Vinderine analyst said investors were avoiding conglomerates with big exposures to gold operations

"Holding companies that rely largely on dividends from gold businesses are unlikely to gain favour in the short term"

Gold represented 33% of Gencor income and 20% of assets last year At Anglo gold accounted for 34% of investment and 17% of equity earnings.

Anglo's net asset value is about 13 300c a share but the shares have traded below 9 500c this week.

Given the bleak long-term outlook for gold and the 42% discount to net asset value at which Anglos have traded at in the past the shares could go lower, say analysts

By contrast Anglovaal's exposure to gold is small. Its industrial operations produced 54% of earnings and the group is rapidly expanding into financial services — further reducing its reliance on the metal.

But stated asset values are often deceptive. For example Anglovaal's interest in Anglovaal Industries (AVI) is probably worth far more than book value, analysts say

BARLOW RAND FM 21|12|90 (210)

ANOTHER TOUGH YEAR

Activities: *Mining, mineral beneficiation, manufacturing, distribution, food, pharmaceuticals and property.*
Control: *Old Mutual 34%; Sanlam 7,2%.*
Chairman: *A M Rosholt, vice-chairman and CE· W A M Clewlow*
Capital structure: *185,5m ords; 375 000 6% cum prefs Market capitalisation: R6,86bn.*
Share market: *Price· 3 700c. Yields· 4,6% on dividend; 12,5% on earnings; p:e ratio, 8,0, cover, 2,7. 12-month high, 5 475c; low, 2 975c. Trading volume last quarter, 2,7m shares.*

Year to Sep	'87	'88	'89	'90
ST debt (Rbn)	0,73	1,09	1,38	1,49
LT debt (Rbn)	1,68	1,89	1,80	2,39
Debt·equity ratio	0,26	0,32	0,36	0,40
Shareholders' interest	0,46	0,42	0,43	0,43
Int & leasing cover	8,5	21	9,8	6,8
Return on equity (%)	16,4	22,9	31,1	23,7
Turnover (Rbn)	16,5	21,2	26,4	29,1
Pre-int profit (Rbn)	1,42	2,02	2,70	2,48
Pre-int margin (%)	8,6	9,6	10,2	8,5
Earnings (c)	297,3	408,2	543,8	463,7
Dividends (c)	100	130	170	170
Net worth (c)	1 810	1 784	1 747	1 955

Barlow Rand's 14% earnings decline in financial 1990 was a better result than the market had expected, and the share price gained about R8 after release of the figures. The group thus showed resilience when demand withered in most markets at home and abroad

Sliding commodity prices bloodied the earnings from two major divisions — mining, and ferro-alloys and stainless steel — which together contributed 39% of 1989's attributable profit; in 1990 their total contribution buckled to 26%. The collapse at Middelburg Steel & Alloys (MS&A) wiped R164m off Barlow's 1989 bottom-line profit of R1bn.

Chairman designate Warren Clewlow says the extensive capital programme at MS&A has been completed and it is expected the company will, when better market conditions return, perform at a level that will justify the expansion. He adds that MS&A operates in highly cyclical international markets and Barlow is examining ways of reducing the effect of this company's cyclicality on its performance.

Barlow Rand's Clewlow ... *patience did not help*

Barlow has made various changes to its structure in recent years, including several delistings, and the wholly owned portion of the portfolio expanded considerably. Though benefits were felt in the upswing, the 100% subsidiaries include some particularly cyclical companies — MS&A as well as such interests as the building materials, steel and paint division.

The effective stake in Tiger Oats — long one of most successful and consistent performers — is only 26%. That the 1990 attributable profit contribution from food and pharmaceuticals was only 14%, partly reflects the financially inefficient control structure through C G Smith and C G Smith Foods. A leaner structure for Barlow cannot be delayed indefinitely.

The worst is not yet over for mining and MS&A. The latter's outlook for the coming year is described as particularly bleak, given the uncertain state of world markets, the ferrochrome oversupply and the weakening SA economy. While Rand Mines is gaining from higher coal offtake at certain Eskom power stations and the increased share in Middelburg Mine, the coal export market remains stodgy and the mining house is meeting difficulties in most other areas. Its 1991 taxed profit could be "well down"

Rand Mines has been a useful source of cash but the mining house itself has stagnated It has failed to diversify its mining operations effectively, and, as Barlow's mining arm, has been unable to follow other mining houses in investing outside the mining industry

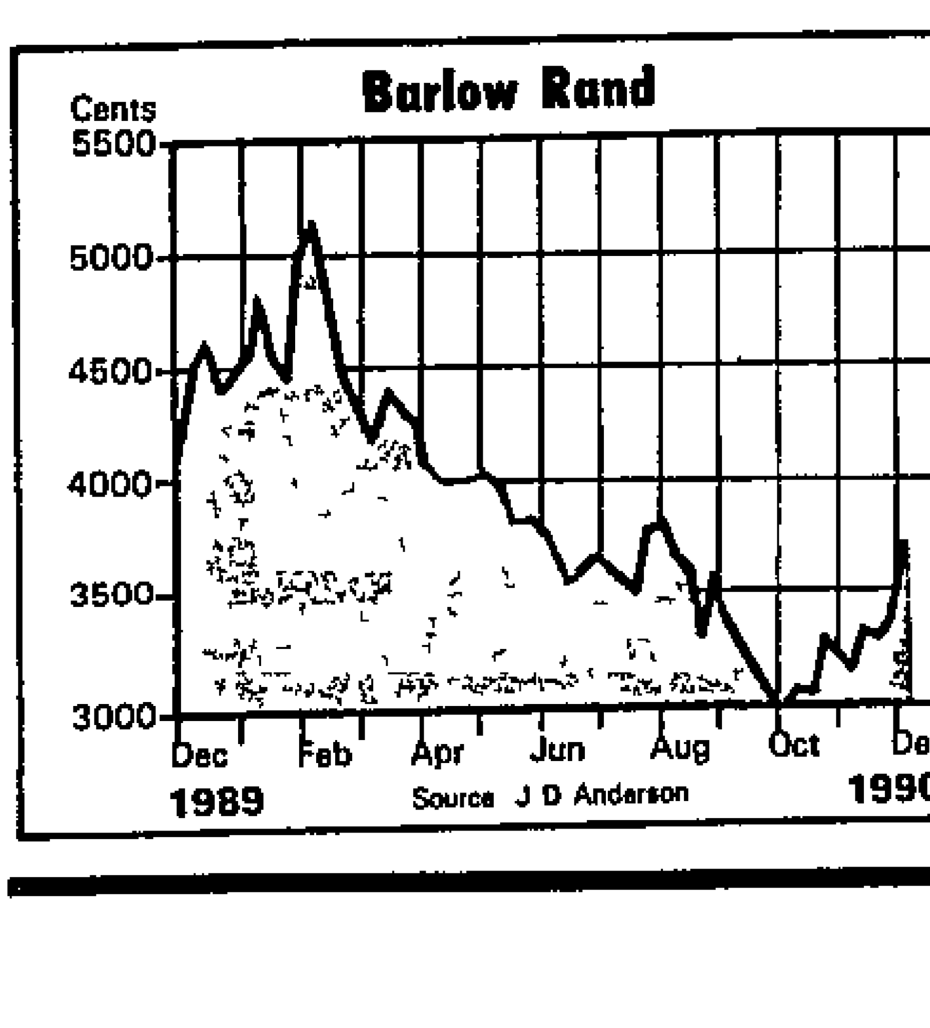
Clewlow admits that, taking a long-term view and exercising patience with respect to the marginal gold mines, has not helped Rand Mines. Prospects for the mining division in its present form and under present world precious metal and commodity market conditions, he says, are not favourable. The entire asset portfolio of Rand Mines is being reviewed and its cash position will be strengthened by disposal of under-performing assets and non-core businesses.

In contrast, steady or improved profit is forecast for most of Barlow's other major divisions. The industrial division, which provided 30% of attributable profit, is expecting a reasonable advance from electronics and electrical engineering, a return to growth in information technology, an earnings increase in line with inflation from earthmoving equipment, motor and appliances, and marginal improvement from building materials, steel and paint.

After an earnings decline last year, the packaging and textiles division is expecting some recovery, partly due to capital projects coming on stream. Better earnings are also expected from food and pharmaceuticals; management reckons these businesses are generally running well and there are still many opportunities for expansion and increased profitability.

After several sluggish years, J Bibby Plc woke up and lifted its sterling after-tax profit by 23%, a 27% advance in rand terms. It made several acquisitions and expresses confidence for the future — though a similar surge is unlikely in 1991, in view of the slowing UK economy.

A favourable swing of R34m in the deduction from Barlow's bottom line, relating to property, finance and administration, was mainly due to tax benefits arising from cap-



PROFIT BREAKDOWN

	Attrib profit (Rm) 1989	1990
Mining	172	169
Cement & lime	62	65
Ferro-alloys & stainless steel	216	52
Electronics & electrical engineering	50	58
Information Tech	26	20
Earthmoving equipment motor & appliances	124	123
Building materials, steel & paint	91	65
Packaging & paper	83	76
Carpets & textiles	18	13
Food & pharmaceuticals	109	122
International	93	115
Property, finance & admin	(43)	(9)
Total	1 001	859

ital allowances in certain wholly owned subsidiaries — another boost unlikely to recur this year.

Whether improvements in the industrial, food and international interests will be enough to compensate for deterioration elsewhere will depend largely on economic conditions. Asset management remains tight — operating working capital increased only 2% last year — but volumes will ultimately determine profitability.

Clewlow sees 1991 as a year of consolidation, with reorganisation in the mining division and capital projects to be brought to profitability throughout the group. Perhaps optimistically, he forecasts roughly maintained profit, implying a dividend pegged at 170c for the second year; certainly, it will not be cut. Investors must be hoping the dividend plateau will not extend to five years, as in the first half of the Eighties, when Barlow became known as a fixed interest stock.

Earnings growth should, however, be robust when markets recover, which may well occur by 1992. The share offers value at present levels around R37, though there probably will not be much appreciation for a while.

Andrew McNulty

SA mining 'has edge over competitors'

GRETA STEYN

SA CAN establish new sources for minerals and metals such as chrome and manganese ore, coal and platinum group metals, quicker and more cheaply than most competitors, says Chamber of Mines vice-president Naas Steenkamp.

Writing in the latest Chamber of Mines newsletter, he says there are "large or adequate reserves" that can be assessed at competitive cost.

But gold exploration at present is being carried out at great depth and will require "massive capital expenditure" to bring such mines into production

"Can this effort really be justified in economic terms? Judging from the growth in exploration expenditure . the six large mining houses are suggesting that indeed it can"

Exploration expenditure has grown from R254m in 1987 to R400m in 1990.

In recent months, labour relations have become the principal focus of attention for mine managers, rather than the production of ore and the control of grade and working costs, as it used to be in years past

SA has moved from being the Western hemisphere's lowest-cost gold producer to the highest

Roughly half of the 36 SA gold mines are marginal, with these accounting for almost a third of gold production As they are labour intensive, they account for an even higher level of total employment

Turning to coal, he says the immediate outlook in the domestic market is better than for other mining sectors However, one cannot ignore factors such as the possibility of a further decline in Eskom requirements, a decline in spot prices and competition between SA suppliers.

The price of platinum group metals appears likely to remain under pressure and the short-term outlook does not look too promising In the longer term, the outlook is more favourable, with strong growth expected from the catalytic applications for the motor-vehicle industry.

"I believe the SA mining industry is a good business and should remain so for many years to come. SA has greater reserves of metals and minerals than any other country"

Mining is of major importance to the development of SA.

It contributes about 11% to GDP, provides employment to more than 750 000 men, and accounts for 55% of foreign exchange earnings

210

Speculation on Lonrho-Gencor synergy plans

BIPay 18/12/90 (2.10)

ZILLA EFRAT

THE local and UK markets appeared to be in the dark yesterday over a mooted merger of international conglomerate Lonrho and mining group Gencor, and many believed it more likely the two groups were examining down-the-line synergies.

Analysts said these could include the groups' oil, farming and mining interests, and Lonrho could offer Gencor an ideal foothold into Africa, especially southern Africa.

Lonrho MD and CE Roland "Tiny" Rowland reportedly confirmed at the weekend that merger talks were taking place, and he hinted at a possible Lonrho takeover of Gencor.

However, Gencor executive chairman Derek Keys said on Sunday Gencor was not considering a merger with Lonrho. He added: "At divisional level there are discussions from time to time aimed at possible synergies between businesses in the two groups."

JOHN CAVILL reports from London that one theory in the UK was that Rowland was deliberately stirring the pot. Yesterday Lonrho's broker UBS Phillips and Drew downgraded its 1991 profit forecast from £290m pre-tax to £280m.

Gencor recently indicated it had plans to increase its penetration into Africa, but would not elaborate. Lonrho has an extensive infrastructure in Africa and is its largest commercial food producer.

Its annual turnover, excluding that from associates, in southern Africa is £304m and that for East, Central and West Africa is £382,7m.

Other synergies existed in platinum, gold and coal mining. Lonrho has gold mining interests in Ghana and Zimbabwe.

Gencor and Lonrho already have a stake in the Lonrho-controlled Western Platinum, Eastern Platinum and Karee mines. There was talk in London yesterday of a full merger of Impala and Wesplats.

Analysts pointed to a tie up between Lonrho's oil and gas interests, through Hondo Oil & Gas, and Gencor. Gencor has an 8% stake in the the £1bn North Sea Alba Field project and its energy subsidiary Engen is actively hunting for new opportunities.

MINING — GENERAL

1991

Lydex chief backs mine development

BDay 4/1/91

PETER GALLI (210)

AS THE SA economy was heavily dependent on the mining industry, it would be in the interests of the state and all citizens to ensure the expansion of existing mining ventures and the creation of new mines were encouraged

This view was expressed by mineral exploration group Lydenburg Exploration (Lydex) chairman Peter Bieber in the company's annual report

The alleviation of regulations and restrictions creating hindrances for investors in high-risk mining ventures was one option, he said

The lives of mines everywhere were shortening and costs were escalating, with the inevitable effect over time of a reduction in new gold volume, he said

"The supply and demand situation will, therefore, in the medium term determine the price of the precious metal and I consider this to be a favourable feature for the future of gold exploration," Bieber said

Lower revenue, higher exploration expenditure and a large accumulated loss at the beginning of the year, carried forward to this year, resulted in an accumulated loss for Lydex in the year to end September 264% higher at R2,6m compared with R719 000 last year

Chamber of Mines retains top US consultants

B Day 8/1/91 210

WASHINGTON — The Chamber of Mines retains the SA embassy's top Washington consultants to monitor political and business developments in the US, records on file with the Justice Department show

SIMON BARBER

Stephen Riley and Albert Fox have been registered with the department as the Chamber's paid representatives since 1989 In a letter dated January 1 1990, Chamber chief executive Tom Main agreed to pay the partnership a fee of $3 000 a month.

Their activities in the past year included providing the Chamber with copies of public reports on SA sanctions prepared by the General Accounting Office, a congressional research arm, and distributing Chamber materials to congressional and administration officials

They also prepared a report on ANC deputy president Nelson Mandela's US tour, and set up meetings for Main with State Department officials

Riley and Fox Inc currently reports receiving $439 200 a year plus expenses from the Department of Foreign Affairs to assist the embassy

The Chamber is also represented in Washington by the law firm Freedman, Levy, Kroll and Simonds, which represents SA's Universal Frutrading Co-operative Ltd as well

Foreign governments, businesses and trade associations routinely hire Washington consultants and lobbyists.

TIM COHEN reports the Chamber of Mines yesterday confirmed it retained the services of Riley and Fox Inc, principally to provide a media watch service and set up meetings.

A Chamber of Mines spokesman said the firm had been retained for about a decade, but declined to comment on the amount the Chamber paid the company

The firm, just one of many retained by the Chamber worldwide, was not employed to lobby on behalf of the Chamber but did keep a check on SA mining interests, he said.

The Chamber was satisfied that it was worthwhile retaining the company's services.

● See Page 6

Eskom plan may benefit mines

B/Day 15/1/91 (210)

ZILLA EFRAT

ESKOM's export incentive packages are set to benefit marginal mines and commodity producers, many of which are receiving lower international prices for their products

Eskom pricing policy manager Dave Krumm says a scheme, being investigated, links electricity prices to commodity prices set on international markets This incentive could benefit industries such as the hard-hit gold and base metal producers

Another scheme, which links the electricty price to the rand dollar exchange rate, will assist commodity exporters Clients will pay Eskom less when the rand strengthens and more when it weakens

Krumm says the costs of this incentive will be offset by the corresponding inverse risk of Eskom's foreign exchange borrowings

Eskom will also offer tailor-made packages in cases where the discount makes a project viable or enables operations, such as marginal mines, to continue production.

In addition, discounts are offered to organisations groups which switch to Eskom power

Krumm says Eskom has been approached by about 20 companies since it announced in October last year that it would broaden its export incentive packages and that the electricity price increase for 1991 would be 8%

These were part of Administration and Economic Co-ordination Minister Wim de Villiers' plan

Eskom's inquiries have largely been from mining, chemical, steel, vehicle component and paper producers, most of which are in the primary and secondary manufacturing sectors of the economy

No new discount schemes have yet been finalised as Eskom is being cautious not to distort the market. But Eskom has been able to assist some of the smaller applicants in more efficient plant scheduling and cost effective energy usage

Krumm says electricity consumption is highest in the primary manufacturing sector and that the production of high value added goods uses up less electricity as a proportion of production costs

UAL unit trusts pay out record amounts

LIZ ROUSE

UAL Merchant Bank's three equity-linked unit trusts and its gilt trust all posted record annual income distributions for the year ended December 1990

The general equity fund UAL Unit Trust's income distribution totalled 104,15c, yielding 7,05% (73,69c or 4,61% in 1989)

B/Day 15/1/91 2.10

Forecast

The Mining & Resources Unit Trust distributed 18,87c, yielding 6,34% (17,53c or 5,08%), Selected Opportunities distributed 67,02c, yielding 5,82% (53,56c or 4,78%), and the Gilt Unit Trust distributed 176,25c, yielding 15,85% (165,25c or 14,8%).

UAL Management Company MD Clive Turner forecast continued earnings and dividend growth for UAL Unit Trust.

The fund established a new holding in SA Breweries and substantially consolidated its position in Richemont.

UAL Unit Trust went against the general trend by decreasing liquidity during the December quarter

Its liquidity level was down slightly to 26,44% from 29,8% at the end of the September quarter due to the investments in SA Breweries and Richemont

Turner said continued threats of a Middle East war, recessionary fears in major western economies, and the spectre of 50% of SA's gold producers producing gold at a loss, affected the entire mining board on the JSE, with gold shares being the most affected.

This reinforced portfolio managers' earlier view of keeping a low exposure to gold shares in the Mining & Resources fund and, as uncertainties in the minerals market were more severe than before, portfolio managers' stance would be to continue to maintain a higher liquidity level

Mining & Resources' liquidity level at the end of December amounted to 24,8% of total assets, a portion of which was invested at good rates until mid-1992.

The fund sold its entire holdings in Hartebeestfontein and reintroduced Lebowa Platinum shares in a portfolio which continued to be dominated by mining houses (28,5%), metals (18,4%) and diamonds (16,2%)

The UAL Selected Opportunities Unit Trust is concentrated on quality and second-line industrial opportunities, which include CNA Gallo (6,8%), Edgars (6%) and Mobile Industries (5,5%)

UAL Gilt Unit Trust ended the quarter with a high liquidity of 40,08%

Turner said improvements of the local underlying fundamentals meant that prospects for the capital market remained positive with the present inverse yield curve expected to flatten as short-term interest rates decreased in 1991

Switch

In line with the outlook for interest rates, the fund adjusted its maturity profile and increased its flexibility by switching RSA 12% 2005 stock into Post Office 10% 2008 and Landbank 15% 1993 stock

Further switch facilities and conversion options were acquired, which enabled the fund to remain aggressively positive yet prudently invested, said Turner

MINE LAND (210) FM 18/1/91.

GOLDEN OPPORTUNITIES?

Calls are being made for Johannesburg mining houses to give up thousands of hectares of land they are sitting on so it can be used for black housing

The mining houses are having none of it. They say there is plenty of land available in the PWV for black housing and are certainly not going to allow themselves inadvertently to become victims of wealth redistribution over the issue

The problem is that calls for mining land to be expropriated are being given added credence because they are not coming only from banner-waving socialists They are also coming from people perceived to be on the same side of the fence as the mines — people like Ampros director and former Sandton mayor Peter Gardiner.

Gardiner recently told a Five Freedoms Forum conference in Johannesburg that he believed the proclamation of land now for black housing by mining groups could prevent a later indiscriminate nationalisation of property

He added it was necessary that they should give this their urgent attention because thousands of homeless were squatting on river banks, golf courses, parkland and even in graveyards "In fact, they are resorting to their own housing solution "

Gardiner said that according to Urban Foundation researcher Ann Bernstein, metropolitan areas in 1985 had a total black population of 9,3m. The same areas in 2010 could have a black population of 26,8m

He specifically identifies a 70 km, previously mined, strip of land along an east-west axis from to Springs to Randfontein, just south of gold-bearing reefs, for black housing. Respected engineers, he says, have pronounced it perfectly safe for housing development.

"The problem is the land is largely owned by the mining groups which are reluctant to part with it But they must realise that to own vast areas of vacant land close to a major centre is an anomaly. While there is still a small window of opportunity to allocate it for the national priority of affordable housing, it must be taken "

But strong opposition to his proposals comes, predictably, from the mining groups — particularly Rand Mines, which owns large tracts of land close to Johannesburg, Germiston and Roodepoort

Rand Mines Properties GM Gert Strydom says it is a misnomer to suggest that it is holding on to land in the hope of benefiting through speculation "We have a concept plan, which is a public document," he says. "It clearly shows how our land is to be utilised."

In any event, Strydom argues the rehabilitation of mining land is too expensive to make it viable for affordable housing. "Only government can afford to foot the bill on the basis of its social responsibility As a public company, one of our objectives is to make a return on investment. There is no way that we can put this sort of land on the market at a price conducive to affordable homes "

Besides, he says, it should not be forgotten that the Reef still contains the largest known gold reserves in the world. "The issue is when, rather than if, it is mined. However, once development takes place, mining opportunities are closed "

Strydom gets unexpected support from National Association of Home Builders president Llewellyn Lewis. He says research carried out by BMI market research, in conjunction with the University of Potchefstroom, the CSIR and Medium Term Forecasting Associates, shows that "75 121 ha have been set aside by the Department of Planning for housing development in the PWV and a further 34 267 ha are under consideration

"So the problem is not the availability of land but rather the actual dynamics of paying for and building homes."

Part of that are the 13 000 ha west of Soweto earmarked for black housing development by the department two years ago.

The Urban Foundation says that while some mine land could be used for housing, it feels the inputs required, along with the high cost of the land, make it inappropriate for low-cost housing. That is unless mining houses reduce their asking price to counter the threat of land invasion. Alternatively, various methods of cross subsidisation could be offered by the State to make the land more affordable to low-income families

In principle, Lewis believes it's incorrect to use land close to the CBD for housing. He says, worldwide, such real-estate is expensive and low-cost housing therefore tends to be confined to the urban periphery "In addition, employment opportunities are in outlying industrial areas rather than in CBD service industries "

However, urban planning consultant Nigel Mandy notes it could be false economy to develop low-cost housing on cheaper land away from the CBDs.

While land close to cities is certainly more expensive, he argues development costs are often balanced by the existing infrastructure which generally means lower capital costs.

Mandy has come up with his own counter proposal to make more land available for black housing Worth considering, he says, is the "industrial land on Johannesburg's east-west axis which has long been frozen, but is well served by road and rail. Mixed industrial and residential development could provide both housing and jobs," he says ■

DURBAN RETAIL

SHERWOOD D-DAY?

Whatever the outcome in the saga of Westville and Durban's rival shopping centres, the Westville project has at least got a head start over the Durban scheme.

Construction should begin next month on the Westville centre, known as the Pavilion In November, the province gave its approval for the developers to increase the size of the centre by 30 000 m² to 75 000 m².

Developers M & R Properties and Retail International have been on site since December, but revised building plans must be submitted to the Westville council now that the centre is to be enlarged.

Meanwhile, the upgrading of the Westville interchange on the N3 to cater for the anticipated increased traffic flow has begun Engineers have also begun channelling a stream, which runs through the site, into a large tunnel at a cost of R2,5m.

Ironically, the fate of Durban's competing shopping centre in Sherwood should be finally decided when some 400 objections are heard by the city's town planning appeals committee at the end of this month.

However, the committee's decision, due directly after the public meeting on January 30, can be overruled by Durban's management committee And, the management committee decision, in turn, is subject to ratification by Natal's Town and Regional Planning Commission.

Management committee chairman Derrick Watterson, who personally opposes the development because of the "substantial" objections from Sherwood residents and the advanced stage that the nearby Westville centre has reached, concedes that most of his colleagues disagree with him

Should the planning appeals committee disapprove of the centre, the matter will have to go before a full council meeting ■

REDEVELOPMENT

MONUMENTAL MIX-UP

Whatever happened to Johannesburg's Kimberley Building erected in 1892 and said to be the city's first masonry structure? It appears to have made way for a skyscraper built by Old Mutual Properties (OMP).

However, as a concession to the preserva-

'Short-term gain in mining funds'

6 10 an 23/1/91

GILLIAN HAYNE

INVESTORS can expect the mining and resource unit trusts to offer great capital gain potential in the short term given the the Middle East crisis

However, Davis Borkum Hare analyst Roger Lewis reported in the Unit Trust Review for the quarter ended December 31 1990 that long term investors should continue increasing their exposure to general equity and industrial based unit trusts

"However, for risk adverse investors, the income funds should form the core of their portfolios," he suggested

He said the Middle East crisis together with unstable gold and oil prices and volatile stock markets would keep liquidity levels high For the quarter, general equity funds maintained high liquidity levels of 24% (23%) while specialist equity funds were 25% (24%) liquid

Sanlam Industrial Fund outperformed the other specialist equity funds with 13,7% growth for the quarter ended December 31, 1990, despite no noticeable share movements, but Lewis warns that the industrial funds are not expected to repeat last quarter's strong performance.

Among the general equity funds under review, Syfrets Growth Fund rose 11,1% to R261m in the quarter with Sanlam Index Trust up 10% to R573m and Standard Bank Mutual Fund up 9,2% to R355m

In total, general equity fund purchases and sales totalled an estimated R98m and R60m respectively, while investors invested R60m during the quarter This compares with the specialist equity funds which achieved purchases and sales of R17m each with investors investing R3m during the quarter (210)

However, Lewis cautions that any investor who is invested or considering investing in unit trusts must realise that unit trusts are not short-term investments A minimum period of investment should be at least three years

The top performers in the unit trusts under review, over the last three years showed Syfrets Growth Fund with a growth of 26,26%, Guardbank Growth Fund on 25,40% and UAL Unit Trust on 25,25% However over five years the tables turned putting Old Mutual Investors on top with a 24,64% growth, Guardbank Growth Fund on 22,95% and Sanlam Index Trust on 21,73%

Old Mutual trusts' assets dip

BDay 24/1/91 210

TOTAL assets of Old Mutual's unit trusts declined in the last quarter of 1990, reflecting the decline in equity markets

Business Day Reporter

Assets at end-December totalled R2,44bn, down from the R2,52bn at end-June

The liquidity levels of the unit trusts were lower than other funds, apart from that of the Old Mutual Income Fund which invests in the money market Its liquid assets represented 80,31% of its portfolio at the end of the quarter

Liquidity of the Investors Fund was 17,59% (17,4% at the end of the June quarter) and for the Mining Fund 21,98% (15,63%), while liquidity of the Industrial Fund — launched in May last year — stood at 9,97% (14,9%)

The Gold Fund, which in the first half of 1990 adopted a policy of being almost fully invested, had a liquidity of 15,37% at the end of December

Assistant GM, investments, Rowland Chute said the reason for the low liquidity was that the funds opted to select quality shares to sustain long-term performance rather than attempt to outguess short-term market-trend reversals

More than 7 600 new accounts in the Investors Fund were opened during the quarter, and the fund grew by R91m

With greater returns available for cash investments, the Old Mutual Income Fund was the best performer in the stable, ending the year to end-December with a return of 17,9% on its repurchase to repurchase price.

The quarterly distribution for the Income Fund was 5,57c a unit, bringing the total for the year to end-December to 16,79c

The Mining Fund declared a quarterly distribution of 7,89c a unit, giving a total of 15,94c, while the Gold Fund declared a distribution of 3,70c, bringing its total for the year to 8,18c

The Investors Fund declares distributions only at the end of the March and September quarters The yield of the fund over the year to end-December was about 5,5%

Chute said the Income Fund had not played the interest rate cycle

"Although the returns could be higher in the shorter term, the risk also increases"

A common favourite for all funds was Iscor, in which the Investors's Fund, Industrial Fund and Mining Fund held a combined R71m at quarter-end

Chute said Old Mutual expected a good medium-term performance from Iscor and had continued to buy at current levels in spite of scepticism in the market

The 10 largest holdings in the Investors Fund were Anamint/De Beers, Richemont, Rembrandt, Safren, Barlows, Sasol, Anglo American, Iscor, Johannesburg Consolidated Investments (JCI) and Gencor

The Mining Fund's top 10 holdings were Anamint/De Beers, Anglo American, Associated Ore and Metal Corporation (Assore), Sasol, JCI, Gencor, Samancor, Lonrho Plc, Anglo American Gold (Amgold) and Eastern Transvaal Consolidated (E T Cons)

The top 10 holdings of the Gold Fund were Anglo American, Winkelhaak, Zandpan, Gold Fields of SA, E T Cons, Driefontein Consolidated, Kloof, Southvaal, Kinross and Western Deep

SA takes lead in minerals search

S/Times 27/1/91 (210)

By IAN SMITH

A SOUTH AFRICAN company is first in the field in mining exploration in mineral-rich Mozambique.

Alberton-based RUC Mining Contracting Co has formed a joint venture company with the Mozambique Government to carry out mineral exploration operations

The company, Modrill, has 52 drilling rigs in Mozambique and offices and stores have been established at four bases

The first phase of a drilling programme on a coal deposit in Tete province in the north has been completed and the results are being evaluated, says RUC company secretary Pat Morrison

"If the results are positive, the second phase will begin in June"

Negotiations with the Mozambican Government started last May RUC executives say they went through smoothly and comparatively quickly They are confident that mineral exploration is about to enter a new growth phase

Specialist

Modrill is managed by Unidrilling — RUC's specialist drilling company RUC, controlled by Murray & Roberts and Gencor, each with a 50% stake, has been a leading player in mineral exploration in SA for 21 years

Drilling for other minerals is under negotiation If profitable deposits are confirmed, it is intended to sell them to private operators for exploitation, says Mr Morrison

Other companies in the RUC stable could carry out shaft sinking and underground construction "We could give the buyer a working mine," says Mr Morrison

Unidrilling will give priority to training or re-training Mozambican staff in drilling techniques, plant maintainenance and operational management Some training will be carried at the Alberton headquarters, but wherever possible courses will be held in Mozambique

The Mining Journal recently listed eight minerals, including bauxite, coal, copper and tantalite, which have been mined in Mozambique But it said the fall in output in recent years had been catastrophic

Some gold is mined near SA's border with Mozambique and Lonrho has commissioned a dredger for alluvial gold and is exploring about 18 old mines

Trans-Natal Coal is a member of the multinational consortium investigating a potential 10-million-ton-a-year colliery at Moatize.

The Mining Journal says SA is the "natural investor" in Mozambique mining, But the new SA may want much of the country's wealth invested at home

"The mineral potential of Mozambique that was so interesting to mining companies in 1969 is still there, and at some stage in the future — perhaps sooner than the present gloomy scene suggests — its development will occur"

Mineral rights ownership key to the future, says expert

B/Day 11/2/91

MATTHEW CURTIN

THE political and economic survival of the mining industry depends on the transformation of mineral rights ownership, says Johan Kruger of Wits University's Bernard Price Institute (Geophysics)

Kruger said last week it was essential to change the basis of mineral rights ownership

He proposed a JSE-listed, statutory corporation owned by the private sector and government and managed by shareholders.

Kruger said the establishment of such a corporation — SA Minerals Corp (SAMC) — would underscore the revitalisation of the local mining industry It would also meet the demand both for state control of mineral resources and access for private sector mineral exploitation

The SAMC's most important role would be in the provision of an alternative to the existing mineral rights situation

Refused

210

Mining operations were constrained by the boundaries of SA's maze of farms, presenting geological or engineering problems for ore extraction Exploration was often hamstrung even before it was begun, by costly legal investigations and acquisition of mineral rights, as prospectors hunted down the rights owners and secured agreement for the rights

Kruger proposed a new mineral rights dispensation, in terms of which landowners would lose their mineral rights specific to a piece of land, but would gain a commensurate share holding in the SAMC If a land owner refused to relinquish his rights, he would have to pay tax on the same basis as the SAMC for his rights holding

Unlike nationalisation, landowners would only be ceding their mineral rights, not their right to mine, where the principle of "discovery conferring tenure" would remain

Mining investors face lean pickings — report

210

BDay 11/2/91

LIZ ROUSE

INVESTORS in mining shares face lean times this year with little prospect of dividend improvements in 1992, according to Davis Borkum Hare's quarterly forecast of earnings and dividend yields of major shares in all JSE sectors for 1991 and 1992

Among mining shares, except for leading coals Amcoal and Trans-Natal, the outlook for earnings and dividend growth is poor for diamonds, golds, platinums and other metals this year.

Mining houses and holdings are projected to show negative earnings and dividend growth this year and only a marginal improvement in 1992

Insurance (Fedsure, Liberty and Southern) should be the stars in the financial sector, showing growth well above the inflation rate both this year and in 1992, followed by banks and financial services

The Davis Borkum Hare report says leading property shares (Amaprop and Panprop) should also show good growth over two years

Leading industrial holding shares' earnings and dividends should spurt in 1992 as will leading beverages and hotels' (Kersaf, SA Breweries and Sunbop)

Bellwether stocks in the building sector (Anglo Alpha, Blue Circle, Boumat and Pretoria Portland Cement) should show a marked earnings and dividend growth in 1992 following a rather flat 1991. Leading chemicals and oils (AECI, Engen, Sasol and Sentrachem) will achieve good earnings growth this year but will slow down to a marginal growth rate in 1992

Electronics leaders (Altech and TSI) will not be able to improve dividend payments this year but should show strong dividend growth in 1992, Davis Borkum Hare says.

Major food shares (I & J, Premier and Tiger) are projected to achieve a growth in line with the current inflation rate this year, showing a slight decrease in growth rate in 1992.

Paper and packaging leaders (Nampak and Sappi) will suffer negative earnings and dividend growth this year, recovering in at a slow rate in 1992.

Steel and allied shares (Consolidated Metallurgical Industries, Highveld Steel and Iscor) are projected to show a marginal decline in earnings and dividend growth this year, turning around positively in 1992.

Retailers and wholesalers (Edgars, Foschini, Metro, Pick 'n Pay and Wooltru) are the stars among industrial shares, possibly achieving earnings growth of 24% and dividend growth of 26% this year and next

Job cuts at Anglo head office

ROBERT LAING

AN undisclosed number of Anglo American head office employees received notice of retrenchment or forced retirement on Friday (210)

Anglo American staff say 300 head office employees, some fairly senior, lost their jobs last week, but management maintains the figure is "not half that amount".

The corporation would not disclose the exact number of people affected and responded to questions about its rationalisation with the following statement.

"Anglo's head office has been conducting its annual budget review. The profits have reflected the overall state of the economic climate and in particular the very difficult position of gold mines to which Anglo's head office provides services.

"Consequently, the guidelines set for the budget this year were a zero increase in real terms, even after provision had been made for salary and wage increases. A number of steps have been taken to meet this target, the last of which are retrenchments." B/Day 12/2/91

Management said the rumoured figure of 300 was highly inflated and less than half this number of employees would be affected. Of these, most were early retirements.

A company spokesman said the rationalisation was not being done in one fell swoop, and that more notices might follow However, the total figure was unlikely to be more than 150.

Differences aired over Minerals Bill

B/Day 13/2/91 (210)

BILLY PADDOCK

CONTROVERSY surrounding government attempts to consolidate and rationalise the nine different mineral laws and restore certain common law rights to surface owners re-emerged in Parliament yesterday

Major differences over the Minerals Bill were expressed yesterday in a sequel to a meeting between the Chamber of Mines and Mineral and Energy Affairs Department officials on Monday night

The parties agreed to disagree over the controversial clause 43 of the new Bill — the alienation of state minerals

The clause attempts to ensure government policy in respect of privatisation and deregulation is applied and entails

□ The removal of regulating measures which mean the holder of mineral rights cannot dispose of his right but that the right is put out to lease by the state, as with precious stones on proclaimed land,

□ The prospect of gradual privatisation of mineral rights which are registered in the name of the state, and

□ The recognition of the free enterprise system

Mineral and Energy Affairs Minister Piet Welgemoed said the chamber preferred to see a fixed formula in accordance with which state minerals were alienated while government felt market forces should be the deciding factor

The chamber is concerned about a five-year grace period for this clause to be made effective

The chamber claims compensation is required in respect of alienated land, where someone owns the land but the state holds mineral rights and the owner may get prospecting and mining rights for a fee or may nominate a third party

The chamber position is that while the state owns the mineral rights, it has spent huge amounts of money on prospecting and putting in infrastructure, which needs to be taken into account when the sale of these rights is negotiated

DP Mineral and Energy Affairs spokesman Roger Hulley said government should allay the fears of the mining houses which held nomination rights on alienated state land, by clearly stating in the Bill they would not be worse off than before the legislation was implemented

Disaster

MATTHEW CURTIN reports that National Union of Mineworkers general secretary Cyril Ramaphosa said the future of SA's mineral rights should be negotiated in a tripartite forum similar to that of the Labour Relations Act accord

He said the Bill would be a disaster for the mining industry if passed in its present form

The NUM and the Chamber of Mines had agreed in principle to approach government on reservations they had about the proposed legislation, but government had rejected joint discussions

Geologists said the Bill failed to address three crucial areas including offshore rights, game parks and communally held land and the rights to gold, silver and precious stones in the Cape, ceded to the state in a 19th-Century proclamation

Firms required to pay for transfer of mineral rights

Bday 19/4/91

210

GILLIAN HAYNE

MINING companies will have to pay government 5% of the value of mineral rights which are transferred to subsidiaries after the mining lease has been obtained

With the introduction of the Minerals Bill, the exemption awarded under Section 26 (8) of the Mining Rights Act of 1967, which allowed companies to transfer mineral rights to subsidiaries free of transfer duty, has been cancelled.

Ernst & Young tax consultant Johan Deetlefs said proper planning would be essential before any mineral rights were acquired, to avoid unnecessary and costly transfers of rights within a group of companies "The transfer of mineral rights will in effect be three times more expensive".

The increase in costs will affect all mining houses and prospecting companies which use subsidiaries as operating companies once the initial prospecting and administrative procedures have been completed

Anglo still cutting HQ staff numbers

STimes 24/2/91 (210)

By DIRK TIEMANN

BLOOD LETTING at Anglo American's head office is not over

Anglo says fewer than 150 staff members will be retrenched, but some head-office sources say the number may be nearly 300

A briefing given to one employee was that 240 would be laid off, but she believes management is not giving the true numbers

Anglo says that its annual budget review "has reflected the overall state of the economic climate and in particular the very difficult conditions of the gold mines, to which Anglo's head office provides services"

Resort

If the gold price continues to fall and Middle East peace prospects improve, more retrenchments at Anglo and other mining houses could follow

Anglo has taken several steps to cut costs, including a zero nominal increase in the budget after provision for salary and wage rises Retrenchment is the last resort, says Anglo

It has also taken employees seconded to subsidiaries outside Johannesburg off its books Their pay has been debited to the subsidiaries

An Anglo spokesman says cost containment is a continuous exercise

"The reduction in staff numbers - whether through attrition, early retirement or, most regrettably retrenchment — at Anglo's head office is thus not complete. Exercises are still in progress in a number of departments."

One is the architectural division, which was slimmed down last October Four architects were put on early retirement, as were many administrative staff

A 58-year-old architect says the package he received was good. He now repairs and cleans swimming pools

"The mines were going to do more township development, but this did not materialise We had just completed Western Deep. The architectural department which numbered about 110 in October 1990 now employs about 90."

Disaffected employees say the lay-offs come at a time when construction of a head-office building at 55 Marshall Street is going ahead

Anglo says greater managerial efficiency, productivity and cost reduction are the reasons for going ahead with construction

"The building will accommodate the major operating divisions under one roof At present they are in different buildings."

Apparently two head-office buildings will become vacant as soon as the new one is completed

Anglo says they will be sold or let "depending on the most sensible business judgment at the time"

Pressure for cost reduction and enhanced efficiency is greater now than in 1989

"The project is on schedule and within budget"

The cost of the building in 1989 prices was R180-million. It has risen to R200-million Talk is that 900 people were to be housed in the building, but only 700 will move in

An Anglo spokesman says the plan is to accommodate 900, but the project has a three-year lead time and projections are difficult

Cars

Cost-cutting measures already announced by Anglo include the change of its company car scheme to an allowance, which means employees must buy their own vehicles The idea is to achieve a cash-based remuneration package This will be implemented on March 1.

Flagship cars are being downgraded and only top executives will drive a Mercedes-Benz

Anglo says the advantages of car allowances are that individuals will be given greater flexibility and responsibility for organising their own affairs.

An attractive part of the Anglo employment package is a 7% housing bond Retrenched staff are given six months to transfer their bond, during which Anglo's 7% is charged

Foreign stake in mining dwindles

Bday 25/2/91. (210) 60

TOTAL foreign interest in SA mining shares has been declining since 1982 and this disinvestment trend accelerated in 1990, particularly in diamond and platinum shares, a survey by stockbrokers Davis Borkum Hare on the foreign holdings in SA mining shares has found.

It also found that more recently, the American Depository Receipts (ADRs) holdings (mainly US investors) have shown a substantial decline.

Total foreign ownership of gold, platinum, De Beers and mining houses included in the study declined to 622,2-million shares or 14,1% of the total number of shares in issue at the end of December 1990 from nearly 631-million shares or 14,5% at the end of June 1990

This decline in mining investment reflects not only the switch out of world equity market and into cash, but also the impact of the then pending Gulf war At that time the Gulf war was expected to result in a substantial decline in economic activity, with a concomitant decline in the demand for platinum and diamonds, says DBH analyst Manny Pohl.

There was a brief return after President F W de Klerk's speech in February, but sentiment turned negative as the ANC confirmed its position on nationalisation

De Beers was worst hit over the period from June 1990 to December 1990, with foreign holdings dropping to 17,5% from 23,2% of total issued share capital, a disinvestment of about R1,4bn

Foreign investors failed to contribute to the financing of the SA platinum boom in 1990, says Pohl This was apparent in the

LIZ ROUSE

case of US investors, where legislation prohibits new SA investment.Foreign holdings in shares fell to 4,4% (86,5-million shares) from 4,9% (89,1-million shares) of total number of shares in issue of the five major platinum counters surveyed

There was a major decline in ADR holdings in gold shares from June to December 1990, down to 6,55% (114,4-million shares) from 7,14% (124,7-milion shares) However, European ownership showed a dramatic increase to 10,8% (nearly 189-million shares) from 10,6% (184,8-million shares)

The London holding of gold shares increased marginally to 6,68% (116,8-million shares) from 6,65% (116-million shares) But with ADR holdings at an all-time low, total foreign holdings in gold shares declined to 24,16% (422,2-million shares) from 24,54% (428,2-million shares).

Non-residents did not follow their rights in 1990 issues by mining houses Consequently their holdings declined to 5,16% (90,5-million shares) from 5,27% (89,1-million shares) of total shares in issue

A survey of total foreign holdings in all SA mining shares shows that the largest decline in ownership, on a geographical basis, has taken place on the London register in the past year.

London holdings were down to 4,99% (219,6-million shares) at the end of June from 5,69% (234,2-million shares) at the end of December ADR holdings declined to 3,45% from 3,84% and European holdings to 5,16% from 5,2% although the number of shares held rose slightly to 226,9-million from 225,6-million

Interest from rights offers boosts Anglovaal earnings

(210)

B/Day 11/3/91

MATTHEW CURTIN

INTEREST received from rights offers boosted the Anglovaal group's interim attributable earnings by 28% and doubled the earnings of its investment, finance and exploration company Middle Witswatersrand (MidWits).

The group's consolidated earnings jumped to R135,3m (R105,6m) but earnings a share fell 8% to 227c (247c) because of a 39% increase in Anglovaal's issued share capital. The group's dividend was maintained at 80c a share

For MidWits, earnings a share rose 50% to 7,2c (4,8c) after a 33% increase in equity MidWits's attributable earnings rose to R23,2m (R11,5m), with the higher interest income being offset to some extent by lower dividends from the company's mining investments and reduced equity-accounted earnings.

Directors said mining investment income would fall in the next six months, but higher interest received would more than cover the decline.

Anglovaal Industries' (AVI) 5% increase in earnings reported yesterday provided a modest contribution to the group's performance

AVI's rubber, packaging, foods and beverage divisions improved the group's earnings despite poorer earnings in the construction, electronics and textiles sectors.

Anglovaal's mining division had a less healthy six months, with profitability hit by lower base and precious metal prices which knocked dividend receipts and equity-accounted earnings.

Directors said Associated Manganese Mines, 60% owned by Anglovaal, was worst affected. Its solid performance was the main factor in fuelling a 30% increase in group earnings to R238m (R183m) in 1989/90

Anglovaal's gold mining division suffered from rising working costs, the weak gold price and strong rand/dollar exchange rate

The group's share of exploration costs, including mineral rights purchases, amounted to R36m (R41,5m) and was expected to rise to by another R43,7m (R55,5m) by year-end

The directors said the group's gold exploration — in the Sun and Oribi areas — was still focused in the southern Sun area, but results of the current drilling phase would not be completed as scheduled by the middle of this year

De Beers development of the Venetia diamond mine was proceeding as planned. Anglovaal and MidWits have 21,9% and 65,6% interests respectively in the project.

The group's turnover rose 21% to R3,8bn (R3,2bn) in the interim, while operating profit was 51% higher at R397m (R263,7m)

Govt will aid marginals 210

By Peter Fabricius Star 1/3/91
Political Correspondent

The Government has reaffirmed its willingness to give financial help to marginal mines, Minister of Mineral and Energy Affairs Dr Dawie de Villiers has announced.

He said the decision followed the recommendation of a committee led by Deputy Finance Minister Org Marais, investigating marginal-profit mines

However, Dr de Villiers said it was still a basic Government principle that mines should not depend upon state help for their viability

General financial aid would be limited to the conclusion of tripartite agreements between the state, a financial institution and the mining house

Assistance in pumping underground water would be considered in accordance with existing guidelines

Applications for state aid would be investigated by the Interdepartmental Committee on State Assistance to the Mineral Industry (IC)

Mineral rights for all in the new SA

S/Times 3/3/91 (210)

SWOP a hectare of mineral rights for one share in the South African Minerals Corporation and lay the foundation for a new SA

The case for doing so is strengthened by the fact that the 1990 Minerals Bill is an inefficient hybrid and that safety aspects of mining now under the Mines and Works Act will probably both be scrapped by a new government

These claims are made in a paper by Kruger, De Wit and Levin It is called The Equitable Distribution and Efficient use of Mineral Rights The case for a South African Minerals Corporation (SAMC)

It promotes public ownership of mineral rights through SAMC The authors say it will lead to a rational, equitable and dynamic restructuring of the minerals industry to the benefit of all South Africans

They say the basis of mineral rights ownership will be changed Current mineral rights should be made a *share* of the total and not be defined in terms of a specific geographic location

This share block would be the total 150-million hectares of SA including the TBVC states, homelands and the continental shelf The authors propose a hectare to equal one share

Management of these shares would be vested in the SAMC, in which all parties, including the State, would have a holding based on their current ownership of mineral rights Rights would be exchanged for shares at a flat rate

This way, say the authors, current holders would lose nothing, but would gain directorships and easily tradeable assets in the SAMC The share price would be set by the stock market

The assets would be valuable because the handsome royalties derived from a healthy minerals industry would be distributed equitably to both the State and private shareholders

The State would be able to privatise to realise capital by selling shares, or nationalise to realise royalty income by buying SAMC shares

The proposal has the efficiency and accountability of free enterprise as well as social and environmental responsibility The authors believe it would also attract foreign investment

The SAMC would provide for transitional arrangements The paper concedes that the value of mineral rights in an area depends on knowledge and time

The value of mineral rights is not self-evident, but rights are held and traded on the basis that it is.

Projects initiated under the current cumbersome rights have absorbed heavy capital outlay, and a sudden imposition of a royalty could jeopardise a new mine

In the SAMC system this investment would not have to be made — a royalty would be paid instead A 10-year transition could be a thorny issue to be negotiated between the SAMC, the current owner and explorers

The SAMC is meant to eliminate sterilisation of mineral right exploration and exploitation by mining houses, private individuals, intestate and obscure estates, fragmented and other legally complicated holdings

The right to prospect would be granted at a price for a unit area This would confer the right to exploit or trade any discoveries subject to environmental and other conditions

Registration of a mining lease should guarantee security of tenure Discoveries unprofitable to the prospector would revert to the SAMC unless he wanted to hold them in reserve at a rent, or trade them with another party

Prospecting areas would be defined on geological, not cadastral boundaries

The 28-page paper details Utopian solutions for SA's mineral-based economy, dealing with research and development funding and training and the taxation of SAMC

It says the Department of Mineral and Energy Affairs budget for the year to March 1991 allocated R712-million, or R18 a head, to nuclear energy research which generates no benefits to the nation But only R2 a head went on research into minerals from which R1 000 income a head a year is derived.

FJ Kruger, Bernard Price Institute of Geophysical Research, Wits; M J De Wit, Department of Geology, UCT; G Levin, Bramley

Battling Amic bemoans cut in export incentives

210

By Ann Crotty Star 8/3/91

Anglo American Industrial Corporation's (Amic) 29 percent drop in earnings to 836c (1180c) a share for the 12 months to end-December is a clear reflection of the state of the local economy as well as the decreasing returns achieved on export sales.

The full year dividend has been maintained at 350c a share.

According to chairman Graham Boustred little or no real economic growth is likely during the current year.

The full year figures are in line with the deterioration in trading conditions revealed at the half way stage when a 30 percent earnings drop was reported. It reflects a major break in the group's five year record of satisfactory earnings growth.

In his annual statement, released with the results, Mr Boustred notes that trading conditions in SA and in world markets continued to deteriorate throughout 1990. "This not only depressed the prices of most commodities produced by the group but in certain cases reduced volume offtake, resulting in lower capacity working and plant shut-downs."

Turnover was up a marginal 6 percent to R6,1 billion (R5,8 billion) but earnings from operations were halved to R571 million (R1,1 billion). Earnings from associates were more resilient — dropping from R247 million to R222 million.

Investment and interest income fell to R88 million (R92 million) Interest payments more than doubled to R121 million (R55 million) After tax and outside shareholders, attributable income was down 29 percent to R451 million (R636 million).

Referring to government's export incentive programme, Mr Boustred noted. "It is ironic that the substantial reduction of export incentives for primary and semi-fabricated products in March '90 came about in advance of a period of economic stringency when these incentives are most needed to maintain price competitiveness in world markets."

ANGLOVAAL (210)

VALUE-ADDED? FM 8/3/91

Anglovaal's interim results were in line with market expectations but the question uppermost in analysts' minds is just how much value, if any, the share shows at its current price of R46.

Traditionally, shares in mining houses trade at discounts of up to 20% to their net asset value, providing broking firms with a perennial reason for convincing investors to buy in That's in spite of the fact that the discount is virtually never eliminated, no matter what the market conditions are

At R46, Anglovaal's share price is just above the 12-month low of R43 hit in October, but it equals the net asset value shown at December 31, prompting some analysts to argue the share price looks expensive in relation to other mining houses.

The counter argument is that it's a question of how you measure the assets and the current balance sheet does not reflect the value to the house of two major projects in the pipeline — the Venetia diamond mine now under construction in the northern Transvaal and the huge gold exploration venture under way in the Sun and Oribi areas of the northern Free State.

One analyst argues that Anglovaal stands at a discount of about 20% to net asset value if one attributes a value for the Venetia project. Anglovaal directly, and through associate Middle Witwatersrand Areas (Mid Wits), has an 87,5% interest in Saturn Mining, which holds the mineral rights to the mine.

De Beers is paying for the development of the mine which will cost around R1,1bn Saturn will receive a minimum royalty of 12,5% of the mine's operating profits, to the point when the capex has been fully recovered, after which Saturn and De Beers will split the profits equally

Putting in a value for the Sun/Oribi prospects is virtually impossible given the paucity of real information, like drilling results, published by Anglovaal. The date by which some

Continued →

FOX FM 8/3/91

EARNINGS DIP

Six months to	Dec '89	Jun '90	Dec 90
Turnover (Rm)	3 184	2 906	3 843
Pre-tax profit (Rm)	287,9	347,9	412,9
Attributable (Rm)	105,6	132,6	135,3
Earnings (c)	247	283	227
Dividends (c)	30	62	30

(210)

hard facts may be issued has just been pushed back by another nine months, from mid-1991 to the first quarter of next year, because of drilling delays

Also, no go-ahead seems likely until there is a radical improvement in market sentiment towards deep-level gold projects — otherwise any rights issue to fund the mine, which will cost at least R2,5bn, could flop as badly as the Target Exploration offer held by Anglovaal's Loraine gold mine

Main reason for the 28% rise in attributable earnings to R135,3m was the interest earned on the proceeds of last year's R822m rights issue. Income from investments was 34% down and equity-accounted earnings were 32% down because of lower dividend income from the house's gold mines and a sharp drop in profits at manganese company Assmang

Industrial arm Anglovaal Industries (AVI) increased its earnings by 5% and for the full year to end-June expects to at least match the previous year's earnings despite the recession in the SA economy

Within the diversified AVI group, increased profits from the rubber division of Consol, the dry food and beverage sector and the frozen food sector were offset by lower contributions from the construction and electronics and textiles sector Irvin & Johnson maintained its contribution to group earnings

AVI is currently negotiating to increase its stake in construction company Grinaker Holdings to 51% from the present 46,5%

Anglovaal's 28% increase in attributable earnings for the six months should be maintained or even improved on for the full year, but EPS will be lower because of the increased issued capital following the rights issue The dividend should be maintained

Brendan Ryan

Rand Mines aiding businesses

WILSON ZWANE

RAND Mines' sub-contracting programme is helping numerous small business operations generate income worth millions, according to RM Small Business Programme spokesman Anton Keating.

Keating, writing in this month's edition of Black Enterprise, says since RM's Small Business Development Programme was started two years ago, it has helped small businessmen generate income totalling R2,6m. B Day 14/3/91

This came from operations as diverse as plastic bag and clothing manufacture, printing, carpentry, mine employee transport, painting and cleaning services and steel component manufacture.

"Because it (the programme) is a new concept, buyers from other small business programmes are continually sharing ideas and names of small concerns. 210

"This had led to the discovery of many small informal businesses, which have the potential to serve the needs of certain sectors within the mining industry.

"It is extremely fulfilling to discover a backyard operation and to give it the opportunity to expand.

"However, good business practice prevails in what we do

"We only follow through with an order if we are satisfied that the price is competitive," says Keating,

He adds the programme highlights problems faced by small firms, such as difficulties in accurate costing and pricing, transport difficulties and prompt settlement to avoid cash-flow problems.

AVI's performance continues to improve

(232) LIZ ROUSE (210)

ANGLOVAAL Industries share price has staged a remarkable performance since 1986, with new highs reached early in 1991 It is now at R90.

Except for the short period in 1989 the share of the Anglovaal group's industrial arm has outperformed the industrial index and major industrial groups such as Barlows and Malbak.

Improved earnings (although modest) on a relative basis, especially in a climate of slower growth, appear to have been the catalyst for the past year's price performance, says Davis Borkum Hare analyst Pierre Greyvensteyn. BDay 19/3/91

At R90, AVI's price earnings multiple (currently 12) has moved into a new high territory, last seen in 1987. A similar pattern has emerged in respect of the dividend chart (current dividend yield is 1,5%).

Since 1989 both the price-to-earnings ratio and the dividend yield relative to the industrial index have shown increasing strength

The share has become expensive compared with historic yields (in 1986 dividend yield was well over 3,5% and towards the end of 1989 it was above 2,5%).

Greyvensteyn expects that the share price may experience some consolidation in the short term. However, the long-term upward trend appears to be well entrenched

Based on an earnings increase of 5% to 363c a share in the six months to December 1990, June year-end earnings should show a rise of 4,2% to 764c a share from 1990's 733c a share, while 1992 earnings should increase by 4,7% to 876c a share

The estimated dividend total for 1991 is 140c, up from 1990's 135c, and a total distribution of 160c is expected in 1992

Looking further ahead, Greyvensteyn forecasts an improvement of 15% at the attributable level for fiscal 1992

Few will escape the deposit-taking net

S/Times 17/3/91 210

APPLICATIONS to the Registrar of Banks for exemption from the Deposit-Taking Institutions Act are flooding in, but very few will escape the net

Registrar Dr Hennie van Greunen says the definition of the Act is deliberately broad, but that discussions among various parties will soon be held to determine "what to hit and what to exclude"

The DTI Act, in force since February 1, will regulate and supervise activities of "deposit-taking institutions" Who and what will fall under the Act is not yet clear Discussion papers will be released soon

Pooled

The idea is to level the playing field for DTIs, restricting deposit-taking activities of unregistered persons, enabling better supervision by the authorities and rationalisation Monetary policy will be strengthened by tighter controls

The Government Gazette of January 31 1991 outlines those activities excluded from the "business of a DTI"

Participation bond and

By DIRK TIEMANN

unit trust schemes, mining houses, the Teba Savings Fund (registered under the Employment Bureau of Africa) are exempted, subject to certain conditions outlined in the Gazette

The mining houses are unaffected by the new Act Surplus funds pooled within the group and received from associates remain exempt for the next three years

Surplus money available after the cross-funding within the group is placed with the banking sector

Mining houses cannot borrow from each other without falling foul of the Act. All houses deny ever having borrowed or loaned money from or to each other

Companies' activities falling under "the business of a DTI" in terms of the new Act would be required to stop these activities or register under the DTI. Registration will be difficult and demands high capital and liquid asset requirements

A Deloitte Pim Goldby paper shows that treasury operations, employee savings schemes, money broking operations, money broking, administration of trust funds and repurchasing agree-

REGISTRAR OF BANKS HENNIE VAN GREUNEN: Deciding what to hit and what to exclude

ments could all fall under the Act.

If companies accept deposits from the public and employees as a regular part of their business they fall under the Act If the money is used for lending, investing or financing and if assets are sold under repos agreements to non-DTIs, they also fall under the Act

Companies are excluded if they do not hold deposits from more than 20 people totalling less than R500 000 on a regular basis and if they do not advertise for them.

Corporate treasuries are restricted to accepting deposits from within the group, excluding associates. The mines are exempt.

Cash management schemes will be restricted to subsidiaries of the same holding companies. The provisions of the Act will in many cases restrict the cash-management services offered by banks or increase their cost.

Money-broking activities by non-DTIs are permitted if the broker places funds on the same day his instructions are received and places funds with deposit-taking institutions only

The placing of aggregated deposits with a DTI to secure wholesale interest rates will also be affected Separate accounts in the name of each individual depositor are likely to be required.

210

Mining houses make the running on JSE

Star 20/3/91

By Derek Tommey

Mining house shares are having a minor boom on the Johannesburg Stock Exchange

Anglo American, Gencor, Anglovaal, Rand Mines, JCI and Gold Fields are the "heavyweights" of the stock exchange

Between them they control almost all of the country's mining operations and a substantial proportion of its manufacturing industries as well

If you buy shares in a mining house you are buying "South Africa", a broker commented

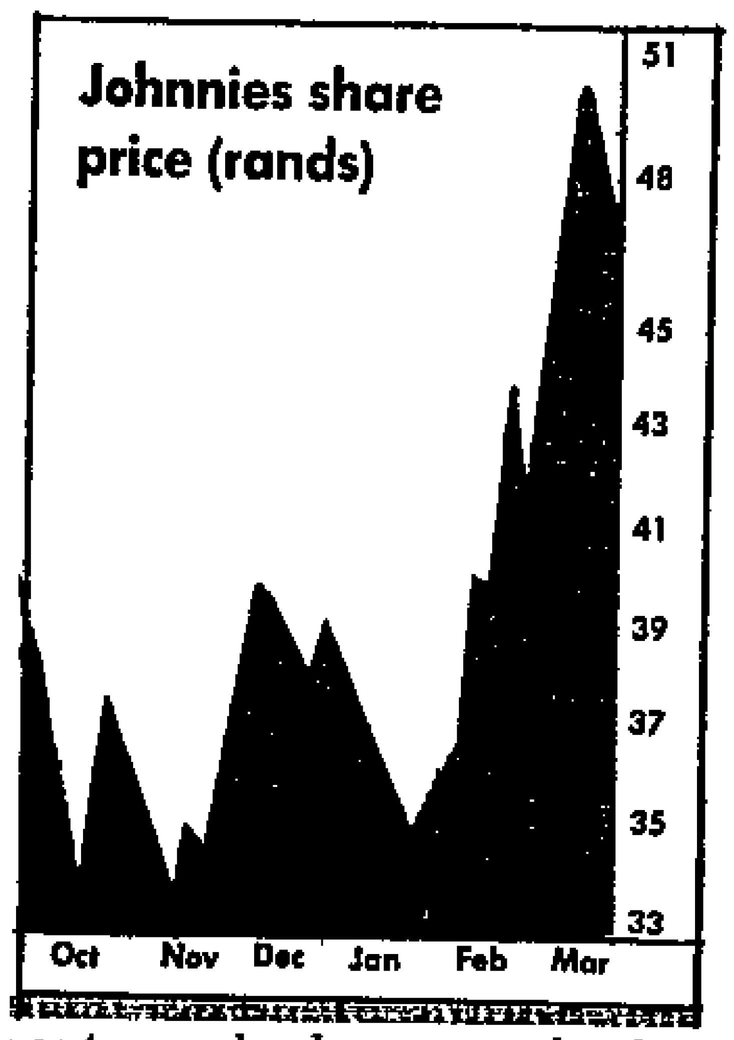
Leading the pack is JCI whose shares have risen just under 40 percent in the past eight weeks from R34,25 to R47,75 Runner up has been Rand Mines whose shares have gained almost 31 percent, rising from R55 to R72

Gencor is in third place with its shares gaining 23,2 percent from 925c to 1140c It is followed by Anglovaal with a 15,9 percent gain and Anglo American with a 14,6 percent gain Only Gold Fields of South Africa has been excluded from the mini-boom Its shares have fallen 0,8 percent in this eight-week period

Brokers cite a number of general and also specific reasons for the strong performance of most of the mining house shares

Among the more general reasons are expectations of an improvement in the American economy, the expected ending of sanctions, a more favourable attitude towards South Africa by foreign investors and the recent easing of the rand against the dollar

All these factors should result in a greater demand for many South African mineral ex-



ports and also in a higher prices

Dr Kevin Kartun, an analyst atFrankel, Max Pollak and Vinderine, said that the ending of sanctions could lead to coal exporters getting an extra $3 a ton for their exports

This could boost export coal earnings by about R340 million a year

The four percent appreciation in the dollar against the rand in recent weeks will boost the export prices of many of the country's mineral by a similar amount — and this could easily result in a double figure increase in operating profits where the margins are small

More specifically, the strong rise in JCI reflects its large interest in three strong companies, Rustenburg Platinum, SA Breweries and De Beers

The ending of the Gulf war gave the platinum industry a boost and platinum shares have also risen strongly Rusplat has gained some 30 percent in the past eight weeks, and this could account for much of JCI's rise

However, there is also speculation in the market that JCI might be negotatiating to take over Rand Mines' platinum interests, especially if changes in the ring fencing provisions in today's Budget allows it to use Barplats' accummulated tax loss Such a move could bring useful financial benefits to JCI

While the rise in JCI shares is easily explained, the reasons for the 30 percent jump in Rand Mines' shares is not so obvious Rand Mines is a major coal exporter, but its gold mining interests have not been profitable lately and its platinum investments have been a heavy drain on its cash resources

But some analysts suggest that the rise in Rand Mines' shares could reflect an appreciation among the investing public that management was starting to act decisively to overcome the company's problems

Its handling of the reduction in operations at the giant Harmony mine and its proposed negotiations over the future of the group's platinum interests have shown that Rand Mines management can handle these problems

Gencor's 23,2 percent rise also appears to be linked with its platinum interests Shares in its major platinum investment, Impala Platinum, have risen 47,3 percent in the past eight weeks

But the likelihood that the Government could announce favourable tax treatment for its proposed R2 billion stainless steel plant (also possibly in today's Budget) may also have created a demand for Gencor

While the increases in the share prices of Anglo American and Anglovaal are not comparable to those mentioned above, they are nonetheless highly satisfactory

The failure of Gold Fields's shares reflects its heavy investment in gold and the troubled times this metal is passing through at the moment

However, brokers point out that even a reasonably small improvement in the rand gold price could have a marked effect on the earnings of Gold Fields — and also on its share price

Mines' contribution down (210)

INDIVIDUAL income tax comprised 32,7 percent of total tax revenue in 1990/91, compared with 30,4 percent in 1989/90 and 21,9 percent in 1981/82, the Minister of Finance, Mr Barend du Plessis, said yesterday.

In his Budget Review tabled in Parliament, he said non-mining company tax fell from 21,7 percent of total tax in 1981/82 to 14,7 percent in 1986/87; then it began to rise again, to 18,4 percent in 1990/91.

The contribution of gold mines to total total tax revenue had fallen continuously since 1981/82 - from 10,7 percent in that year to a mere 0,9 per cent in 1990/91. - *Sapa* Sowetan 21/3/91

Minorco buys German firm

B/Day 21/3/91

(210)

MATTHEW CURTIN

MINORCO, Anglo American's foreign investment arm, has bought a former East German sand and gravel mining company for about R292m (DM178m), payable in cash, a company spokesman said yesterday.

Minorco had reached agreement in principle with the Treuhandanstalt — the German government body responsible for the privatisation of state-owned businesses in the former East Germany — to acquire Elbekies GmbH Mühlberg-Prettin together with mineral working rights to 230-million tons of sand and gravel.

The spokesman said it was the group's first purchase in the Eastern bloc Minorco has established a new wholly owned subsidiary in Germany, Minorco GmbH, to hold Elbekies and any future acquisitions in Germany's building materials industry.

Joint MD Roger Phillimore said in statement the move was "consistent with Minorco's strategy of acquiring high quality natural resource assets and as such represents a first and major step for Minorco in the aggregates industry in continental Europe"

Elbekies, whose operations are situated 120km south of Berlin on the River Elbe and which produced 4,6-million tons of sand and gravel in 1989, had for many years been the principal supplier to the major cities of the region, including Berlin. The company was in a good position to benefit from the high rate of construction activity expected during the 1990s as a result of Berlin's new capital

☐ To Page 2

Minorco

B/Day 21/3/91.

(210)

☐ From Page 1

status and modernisation programmes in eastern Germany

Minorco's acquisition of Elbekies follows its purchases last year of a 49% stake, along with Anglo, Mondi Paper, and De Beers Centenary, in Austrian papermaker Neusiedler AG, and the EC's one tungsten mine, Beralt Tin and Wolfram, near Lisbon, Portugal.

Chairman Julian Ogilvie Thompson told Minorco's annual shareholders' meeting in Luxembourg in November that the cash-flush company was well placed to buy companies which came up for sale as world economic growth slowed

Furore around Minerals Bill

22/3-27/3/91

10

Weekly Mail 22/3-27/3/91

210

By DREW FORREST

THE National Union of Mineworkers has accused the government of "seeking confrontation" by pushing through the controversy-plagued Minerals Bill during the current session of parliament.

Charging the government with inadequate consultation, the union has demanded urgent talks with Mineral and Energy Affairs Minister Dawie de Villiers and is trying to contact Manpower Minister Eli Louw.

The NUM's Marcel Golding said moves to enact the Bill contradicted last year's "Laboria Minute", which pledged the state to consult unions and employers on laws affecting labour, and pre-empted NUM proposals for health and safety negotiations with the Chamber of Mines.

The Bill, through its second reading and currently before the parliamentary standing committee, consolidates nine bits of legislation and covers mineral exploitation as well as safety.

In evidence to the standing committee last year, the NUM argued for a separate safety statute and attacked the Bill's safety provisions as falling short of the Machinery and Occupational Safety Act. It also rejects its stated aim of promoting privatisation and deregulation on the mines. "Some changes were made but we are not satisfied that our overall objections have been addressed," Golding said.

Standing committee chairman "Lampie" Fick, National Party MP for Caledon, said the NUM had the same opportunity to state its case as other interest groups and had made both oral and written submissions. "The Chamber of Mines vehemently disagreed with some provisions, but the minister took a stand. We must accept that we can't have agreement on everything."

Fick said the Bill would go through this session, but that if the NUM could persuade the government, amendments were possible next year.

Minorco makes good with cash resources

BDay 22/3/91 ROBERT LAING (210)

CASH-flush Minorco's interim earnings declined marginally in the six months to end-December, highlighting the need for Anglo American's offshore arm to stay on the acquisition trail despite past obstacles.

The group said financial income from its "substantial cash resources" of $1,9bn made the biggest contribution to its earnings However, its investments were not dynamic enough to stop earnings from operations dropping to $96,3m ($98,9m)

Earnings a share before extraordinary items fell to $95,6m ($102,3m), translating into $0,56 ($0,60) a share, but the dividend was slightly up at $0,17 ($0,16)

Minorco said it invested its cash mainly in dollars and, in part, in other currencies on a hedged basis Earnings on these funds were offset by higher operating costs

US-based Engelhard Corporation's earnings improved through the sale of assets, but the final contribution of equity accounted investments to Minorco's earnings dropped by more than $3m because of poor results from Adobe Resources Corporation and Inspiration Resources Corporation.

UK-based Charter Consolidated's earnings were marginally higher in spite of lower earnings from mining equipment and from Johnson Matthey, which is restructuring. Anglo American of South America's earnings fell

Directors forecast results for the second half would be lower if the current gold price and interest rates persisted

CAPE TIMES
25/3/91
210

Mines face increase in corruption

JOHANNESBURG. — The mining idustry is facing an increase in bribery and corruption associated with the supply of goods and services to mines — and should take even stronger steps to stamp out the problem.

This is the view of Mr Derek Bostock, commercial director of Rand Mines, who said yesterday that industry cutbacks in the face of the local recession and the fall in foreign metal prices had led to industry suppliers competing more and more vigorously to meet diminishing mine requirements.

Thanks to the introduction of telephone hotline systems and a complete open-door policy, Rand Mines was gaining the upper hand, he said — Sapa

'Tackle bribery on mines' 210

Star 25/3/91

The mining industry is facing an increase in bribery and corruption associated with the supply of goods and services to mines — and should take stronger steps to stamp out the problem.

This is the view of Derek Bostock, commercial director of Rand Mines, who yesterday said industry cutbacks in the face of the local recession and the fall in foreign metal prices had led to industry suppliers competing more and more vigorously to meet diminishing mine-requirements

Mr Bostock also noted that the Serious Fraud Office in the United Kingdom had found similar effects in that country.

"The climate is perfect for an upturn in graft among the few bad apples who blemish an otherwise ethical relationship between the SA mining industry and its suppliers," he said

Thanks to the introduction by Rand Mines of telephone hotline systems and a complete open-door policy — both at head office and at the mines — the group was gaining the upper hand in dealing with the problem in its own areas of operation

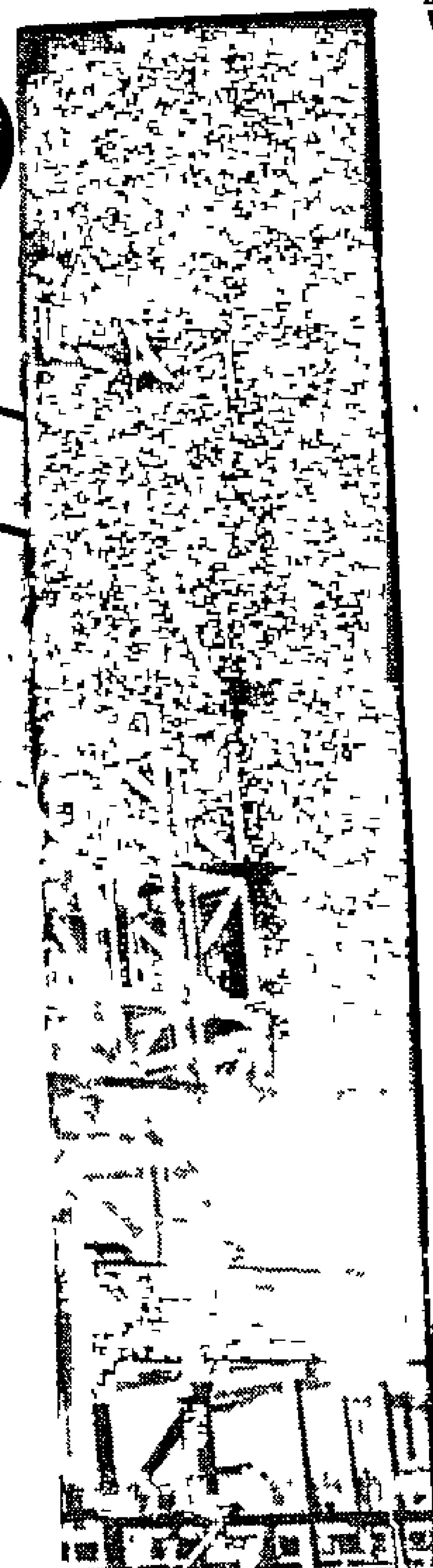
"Both Rand Mines' suppliers and employees are coming forward increasingly — either openly or anonymously — and bring to our attention incidents of questionable practice that they are aware of. In cases where the information provided by them is adequate and accurate, Rand Mines takes steps to bring the culprits to book," Mr Bostock said.

Rand Mines would not hesitate to bring criminal charges against anyone overstepping the law Mr Bostock said, however, that the SAP's Commercial Branch "appears to be hopelessly short of resources and cannot, I believe, cope with the high level of white-collar crime in the country".

"As a result, people are reluctant to call in the police Instead, companies tend to rely on the services of private security firms to investigate and prove a crime or malpractice

"Perhaps, like Inland Revenue, there is merit in drafting national servicemen who have legal and financial/commercial qualifications into the police force to bolster the Commercial Branch after the recruits have done a short spell of basic training," he suggested — Sapa

157



old mines,
Chamber -

War waged against mine corruption

210

Star 30/3/91

SUE OLSWANG

LEADING mining houses admitted this week they are fighting an ongoing war against corruption

Bribery was exposed last year when a number of mining supply companies approached Saturday Star with allegations about certain mining personnel accepting, and sometimes even demanding, "kickbacks" for business

30/3/91

The newspaper reported allegations about "kickbacks" being paid to certain mining personnel — both at mine level and head office buying departments — in the form of cash, weekends away and "gifts" Some suppliers alleged it was virtually impossible to stay in business without paying bribes

Rand Mines commercial director Derek Bostock was reported as saying this week that industry cutbacks in the face of the recession and the fall in foreign metal prices had forced suppliers to compete even more vigorously in order to meet diminishing mine requirements.

He said the climate was perfect for an increase in "graft" (corrupt practices) among "the few bad apples who blemish an otherwise ethical relationship between the mining industry and its suppliers"

Mr Bostock said his group was, however, achieving good results in dealing with the problem through its telephone "hotline" systems and a complete "open door" policy.

An Anglo American spokesman was quoted as saying that the graft problem was not a new one, "but it appears to have been exacerbated by the current recession"

Mining houses join outcry over tax

BIDay 8/4/91

(210) (1520)

GRETA STEYN

THE mining houses have joined the outcry over the levy on interest earnings announced in the Budget and have approached the Finance Department for exemption

All the large mining houses have sophisticated money and capital market operations and would, in terms of the current proposals, fall foul of the "turnover" tax on interest announced in the Budget.

A Chamber of Mines spokesman confirmed at the weekend that the chamber had raised the issue with government and would be making further representations soon. It is expected it will argue that the industry is already in dire straits and should therefore be exempted from the 0,75% charge on interest earnings

Commissioner for Inland Revenue Hannes Hattingh said last week exemptions from the tax had not been finalised

Banks, the hardest hit by the new tax, are already up in arms about talk that the Post Office will not have to pay extra tax

Meanwhile, tax experts have criticised the tax, calling it "unworkable" and in conflict with the principles established by the Margo Commission.

☐ To Page 2

Tax

BIDay 8/4/91

(210) (1520)

☐ From Page 1

Deloitte Pim Goldby director Willem Cronje said it was a "cascade tax" which meant the amount of revenue earned depended on the length of the "chain" through which funds moved.

"The Margo Commission pointed out the distortions created by cascade taxes," Cronje said. He added that the market would probably react to the tax by "shortening the chain" — moving away from using financial intermediaries He argued this would "push SA in the direction of a less sophisticated, Third World economy"

Another tax expert said if it was accepted that banks had to pay more tax, there were other, less distortive taxes than the "cascade" tax announced in the Budget

Hani accuses Anglo of crime against SA

Star 25/4/91.

(210)

By David Braun
Star Bureau

WASHINGTON — Anglo American Corporation had committed a crime against the people of South Africa by keeping its workers in squalid conditions while reaping profits, Chris Hani, a member of the national executive of the ANC, has said in the US

Mr Hani told the National Press Club in Washington yesterday that in spite of Anglo's accumulation of profits, the company had built housing for its workers which was not fit for animals Its discriminatory conditions and labour practices were terrible

A future South African government would have to set up guidelines for companies in this regard They would be allowed to take their profits, but they would also have social obligations.

Mr Hani said South Africans were discussing their country's future economic programme Even the non-Marxists agreed something had to be done about redistributing the wealth in the country

Everyone was entitled to at least three meals a day, to shelter that was not a squatter shack and access to education and medical facilities

He said he did not think South Africa should be looking for models elsewhere in the world

The Afrikaners had nationalised sections of the economy in order to uplift their people, and equally today the blacks were emerging from disastrous poverty and needed to do the same

The ANC certainly wanted to nationalise industries such as Eskom, Iscor and Sats, but at the same time it wanted a mixed economy In doing so, it wanted to avoid the mistakes of Eastern Europe and Africa

However, the government had to ensure Mr and Mrs Average also had a slice of cake, he said

Mr Hani said the ANC wanted to assure whites that nationalisation did not mean their houses would be grabbed Simplistic people believed the ANC was going to be rushing to grab people's cars and houses. Every South African would retain his or her private property, he said

Pioneer talks in mining industry

WMail 26/4 - 2/5/91

(210)

The Chamber of Mines has given the green light for a ground-breaking summit which could chart a path for the industry's regeneration. By DREW FORREST

THE National Union of Mineworkers and the Chamber of Mines have agreed to organise a tripartite conference in which employers, organised labour and the government will discuss the future of the stricken mining industry

The summit could blaze a trail in the area of joint economic management by setting a precedent for worker participation in decisions about how to restructure key sectors of South Africa's economy

The proposed summit will involve all mine unions, the Chamber of Mines and government representatives, which will look at ways of tackling the industry's current crisis and chart a new course for its regeneration

A number of Cosatu unions have indicated they will launch a campaign to win the right to participate in making decisions about how a post-apartheid economy can be reorganised and all eyes will be on the mining industry to see if this demand can be translated into reality

This week, in response to repeated National Union of Mineworkers calls for an industry conference, a heavyweight team from Chamber of Mines met the union and indicated it favoured the idea.

"There is an in principle agreement in the industry to support a meeting of parties that will be able to explore the long-term viability of the mining industry," a Chamber representative told *The Weekly Mail*. "We are currently engaged in discussions with various parties who are interested in such a gathering."

At a press conference before the opening of the NUM's national congress on Wednesday, union general secretary Cyril Ramaphosa said there were indications a summit could take place in three to five weeks.

The Chamber's green light to the summit opens the way for a joint employer-union approach to government to participate. Given the critical role of mining in the broader economy and on the lives of whole communities, the union believes its woes amount to a national economic crisis, and it wants the government to acknowledge this.

"Our view is that the minister of finance, the minister of mineral and energy affairs and their directors-general must attend," Ramaphosa said.

Yesterday the director-general of mineral and energy affairs, Dr Piet Hugo, said the government "was in a negotiating mode" and would be sympathetic to joint consultations

The National Union of Metalworkers of South Africa, the second-biggest union after NUM in Cosatu, has also been vocal in demanding a right to take part in rearranging sectors of the economy

The union envisages an economic compact with the state where independent trade unions will have pivotal roles in negotiating state-initiated policies on economic development, planning and the direction of investment

Hugo stressed that in the light of the low gold price, there were limits to the assistance the government could offer. He also suggested employers and unions should meet first to hammer out proposals before approaching the state.

The NUM sees the conference as setting the framework for a restructuring process lasting many years.

Gencor improves despite adversity

BDay 30/4/91. (2D)

MATTHEW CURTIN

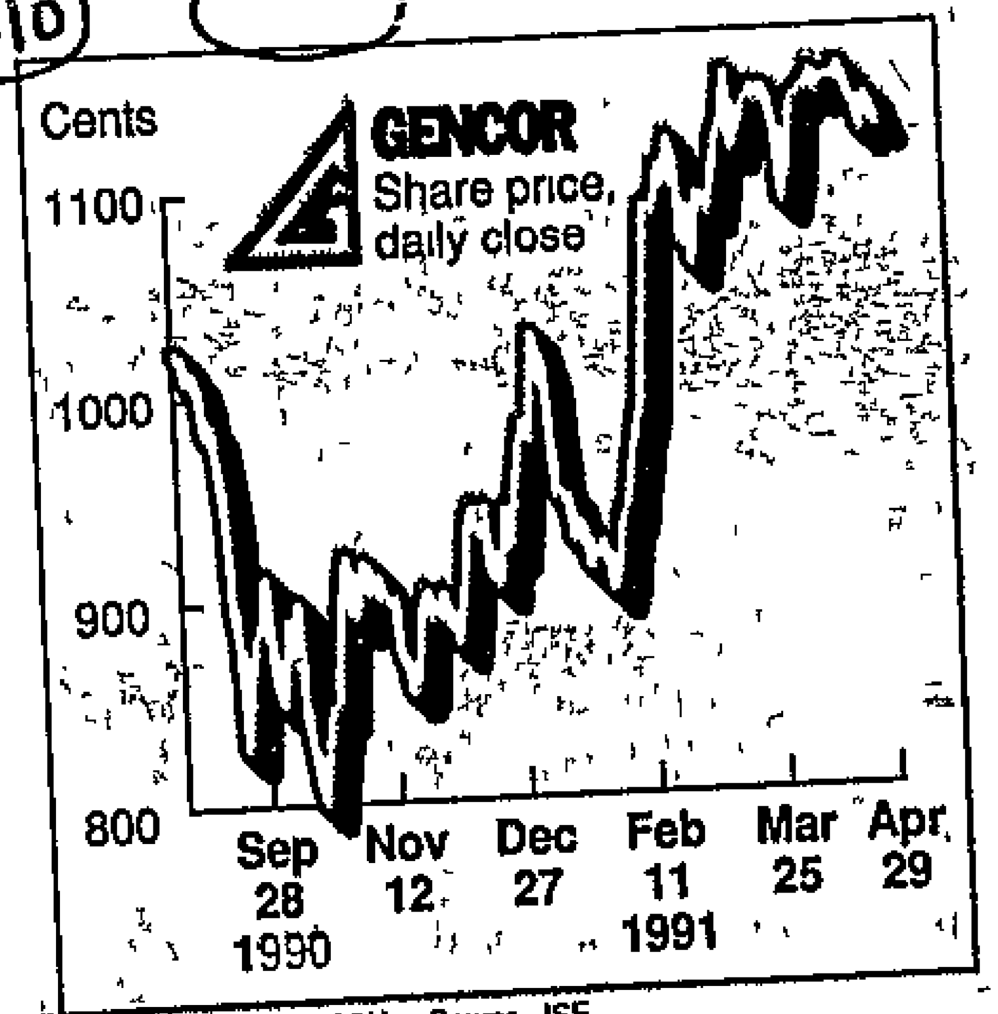
DESPITE lacklustre performances from its mining and industrial interests, Gencor posted improved earnings in the six months to end February.

Genbel, Gencor's investment arm, posted higher earnings to offset a 16% drop in operating income for the group. Although adverse economic conditions hit Genmin's and Sappi's earnings, the group's earnings rose almost 3c a share to 62,6c.

Gencor executive chairman Derek Keys said that over the year, "the level of operating income is likely to be in line with that reported during the first six months"

Total earnings would fall below levels (R1,4bn) of 1990.

● See Page 10



Graphic FIONA KRISCH Source JSE

Genbel helps boost flagging Gencor

210

B Day 30/4/91.

MATTHEW CURTIN

GENBEL, Gencor's investment arm, confirmed its position as the rising star in the group as six months of large transaction surpluses offset a 16% drop in Gencor's operating income and boosted earnings by almost 3c a share to 62,6c.

In the six months to end-February, attributable income from Genbel and investments rose from R179m to R331m, while attributable income for the group as a whole rose to R738m (R701m). In 1990, Genbel and investments contributed 29% of the group's income, a contribution which now stood at 45% at the interim stage.

However, Gencor executive chairman Derek Keys said that over the year "the level of operating income is likely to be in line with that reported during the first six months". Transaction surpluses would be modest in the next six months and earnings would fall below last year's levels (R1,4bn).

Keys said in a statement yesterday the upgrading of Genbel's portfolio in recent years was bearing fruit, and "together with substantial transaction surpluses arising principally from disposals of gold mining shares in July 1990, this resulted in a sharp rise in its contribution". In contrast, performances of most of Genmin's businesses were badly affected by lower commodity prices and a stronger rand.

The group's gold mining, platinum, and ferrochrome operations all suffered reduced earnings, and while TransNatal weathered lower coal sales volumes, attributable earnings from Genmin fell to R208m (R278m) in the interim

Engen, the group's fuel and energy arm, and Malbak, which holds the group's industrial interests, turned in stable but relatively weaker contributions. Better refining margins in the wake of the Gulf war helped Engen improve earnings, but Keys said its contribution to Gencor was dampened by higher North Sea exploration expenditure.

● KEYS

Malbak pulled through the unfavourable local economic climate, and Keys said "profits at a pre-tax level showed a pleasing rise in the circumstances. Earnings on an increased number of shares were marginally higher".

However, Sappi's contribution to earnings fell by R53m in comparison with the first six months last year

There would still be a "modest increase" in the year-end dividend, and the interim dividend was raised a cent to 15c a share

Gencor Beherend, whose only asset is a 54,8% interest in Gencor, earned 56,9c (54,7c) a share in the interim, while its dividend rose to 13,3c (12,5c) a share

Minorco in R700-m rescue of Hudson Bay

Star 3|5|91

(210)

By Sven Lünsche

Minorco will spend more than R700 million over the next two years to prevent the closure of its Canadian subsidiary, Hudson Bay Mining and Smelting (HBMS).

Minorco, Anglo American's overseas investment arm, announced yesterday that it would be buying complete control of HBMS for 100 million Canadian dollars (R250 million) from Inspiration Resources, in which it holds about 56 percent

A further C$187 million (R470 million) will have to be injected into HBMS before 1994 to meet Canadian environmental regulations.

The proposal will expire if an agreement is not signed by June 1, allowing Inspiration to seek an alternative purchaser

Minorco intervened after Inspiration failed to secure the financing necessary for the upgrading, a reflection of the poor financial state of the US-based diversified natural resources company.

During 1990 Inspiration's losses totalled $109 million and the group recently gave up its coal business at a cost of $80 million

HBMS operates a mining and metallurgical plant for the extraction of zinc, copper, gold, silver and other metals at Flin Flon in northern Manitoba, but recent environmental laws will require a drastic reduction of sulphur and particulate emission at the plant

"Unless an outside party was willing to secure HBMS's future by providing significant credit support, Flin Flon would have had to be closed," Minorco (USA) chief executive Gerard Munera said in a statement

The cash injection is also necessary to reduce operating expenses at HBMS and will significantly strengthen Inspiration's financial position, Mr Munera added

If an agreement is reached between Minorco and Inspiration, Minorco will provide immediate support of C$20 million for the next five months in connection with the environmental programme

However, this interim financing is conditional upon a commitment by the Canadian Federal government and the Province of Manitoba to provide a further C$80 million, which is currently being negotiated

The acquisition of HBMS is Minorco's latest move to invest its vast cash resources — $1,9 billion at the end of December — in strategic acquisitions

Only a month ago the group acquired the former East German sand and gravel mining company Elbekies Gmbh Muhlberg-Prettin for Dm178 million ($108 million) and created a German subsidiary Minorco Gmbh to facilitate future acquisitions

Minorco's first acquisition, after the cash injection from the sale of Consolidated Gold Fields, was Freeport-McMoran Gold, now Independence Mining, in the US for $705 million, followed by the £15 million purchase of a Portugese tin and wolframite mine

Minorco set to buy Canadian firm

210

B/Day 3/5/91.

MARC HASENFUSS

MINORCO, Anglo American's foreign investment arm, was set to buy Canadian firm Hudson Bay Mining and Smelting (HBMS) for C$100m in cash, a statement released by Minorco said yesterday.

HBMS, a 100% owned subsidiary of Inspiration Resources Corporation (IRC), must complete a C$187m modernisation programme under environmental regulations to reduce sulphur and particulate emissions at its Flin Flon facilities by January 1994

IRC and HBMS have not succeeded in securing the financing necessary for the programme to proceed

Integrated

The programme is also necessary to reduce operating expenses and improve the profitability of HBMS

Minorco's proposal expires if an agreement is not signed by June this year

HBMS operates a fully integrated mining and metallurgical complex for the extraction of zinc, copper, gold, silver and other metals at Flin Flon in northern Manitoba, and provides employment for about 2 650 people

CE and president of Minorco (US) Gerard Munera said the purchase and accompanying financing were vital to HBMS's future

"Enviromental regulations will force most of HBMS's operations to close by 1994 unless an outside party is willing to secure HBMS's future by providing significant credit support to allow urgent construction to proceed"

The receipt of proceeds from the sale would also significantly strengthen IRC's financial position, he said

Munera said Minorco intended to retain the present management at HBMS "We look forward to working with HBMS's management in the implementation of the modernisation project for the benefit of the local communities"

Should a purchase agreement be signed with IRC, Minorco will provide up to C$20m of interim financial support to HBMS for the period prior to end September 1991, with regard to the Flin Flon enviromental improvement programme

The availability of the interim financing depends on HBMS's receiving satisfactory commitments from the Canadian Federal government and the Province of Manitoba to provide C$80m in financing for the programme, which are being negotiated

The Minorco proposal does not preclude IRC from soliciting competing offers, and IRC will be able to sell to an alternative purchaser if the group receives a firm offer to acquire HBMS at a price exceeding Minorco's purchase price by at least C$5m and the purchaser agrees to assume the interim financial support provided by Minorco

Minorco (US) owns 42% of the voting stock and 56% of the equity of IRC Minorco shares eased 25c to R46,75 on the JSE yesterday

Barbrook features in R70m baleout

2'10

BDay 10/5/91.

ANDREW GILL

RAND MINES and Anglo American have stepped in with a R70m capital injection to rid troubled Barbrook gold mine of debt

This emerged in the mine's annual report, released today, which included the unusual step of auditors qualifying their report by saying they were unable to express an opinion on the financial statements.

This was "solely due to the uncertainty as to the value of the company's mining assets", which are valued in the balance sheet at R148m

Regarding this R148m valuation, auditors Deloitte Pim Golby said the future value of it depended upon the resumption of profitable mining operations. "In the absence of a substantial and sustained increase in the rand gold price in the near future, the value of the company's major asset is unknown."

In his chairman's statement Clive Knobbs announced a R180m offer to subscribe for convertible unsecured notes.

Barbrook's two major shareholders, Rand Mines and Anglo American, will put up almost R70m — Rand Mines R63,8m and Anglo R6m.

While the offer was open to minorities, Knobbs did not expect them to take it up.

The terms of the offer are for R30m "A" notes and R150m in "B" notes, effectively pegged at 50c and 100c respectively The mine's share price is currently 30c

Of the R30m offer of "A" notes, R6m each will be taken up by Rand Mines and Anglo. Of the R150m offer of "B" notes, R57,8m will be taken up by Rand Mines.

Knobbs said the offer could change the effective shareholdings of the parties depending on who took up the offer and whether they opted to redeem the notes or convert them to shares in 1993.

The notes have a 1993 redemption, at which stage they can be converted into A and B preferred ordinary shares.

According to the latest McGregor's Who Owns Whom, Rand Mines owns 39,3% of Barbrook and Anglo 20,7%

The remaining R110m of the R180m of notes on offer is likely to remain unissued and act as a contingency if the mine continues to operate on a care-and-maintenance basis for some time, assuming minorities do not take up their rights.

The mine was placed on a care-and-maintenance programme in December, when it was believed to be no longer viable at the current gold price and after labour unrest Keeping it on that basis would cost about R1m a year, Knobbs said.

At end-December 1990, borrowings stood at R61,6m The mine posted a net loss of R5,7m for the year to end-September and has since lost a further R11m

OPINION

Geologists propose a new formula for allocating mineral rights, reports **Graham Linscott**

Unearthing way to share gold

(210)

Star 13/5/91

A GROUP of geologists has devised an innovative way to bring mineral wealth into national ownership, making reparation for the injustices of apartheid and avoiding such ideological categories as capitalism or socialism.

They say their method would bring mining within the scope of small operators as well as the large mining houses and would increase South Africa's productivity in a highly competitive world

Dr F J Kruger, Professor M J de Wit and Mr G Levin call for the establishment of a South African Minerals Corporation (SAMC), in which all mineral rights would be vested in return for shares

Writing in International Affairs Bulletin (published by the South African Institute of International Affairs), they say South Africa has to devise a code by which there is easier access to mineral rights and a diversity of mining interests is encouraged. The tangle of law — not uniform between provinces — makes it difficult and expensive to trace individuals who hold mineral rights

Dr Kruger is senior research officer at the Bernard Price Institute of Geophysical Research, University of the Witwatersrand, Professor de Wit is head of the Department of Geology, University of Cape Town, and Mr Levin is a consulting geologist.

They argue that.

"All mineral rights should vest in the SAMC in return for shares based on the holdings in relation to the land area and continental shelf of South Africa.

"Prospecting rights should be granted to companies and individuals at a price per unit area.

"These would confer the right to exploit or trade any discoveries, subject to environmental and other reasonable conditions, spelled out in advance

"Registration of a mining lease should guarantee security of tenure. Unviable discoveries should revert to the SAMC or be held in reserve by the discoverer at a realistic rent or traded to another entrepreneur. If the SAMC wanted a mine for social or technical reasons, incentives such as royalty reductions could be provided

"Prospecting areas should be defined by the National Survey Grid, not cadastral (surface ownership) boundaries

"Sterilisation of prospecting rights should be prevented by annual escalation of prospecting fees or annual reduction in the grant area

"Data gathered by a prospector should be deposited in a national data bank so that it is available to other interested parties and technikons and universities

"An equitable marketing system for small business ventures should be established.

"There should be a mechanism to fund research and training of mineral scientists, technicians, economists and ecologists from the total population.

"The nation's surface, water and environmental rights have to be rigorously protected and expanded. Rehabilitative costs should be included in lease agreements with the SAMC"

Management of shares would vest in the SAMC and all parties in the economy, government included, would have a shareholding based on current ownership of mineral rights Prices would be set on the Johannesburg Stock Exchange

Communities dispossessed of their land by apartheid could claim back mineral rights and be allocated shares, which would provide a good income.

"The present system of rights ownership perpetuates an inequitable system and will militate against a democratic, prosperous and stable new South Africa," they say.

"It has to be replaced by a negotiated dispensation based on rational principles We feel that our best interests would be served by a minerals industry rooted in the new South African democracy, where both the private and the public sector have a stake in the common good." □

Mining houses feel the tremor

Star 11/5/91

Inside Out

210

ANN CROTTY

IT was quite a busy week on the market — results to be digested, deals to be considered So busy in fact that for a while a lot of people forgot about the Kahn investigation.

Then right at the end of it came news that Clive Knobbs had resigned from Rand Mines — just after announcing the R70 million rescue package for Barbrook.

And the Barmines negotiations — news is due any day about a deal with Gencor. According to Myles, the market is not expecting much of an offer.

Also on the mining front — sortof — Digoco continues to confound. The share was one of the week's strongest movers — up to 20c following last week's release of financial '91 results which showed a net loss of R1,4 million. Obviously some players in the market are taking an extremely contrary view on this share.

Myles has not yet been able to establish in which publication the Digoco results appeared To this end he is trying to track down a copy of Farmers Weekly.

Indication of just how seriously the Anglo head office is taking the current economic recession — the waitressed tea service provided to executives has apparently been cut back.

Myles hears that unless you're extremely executive at 44 Main St. you've now got to schlep to the tea trolley and serve yourself This will certainly test the mettle of the average Oxbridge graduate.

Understandably, attempts were made to keep this disturbing news under wraps as the impact on investor and consumer confidence is expected to be considerable

Myles also heard talk of rumblings within the Anglo hierarchy — not related to the tea situtation.

News about a Metal Closures' deal is expected next week. Indications are that the major minority shareholders are prepared to accept the R30 a share being offered by the UK parent

The collapse of discussions between Sankorp and the Israeli consortium (which apparently included the Steinmetz diamond family) came as something of a surprise. Although as Myles points out, on this front nothing should surprise.

It seems that the two parties differed on what base to use for the formula that would determine the net asset value of Checkers. Unconfirmed gen suggests that Sankorp wanted to use existing Checkers accounting principles and the Israelis wanted to use GAAP.

Myles could not find out whether or not the Dutch and English parties were still interested.

Rusfurn was under a lot of pressure this week. Details of the attempts being made to establish a joint venture company, or a furniture bank along the lines of Wesbank, should help to stabilise the share price

The effect on investor sentiment of the reduced margins (cos financing profits would have to be shared in a JVC) should be countered by removal of debt from the Rusfurn balance sheet.

Wednesday's meeting of Saambou shareholders seems set to provide considerable entertainment. If all of the thousands of minority shareholders do not pitch, then the deal between Saambou and Fedsure does look to be in the balance.

Slump: some sectors feel only mild pain

B/Day 17/5/91

(210)

GREETA STEYN

WHILE the mining and manufacturing sectors are plunged in deep recession, other sectors of the economy are surviving with only mild pain.

Mining and manufacturing output fell by a real 4% and 3% respectively in the first quarter of 1991 from the fourth quarter of last year (seasonally adjusted and annualised), according to Central Statistical Service (CSS) figures

CSS figures also show employment in these sectors has been falling in recent months. SA economic policy-makers hope that a rise in manufactured exports will be a major force for growth in the next upswing

Agriculture turned in positive growth in the first quarter, as did finance and real estate, transport and communication, and general government

Despite falling overall output, South Africans increased their spending in the first quarter in a continuation of a trend that has surprised economists for most of the upswing

Buoyed by both private and government consumption, overall spending rose by 1% from the fourth quarter — compared with a decline of similar magnitude in overall output

Against the background of an economy shrinking in real terms, sales of "luxury" household items have continued to rise rapidly

Sales of television sets and other domestic furniture rose by 6,4% in the year to February, in spite of high overall interest rates CSS retail figures show cash sales rising at a faster rate than credit sales, which could explain why tight monetary policy has done little to depress consumption

SA's propensity for consuming is reflected in the decline in fixed investment and savings as a percentage of GDP over the past few years

Fixed investment has fallen from 23,3% to 19,6% between 1985 and 1990, while private consumption increased over the same period

But economists predict that the consumption has little scope for further increases Forecast declines in real disposable incomes because of a drop in real remuneration should hit consumption spending soon.

Mine pension funds still in good shape

Star 17/5/91

By Derek Tommey

The many retrenchments by the mines will not affect the performance of their pension funds, says Herc Hefer, chairman of the Mine Officials Pension Fund.

He said yesterday the growth of the funds was primarily dependent upon investment performance, and not on contributions forfeited by members resigning after short service, as was the case in some funds

He said that the funds were professionally managed and that their investment performance had been good

The Mine Officials' Pension Fund had shown an average growth rate of 22,5 percent a year for the past five years, while the Mine Employees' Pension Fund had shown an average annual growth of 22,7 percent in this period.

This had enabled the funds to increase pension and other benefits by 14,4 percent in the past year

The total assets of the two funds had increased by 10,5 percent in 1990 from R9,3 billon to R10,3 billion

During the year the funds had paid out R81,4 million (R75,2 million) in lump sum benefits and R97,9 million (R87,6 million) in pensions.

Mr Hefer was concerned about the effects the retrenchment of personnel on the mines could have on the black population.

On average, one mineworker supported nine people.

Therefore, the retrenchment of 100 000 could create hardship for one million people, he said

Maggie pops up in Phalaborwa

210

Star 18/5/91

THE Palabora Mining Company had an unusual visitor yesterday as former British Prime Minister Margaret Thatcher spent the third day of her week-long visit to South Africa scrutinising one activity the country does best.

After days of meeting political dignitaries in the Cape, Mrs Thatcher surprised protesters expecting her in Nelspruit by appearing at Phalaborwa for a day visit to the copper mine.

Private jet

Disembarking from a private jet (provided for her convenience by Rembrandt's Anton Rupert), Mrs Thatcher strolled into the town's Van Eck airport looking every inch a reigning stateswoman rather than a private visitor

A British embassy spokesman said the trip to the mine, jointly owned by Anglo-American and Britain's RTZ mining company, was made to underline her position on economic links with South Africa

A small group of people who had gathered to welcome her obviously thought so too, woman called out hopefully "Hey, Maggie, I hope you're going to sort out the pension," referring to

IRON HEAD. Mrs Thatcher was unperturbed about mine safety Pictures: Etienne Rothbart.

Children soften Iron Lady's heart

MARK SUZMAN

problems British expatriates have with pensions paid out from England.

After surprising the crowd by greeting well-wishers, including some smalltalk with a local mother of twins, Mrs Thatcher, with husband Denis and outgoing British Ambassador Sir Robin Renwick and his wife, was ushered away by the company chairman and managing director, A J Leroy, and taken to the mine.

Tracked by a gaggle of photographers and reporters, and a low-key but visible security presence, Mrs Thatcher was taken on a tour of the mine and its facilities.

Clearly disdainful of the notion that a mere copper mine might prove a threat to an Iron Lady, Mrs Thatcher declined a helmet and safety goggles, while the workings of the third-largest pit in the world were explained to her

And while blasting and machinery may not have moved her, one encounter which caused the iron to soften slightly was when Mrs Thatcher travelled to Namakgale village, home to most of the mineworkers She was met at Ikatleng Early Learning Centre by a group of children who greeted her with a repertoire of songs.

Entranced by the music, Mrs Thatcher motioned aside an overeager photographer who blocked her view of the little choir so as to hear the singing better

To conclude the tour, the party took a walk through the company's well-appointed men's singles quarters — which included a TV room and swimming pool

At the end of the tour, Mrs Thatcher publicly reiterated her support for investment and economic links between South Africa and Britain

The visiting party then retired for a private lunch before departing for the airport.

And as the jet rose into the clear winter sky heading for Mala Mala game park, the management and workers of the Palabora Mining company were left to contemplate their brief brush with a political giant of the last decade

A CHILD'S VIEW A brush with greatness? One of the children at the Ikotleng Early Learning Centre in Namkagle finds something even more interesting than Mrs Thatcher's visit to his school

Namibia and SA do deal on Walvis

Star 18/5/91

221/4

WINDHOEK — Namibia and South Africa agreed at talks here yesterday to establish a joint administration over the SA port of Walvis Bay prior to settlement of the issue

South African Foreign Affairs Minister Pik Botha said in Windhoek his delegation had come to Namibia to explore the complex issue of Walvis Bay and 12 islands

Namibia has demanded that the enclave and the small islands be reintegrated into its territory

Mr Botha said one of the issues already discussed between the two countries in Cape Town in March, that of the Orange River border, "was not a problem any longer" He did not elaborate

Officials said South Africa considers the northern bank of the river, which separates the two countries, as the border, while Namibia says the border should be a middle line in the river

Mr Botha said he believed peace in Angola and Mozambique was very close. — Sapa

Rand Mines warns of lower dividend

ARGUS 20/5/91

(210)

From ANN CROTTY

JOHANNESBURG — With the announcement of an 8 percent increase in attributable earnings for the six months to March, RAND MINES management warns that total dividends for the full year could be down by as much as 50 percent from the 560c a share paid last year

The extent of the likely cut is considerably worse than analysts had expected and reflects the extensive nature of the funding problems facing the group

Last week's news of an injection of funds into ailing Barbrook is now overshadowed by the latest statement from the directors that Rand Mines is likely to have to assume R200 million of Barmines' debt and subsequently write off R430 million relating to Rand-Mines' investment in Barmines.

If the full-year dividend payment is restricted to 280c a share, the mining house will have R52 million less to pay out in dividends.

This will cover a large chunk of the R65 million it has undertaken to inject into Barbrook.

The R430 million write-off reflects the sharp reduction in the Barmines share price since the 1989 rights issue that was pitched at 450c Friday's closing price was 115c

At the time there was some criticism that Rand Mines had pitched the issue price too low — the market price was 575c

However, subsequent events suggest that the price was optimistic

Since the rights issue the group has faced one problem after another

The shares of all of the Rand Mines companies involved in negotiations with Impala (Barplats, Barmines and Vansa) have been suspended

For the six months to the end of March Rand Mines has declared an interim dividend of 100c (120c) a share from earnings of 700c (714c) a share

Once again coal came to the rescue of Rand Mines, contributing 75 percent of the R104,3 million attributable profit reported for the six months

The improved contribution from coal was helped by the increase in Rand Mines' interest in the Middleburg Mine

Chairman Mr Dammy Watt says "While the group has been plagued with problems in other areas, its robust coal division has forged ahead strongly."

VAT will enable mines to reduce costs

210

Own Correspondent

JOHANNESBURG — Mines could increase their profitability, through reduced costs by 4% and 6% on implementation of VAT on September 30, tax experts say

Deloitte Pim Goldby senior tax consultant Henry Hollingdrake said the major benefit would come through claiming back the tax paid on capital expenditure Many of the working costs would also be reduced through input tax credits

"The introduction of VAT is very opportune for many mines which are either operating at a loss or on the brink of closing down," he added

Anglo American Corporation group tax consultant Marius van Blerck said mines could reduce their costs by as much as 8% depending on the percentage of funds used for capital expenditure and consumable stores which currently attract GST

Although the treatment of mines is no different to other industries, the benefit to be derived by mines is far greater because of their extensive capital expenditure

Van Blerck dismissed the argument that VAT would benefit highly mechanised mines over labour intensive mines, saying "GST distorted mines away from capital expenditure in favour of labour because of the double tax element of GST VAT will just remove that distortion"

Mines producing primarily for the export sector would get the added benefit of being zero-rated, which means they would not have to charge any VAT on their exports while still claiming input tax credits

Currently there is a tax element on exports

KPMG Aiken & Peat tax partner Alister MacKenzie said although massive retrenchments and cost-cutting measures had been undertaken by many mines, output had not changed VAT would give them another avenue to save costs

JCI directors the biggest earners

Randlords grab R500 000 a year

Star 2/6/91 210

By Michael Chester

Boardroom pay packets of the countries two largest mining empires have climbed on the average to more than R500 000 a year, according to trade union researchers.

The Cape Town-based Labour Research Service, which is funded by Cosatu and major individual unions, claimed that the 12 directors at Johannesburg Consolidated Investments drew the highest average pay cheques — the equivalent of R11 058 a week.

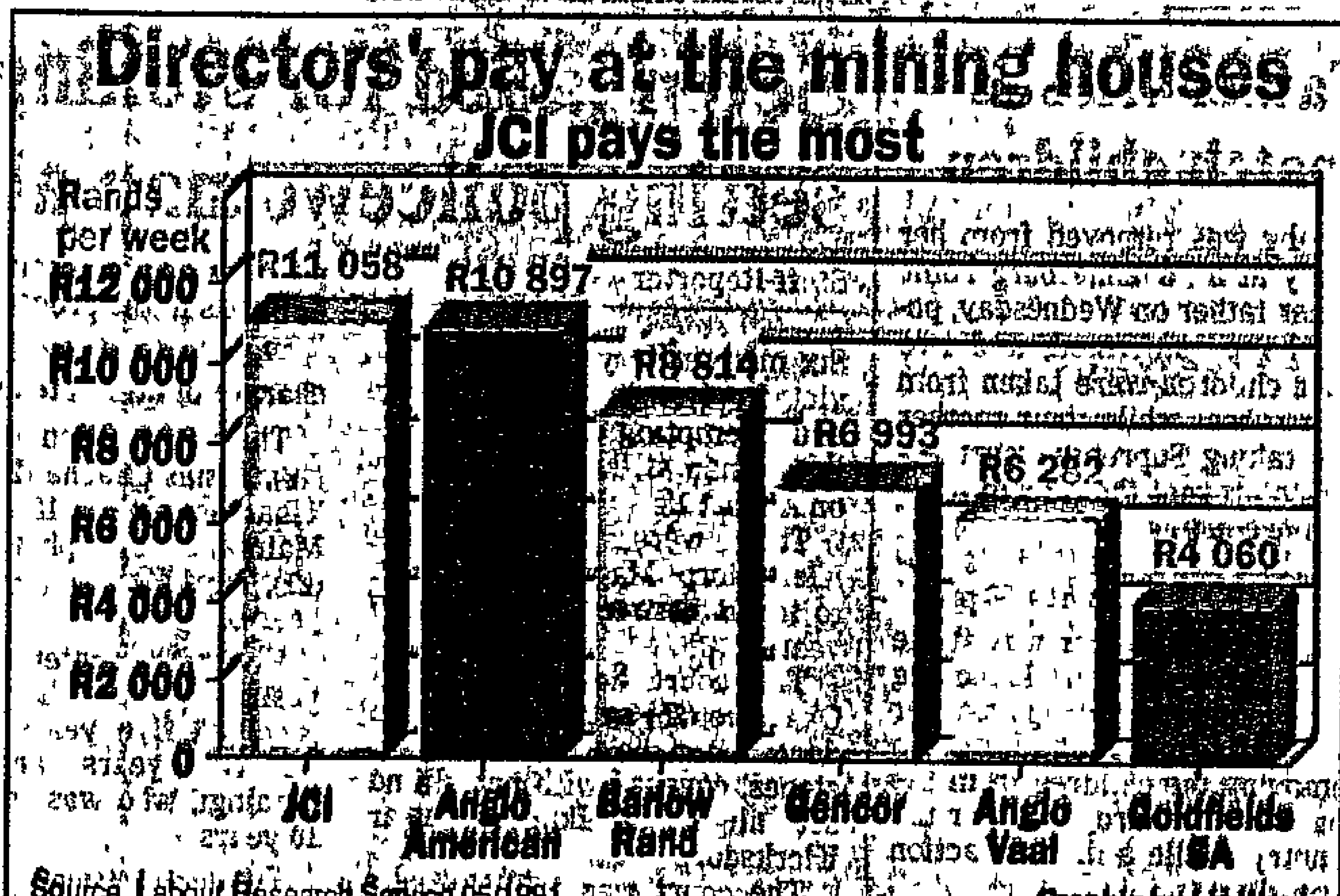
Between them they earned R6,9 million last year, or 35 percent more than in 1989, according to survey results The calculation put average pay levels at R575 000 a year

The next biggest earners were directors of Anglo American Corporation, who paid themselves an average of R10 897 a week.

LRS researcher Dasi Moodley explained that boardroom pay packets had been analysed on a weekly basis to allow easier comparison with the earnings of blue-collared employees.

At JCI, for example, the average pay of R11 058 a week drawn by directors was shown to be 70 times more than the weekly wage of R157 paid to a Grade 4 underground worker at a JCI gold mine.

Mr Moodley stressed that the analysis was based on the average level of director payments, leaving aside the probability that executive directors drew much more and non-executive drew less.



The research unit, which feeds all its findings to the trade unions for use as ammunition at wage negotiations, made its first disclosures this week.

It revealed that directors of the Top 100 industrial companies listed on the Johannesburg Stock Exchange were now drawing an average of R3 560 a week.

'Living wage'

The survey, released by LRS earlier this week, and reported in The Star, showed that the 1 079 directors who controlled the top 100 industrial companies quoted on the Johannesburg Stock Exchange last year shared pay packets worth no less than R199 million — which could have supported 14 457 families with a "living wage" of R1 140 a month.

The industrial survey also underlined that the pay packets of directors were running 20 times higher than average weekly wages paid to labourers, which rose to R179 following 1990 increases of slightly more than 20 percent

Mr Moodley added fuel to the debate yesterday by pointing out that most directors of large companies also substantially boosted their income by dividend payments paid out of share incentive schemes.

Research found that directors at P[illegible] Glass on average add [illegible]761 to their pay of R[illegible] every week by dividends from their shareholdings in the company

The average weekly pay of R9 615 collected by directors at Malbak was boosted by dividend income running at an average of R2 967 a week.

In the top hierarchies of several companies, fortunes were made out of dividends alone.

LRS said that as an example, Aaron Searll, managing director of Seardel, the largest clothing manufacturer in South Africa, last year earned an extra R49 653 a week in dividends paid out on his personal 21 percent shareholding in the company.

Neil Jowell, chairman of Trencor, the transport giant, and other members of the Jowell family collected combined dividends at the rate of R93 230 a week from shares that represented a 24 percent control of the company.

Both JCI and Anglo American last night refused to comment on the research findings.

A PLACE TO REST: Frank Kgang (19) rests on his makeshift bed after 11 hours of hard work every day of the week on a construction site in Dobsonville, Soweto. Kgang and 12 other men share this small shack which is "home" to them. The 13 men were recruited as labourers from Mafikeng by Mr Mmutla Bosigo, owner of Itireleng Construction. Pic JOE MOLEFE

Men ● 'paid R10 a week'

Sowetan
27/6/91

(204)

A SOWETO building contractor, whose workforce is drawn from rural areas, pays his employees as little as R10 a week and houses them in a shack, a *Sowetan* investigation has found.

By IKE MOTSAPI

The contractor, Mr Mmutla Bosigo, owner of Itireleng Construction, is also accused of allegedly assaulting the 13 workers he recruited from Mafikeng

The youngest of the workers is 19-year-old Frank Kgang, who said he was punched by Bosigo for smoking during working hours

Other workers, whose ages range between 25 and 40, said they were treated like "slaves" by Bosigo who was "arrogant and evasive" whenever they demanded their pay

● To Page 2

P.T.O,

Rural men paid R10 a week as labourers

Sowetan 27/6/91

204

From Page 1

"We have not been paid for the past two months and most of us have families to support back home," said an angry Aaron Soko.

Sowetan's investigation also found that Bosigo did not appear to care about the health and welfare of his workers.

Bosigo acknowledged that he had some people "who do casual work for me and are recruits"

He denied assaulting or ill-treating them

"I pay my workers well and give them good food," he said "You can ask them "

"I also deny that they work until 6pm every day. They work five days a week, normally starting at 7am and finishing at 5pm," he said

The workers said Bosigo provided them with a bag of maize, coffee, sugar but deducted R50 from each one every month

They said they worked from 7am to 6pm, seven days a week

During a visit to a construction site where Bosigo is working on extensions to a Dobsonville school, some of the disillusioned workers said they were made to work for 11 hours each day without being paid overtime or given days off

A *Sowetan* team found one sick employee sleeping on a sheet of cardboard on the concrete floor of a shack

The team was told that Bosigo had recruited the labourers from Mafikeng with the promise to pay them R20 a day, good accommodation, good food and days off to visit their parents.

The recruits said they jumped at the offer because they could not find jobs in their areas

Once in Soweto their hopes and dreams turned into misery and despair when Bosigo told them he had changed his mind

Migrant labour is a major culprit in AIDS epidemic

B\Day 28/6/91 204

KAREN JOCHELSON

AS THE AIDS epidemic spreads worldwide, everywhere people are looking for scapegoats. They often believe that "immorality" causes the disease, and so no further action is needed

However, if we are to plan how to combat HIV, the virus which causes AIDS, we have to understand how the disease is spread, who is vulnerable and why We have to examine how social and economic forces mould unsafe sexual behavioural patterns

Business Day on May 29 summarised an article I co-authored in which we argued that in SA migrant workers are especially vulnerable to contracting HIV. Migrants' frequent and lengthy absences from their homes disrupt stable family and sexual relationships These men may be a core population involved in high-risk activity and the first to contract HIV and to act as carriers

The migrant labour system creates a geographic network of relationships with and between urban and rural communities Migrants may contract a disease in an urban area and introduce it into their rural homes on their return HIV is still an urban disease and rural surveys have revealed very few cases But other sexually transmitted diseases (STDs), although originally mainly urban, are now widespread in urban and rural areas

Women are affected differently, but as severely, by the migrant labour system Long separations subject marriages to great strain and either spouse may seek extramarital partners Long separations frequently result in divorce or abandonment which deprives women of economic support Some women may choose prostitution as the only means of economic survival, and as a result are extremely vulnerable to contracting STDs

The Chamber of Mines responded to our article (Business Day, June 6) by arguing that this interpretation is "objectionable" as it implies that migrant labourers and the mining industry are "responsible" for spreading HIV The chamber felt the original article was "outdated" as the interviews were conducted in 1988 and based on a small sample

Research conducted since then has strengthened our original conclusions The intention is not to blame individuals for their ill-health, but to explain why particular groups are more vulnerable to STDs

Today's HIV picture has clear parallels with the history of syphilis in SA. At the turn of the century, syphilis was viewed with as much fear and apprehension as AIDS is today No cure exists for HIV Similarly, until pencillin was introduced, doctors relied on mercurial and arsenical treatments which might render a patient non-infectious but left syphilis in a latent form

A comparison with the spread of syphilis in SA over the past 120 years shows migrants were vulnerable to contracting STDs Landlessness, poverty, migrancy, urbanisation and disruption of family relationships moulded susceptibility to STDs

From the earliest days of white settlement, and as British administrators replaced the Dutch, prostitution and venereal disease were a feature of coastal, port and garrison towns But the disease did not seem to exist among Africans A Natal district surgeon reported in 1899 that "syphilis was unknown among natives prior to arrival of Europeans"

The discovery of diamonds in 1869 and of gold in 1886 began transforming the country from a rural backwater to an industrial economy shaped by the mining industry and its dependence on cheap migrant labour

Initially Africans worked voluntarily on the mines for short periods These young men would have had their sights set firmly on quickly acquiring guns, agricultural implements or cattle for bride wealth

But British invasion and destruction of African kingdoms in the 1870s and 1880s, the introduction of taxes and a series of natural disasters undermined agricultural production and forced men into migrancy The migrant labour system was based on the principle of a single male migrant returning to his rural home after completing his contract.

In the 1890s, cases of syphilis in Natal were still very rare, But in almost every case district surgeons associated the disease with migrancy and contact with the towns

The Zulu names for syphilis, *isifo sabelungi* or *isifo sedelopi*, meaning "disease of white men" or "disease of the town", similarly captured the connection between colonisation, migrant labour and disease

The district surgeon of Ngumi stated in 1899 that syphilis was spreading as travel to the towns increased "According to my personal knowledge I have treated very few cases, and in those cases I treated the disease (was) from either Johannesburg or Natal " Migrant men infected their wives and women gave birth to infants with congenital syphilis or had stillbirths

By 1936 70% of males aged between 18 and 44 in the Transkei and 66% in the Ciskei were absent from their homes at any one time In the 1940s SA was a fast growing industrial state whose economy was caught between the needs of the mining and newer manufacturing industries. The economy depended on a migrant labour force, although a small settled urban African population was emerging

Many migrants remained celibate as they worked out their contracts. Migrant associations attemped to control migrants' sexual activities in the towns The associations provided protection and comfort and also emphasised rural ties and values, warning young men that locations were dangerous and disease-ridden and that their prime responsibility lay in the countryside to their parents and their wives Men who became involved in the locations were shunned by other members

But as migrant men spent longer periods on contract and shorter periods at home, they gradually lost contact with their rural homes Growing numbers began to abandon their rural homes and settle in urban areas with "town women" while other migrants brought their families with them This rapid social dislocation was reflected in the spread of STDs in urban and rural areas

High STD rates in urban areas reflected the instability of urban sexual relationships By the late 1930s the number of rural cases of venereal syphilis had multiplied, so that unlike at the turn of the century, STDs in rural areas were now a serious cause of ill-health

A study by Dr Sidney Kark in 1949 traced the sources of venereal infection in Polela in Natal It showed that most married and single women were infected at home by their husbands or lovers who had recently returned from work in a town Only two out of 20 male patients were infected by their wives

The socio-economic determinants of STDs, rather than any innate immorality, were recognised by health officials in the 1940s Secretary for health, Dr Galo, said "The general effect of the migratory system upon the health of the individual and his family is detrimental, particularly in regard to the spread of venereal disease the migratory system favours (its) uncontrolled spread I would say that the migratory system, while of undoubted immediate economic advantage to the mines themselves, reacts detrimentally on the health of the migratory labourers and their families, and reacts detrimentally on the general economy of the Reserves There is piling up an enormous debit of physical and economic ill-health"

It is this debit of ill-health that we are reaping today

□ **Jochelson is a doctoral student at St Antony's College, Oxford and is writing a thesis on the history of sexually transmitted disease in SA.**

Vierfontein closure delayed

ROBERT LAING

210

THE Chief Inspector of Mines has delayed for at least three years the closure of Anglo American's Vierfontein Colliery, which stopped mining operations in March 1988, says the company's report for the year ending March.

The report, released last week, said that in May the Chief Inspector had said certain monitoring had to be undertaken for three years before he would consider issuing a closure certificate. B/Day 3/6/91

The mine decided to pass its dividend this year — attributed in the report to the need to conserve cash for the work needed to gain its closure certificate. Once Vierfontein had sold its property, about R1m will be paid to shareholders in proportion to their shareholding.

Summit to focus on mining crisis

By Shareen Singh

210

Mine bosses, the State and black and white trade unions will meet in Johannesburg today in their first joint summit to addresss the crisis facing the industry, which has shed 80 000 jobs since 1989.

Minister of Mineral and Energy Affairs George Bartlett will address the meeting, to be chaired by Idasa director Dr Van Zyl Slabbert

Among others attending will be deputy director-general of Manpower Joel Fourie, the National Union of Mineworkers (NUM), the Council of Mining Unions, mine surface and underground officials associations, the Chamber of Mines and major mine bosses.

The NUM, which initiated the summit, believes the solution to problems in the industry hinge on restructuring it, with participation by the State, mine employers, political organisations and trade unions.

Some 40 000 workers lost their jobs last year and the NUM is expecting a further 150 000 job losses by the end of this year

Mining houses say rationalisation measures, closures and retrenchments are necessary to keep the mines operating.

The current economic climate, with its high inflation rate coupled with the static gold price over the past few years, has placed the industry on shaky ground, and its future remains uncertain.

The crisis had reached a stage when it could no longer be seen as an NUM/Chamber of Mines issue, but rather as a national problem, the NUM said when it resolved at its annual congress this year to call the summit. Star 3/6/91.

The union also resolved to pressure the chamber to negotiate a national retrenchment agreement, and demand worker participation in decsion-making and running of mines

It would also campaign for legislation on fair retrenchment procedures and demand tax exemptions on retrenchment pay.

Mineworkers demanded the establishment of a training fund to be financed by the State and mine bosses.

These issues will be discussed at the summit, but the parties are not expecting this forum to provide solutions

The NUM hopes the summit will pave the way for ongoing discussions in such a forum with all the major players involved in the mining industry.

Anglo earnings drop by 7%

CT 4/6/91

(210)

Own Correspondent

JOHANNESBURG. — Anglo American Corporation's attributable earnings dropped 7% to 604c a share (651c) in the year to end-March, as the group's diamond and industrial interests joined gold in contributing to lacklustre performances.

Chairman Julian Ogilvie Thompson told a news conference yesterday that the contribution of gold interests had fallen to a historic low of 8% of group equity-accounted earnings (which include retained earnings of associates)

He said Anglo's attributable and equity-accounted earnings had fallen together for the first time in eight years

Attributable earnings held up relatively well at R1,4bn (R1,5bn) after a 10% fall at the interim stage.

The total dividend for the year was maintained at 325c a share

Net income from investments was almost unchanged year on year, but the contribution from gold mining interests, which include gold mines Freegold, Vaal Reefs and Western Deep Levels, fell from almost 25% last year to 18% this year

Lower coal export margins from Amcoal knocked Anglo's trading income in the year, which fell to R515m (R581m)

Retained earnings from Anglo's associate companies — among them De Beers-Centenary, Anglo American Industrial Corporation and Minorco — plummeted 25% to R1,2bn (R1,6bn)

Ogilvie Thompson said the poor performance of gold interests reflected "not only the continuing depressed state of the profit margins on the gold mines, but also the extent of the hardship being experienced throughout the gold industry arising from the static gold price"

Anglo detected "a sense of realism" among unions over wage demands and there might be gains in productivity in the future

The contribution from industry and commerce to group equity accounted earnings dropped to R421m from R545m, reflecting Amic's poor performance in the previous year Ogilvie Thompson said AECI had a difficult year, while Highveld Steel and Vanadium and Mondi were hurt by poor international market conditions

Although the contribution from Anglo's diamond interests — De Beers Consolidated, De Beers Centenary and diamond trading companies — increased to 29,1% (28,7%) of equity accounted earnings, the total amount fell to R754m (R894m) Ogilvie Thompson attributed this to the downturn in Western economies, but said De Beers was well placed to take advantage of any economic recovery.

The group saw the total contribution from its investments in JCI, Minorco, South American and Gold Fields of SA fall to R602m from R649m, also the victim of weak metal prices

Amcoal boosted its contribution to group earnings by R9m to R143m, and upped its overall contribution to 5,5% (4,2%)

Bid to secure mining

Own Correspondent

JOHANNESBURG — A high-level steering committee was yesterday set up at a summit in Johannesburg involving the mining industry's main players in an attempt to secure the troubled industry's long-term viability. (210) CT 4/6/91

Employers, trade unions, government and officials' associations agreed to work together "to secure the future long-term viability of the SA mining industry," summit chairman Frederik Van Zyl Slabbert said

The steering committee will establish working committees within the next two weeks to investigate.

- Developing guidelines for mine's closures and downscaling,
- A nationwide retrenchment policy and the retraining of retrenched miners, and
- Ways to prolong the lives of mines.

Talks will focus on tax reform and subsidisation of marginal mines

NUM general secretary Cyril Ramaphosa said all parties had been receptive to the ideas put across and discussions had been "unbelievably cordial"

Mineral and Energy affairs minister George Bartlett said the main engine of SA's economy, its gold industry, was slowing down.

Squatters' housing 'is ruled by warlords'

CT 4/6/91

Municipal Reporter

WARLORDS gain control over the land allocation process in almost all squatter areas — and then use this as a lever for political patronage and enrichment, a study on black patterns of movement by UCT's Urban Problems Research Unit has found.

The study said movement within Cape Town was rife as blacks struggled to secure permanent homes.

The main generators of movement were the search for security of tenure, and for a good location in relation to employment opportunities; and flight from "warlording".

Warlording occurs in almost all informal settlements with small groups gaining control over communities and the land allocation process.

This is then used for the purposes of political patronage and financial enrichment.

Struggles break out between groupings either within or outside a given settlement, mostly over allegiances.

A commonly used weapon of struggle is fire, which has devastating consequences in dense informal settlements.

With the majority of the population from Transkei, the study found there was considerable migration between the city and the homeland.

Many women moved to the city to give birth due to deficient medical care in Transkei, while children were sent to school in the homeland.

The researchers say this is because school boycotts often bring the urban education system to a virtual standstill.

A survey last year in Khayelitsha found that 42% of respondents had children attending school outside Cape Town

Other findings were:

- Two primary reasons for migration to Cape Town are economic and familial. Unemployment in Transkei is higher than in the city. Even those who have jobs there struggle to survive.

Wages as low as R7 a week have been recorded in Transkei, and according to Hostel Dwellers' Association executives, "salaries" of R40 a fortnight are not unusual.

- A third of respondents in a Khayelitsha survey said they had land in a homeland.

It was common for those blacks who had spare money to invest in assets in the homelands rather than upgrade their living conditions in the city.

- Most bus companies serving the townships and homelands run casual services at least four times a week, and "between 20 and 30 buses may be sent out by a single company on any one, if not all, of these days".

Anglo turns in lacklustre results

B\Day 4/6/91 (210)

MATTHEW CURTIN

ANGLO American Corp's attributable earnings dropped 7% to 604c a share (651c previously) in the year to end-March, as the group's diamond and industrial interests joined gold in contributing to lacklustre performances

Chairman Julian Ogilvie Thompson told a news conference yesterday that the contribution of gold interests had fallen to a historic low of 8% of group equity-accounted earnings (which include retained earnings of associates)

Anglo's attributable and equity-accounted earnings had fallen together for the first time in eight years

Attributable earnings held up relatively well at R1,4bn (R1,5bn) after a 10% fall at the interim stage.

The total dividend for the year was maintained at 325c a share.

Net income from investments was almost unchanged year on year, but the contribution from gold mining interests, which include gold mines Freegold, Vaal Reefs and Western Deep Levels, fell from almost 25% last year to 18% this year

Retained earnings from Anglo's associate companies plummeted 25% to R1;2bn (R1,6bn)

Ogilvie Thompson said the poor performance of gold interests reflected "not only the continuing depressed state of the profit margins on the gold mines, but also the extent of the hardship being experienced throughout the gold industry arising from the static gold price"

Ogilvie Thompson ... earnings down 7%

Cost-cutting measures would continue Anglo detected "a sense of realism" among unions with regard to wage demands and there might be gains in productivity in the future.

Anglo hopeful of investment upturn

210

B/Day 4/6/91.

MATTHEW CURTIN

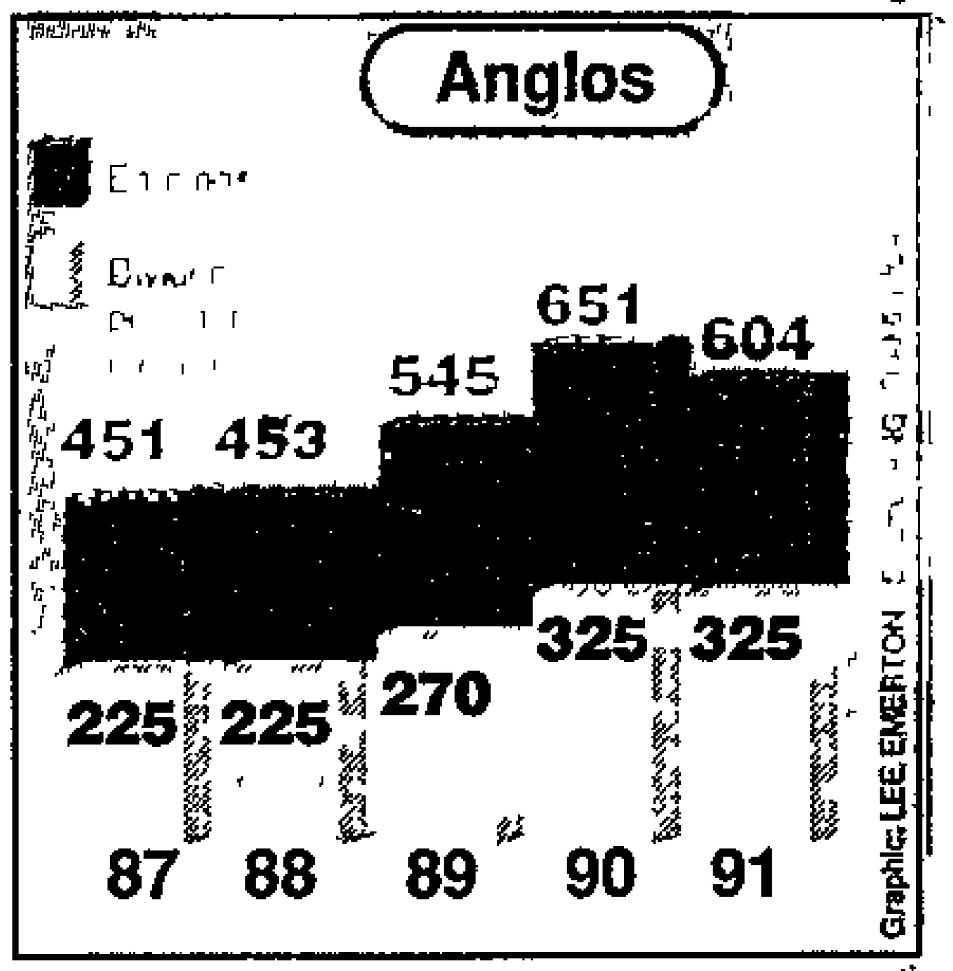
ANGLO American was cautious but hopeful that the investment climate in SA was set to improve as talks with government over tax incentives aimed at facilitating large-scale capital projects continued, chairman Julian Ogilvie Thompson said yesterday.

Presenting Anglo's year-end results in which the group posted a 7% drop in attributable earnings to 604c (651c) a share, he said government was aware that the margins SA companies required to get such projects off the ground were as much as twice as high as overseas.

Tax incentives were necessary to offset the relatively high corporate tax rate of 48% as well as inflation and high interest rates in SA, in order to secure a larger tax base for government in the future

Deputy chairman Graham Boustred said the Columbus stainless steel joint venture between Anglo's Highveld Steel and Vanadium and Gencor's Samancor was "technically ready to go".

However, final go-ahead depended on



complete access to overseas markets — a prospect set back by the Danish parliamentary opposition, which overturned the EC's lifting of sanctions on coal and steel imports — as well as on overseas participation in finishing and marketing processes

Ogilvie Thompson said that although the

☐ To Page 2

Anglo

B/Day 4/6/91.

210

☐ From Page 1

contribution from gold interests to Anglo's equity accounted earnings had fallen to a historic low of 8%, gold would not be sidelined from the group's operations.

Anglo was encouraged by growing gold jewellery demand, which had exceeded western world mine production in the past two years, while its commitment to prospecting was an indication of the group's confidence in the gold industry.

He said Anglo was not interested in unbundling its interests, as Gencor chairman Derek Keys had suggested last year for his group Anglo was convinced the system of mining house finance, which had served to pool SA's insubstantial financial and technical resources, was still applicable.

● See Page 7

BUSINESS

Anglo limits profit loss in face of falling gold price

210

Argus 4/6/91

From DEREK TOMMEY

JOHANNESBURG. — Steadily falling gold mining profits and South Africa's longest post-war economic slowdown managed only to dampen slightly the profits of Anglo American in the year to March

In spite of adverse factors the group was able to limit the drop in its attributable earnings to R500 million or 7 percent from R1,5 billion, equal to 651c a share in 1989-90, to R1,4 billion, equal to 604c a share in 1990-91

The dividend is unchanged.

Anglo American chairman Mr Julian Ogilvie Thompson says the corporation's broad spread of investments helped cushion poor performances in mining and industry, an indication of the group's resilience

The maintained dividend indicates a strong balance sheet and confidence in a recovery in the group's fortunes

At a Press briefing yesterday Mr Ogilvie Thompson reported:

- He was optimistic about the future of the gold price,
- Anglo American planned to encourage gold producers to spend more on advertising gold jewellery,
- Negotiations were taking place with the Government about establishing, with Gencor, the multi-billion Columbus stainless steel project,
- The Government was investigating ways of encouraging South African companies to embark on new ventures, and,
- Anglo American believed that "unbundling" would not be in its interests

In money terms, gold, uranium, mining finance, diamonds, platinum, base metals, other mining and the industrial and commercial sector had all made smaller contributions to group profits than last year, he said

But financial services, property and coal had increased their contributions.

Looking ahead he hoped to see a pick-up in world economic activity from which South Africa would benefit.

"We hope to get back into the International Monetary Fund (IMF)," he said.

This would facilitate bank credit and help the economy

He said a return to the IMF would be more likely if there were a reduction in violence and further progress in constitutional matters

Anglo's strength shines through the recession

(210)

By Derek Tommey Star 4/6/91

Steadily falling gold mining profits and SA's longest post-war economic slowdown managed only to dampen slightly the profits of Anglo American in the year to March.

Despite adverse factors, the group was able to limit the drop in its attributable earnings to seven percent — from R1,5 billion, equal to 651c a share in 1989-90 — to R1,4 billion, equal to 604c a share in 199-91.

The dividend is unchanged.

Anglo American chairman Julian Ogilvie Thompson says the corporation's broad spread of investments helped cushion poor performances in mining and industry, an indication of the group's resilience.

The maintained dividend indicates a strong balance sheet and confidence in a recovery in the group's fortunes.

At a press briefing yesterday Mr Ogilvie Thompson reported that:

- He was optimistic about the future of the gold price;
- Anglo American planned to encourage gold producers to spend more on advertising gold jewellery;
- Negotiations were taking place with the Government about establishing, together with Gencor, the multi-billion Columbus stainless steel project;
- The Government was investigating ways of encouraging South African companies to embark on new ventures;
- Anglo American believed that "unbundling" would not be in its interests

In money terms, gold, uranium, mining finance, diamonds, platinum, base metals, other mining and the industrial and commercial sector had all made smaller contributions to group profits than last year, he said.

But financial services, property and coal had increased their contributions.

Looking ahead, he hoped to see a pick-up in world economic activity from which SA would benefit.

"We hope to get back into the International Monetary Fund (IMF)," he said.

This would facilitate bank credit and help the economy.

He said a return to the IMF would be more likely if there were a reduction in violence and further progress in constitutional matters.

Anglo American had reduced head office staff by a few hundred — about 10 percent.

When the gold industry was in a phase where there was less capital expenditure, fewer services, draughtsmen, architects and head office staff were needed.

The target of gold mines was to hold unchanged for the next year the cost of producing a kilogram of gold.

This would partly involve mining higher grades and keeping down costs, wherever possible.

He hoped that wage increases this year would be much lower than those of last year and accompanied by higher productivity than in the past.

Mr Ogilvie Thompson thought the gold price could be near the bottom of its downward cycle and getting better.

In his experience whenever anyone thought the gold price was down and out, something happened and it rose.

The fact that Anglo American was continuing to prospect for gold showed that it remained entirely confident about a reasonable future for the metal.

There was great scope for the World Gold Council to increase its advertising programme.

This would involve persuading other producers to be more active and contribute more.

But with South Africa coming in from the cold, it might be easier to encourage the Gold Council to do a bit more, he said.

Increased advertising could boost demand and increase the jewellery offtake above the rise in production.

The sudden and large increase in the gold price in the early 1980s had led to a great rise in gold production.

But he did not think such a rise would occur in the 1990s, even if the gold price were to rise another $50 or $100.

Anglo American was looking at a number of ventures.

Together with Gencor it was investigating the multi-billion rand Columbus stainless steel project and was holding discussions with the Government.

"We are not asking for subsidies, we are asking for a level playing field with international groups."

If the Government could do this, Anglo American had several projects that could go ahead.

Mr Ogilvie Thompson said because of many factors, the margins which South African firms required to make a project viable were amazingly high, compared with those of European firms, and were nearly twice the margins needed in the Far East.

Graham Boustred, deputy chairman of Anglo American, said the Columbus venture would be dependent on the final lifting of sanctions.

It was important that Columbus have complete access to overseas markets.

The move by the opposition group in the Danish parliament to overturn the government's decision to lift European Community sanctions was holding back the project.

Columbus was also investigating acquiring an overseas partner in the finishing of stainless steel, and was looking for a partner to assist in marketing the steel.

Technically, the project was ready to go.

Mr Boustred said that Amcoal's contract with Eskom would not necessarily be affected by Eskom's inability to generate full capacity in all of its new stations.

He said Anglo American did not believe that the capacity of the Richard's Bay Terminal was a constraint on increased coal exports.

More than R300 million had just been spent on refurbishing the terminal, which brought its rated capacity to 53 million tons of coal a year.

"In the right circumstances, we could ship substantially more than that through the terminal," he said.

"But we are conscious that if South African producers offer too much coal to the market, this would affect the price.

"We are going to grow in the increasing international market, maintaining SA market share at plus or minus 28 percent to 30 percent," he said.

Sights shift to second-tier mining

210

B Day 5/6/91.

MATTHEW CURTIN

GLENN Laing, MD of Revere Resources which acquired South Witwatersrand's South Murchison gold operation last week, is down in the dumps and exuberantly so

Interviewed last week, he said there was extensive "overseas and institutional interest in the development of second-tier mining in SA"

Laing has pioneered the retreatment of gold dumps in SA, and joined forces with Consolidated Mining Company (CMC) in 1988 to run the group's successful gold division, Southgo Laing resigned as CMC MD recently over differences of opinion over the group's expansion plans

Laing said that a gulf separated the size of mineral deposits which mining houses and the smallest private prospectors — "the rats and mice" — were able to exploit To make viable the mining of intermediate deposits, too small to justify mining house expenditure and too large for the lone operator, a mining entrepreneur needed "drive", support of the investment community and government assistance

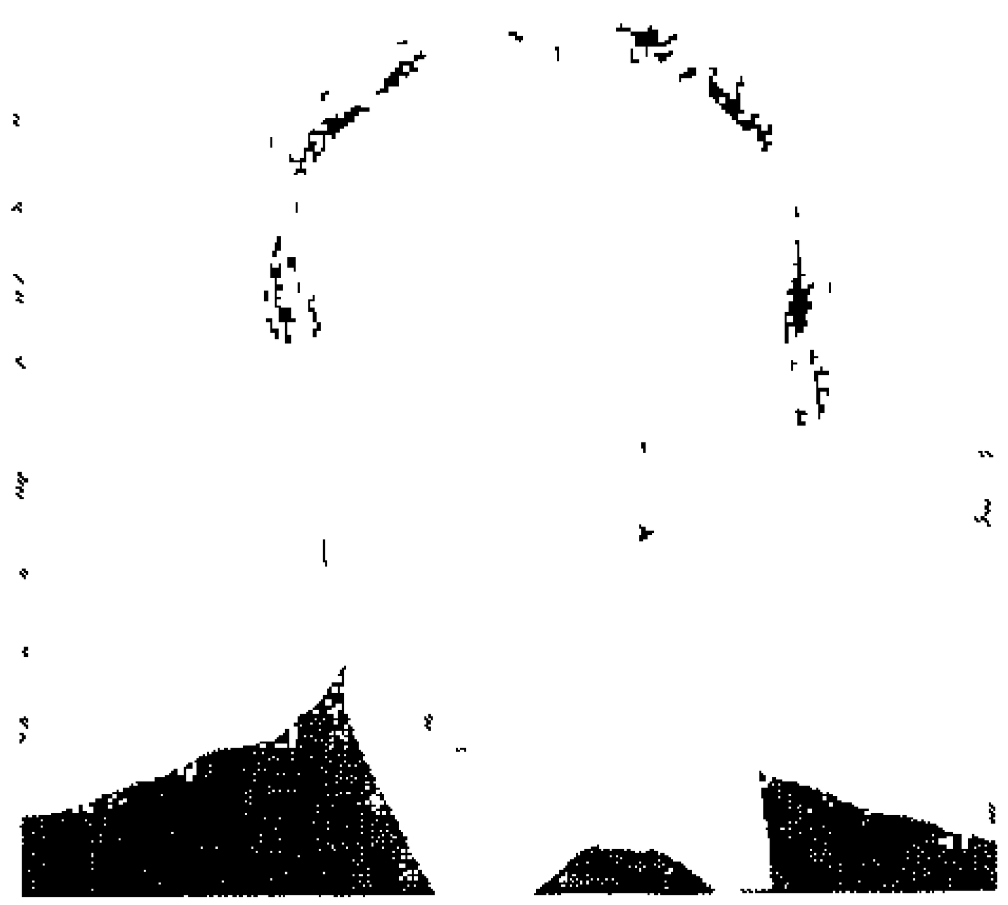
Laing said his track record with Southgo not only proved his entrepreneurial ability but had won him the confidence of investors If government moved beyond its current tinkering with mineral rights legislation and unlocked SA's mineral resources, it would provide an extra fillip for the second tier mining sector

Laing's optimism as a small independent gold producer is at first hard to fathom in the context of the sector's record in the past nine months Modder B, managed by Golden Dumps, and Severin Mining Development's Eersteling have gone into final and provisional liquidation in the period Shareholders in Gazankulu Gold await news after the company's cautionary announcement last month, likely to presage the financial restructuring and diversification of the company's interests The enthusiasm of the mid-1980s when Loucas Pouroulis, Joe Berardo and Franka and Steen Severins consolidated their gold mining operations has evaporated.

The mining houses have also suffered in the vice of the deteriorating gold price and inflation Lindum Reefs suspended operations in the March quarter and Rand Mines halted operations at its newest and smallest mine Barbrook in December last year pending a sustained revival in the gold price

Analysts agree it is only a matter of time before other mines follow suit, with Primrose and the Severin's Rand Leases most vulnerable Senekal Mouton Kitshoft analyst Hilton Ashton said that in general investors were disillusioned with the independent sector

He said entrepreneurs had been caught up in the gold mining euphoria of the early 1980s Then the gold price performed contrary to their predictions and those of their investors, government did not allow the rand to slip against the dollar, militant trade union activity disrupted production, and higher wage demands fuelled inflation, factors which "proved to be a recipe for disaster"



● LAING

Gazgold MD Hugh Newman said last week that while the independents were in dire straits, they were in good company as the case of Barbrook showed He was optimistic the gold price would improve and government would relinquish its control over the selling of gold, boosting the industry's prospects in the long term

He said that in the short term, without government assistance forthcoming, the containment of costs was crucial However, small producers were unable to put pressure on suppliers to absorb cost increases in the way the mining houses were If gold held up at R29 000/kg, independent producers could hold on The rand price of gold peaked at R34 000 at the start of the Gulf War and then fell to R29 700 by the end of the December quarter It has only recently improved with the rand's slight depreciation against the dollar in May

Analysts admit the only independent gold mining stock they follow closely is that of Southgo's Benoni Gold and Knights, Laing's legacy

Laing described his gold dump recovery operations as "the rich pickings of SA's mining history" Using the technology he developed to retrieve the gold from slimes, sands and dumps at half the cost of the mining houses's attempts, his surface operations were low risk and low cost, providing excellent margins

He said independent producers were "make or break operations" dependent on a single deposit over which they were bound to be over-optimistic When a weak gold price exacerbated the gap between expectations and capital resources, they reached breaking point Mining houses had the reserves to cover up failures

But he had no such doubts over the future of Revere Resources He said he intended to repeat his success with Southgo, using a single profitable dump reclamation project — South Murch at first — to provide the cash flow and assets with which to build up a mining group He said he was negotiating with CMC about acquiring its Knights gold operation

Revere would diversify into recycling all mineral dumps — from chrome, manganese to coal — throughout southern Africa, as well as open cast gold mining Johannesburg was the natural technical base for a sub-continental operation

Shell and Rhoex join forces in R320m venture

(210)
CT 7/6/91

Own Correspondent

JOHANNESBURG — Rhombus Exploration (Rhoex) and Shell SA have agreed in principle to go ahead with a R320m joint venture to mine and refine mineral sands in northern Natal.

Mineral sands are principally used in the production of titanium pigment which is used in the paint, paper and plastics industries

Shell and Rhoex will have 60% and 40% stakes in the project respectively, with the mining exploration company able to reduce its participation to about 9% if it does not contribute further funds

Rhoex MD Rob Still said at a news conference yesterday that production would start in the mid-1990s

Rhoex had successfully added value to its mineral reserves, he said, but there was further work to do before the project was given the green light, a decision likely in 1992

If the project was successful it would bring invaluable skills into SA and make a "significant contribution" to foreign exchange earnings through the export of the beneficiated products

Still said the titanium feedstock market was relatively stable with pigment producers expanding capacity by 28% in an industry with annual turnover already R30bn

While there was short-term oversupply in the market, the project partners were confident they would be able to exploit the changing structure of the market and titanium shortages in a few years time

Titanium pigment was the major value-added market, worth 10 times more than simple mineral production The Natal sand project would be able to upgrade its operations in the longer term to exploit the more lucrative market.

Frankel Kruger Max Pollak analyst Kevin Kartun said yesterday the project had been well researched by Shell and Rhoex Taking into account the inevitable difficulties of converting the project from the pilot to the fully operational stage, its prospects were good

However, Shell's support for the project of this size, undoubtedly with the backing of the Shell International, suggested the venture's prospects were good

Still said Rhoex's role would consist of continuing geological work and monitoring the financial progress of the project

Shell was responsible for the marketing the beneficiation process along with Lurgi SA Lurgi is a joint venture company between E L Bateman and Lurgi AG of Frankfurt

Shell has already paid Rhoex R4,7m in exploration costs and R13m worth of feasibility work is underway

The mineral sand reserves, held by both parties, contain 7,9m tons of ilmenite, 500 000 tons of rutile, and 1,1m tons of zircon, expected to last for 20 years

Current exploration is expected to confirm the existence of additional reserves These figures are about 30% higher than the proven ore reserves published in Rhoex's 1990 annual report

The project, about 15 km from SA's main operational mineral sands project conducted by Richards Bay Minerals, involves the mining of inland mineral sands under agricultural and plantation land

Shell minerals division MD Gordon Jarmain could not be contacted for comment last night

Joint effort to rescue sinking mining industry

B/Day 7/6/91

(210)

VERA VON LIERES

BATTERED by rising labour costs and weak markets, the mining industry entered a new era this week when unions, management and government sat down to face the practicalities of rescuing the sector

Beset in the past by poor labour/management relations, the industry witnessed the emergence of the first signs of a new pragmatic approach by all parties

A day after the indaba, the NUM and the Chamber of Mines entered the opening round of annual wage negotiations

The NUM is seeking a spread of increases of not less than 20% on the minimum gold mine rates — its lowest opening demand since it began negotiating in 1984 — and substantially more on the collieries

The chamber's opening offer is understood to be around the 4% level on the gold mines while the offer for coal mines is believed to be higher. Although they are still poles apart, both sides admit that the practicalities of the situation dictate reason

In its 1991 pay platform for the gold mines, the NUM's focus is on non-wage demands including social, human, and union rights

This focus flows from a 1991 congress resolution calling for a focus on non-wage demands It arises partly out of the realisation that there needs to be a fundamental restructuring of the mining industry and partly out of the difficult economic circumstances in the industry, union sources say

Substantial wage increases are no longer possible unless the industry is restructured through areas such as retraining and the improvement of the social conditions of miners

Non-wage demands include full-time shop stewards, facilities for shaft stewards and union officials, simpler procedures to process stop orders, freedom of association, the right to strike and the right to representation The NUM also wants control of hostels by worker committees and improved facilities for family visits

But the summit also signified the possible emergence of a so-called "social contract" between the main stakeholders in the industry

Commentators who have raised the idea of a social contract see such a contract involving primarily business and trade unions, but also government The idea, according to senior research officer for the Centre of Policy Studies, Steven Friedman, is that key political and economic leadership agree on the economic approach that will underpin a democracy

The general argument is that business would have to accept negotiations over broader social and economic issues, and new avenues for worker participation Unions would have to accept the need for greater ~~industrial peace~~ and stability.

Anglo American public affairs and industrial relations director Bobby Godsell argues that in a free and democratic society adversarial contest between business and labour must carry on But unions and management have obvious overlapping interests, like job security.

In the most successful industrial relations systems, the best balance is struck by a combination of competing interests and balancing interests, he says The key issue around partnerships is whether business and labour have taken the decision to move towards each other on common goals

However, the real challenge for management and organised labour in SA is to produce an industrial relations system that addresses development needs and poverty, Godsell says

NUM economist Martin Nicol says a social contract or co-determination between employers, unions and government is based on a democratic system of government that does not exist in SA Co-determination is a political process as much as an industrial relations system, he says. It has to be seen as a social process that will take place over a lengthy period of time

For the NUM there is a range of reforms that the union is anxious to push through in a way that will either reduce the declining size of the mining industry or assist production on the mines, labour sources say The question is, what are the incentives for unions which support management in reforms that will allow for new investment

Workers will obviously want new forums which give greater power to express their views

Also, in terms of normalising the industrial relations environment, there will be a need for new avenues of worker participation, and the question to focus on is how to extend such participation

LETTERS

SCHOOL WATCH

ANGLO-AMERICAN Corporation has imposed a "state of emergency" on pupils who attend the company's school – Wedela Technical High School – at the Western Deep Levels Mine near Carletonville. 210

According to a code of conduct drawn up by the company, which is in the possession of SCHOOL WATCH, pupils are prohibited from singing, dancing or holding gatherings on the school premises. The code says: "unauthorised singing, dancing and gathering by pupils are strictly prohibited."

The code also prohibits the establishment of Student Representative Councils (SRC) at the school. The document claims that the resolution not to allow the formation of SRCs was passed by parents at a meeting on April 27 this year.

Disruptive

However, a teacher who asked not to be named for fear of reprisals, said that the meeting was attended by less than five percent of the parents. He said the way in which the topic of the SRC was introduced, was calculated to convince parents that SRCs were disruptive structures.

Anglo-American spokesperson, Glen Yeatman, had not responded to SCHOOL WATCH's queries at the time of going to press. New Nation (Learning Nation) 7/6-13/6/91

Dismissed

Furthermore, it is commonly known that the school has been governed with an iron fist for years. For instance, last year a parent was forced to write a letter to the principal, acknowledging that his son had misbehaved by attempting to form an SRC. The pupil was subsequently dismissed, on the strength of the letter.

The school is co-managed by Western Deep Level Limited and the Department of Education and Training (DET).

Ironically, it is not illegal in terms of DET regulations, for students to form SRCs or hold meetings on school premises.

Many educationalists regard the formation of SRCs as a process through which students equip themselves with organisational skills as part of their overall educational training.

Anglovaal's earnings level off in second half

(210)

Star 12/6/91

By Derek Tommey

Mining house Anglovaal is to stop estimating its profit figures ahead of the year-end.

Owing to difficulties in consolidating figures of subsidiaries, these estimates err on the conservative side leading to increasing differences between the estimates and the audited figures

Anglovaal's shareholders will be hoping that the estimated profit figures for the six months ended June, published today, are indeed extremely conservative and perhaps will be substantially improved upon when the final figures are issued in September.

Interest

For as they stand, these figures show that the group was barely able to maintain its profits in the six months. And this was in spite of the company receiving substantial interest on the R822 million raised through a rights issue in the second half of last year.

Attributable earnings for the six months ended December showed a highly respectable increase of 28,1 percent — from R105,6 million to R135,3 million But for the six months ended June the growth is a minimal 0,5 percent from R132,6 million to R133,3 million.

However, profits for the full year showed a satisfactory rise of 13 percent from R238,2 million to R268,6 million But owing to the 39 percent increase in the issued capital, earnings a share were down 15 percent from 530c to 450c

What shareholders will find pleasing is the fact that the final ordinary dividend has been maintained at 62c a share to make an unchanged payment of 92c for the year, even though the share capital has been raised by 39 percent

The unchanged payment was made possible by the company's prudent dividend policy which has seen the dividend cover increased in the 10 years to 1990 from 3,8 to 5,8 times So in spite of this year's reduced earnings a share, the dividend cover has dropped only to 4,9 times

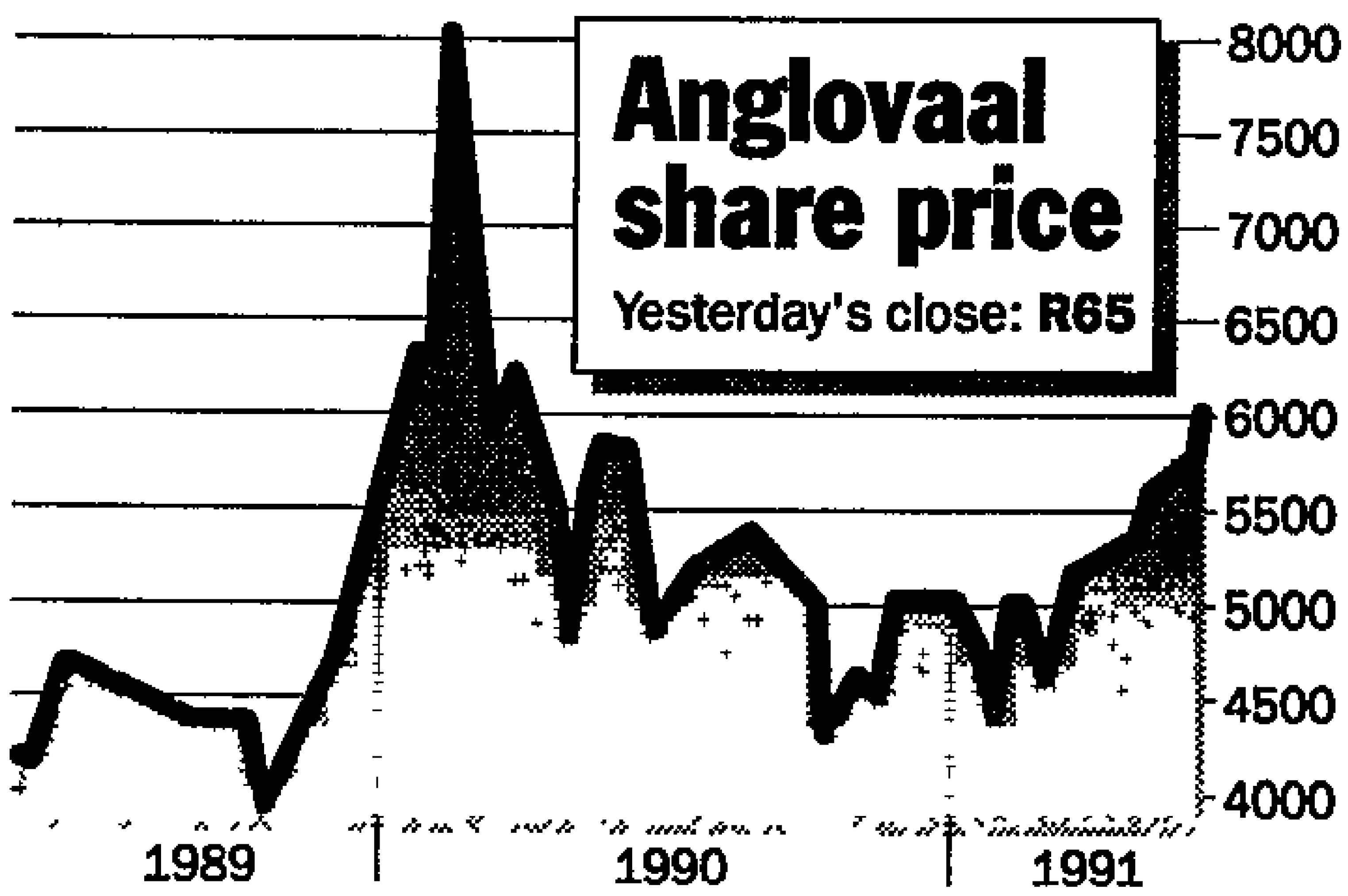
The directors say the expansion of group interests over the years has led to a sharp increase in the number of subsidiaries whose results have to be consolidated. Therefore it has become increasingly difficult to estimate with any accuracy the June results

This has led to a considerable degree of estimation and therefore the results are very conservative, which has led to increasing difference between the preliminary and final audited figures

Therefore in future the final dividend will be declared and the annual results published only when the audited figures are available in September The interim figures and interim dividend will announced in March

The figures for Anglovaal Holdings and Midwits will be treated in the same way

Angloval Holdings, which receives most of its income from its investment in Anglovaal, estimates a taxed profit of R8,5 million for the year ending June, down slightly from last year's R8,6 million and has declared an unchanged final of 4,96c a share making an unchanged 7,32c for the year



Inflow

Middle Witwatersrand, helped by an inflow of R400 million from a rights issue, estimates its earnings to the year ending June at R46,5 million, which is an increase of 77 percent on the R26,3 million earned last year

The 32 percent increase in the company's issued share capital limited the rise in earnings a share to 34 percent, from R10,8c to 14,5c

An unchanged final dividend of 4c has been declared making an unchanged total of 6c for the year

Higher interest receipts more than offset the lower dividend receipts and equity accounted earnings But the dividend was unchanged owing to the uncertainties surrounding the future of the mining industry

Mabuza, Dhlomo on Anglovaal board

210

ANDREW GILL

TWO former homeland ministers, Enos Mabuza and Oscar Dhlomo, have been appointed to the board of Anglovaal with immediate effect, the group announced yesterday.

The move follows their appointment to the board of Standard Bank in April and Mabuza's appointment to the board of Times Media Limited (TML) at the beginning of June

Mabuza was chief minister of KaNgwane until his resignation in March BDay 13/6/91

Dhlomo is executive chairman of the Institute for Multi-Party Democracy which he founded earlier this year It followed his resignation as secretary-general of Inkatha and KwaZulu minister of education and culture in June last year

Mabuza, who is out of the country at present, said at the time of his appointment to TML that he hoped he could help the company be relevant in the changing SA

Anglovaal chairman Basil Hersov said last night it was "extremely significant" that two leading people in the community at large had been appointed to the board

Anglo scores breakthrough with miners

~~211~~ 210 ~~1904~~

By Mark Suzman Star 14/6/91

In a move that might set a precedent for wage negotiations throughout the industry, Anglo American's Ergo and the National Union of Mineworkers (NUM) have agreed on a wage settlement linked to the profit and performance of the company and workers.

The new agreement is regarded as a breakthrough in the current economic climate, especially as, in the past, Cosatu-affiliated trade unions have resisted productivity-based settlements.

The settlement provides for a 5 percent across-the-board wage increase — far below both the union's initial demand for a 20 percent rise and the rate of inflation.

But the deal is structured in such a way that workers could receive bonuses of up to 20 percent, depending on productivity and company profits.

The first part of the bonus scheme, which is payable twice a year, provides for a payment equivalent to 4 percent of wages over six months once Ergo reaches a R2 million half-year profit.

The second is based on the performance of the whole company.

At 100 percent performance, all employees become entitled to a further 5,5 percent bonus.

This could increase by another 5,5 percent if 110 percent performance was achieved.

To ensure proper monitoring of the new arrangement, the NUM will have access to relevant company financial information and verification certificates from auditors.

Analysts feel the new agreement signals a new trend for wage negotiations throughout the industry.

According to Ergo spokesman James Duncan, the company felt the agreement was "a pleasing and thoroughly pragmatic outcome".

"From the union's side, it shows an understanding of the difficulties confronting Ergo at present, and from the management side it shows a willingness to conceive of and motivate an arrangement which rewards employees for their contribution to productivity and profitability," he said.

● In a statement released to Sapa, the Chamber of Mines denied that the wage settlement indicated a trend to conclude pay talks independent of the chamber.

It said the agreement was concluded only by Ergo, which was not a member of the chamber and therefore not party to its labour agreements.

"The impression that Ergo's wage agreement is likely to form the basis of a possible agreement between the chamber and the NUM is equally misleading.

"Ergo negotiates at company level independently of wage negotiations conducted annually by the chamber."

Slight drop in mineral and metal exports

210

By Sven Lunsche Star 18/6/91

A continued decline in international metal prices resulted in a slight fall in the value of mineral and metal exports in the first quarter this year.

According to statistics released by the Minerals Bureau exports of minerals and metals totalled R6,771 billion in the first quarter this year compared with just under R7 billion in the first three months of 1990.

However, this loss to the mining industry was partially recovered by improved local sales, which rose from R1,89 billion last year to R2,075 billion in the January quarter of 1991.

"The slight fall in export earnings can be largely attributed to a drop in international commodity prices over the 12 months in the wake of a continued slowdown in world economic growth. The Economist's metal price index has fallen by about seven percent over the period.

Mineral exporters also did not receive the usual boost through a weakening rand, as the currency held steady against the US dollar in which most export sales are denominated.

Only recently has the rand fallen against the US currency, providing exporters in general and the gold mines in particular with a boost to their second quarter earnings.

Export earnings of the gold mines in the first quarter were slightly lower at R4,317 billion compared with R4,576 billion in the first three months of 1990.

Coal mines, however, raised their export revenue from R789 million to R832 million.

Exports of iron ore were slightly lower at R187 million (January to March 1990: R207 million), but exports of manganese improved slightly to R128 million (R114 million).

● In the first five months of this year gold output by local gold mines increased to 7,988 million ounces compared with 7,905 million ounces in the January to May period of 1990.

According to the monthly Chamber of Mines statistics, released yesterday, May's output figure of 1,634 million ounces was 10 958 ounces up on the production in April this year.

Closures, job losses predicted for mines

Star 18/6/91.

210

24

By Sven Lunsche

Further mine closures and an additional 40 000 job losses in the mining industry until the end of the year have been predicted by the outgoing president of the Chamber of Mines, Clive Knobbs.

"The mine industry has been forced to reduce its labour complement by some 50 000 in the past year and it needs to be made clear that the period of misfortune which dictated those retrenchments is far from over," Mr Knobbs told the chamber's annual general meeting yesterday.

The crisis demanded from the industry that it continued implementing stringent remedial actions, "including the suspension of operations in unprofitable areas, an improvement in productivity and mining higher-grade areas".

The suspension of certain operations at gold mines made it likely that a further 40 000 jobs could be lost by the end of the year.

Urgent

Mr Knobbs also warned that the closure of 10 loss-making mines, "while unlikely in the immediate future, would have an alarming impact".

"If these mines were to be shut down, SA's gross domestic product would contract by an estimated R3,5 billion, and 88 000 jobs would be lost at the mines with a further 48 000 jobs likely to be lost in service or mining-related industries."

He directed an urgent appeal to the trade unions "to perceive the need for moderation" in demands for wage increases in line with inflation.

These demands had "reduced legitimacy in times of crisis. Right now employees need to comprehend that there is considerable value in simply having a job."

Mr Knobbs said the pre-tax profits of the industry in 1990 amounted to R4,2 billion, down R1,2 billion on 1989 and almost R2,8 billion below the 1988 figure.

ANC eyes Anglo's Grootvlei village

THE fate of Grootvlei village between Heidelberg and Villiers hangs in the balance following weekend reports that the African National Congress and a consortium of farmers and businessmen had expressed interest in buying the village. 210

Owned by Anglo American's Springfield Colliery, the village is to come under the hammer on July 2, according to Mr James Duncan, chief communications officer for Anglo. Sowetan 19/6/91

This follows the closure of the mine which supplied the bulk of its coal to Eskom's Grootvlei power station, now mothballed

Duncan said several prospective buyers had been shown the property. Mrs Winnie Mandela reportedly viewed the property on June 6 and 7.

The property consists of 250 houses, a small hospital and other buildings, sporting facilities and land.

About 30 percent of the colliery's personnel are still employed in activities related to the closure of the mine.

It is planned to complete the major part of the closure at the mine by the end of the year and the property will be vacated by the end of March 1992, Duncan said.

While movable equipment would not form part of the auction, the successful buyer may, however, negotiate to buy items such as hospital equipment.

An offer of some R2 million has reportedly been made but it is not known by whom or whether this would be accepted by Anglo.

Other reports indicate that neighbouring farmers are up in arms regarding the possibility that the ANC might buy the village

Some farmers fear for the safety of their businesses while some farmworkers have indicated that should the ANC move in they would move to the Free State.

Residents of the village are divided about the effects such a move will have. Some regard it as a sad day, as some families have been there for two generations, while others are glad that Anglo has decided to put the village up for sale before it becomes a ghost town. - *Sapa.*

Anglo steps up investment in Israeli hi-tech companies

Finance Staff Star 20/6/91

Anglo American yesterday announced its latest investment move in Israeli high-technological companies

The investment in Medicano Systems is the fifth since October 1990 through the venture capital fund AATKS Ventures

AATKS was founded in October 1990 for the identification and commercial development of the latest Israeli technology, particularly in the areas of medicine, biotechnology and computer science.

"Other countries offer more incentives aimed at the research and development of new technology than are available in South Africa," Anglo American chairman Julian Ogilvie Thompson said yesterday

"However, the chief purpose of this fund is to provide a vehicle by which new technology can be brought into South Africa"

The fund's most recent investment, Medicano Systems, is a new company founded to develop a novel device for the diagnosis of osteoporosis, a bone disease particularly common in older women.

Earlier this year, AATKS invested in Scopus Genetics, a joint venture with the Hebrew University in the field of bio-engineering for livestock applications

210

The fund has also invested in Gilat Satellite Communications, a company which produces innovative systems for transmitting and receiving data via satellite.

Since the establishment of the fund ten months ago it has also invested in a company in the field of computer data communications and in a Tel-Aviv-based start-up developing tools to enable computers to recognise handwritten inputs

"The size of our group enables us to invest in what are high risk ventures," says Mr Ogilvie Thompson

AATKS seeks to invest primarily in technology-based companies originating in Israel, with products or technologies that can address international markets

"In addition to the local market, access to international markets is an important consideration to justify the substantial investment required in the development of new high technology products," concludes Mr Ogilvie Thompson

Gencor's Turkey treat

S Times 23/6/91 (Bus Times)

By DON ROBERTSON

219

GENCOR may open new gold mines in Turkey The company is investigating three gold deposits and the results indicate that at least one new mine is on the cards, says chairman Brian Gilbertson

Speaking at the Communicator of the Year Award presented to him by the Public Relations Institute of SA and the SA Association of Industrial Editors, Mr Gilbertson says Gencor has taken a firm decision to extend its exploration activities beyond the borders of SA. It is already active in countries such as Turkey, Brazil, Russia and in Africa

"The Genmin group has, therefore, deliberately committed itself to looking more widely than the borders of SA and so we have now set loose our geologists to seek the mineral treasures of the world. International exploration is now an important focus of top management time"

In an interview with Business Times he said that exploration in the Biga Peninsula in Turkey — near the site of the ancient city of Troy — has proved an opencast mine with production of about nine-million tons at a grade of 1,25g a ton A second potential mine has smaller tonnages, but is of higher grade, while a third looks "really attractive".

"Exploratory results such as these would normally result in a sharp rise in the price of a company's shares had they been quoted on the Australian or American stock markets," Mr Gilbertson pointed out

Gencor has also committed finance for the sinking of a vertical shaft at the Sao Bento mine in Brazil, which is currently accessed through incline shafts This is expected to improve margins considerably Additional exploration is continuing in other areas.

"At the moment were are spending seed money as we did in the past in SA, but we hope for good returns in the future

"Senior members of a Brazilian company will come to SA — for the first time — this September to work with us towards a new business alliance."

Gencor has also concluded a number of exploration agreements with countries in the West and Central Africa, where it believes there is considerable mineral potential

"Economies in Africa in the past have not encouraged this activity, but we believe we have the skills and we know the geology in Africa well," he says.

Gencor is also engaged in Russia where "we have an important and lucrative contract with a Russian party, and another is being negotiated"

Mining industry being rejuvenated, says Anglo report

(210) ~~249~~

Star 28/6/91

By Derek Tommey

Anglo American took advantage of the depressed gold share market to invest heavily in gold shares in its financial year to March, the annual report issued today shows.

It also acquired a large stake in Gold Fields of South Africa

The company says the outlook for the gold mining industry is not discouraging.

Current price levels are compelling the industry to improve mining efficiency underground and metallurgical recoveries, to modernise manning structures and systems, and to shed surplus posts.

The company says these actions will rejuvenate the industry and make it more resilient, not only to future changes in the gold market, but also to the current political and economic transition.

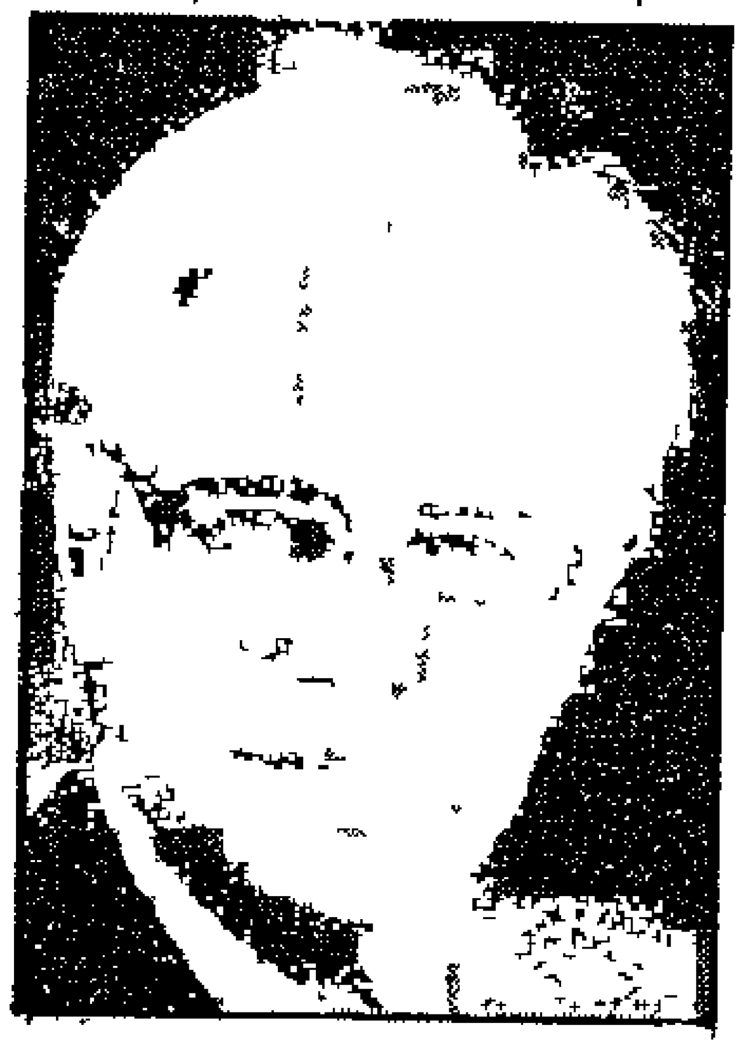
Greater emphasis will be given, through the World Gold Council, to the promotion of gold in jewellery and investment form.

It says medium-term prospects for gold will be enhanced considerably if industrial demand (including gold in jewellery) can be raised to a level where it comfortably exceeds world supply

Given the growth in jewellery consumption in the late 1980s and the possibility of a levelling out in world gold production, this objective seems realistic, it says bullishly.

The annual report shows that in the year to March Anglo American increased its holdings of GFSA shares from 8,5 million to 18,8 million.

During the year it either bought into or increased its stake in Kinross, Blyvooruitzicht, Deelkraal, Doornfontein,



Julian Ogilvie Thompson
Anglo's chairman

Driefontein, Elsburg, Kloof, Western Areas, Beatrix, Freegold, Harmony, Joel, Loraine, Oryx, St Helena, and Unisel.

At the same time, with Amgold becoming a subsidiary, it increased its stake in other mines, which became "associates".

Among these were Buffelsfontein, Hertebeestfontein, Southvaal, Vaal Reefs, Zandpan, Ofsil and Welkom. Other gold mines with "associate" status were SA Lands and Western Deep. Elandsrand became a subsidiary

Anglo American spent a net R802 million on investments in 1990-91. This, together with its share of net retained earnings of associated companies, resulted in the balance-sheet value of investments growing from R12,5 billion to R14,9 billion.

The net asset value of its shares fell from 16 339c to 13 212c.

The most significant change to the corporation's investment portfolio arose from the rights offer made in October last year by Amgold, which was underwritten by the corporation itself

The offer was not fully subscribed and the corporation, in addition to its own rights, subscribed for further Amgold shares in terms of the underwriting commitment.

The shares acquired resulted in Amgold becoming a subsidiary of Anglo

In addition, certain gold mining companies in which both Anglo and Amgold are invested, upon Amgold's consolidation, became either subsidiaries or associates.

Other South African acquisitions included interests of 24,5 percent and 17,1 percent respectively in South Deep Exploration and in Target Exploration

New equity was injected into Mondi Paper to finance its heavy capital expenditure programmes and further shares were subscribed for in Anglo American Industrial Corporation (Amic) to finance in part the acquisition of specialised foundries by Scaw Metals, a wholly owned subsidiary of Amic.

Outside South Africa, Anglo most important acquisition, according to the annual report, was the purchase of a 49 percent interest in Europe's third-largest producer of business forms and photocopy paper, Neusiedler AG, an Austrian company.

The corporation's effective holding is 22,5 per cent.

Prospecting expenditure increased by R63 million to R244 million with much of this spent on gold exploration in Southern Africa.

A high level of activity was maintained in the search for Witwatersrand-type mineralisation, both within the Witwatersrand Basin itself and in outlying areas.

However, owing to the low gold price, exploration expenditure will decrease in the current financial year.

Anglo's prospecting to slow

210

ANDREW GILL

ANGLO American increased prospecting expenditure in the past financial year by 35%, but a low gold price and termination and curtailment of exploration projects are expected to see it fall this year

According to its annual report released today, prospecting expenditure increased by R64m (35%) to R244m in the 1990/91 financial year.

During the year, a high level of activity was maintained in the search for Witwatersrand-type mineralisation within the Wits Basin and in outlying areas

Among the disappointing exploration results was the target Cobble Reef in the New Central Wits Area Joint Venture, where the programme had been curtailed

However, exploration continued to the south on the Stompoorfontein farm with six operational rigs.

At Evander, Phase 1 exploration had been terminated in the southern area adjacent to Leslie Gold Mine

The programme in the two remaining areas of the gold field would end this financial year

Also, coal exploration activities have been scaled down with limited opportunities for attractive new reserve acquisitions in the established coalfields resulting in a focus on other areas

Various other projects were continuing or nearing completion.

The net amount of new investments grew by more than R800m last year, due largely to the group's underwriting of the Amgold rights offer, which was undersubscribed.

The balance sheet showed investments climbed by R802m over the year to R14,9m

However, the 50,4% fall in the all gold index over the year saw the directors' valuation of investments drop by R5,7bn (14%) to R36,177bn.

The most significant change to the investment portfolio was Amgold which became a subsidiary in November

Anglo American posted a 7% decline in attributable earnings to R1,4bn in the year to end-March

BD 28/6/91

R56,7m given to help the people

210

SOWETAN REPORTER

THE ANGLO American and De Beers Chairman's Fund and Educational Trust approved grants of R56,7 million for community development last year.

According to Anglo's annual report, published at the weekend, 50 percent went to secondary and tertiary education while a further 13 percent was committed to primary education

The Chairman's Fund continued to support many projects in rural areas concerned with providing better primary health care, encouraging entrepreneurship and developing agricultural skills.

Sowetan 2/7/91

Projects

"Anglo continues to be a major supporter of the Urban Foundation to which a further R2,4 million was donated during last year.

"The South African Institute of Race Relations and International Affairs are also important recipients of the corporation's support," the report says

A total of R570 million was committed by the private sector to projects to be undertaken in consultation with the black communities over five years. The emphasis of the projects would be on education relevant to employment

"The Private Sector Initiative formed last year by a group of companies, including the corporation, aims to expand the private sector's contribution to socio-economic development"

OGILVY & MATHER, RIGHTFORD

ANC outbid at auction of mine village

(210) Star 3/7/91.

By Joe Openshaw

New owner . . . Danie Heyns, with Gert Viljoen (left) and auctioneer Helgard Potgieter, signs the deed of sale after buying the village. Picture. Sean Woods

The African National Congress was outbid in its attempt to buy the Springfield Colliery village at Grootvlei, near Villiers, yesterday by a Pretoria advocate, Danie Heyns (32), who bought it for R4,6 million.

Overjoyed white residents at Grootvlei immediately mobbed Mr Heyns

Mr Heyns insisted that the purchase of the village was in no way politically motivated, though he had held meetings with a committee of Grootvlei farmers and businessmen who offered money to help him buy Springfield

Ishmael Ayob, bidding for the ANC, cried off when the bidding reached R4,5 million and refused to comment after the public auction of the mining property, which consists of more than 250 houses, a hospital, farmland and a golf course.

Earlier this year ANC social welfare chief Winnie Mandela visited the village and reportedly saw it as ideal for resettlement of exiles.

Springfield Colliery, about 90 km from Johannesburg on the Transvaal-Free State border, was established by mining magnate Sammy Marks at the turn of the century.

The auction was held in a marquee on the 10th hole of the golf course and attended by about 350 people, most of them residents of Grootvlei and local farmers.

It is believed the ANC wanted the village to resettle exiles and that the local community supported a consortium headed by Mr Heyns, whose intention was to keep the village as it was.

Although Mr Heyns said afterwards that he represented a close corporation and had no political axe to grind in buying the village, he was heartily congratulated by the locals.

Mr Heyns said he had met a local committee represented by Gert Viljoen, a local chemist and farmer who acted as negotiator, and they had pledged money to help in his purchase of the property.

"The town will be an open one. We are going to put it on the map," said Mr Viljoen.

One of the conditions of sale, he pointed out, was that the local primary school for 600 blacks be kept open until at least December 1993 and that the 18 teachers, who have free houses in the complex, be allowed to stay on until then.

Mr Viljoen said the mining village died when the Grootvlei power station was phased out and the colliery, which supplied coal to the station, was closed.

An interested party in the auction was 70-year-old Dolf Botha whose supermarket, butchery and other shops closed when the shutdown came

ANGLO AMERICAN CORP FM 5|7|91 (210)

LINKED TO WORLD ECONOMIES

Activities: *Mining house with diversified interests — important holdings include 52% of Anamint; an effective 32,7% of De Beers and 29,6% of De Beers Centenary; 51% of Amcoal; 50,3% of Amgold, 39,8% of JCI, 39,1% of Minorco; 45,7% of Amic, 22,5% of First National Bank, and 40% of Southern Life*

Control: *De Beers 37,8%*

Chairman: *J Ogilvie Thompson, deputy chairmen N F Oppenheimer and W G Boustred.*

Capital structure: *228,6m ords and 3,3m 'S' ords Market capitalisation R27,13bn*

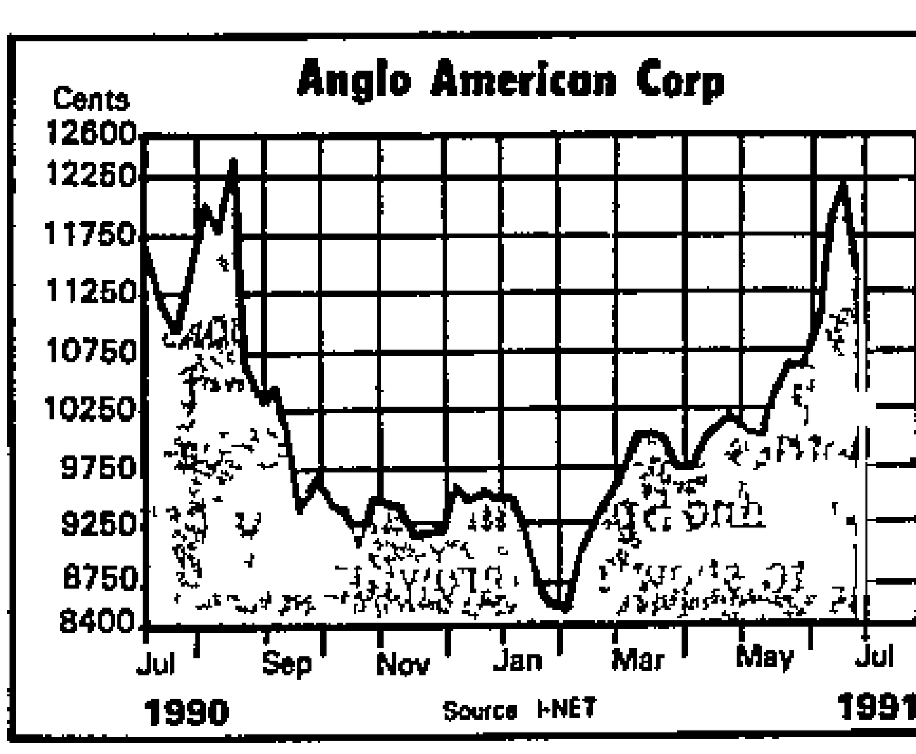
Share market: *Price R117 Yields· 2,8% on dividend; 9,6% on earnings; p:e ratio, 10,5; cover, 1,86. 12-month high, 12 950c, low, 8 400c. Trading volume last quarter, 2,3m shares.*

Year to Mar	'88	'89	'90	'91
Investments .				
Market value (Rbn)	20,07	30,12	40,55	34,70
Attrib earnings (Rbn) .	1,04	1,25	1,51	1,40
Equity earnings (Rbn)	1,81	2,65	3,12	2,59
Attrib earnings (c) .	453	546	651	604
Equity earnings (c)	790	1 148	1 347	1 118
Dividends (c) ..	225	270	325	325
Net worth (R) . .	85,36	124,10	163,40	132,12

Harsh economic conditions at home and abroad, with depressed prices for many of Anglo American's major commodities and products, as well as a firm rand, saw the 1991 earnings drop and the dividend was merely maintained The performance has thus levelled off after record results were posted each year since 1984.

When the results over the past 10 years are considered, investors have benefited primarily through capital appreciation, though this has been considerable. Between 1982 and 1991, earnings and dividends have done little more than keep pace with inflation; equity earnings per share rose by 14% annually and dividends by 13%.

However, NAV per share increased over the period by 23% annually. At the 1991 year-end, NAV had dropped from the year-ago 16 339c, to 13 212c; but this was largely a result of the 50% slide in the JSE All Gold index during the year.



Anglo's Ogilvie Thompson ...
cost-cutting programmes

Diamonds were again the largest source of equity earnings, with a contribution of R754m, accounting for 29,1% of the total. Gold and uranium dropped to only 8,8%, with R227m. The only two sectors whose contributions increased were coal, with 5,5% or R143m, and financial services and property, with 7,3% or R190m (see table).

food and wine industries — and whose Boschendal Estate Wines is developing a new winery on the Vergelegen Estate — merely broke even in its September 1990 year, in contrast with earnings of R5,1m in the previous year The result was blamed mainly on operational and marketing problems in its food processing activities, "which have been addressed," and to low meat prices

Expenditure on investments, net of disposals, amounted to R802m The most significant change to the investment portfolio arose from the one-for-10 rights offer in October 1990 by Amgold, which was underwritten by Anglo As the offer was not fully subscribed by Amgold's shareholders, Anglo's holding increased to 50,3% and Amgold become a subsidiary. New Central Wits, in which Anglo previously held 49,8%, also became a subsidiary after additional shares were bought.

Interests of 24,5% and 17,1% respectively were acquired in South Deep Exploration and Target Exploration, after following the rights issues and meeting the underwriting commitments. New equity was injected into Mondi Paper, to finance its heavy capital programmes, and further shares were subscribed for in Amic, to finance in part the acquisition of specialised foundries by Scaw Metals.

ANGLO'S EARNINGS SOURCES

Equity earnings by business activity

	1990 Rm	1990 %	1991 Rm	1991 %	% change
Mining finance	649	20,8	609	23,5	(6,2)
Gold and uranium	373	12,0	227	8,8	(39,1)
Diamonds	894	28,7	754	29,1	(15,7)
Coal	132	4,2	143	5,5	8,3
Platinum, base metals, other	302	9,7	238	9,2	(21,2)
Industry & commerce	545	17,5	421	16,2	(22,8)
Finance services & property	180	5,8	190	7,3	5,6
Investment earnings	3 075	98,7	2 582	99,6	(16,0)
Other net revenue	223	7,1	223	8,6	—
Prospecting	(181)	(5,8)	(214)	(8,2)	18,2
Equity earnings	3 117	100	2 591	100	(16,9)

Among unlisted investments, 50%-held Anglo American Corp of South America (Amsa) produced earnings, net of tax, prospecting and minority interests, of US$62,6m compared with the previous year's $106,6m, but dividends were maintained at $31,4m Business conditions are expected to remain difficult for Amsa

For a number of the local industrial and commercial interests, such as 76%-held Samcor, no profit figures are given. Shareholders are told, however, that Anglo American Farms, which is involved in the farming,

Most important non-SA acquisition was the purchase of a 49% interest in Europe's third-largest producer of business forms and photocopy paper, Neusiedler AG, an Austrian company. Further funds were injected into Eastern Investments, mainly to increase the interests in the natural resources sector in Australia

Anglo spent R244m on prospecting last year, most of it on gold exploration in southern Africa This was R63m more than in the previous year, though some of the increase was attributable to the first-time consolida-

Continue →
P.T.O

tion of Amgold. Owing to the low gold price, however, exploration expenditure will decrease this year.

210

Potential for any further deterioration in the profitability of the gold mining operations to have a marked effect on Anglo's earnings must now be limited On the other hand, both earnings and the value of the portfolio would benefit from an improvement in gold mining profitability Already there has been a sharp pick up in gold share prices.

Gold production by Anglo's "client" companies last year was marginally higher at 251,8 t However, costs per kg rose by 13,2% and, despite lower capital spending and tax, distributable earnings were 38% lower at R521m In Anglo's view, the outlook for the gold mining industry is "not discouraging."

Chairman Julian Ogilvie Thompson has noted that cost-cutting programmes have been pursued at the mines and at head office. The report says current gold price levels are compelling the industry to improve mining efficiencies underground and metallurgical recoveries, to modernise manning structures and systems, and to shed surplus posts Anglo believes these actions will rejuvenate the industry and make it more resilient, not only to changes in the gold market, but also to SA's current economic and political transition.

Anglo says activity in the local economy is likely to remain weak at least until the latter part of 1991 Beyond 1991, there is a distinct prospect of considerably better economic circumstances An end to the large capital outflows of recent years is now a prospect, provided violence can be contained and remaining trade sanctions lifted It's argued that these factors — with faster global economic growth, normalised access to foreign capital and to IMF facilities, lower inflation and increased government expenditure on socio-economic priorities within the context of fiscal realities — will significantly improve SA's economic growth potential

However, considering the extent of Anglo's exposure to export industries and to investments held abroad, the international economy, product prices on world markets and the value of the rand will be the prime factors affecting earnings. As much as 80% of the portfolio is sensitive to depreciation of the rand, which must be expected while inflation remains around present levels

At R117, the share is not cheap, but it should remain a worthwhile investment, with good potential for capital growth

Andrew McNulty

210

Heyns 'not out to stop ANC'

Star 5/7/91

Pretoria Correspondent

State advocate Danie Heyns, who earlier this week beat the ANC for the mining village of Grootvlei near Heidelberg, has remained adamant that his bid was not a quest to prevent the ANC buying the village

Both the Department of Justice and the office of the Attorney-General of the Transvaal have stated that Mr Heyns's bid at the auction was made in his private capacity and no disciplinary steps would be taken

Mr Heyns said yesterday he did not act on behalf of a consortium of local farmers and businessmen

"I do not belong to any political party and neither am I carrying R4,6 million for any political party," he said

The money had been raised through normal financing channels, he said

He intended getting the 250-house village proclaimed as a township before selling the houses individually on a first-come, first-served basis

"A number of people have already indicated they are interested in buying property. I will try to accommodate the present occupiers and I am not after a huge profit But business is business and profit remains the bottom line"

He said a committee of local residents, on hearing that he intended bidding for the village, approached him before the auction on Monday to find out what his plans were

They were apparently satisfied with his plans and did not oppose his bid, although some, including local businessman Gert Viljoen, had bid for some individual properties

"The whole thing became politicised when it became known that the ANC was interested It is regrettable that the Department of Justice has been drawn into the controversy, but the department had nothing to do with my bid," Mr Heyns said

Ismail Ayob, the attorney who represented the ANC at the auction, said he had no comment on whether the sale was politically motivated The ANC also declined to comment

Deputy Attorney-General John Welsh said yesterday that Mr Heyns's action had been above board

"There is absolutely nothing to stop him from doing something which leads to profit," Mr Welsh said

The village was bought for R4,6 million, R100 000 more than the ANC was prepared to offer The ANC apparently wanted to use Grootvlei to accommodate returning political exiles

Anglo pension fund sells off all its Adprom Holding shares

ROBERT LAING

ADPROM Holding's major institutional investor jumped ship last week, despite the share's price of 25c being nearly half its net equity value of 45c, sources said. BDay 10/7/91

Last Wednesday 600 000 Adprom shares were sold — the exact number held by the Anglo American Pension Fund, according to Adprom's transfer secretary, Unidev Registrars.

With 3,9% of Adprom, Anglo American Pension Fund was the largest shareholder excluding Adprom's directors and its holding company Fintech Informatics.

Adprom CE Terry Jones said the sudden spike in transaction volume came as a total surprise to the computer consumables supplier.

"The big question is Who bought the shares?" he said. Records of the transaction, which would identify the buyers and sellers, would take about another week to be processed.

"I grant that our last results were disappointing, but I still think they were crazy to sell now while the share's price is so far below its net equity value," Jones said.

A spokesman for Anglo American Pension Fund said it did not comment on its share transactions.

In May, Adprom reported its first loss since its inception in 1975. Its attributable loss was R177 000 (1990: R2,6m).

Australian foothold for Anglo American

Star 15/7/91 (210)

Star Foreign Service

SYDNEY — Anglo American has been given permission by Australia's Foreign Investment Board (FIB) to raise its stake in the newly merged Normandy Poseidon natural resources group to 19,9 percent

This is the clearest indication yet that Anglo has chosen Normandy Poseidon as its vehicle for expansion in Australia and that the Australian government will not let international politics get in the way of those plans

Some analysts suggest the move could have important implications for Australia's resource industries as a whole

"Anglo has established an amazing springboard into the centre of the Australian resource industry," says David Sheridan of James Capel Australia.

"Its undoubted worldwide mining skills and huge capital resources could really make a mark in Australia," he says

An Anglo spokesperson says it is the group's intention, in due course, to take advantage of the permission granted by the FIB to raise its stake to the 19,9 percent level, but that it has no present plans to raise its holdings

However, there is another large shareholder in Normandy Poseidon, which intends to sell when the time is ripe.

TNT, the financially strapped Australian transport and distribution group, owns 20 percent, worth about A$100 million ($77 million)

That stake might provide a useful starting point for another predator, if it were not for Anglo's looming presence and the near certainty that the South African group would block any bid

Anglo tried for 30 years — with conspicuous failure — to gain a sure foothold in resources-rich Australia

In 1987, it changed tack and merged its Australian offshoot, Anglo American Pacific, with Poseidon.

This was believed to be the first takeover of an Anglo company.

Since 1985, Poseidon has been controlled by Robert Champion de Crespigny, who gave up his accountancy practice to build up a mining and exploration group

Since then Mr de Crespigny has been haunted by rumours that Anglo and its friends provided him with the initial cash to start his empire and so increase Anglo's interests on a continent where South African investors were not particularly welcome

Mr de Crespigny says he can easily disprove this theory by taking anyone who is interested through the equity trail he followed when building up his group

He points out that, during a bid battle with the TNT group over Poseidon, his rival dropped similar allegations once the relevant papers had been produced

He says Anglo has been an excellent partner and great supporter and that his company has a very good technical support agreement with the South African group

However, Anglo has no representative on the Normandy Poseidon board and has never asked for one

Analysts suggest that the groups probably felt the Australian authorities might have made a director with close South African connections unwelcome

● Anglo American's recent annual report shows that apart from its holding in Normandy Poseidon, Anglo also has a direct 9,3 percent interest in Poseidon Gold, which is 76 percent owned by Normandy Poseidon

Poseidon Gold controls 22 tons of annual gold production, mainly through a 29 percent interest in Gold Mines of Kalgoorie and a 49 percent stake in Pan Australian Mining

Normandy Poseidon also wholly owns Commercial Minerals, Australia's largest industrial diamond operation, and the Bow River diamond mine, which mines 800 000 carats a year.

SA-Soviet mining agreement

(210) CT 16/7/91

Own Correspondent

JOHANNESBURG — Formal barriers between the SA and Soviet mining industries were broken down yesterday with the signing of a co-operation agreement by the Chamber of Mines and a visiting delegation from the Soviet Chamber of Commerce and Industry (CCI).

Chamber of Mines president Naas Steenkamp said there was no doubt the Soviet and SA mining industries would be enriched by the agreement.

The agreement was signed at the Chamber's Johannesburg headquarters by Steenkamp and CCI president Vladislav Malkevich.

SA and the Soviet Union produced almost half the world gold output last year.

In 1989, the Soviet Union produced 285 tons of gold, according to the International Mining Annual Review. Last year SA produced 605 tons.

Steenkamp said the agreement was aimed at ensuring an exchange of information on mining development trends.

This included developments in the areas of employee training, health and safety, mineral beneficiation, technology and equipment and promotion of mineral products.

During their 10-day visit, the CCI delegates will also sign co-operation agreements with Sacob, the Afrikaanse Handelsinstituut, the National African Chamber of Commerce and the SA Foreign Trade Organisation.

Ground-breaking Soviet-SA mining pact

Star 16/7/91

The Chamber of Mines and a visiting Soviet delegation yesterday signed an historic co-operation agreement in Johannesburg

The agreement was signed by chamber president Naas Steenkamp and the head of the Soviet Chamber of Commerce and Industry, Vladislav Malkevich

In a brief address, Mr Steenkamp said the signing effectively demolished the barriers that for many years had prevented the world's two leading mining countries from exchanging technology and expertise

He said the agreement was aimed at ensuring an exchange of topical information on mining trends. (210)

This could include information about employee training, health and safety, advances in mining methods

According to Mr Steenkamp, the agreement would have been unthinkable without the statesmanship and vision shown by the heads of state of the Soviet Union and South Africa, who had removed the barriers which had previously existed — Sapa.

Soviet-SA mining barriers fall

210

BDay 16/7/91

JONATHON REES

President of the Soviet Union's chamber of commerce and industry Vladislav Malkevitch. Picture ROBERT BOTHA

FORMAL barriers between the SA and Soviet mining industries were broken down yesterday with the signing of a co-operaton agreement by the Chamber of Mines and a visiting delegation from the Soviet Chamber of Commerce and Industry (CCI).

Chamber of Mines president Naas Steenkamp said there was no doubt the Soviet and SA mining industries would be enriched by the agreement.

The agreement was signed at the Chamber's Johannesburg headquarters by Steenkamp and CCI president Vladislav Malkevich.

SA and the Soviet Union produced almost half the world gold output last year.

In 1989, the Soviet Union produced 285 tons of gold, according to the International Mining Annual Review Last year SA produced 605 tons

Steenkamp said the agreement was aimed at ensuring an exchange of information on mining development trends

This included developments in the areas of employee training, health and safety, mineral beneficiation, technology and equipment and promotion of mineral products.

Opportunities

During their 10-day visit, the CCI delegates will also sign co-operation agreements with Sacob, the Afrikaanse Handelsinstituut, the National African Chamber of Commerce and the SA Foreign Trade Organisation

Safto's US and Europe manager Jan Sykes said yesterday there were good export opportunities in the Soviet Union for SA companies hit by the depressed local mining industry

Sykes said Soviet state funds were available for mining development, but cautioned against premature optimism about new links between the two countries' mining industries, saying trade regulations were not yet in place and legal issues still had be be resolved

Chamber of Mines spokesman John Emery said the exchange of mining expertise and technology would benefit from the Soviet-SA agreement.

Safto international division manager Mike Veysie said at the weekend that a lack of hard currency in the Soviet Union meant firms there were looking for western partners who could invest capital and commercial expertise in exchange for technical and labour input, and raw materials

Veysie said abundant opportunities existed for SA exports of deep-level and mineral processing technology to the Soviet Union

Soviet mines needed technology and equipment to extend their shafts below 1 500m, he said

Govt must encourage exports — Anglo chief

BDay 17/7/91

MATTHEW CURTIN

GOVERNMENT had to create a business environment in SA which encouraged investment in export-oriented capital projects able to compete on equal terms with overseas competitors, Anglo American chairman Julian Ogilvie Thompson said yesterday

SA urgently needed a resumption of investment activity "with a strong bias towards export markets" That bias was vital if economic recovery was to be sustained If tied to a boom in domestic consumption, it would lead to another balance of payments crisis and recession

In his chairman's statement, he said "It is for government to make the playing field level, in terms of international criteria, and it is then for the private sector, responding to market signals in a way that bureaucrats and academics cannot, to identify and invest in ventures that can survive in what has been called today's borderless world."

The "stultifying impact" of high corporate and indirect tax rates, double digit inflation and high interest rates on investment had recently been recognised by government Investment in SA, he said, had "not only been too low, its quality has suffered from too much spending on projects aimed at strategic self-sufficiency and import replacement not adequately subjected to the tests of the marketplace"

Latest legislation, "mitigating the effects of high inflation by allowing higher and earlier depreciation allowances for new investments that meet certain criteria with respect to the beneficiation of materials largely for export", took the process, which started with the 2% cut in the nominal company tax rate this year, the phasing out of import surchages, and provision of VAT credits on inputs, "one step further".

However, ad hoc reform, steering investment one way and then another, was not the full answer A new tax dispensation as well as social stability, an end to sanctions, access to international capital funds, and an end to "stop-go" economic policies were crucial factors

Ogilvie Thompson said World Bank studies and SA's own economic fortunes had shown massive state spending did not promote sustained economic growth Instead it financed dependency rather than self-reliance, and institutionalised proverty rather than alleviating it

As for Anglo's performance for the year to end March 31, he said the 17% fall in equity accounted earnings to R2,6bn was the result of the domestic recession and weak prices for gold and other commodities in world markets The contribution to earnings from gold fell to 11% from about 33% three years ago.

Projected 1991-1994 capital expenditure stood at more than R6bn for the gold, coal and industrial sectors of the group, with an additional sum earmarked for the R3bn Columbus stainless steel joint venture with Gencor

Reserve Bank is doing right thing, says Anglo chief

210

Star 17/7/91

By Magnus Heystek
Finance Editor

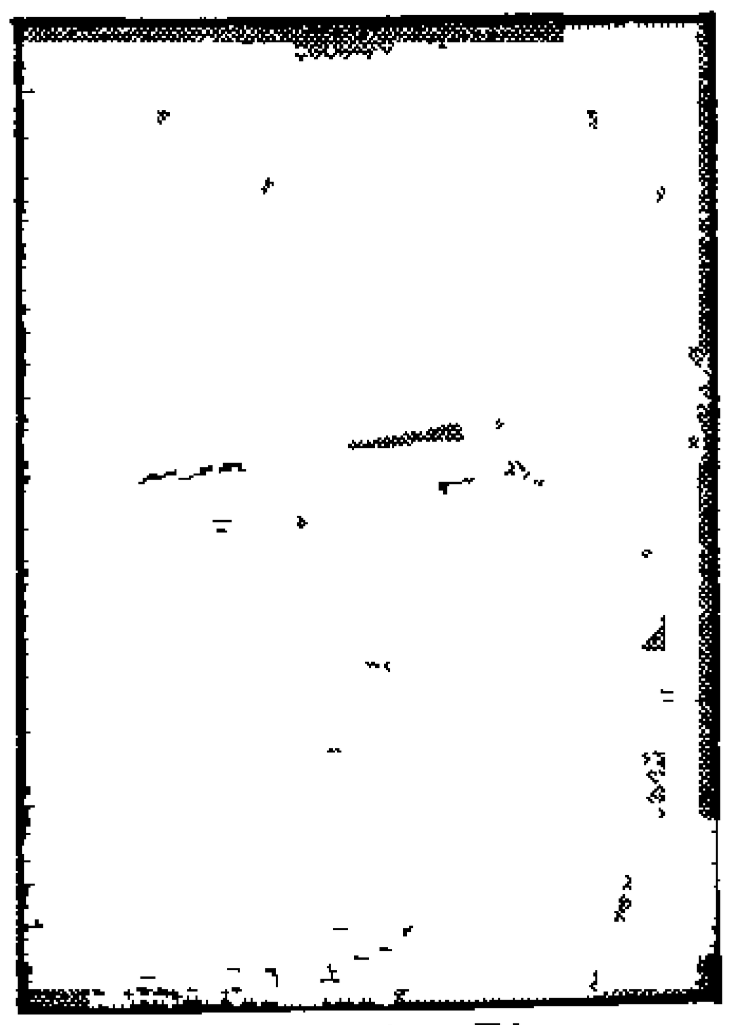
The chairman of Anglo American Corporation, Julian Ogilvie Thomson, has come out in full support for the tough monetary stance by the Reserve Bank.

This differs sharply from other leading businessmen who have been calling for a reduction in interest rates in an effort to stimulate growth

Writing in the group's annual report, he says "Resorting to growth by way of monetary expansion would not fall within the bounds of responsible economic management"

Commenting on improving economic fundamentals, including the abolition of trade and financial sanctions and the likelihood of capital inflows, he says this does not justify the calls for a pronounced relaxation in fiscal and monetary policies now.

"The wide swings in domestic demand in South Africa over the past two decades, associated with poor and deteriorating growth performance, high inflation with consumption increasing at the expense of saving, investment and



Julian Ogilvie Thompson . . . the destruction of all gains that have been achieved

future growth demonstrate beyond doubt the futility of such measures

"Far from alleviating poverty in our society, they have increased and prolonged it," he says.

Asccording to Mr Ogilvie Thompson, anti-inflationary policy takes several years to exert its full impact, and impatience with high real interest rates, while understandable, is therefore misplaced

"If policies aimed at achieving single-digit inflation have so far done no more than contain it at the mid-double-digit level, that is no argument for a resigned acceptance of a 14 to 15 percent rate — and for relaxing monetary policy accordingly

"The outcome, unquestionably, would be a surge in inflation to much higher levels, the destruction of all gains that have so painfully been achieved over the last few years, and the erosion of our potential for growth," he says

Elsewhere in the report, Mr Ogilvie Thompson reveals that Anglo is planning capital investments of some R6 billion in the major sectors of its business — gold, coal and industry — in the period 1991 to 1994

The figure could be significantly higher should the Columbus stainless steel plant, a joint venture worth an estimated R3 billion with Gencor, get the green light

Mr Ogilvie Thompson says a positive announcement about the venture can be expected by the end of the month

The Columbus project, he says, could make South Africa a major player in the the stainless steel industry, earning about R2 billion in foreign exchange when completed

The stainless steel industry is one that adds value to a high degree.

In the case of Columbus, this could be by about 50 times in terms of the chrome content of the stainless steel produced

The plant's initial capacity would be 300 000 tons a year, rising to 400 000 at some stage and would use state-of-the art technology

It would employ 5 000 people during commissioning and 1 500 on a permanent basis when it is completed within just over three years.

Violence affects mining operations - Anglo chief

Sowetan 18/7/91 (210)

By JOSHUA RABOROKO

ANGLO American Corporation's operations have been affected by the high level of violence in the country, according to an annual report released by the corporation this week.

In addition, stayaways, and consumer, rent and mortgage boycotts, together with the general township instability, have exacted a high price both in lost production and in terms of the security and wellbeing of the group's employees.

Solution

Anglo's chairman Mr Julian Ogilvie-Thompson said it was clear that there was no quick and easy solution to the problem of violence in certain sections of the society.

He said, however, that progress in negotiations between employers and trade unions had been encouraging.

Action

He said the Chamber of Mines and the National Union of Mineworkers issued a joint Press statement last November committing themselves to·

* The absolute and unconditional rejection of violence, whatever its source or motivation, on mine property;

* The identification of the perpetrators of such violence from whatever quarter with a view to taking stringent disciplinary action;

Weapons

* The prohibition of employees having or bringing weapons of any kind into the workplace, including hostels,

* Approach other parties to become involved with a view to resolving the violent conflict; and to

* Make every effort to encourage people to show tolerance of the views of others.

Progress

"The corporation and NUM have also made progress in agreeing on a code of conduct which sets out the rights and responsibilities of management, security personnel, union leaders and employees," Ogilvie-Thompson said.

He said wage bargaining agreements without recourse to strike action were reached last year

"However, in the deteriorating economic circumstances of 1991 reaching agreement will be considerably difficult," he said.

He welcomed the agreement reached between the employer body - the South African Employers Consultative Committee on Labour Affairs (Saccola) - and the black trade union federations, Cosatu and Nactu.

Education

On education and training, Ogilvie-Thompson said township violence was matched fully with the continued disruption of black schooling, adding "If a culture of tolerance is to be achieved in South African politics, re-establishing a culture of learning is needed urgently."

Invest

Anglo has agreed to invest another R1,3 million over five years in the Small Business Development Corporation, bringing its total commitment to R5,5 million

The corporation and a group of South African companies announced the formation of the private sector initiative to expand the private sector's contribution to socio-economic development.

Genmin links-up with French group

Star 18/7/91 (210)

Genmin and the French BRGM Group (Bureau de Recherches Geologiques et Minieries), based in Paris, have announced their intention to co-operate with a view to establishing new international mining ventures.

According to an announcement released today, the main aim is to exploit the synergies arising from the two groups' experience and expert knowledge in international mining and exploration ventures.

Genmin is the second biggest mining house in South Africa and controls some 60 mines and plants where 145 000 people are employed BRGM is, through its subsidiaries, involved in exploration and mining ventures in Europe, Africa, South America and the Pacific Rim

It is envisaged that the co-operation between Genmin and BRGM will receive first application in France and French Guiana

The two groups intend to establish an exploration joint venture in French Guiana, and Genmin intends to take a 10 percent minority holding in Salsigne's gold mining activities in France.

These two actions will be finalised simultaneously when all formalities concerning the ventures have been cleared

The two companies have decided to set up a high level working group which will meet regularly in order to achieve their long-term co-operative objectives.— Sapa

FM (210) FOX
19/7/91

ANGLO AMERICAN (210)

UPBEAT REVIEW

FM 19/7/91.

The size and diversity of Anglo American Corp puts its operations in close contact with almost every facet of life within the country. That makes the optimism voiced by chairman Julian Ogilvie Thompson in his 1991 statement extremely good news for the man in the street.

He is upbeat on both economic and political developments, putting emphasis on the positive underlying trends at work in the country which tend to get obscured by the day-to-day social turmoil. It is also clear that Anglo, which has already committed itself to capital expenditure of more than R6bn for the period 1991-1994, is close to ploughing even more money into projects like the R3bn Columbus stainless steel plant

Says Ogilvie Thompson: "I believe that SA's achievements are more remarkable, and its prospects more encouraging, than anyone had a right to hope If one can look for a moment beyond the problems and discount the politicians' instinct for exaggeration and tactical manoeuvring, one can discern a steady momentum of progress on almost all fronts. That is a tribute to the country's leaders in the broadest sense"

Ogilvie Thompson's one concern is that there should be no marked swing towards a socialist economy at the expense of the free market. He goes to great length to stress the point that economic growth, not higher taxes and massive State spending, is the solution to meeting "the deeply felt and justified grievances, as well as aspirations, of those South Africans whom apartheid pushed aside."

He points out the international economy is on the verge of a renewed upswing from which SA should benefit greatly, given its increasing readmittance to the world and access to resources.

"Growth targets of four, five or even six per cent a year are well within reach," he says. "Just six years of five per cent growth could well create jobs in the formal and informal economy for up to 2,5m more people Simultaneously, it would generate an additional R55bn of State revenue — in 1991 money — for social investment alone, without any increase in taxes"

Continue →

FOX FM 19/7/91. (210)

He indicates the Columbus project, which would employ about 1 500 people, earn R2bn a year in foreign exchange and be commissioned with three-and-a-half years of starting work on site, is being held up purely by tax considerations

"The project is too risky under SA's prevailing rates of inflation and tax, and the reason for delay is that government, while fully supportive of the project in principle, has not yet decided how best it can bring the risk within acceptable bounds" Even so, it's understood that a positive announcement can be expected by the end of the month

Brendan Ryan

Sandton's attraction is en- many clerical workers

Anglo seeks tax break for Botswana mining

S/Times 21/7/91

By IAN ROBINSON

ANGLO American Corporation needs tax concessions from the Botswana Government to develop a major copper-nickel mine.

Tati Nickel is talking to the Botswana Government about tax incentives to develop the Phoenix project because the economics of developing the deposit appear marginal.

It would be mined as an opencast operation. Trial mining and further exploration are needed to extend the mining area.

Because of the lack of water it will be necessary to reduce plant throughput. Tests are being conducted on a trial magnetic separation plant.

Anglo chairman Julian Ogilvie Thomson's 1991 statement, released this week, says the corporation has acquired the major owner's interest in the Selkirk Phoenix nickel-copper deposit owned by Tati Nickel 50 km east of Francistown in the eastern part of the country.

It was previously reported in Anglo's 1991 report that the Selkirk deposit, managed by BCL Ltd on behalf of Tati Nickel, was being mined at a rate of 60 000 tons a year.

Selkirk Phoenix is about 90km north of Selebi Pikwe where BCL operates a copper-nickel mine with annual production of 3,45-million tons of ore. It is the largest base-metal mine in Botswana.

AAC is also prospecting for base minerals in the Ghanzi area, 100km south-west of Maun in northern Botswana. It is looking at copper mineralisation previously investigated by Anglovaal, US Steel and RTZ.

Shallow

Although the potential is large and mineralisation is similar to that of the Zambian Copperbelt, the average grade is low (2% Cu).

Anglo has carried out an aerial survey and has four drilling machines in the area. Geologists are looking for extensions of the deposit covered by Kalahari sand

Because of the lack of infrastructure and water it would be necessary to find higher grade (3-4% Cu) or shallow areas which could be mined by opencast methods.

equipment for free. courtesy

Soviet Chamber of Commerce president VLADISLAV MALKEVICH and Safto chief executive WIM HOLTES talking trade turkey

Picture SUE KRAMER

Soviets looking for joint mine ventures

210

ST Times (Bus Times) 21/7/91

By IAN ROBINSON

THE SOVIET Chamber of Commerce and Industry wants co-operation with the South African mining industry to lead to joint ventures in the USSR Ildar Younoussov, head of the internal department of the USSR Chamber of Commerce and Industry, told Business Times that it had identified mining as the most fertile field for economic co-operation

Mr Younoussov is a member of a seven-man chamber delegation visiting SA The visit follows an invitation to the president of the USSR chamber, Vladislav Malkevich, from Tony Norton, chairman of the South African Foreign Trade Organisation (Safto), to sign joint co-operation agreements with SA business organisations

They include Safto, the South African Chamber of Business, the Afrikaanse Handelsinstituut, the National African chamber of Commerce and the Chamber of Mines

The Chamber of Mines would be a facilitator and go-between for the mining industries of the two countries.

Naas Steenkamp, president of the Chamber of Mines, said the USSR chamber had issued a verbal invitation to the SA chamber for a reciprocal 10-day visit to Soviet mines

Explosions

Technology represents the most important area of potential co-operation between the two mining superpowers SA deep-mining expertise — particularly from the point of view of health and safety — could become increasingly important to the USSR as its mines go deeper

Recycling of old mine dumps is another area of SA expertise of potential interest.

The SA mining industry will look at Soviet expertise in "focused explosions" where mathematical calculations are used to determine configurations of explosive charges to achieve the best results

Genmin has also been active in making mining contacts with the USSR. Chairman Brian Gilbertson recently told Business Times that Genmin already had "an important and lucrative contract with Russia and another is being negotiated"

Genmin hosted a previous visit by a Soviet delegation and has sent personnel to inspect USSR mining and metallurgical operations

It has also employed a Soviet citizen temporarily

On his return to the USSR Mr Younoussov will set up a mining section in the chamber He will report to the Soviet Government on the visit

SAFTO plans a mining conference in SA at which USSR mining personnel will address a conference to be attended by about 300 delegates from the mining industry It would be followed by a tour of USSR mines by SA mining personnel — possibly next year

Eyes on the road HUDs

ST Times 21/7/91 Bus Times

By DON ROBERSTON

SOUTH AFRICA's return to favour with multinational companies has made possible the import of the the first consignment of automobile head-up displays (HUDs)

Merbar, supplier of electronic alarm equipment, has signed an agreement with GEC Avionics of Atlanta, Georgia, for the sole distributorship of HUDs in the Southern African market

HUDs provide viewing of information from the instrument panel through the windscreen, allowing the driver to keep his eyes on the road The system enhances driver safety in cars and trucks

HUD systems, developed by GEC, are used in fighter aircraft, helicopters and in some Boeing 747s

Merbar director Allen Roberts, who signed the deal, says the drivers do not need to take their eyes off the road to check speed and petrol consumption

Anglo seeks tax break for Botswana mining

(210)

S/Times 21/7/91

By IAN ROBINSON

ANGLO American Corporation needs tax concessions from the Botswana Government to develop a major copper-nickel mine.

Tati Nickel is talking to the Botswana Government about tax incentives to develop the Phoenix project because the economics of developing the deposit appear marginal

It would be mined as an opencast operation. Trial mining and further exploration are needed to extend the mining area.

Because of the lack of water it will be necessary to reduce plant throughput Tests are being conducted on a trial magnetic separation plant.

Anglo chairman Julian Ogilvie Thomson's 1991 statement, released this week, says the corporation has acquired the major owner's interest in the Selkirk Phoenix nickel-copper deposit owned by Tati Nickel 50 km east of Francistown in the eastern part of the country.

It was previously reported in Anglo's 1991 report that the Selkirk deposit, managed by BCL Ltd on behalf of Tati Nickel, was being mined at a rate of 60 000 tons a year.

Selkirk Phoenix is about 90km north of Selebi Pikwe where BCL operates a copper-nickel mine with annual production of 3,45-million tons of ore. It is the largest base-metal mine in Botswana.

AAC is also prospecting for base minerals in the Ghanzi area, 100km south-west of Maun in northern Botswana It is looking at copper mineralisation previously investigated by Anglovaal, US Steel and RTZ

Shallow

Although the potential is large and mineralisation is similar to that of the Zambian Copperbelt, the average grade is low (2% Cu).

Anglo has carried out an aerial survey and has four drilling machines in the area. Geologists are looking for extensions of the deposit covered by Kalahari sand.

Because of the lack of infrastructure and water it would be necessary to find higher grade (3-4% Cu) or shallow areas which could be mined by opencast methods.

Anglo to convert 'S' shares

210

Star 24/7/91

Finance Staff

Anglo American has announced plans to convert its "S" ordinary shares, all of which are now unlisted, into listed ordinary shares.

"S" shares were created in 1987 in response to United States legislation which prevented United States nationals from acquiring capital in South African companies issued after September 1986

The creation of these shares as a separate class enabled American investors to continue investing in Anglo American without infringing US law

After the recent lifting of the Comprehensive Anti-Apartheid Act by the United States, it is no longer necessary to continue with "S" ordinary shares as a separate class of shares, Anglo says

Anglo firm gets suspended sentence for dam pollution

Star 8/8/91

By Clyde Johnson
Lowveld Bureau

210

NELSPRUIT — An Anglo American company that negligently allowed a stream and dam to become so polluted that it killed all fish and other aquatic life was yesterday sentenced to a fine of R10 000, conditionally suspended for five years.

Regional Court magistrate Mr Bertus le Roux found Anglo American Prospecting Services — represented by company director Anthony Gordon Knowles — guilty of unlawfully and negligently polluting public or private water and making it unfit for the propagation of fish and aquatic life and for other legitimate purposes.

The conviction follows an incident on November 7 1989 when, during a storm, waste rock and other material from the disused Bien Venue mine flowed into Revolver Creek.

In the process, water flowing through a nature reserve belonging to Luke von Johnstone became so polluted that hundreds of fish died.

Although it is nearly two years since the spillage, there is still no sign of aquatic life in the dam.

Passing sentence, Mr le Roux said South Africa was a country rich in minerals, but short of water.

"The Lowveld, in particular, has become a pollution target with developers, and there is a great need for cleanliness and decency towards nature."

Mr le Roux complimented Anglo American Prospecting Services for having budgeted R3 million for the removal of the mine dump.

Pressure back on marginal gold mines

(210) CT 12/8/91

From MATTHEW CURTIN

JOHANNESBURG — The rand gold price fell last week to a two-and-a-half month low, renewing pressure on the gold mining industry after a June quarter in which it enjoyed unexpected profits thanks to cost cuts and the rand's fall against the dollar

The rand gold price fell to R32 700 a kg last week, compared with a high for the year of R34 500 reached at the beginning of July.

The average price in the June quarter was R32 160/kg.

Since July, the gold price has fallen back to the US$355 mark while the rand, which had slumped in value against the dollar in May and June, has strenghtened marginally

Frankel Max Pollak Vinderine analyst Rob Gillan said at the weekend that "the squeeze is back on those mines which are not involved in forward selling"

He noted that while Anglovaal won a gold price of R37 000/kg on some forward contracts. GFSA, which has a policy of not selling production forward, received only R32 200 on average in the June quarter

Although the average gold price in the current quarter might end up being about 2% higher than in the previous quarter, mining houses would be back to breaking even come the end of September as the price increase would barely keep pace with inflation

He said GFSA's marginal operations Doornfontein, Venterspost and Libanon, and Gengold's mines would be hardest hit by the fall in the gold price because of their opposition to selling forward

Unless the price recovered, more retrenchments might become necessary as operations at individual mines were curtailed further

Another analyst said the rand gold price was still a long way from the lows of February this year, but at current levels it was putting pressure on high cost producers like West Rand Cons, Loraine, St Helena and ERPM

However, these mines were not about to close The analyst said their high working costs included some retrenchment payouts and all had room to restructure operations further The low annual wage settlement was a boon, and these mines had little prospect of paying out productivity linked bonuses to mineworkers

E W Balderson analyst Nick Goodwin struck a more optimistic note, saying that although the drop in the price was cause for concern, mines were still busy reducing costs wherever possible

Their success in keeping costs down had reaped rich rewards in the June quarter, and would cushion the industry against the price fall This was especially so for mines which had the protection of selling forward

Goodwin said comparing the June quarter this year with the same period in 1990, average margins improved from R5 273/kg to R6 848/kg across the industry.

He believed the gold price had reached the bottom, and the industry was on the threshold of a "new era" which promised soaring profits.

Star 16/8/91

New Anglo directors

Anthony Oppenheimer,

Roy Lander

Finance Staff

210

Roy Lander, chief executive of Anglo American in Zimbabwe, and Anthony Oppenheimer, deputy chairman of the Diamond Trading Company and executive director of the Central Selling Organisation, have been appointed directors of Anglo American Corporation

Chairman Julian Ogilvie Thompson announced their appointments at Anglo's annual meeting yesterday He also said that three directors, GC Fletcher MC, Murray Hofmeyr and Sir Philip Oppenheimer had retired from the board

Mr Lander is chairman of many of the leading companies in Zimbabwe, including First Merchant Bank, Bard Discount House, Bindura Nickel Corporation, National Foods Holdings and Zimbabwe Alloys. A past president of the Chamber of Mines, Mr Lander has served the AAC group in Zambia and Zimbabwe since 1957

Anthony Oppenheimer, the son of Sir Philip and Lady Oppenheimer, also serves on the board of De Beers and Anamint

All one needs to know about mining tax

B Day 19/8/91 (210)

MINING TAX IN SOUTH AFRICA, by Marius van Blerck (Taxfax, R175)

MINING has been SA's dominant industry for more than 100 years but only now has a book been published which deals exclusively with the taxation of the mining sector.

Van Blerck sets the scene by discussing general tax principles in depth, giving definitions and mining-linked case law. No term is used without first being studied, and principles which do not relate to mining are given cursory attention

He then moves on to the mining industry itself He looks at what constitutes mining taxable income, discusses mining tax rates and how the mining tax system differs from those in other industries

There is thorough coverage of sensitive issues such as ring-fencing, leases, the treatment of royalties, hedging, capital redemption and capital allowance deductions, to name but a few.

For instance, ring-fencing — "the isolation for tax purposes of certain types of activities, income or losses" — which restricts the mining sector more than any other, is extensively examined Types of ring-fences which affect the taxation of the mining sector include taxpayer ring-fences, mining activity ring-fences, gold formula ring-fences, capital expenditure, general and individual mine ring-fences and the prospecting ring-fence

Mining Tax in SA has already justified its existence by becoming the prescribed book for Unisa's mining tax module

Course coordinator Piet Nel says the book is well presented, follows a clear logic and encapsulates the essence of what is involved in mining tax

"In the past, our students had to rely on general tax books and court cases for reference Our course is aimed at the decision makers within the mining industry and this book provides all they could want to help make development mining decisions," he said.

It is essential reading for mine managements, mining analysts, undergraduate and postgraduate accountancy and tax students, and anyone with a specific interest in the mining industry

Van Blerck, group tax consultant at Anglo American, accepted the burden of formulating a reference book for the industry because "it is a matter for concern that there is widespread ignorance of the relevant principles, and amongst some of those who have some knowledge of the area a degree of misunderstanding often exists"

His real achievement is that he has tackled a complex subject, given it the detail necessary to make it an essential reference book, and still managed to write it in a simple style

There is no jargon, no legal pomposity — it is accessible and interesting for layman and academic alike.

GILLIAN HAYNE

(210)

venue

n black, col-
Asian maga-
ı recorded a
tern of 30,6
ıde and tech-
ls showed an
23,9 percent
advertising
,6 million, an
44,8 percent,
or indoor ad-
is up 34,5 per
9 million
ive category
re the retail,
motor indus-
ic beverages
o sectors —

Genbel profits from a cut-down portfolio

Star 20/8/91

By Derek Tommey

Anton Botha, managing director of natural resources investment company Genbel, would seem to agree with a leading investment manager who remarked there were only 12 shares worth buying on the JSE.

Since he has taken control of Genbel he has steadily whittled down its shareholdings with successful results.

Genbel reports that it increased its attributable income by 15 percent from R120 million to R136 million in the year ended June.

Earnings a share rose from 28,8c to 32,0c and in line with its established policy all its earnings are being paid out by way of dividends.

The final dividend has been increased by 19,4 percent from 15,5c to 18,5c and a 12,5 percent increase in the interim from 12,0c to 13,5c (This suggests that Genbel did even better than Mr Botha expected.)

Genbel's rearranged portfolio now has only 17 major holdings, against 50 holdings in 1984, and 10 stocks, together worth R2,5 billion, represented 84 percent of the portfolio.

Portfolio

These stocks and their percentage weighting on the company's R3,2 billion portfolio are: Genbeheer (17 percent) Impala 12 percent, Engen 11 percent, TransAtlantic 9 percent, Oryx 7 percent, De Beers 7 percent, Sappi 7 percent, Kinross/Winkelhaak 6 percent, Unisen 5 percent and Trans-Natal 3.

Mr Botha says that primary exporters, with their rand hedge components, represent 17 percent of Genbel's net assets, gold shares 17 percent, platinum shares 13 percent, mining financial shares 19 percent and energy and industrial shares 16 percent.

The net asset value of Genbel's shares was 740c at June 30, some way down on the 785c a year ago.

Increased income from Engen and TrasnAtlantic helped increase earnings. Mr Botha says given a moderate recovery in the world economy, earnings and dividends should show a further increase in 1992.

Falling earnings threaten Gencor rights issue

(210)

CT 2/8/91

Own Correspondent

THE 17% plunge in Gencor's share price in the past six weeks has complicated a possible plan for a multimillion-rand rights issue, it was disclosed at the weekend.

"The fact that the price has fallen by 17% would place Gencor in a more difficult position to make a decision about the rights issue," Anton Botha, MD of Gencor's investment arm Genbel, said yesterday

The group's share price has fallen to 1 240c a share off its July high of 1 500c.

"No decision has yet been made on holding a rights issue but that does not mean that we are not looking at this type of thing constantly," Anton Botha, MD of Gencor's investment arm Genbel, said yesterday

Analysts said Gencor needed to raise more than R1,5bn if it was to follow anticipated rights issues in its subsidiaries and associates Among the projects the group is involved in are the R3,1bn Columbus stainless steel venture and Alusaf's R5bn smelting project

They questioned whether Gencor could come to the market when it had a falling earnings profile, and at a time when the market had lost momentum

If Gencor did come to the market it would have to give a large discount to make the offer attractive. This was being discounted by the recent drop in Gencor's share price.

"Although Gencor has a huge cash pile, half of this is committed to the development of the Oryx gold mine," Botha said

He said it had been stated publicly that Sappi had expansion plans

Market followers estimate these could cost up to R1bn and Gencor, with its 50% interest in Sappi, would have to come up with R500m

"If the market for paper and pulp products does not pick up in the short term then Sappi will have three choices It can either cut capex, increase debt or hold a rights issue," Botha said

He pointed out that as Sappi already had reasonable gearing, Gencor might have to put money into the paper giant.

"If the Columbus project goes ahead, Gencor could be called on for money as it is unlikely that Samancor would be able to finance its portion on its own," he said

Gencor holds 43% in Samancor As Samancor is expected to spend R1bn on the Columbus project, Gencor's share would be R430m.

Anglo increases stake in Australian firm

ADELAIDE — Anglo American yesterday said it had increased its stake in Australia's Normandy Poseidon Ltd to 19,8% from around 15%.

210

The company paid about A$20,4m to lift its holding in the Australian miner of gold and other resources

BDay 3/9/91

Anglo American had previously received permission from Australia's Foreign Investment Review Board to move to 20%, and was widely believed to have done so last week when TNT Ltd said it had sold 10% of the company, and granted an option to sell a further 10%.

Under Australian law, Anglo American can't raise its stake further without making a takeover offer for all of Normandy Poseidon, controlled by businessman Robert Champion de Crespigny. — AP-DJ.

Boustred: SA needs big groups

Bloom 4/9/91.

210

SHARON WOOD

SA needed more Anglo Americans if the wealth-creating ventures necessary for the country's economic future were to be developed, Anglo deputy chairman Graham Boustred said yesterday.

Speaking at the opening of the R220m improvements to Mondi's Merebank Mill paper machine in Durban, he said that unless more such development could be brought about to create jobs and generate exports and domestic growth, the economic future was bleak.

Criticism levelled at Anglo for being too big and too monopolistic was quite wrong, he said.

"Political leaders who have never been part of the wealth-creating process should realise that large projects.. can only be created by powerful groups with the necessary management, technical skills and financial resources," Boustred said

SA's people could work together to create wealth and build world-class industries.

"Provided we are not conned into believing there is a free ride if we spout the correct political slogans, or support now completely discredited ideologies, we can build the future together."

He said about R6bn was needed to bring a new deep-level gold mine into production, about R4bn for a stainless steel plant and the same for a new pulp mill

Projects of this size were not going to be developed by "tin-pot" organisations or a "dismembered Anglo American".

Mondi Paper Company executive chairman Tony Trahar said the main objective of the R220m investment in rebuilding the Merebank machine was to improve the quality of supercalendered magazine papers.

Anglo, Minorco set sights on Australian gold

MATTHEW CURTIN 210

ANGLO AMERICAN and its cash-flush foreign investment arm, Minorco, were in the hunt for investments in Australian gold mines as the groups' acquisition drive accelerated, market sources said yesterday

An Anglo spokesman said the group did not comment on speculation of this sort

At its year-end in 1990 Minorco had almost US$2bn in cash reserves In the past year it has bought US gold mining company Independence Mining, Canada's Hudson Bay Mining and Smelting, and former East German gravel producer Elbekies

It was reported on Monday that Anglo had increased its stake in Australian gold operation Normandy Poseidon from 15% to 19,8% at a cost of A$20m

Mathison & Hollidge analyst Barry Sergeant said yesterday Minorco could expect "rich pickings" in Australia because that country's gold mining sector was in a trough The high gold price in the early '80s prompted the development of several new shallow, low-cost but low-grade gold operations which had reached peak production

However, he said the fall in the gold price, dropping gold production, the economic recession and the end of the gold mines' tax holiday had put pressure on Australian mines. The London-based Mining Journal reported in July that Australian mine production could fall from 239 tons in 1990/91 to 219 tons in 1991/92 as a result of mine closures and the impact of company tax on marginal operations

Sergeant said the low political risk of investing in Australia made it a particularly attractive area for Minorco

Analysts said that in Minorco's 1991 annual report, new information would emerge on the group's new investments particularly in the Pacific Rim countries

One said it would make sense for Anglo and Minorco to invest in Australia which would be in line with Anglo's optimistic long-term view of the gold price and belief in soaring jewellery demand

However, Anglo announced the closure last month of its Marte gold operation in Chile because of high working costs

● See Page 3

Soviet troubles could boost mining houses

(210) AEG 5/9/91

The Argus Foreign Service

LONDON — Mining houses in South Africa could benefit from the fragmentation of the Soviet Union

Metals dealers are concerned about potential chaos in the Soviet Union if the economy does not improve

Instead of buying key metals from Russia and other republics within the USSR, consumers will try and ensure supplies from South Africa, Australia, North America and other producers

Vanadium and chrome are examples, says Gavin Sanderson, a director at Lambert Metals in London In the past 10 days for example, he says, some consumers have shifted buying from the Soviet Union to South Africa They have begun to build up stockpiles.

"It all depends on capacity," says Mr Sanderson, "and South Africa has the potential to produce more."

According to metals dealers, a delegation from China has gone to South Africa to buy vanadium Previously China bought from the USSR and Armenia

Although Soviet exports of key metals ranging from aluminium and nickel to platinum surged in the past six months, there could be disruptions and shortages in coming years, say dealers.

"Without firm authority to negotiate and distribute raw materials, there's a chance that commodity dealings will degenerate into chaos," says Oscar Prager,a director of Ayrton & Partners, metals traders with longstanding experience with the Soviet Union

With arguments between individual republics and the Soviet Union over ownership and revenue of resources, there could be problems with export licenses, transportation, shipping and trade credits, says Mr Prager Moreover, if shipments do not meet specifications either in quantity or quality, Western buyers won't be sure who will bear ultimate responsibility, he says

Commodity merchants are conditioned by decades of dealing with foreign trade organisations representing the full authority of the Soviet Union. Now they are worried about future dealings with growing numbers of commodity export and import agencies that represent either the union, individual republics or the producers of raw materials

As a leading nickel producer, the Soviet Union used to sell its entire output through Raznoimport, a foreign trade organization, says Jim Lennon, a research manager at Commodities Research Unit in London Now Norilsk nickel refineries situated in Siberia sell metal through Technoexport a Moscow agency, whilst nickel plants in Monchegorsk near Finland are retaining the services of Raznoimport

Partly as the result of internal competition between selling agencies, Soviet nickel exports were almost 60 000 tons in the first half of the year, against 85 000 tons in the whole of 1990, he says Hardly surprising, prices tumbled

Adjusting to rapidly changing developments in the Soviet Union, firms such as Wogan Resources, a London based strategic metals firm, set up an office in Moscow Others are forming joint ventures to cope with new demands from either independent republics or producers

Oil trading is also more confusing for Western analysts

We used to track oil exports through Sojuzneftexport, the foreign trade organisation, an oil dealer says Now we are seeing deals negotiated by two other organisations too

Previously the Soviet Union negotiated five year oil for sugar barter arrangements with Cuba, says Chris Pack head of research at C Czarnikow , London merchants. Now deals last for a year and Prodintorg, a Soviet organization that imports agricultural products, is contemplating privatisation. The organisation has a "wealth of trading experience", says Mr Pack and intends co-ordinating trade of several republics.

States and producers within the Soviet Union will learn the lesson of China, says Mr Lennon of Commodities Research Unit Exporting agencies multiplied in China in the Eighties, he says They undercut each other to such an extent that marketing is shifting back to central authorities.

After initial hiccups, however, independent privatised export and import units should achieve good results, says Mr Pack of C Czarnikow.

After all the system works in the West, he says

Meanwhile, dealers are cautiously waiting for signs of changing control of organisations

"Platinum, palladium and rhodium are situated in Russia, so it doesn't pay the republic to unsettle the market," says Brian Nathan, managing director of Ayrton Metals, platinum group metal merchants

This is certainly the fear of some banks whose loans to the Soviet Union are backed by gold and platinum collateral say Swiss bullion dealers

Gold sales will remain under the auspices of Vneshekonbank, say the USSR's Bank For Foreign Affairs officials But bankers fret whether control of gold inventories will shift to Russia and other republics within the Union

Gold and platinum prices slid last week mainly because of worries that some banks won't extend the loans If the loans are not rolled over, Veneshekonbank will be forced to sell the surplus gold and platinum on the market

GENBEL FM 6/9/91

Cash rich

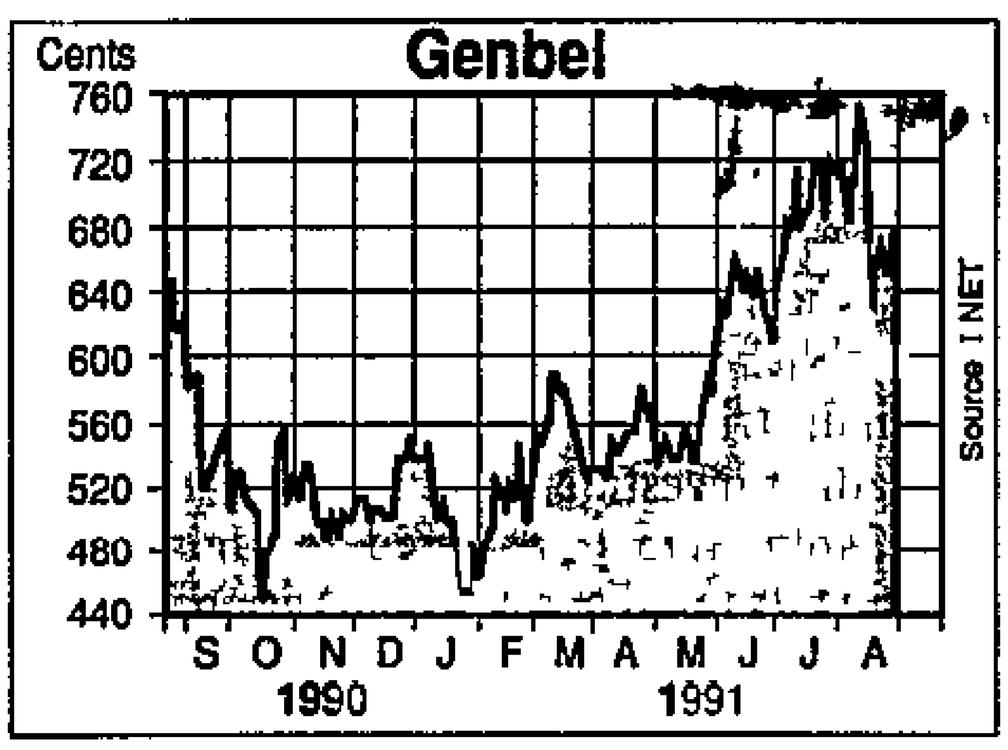
210

Activities: *Long-term investor, holding portfolio of investments mainly in SA mining and resource industries. Also manages a trading portfolio and controls significant mineral rights.*
Control: *Gencor 49,98%, Sanlam 9,41%*
Chairman: *T L de Beer, MD A D Botha*
Capital structure: *432,3m ords Market capitalisation R2,85bn*
Share market: *Price. 660c Yields. 4,9% on dividend, 4,9% on earnings, p e ratio, 21; cover, 1,0 12-month high, 750c; low, 450c Trading volume last quarter, 4,7m shares*

Year to June	'88	'89	'90	'91
Investments (Rbn)	1,64	2,53	3,64	3,03
Net income (Rm)	128	100	157	415
Earnings (c)	25,1	25,9	28,8	32
Dividends (c)	25	26	27,5	32
Net worth (c)	458	664	785	740

Refocusing of Genbel's interests has continued and both distributable earnings and the dividend grew roughly in line with inflation in the 1991 year, though the NAV was slightly lower at year-end. After reorganisation of the portfolio, liquidity has risen sharply There was a cash balance of R324m at June 30, while net current assets have swung from the previous year's net indebtedness of R252m to a positive R173m.

Chairman Tom de Beer says the growth in



continue 17

Genbel's Botha *less exposure to gold*

distributable income was derived principally from maiden contributions from Genbel's investments in Engen and TransAtlantic Holdings Interest received more than offset the loss in income from shares sold and the drop in dividends from the gold portfolio

Most of the shares sold, with a value of R310m, were investments acquired more than 10 years ago, so profits generated were not taxable There was a net surplus on investment transactions of R277m

MD Anton Botha notes that when Genbel was constituted in its present form in 1984, it had more than 50 holdings in the portfolio, with three-quarters of the value concentrated in precious metals sectors Gold investments made up 62% of the portfolio The gold exposure now represents less than 17% (and is concentrated in quality, low-cost and long-life producers capable of expanding production), in a long-term portfolio with only 17 major holdings This is supported by Unisen, a short and medium-term investment company, and Randex, a mineral rights holding company

International investments are in wholly owned Genbel Offshore Investments (GOI), whose major asset is the holding in TransAtlantic, consisting of 12,8m 8% conv preference shares with a market value at year-end of R274m Income from GOI last year totalled R24m, though this was for a 16-month period, income this year will be lower.

Botha says changes to the investment portfolio can be expected to be predominantly the result of major investment transactions taking place mostly in Gencor New investments are also likely to be concentrated in areas where the funds will ultimately be used to establish or expand large, capital-intensive industries

Trading investments with a market value of R346m were transferred to Unisen, increasing its relative role and position in Genbel Unisen reported a taxed profit of R43m, though much of this arose from selling shares acquired from Genbel through the restructuring

Randex, in response to the difficulties facing the gold mining industry, has started to dilute its participation in some deep, long-term Witwatersrand basin gold projects Botha says Randex's activities are to be more restrained in the immediate future

Looking at the current year, De Beer says Genbel foresees improved dividend income from non-gold investments, while Unisen, with its enlarged asset base, is in a better position to contribute meaningfully to dividend income De Beer says shareholders can look forward to further growth in earnings and dividends in 1992 But the rate will obviously depend on whether he is right in forecasting that "global economic activity will pick up towards the end of 1991, with the probability of firmer commodity prices"

At 660c, the share is 8% below NAV, which is now about 720c It is a quality investment, primarily in commodities and precious metals, and a good rand hedge

Andrew McNulty

Barlows makes the market wonder if biggest is still best

BDay 9/9/91 LESLEY LAMBERT (210)

THREE of Barlow Rand's major strategic investments of the past decade — Rand Mines, Middelburg Steel and Bibby — have either failed or underperformed Remedial action has been undertaken but the question lingers has SA's industrial leader become a corporate dinosaur or is the underrating of its share simply a reflection of past errors?

Barlows is SA's leading industrial conglomerate and a significant contender on world export markets, ranking 89th in the Fortune 500 list of international companies Its return on both assets and equity has exceeded that of other top industrial groups over the past five years, although differences in reporting methods hinder a meaningful comparison Apart from the underperforming assets it manages an impressive portfolio representing a significant proportion of the SA economy

Yet, while the group's share continues to trade at its historic premium to net asset value, its performance has lagged behind that of most other industrial blue chips This, analysts say, is largely because investors are concerned that management lacks entrepreneurial drive and the ability to anticipate changes Strategic investments and management decisions related to Rand Mines, Middelburg Steel and the UK-based J Bibby plc — which together accounted for 40% of bottom line earnings in 1990 and about 30% this year — are the basis of their concern

Barlows' rating showed a slight improvement recently on news that it was finally diluting its exposure to the cyclical Middelburg and to Bibby and dismembering the wreckage of Rand Mines. The expected economic upturn has also helped to improve perceptions since the group's diverse spread of assets is intrinsically linked to economic trends

Analysts are predicting a swing from a 12% decline in earnings this year to a 20% gain next year, attributing their faith to a cleaner corporate structure, a healthier economy and less exposure to cyclical commodity markets

But Barlows' management, headed up by Warren Clewlow who replaced Mike Rosholt as executive chairman earlier this year, is not yet out of the rough

Some analysts argue that it is perhaps unfair, with the benefit of hindsight, to blame management for its investments in commodities which offered enormous potential in the past decade But the extent to which management allowed the group to become exposed to such cyclical markets as the contribution of other divisions contracted must surely indicate a lack of foresight, other analysts argue They also feel the delay in reacting to the inevitable downturn in commodity prices in 1989 displays inflexibility

The slump last year of wholly owned subsidiary Middelburg cut deep into group profits Its profits fell from R163m to R52m as world ferrochrome and stainless steel markets declined The contribution of the mining and mineral beneficiation divisions to group profits declined from 39% to 26%

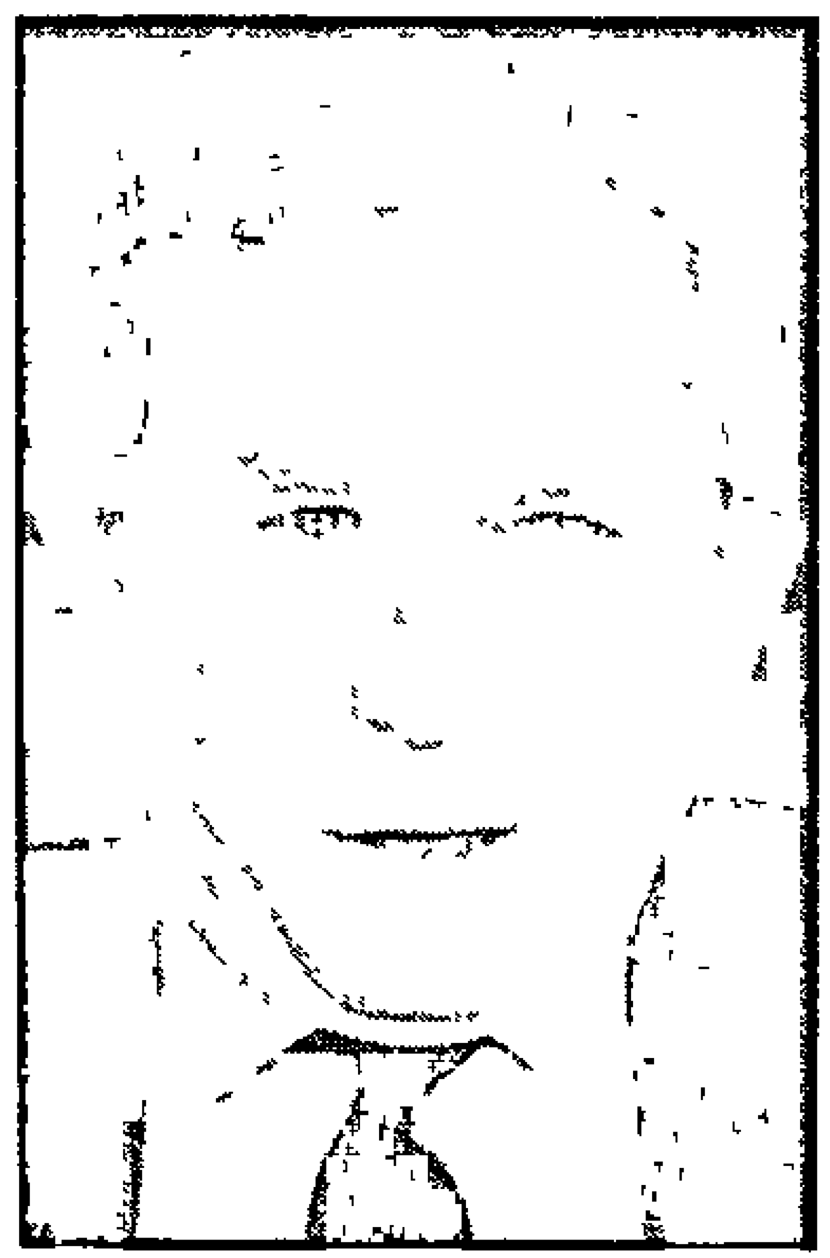
Finally, a decision was taken this year to dilute Barlows' interest in Middelburg by floating off portions to shareholders, with the intention of eventually reducing the group's interest to 50%, and listing the company But critics said Barlows should have acted earlier in anticipation of the downward trend Barlows argued that dilution at the height of the market would have been at the shareholders' expense

The group has also been under pressure to justify its investment in Rand Mines and Bibby

Under Barlows management, Rand Mines has declined over 20 years from a flourishing mining house with a valuable portfolio of assets into little more than a coal division

With the exception of Witbank Collieries, other major divisions have failed, with the platinum operation Barplats costing R430m in debt and operating losses The failures are attributed not only to weak commodity markets but also to poor management within Rand Mines and limited understanding, in a boardroom dominated by accountants, of some of the risks associated with mining

Bibby's value declined from 310p a share, the price at which it was bought in 1984, to a low of 106p, as the world economic decline took its toll The group began to show signs of improvement last year, lifting its sterling after-tax profit by 27% and making several acquisitions The share price has risen to 174p but the surge may be tempered this year by the persistent UK recession In another effort to distance itself from underperforming assets, Barlows has decided to dilute its holding by not following a rights issue at 142p



CLEWLOW

Unlike Bibby, Rand Mines offered little hope of resurgence and a ruthless rationalisation strategy was implemented by John Hall when he took over management from Clive Knobbs at the end of last year Hall immediately set about selling or mothballing all unprofitable operations with the objective of stripping the group down to a coal division Control of Barplats was sold to Implats and there was speculation that the group's chrome ore interests may be moved into Middelburg in a drive towards vertical integration and cost cutting

Once again, critics were quick to remind investors that Barlows had delayed the inevitable at great cost

Barlows' top management is clearly battling to shake off perceptions that it is dominated by accountants whose ability to shape and manage a vision does not match their outstanding accounting skills

During the lean years between 1980 and 1985 when earnings grew marginally and the dividend was pegged at 70c, investors expressed concern at the holding company's apparent lack of drive, particularly since other industrial blue chips were making profits in an erratic economic climate When conditions improved, Barlows moved into economy-beating mode, producing annual average compound growth of 34,7% between 1986 and 1989 Performance deteriorated again in 1990, in line with that of most other companies, as the impact of declining world markets and a poor domestic economy took effect

Analysts argue that the high degree of decentralisation in Barlows' corporate structure, coupled with the size of its subsidiaries and a relatively high level of group debt, limits the holding company's ability to shape a master strategy and develop an identity in the marketplace This implies that its role is merely to manage a portfolio of assets

If its role is simply that of a portfolio manager, Barlows should provide more proof that it is adding value If it is not, it should consider breaking the group up into five or six smaller groups or simply sell off Rand Mines, after it has taken out Witcolls, and unbundle C G Smith, some analysts say

The fact that Barlows' share price continues to trade at a premium to net asset value, in spite of its underperformance, suggests that shareholders believe it does add value at the centre And there is a view that one of the main reasons for unbundling Barlows — to reduce its overexposure to cyclical operations — may be achieved once Rand Mines has been restructured and the Middelburg holding diluted

Barlows dismisses the idea of unbundling on the basis that its size is crucial to international success Safto research has confirmed that SA conglomerates have been most successful on foreign markets But has Barlows used its size to the same effect as Rembrandt or Liberty Life? Its investment in Bibby suggests not, although 30% of its earnings came from foreign operations and exports

Some analysts believe Barlows will have to have a rights issue of about R1bn this year to finance group debt and recapitalise Middelburg ahead of a listing Although Old Mutual, Barlows major shareholder, has declined to comment, sources close to the financial institution say a rights issue would give it leverage over future investment decisions

Cutbacks take toll on Fraser Alexander

(210) CT 12/9/91

Own Correspondent

JOHANNESBURG — Cutbacks by SA's mining companies in the face of low commodity prices and rising costs took their toll in financial 1991 on Fraser Alexander, the mining services, waste treatment and construction group

However, chairman Peter Flack said he was confident the group's diversification and expansion programmes would provide a sound base for improved earnings in 1992

Earnings a share dropped from R165,5c to R124,9c and the year-end dividend was cut by 15% from 46c to 39c Earnings at holding company Fralex fell from 91,8c to 67,1c a share, while its dividend for the year was slashed by 29% from 26c to 18,5c

Flack said that after a disastrous first quarter in which Fraser struggled to break even, the group doubled interim earnings, down 27% at R5,5m from 1990, in the second half

He said the group would announce details of a major acquisition next week, while two others "related to the core businesses of the group" were in the pipeline

A source close to Waste-Tech, a subsidiary of the Transport Technical Services Industries Group and SA's largest private waste management company, said yesterday the company was considering a takeover offer from Fraser

Flack said the group had won a five-year contract to treat coal discards from JCI s collieries and its coal beneficiation plant in Swansea, Wales, started in October

Turnover rose 9% year on year from R215m to R233m, but pre-tax profits crumbled by 27%, with attributable earnings down by 24% from R20m to R16m

Fralex, 39% held by the Rembrandt Group, owns 74% of Fraser Alexander

Long-term gains overlooked in a tight economy

B/Day 13/9/91 (210)

IN AN overburdened economy, research is among the first things to be thrown overboard — despite being vital in keeping a country technologically afloat in the long term.

This trend is not unique to SA.

The German coal mining industry was recently forced by economic circumstances to cut back on research spending.

Where R&D continues, the worldwide tendency is to demand short-term commercial returns.

On the local scene, the gold mining industry has come under financial pressure over the past three years — during which the industry's co-operative research budget has been slashed from R73m to R23m.

This fund is primarily focused on safety and health research, which is undertaken on behalf of its members by the Chamber of Mines Research Organisation (Comro).

At the same time, the industry has introduced a change in research policy.

Instead of undertaking research for chamber members only, Comro — as the industry's central research arm — has become an operation, accepting research commissions from non-members as well.

Although co-operative research has been reduced, individual mining houses have taken over the costs of a number of projects that were close to commercial viability before the cutback.

Comro research adviser and GM Dr John Stewart says "Research is ongoing in the gold mining industry.

"Our mines are unique — nowhere else in the world is gold mined at such depths, in mines of such size and employing as many people.

Lead

"Because of this, we lead the world in fields such as rock mechanics and human heat stress.

"We have developed computer programs for analysing rock stress and designing mine cooling systems, among others, which are exported all over the world."

Other research concerns the use of hydropower in a variety of mining applications, the development of rapid-yielding props, a gold analyser which can determine the gold content of ore from a reading off the rock face and systems for monitoring and locating seismic events.

"We are tending to focus more on specific applications.

"The effect has been to shorten the time scale and horizons of our work."

This tendency will have a limited effect on the coal mining industry — which traditionally relies for much of its R&D on groundwork carried out overseas which is adapted for local conditions.

But the local gold mining industry has been losing ground against cheaper products in world gold markets.

Research into more efficient gold extraction, as well as into the development of technologies to increase demand for gold are essential to protect foreign exchange earnings.

"R&D for the mining industry must be balanced and comprehensive.

"It needs to deliver solutions for present problems and ensure a harvest of solutions in the longer term.

"SA faces economic and social priorities, and the need to meet them has forced cut-backs on research spending.

"But if we don't invest in R&D today we won't be able to meet the priorities of tomorrow," Stewart says.

Mines in a flutter

JOHANNESBURG — The decision to halt production at the Crocodile River platinum mine and mothball the entire operation, with the loss of 1 300 jobs, has caused a new wave of jitters about South Africa's reliance on its mines to act as the main pillars of the whole economy.

Nerves have already been set on edge by the collapse of world gold prices, on which South Africa, as the world's largest producer, have long depended as an economic mainstay.

(210) AEG 14/9/91

The latest casualty is the Anglovaal Loraine gold mine, which this week announced more production cutbacks that will hit at least 900 jobs.

Foreign investor interest in SA shares picking up

Star 20/9/91

210

By Sven Lunsche

Foreigners may have been net investors on the JSE in the first half of this year, although they slightly reduced their holding in South African mining stock

In a study of foreign ownership of local mining shares, Davis Borkum Hare analyst Manny Pohl says that total foreign holding in mining shares was 13,8 percent at the end of June this year, slightly down from 14,1 percent in December 1990

The investment was valued at R23,78 billion at the end of June

Foreigners have been steady sellers of local mining stock since 1982, when they controlled in excess of 33 percent

Dr Pohl notes, however, that overseas interest in the JSE over the past few months has been focused on industrial shares as reflected by the 40 percent surge of the industrial index

"There may thus have been a net inflow of funds into equities," he says

He ascribes the increased interest over the past few months to a number of factors

● The stabilisation of the commercial rand and the decrease in the financial rand discount from 25 to 11 percent since the beginning of the year which has increased the total return on SA shares to foreign investors

● Foreign investors have imparted a political risk to holding SA shares This has changed with the recent rapid political reforms and foreign investors are once again looking at SA for investment opportunities

However, US investors are still prevented from investing by a range of state and municipal laws

Turning to mining shares Dr Pohl says that relatively poor performance of base and metal prices have mitigated against investments in this sector

Furthermore the revival of the gold mining industry in North America and Australia has provided international investors with an alternative source of mining equity investment

A breakdown of foreign holdings shows that the largest decline was recorded in local mining houses Foreigners now only hold 4,4 percent of their total equity compared with 5,2 percent six months ago

The foreign interest in diamond mines, almost exclusively De Beers, has dropped from 22,8 to 21,3 percent, but the listing of De Beers Centenary in Switzerland has made it more difficult to assess the exact foreign holding.

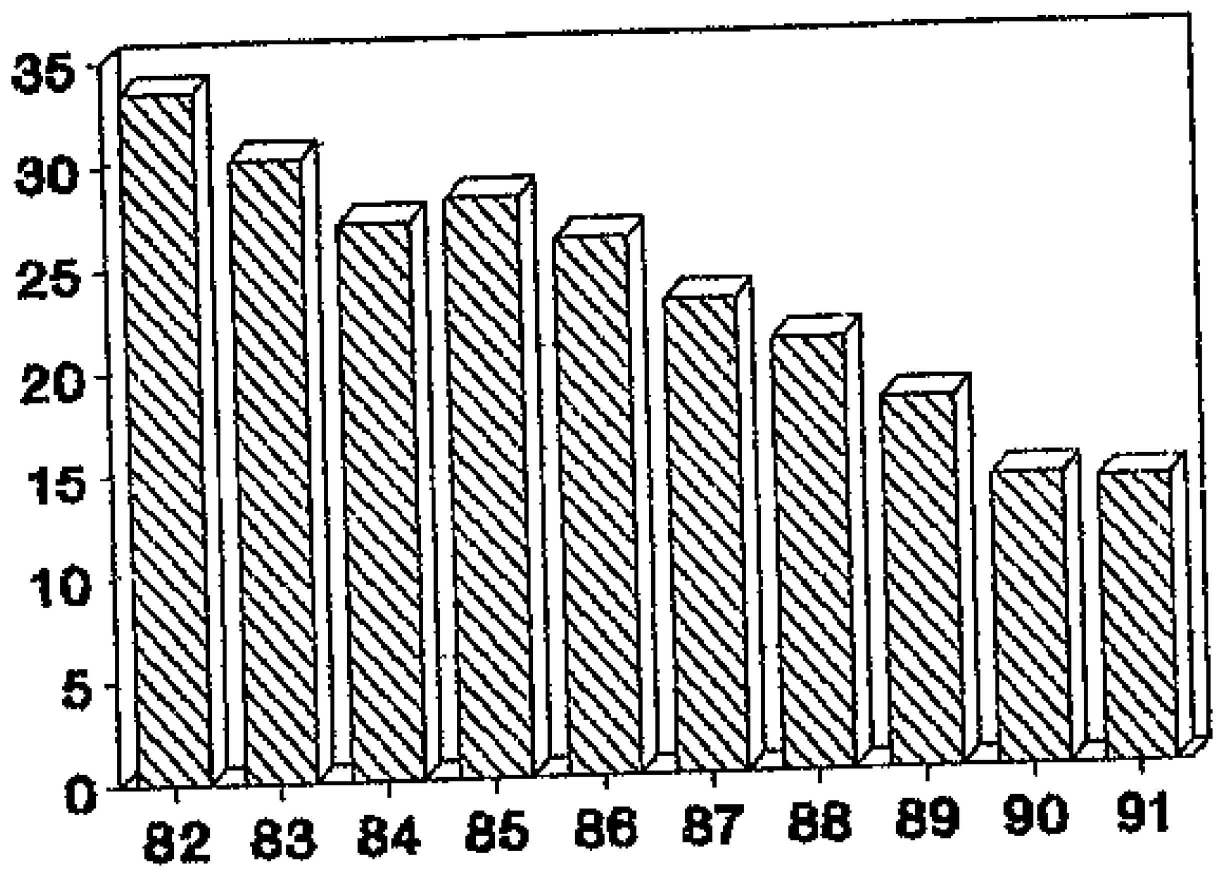
The decline from 4,4 percent to 3,9 percent of the total issued share capital of platinum mines under foreign ownership was anticipated given the extremely volatile platinum price and negative investor sentiment

Against the trend foreigners are now holding a larger share of SA gold stocks — 24,7 percent against 24,2 percent — largely as a result of an increase in investments from continental European investors

Dr Pohl adds, however, that US involvement in gold shares in particular and SA mining shares in general, at 3,3 percent (3,4 percent in December), seems to be at an all-time low

UK investors' holdings in total mining shares are down from five to 4,9 percent and those of other European investors has dropped from 5,2 to 5,1 percent

Finally, Dr Pohl says, although the foreign holdings in Eskom declined from 44 percent in September last year to 43 percent in May 1991, foreign holders have accumulated further stock with a nominal value of R600 million



Foreign ownership of SA mining shares (Percentage of shares in issue).

Genmin in mining deal with French

ET 210 24/9/9

From MATTHEW CURTIN

JOHANNESBURG — Genmin, the Gencor group's mining arm, and French mining group Bureau de Recherches Geologiques et Minieres (BRGM) yesterday signed a wide-ranging agreement which will see the organisations participate in joint mining and exploration ventures worldwide

The two companies have just been awarded the rights to mine gold at Montagne Tortue in French Guyana in South America

Genmin chairman Brian Gilbertson and BRGM chairman Maurice Allegre signed the agreement yesterday evening shortly before the deal was officially announced by French Trade and Industry Minister Dominique Strauss-Kahn, at the end of his week-long visit to SA

Genmin mineral resources CE John Raubenheimer said the Guyanan prospect was "extremely exciting" and could see the establishment of a large opencast, low-cost gold mine

A geological team was currently investigating the site and exploration would start before the end of the year

Gilbertson said Genmin and BRGM, whose activities include geological survey work financed by the French government and commercial and industrial operations involving the provision of mining services, were well-suited partners

Genmin would benefit from BRGM's mining experience and links to the French government, helpful for investigating mining in Francophone Africa and overseas

Genmin has taken a 10% or R5m stake in BRGM's French gold mining operation, Salsigne

Genmin will provide mining and metallurgical advice

Allegre said with dwindling mining opportunities in France, BRGM was keen to expand its overseas operations

Co-operation with a SA mining house, given the country's wealth of mining expertise, was a natural choice

Both parties would be able to announce more details of joint ventures later in the year, and he said that yesterday's agreement was the start of what would be a long-standing relationship

New highs

	PRICE	PREV
ANGVAAL N	7000	6800
INHOLD	1250	1200
SBIC	5200	5100
LIB HOLD	11000	10700
LIBVEST	810	765
FIT NPD	110	85
A V I	12000	11900
PLATE GL	6225	6200
T & N	340	330
SPUR	300	285
SENTRCHEM	630	600
REUNERT	1750	1725
ED L BATE	7300	7200
CGS FOOD	4300	4200
MACADAM	27	26
RAINBOW	395	385
HOLDAIN	4150	4100
DISPTCH	200	180

Genmin puts seal on worldwide mining deal with French group

210

3 Bus 24/9/91

MATTHEW CURTIN

BRGM chairman Maurice Allegre, left, and Genmin chairman Brian Gilbertson at yesterday's signing of an agreement on joint mining and exploration ventures. Picture CATHERINE ROSS

GENMIN, the Gencor group's mining arm, and French mining group Bureau de Recherches Geologiques et Minieres (BRGM) yesterday signed a wide-ranging agreement which will see the organisations participate in joint mining and exploration ventures worldwide.

The two companies have just been awarded the rights to mine gold at Montagne Tortue in French Guyana in South America.

Genmin chairman Brian Gilbertson and BRGM chairman Maurice Allegre signed the agreement yesterday evening shortly before the deal was officially announced by French Trade and Industry Minister Dominique Strauss-Kahn, at the end of his week-long visit to SA.

Genmin mineral resources CE John Raubenheimer said the Guyanan prospect was "extremely exciting" and could see the establishment of a large opencast, low-cost gold mine.

A geological team was currently investigating the site and exploration would start before the end of the year.

Gilbertson said Genmin and BRGM, whose activities include geological survey work financed by the French government and commercial and industrial operations involving the provision of mining services, were well-suited partners.

Genmin would benefit from BRGM's mining experience and links to the French government, helpful for investigating mining in Francophone Africa and overseas.

Genmin has taken a 10% or R5m stake in BRGM's French gold mining operation, Salsigne. Genmin will provide mining and metallurgical advice.

Expertise

Allegre said with dwindling mining opportunities in France, BRGM was keen to expand its overseas operations. Co-operation with a SA mining house, given the country's wealth of mining expertise, was a natural choice

Both parties would be able to announce more details of joint ventures later in the year, and he said yesterday's agreement was the start of what would be a long-standing relationship

Anti-monopoly laws applauded

Star 30/9/91. 210

By Patrick Laurence

South Africa needs effective anti-monopoly legislation, Anglo American chairman Julian Ogilvie Thompson has told The Star.

"It is extremely important (to) have strong anti-monopoly, anti-restrictive practices legislation," Mr Ogilvie Thompson said

"We think this .. must be continually reviewed and, if necessary, revised"

Mr Ogilvie Thompson's assessment was made, coincidentally, on the eve of a critical finding by the Competition Board on the acquirement of shares last year by Anglo American and its sister company, De Beers, in Gold Fields of South Africa

The board found that the purchase of shares by Anglo and De Beers did not constitute a restrictive practice or amount to acquisition by the companies of Gold Fields.

Nor did it signal an end to competition between Anglo and Gold Fields in the gold mining in[illegible]y, nor the establishment of a monopoly.

The board calculated that Anglo American and De Beers had acquired more than the

Julian Ogilvie Thompson . . . review laws against restrictive practices regularly

18 percent share in Gold Fields necessary to block special resolutions in Gold Fields However, it said the power to exercise a veto did not in itself constitute a restrictive practice.

But, in a postscript to its specific finding, the board noted that concern over the extent of corporate conglomeration in South Africa was "widespread and covers all shades of political opinion".

Mentioning Anglo American and Rembrandt specifically, it concluded that the time was opportune for them "to focus on the wider implications of the substantial network of formal relationships that exist between the major conglomerates in South Africa"

Commenting on the Maintenance of Promotion of Competition Act, Mr Ogilvie Thompson said: "I think it must be effective, and I think it is effective too"

Asked whether he was opposed to the law being given more teeth, he replied. "If it needs more teeth, certainly it should have more teeth We have consistently said so"

But he added· "What you can't do is pick up the legislation, say, in the United States and plonk it down in South Africa and say it'll work. You've got to adapt your legislation to the realities, facts and possibilities of the situation"

Developing his point, he said "You can't say that no one in South Africa can have more than 20 percent of the market, because then you won't get the economies of scale (to compete on the world market)"

In the United States it was possible to limit the share of the market in any commodity to 20 percent and "still have the five biggest producers in the world".

South Africa, Mr Ogilvie Thompson said, could not afford to do so "any more than Switzerland, Holland and Sweden"

These countries, like South Africa, had companies which were very large in relation to their own economies, but quite small on the world scale

In a related development, Anglo American spokesman Michael Spicer has reacted sharply to a renewed call by ANC president Nelson Mandela for the nationalisation of mines and financial institutions

Responding to a speech made by Mr Mandela at a banquet in Somerset West, Mr Spicer expressed disappointment at the ANC leader's "archaic and bankrupt thinking", warning that it would stifle initiative, block investment and lead to a flight of capital and skills just as surely as a rise in taxes

He noted that an invitation to the ANC to discuss economic policy had still to be accepted after two years

Anglo attacks Mandela speech

(210)

B/Day 30/9/91

BRENT VON MELVILLE

THE ANC's swing back to its platform of nationalising certain key sectors of SA's business community would kill investment initiative and motivate a capital skills flight just as surely as increased taxation would, says Anglo American spokesman Michael Spicer.

Spicer, reacting sharply to ANC president Nelson Mandela's assertion on Friday that the ANC intended to nationalise mines and certain financial institutions, said he was "very disappointed" that Mandela had displayed the kind of archaic and bankrupt thinking which we had hoped it had abandoned in favour of joining the "real world of the 1990s"

And Iscor deputy MD Nols Olivier said it was unfortunate that a responsible leader like Mandela would make a statement like that "as we think he does not really believe in nationalisation himself"

Mandela, speaking at a banquet in the Lord Charles Somerset Hotel near Somerset West on Friday, said mines and other financial institutions would be nationalised "because the majority of the population did not have access to SA's resources"

He said while the ANC had "no ideological attachment" to nationalisation this was the only way to address the imbalances in the economy.

He said countries which had been through traumatic experiences (Japan, Germany and South Korea) had not been able to avoid massive measures of state intervention to rebuild their economies

SA was in a similar situation since the trauma of apartheid had left 87% of the land in the hands of a 13% white minority while 75% of JSE shares were controlled by four monopolies "Where is the free market you talk about?"

"Mandela has completely misunderstood the Japanese, German and South Korean experiences," Spicer said "There was no nationalisation in these countries, these governments did not work against business groups and government intervention was concentrated on creating a facilitative environment for investment"

Mandela said that at every meeting he had had with businessmen he had asked them how the ANC could address this question "If you are able to give us an alternative option, we will reject nationalisation," he added

Spicer responded by pointing out that Anglo had been offering for two years to sit down and discuss economic policies with the ANC, and it had renewed its offer this year

He said that while Anglo had no "quick fix" for SA's economic ills, it had clear ideas on growth and wealth distribution

The ANC said the banquet at which Mandela spoke was aimed at reaching out to the business and professional community of the western Cape Many businessmen and academics attended as well as French ambassador Joelle Bourgois and her husband Tickets cost R1 000 at the main table (including a double room for the evening) and R150 at the other tables

● See Page 8

Exploration struggles to show its worth in shares

B Day 26/9/91.

210

MATTHEW CURTIN

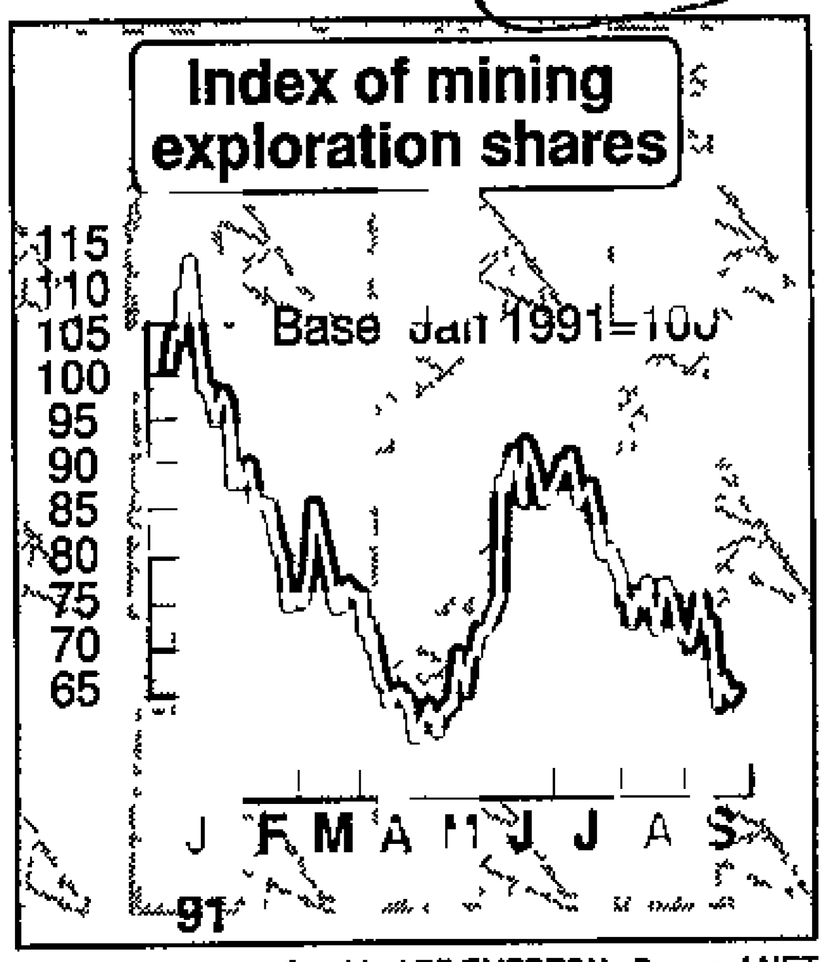
THE value of shares in the main exploration companies listed on the JSE dropped from R900m to R300m in two years, underperforming the rest of the market by a considerable margin, Simpson McKie analyst Peter Bahnemann said in a recent report on the sector.

Bahnemann said many exploration companies were listed on the strength of mineral rights held in deep-level gold exploration targets within the Witwatersrand Basin. Low gold prices put the viability of new deep-level mines in doubt, knocking share prices also dulled by unsatisfactory drilling results

He noted that some companies were reducing their dependence on gold by investigating platinum, base metal, coal and heavy mineral sands deposits

Barnato Exploration (Barnex) chairman Kennedy Maxwell said in his annual review this week that although the Witwatersrand was still one of the most attractive areas in the world for the discovery of gold deposits, the persistent low gold price had made Barnex review its asset portfolio

He said that after a decade of competitive exploration, the past year had seen a significant decline in the overall level of gold prospecting Barnex's evaluation drilling in the Doornrivier Prospect, south of Welkom, was complete and results indicated a mining operation was not economic at current gold prices



Graphic LEE EMERTON Source I-NET

He said Barnex had moved towards taking part in ventures involving gold exploration at shallower depths

However, Bahnemann said the poor performance of the sector had more deep-rooted causes

Exploration shares, by the very nature of the risks involved in the business, were extremely sensitive to rumour, perceived expectations and general economic conditions

The slump in share prices coincided with political uncertainty in SA following government reforms, the weak gold price and local and worldwide recession

Another reason for the poor performance of the sector was that it had been added to the JSE only recently Investors, inexperienced in exploration stock, pushed prices to unrealistic levels in the share boom before the 1987 stock market crash

They forgot the exploration business was a long-term, high-risk business and that shares should therefore trade at discounts

When shares fell, disillusionment set in and the companies' stock traded at levels which did not reflect their cash assets or the potential of their mineral rights.

Barnex's current market value is R17m, against current assets at its June year-end of R57m, and R8m worth of expenditure in the year on joint venture projects worth R29m

Bahnemann said another reason for the market's poor view of the sector was that it had not generated worthwhile rewards for investors New listings of Rhombus Vanadium by Rhombus Exploration, South Murchison and Southplats by South Witwatersand Exploration, and Freddev's passing of its stake in South Deep Exploration to shareholders had been unsuccessful in as much as all these shares were barely able to maintain their issue price if they had not fallen below it

He said it was unfortunate that exploration shares were at the bottom of investors' shopping list because "new ventures and new mining projects are the lifeblood of the economy and the stock market"

Left's policy puzzles Anglo chief executive

Sowetan 2/10/91

FOCUS

210

AS THE head of South Africa's biggest corporation, Anglo American chairman Julian Ogilvie Thompson is - to use the idiom of the street - a man who packs a hefty clout.

But, when he makes a point about which he feels strongly, he does so in an understated manner The untutored may mistake his tone and phraseology for diffidence.

"I hope that the new South Africa isn't moving into a situation where it proposes to penalise success," he says

Ogilvie Thompson's point is made amidst growing concern in South Africa over the concentration of economic power in the private sector in the hands of a few companies, of which Anglo American is pre-eminent

It is manifest in a Competition Board report on Anglo American's acquisition of shares in Gold Fields of South Africa

Collude

The report finds that Anglo American's share in Gold Fields does not enable it to control Gold Fields or collude with it and Rembrandt, another of Gold Fields' corporate shareholders, to establish a monopoly But the report contains a strongly worded caveat.

"The concern over the extent of corporate conglomeration is widespread and covers all shades of political opinion," the report says It goes on to warn of drastic measures - "akin to those introduced by the Supreme Commander for the Allied Powers in Japan after the Second World War" - if the major corporations do not take remedial action.

Another sign - and danger signal for the big corporations - comes from the African National Congress and its allies, the South African Communist Party and the Congress of South African Trade Unions

Their pronouncements are permeated with threats and pledges to curb the power of, and even nationalise, the corporate giants

ANC president Mr Nelson Mandela has dispelled illusions that the ANC, heeding developments in Eastern Europe and the Soviet Union, is edging away from nationalisation.

He reaffirmed the ANC's commitment to nationalise mines, financial institutions and monopoly industry as recently as last weekend

Ogilvie Thompson does not shy away from admitting that Anglo American is a big company "There's no denying that," he says.

But he adds: "You might ask why we are a big group."

He offers two reasons

The first, and perhaps the foremost, reason is that Anglo American has been successful· its huge size is a measure of its success

The second is foreign exchange regulations: Anglo American has been "forced to reinvest pretty well only in South Africa"

The concentration of Anglo American's power is "mostly in mines and largely in export industries".

Thus, he reckons, the power of the big corporations does not work to the detriment of South Africa - it operates to South Africa's advantage by making them more powerful competitors on the world market.

Ogilvie Thompson's point becomes clearer when he talks about the recent acquisition of Middelburg Steel and Alloys from Barlow Rand by Highveld Steel (an Anglo subsidiary) and Samancor (a subsidiary of another corporate giant, General Mining).

The acquisition will give the new company, Columbus, a monopoly of the production of stainless steel in South Africa and make it - and South Africa - a force to be reckoned with on the world stainless steel market

"I mean, you asked specifically if it can be justified I think not only can this be justified but it's the only way you'll get things like this," Ogilvie Thompson says.

"Once we've got a larger stainless steel industry in South Africa, you will find that downstream manufacturers will get their products at more or less a world price but without the transport (costs)."

Ogilvie Thompson is perplexed by the left's resistance to privatisation of State industries and its continued commitment to nationalisation.

Object

"If the State privatises (its) businesses they'll be more efficiently run .. the Government would then be able to rearrange its assets and use the capital from the sales to spend money in the socio-economic sphere . . .

"But some people on the left object to that. I don't quite follow this Is it that they hope that when they come into power they'll be able to fill State industries with all their chums on a very inefficient basis?

"This is, of course, what has jolly nearly destroyed Africa north of South Africa. Nationalisation and overcrowding State-controlled companies with too many people, has failed totally in Eastern Europe, failed totally in Africa

"That is why all these countries are turning round the other way. So I find it really rather curious that the people in South Africa should still be thinking along those lines It's a total muddle Or is there a hidden agenda which is not economic but political?"

The conversation turns to alternatives to nationalisation and to Mandela's challenge to big business to come forward with alternative methods of ending the racially skewed distribution of wealth in South Africa

"The trouble is there's no quick fix," says the Anglo chief.

"If there was a quick fix, people would have thought of it long ago in many countries "

Quote

He goes on to quote from a study by the Indian economist Deepak Lal, who researched the economies of 21 underdeveloped or developing countries

"The conclusion is that the only way to improve the lot of the poor is to increase economic growth in the country

He elaborates on political stability "Only that is going to give investors, local and abroad, the confidence to invest."

Investment is, in part, a "function of consumer spending," he says "When consumers are uncertain about the future, they don't spend There is either a virtuous or vicious circle here again." - *Sowetan Correspondent*

Gencor 'will not go to market to fund projects'

B/Day 2/10/91

210

WILLIAM GILFILLAN

GENCOR would be able to finance its part of recent acquisitions and rights issues without having to go to the market, Anton Botha, MD of Gencor's investment arm Genbel, said yesterday.

Botha was reacting to speculation that the company would need to raise money through a rights issue to finance its part of Samancor's acquisition in the R1,1bn Middelburg Steel and Alloys (MS & A) deal, and to follow its rights in Sappi's R800m-R1bn rights issue Gencor owns 43% of Samancor and 50% of Sappi

One analyst said the rumours caused Gencor's share price to drop 7% over the last week to 1 210c

The conclusion of a deal with French aluminium and packaging group Pechiney to design the smelter for Alusaf's proposed R4,5bn expansion programme had added weight to the market's view that Gencor would need to hold the issue, the analyst said

However, the go-ahead for the expansion programme is dependent on government applying its new export incentive scheme for large capital and export-orientated projects to Alusaf

The agreement with Pechiney includes a let-out clause if the project does not go ahead

Gencor, holding 31% of Alusaf, would be required to fork out about R1,4bn for this project.

But Botha said Gencor's R1,7bn in liquid resources put it in a strong position to finance the various projects

This was the case even after taking account of the R600m committed to the development of the Oryx gold mine

Although the MS & A deal would reduce the cost of the Columbus stainless-steel project, it was still expected to cost more than R2,5bn

But a large part of these expansions could be financed by loans and trade credits, he said

Ignoring the possibility of soft loans and trade credits Gencor, with its 43% stake in Samancor which in turn had a 50% interest in Columbus, would have to lay out about R537m if the project went ahead

Gencor's total exposure to possible projects was about R3,3bn

Botha said the group would need to take out R1,6bn in debt to finance these projects and, with R17bn in assets, it could afford these levels

...turing volumes show mild recovery

CT 14/10/91

Own Correspondent

JOHANNESBURG. — Manufacturing production volumes showed a mild recovery in the second quarter, rising by 0,5% compared with the first quarter, acccording to figures released by Central Statistical Service (CSS).

The most important contributors were the food, "other" chemical products, "other" non-metallic mineral products, iron and steel basic products and machinery and equipment industries.

At the same time retail trade sales began to bottom out and rose by 14% year-on-year in July. Although the trend shows retail sales reaching a plateau after declining gradually since the beginning of the year, on a monthly basis sales eased by 0,7% in July.

The monthly decline was mainly due to decreases in retail sales in the Cape, said CSS

Economists were divided on whether the apparent turnaround in manufacturing production and flattening out in retail sales was the beginning of a revival

Rand Merchant Bank economist Rudolf Gouws said he did not expect the figures to herald an upturn in manufacturing production.

"The economy has reached the bottom," he added

This was confirmed by flat retail sales and there would have to be a sustained improvement in retail sales before manufacturing production would start to improve.

Bankorp economist Jacques du Toit said he foresaw an upward trend in manufacturing production for the rest of the year because of a build up in inventories following high rates of destocking during the last two years.

Manufacturing was expected to continue improving next year because of better economic conditions Retail trade sales and private consumption expenditure were expected to decline for the rest of the year because of negative factors such as inflation and interest rates, he said.

Private consumption expenditure was expected to level out in the first half of next year and then increase.

Mining counters offer good buys

(210) CT 14/10/91

By MERWYN HARRIS

JOHANNESBURG. — While precious metal shares have been losing favour as an investment, selected counters still offer good trading opportunities for those willing to take a small risk.

Randfontein, the heavyweight gold producer in the JCI fold, is currently regarded as a good spec for short-term traders, while Leplat is seen to be offering good value after plunging almost 50% last week.

Some analysts are looking to bumper results from Randfontein for the September quarter, due for release later this month, in the wake of recent developments

George Huysamer mining analyst John Clemmow said the developments involved the the stopping of mining at Doornkop, increasing production at Cooke 3 shaft, and the start of taking out shaft pillars on Cooke 1

"All this should have boosted grades significantly and produced an extra ton of gold," Clemmow said

"I am expecting Randfontein to produce much improved results"

At the current level of R13, Randfontein is midway between its high and low over the past year. The historical dividend yield of 4,61% is in line with those of other leading heavyweights such as Vaal Reefs and Dries.

The decline of Leplat from 340c to a four-year low of 185c was the most dramatic feature of a short and subdued week of trading with volumes on Friday falling probably to their lowest levels so far this year.

However, a more accurate reflection of the value of Leplat shares would be to add half the price of the nil paid letters of PP Rust, which was trading at 200c on Friday.

This is because Leplat shareholders were given rights to take up 50 PP Rust shares for every 100 Leplat held After the deal, Leplat now comprises the Atok mine, and proposals to hold a rights issue could be a major reason for the fall in the share price

Clemmow notes that the advantage of Leplat is that Atok is a mine in production, whereas PP Rust has still to get off the ground.

Moreover, Leplat can be favourably compared with Messina also for, while the Atok mine will soon be producing 100 000oz of platinum, Messina will only be producing 60 000oz by 1995.

At 575c, Messina is just off a recent low of 550c.

Like Barmine and Barplat, Leplat was until recently highly recommended by most analysts and a favourite among smaller investors who could more easily afford the shares than those of sector leader Rusplat, which has traded between a high of R78 and a low of R50,25 over the past year.

The fortunes of precious metal shares depend largely on the prices of gold and platinum.

Most observers believe platinum has bottomed and the price should start consolidating around its current level of $362.

But any real recovery will have to come on the back of a global economic recovery, which still looks some months away.

Bid to keep Zimbabwe fleet on the road

JOHANNESBURG. — In a joint venture, the South African and Zimbabwean wings of David Brown Gear Industries (DBGI), are investing Zim $1,5m to produce gears designed since the last war to help keep Zimbabwe's ageing commercial vehicle fleet on the road

The funds are being used to import machinery which will upgrade and extend the existing DBGI factory in Harare to meet the huge demand for replacement gears in that country.

DBGI South Africa MD David Coope said there was an enormous demand for gears for British-made trucks imported into Zimbabwe since World War Two

"The vehicles are too expensive to replace, so every effort is made to keep them running.

"By manufacturing commercial vehicle gears locally to designs suitable for older generation ...

Genbel 'geared for upturn'

B/Day 21/10/91

Business Day Reporter

THE Genbel investments portfolio, consisting primarily of SA mining and resource-based stocks, is well geared towards an economic recovery. 21/10/91

Speaking after the Genbel annual meeting in Johannesburg last week chairman Tom de Beer said there had been no changes in the Genbel portfolio since the June year-end.

"The portfolio consists of 17 investments with a market value of R3,2bn which is almost unchanged from the year-end. This reflects the fact that although certain industrial sectors of the stock market have risen quite sharply in recent months, the cyclical stocks in which we are primarily invested have not appreciated that much."

De Beer said defensive stocks, such as beer and food stocks which are protected against the recession to a great extent, tend to outperform in value during economic downturns and can now be considered fully valued whereas cyclical stocks could be expected to outperform in the next upswing in the world economy (210)

Genbel's portfolio was geared towards cyclical stocks which tended to outperform in periods of economic boom

"We anticipate that Genbel's portfolio with its clear bias towards resources and mining stocks will start to perform again as the economy recovers."

Genbel's top five investments by market value are Genbeheer, Impala, Engen, Transatlantic and Oryx.

Gold mines digging their way out of trouble

210 ARG 22/10/91

DEREK TOMMEY

JOHANNESBURG. — September quarterly results show that the R18 billion South African gold mining industry — the country's major economic stimulator — is in a much better shape than it was a year ago.

In the September quarter last year a large part of the mining industry was in crisis

Sharply increasing costs and a slipping gold price resulted in 11 of the 32 major gold mines operating at a loss In addition a further two also showed losses after after providing for capital expenditure

This time around only five of the 30 mines which have issued September quarterly reports report losses and of these one is a developing mine which is shortly expected to move into profit, and of the remaining three only Loraine can be considered a basket case.

But just as importantly, most of the other 25 mines are showing improved profits or expect to do so shortly

This is partly reflected in the group profit figures. The three JCI mines earned R55,1 million in the September quarter against R39,6 million in the June quarter. Available profit after providing for capital expenditure were R29,8 million against R11,7 million in June

The Gold Fields group reports taxed earnings of R224,7 million for the September quarter against R245,7 million in June But available earnings after providing for capital expenditure showed an encouraging increase from R112,7 million to R118,9 million

The Gencor group's taxed earnings jumped from R52,0 million to R85,3 million, while attributable earnings rose from R24,9 million to R51,0 million

At Anglo American available profit rose from R139,9 million to R162,2 million At Anglovaal taxed profits dropped from R43,1 million to R36,4 million, but available profits after providing for capital expenditure dropped only from from R31,1 million to R29,7 million

Clearly, the industry is not yet problem-free, but conditions have definitely improved, as Clem Sunter, chairman of the Anglo American gold and uranium division said. "We are beginning to see light at the end of the tunnel"

This is the result of the industry realising about 18 months ago that it had to drastically rethink its way of operating if it was going to survive

Until then it had been trying to fight inflation and the low gold price by increasing production in order to spread overhead costs over a larger tonnage Costs a ton was the industry's yardstick But this policy was not successful and the mining houses realised that costs a kilogramme was what they had to watch

This meant that they had to mine higher grade ore It meant that costs also had to be reduced. It brought home the fact that spending millions of rands milling marginal and sub-marginal ore was not very profitable

The result was a major cost cutting exercise which among other things unfortunately led to the retremchment of tens of thousands of workers It also resulted in greater emphasis on selective mining and working higher grade ore

One bright idea was the introduction of the bonus scheme, which holds great promise for the industry, as JCI is finding out

The fruits of this policy now can be seen on many mines Profits are strong and rising and the industry looks set to survive and prosper

But it also means that any increase in the gold price could see gold mining profits jump "Give us a small increase in the gold price and you won't recognise the industry," a mining official said

With Mr Boris Yeltsin, president of Russia, reportingy that the Soviet Union had "transferred" about 350 tons of a gold abroad in the past six months, an increase in the gold price in the coming months seems a strong possibility

Analysts point out that if all this gold were sold, it means that the market has been absoring an extra 1 800 000 ounces a month This is some 300 000 ounces more than the monthly output of this country — the world's largest producer

Analysts contend that if the market can absorb this amount of extra gold without the price gold falling below $340 an ounce, the prospects are good for a sharp recovery in the gold price once the Russian selling ceases

Surplus cash to fund RMP shareholders' bonus payout

B/Day 25/10/91 (210)

MATTHEW CURTIN

SHAREHOLDERS will be pleased with year-end results from Rand Mines Properties (RMP) thanks to a bonus dividend payout, but lacklustre performances from the company's gold recovery operations continued to offset a stable showing from property sales and expropriations

Attributable profit fell 10% in the year to end-September, and the total ordinary dividend declared dropped from 140c to 120c a share, in line with company forecasts at the interim stage

However, an RMP spokesman said: "The cash surplus the company has accumulated is in excess of the company's requirements and a special dividend of 100c will also be paid"

RMP had R53m in surplus cash in the bank at year-end against R58m last year

MD John Turner said in a statement that the payment would not affect RMP's ability to take advantage of any opportunities which might arise. He said RMP had done well under difficult trading circumstances

The earnings contribution from gold recovery operations fell 26% year on year, as operating profit fell from R4,4m to R3,3m, hit by weak gold prices and rising working costs

Increasing costs at the Crown Mines and City Deep plants offset improved gold revenue which rose due to a small improvement in grade and tonnage treated

Operating profits from the 50%-owned Pilgrim's Rest plant plummeted from R612 000 to R352 000

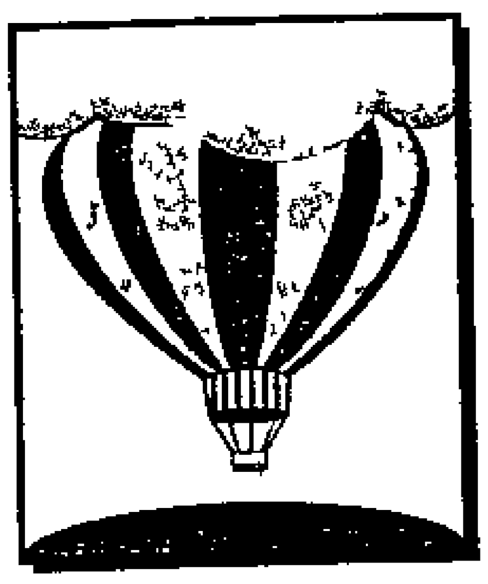
The spokesman said operating profit from RMP's property side fell only R1m from R18m despite the difficult market conditions which prevailed in the sector That contrasted with improved profits in the first half of the year which were buoyed by good gross profits from sales of township land.

ANGLOVAAL INDUSTRIES

Minding the store

FM 25/10/91 (210)

The companies must provide quick returns with durability — and have done so



Precious metals may be a more glamorous and traditional measure of wealth — but over the next few years, Anglovaal's main sources of earnings growth will come from rather more mundane products. Like glass bottles, biscuits and cold fish.

Basil Hersov, chairman of both Anglovaal and Anglovaal Industries (AVI), will rarely have been so grateful for the group's investment in basic but cash-rich industries. The spread is rather wider than the commodity-driven and often capital-hungry projects — such as explosives or pulp and paper — often favoured by other mining houses

Under stocky CE Jan Robbertze, AVI's earnings and dividends have trebled since 1986, while the share price has increased almost tenfold. It has outperformed the JSE actuaries Industrial index, the Industrial Holding sector and — for much of the period — major diversified groups such as Barlow Rand, Malbak and Amic.

There was a further boost to the share price recently, when AVI beat the downtrend in industrial holding companies and lifted earnings for its year to end-June by 13% This proved a favourable time to announce a large rights issue; the share price increased from R107 to R120 in two weeks, though it has since eased back to around R106

The rights issue is virtually certain to improve earnings in the short term If the trading performance remains merely static, AVI's earnings in 1992 will rise by 12% from its proceeds and the sale of its 16% interest in Cadbury Schweppes

Anglovaal is the smallest of the major mining houses and its industrial interests are particularly important Hersov says that Anglovaal's founders — his father Bob Hersov and Slip Menell, father of deputy chairman Clive Menell — used to talk of the "golden parameter" in which half the income was derived from mining and half from industry In the 1991 year, industry provided R150,4m, or 54%, of Anglovaal's total earnings. That compares with R132,7m, or 56%, in the 1990 year, there was also a sharp boost in finance income after some well-timed rights issues.

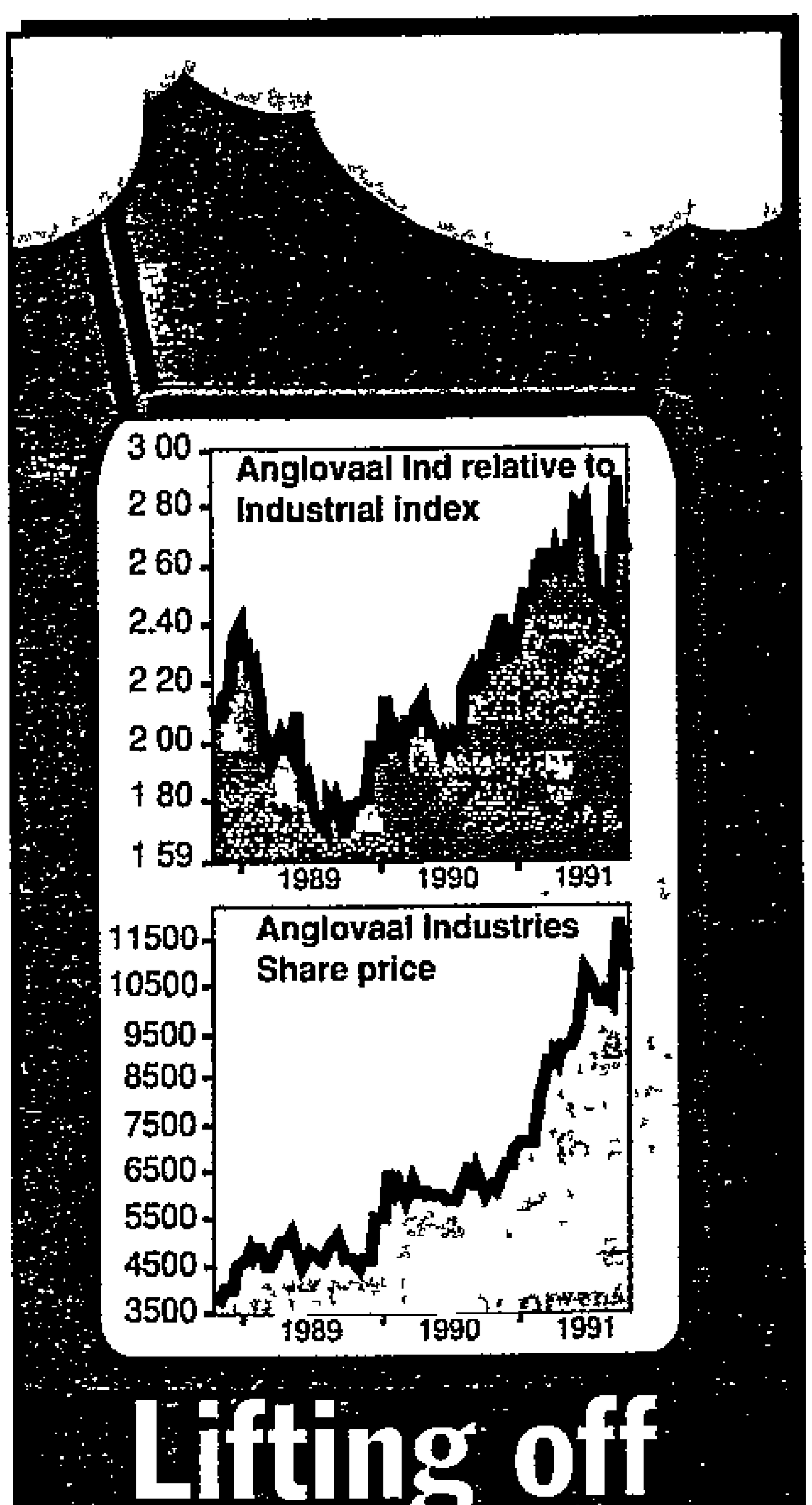
Anglovaal, and ultimately the Hersov and Menell families, have clear shareholding and management control; with a few minor exceptions they hold a majority interest in all group companies This is a tenet underlying the way Anglovaal is structured and run

Judging by the market's enthusiasm for the rights issue, AVI could have sought an even larger sum — but this might have threatened the existing control structure Instead of issuing paper willy-nilly, Robbertze and his team are forced to maintain tight financial disciplines Most funding is expected to come from internally generated cash flow and borrowings

None of the proceeds of AVI's rights issue will be needed to fund the R1,1 bn in capital expenditure planned over the next three years This will all be financed by cash flow and borrowings at operational level. AVI has been criticised for its high dividend covers, usually about five times, but this has been more than compensated by the dividend growth and capital gains.

AVI's own gearing has not exceeded 31% in the past five years and is not expected to rise above 30% in the medium term Yet low gearing is no dogma. when the packaging subsidiary, Consol, acquired Goodyear in 1989, its gearing rose to almost 100%, if goodwill is excluded

A decade ago, AVI did not look so promising In the early Eighties, prospects for food and packaging were unexciting as consumer spending suffered from recessions as much as capital spending The black consumer market was then considered to be more synonymous with basic foodstuffs. The group also had some troublesome companies, such as National Bolt and Sintronics, which were players in the increasingly cut-throat fasteners and consumer electronics industry They were disposed of and the remaining businesses diversified successfully.



Lifting off

The years of pedestrian results ended suddenly in 1987, when earnings increased by 111% and EPS by 71% Little increase in fixed investment was present in the economy; the upturn almost exclusively reflected consumer spending.

In the recession, consumer spending has held up relatively well, enabling Consol, I & J and National Brands comfortably to meet AVI's minimum target of 20% growth in earnings.

AVI companies have reached their potential in recent years partly because of an increased emphasis on marketing and adding value. The idea of brands and trademarks clearly enthuses the generally soft-spoken Robbertze.

"Trademarks give a lasting franchise with the consumer and strengthen our bargaining position with the retail trade," he says.

Market leaders which AVI has nurtured include I & J frozen foods, Bakers biscuits, Koffiehuis instant coffee, Five Roses tea and Wimpy and Pizza Hut Consol has piggy-backed on the major soft drink and beer brands.

Robbertze says AVI prefers to be weighted towards consumables rather than capital goods — and this applies to industrial products such as ball-bearings and tyres, as well as consumer lines. AVI courts companies with the strongest international brand names, to persuade them to bring their brands into the stable Before the Goodyear acquisition, Hersov had long held a seat on the American company's board and took the opportunity to cement relations with its US shareholders and management.

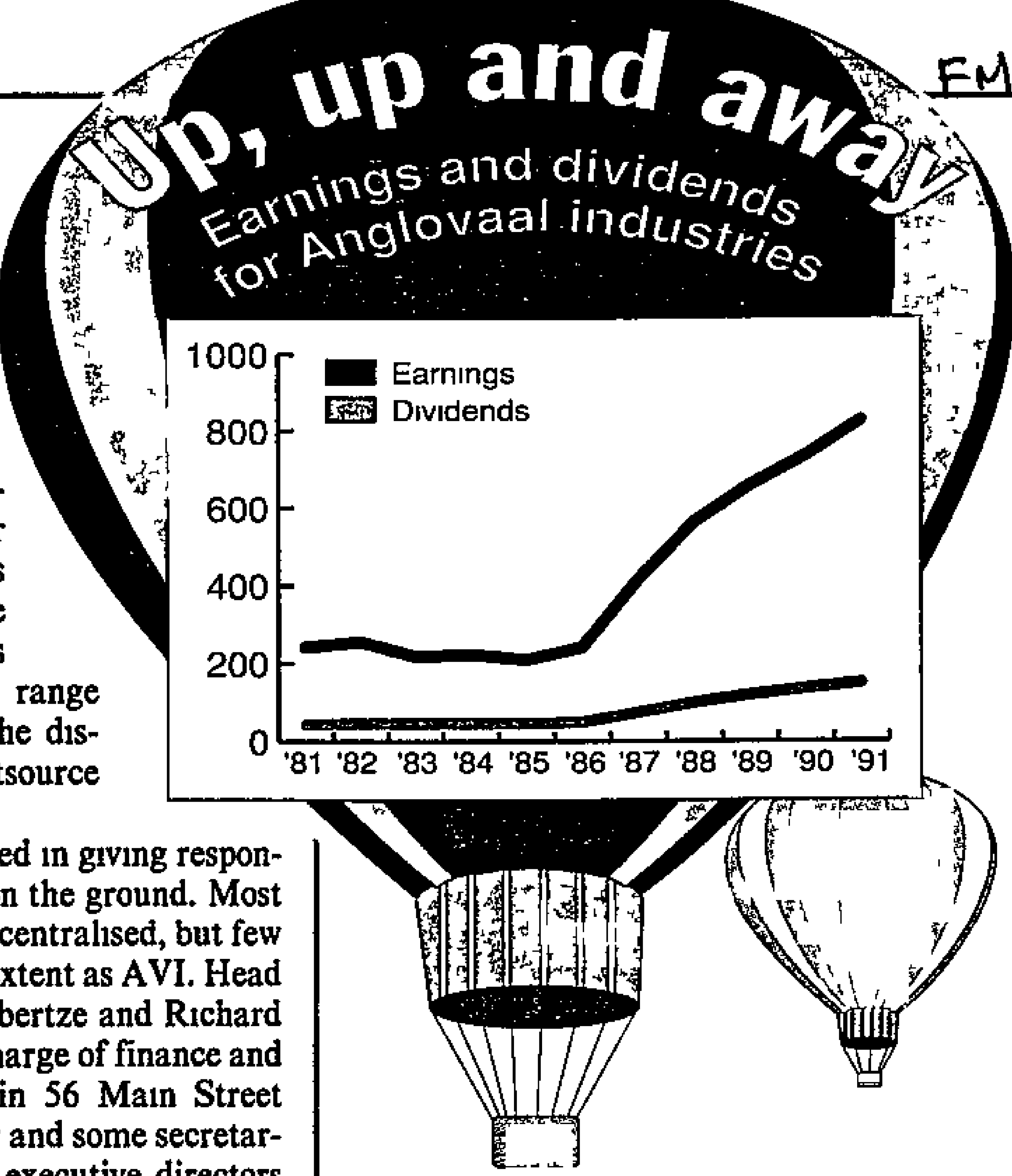
In the case of Hewlett-Packard, Siltek's place in the AVI stable may have played a decisive role Says Siltek chairman Jack Saulez. "I am sure that Hewlett-Packard would have been reluctant to deal with a company which was a paper tiger AVI has nurtured strong brand names. Hewlett-Packard knew their business would be safe in the long term."

Indeed, Robbertze says, under AVI, the new HiPerformance Systems has been refocused from a distributor of products which made its profits in America, to a self-standing SA operation

Quality acquisitions have made a vital contribution to AVI's recent earnings performance. Because of disinvestment, AVI could pick up good companies relatively cheaply in the past The electronics and

Continue →

FM 25/10/91 (210)



computer sector should still offer opportunities Saulez says that Siltek, because of its decentralised structure, can take over a small software company and leave management in charge rather than absorb acquisitions into a stifling corporate culture. Siltek straddles the computer product range from mainframes to niche distributors, such as Softsource and Select Software

AVI has always believed in giving responsibility to management on the ground. Most companies claim to be decentralised, but few can claim it to the same extent as AVI. Head office is very small. Robbertze and Richard Savage, the director in charge of finance and corporate planning, sit in 56 Main Street with a financial manager and some secretarial staff. The other five executive directors are the hands-on CEs of the five operating divisions

Apart from Savage, who joined AVI from Altron four months ago, the line-up has not changed since the present divisional structure was set up in 1985. There have been very few changes in senior management Unlike, say, Barlow Rand, AVI does not believe in giving managers a grand tour around its operations; it prefers companies to be run by specialists in their fields

Yet Robbertze does not regard himself as a passive portfolio manager "A group the size of AVI cannot be micromanaged from the centre, but my job is to sit and debate with my co-directors their three-year plans, with particular emphasis on the first year," he says "This is not management by committee; it is a sharing of problems and ideas "

Consol MD Piet Neethling says AVI sets demanding targets but shows considerable trust in operating management He says AVI is smart on planning, but it does not impose a corporate blueprint.

Robbertze says he has to decide if the AVI portfolio is appropriate to the market opportunities which will arise. AVI is disposing of its interest in the advertising signs company Claude Neon, because the industry is fragmenting into a lot of smaller shops and, as the business moves from rental contracts to cash payments, it may not be appropriate for a corporate business

AVI has never liked commodities Bakers had the largest bread-baking business in the Durban area, which was growing and profitable, but it did not meet AVI's branding criteria and so it was sold Many of the businesses are in basic goods and maturing industries Among these are frozen food, packaging, biscuits, tea and coffee Robbertze sees considerable growth even here.

Markets which would be mature in developed countries — in dry groceries and beverages, for example — still offer considerable growth opportunities in SA The humble glass bottle is a very old product, yet there is still real growth in it. Consol could probably have remained profitable in glass. It once made two kinds of bottles — any colour you liked as long as it was brown Then it diversified into plastic and paper packaging. Under Neethling, Consol has been turned into a market-driven group with a constant stream of new products. In the 1991 year, it contributed 29% of AVI's earnings.

Another key contributor, National Brands, has a range of options It expanded its brief from dry groceries when it acquired the Yardley toiletry brand this year

Robbertze believes that starting a grocery or beverage brand from scratch is high-risk, so AVI is seeking licences from major international food companies. Most likely partners include General Foods, which AVI used to work with in the Seventies; and the confectionery and petfood group Mars, which Robbertze says has very strong brand names and with which AVI has had informal contact. The French food company BSN is also a candidate.

At least two groups, Royal Corp and Rembrandt's Hunt Leuchars & Hepburn, have an equally aggressive approach to acquiring brand names and are often prepared to pay more than AVI. Food majors such as Tiger, Premier and Fedfood are also becoming more marketing and brand-driven — so the field is by no means open.

Moreover, some multinationals already have relationships with other groups, such as that between Heinz and Anglo American Farms But much of the smart money must be on AVI, as its acquisition record has been consistent and solid — and it has plenty of cash available.

AVI will be choosy — Robbertze rules out the purchase of one of the Coca-Cola franchise holders, such as Peninsula Bottlers. The quoted franchises, ABI and Suncrush, are trading on earnings multiples around 25 and private bottlers would come no cheaper. He says he would require cast-iron guarantees that the franchise would last and notes that Coca-Cola is assembling its own company-owned bottling plants in SA As for backing Pepsi, or starting a new soft drink, the group has a huge self-interest in supporting Consol's existing beverage customers.

A listing for National Brands is unlikely unless a super opportunity arises to acquire a company which is at least 70% its size. Smaller acquisitions could be accommodated without a listing The proceeds from Cadbury Schweppes will be directly attributable to National Brands Instead of just R2m in dividends from Cadbury Schweppes, AVI will receive R14m after-tax in interest and be well poised for acquisitions

Of course, some AVI acquisitions, in retrospect, do not look so hot Mooi River Textiles was bought for a demanding price of more than R78m It was considered strategically important to Avtex, but the group may yet regret the purchase. The textile industry is in decline as government policy moves away from import replacement to exports The AVI textile companies are still making money, despite the opening up of the market to more foreign competition — but planning, Robbertze comments, is not easy

Tyres are also an import replacement in dustry which needs to adjust The industry was built up to make use of local input materials, such as isoprene, and the industry has been unable to buy its raw materials on the world market Robbertze argues that the industry needs a period of adjustment if it is going to compete with imports.

One perceived disadvantage of AVI has always been its lack of a currency hedge Robbertze says this factor is constantly debated There are increased exports of frozen fish and apparently of some "sensitive" branded products But generally, an export-orientated business needs considerable capital expenditure

It is difficult to see AVI starting a really capital-hungry business. Unlike some other groups, AVI specifies short-term profits along with long-term resilience as a goal. It likes rapid cash generation and the ratios management watches most are operating margins, stock-turn, debtors' days and the percentage of working capital to sales.

AVI acknowledges that it will never have the huge profit swings which tend to be brought about by a Mondi or a Middelburg Steel & Alloys, but in most years since 1986, its earnings growth has comfortably beaten inflation Its strong financial position and marketing orientation have helped ensure above average growth The market is looking for 22% to 24% earnings growth this year, and growth could well be better in 1993 and 1994 if the upturn is underway by then.

As long as consumer spending continues to rise and profits are sweetened by shrewdly chosen acquisitions, AVI could remain a leader *Stephen Cranston*

RMP pays out special dividend

Star 25|10|91

By Derek Tommey (210)

Rand Mines Properties is to pay a special dividend of 100c in addition to a final dividend of 80c making a total payment of 220c for the year.

In the year ended September RMP earned 151c (169c) but as the cash surplus of the company exceeds its requirements the directors decided to pay the special dividend

At the end of September RMP had R53 million surplus cash in the bank — only R85 million less than a year earlier

The managing director, Mr John Turner, said that this dividend would not affect RMP's ability to take advantage of any opportunities that may arise

He reports that turnover rose five percent to R180,6 million Operating profit from gold dropped from R4,4 million to R3,3 million, while the operating profits from property eased from R17,7 million to R16,6 million

Total operating profit dropped 10 percent form R22,2 million to R19,9 million

However, interest brought in R11 million resulting in pre-taxed profits of R31,25 million (R34,1 million). Tax took R12,4 million (R13 million) while minority interests accounted for R63 000 (R157 000)

Recovery plants at Crown Mines and City Deep generated R121,9 million but costs rose more than R5 million to R110 million.

Business takes friendly look at environment

Finance Staff (88) (88)

The abject poverty in which many African people live is part of the environmental quandary facing business, Dr John Maree, chairman of the Industrial Environmental Forum of Southern Africa (IEF) told a conference in Somerset West this week.

Business would have to find a balance between creating jobs and hope for people and the need for development and economic growth, he said

"We have an industrial and mining component in our society which is of the first world but we also have many people who are suffering abject poverty The poor are forced, by circumstances which are no fault of their own, to disregard the sustainability of the environment around them They are concerned with survival We need to address this" (180) (210)

Star 31/10/91.

Opening the Southern African International Conference on Environmental Management (SAICEM), Dr Maree said business needed to create jobs and opportunities so that the people of the region could share in the development process At the same time, there was a need to protect the environment.

"The challenge is to find a balance between the development and economic growth and the protection of the environment We walk a difficult tight rope in Southern Africa — it is a balance which is not easy to keep"

Dr Maree said the environmental legacy of the communist experience suggested that progress towards sustainable development was better achieved within the framework of the market economy. The framework needed to reflect environmental costs more appropriately but — by and large — good environmental management makes good business sense, he said.

The Industrial Environment Forum (IEF) is an example, he says, of businessmen taking greater ownership of environmental problems, accepting the challenges and sincerely addressing them in a co-operative and proactive fashion.

"In the climate of rapid change that we are now in and in the spirit of shared responsibility the members of the IEF want this conference to be a catalyst for a significant new direction in environmental awareness in Southern Africa.

"We in business are facing up to the role that we have to play in addressing environmental challenges before us. We will do our best to play our role constructively."

Mining industry changing 'beyond belief'

Star 1/11/91

(210)

The mining industry was changing beyond belief, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday.

There was growing recognition of the importance of communication between management and employees and understanding of the difficulties each faced.

The Minister was opening a major Mine Safety and Health Congress in Johannesburg which is being attended by more than 400 delegates from all sectors of the mining industry. The congress was organised by the Chamber of Mines

Mr Bartlett said that increasingly the workforce was being drawn into the safety management process and the unions were playing a greater role

George Bartlett ... unions playing a greater role.

"This is a positive development — the kind of holistic approach which is needed," he said. "Indeed, it grows out of many such initiatives taken by the mining industry over the years."

The Minister said the wide spread of organisations at the congress showed that mining was a co-operative venture. "It stands or falls on the degree of co-operation and mutual understanding achieved and we need everyone's contribution."

Mr Bartlett said that in the mining environment control of the physical situation and discipline of the human element were of equal importance

"Professional training and the correct use of technology help us in the first area At the same time a real understanding of the perceptions of the workforce is vital if we are to understand their needs and to find answers to the safety problems they face. It is not a matter of statistics alone, for it is people who are suffering and in many cases causing the accidents which occur."

The congress was organised by the Mine Safety Division of the Chamber of Mines and is the second of its kind to have been staged by the Chamber. The first took place in 1987.

More than 400 delegates from a broad range of disciplines and job categories are attending the two-day congress. A total of 42 papers will be presented on a wide range of topics

SA mining is driving deep into rest of Africa

BDay 1/11/91. (210)

MATTHEW CURTIN

THE expansion of SA's mining industry into the rest of Africa is gathering momentum. There is speculation that Gencor may take control of the ailing Zambian copper mining industry, while an SA exploration company is involved with the development of a new gold mine in Ghana

At a briefing for investment analysts given by the Gencor group on Wednesday, Brian Gilbertson, chairman of the group's mining arm Genmin, was asked whether Zambian Consolidated Copper Mines (ZCCM) had approached Gencor to take control of the state company

Gilbertson said nothing like that was in the pipeline. However, market sources said Genmin would investigate a deal with ZCCM if an offer was made

Gilbertson led a Genmin team to Lusaka last month This was followed by a visit by a geological and negotiating team a few weeks later.

Gavin Relly, chairman of Zambian Copper Investments, which has a 27% stake in ZCCM, said in his annual review that a shortage of locomotives and other rail problems knocked copper exports Foreign exchange constraints led to equipment shortages in 1991 Copper production fell 6% in the year, while costs rose by 109%

In the meantime, Genmin has had informal discussions with the World Bank and its private sector development arm, the International Finance Corporation (IFC), about financing mining projects in Africa.

Concord, a US-based mineral resource company which has recently become the partner of SA exploration company Southern Prospecting, is the force behind Ghana's latest gold mining venture, which is expected to start production of 110 000 ounces a year by September 1992

Southern Prospecting director Chris von Christierson, now based in London as an executive director of Concord, said yesterday that the new gold mine should become part of a burgeoning "gold mining province" in west Africa

Golden Shamrock Mining, an Australian company controlled by Concord, has a 69% stake in Ghanaian-Australian Goldfields, which owns the new Iduapriem mine in western Ghana

IFC involvement will also be crucial if Gold Fields of SA's Zairean gold mining venture with state-owned company Okimo and Belgium-based Mindev International is to go ahead.

Mining industry changing 'beyond belief'

Star 1/11/91 (210)

The mining industry was changing beyond belief, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday

There was growing recognition of the importance of communication between management and employees and understanding of the difficulties each faced.

The Minister was opening a major Mine Safety and Health Congress in Johannesburg which is being attended by more than 400 delegates from all sectors of the mining industry. The congress was organised by the Chamber of Mines

Mr Bartlett said that increasingly the workforce was being drawn into the safety management process and the unions were playing a greater role

George Bartlett . unions playing a greater role

"This is a positive development – the kind of holistic approach which is needed," he said "Indeed, it grows out of many such initiatives taken by the mining industry over the years"

The Minister said the wide spread of organisations at the congress showed that mining was a co-operative venture "It stands or falls on the degree of co-operation and mutual understanding achieved and we need everyone's contribution"

Mr Bartlett said that in the mining environment control of the physical situation and discipline of the human element were of equal importance.

"Professional training and the correct use of technology help us in the first area At the same time a real understanding of the perceptions of the workforce is vital if we are to understand their needs and to find answers to the safety problems they face It is not a matter of statistics alone, for it is people who are suffering and in many cases causing the accidents which occur"

The congress was organised by the Mine Safety Division of the Chamber of Mines and is the second of its kind to have been staged by the Chamber The first took place in 1987

More than 400 delegates from a broad range of disciplines and job categories are attending the two-day congress A total of 42 papers will be presented on a wide range of topics

The offer he hugged for a week put Derek at the top

By IAN SMITH

DEREK KEYS was 55 when he was offered the top job at Gencor.

He could look back on a successful business career which included formation of the vibrant Malbak group and he could look forward to a fulfilling retirement with golf once a week, two bridge schools and more time for the family.

On the other hand, Gencor was a diversifying giant which threatened to make huge demands on his corporate skills as it consolidated its position in strategic industries very different from its mining roots.

"I knew I wasn't going to take the Gencor position, but I was so damned flattered I had to take the offer home. I had to hug it for a week," says Mr Keys.

The outcome is history. A few days later Mr Keys called Sankorp's Marinus Daling to accept the post of chief executive of Gencor.

Looking back, after marking five years at the helm of Gencor with another set of sterling results this week, Mr Keys says he has not regretted his decision for a minute.

Mr Keys, also chairman of Gencor, turned 60 at the end of August and has agreed to stay with the group until August 1994.

Before then he will appoint a chief executive to ensure that there is continuity when he retires.

There is no shortage of candidates

Mr Keys says: "One of the most rewarding aspects of my time with Gencor has been the calibre of the people I have worked with — those who were with Gencor when I joined and those we persuaded to come on board"

He plays the role of an appreciative audience for the divisional managements.

"I applaud when the right decisions are made, but like a good Jewish momma, I let people know when I disap-

210 DEREK KEYS

prove. Fortunately I have been able to do a lot of applauding."

Although Mr Keys has had great job satisfaction and has earned many kudos from professional and academic organisations and the admiration of many business peers, the trade has not been all one way.

S/Times (Buss) 3/11/91

Gencor has never been more highly rated and there has been no shortage of investor's money for the group's rights issues in spite of their size and frequency

Its divisions are firmly established at, or close to the top of the sectors in which they operate Genmin, which produced 35% of Gencor's R1,4-billion attributable income in the year to August 31, is SA's second-biggest mining house and is the only one developing a major gold mine — Oryx — in the price slump.

Sappi, which dominates SA's pulp and paper industry with Anglo's Mondi, has broken into European markets with the acquisition of five UK paper mills. It contributed 11% of the parent's income in spite of depressed markets.

The birth of Engen through the acquisition of Mobil's SA operations has given Gencor a well-rounded energy group which contributed 17% of its income. Engen has a large stake in offshore exploration in the North Sea and could have a share of West African exploration.

It seems destined to become a major supplier of fuel and oil products to Sub-Saharan Africa and the Indian Ocean islands.

Conglomerate Malbak, which kicked in 9% of group earnings, has been restructured to focus more finely on consumer markets and is now a major player in the in the food and pharmaceutical sectors.

Investment arm Genbel, which contributed 30% of group income, inherited a "rag bag collection" of investments from General Mining and Union Corporation, but has turned into a star performer by moving from gold to more promising areas, says Mr Keys.

His confidence in Genbel is such that Gencor pays it a fee for managing its own investments.

"We have contracted out one of our main management functions. It is decentralisation carried to a point which no other group has achieved," says Mr Keys.

That willingness to hand over responsibility is given much of the credit for Gencor's success under Mr Keys' control.

When he moved into the hot seat, Gencor had a chequered leadership history and a reputation for being managed by committee.

He delegated authority and allowed down-the-line management to develop

"I try to be a loving, critical audience," he once said. "The only way to develop an excellent manager is to give him that kind of setting."

Mr Keys is the son of a country town bank manager who died at the age of 46, when Derek was seven.

He gained a BComm degree at Wits and qualified as a chartered accountant But he says his real business education started when he joined the Industrial Development Corporation.

"I went there for three years for the experience and stayed for nine."

The two major projects on which he worked were the establishment of the Discount House and the IDC's acquisition of a stake in Safmarine

"The first taught me something about money markets and the second introduced me to international business," says Mr Keys

In 1965 he left the IDC to go into business on his own as a financial consultant, but he spent half his time as managing director of the Discount House.

His first customer as a consultant was agricultural equipment dealer Malcomess, which was suffering from the effects of the worst drought since 1933. He was invited to become chairman of the company, and after exercising an option to acquire unissued shares he merged the company with Bakke — the start of Malbak.

Sanlam came on the scene when it was persuaded to put Protea into Malbak.

Mr Keys' position as non-executive chairman of Malbak gave him his first direct contact with Sanlam — an association which has flourished.

"I have had nothing but support from Sanlam and Sankorp ever since," he says.

Gencor has R1,8-billion in cash — "I like to have a pile of cash in the middle," says Mr Keys "We have good uses for all of it. We are looking to augment that with a rights issue next year"

Ahead lies the R2,5-billion Columbus stainless-steel project. All divisions are well positioned for growth.

"Gencor is poised to become a true world player. I am not mad on foreign investment for the sake of diversification, but you cannot be a world figure if your activities are confined to one country," says Mr Keys.

THE JSE WEEK

By JULIE WALKER

AS talk of retrenchments by stockbroking firms because of low turnover resurfaced, the market had one of its best weeks ever.

Barring golds, almost every sector ran. The reasons were several — a weaker finrand and stronger Wall Street gave market leader De Beers a leg-up to a 12-month high of R95. The diamond counter also ran on speculation of an announcement — one came on Friday about the conversion of the S shares to ordinaries.

Another was Reserve Bank Governor Chris Stals' mildly bullish speech on bank policy. Perhaps the most important was the realisation that the millions of rands in public-sector pension funds were coming to the market.

Institutions, which only last week looked as though they had closed for the rest of the year, suddenly came back after the market had undergone a bit of a correction.

The Government Service pension fund bought 10% of Sasol from the IDC at R17, but not through the JSE. Sasol lost 90c to R19,10 after a sustained run.

Food shares were in favour, CG Smith, Tiger Oats and ICS all strengthening. Even HL&H and Rainbow shone.

Mining houses optimistic

MATTHEW CURTIN

13/11/91

THE gold mining industry can survive at least another year of static gold prices, by which time market conditions will have improved to bolster prices.

This sentiment emerged last week in a series of messages from three of SA's leading mining houses.

Anglo American gold and uranium division chairman Clem Sunter said at the weekend that the group's gold mines could survive the next 15 months without having to restructure operations, even if the gold price did not improve.

210

Gengold MD Gary Maude said he was "bullish for the '90s" and predicted a gold price of $450 an ounce in the medium term.

However, he said the gold mines still had room to manoeuvre even if the gold price did not perform and sank to between $300 and $350.

Earlier in the week, Johannesburg Consolidated Investment (JCI) gold division chairman Kennedy Maxwell reiterated the importance that growing jewellery demand would have in kicking the gold price back into action from next year. Gold jewellery accounted for 2 000 tons of gold consumption last year, out of total gold consumption of 2 800 tons. That contrasted with jewellery demand of only 1 500 tons in 1988, and 1 200 tons in 1987.

Sunter said Anglo's mines could ride a lower dollar gold price, something which could not have been said a year ago.

He said while the signs that the gold market would improve were good, 1993 was "the speculative year".

Without an improvement in the gold price in the intervening period, Anglo would have to close down marginal operations in mid-1993.

Anglo to sell off most of Gencor stake

BDay 6/11/91

MARCIA KLEIN

ANGLO American Corporation is to sell most of its stake in Gencor by tender in a deal which will see it raise about R600m for capital projects

210

Anglo had offered the majority of its 5,3% stake in the mining house, and a small amount of its holding in First National Bank (FNB), on tender to major institutions and pension funds, merchant bank UAL GM Nico van Heerden confirmed last night UAL is handling the tender

An article in the London Financial Times says that Anglo's decision may not be a friendly one, as there could be a relationship between Anglo's willingness to sell and Gencor's announcement of a R2bn rights issue in January, which would see the price weaken

However in London, Gencor chairman Derek Keys told Business Day "It is not an unfriendly act at all Anglo American dis-

☐ To Page 2

Anglo

BDay 6/11/91

210

☐ From Page 1

cussed it with us at an early stage of the Middleburg Steel & Alloys (MS & A) deal which would put Anglo directly into ferrochrome and stainless steel

"Their portfolio management indicated that to raise funds for the MS & A proposal it should involve the sale of the Gencor shares It was all discussed and Anglo waited until our results were out before revealing what it intended to do I don't see it as a problem for Gencor's rights issue The news has put our share price down but we are not coming to the market until next year," he said

Van Heerden said Anglo had substantial capital commitments, of which the MS & A Columbus stainless steel project was a major part, and its decision to sell shares in Gencor resulted from the fact that this was not a strategic holding

The decision was made prior to the announcement of the Gencor rights offer, but Anglo had decided to wait until Gencor's announcement of its results before it put its shares out to tender, Van Heerden said

He said that no date was given for the rights offer, so it could not be considered imminent Although Anglo had confidence in both companies, the sale of its stake was a satisfactory way to raise some of the substantial funds it needed

While the market value of its holdings at current prices would see it raise between R600m and R700m, Van Heerden said Anglo hoped that its shares would sell at a premium

It would sell only a small portion of its holding in FNB and retain some shares in Gencor

Keys has been having talks in London with Lonrho CE Tiny Rowland about their joint platinum interests in SA

On the JSE, the Gencor share price shed 10c yesterday on the news of the selloff Over the past few days the share has fallen from R13 to yesterday's R12,35

The tender offer closes on Friday

Anglo to sell stake in Gencor

210

Finance Staff Star 6/11/91

Anglo American is set to raise R650 million through a sale of its 5,3 percent interest in Gencor and a minor part of its stake in First National Bank.

The sale will be by tender to local pension funds and financial institutions, says UAL general manager Nico van Heerden. UAL are merchant bankers to the issue

Mr van Heerden says at current market values the Gencor stake is valued at R500 million, while the two percent interest in FNB up for sale should fetch about R100 million.

The sale will reduce Anglo's holding in FNB from 29 percent to 27 percent

The funds will allow Anglo to meet the costs of large capital commitments, of which the major one will be the Columbus stainless steel project, which is a joint venture between Anglo and Gencor

The sale is not related to Gencor's R2 billion rights issue planned for early next year, Mr van Heerden says

Gencor holds steady ahead of Anglo sale

B/Day 8/11/91.

MERVYN HARRIS

THE 45-million shares offered by Anglo American in mining house Gencor on tender today failed to make a dent in Gencor's price on the JSE yesterday. (210)

The shares comprise the 5,3% stake held in the mining house by Anglo American, which is offloading them on the market to raise about R600m for capital projects such as the Columbus steel venture (220)

Some dealers expected Gencor shares to come under pressure on the sale of such a relatively large holding Instead, the shares rose 5,3% or 65c to close at R12,90, with more than 149 000 shares worth R1,9m changing hands in 50 deals

The rise of the shares was partly attributed to market talk that most of the holding could be bought for state pension funds by the Public Investment Commissioners.

Keys forecasts lag in Gencor's recovery

Star 8/11/91

(210)

By Neil Behrmann

LONDON — It would take 12 to 18 months before Gencor's earnings rose to higher levels, chairman Derek Keys told brokers, bankers and heads of institutions at a presentation in London

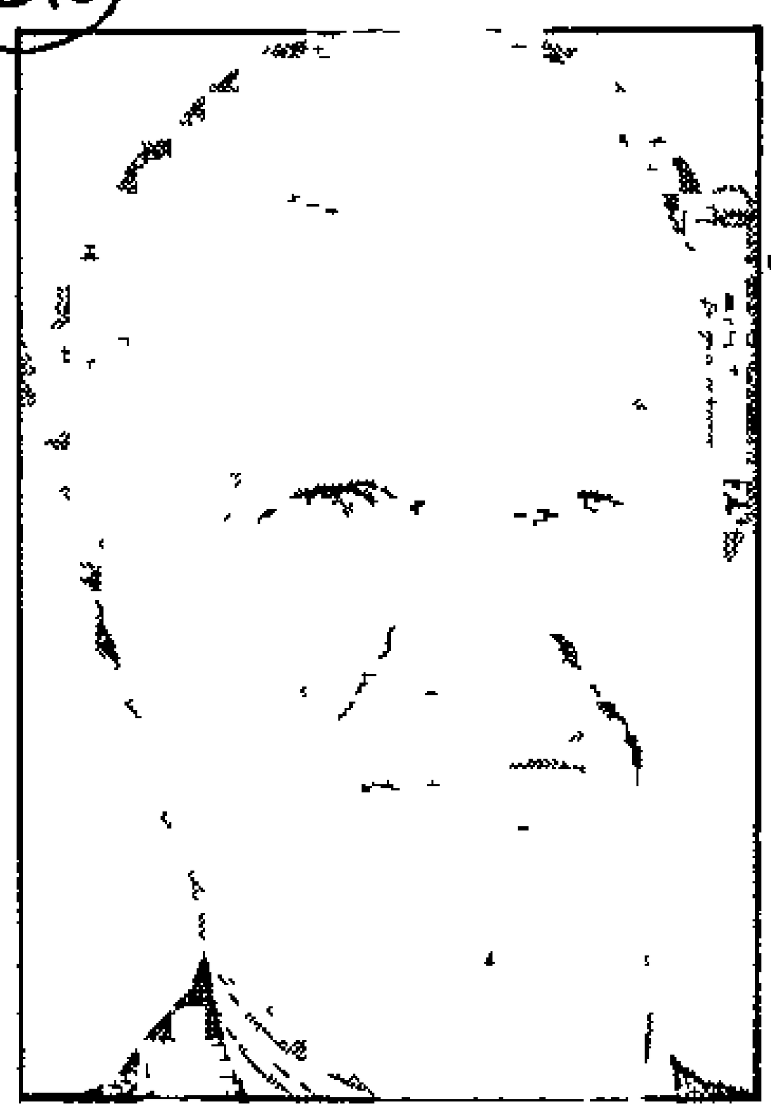
As with other mining groups, Gencor's bugbear is the depression in world commodity prices

Mr Keys said Gencor's earnings tended to follow the commodity cycle after a time lag The drop in profits reflected the downturn in metals, minerals and paper prices during the past two years.

Gencor's profits would recover more swiftly only if there was a sharp upturn in commodity prices in coming months

In contrast to Gary Maude, Gengold's managing director, Mr Keys believes the gold mines should hedge production by selling forward.

This statement led to a complaint from Julian Baring, who manages a James Capel gold fund.



Derek Keys in favour of hedging

Mr Baring believes in the disproven thesis that producers' forward selling is to blame for gold's disappointing performance

Best policy

Mr Keys said mines, particularly marginal ones, were entitled to maximise profits by locking in favourable prices

This certainly would have been the best policy in the past two years

Earnings a share fell only five percent to 119,5c But excluding non-recurring items, the real decline was 20 percent to 100c

The dividend was raised eight percent to 43c because the underlying value of group businesses was increasing

Gencor was growing at such a fast rate that the percentage of international investments was declining

There were definitely no plans to merge with Lonrho, despite overtures from Lonrho chairman Tiny Rowland last year, Mr Keys said

Engen chief executive Rob Angel said the company was examining opportunities in Africa

The high level of attendance at the presenation illustrates the growing interest in South African corporations

Star 12/11/91

Barlows beats market expectations

210

By Jabulani Sikhakhane

Barlow Rand, which beat market expectations with only a seven percent drop in earnings, is conserving cash to take advantage of investment opportunities.

Shareholders are being offered the option to receive the unchanged final dividend of 119c in cash or shares

The additional shares are being issued at R48, but the price may change in line with the movement in the share price.

Barlows' share price rose 40c to close at R52 yesterday.

The scrip dividend represents a cheap way of raising money and saving just over R200 million (assuming a 90 percent acceptance of the offer)

Taken together with the R1 billion from the sale of Middelburg Steel & Alloys to the Gencor, Anglos and De Beers' consortium, cash resources should receive a big boost

It was announced in September that an agreement had been reached in principle for the sale of Middelburg for R1,075 billion

Although the deal (not yet finalised) is effective after year-end, the directors say the sale of Middelburg is material and has been given effect in the financial statements

During the review period, a better-than-expected performance by Middelburg and Rand Mines helped Barlows beat market expectations with earnings down only seven percent from 462,4c to 430,9c. The dividend, covered 2,5 (2,7) times, is unchanged at 170c.

At the interim stage, earnings dropped 14 percent and directors were expecting a similar decline for the second half, which would have meant earnings of around 397,7c for the full year

But an improved performance from Middelburg, which was the main contributor to the 14 percent drop in the first half) saw Barlows breaking even, with earnings of 244c for the second half

The directors say the improved performance at Middelburg was spearheaded by the continued strong showing in the stainless steel division.

This saw Middelburg reversing the first-half loss of R17 million into a small profit for the full year.

After the inclusion of abnormal profits, Rand Mines showed a modest improvement in attributable profit.

Performance from the industrial division was mixed, with consumer electrical products performing exceptionally well. Plascon increased market share and lifted earnings

The earthmoving equipment, steel merchandising, building materials and motor vehicles subsidiaries were affected by economic conditions

Group turnover rose 10 percent to R31,99 billion. Overall margins were under pressure, shaving growth at the pre-interest operating profit level to four percent at R2,57 billion.

An increase of R88 million in interest payments to R674 million meant operating profit was virtually unchanged at R1,895 billion (R1,885 billion).

Anglo mine on West Coast?

(210) CT 13/11/91

Staff Reporter

ANGLO American Corporation is looking at the possibility of an open-cast mine on the West Coast.

The corporation said it was conducting feasibility studies into the project.

The area which is being studied is north of Vredendal.

Anglo said it would decide in the first quarter of next year whether to start mining heavy minerals in the area.

Anglo spokesman Mrs Glen Finnegan said yesterday that feasibility studies on the open-cast mining project had not been completed.

The value of the project fell in the region of R900 million, she said.

"Anglo has not released any specifics about the project and won't do so until the feasibility studies are completed," she said.

Deposits

Anglo is studying the feasibility of producing titanium- and zirconium-rich heavy minerals from sand deposits adjacent to the West Cape coast in Namaqualand.

The deposits are located about 50km north of the Olifants River and are situated between 1km and 15km inland from the coastline.

Most of the deposits are located on farms owned by De Beers Consolidated Mines, according to Anglo. Mrs Finnegan said the project was first mooted more than two years ago and would involve the extraction of minerals from the beach.

She confirmed that the operation could be on a scale as big as the mineral project at Richards Bay.

The feasibility studies had taken into account the mining project's impact on the environment, Mrs Finnegan said.

MINORCO (214) FM (210) 15/11/91

Changing state

Activities: *European-based natural resources group*
Control: *Anglo American 39%, De Beers Centenary 21%*
Chairman: *J Ogilvie Thompson; Joint MDs A W B Lea, J R B Phillimore*
Capital structure: *169,3m ords Market capitalisation· R7,5bn*
Share market: *Price· R44,30 Yields 3,2% on dividend, 7,2% on earnings, p e ratio, 13,9, cover, 2,2. 12-month high, R59, low, R38,50 Trading volume last quarter, 1,85m shares*

Year to June 30	**'88**	**'89**	**'90**	**'91**
LT debt (US$m)	—	—	—	287
Turnover (US$m)	—	—	28,9	771,0
Pre-tax profit (US$m)	348	369	260	244
Net profit (US$m)	262	280	229	194
Earnings (USc)	154	164	135	114
Dividends (USc)	30	42	48	51
Net worth (USc)	1 308	2 063	1 806	1 687

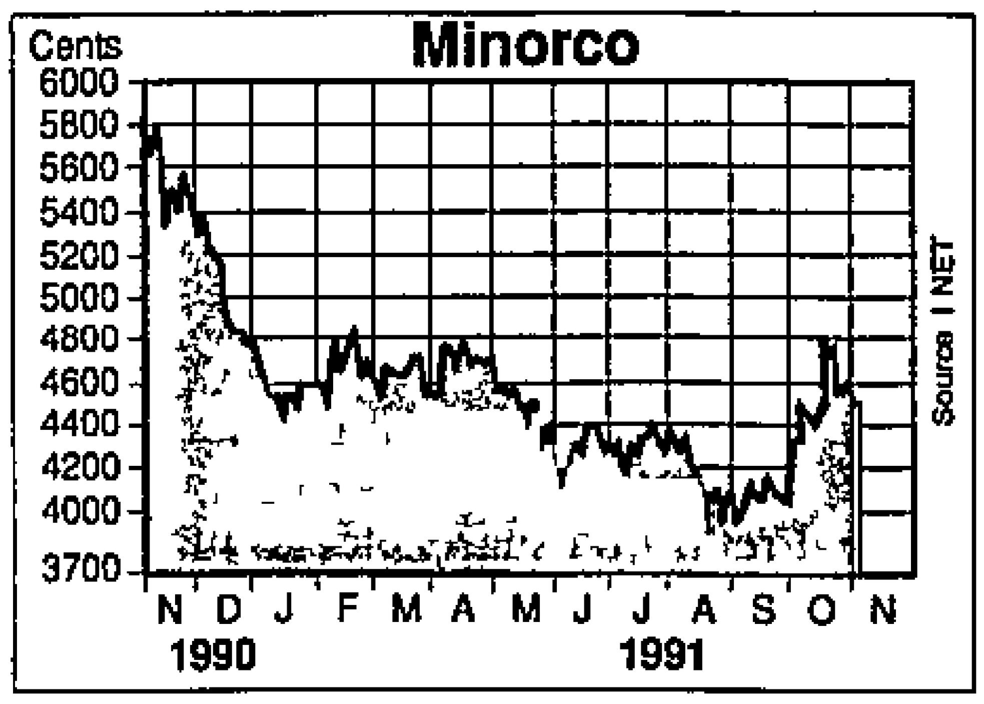
The days when Minorco was the JSE's top rand hedge stock are long past Discontinuity of management and apparent changes of philosophy combined to create the image of a floundering whale and a number of its acquisitions turned out ill-timed and overpriced.

In retrospect, the subsequent performance of the bullion price may leave the company relieved that its bitter bid for Consolidated Gold Fields was lost to Hanson — though, also in retrospect, Gold Fields' now unemployed and retired executives may regret that the egos of their ex-boss Rudolph Agnew and Minorco's temporary steward Michael Edwardes clashed so irreconcilably.

Chairman Julian Ogilvie Thompson now identifies three main areas on which the company intends to focus. gold and base metals in North America and aggregates in Europe. The aggregates are likely to bring it

cont →

 FM 15/11/91 (210)



into head-on competition with the old Gold Fields ARC subsidiary

In the past two years, about US$1bn has been invested in these areas, including Canada's Hudson Bay Mining & Smelting (bought from fellow-subsidiary Inspiration since year-end) DM178m was spent on East Germany's Elbekies, which is meant to form the basis of a broader European business

Minorco also bought 80,6% of Beralt Tin & Wolfram from Charter for $30m, and strategic minority stakes in Austrian paper producer Neusiedler and Irish base metals prospector Ivernia West The directors say passive investments will, however, represent only a small part of total assets

Investments in Engelhard (30%) and Charter (36%) continued to do well Ogilvie Thompson says they're a "steady and high quality" source of earnings, important in the context of the long-term strategy to buy and develop natural resource assets which might take time to generate earnings and cash flow It is, however, intended to sell the other major investment, 47% of oil and gas producer Adobe Resources

As Ogilvie Thompson says, the financial statements reflect the process of transition from an essentially cash and investment holding company to one where operating subsidiaries will loom ever larger

One consequence is the apparent decline in NAV, as cash is converted into mining assets which the *FM* classifies as intangible At year-end, net cash of $1,9bn still awaited

Minorco's Ogilvie Thompson *. process of transition*

investment, though some of this will presumably since have gone to pay for Hudson Bay

World economic conditions, weakening metal prices and falling interest rates induce caution in prognostications for this year. Ogilvie Thompson hints that unless these trends are reversed, earnings could fall

Still, in recent years, what the company calls a "progressive" dividend policy was followed, even when earnings fell Given this and the enormously strong liquidity, it may not be too optimistic to hope for at least another US3c in dividends this year, at least compensating for (international) inflation.

Whether this makes the share attractive is another question The weakness of the share price to SA investors over the past year largely reflects the steadiness of the rand against a US$ that eased against other currencies in the short to medium term, currency movements might again be a more important determinant than trading fortunes of the rand share price Should the rand weaken against the dollar, the Minorco share price would respond at once *Michael Coulson*

Cautious Minorco still on acquisition drive

210

BDay 15/11/91

MATTHEW CURTIN

MINORCO, Anglo American's European-based natural resources group, will reap the rewards of its current restructuring programme and acquisition drive only in two to three years.

Despite that and a tough year ahead forecast for the group, Minorco is no less committed to its acquisition programme aimed at buying high quality, low cost natural resource assets, says Chairman Julian Ogilvie Thompson

He said yesterday that US interest rates and metal prices had fallen since the publication of his annual review last month

Then he predicted that unless prevailing world economic conditions including declining interest rates and poor gold and base metal prices changed for the better, the group's results would be adversely affected

Minorco's earnings a share fell from $1,35 to $1,14 before extraordinary items in the 1991 financial year.

Addressing shareholders at Minorco's AGM in Luxembourg yesterday, Ogilvie Thompson said the group's results without doubt would be hit by these current economic trends, underlining the caution with which Minorco had to proceed in the 1992 financial year

He said "The very nature of mining is a long-term affair, the establishment of a world class business does not happen over night and therefore it is difficult to rate Minorco's success in the short term"

The group's ability to manage its operations competently and profitably would be demonstrated only when measures currently being put into effect to cut costs and improve production started showing results "two or three years down the road"

However, Minorco was still bent on expanding its natural resource asset-base "despite market sentiment that the group's acquisition programme is not progressing as quickly or dramatically as the market would like"

Ogilvie Thompson said the group's US gold mining subsidiary Independence Mining had processed exploration results which showed significant increases in proven and probable reserves

The challenge was now to transform these discoveries "into ounces of produced gold"

He said changes in Eastern Europe made the area a prime site for commercial and industrial development opportunities, but foreign investment would have to be sustained by political and economic stability

Germany's reunification provided those essential ingredients and influenced Minorco's purchase of Elbekies, one of Europe's largest sand and gravel operations.

The rebuilding of eastern Germany and the re-establishment of Berlin as the country's capital boded well for Elbekies' future

NOTICE 1102 OF 1991

210

MINISTRY FOR ECONOMIC CO-ORDINATION AND PUBLIC ENTERPRISES

PUBLICATION OF REPORT BY THE COMPETITION BOARD

I, Dawid Jacobus de Villiers, Minister for Economic Co-ordination and Public Enterprises, acting in terms of section 12 (4) (b) of the Maintenance and Promotion of Competition Act, 1979 (Act No 96 of 1979), hereby publish the report of the Competition Board which appears in the Schedule to this Notice.

SCHEDULE

COMPETITION BOARD

Report No. 30

INVESTIGATION TO DETERMINE WHETHER THE PURCHASE OF ADDITIONAL SHARES IN GOLDFIELDS OF SOUTH AFRICA LTD BY ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LTD AND DE BEERS CONSOLIDATED MINES LTD OR THEIR ASSOCIATED COMPANIES SINCE 1 JUNE 1989 CONSTITUTES A RESTRICTIVE PRACTICE OR ACQUISITION OR GIVES RISE TO A MONOPOLY SITUATION

PREFATORY COMMENT: MARKET CONCENTRATION AND CORPORATE CONGLOMERATION

1. All countries whose economies are essentially market driven have legal rules governing competition. The reason for this, as Adams and Brock point out,[1] is that the competitive market, which is a key facet of the free enterprise system, is neither "a self-perpetuating nor an immutable artifact of nature" Without strictly enforced rules of the game, the competitive market can be eroded and subverted from within through agreements not to compete, as well as through consolidations of industrial control in the hands of dominant firms and private power complexes.

2. In South Africa the principal source of the "rules of the game" is the Maintenance and Promotion of Competition Act, Act 96 of 1979 (the Act) It is complemented by Government Notice No 801 in *Gazette* No 10211 of 2 May 1986 which outlaws resale price maintenance, horizontal price collusion, horizontal collusion on conditions of supply, horizontal collusion on market sharing, and collusive tendering.

3. The effective implementation and enforcement of rules governing competition is an onerous task even in countries which have a long tradition of antitrust legislation and a firmly inculcated appreciation of the virtues of competitive trading. In South Africa the position is exacerbated by the relatively small size of the country's economy, high levels of concentration in numerous markets and corporate conglomeration.

4. Market economies are based on the premise or principle that society is best served where people can make voluntary exchanges of goods and services in competitive markets According to economic theory competition is valuable because of the efficiency sanctions it imposes upon firms [2] It has been suggested that a perfectly competitive market would have the following characteristics (1) A large number of buyers and sellers where no single firm's actions have a marked impact on prices, and effective collusive action is not feasible. (2) All relevant information about the products and prices is known to all potential buyers and sellers. (3) Each buyer or seller has equal access to all inputs and there are no barriers to entry or exit in the production and distribution of the product in question (4) Each firm is, or is conditioned to be, interested in maximising profits.[3]

5. Most markets do not measure up to the economic model of "perfect competition". There are various reasons for this For example, the size and nature of a particular market may quite simply be able to sustain only a small number of firms or even one firm.[4] Nevertheless, the danger, or at least potential danger, of monopoly power has long been recognised and highlighted [5] In fact even under both Roman law and Roman-Dutch law monopoly was regarded as a crime.[6]

6. Effective competition is under threat not only where a monopoly situation pertains, but also in the absence of competitive parity among rival firms,[7] or in oligopolistic and concentrated markets As a consequence, the rules governing competition in all legal systems that recognise and address the problems are designed to forestall market dominance or to remedy the abuses that may arise from it, as the case may be. More specifically, it can be mentioned that section 46 of the Australian Trade Practices Act 1974, sections 50 and 51 of the Canadian Competition Act 1986, section 36 of the New Zealand Commerce Act 1986, and article 86 of the Treaty of Rome are all intended to counter any abuse of a dominant position On the other hand, the American Department of Justice's *Merger Guidelines* (1984), the Canadian Director of Investigation and Research's *Merger Enforcement Guidelines* (1991) and the EC's Council Regulation 4064/89 of 21 December 1989 on the control of concentrations between undertakings seek to obviate unacceptable levels of concentration in a given market (210)

7. Not all economists are adverse to the idea of monopoly or market dominance. For example, the so-called "Chicago-UCLA movement" minimises the costs of monopoly It postulates four main hypotheses, namely (1) Monopoly reflects superior efficiency. (2) The costs of attaining monopoly commonly use up any possible monopoly profits. (3) Market dominance has only minimal harmful effects. (4) Collusion is the only pure form of market power, and it quickly collapses from cheating by the colluders The formulators of the "contestability theory" go even further and suggest that perfectly free, absolute and reversible entry into a market is the best basis for defining efficient allocation of resources since the threat of entry will drive prices down and guarantee efficiency even if there is just one monopoly firm in the market.[8] Given the peculiarities of the South African business environment and the cogent criticism of these theories by eminent American economists, they do not commend themselves to the Competition Board

8. Any assessment of market dominance or market concentration perforce requires an accurate identification of the market in question The "relevant market" is accordingly a concept of crucial significance in the area of antitrust or competition law

9. Markets exist in two main dimensions, namely products and geographical areas There is a strong presumption that two geographic areas are in the same market if both prices and price changes of a specific commodity are closely correlated. On the other hand, if the price of a given commodity differs across the two areas and the price changes are not positively correlated, the two areas are likely to be in separate markets Sales patterns can supplement the information on price movements [9]

10. Two commodities do not have to be physically identical or even perfect substitutes to be in the same product market. However, in order for two products, A and B, to be in the same market, consumers must substantially shift their purchases from A to B when the price of A rises relative to the price of B. Thus, one would be looking for commodities that have a high cross-elasticity of demand. If two products have uncorrelated prices they are unlikely to be in the same product market. The way in which producers respond to price changes is another key to product market delineation [10]

11. These brief general comments on the relevant market suffice to indicate that the proper delineation thereof is a complex matter which can be resolved only on an *ad hoc* basis after careful appraisal of all the relevant facts and contending viewpoints of the parties involved in a given case It would accordingly obviously be wrong to dispense with the prescribed analysis and simply define a relevant market on the basis of more generalised nationally applicable concentration statistics Apparently not all economists in South Africa recognise this.[11]

12. It has been suggested that in addressing the issue of acceptable levels of concentration in a particular market, the Herfindahl-Hirschman Index (HHI) should be adopted as the appropriate yardstick in South Africa [12] As used in the USA Department of Justice (DOJ) *Merger Guidelines* (1984) the HHI is the sum of the squares of every firm's share in the relevant market. Thus, if a market has 3 firms each with a market share of 25 per cent, 1 firm with 15 per cent and another with 10 per cent, the HHI would be $25^2 + 25^2 + 25^2 + 15^2 + 10^2 = 2\,200$. Such a market is considered highly concentrated under the 1984 Guidelines, which so regard any market with a HHI greater than 1 800.

13. During the 1960s and 1970s the DOJ and the American courts most often looked at the "four-firm concentration ratio" (CR4) to determine the danger levels of concentration in a particular market The CR4 is calculated by adding the market shares of the four largest firms in the market For example, a market in which the four largest firms have market shares of 30 per cent, 20 per cent, 15 per cent and 10 per cent has a CR4 of 75 per cent Opinions differed markedly on what constituted a concentrated market in terms of the CR4 formula [13] Some regarded a figure of 75 per cent as reflecting a highly concentrated market;[14] others set the danger level at between 60 and 70 per cent [15]

14. These views were substantially more tolerant than those of the Supreme Court in the mid-sixties. Thus, in *US v Von's Groceries Co*[16] a merger was condemned in which the combined market share of the merging firms was 7-5 per cent and the CR4 24.4 per cent In similar vein the Supreme Court condemned a merger in which the firm's combined market share was only 4.5 per cent and the CR4 less than 30 per cent [17] (210)

15. In Canada the Director of Investigation and Research generally will not challenge a merger where the post-merger market share of the merged entity is less than 35 per cent. He will also not do so where (a) the post-merger market share of the four largest firms in the market would be less than 65 per cent, or (b) the post-merger market share of the merged entity would be less than 10 per cent [18]

16. Enthusiasm for the HHI as an appropriate norm for utilisation under South African conditions should be tempered by the observations of certain writers in America who contend that the fact that HHI thresholds have been exceeded does not establish that a merger will be anticompetitive. While accepting that the level of concentration is important and at times even predominant, they point out that concentration statistics are only as good as the underlying market division and, even if perfectly calculated, are at best a rough proxy of market power Passing the 1 000 or 1 800 barrier by itself, they suggest, reveals very little about the actual competitive impact of a transaction [19] In any event, one must bear in mind that under the present competition law dispensation in South Africa the "public interest" is afforded a higher status than concentration ratios.

17. Although the Board are aware of the fact that market power could have a negative impact on prices and the efficiency of firms,[20] there have been circumstances which prompted the Board to "condone" a merger or take-over even though this led to a monopoly situation or a marked increase in the market share of the acquiring firm More particularly, this has occurred where the Board were confronted by situations involving a so-called "failing company" (ie a company facing imminent danger of liquidation),[21] and when the only firm which was willing and able to take over the business of a major competitor which wished to exit the market ended up with a post-acquisition market share of about 50 per cent.

18. The extent of corporate conglomeracy in South Africa (as distinct from concentration in a particular market) is fequently a topic for debate and comment and, in many quarters, a cause for serious concern For the purposes of this report "corporate conglomeracy" or "conglomeration" is used as a convenient term of reference to identify those companies which, notwithstanding the diversity of their respective activities, on the basis of direct or indirect control, common purpose over an extended period of time, interlocking directorates, or other commercially recognised forms of permanent linkage, form a distinguishable grouping of major proportions. The phenomenon is explained by McGregor[22] with reference to Johannesburg Stock Exchange (JSE) control figures based on market capitalization. While conceding that there are methods of measurement of control other than market capitalization, he avers that the Anglo American Group controls 44,2 per cent, the Rembrandt Group 13,6 per cent, Sanlam 13,2 per cent, SA Mutual 10,2 per cent, the Liberty Group 2,6 per cent and Anglovaal 2,5 per cent [23]

19. Spokesmen for the conglomerates and independent observers dispute the validity of these figures, but even they would be constrained to admit that, in the final analysis, a substantial portion of the country's economic wealth is under the control of a handful of major companies.

20. In a paper presented at the Newick Park Initiative Conference held in Britain from 21 to 25 January 1991, Professor Maasdorp pointed to a number of factors which contributed to conglomeration. These include the important role of the mining finance houses in the development of the country's economy, exchange control measures, the subsidisation of capital (eg through "very generous" provisions for the amortisation of capital for tax purposes and the negative real interest rates that have prevailed from time to time), a host of laws and regulations that militated against small independent businesses, and disinvestments by foreign companies.[23]

21. It should be noted that since they do not, as a general rule, restrict competition, so-called "conglomerate acquisitions" (ie the acquisition by a firm operating in one market of another firm operating in an unrelated market) do not present nearly as many problems to the various bodies charged with implementing rules governing competition in countries that have them as do horisontal and vertical mergers In fact one eminent American commentator states emphatically that antitrust should never interfere with any conglomerate merger [24] However, not everyone is quite that dismissive of conglomerate mergers.

22. For instance, courts in the United States have perceived two broad categories of dangers to competition from conglomerate mergers, namely the facilitating of collusion or oligopoly pricing by eliminating potential (as distinct from actual) competition between the merging firms,[25] and the facilitating of inefficient exclusionary practices directed at outsiders, eg reciprocity, tying or predatory pricing [26]

(210)

23. In Canada conglomerate mergers will only give rise to concerns under the Competition Act 1986 where it can be demonstrated that, in the absence of the merger, one of the merging parties would likely have entered the market *de nova* In such circumstances enforcement action will be warranted only where it can be established that "prices would likely be materially higher in a substantial part of the market for more than two years than they would be if the merger did not proceed" [27]

24. A "fairly large" percentage of mergers qualifying for investigation each year in Britain are of the conglomerate kind.[28] However, the Monopolies and Mergers Commission has not condemned any conglomerate merger on the basis that competition would be harmed Where conglomerate mergers have been condemned, this was done on the basis of the incompatibility of management teams[29] or because of the implications of the merger for regional policy [30]

25. In South Africa the impact which conglomeration (or "diversification" as it may also be termed) could have on competition in general is more important than its effect in specific markets It has been suggested that where, say, five or six major groups coexist in parallel and the respective companies within such groups confront each other in scores of markets (as one finds in the Republic), this multimarket contact induces them toco-operate rather than to compete since they recognise that if they compete strongly in any one market, their rivals may retaliate in a large number of other markets [31] The logic of this so-called "theory of conglomerate forbearance" is even more compelling in a South African context where the situation is exacerbated by substantial inter-group cross shareholdings and interlocking directorates It is certainly a factor germane to this investigation

BACKGROUND TO THE INVESTIGATION

26. Notice of the Board's investigation which appears in Government Notice No 651 in *Government Gazette* No. 12679 of 10 August 1990, is formulated as follows

"The Competition Board hereby makes known for general information that it is undertaking an investigation in terms of section 10 (1) of the Maintenance and Promotion of Competition Act, 1979 (Act No 96 of 1979), to ascertain whether the purchase of additional shares in Gold Fields of South Africa Limited by or on behalf of Anglo American Corporation of South Africa Limited, De Beers Consolidated Mines Limited and their associated companies (the group) since 1 June 1989 constitutes a "restrictive practice" or an "acquisition", and whether the aforesaid purchase of shares has placed, or could place, the group in a "monopoly situation"

In determining whether any "restrictive practice" or "monopoly situation" exists or may come into existence, and whether any "acquisition" has been, is being or is proposed to be made, the Board will, inter alia, also assess the relevance of any right or power Anglo American Corporation of South Africa Limited and De Beers Consolidated Mines Limited, together with their associated companies, may have or could acquire to appoint one or more directors to the directorate of Gold Fields of South Africa Limited

Any person may within thirty (30) days from the date of this notice submit written representations regarding this investigation to the Director Investigations, Competition Board, Private Bag X720, Pretoria, 0001 Telefax 012/3225428 "

27. Diagrams 1 and 2 illustrate the cross shareholding between Anglo American Corporation of South Africa Ltd (Anglo) and De Beers Consolidated Mines Ltd (De Beers) as well as some of their mutual interests, and the principal shareholders in Gold Fields of South Africa Ltd (GFSA) The information concerning the extent of the various shareholdings depicted in the diagrams is not always readily available Thus, although every effort was made to ensure their accuracy, it is quite possible that some of them may not be 100 per cent correct

210

Diagram 1

The relationship between Anglo American and De Beers and some of their mutual interests

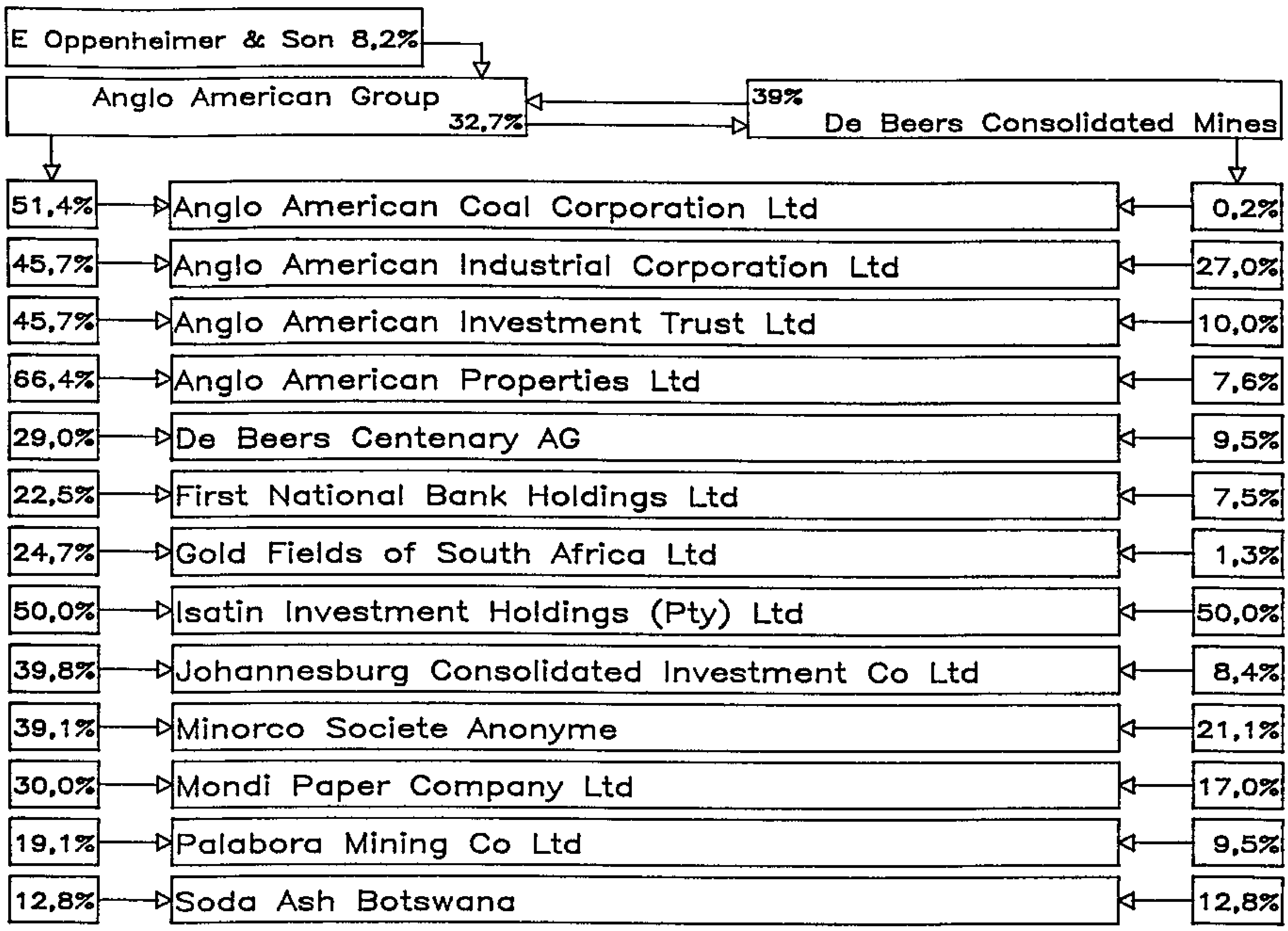
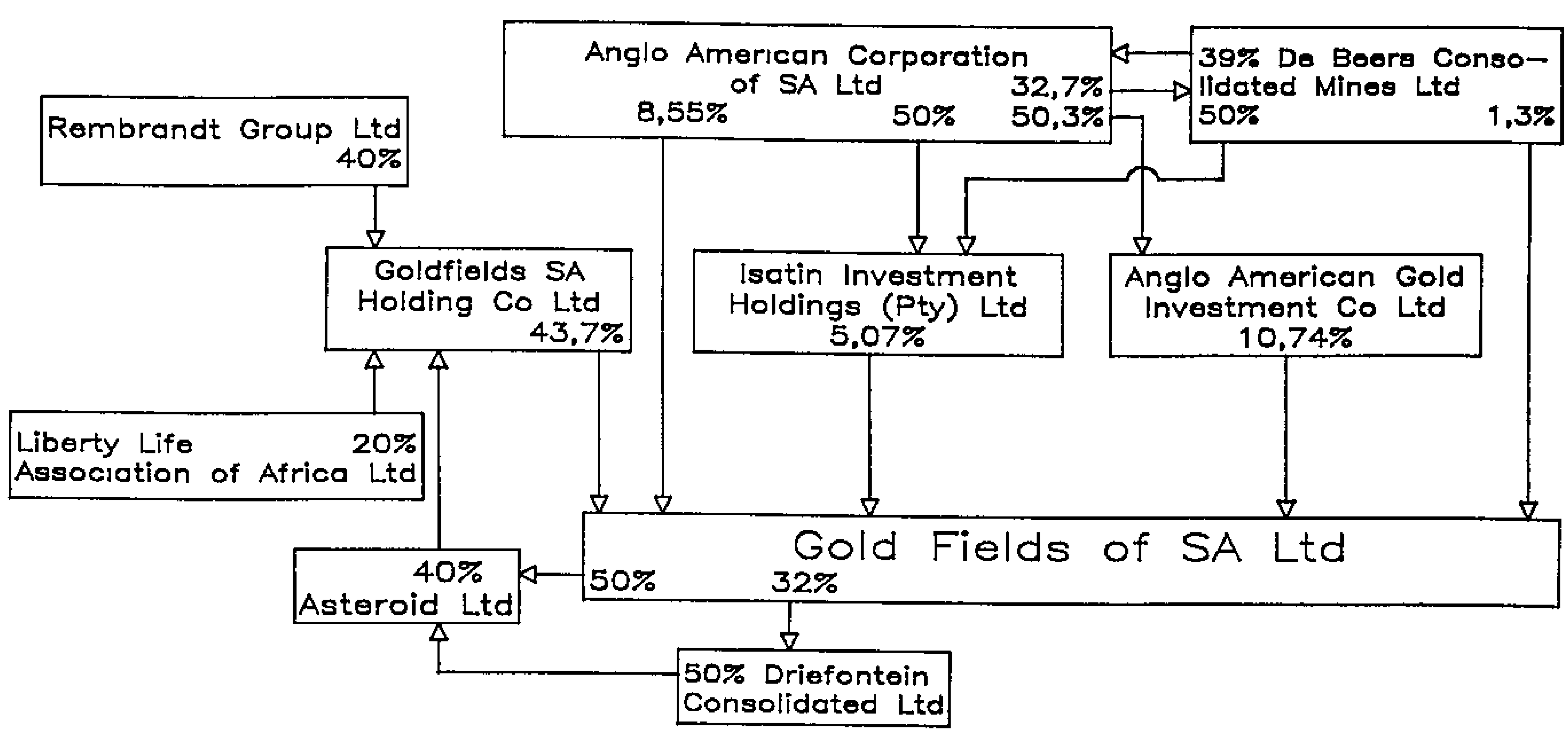


Diagram 2

The principal shareholders of Gold Fields of SA Ltd



28. GFSA was formerly named West Witwatersrand Areas Ltd (West Wits) which was incorporated on 12 November 1932 and listed on the Johannesburg Stock Exchange (JSE) With effect from 1 July 1971 West Wits acquired the undertaking of an unlisted company named Gold Fields of South Africa Ltd The listed company assumed the name of the unlisted company and the unlisted company changed its name to GFSA Holdings Ltd

210

29. Anglo was one of the founding shareholders in West Wits in 1932 with a stake of 10 per cent Since then the Anglo/De Beers group have always had a substantial shareholding in West Wits/GFSA, although the extent thereof has varied from time to time

30. In recognition for its initial subscription in West Wits, Anglo was given representation on its board By 1971 this had increased to two directors Subsequently Anglo agreed to reduce its representation to one Mr E P Gush, who was also a member of the Anglo directorate, was appointed to the board of GFSA in November 1983 He was voted out of office at an adjourned annual general meeting of GFSA held on 15 January 1991

31. On 21 September 1988 Minorco Société Anonyme (Minorco), a company incorporated in Luxembourg, announced that it intended making a hostile bid to acquire the whole of the share capital of Consolidated Gold Fields PLC (Consgold), a company incorporated in the United Kingdom The bid was issued formally on 4 October 1988 At the time of the bid Minorco had a stake in Consgold of just under 30 per cent

32. Since (a) Anglo and De Beers had a combined interest of 60 per cent in Minorco and (together with companies controlled by Anglo) a 21 per cent interest in GFSA, and (b) Consgold held a 38 per cent interest and control of 48 per cent of the votes in GFSA, it followed that if Minorco gained control over Consgold, Anglo and De Beers would control GFSA The Board therefore decided to launch a formal investigation into the matter, notice of which was given in Government Notice No 2051 in *Government Gazette* No 11533 of 7 October 1988

33. Minorco's bid for Consgold attracted international attention and not only Britain's Monopolies and Mergers Commission, but also the courts in America and the European Commission eventually had to rule on the matter In view of the fact that the transaction involved two foreign companies, Anglo and De Beers contended that the Competition Board had no jurisdiction in the case With reference to the practice elsewhere in the world and South African common law principles, the Board rejected this view and held that since the transaction would have a negative impact on competition in the Republic which could be forestalled by the Board and the Minister acting in tandem, they could (and were obliged to) take appropriate action [32]

34. Section 11 of the Maintenance and Promotion of Competition Act 1979 empowers the Board during the course of an investigation in terms of section 10 to negotiate with any person or any body with a view to making an arrangement which, as the case may be, will ensure the discontinuance of any restrictive practice or do away with, terminate, prevent or alter any acquisition or monopoly situation which is the subject of an investigation Where such an arrangement has been made it must be submitted to the Minister for his approval Once this approval has been obtained the arrangement is published by the Minister by notice in the *Government Gazette* Contravention of or failure to comply with the notice is an offence

35. In the Minorco case the Board came to an arrangement with Anglo and De Beers on the understanding that if Minorco gained control over Consgold they (Anglo and De Beers) would actively support Consgold's disposal of the whole of its interests in GFSA and GFSA Holdings Ltd as soon as it was commercially advantageous so to do Certain other conditions were also accepted by Anglo and De Beers which were designed to ensure that they did not gain control over GFSA during the period when Consgold was disposing of its interests as aforesaid.[33] This arrangement was accepted by the Minister who also entered into an agreement with Minorco in terms of which it undertook, inter alia, to cause Consgold to sell its total interest in GFSA as soon as it was commercially advantageous to do so Both the arrangement between the Board and Anglo and De Beers and the agreement between the Minister and Minorco where subject to the condition precedent that Minorco's bid for Consgold had to be successful When the bid failed, the arrangement and agreement lapsed

36. Following the failure of the Minorco bid, Hanson PLC bid for an eventually acquired Consgold in August 1989 It thereupon set about disposing of Consgold's interest in GFSA As a result of this process the Rembrandt Group emerged with an increased stake in GFSA

37. During the latter part of 1989 aggressive purchases of GFSA shares on the JSE by Nedbank Nominees Ltd became discernible Inquiries by the Board revealed that Nedbank Nominees had purchased the shares on behalf of Isatin Investment Holdings (Pty) Ltd (Isatin) in which Anglo and De Beers each have a 50 per cent shareholding

38. One of the provisions in the arrangement between the Board and Anglo and De Beers referred to in paragraph 35 stated that until such time as the whole of Consgold's interest in GFSA and GFSA Holdings Ltd had been disposed of Anglo and De Beers would consult with the Board before directly or indirectly extending their shareholding in GFSA. Once that agreement lapsed, this legal obligation also fell away They were accordingly within their rights to extend their shareholding in GFSA via the Isatin - Nedbank Nominees channel without consulting with the Board A number of major companies in South Africa, including some in the Anglo group, would not have acted in this way if they had been in that position

39. At a meeting in Pretoria on 6 June 1988 attended by the Minister, the chairman of the Competition Board and Mr G W H Relly, who was chairman of Anglo at the time, Mr Relly stated that Anglo and De Beers did not wish to control GFSA This was reiterated by him in a letter dated 16 September 1988 addressed to in Minister in which he stated. (210)

"I said in response that the Anglo American Corporation had no intention of 'controlling' GFSA Indeed, we would not want to find ourselves responsible for the manning and management of that group"

Shortly after that Minorco launched its bid for Consgold.

40. It is therefore hardly surprising that when confronted with the covert[34] acquisition of shares in GFSA by Anglo and De Beers and a complaint concerning the negative impact this could have on competition, the Board had no hesitation in proceeding with a formal investigation into the matter.

SUBMISSIONS BY THE PARTIES

41. Submissions were received from GFSA and Anglo and De Beers.

The GFSA submission

42. GFSA's submission was comprehensive and included copies of excerpts from board meetings, newspapers, financial journals and books, communications between persons in top management positions in the major companies involved in the GFSA/Anglo and De Beers saga, and graphs.

43. The main thrust of the submission was that the purchase of additional shares by Anglo and De Beers in GFSA since 1 June 1989 constituted a restrictive practice and/or an acquisition and/or placed the companies in a monopoly situation which could not in each instance be justified in the public interest.

44. It was argued that the extent of Anglo and De Beers' shareholding in GFSA could not be regarded as a mere "portfolio investment", but that it was clearly a mechanism to ensure they held a veto power to counteract the Rembrandt Group's increased stake in GFSA (which was not to their liking) in accordance with their philosophy of "Who needs take-overs when you can control with a minority stake?".

45. GFSA conceded that Anglo and De Beers had no legal right to keep a director on its board It nevertheless requested the Competition Board to ensure that Mr E. P. Gush, who was also a director of Anglo, vacated his position as a member of the GFSA board This request was, of course, submitted well before 15 January 1991

46. To remedy the situation in which GFSA found itself, it was submitted that the Board should recommend to the Minister that Anglo and De Beers divest themselves of their shares in GFSA, either totally or partially by way of the payment of dividends in specie Pending the finalisation of this process Anglo and De Beers should be prohibited from exercising any voting rights in GFSA, alternatively, that they should be permitted to vote only in regard to any resolution which affected any of the rights attached to their shares in GFSA Furthermore, any director of the Anglo/De Beers group should be prohibited from serving on GFSA's directorate

The Anglo/De Beers submission

47. Anglo and De Beers took exception to the notice of the investigation arguing that it was defective in that it failed to furnish particulars of the investigation the Board proposed to make. These particulars were necessary to make proper representations More specifically, Anglo and De Beers sought particulars in respect of (a) which situations restrict what competition in which categories and how, (b) what "controlling interest" in what business involved in the production of what commodity is under investigation, (c) what control in respect of what business or what asset is being investigated and by whom is it alleged to have been acquired, (d) what particular type of business in relation to what commodity is being investigated, (e) what substantial economic connection exists in respect of what class of business in relation to what commodity, and (f) what consitutes "associated companies" and "groups" and how a purchase of shares in GFSA by the "associated companies" or the "group" has placed, or could place, the "group" in a monopoly situation

48. The Board furnished the required particulars and asked Anglo and De Beers to provide certain information They complied with the request for further information, but contended that the further particulars provided by the Board broadened the scope of the investigation, confused the issues; and were inadequate to enable them to make proper representations They also indicated that they were prepared to discuss the matter with the Board.

49. A meeting between the Board and Anglo and De Beers was held on 6 December 1990 Prior to the meeting the advice of the State Attorney, Pretoria, was sought regarding the claim that the notice of the investigation with the further particulars provided by the Board were inadequate It was intimated that this was not the case

50. The meeting on 6 December helped to clarify the issues In a letter dated 10 January 1991 Anglo and De Beers recorded their comments, observations and submissions arising from the meeting In essence both the initial submissions and those of 10 January vigorously denied that the purchace of shares in GFSA by the associate companies of Anglo and De Beers since 1 June 1989 constituted a restrictive practice or an acquisition, or gave rise to a monopoly situation The Board was also assured that neither Anglo nor De Beers nor "the group" has any right or power to appoint one or more directors of GFSA, nor is there any agreement, arrangement or understanding which give them the right or power to require the majority of members of GFSA to vote in favour of the re-election of Mr Gush

51. In support of their claims Anglo and De Beers admitted to certain facts and raised certain arguments For present purposes the most important of these are the following: 210

(1) Anglo/De Beers and GFSA compete vigorously with each other in respect of, inter alia, the acquisition of mineral rights and the efficient exploitation of such rights

(2) Anglo and De Beers do not wish to control GFSA, but regard their shareholding in GFSA as an important investment, even though it is a non-controlling interest.

(3) The phrase "holder of a controlling interest" as it appears in the definition of "acquisition" cannot be interpreted to mean "holders of a controlling interest"

(4) The "purchase" of shares is manifestly distinguishable from the "subscription" for shares

(5) No actions which require the passing of a special resolution have any relevance whatsoever to any circumstances which could be said to restrict the competitive rights and powers of GFSA, Anglo and De Beers It is incorrect to equate a mechanism designed by the Companies Act 1973 to protect minority shareholders, with a "controlling interest" as defined in the Maintenance and Promotion of Competition Act 1979

(6) The fact that De Beers and Anglo have cross holdings of shares in each other and sometimes co-operate is no warrant for finding that the two companies are not truly independent of each other Each company has different shareholders and each has a different board of directors

(7) There is no justification for the proposition that a shareholder of a company has a "controlling interest" merely by voting his shares against a motion which he is legally entitled to do

(8) The proposition that there would be a restricting of competition where one or more persons with a substantial economic connection acquire or strengthens a monopolistic (dominant) position, is not founded on logic, fact or law

(9) There is nothing legally or ethically wrong in simply having cross directorships in the same or different mining houses and (quoting from a statement by the chairman of GFSA) that cross directorships at an operating level is a good thing

ANALYSIS

52. In giving notice of this investigation the Board identified two key issues that on the facts warranted analysis in terms of the Act They are the holding of shares by one company in a competitor's business and interlocking directorates The main thrust of the analysis that follows will accordingly be directed at establishing under what circumstances, if at all, the respective issues could be said to constitute a "restrictive practice" "acquisition", or a "monopoly situation" as defined in the Act

53. The holding of shares in a competitor's business and interlocking directorates are matters that also arise in a company law context It was accordingly deemed advisable to preface the Board's analysis of them with a brief exposition of how certain aspects thereof are dealt with in that field

Shareholding

54. The interrelationship between a company's shareholders is to a considerable extent based on the notion of majority rule and minority protection.[35] This approach is, *inter alia*, followed in the so-called "expropriation cases" where the courts have permitted a change in a company's articles of association at the behest of the majority shareholders to enable them to compel the minority shareholders to sell their shares at a reasonable price to an approved purchaser provided this was bona fide and in the interests of the company as a whole [36] The one clear-cut case in which the courts have had no difficulty in finding that the expropriation of the minority shareholders was justified is where the minority shareholders were competing in business with their company [37]

55. There are a number of provisions in the Companies Act 1973 which confer rights on minority shareholders acting as a group of prescribed proportions [38] For present purposes the most important of these is the veto which could be exercised in terms of the formal requirements for the passing of a special resolution

56. Section 199 (1) of the Companies Act 1973 states that the passing of a special resolution, *inter alia*, requires (a) a quorum of not less than one-fourth of the total votes of all the members entitled to attend and to vote at the meeting who are present in person or by proxy, and (b) acceptance of the resolution by not less than three-fourths of the number of members entitled to vote at the meeting who are present in person or by proxy or, where a poll has been demanded, by not less than three-fourths of the total votes to which the members present in person or by proxy are entitled

57. This entails that it is only when all the members of a company are present in person or by proxy (which is unlikely to occur in the case of most listed companies) that the blocking of a special resolution would require 25 per cent plus one of the votes In all other cases where meetings are attended by less than the full complement of members, a special resolution could be blocked by persons holding a stake in the company of between 25 per cent and just more than 6,25 per cent Of course, in the case of an adjourned meeting where the quorum requirement no longer applies, even less than 6,25 per cent of the votes could suffice

Directors

(210)

58. One of the most firmly established principles of company law is that directors stand in a fiduciary relationship to their companies [39]

59. This entails that they must exercise their powers in good faith and avoid a conflict between their own interests and those of the company One of the issues that arises from the required avoidance of a conflict of interests is whether a director could serve on the directorates of two competing companies.

60. In dealing with the problem in England, Australia and New Zealand, the courts almost invariably refer to *London and Mashonaland Exploration Co. Ltd v New Mashonaland Exploration Co Ltd*[40] In that case Chitty J sanctioned a person holding directorships in rival companies subject to three qualifications, namely (1) the articles of association of a company could forbid someone from serving on the board of any other company doing a substantial amount of business in competition with that company, (2) there could be an express or implied contract with the directors that they would not serve on the boards of competing companies, and (3) confidential information obtained as a director of a company could not be disclosed to rival companies.

61. Despite Lord Cranworth's statement in *Aberdeen Rail Co v Blaikie Bros*[41] that " .. it is a rule of universal application that no one having such (fiduciary) duties to discharge shall be allowed to enter into engagements in which he has or can have a personal interest conflicting or which possibly may conflict with the interests of those whom he is bound to protect", and Clauson J's finding in *Re Thompson*[42] to the effect that it was a breach of duty for a trustee to open a business competitive with that run by the trust, the courts in all three countries have refrained from holding that directors may not hold directorships in rival companies.[43] There has, of course, been recognition of the "dangers" of a director using confidential information acquired in that capacity to assist him in the competing business and the "considerable" difficulties of avoiding such use of that information.[44] Misuse of confidential information must nevertheless still be established on the facts in a particular case.[45]

62. The judges in the United States of America have taken a stricter view of a director's fiduciary duties than their commonwealth counterparts [46] For example, it has been held that a director "... owes loyalty and allegiance to the corporation—a loyalty that is undivided and an allegiance that is influenced in action by no consideration other than the welfare of the corporation" [47] These sentiments were echoed by Supreme Court Justice Douglas who said. "He who is in such a fiduciary position .. cannot by the intervention of a corporate entity violate the ancient precept against serving two masters" [48]

The best known view on the subject is, however, probably that of Cardozo J: "Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden to those bound by fiduciary ties. A trustee is held to something stricter than the morals of the market place. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behaviour As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty by the 'disintergrating erosion' of particular exceptions . Only thus has the level of conduct for fiduciaries been kept at a level higher than that trodden by the crowd It will not consciously be lowered by any judgment of this court."[49]

63. In the USA, as elsewhere, the duty not to compete is measured by the circumstances of each case [50] No breach of fiduciary duty will be found in the absence of facts showing that the corporation had been harmed.[51] Disclosure of confidential or inside information is, of course, a breach of fiduciary duties.[52]

64. In Canada the leading case on the subject is *Canadian Aero Services Limited v O'Malley* [53] Although the court did not have to deal specifically with the issue of the simultaneous holding of directorships in competing companies, Laskin J's views on the closely related aspect of a director appropriating a corporate opportunity to himself, aligned Canadian law with the line of reasoning followed in *Aberdeen Rail Co* and *Re Thompson* and by Cardozo J in *Meinhard v Salmon* In so doing, it is argued,[54] the learned judge put into a hazardous position any person who acts as a director of interlocking firms.

65. Under South African law a host of factors have to be taken into account when determining whether a director can compete with his company, i e. either in his personal capacity or as a member of the board of a rival company, including the company's constitution (ie memorandum and articles of assocation),[55] the status of the person concerned within the company and any contract between him and the company that may exist.[56]

66. As a general rule it may be accepted that a managing director of one company may not simultaneously be the managing director of a competing company In *Atlas Organic Fertilizers (Pty) Ltd v Pikkewyn Ghwano (Pty) Ltd*[57] Van Dijkhorst J reaffirmed this principle but was prepared to deviate from it to allow a managing director whose services had been terminated and who was serving his month's notice to create a future means of employment, albeit in competition with his present company According to the judge this did not necessarily create a conflict of interest greater than that of an ordinary director serving on the boards of two competing companies.

67. The approach of Goldstone J (as he then was) in *Sibex Construction (SA) (Pty) Ltd v Injectaseal CC*[58] is substantially different After pointing out that in our law the fiduciary duty of a director arises not only in situations where the director acts as agent for the company but also by virtue of the fact that he is a trustee for his company, he went on to say·

210

"On the facts of the present case I cannot conceive of an individual director being able to serve simultaneously on the boards of say Sibex and Furmatite (Pty) Ltd whether or not, as a fact, he was mandated to act as an agent for either or both of the companies And the same would be true of the General Manager, even if not a director. The knowledge alone of the prices submitted by the one company would create an unresolvable conflict of interests in relation to the other Any benefit obtained by the one company by reason of its relationship with a Sasol Company or Natref would be to the disadvantage of the other It would be a most unusual situation which allowed directors or senior officers or managers of one company to act in the same or similar capacity for a rival company without actual or potential conflict situations arising with frequent regularity Even in the case of a non-executive director a similar conflict of interests could arise in circumstances not difficult to imagine "

He concluded his discourse on the issue by stating that the courts should recognise and strictly enforce the "strict ethic" in this area of the law so that persons in positions of trust be less tempted to place themselves in a position where duty conflicts with interest.

68. The dishonest use of confidential information by a director will not be countenanced under South African law.[59]

Restrictive practice

69. "Restrictive practice" as defined in section 1 of the Act means—

"(a) any agreement, arrangement or understanding, whether legally enforceable or not, between two or more persons; or

(b) any business practice or method of trading, including any method of fixing prices, whether by the supplier of any commodity or otherwise; or

(c) any act or omission on the part of any person, whether acting independently or in concert with any other person; or

(d) any situation arising out of the activities of any person or class or group of persons,

which restricts competition directly or indirectly by having or being likely to have the effect of—

(i) restricting the production or distribution of any commodity; or

(ii) limiting the facilities available for the production or distribution of any commodity, or

(iii) enhancing or maintaining the price of or any other consideration for any commodity, or

(iv) preventing the production or distribution of any commodity by the most efficient and economical means; or

(v) preventing or retarding the development or introduction of technical improvements or the expansion of existing markets or the opening up of new markets, or

(vi) preventing or restricting the entry of new producers or distributors into any branch of trade and industry, or

(vii) preventing or retarding the adjustment of any profession or branch of trade or industry to changing circumstances."

Shareholding

70. There is no doubt that someone holding an absolute majority of the shares in a company could rely on the extent of his shareholding to, *inter alia,* (a) restrict the production of a particular commodity, (b) prevent or retard the expansion of existing markets or the opening up of new ones, or (c) prevent or restrict the entry of a new producer or distributor into a particular branch or trade or industry.

71. The same results could be achieved where someone acting on his own or in concert with someone else is in a position to muster sufficient votes to block the passing of a resolution authorising a particular course of action. This is most likely to occur in situations that require the passing of a special resolution A shareholder commanding just over 25 per cent of the available votes in a company will always be in position to block the passing of a special resolution However, as mentioned in paragraph 57, holding as little as just over 6,25 per cent of a company's equity share capital could, in the appropriate circumstances, suffice to torpedo a special resolution

72. If the shareholder who is in position to block a special resolution also happens to be a competitor of the company in which the shares are held, his actions could well have the effect of restricting competition if he exercises his veto. Such restrictions of competition must, however, either actually take place or be likely to have such an effect

73. In *S v ffrench-Beytagh*[60] it was held that the words "likely to have" connote probability and do not embrace mere possibilities or remote contingencies. This interpretation has also been accepted in other cases[61]

74. In assessing whether someone who controls in excess of 25 per cent of the votes in a company is actually restricting competition or will probably do so, one must consider, firstly, whether the mere holding of that amount of shares per se can be said to restrict competition. (210)

75. *British American Tobacco Co Ltd & R J Reynolds Industries Inc v EC Commission* (Philip Morris Inc and Rembrandt Group Ltd intervening)[62] provides an example of how the European Court of Justice views the matter. The relevant facts are briefly as follows.

76. The Rembrandt Group owned Rothmans Tobacco (Holdings) Ltd which in turn controlled Rothmans International PLC, which was a competitor of Philip Morris in the cigarette market. In 1981 Philip Morris and Rembrandt entered into an agreement which gave the two of them joint control over the affairs of Rothmans International. Two competitors, British American Tobacco (BAT) and R J Reynolds (RJR), complained to the Commission which held that the agreement infringed both Article 85 and Article 86 of the Treaty of Rome, more particularly since it was to take effect in an oligopolistic market. The agreement was abandoned and replaced by a new one which was entered into in 1984

77. In terms of the 1984 agreement Philip Morris took a 30,8 per cent shareholding in Rothmans International which, however, carried only 24,9 per cent of the voting rights Rembrand had 43,6 per cent of the voting rights and remained in a position to exercise sole effective control over Rothmans without any reference to Philip Morris The Commission was given various undertakings by Philip Morris, the gist of which was that it would not get into a position to influence the behaviour of Rothmans. The Commission therefore concluded that the 1984 agreement did not involve a restriction of competition for the purposes of article 85 nor constitute an abuse of a dominant position in terms of article 86.

78. The Commission rejected BAT and RJR's complaint against its decision, whereupon the parties appealed to the Court of Justice. The Court of Justice upheld the Commission view that the 1984 agreement infringed neither of the relevant articles.

79. For the purpose of this report the following statement by the Court is important:

"Although the acquisition by one company of an equity interest in a competitor does not in itself constitute conduct restricting competition, such an acquisition may nevertheless serve as an instrument for influencing the commercial conduct of the companies in question so as to restrict or distort competition on the market on which they carry on business.

That will be true in particular where, by the acquisition of a shareholding or through subsidiary clauses in the agreement, the investing company obtains legal or *de facto* control of the comercial conduct of the other company or where the agreement provides for commercial co-operation between the companies or creates a structure likely to be used for such co-operation."

80. Supported by this dictum of the Court of Justice, the Board are of the opinion that a company commanding in excess of 25 per cent of the shares in a rival company cannot on the basis of that fact alone be said to be restricting competition. For this to happen, the company would have to exercise the power of control it had acquired by virtue of its shareholding to effect a restriction of competition, or it must be presumed on reasonable grounds taking account of all relevant facts that it was likely to act in that way.

81. One must accept that where a minority shareholder blocks the passing of a special resolution of a rival company, it will usually claim to have done so to protect its own legitimate interests as a shareholder. The Board would still have to decide whether on the facts a restriction of competition had taken place. It is, however, clear that the rights of a minority rival company shareholer cannot prevail in the face of a restriction of competition by it.

82. In dealing with a restriction of competition which takes the form of a veto of a special resolution the relevant act (i.e. the exercising of the veto) is easy to establish The hreat posed to competition by a company holding in excess of 25 per cent of the votes in a rival company is less easy to detect and hence more ominous where the act is of an indirect or covert nature This could, for example, be the case where a company agrees or offers not to use its veto in exchange for its rivals withdrawal from, or curtailment of activities in, a particular geographical market, or where the veto is used to pressurize the rival into anticompetitive conduct.

Interlocking directorates

83. Although this could enhance economic concentration, the holding of directorships in non-competing companies does not give rise to the complex legal problems one encounters in situations where a person serves on the boards of two or more competing (rival) companies In the field of company law such a situation has been likened to the walking of a tight rope[63] which places the person concerned in an "almost untenable position"[64] or an "extraordinarily difficult situation".[65] Condonation thereof usually entails that practical considerations are given preference over ethical ones

84. Without wishing to be unduly critical, it would seem that many South African directors who serve on the boards of competing companies are not concerned about, or, perhaps, unaware of, their tenuous legal position or the dictates of commercial morality It would also appear that the competition law implications of their dual or multiple board level involvement with competing companies do not receive the attention which they warrant (210

85. For example, various forms of collusion, namely price-fixing, market sharing and collusion on conditions of supply have been outlawed in terms of Government Notice No. 801 of 2 May 1986 The collusive activity can be effected by means of an agreement, arrangement, understanding, business practice or method of trading The possibility cannot be excluded that a board meeting could be used for that purpose, and persons serving on the boards of rival companies cannot blame other business associates or the general public for being sceptical about such a state of affairs.

86. There will be instances where the presence on a company's board of someone who in effect is placed there by a rival company will be viewed with suspicion and even a measure of antagonism by the other board members In such circumstances collusion would be out of the question However, even "unwelcome" directors have the right of access to relevant information concerning the company and cannot be precluded from attending board meetings When confidential information that a company would take great pains to ensure does not fall into the hands of a competitor has to be placed before the board, the "almost untenable position" becomes untenable.

87. The aforegoing considerations are not determinative of whether serving on the respective boards of companies that compete in the same market constitutes a restrictive practice. This question must be resolved with specific reference to the definition.

88. The mere appointment of a director of one company on the board of a rival company cannot be said to restrict competition between them and does not have any of the seven effects stated in the definition of restrictive practice. The same holds true where, say, on a directorate of eight, the rival-company director casts the only vote against a proposal to expand existing markets or open new ones. Even the possession of confidential information does not per se restrict competition or give rise to any of the required effects. This being the case, the key elements necessary to constitute a restrictive practice are absent in these situations. On the other hand, it will be a restrictive practice if a director of one company uses, or is likely to use, confidential information that he obtained in his capacity as director of another rival company to prevent, for example, the expansion of the latter company's existing markets or the opening of new ones and thereby restrict competition between the two. The evaluation of the director's conduct and a finding in respect thereof has in each instance to be made on the basis of the relevant facts.

Acquisition

89. "Acquisition" as defined in the Act means ". . the acquisition by the holder of a controlling interest in any business or undertaking involved in the production, manufacture, supply or distribution of any commodity, of such an interest (a) in any other business or undertaking so involved; or (b) in any asset which is or may be utilized for or in connection with the production, manufacture, supply or distribution of any such commodity, provided such acquisition has or is likely to have the effect of restricting competition directly or indirectly, and 'acquire' has a corresponding meaning."

90. "Controlling interest" is a key concept in that definition. In relation to "(a) any business or undertaking, (it) means any interest of whatever nature enabling the holder thereof to exercise, directly or indirectly, any control whatsoever over the activities or assets of the business or undertaking; and (b) any asset, means any interest of whatever nature enabling the holder thereof to exercise, directly or indirectly, any control whatsoever over the asset."

91. Notwithstanding the elucidation provided in the Act, a number of concepts in the abovequoted definitions require further interpretation This is a task that Parliament has, in the first instance, entrusted to the Board In exercising this function the Board will obviously act responsibly within the bounds of reasonableness and in accordance with the accepted canons of interpretation

92. The "holder" of a controlling interest as it appears in the definition of "acquisition", obviously also means the "holders" of such an interest [66] Denial that "holder" also means "holders" would effectively negate the Act's provisions relating to acquisitions, since it would permit their circumvention at will On the other hand, accepting that two or more natural or juristic persons could be linked together for the purpose of establishing whether a controlling interest had been acquired in a business or undertaking does not mean that this can be done in a frivolous or contrived manner. To the contrary, the required nexus must be reasonable in the circumstances in accordance with the dictates of commercial common sense. The relationship between a holding company and its subsidiaries and between a controlled company and its controlling company clearly suffices, but so too could a relationshiop between the parties acting in concept pursuant to an agreement, arrangement or understanding whether formal or informal, express or tacit.

210

93. "Control" is a word that is not defined in the Act However, in the *Shorter Oxford Dictionary* it is said to mean—

"1 The fact of controlling, or of checking and directing action; domination, command, sway.

2. Restraint, check.

3. A method or means of restraint or check

4. A person who acts as a check; a controller."

In the *Concise Oxford Dictionary* "control" is defined as follows:

"Dominate, command; exert control over *(-ling interest,* ownership of majority stock or other means to determine policy of a business etc), hold in check (oneself, one's anger); check, verify, regulate (prices etc) "

The *Oxford Advanced Learner's Dictionary of Current English* states that "control" is, inter alia, the power to direct, order or restrain"

94. By choosing to define "controlling interest" in terms of "any interest of whatever nature" and "any control whatsoever" which, moreover, can be excercised "directly or indirectly", Parliament has given the concept a wide ranging meaning designed to cover a host of situations. Thus, "any control whatsoever" clearly connotes varying degrees of control ranging from absolute or total control to other lesser forms of control of which cognisance can nevertheless justifiably be taken Bearing in mind that "control" also means "to restrain" or a "method or means of restraint", one may conclude that a controlling interest could be acquired in circumstances where a person holding "any interest of whatever nature" is able—

(a) to exercise *de iure* or *de facto* control over the activities or assets of a business or undertaking, eg by being able to dictate what policies the business or undertaking should pursue or what course of action it should take, and

(b) to utilise the interest he has in a business only to prevent certain actions relating to the activities or assets of the business from taking place.

95. In regard to this finding it is opportune to refer to what Mr H. F. Oppenheimer a former chairman of Anglo and De Beers, thought. He wrote:

"[The] Group System as we understand it in South Africa, does not involve the control by one company of others in the sense of the controlling company holding the majority of the share capital in a number of subsidiaries. We speak loosely of certain companies being controlled by the Central Mining or the Union Corporation or the Anglo America and so on. But while the so-called controlling company will hold a share interest, and usually a large share interest, in the companies of its group, it will seldom, if ever, hold anything approaching a majority interest

Very often effective control will be exercised when only a comparatively small interest in the controlled company is held."[67]

96. The wide import that the concept of "controlling interest" lends to the definition of "acquisition" is attenuated by the proviso that an acquisition must have or be likely to have the effect of "restricting competition directly or indirectly".

97. "Restricting competition" is another term that is not defined in the Act. At first blush it may appear to be a phrase of stark simplicity The truth is it is one of considerable complexity that poses conceptual problems.[68] In applying it the Board cannot give it an abstract meaning, but must take due cognisance of all the relevant factors in a given case and be guided by the dictates of commercial common sense. This process will invariably involve an identification of the relevant product and geographic markets and the relative market share of the firms operating therein

98. The Board's *Policy Guidelines on Acquisition of Control* (1981) state that the Board only has an interest in acquisitions which seem likely to have a "significant effect" on competition. This indicates adherence to the maxim *de minimus non curat lex* which is also the approach followed by the European Court of Justice in interpreting the Common Market's rules on competition [69] Canadian,[70] New Zealand[71] and Australian[72] legislation on the subject specifically provide for a "substantial" lessening of competition. Although a transaction will usually be judged in isolation in determining whether its effect on competition is significant, the cumulative effect of a series of smaller acquisitions over a period of time could, in the appropriate circumstances, be taken into account in ascertaining the impact on competition

99. Some adverse effects on competition are more readily discernible than others. As a general rule the Board will, in line with the practice in other legal systems, accept that there will be an impact on competition warranting closer appraisal where a merger or take-over leads to the acquisition or strengthening of a dominant position,[73] or where it results in the removal of an effective competitor.[74] Barriers to entry also warrant consideration in this context. It has been suggested that any merger policy that places a high value on economic efficiency and consumer welfare must designate as "barriers to entry" only those things that permit incumbent firms to engage in monopoly pricing while keeping outsiders from entering the market.[75] 210

100. For the purpose of determining whether an acquisition has been made, a shareholding in excess of 50 per cent obviously entails *de iure* control over the company, while a stake of less than 50 per cent could result in *de facto* control.[76] Any person who on the basis of his voting power is able to block the passing of a special resolution also has a controlling interest in the company Each of these manifestations of a controlling interest does not *per se* suffice to constitute an acquisition It is only when they actually or are likely to, result in a restriction of competition, or are exercised in a manner that produces such a result or will probably do so that an acquisition can be said to have taken place.

101. Merely becoming a director of a company, even if the person concerned is already the director of a rival company, does not confer a controlling interest. Alliances entered into by such a director with other board members enabling them to command a majority of votes at board meetings could, however, do so The issue of the required restriction of competition or the probability thereof nevertheless still remains and would have to be established on the facts before an acquisition can be said to have taken place or that this is likely to occur

Monopoly situation

102. To many people "monopolist" is a word pregnant with foreboding. The reason for this is the perceived and, in some cases, clearly proven social cost that society suffers as a result thereof,[77] even though society is not necessarily poorer because the monopolist exists It is therefore to be expected that states will have mechanisms to prevent or to minimise the harmful effects that a monopolist, if allowed a free rein, could inflict upon society

103. For example, in America section 2 of the Sherman Act states in part:

"every person who shall monopolize, attempt to monopolize or conspire with any other person or persons to monopolize any part of the trade or commerce among the several States . . . shall be deemed guilty of a misdemeanor."

It is recognised that a monopoly power can come about as a result of superior product, business acumen, natural advantages, economic or technological efficiency or historic accident,[78] and the mere possession of monopoly power does not *ipso facto* condemn a market participant Illegal monopolization accordingly requires a showing that the defendant (a) has "monopoly power", which is substantial market power and (b) has exercised that power.[79]

104. A number of legal systems no longer use the words "monopolist", "monopoly" or "monopolize" in their antitrust legislation, preferring instead to work with the concept of "dominant position" and to outlaw any abuses of such a position.[80]

105. In South Africa a "monpoly situation" is defined to mean—

". . . a situation where any person, or two or more persons with a substantial economic connection, control in the Republic or any part thereof, wholly or to a large extent, the class of business in which he or they are engaged in respect of any commodity".

106. At the outset it should be noted that the definition focuses on relative as distinct from absolute size. In other words, bigness per se is not the target Another mistake which is sometimes made is to believe that if there are multiple shareholders in a company that company cannot be regarded as a monopolist The definition clearly does not permit such an interpretation. Further elucidation on some of the specific components of the definition is also required

107. In terms of section 2 of the Interpretation Act 1957, public and private companies, close corporations and other juristic persons, partnerships and individuals are all "persons" for the purpose of determining whether a monopoly situation exists.

108. "Commodity", as defined in the Act, includes any make or brand of any commodity, any book, periodical, newspaper or other publication, any building or structure and any service, whether personal, professional or otherwise, including any storage, transporation, insurance or banking service.

109. The determination of what constitutes "the Republic or any part thereof" has to be done in accordance with the dictates of commercial common sense after due appraisal of all the relevant facts "Any part" could, for instance, comprise the whole or part of one of the provinces, or the whole or part of two or more provinces.

110. "Business" is a word of wide connotation and signifies any activity which occupies a person's time and attention usually, but not necessarily, with the object of making a profit [81]

210

111. In *Salisbury City Council v Donner*[82] Murray CJ had this to say concerning "class":

"The word 'class' is indefinite In cases where business consists of rendering service, the number of classes depends on the varieties of services rendered. Where it consists of sale of goods there are obviously different classes of business according to the difference in character of the goods sold. Equally it seems to me, there are different classes of business according to the varying manners in which business is conducted "

112. As already mentioned, in other legal systems the rules governing competition necessitate utilisation of the concept of the "relevant market" in dealing with acquisitions[83] or alleged abuses of a dominant position [84] When comparisons are made between "class of business" as defined by Murray CJ, read in conjunction with "any commodity", and the "relevant market", it emerges that the former is a more narrowly delineated concept than that of "relevant market"

113. A number of factors, any one of which, when taken separately, need not necessarily be determinative, have a bearing on whether a person "controls . wholly or to a large extent" a class of business. More specifically, regard ought to be paid to—

(a) the market share, technical knowledge, and access to raw materials and/or capital of the person whose position is being assessed;

(b) the comparative strength of that person's competitors (if any) in the relevant class of business and the ease with which new competitors could enter such a business; and

(c) the extent to which that person is constrained by the conduct of suppliers or acquirers of goods or services in the relevant class of business.[85]

The words "to a large extent" draw within the compass of the definition persons who, while not having exclusive control in the class of business in which they operate, are nevertheless in a position to exercise substantial control over it. The quantitative and qualitative parameters of the prescribed degree ("large extent") of control have to be decided on a case to case basis in accordance with the dictates of commercial common sense. It is nevertheless clear that the extent of control required in the case of a monopoly situation is more extensive than that in the case of an acquisition.

114. In order to constitute a monopoly situation a person must control the class of business in respect of a particular commodity. For two or more persons to bring about such a situation, there must in addition be a "substantial economic connection" between them Without any further clarity in regard to this phrase to be found in the Act itself, "substantial economic connection" must perforce be assessed on an ad hoc basis taking due cognisance of all the relevant facts.

115. The relationship between a holding company and its subsidiaries or between a controlling company and the companies it controls points inexorably to a substantial economic connection between them. A crossholding of shares of significant proportions coupled with interlocking directorates would also, in the Board's opinion, be indicative of the required connection At the other end of the scale an agreement, arrangement or understanding between two otherwise unconnected entities to control a class of business arguably does not qualify as a substantial economic connection. Their agreement, arrangement or understanding could, however, constitute a restrictive practice or even contravene Government Noice No 801 of 2 May 1986. Since "substantial economic connection" must be read in conjunction with "control", it whould appear that where one company has a shareholding of, say, 29 per cent in another company but with no prospect of ever persuading the latter to co-operate with it for the purpose of controlling a particular class of business, the required "substantial economic connection" between them to constitute a monopoly situation does not exist

Public interest

116. In the final analysis restrictive practices, acquisitions and monopoly situations are all judged against whether they serve or are contrary to the pubic interest. Conduct or transactions which constitute a restrictive practice or an acquisition are in effect deemed to be against the public interest This can be gleaned from section 12 (2) of the Act which states that if the Board are not satisfied that a restrictive practice or acquisition is justified in the public interest, they shall recommend to the Minister that he take such action under section 14 (1) as the Board may consider necessary in the circumstances A monopoly situation, on the other hand, is in effect deemed not to be against the public interest. Section 12 (2) provides that only when the Board are satisfied that a monopoly situation is not justified in the public interest can they make a recommendation to remedy the situation.[86]

117. The uninitiated or the uncomprehending may be inclined to regard "public interest" as a "totally vacuous" concept They would, of course, be wrong to do so "Public interest" along with *"boni mores"*, "good faith", the "reasonable man", etc, are crucial concepts for the proper functioning of any sophisticated legal system They allow for essential flexibility in the application of the law in vastly different situations and changing circumstances for which no legislator, however meticulous and far-sighted it may be, would ever be able to cater satisfactorily within the inherent rigidity of statutory enactments

118. All antitrust legislation or jurisprudence directly or indirectly rely on the concept of "public interest" or its equivalent.[87] The content of the concept may vary somewhat from country to country, but there is still a great deal of common ground to be found among them

210

119. In Australia authorisation for an acquisition covered by s 50 or s 50A of the Trade Practices Act 1974 will only be granted where it results, or is likely to result, in some public benefit which has been described as "a net or overall benefit after any detriment to the public resulting or likely to result from the proposed acquisition has been taken into account".[88] The tribunal in the *QCMA* case, [89] which was decided before the 1977 amendments to to the Act, adopted a "balance sheet approach" weighing up likely benefits and detriments and stated that a wide concept of public interest is involved in the test, including the interests of the public as purchasers, consumers or users. Reference may also be made to the Trade Practices Commission's *Merger Guidelines* where it is stated that the Commission recognises that mergers could result in a public benefit where they—

(a) effect a beneficial rationalisation of industry by resulting in greater efficiency and better allocation of resources (which must be demonstrated),

(b) promote the attainment of international competitiveness (whether on domestic markets against imports or in the export field),

(c) result in (i) higher contributions to significant R & D activities, (ii) infrastructure development in regional areas, (iii) enhanced ability to absorb cost increases and/or contain price increases, and (iv) substantial stability and enhancement of employment [90]

120. Section 84 of the United Kingdom's Fair Trading Act 1973 states that the Monopolies and Mergers Commission in deciding whether any particular matter operates against the public interest may take into account all matters which appear to them in the particular circumstances to be relevant including—

(a) maintaining and promoting effective competition between persons supplying goods and services in the United Kingdom;

(b) promoting the interests of consumers, purchasers and other users of goods and services in respect of the prices charged for them, their quality and variety,

(c) promoting the development and use of new techniques and new products;

(d) maintaining and promoting the balanced distribution of industry and employment in the United Kingdom; and

(e) maintaining and promoting competive activity in markets outside the United Kingdom on the part of producers of goods, and of suppliers of goods and services, in the United Kingdom.

121. The Canadian Competition Act 1986 does not contain any express provisions on the content of public interest or public benefit. One way nevertheless infer such content from the "Purpose" section of the Act which states that competition must be maintained and encouraged in Canada in order to promote the efficiency and adaptability of the Canadian economy in order, *inter alia*, (a) to expand opportunities for Canadian participation in world markets, (b) to ensure that small and medium-sized enterprises have an equitable opportunity to participate in the Canadian economy, and (c) to provide consumers with competitive prices and product choices

122. In deciding whether conduct, a transaction or a situation serves the public interest, the Board in effect also follow a so-called "balance sheet" approach which recognises that the various interests that are identified in a given case will not necessarily coincide, in which case they are weighted according to their relative importance and then balanced [91] Most of the factors referred to in the immediately preceding paragraphs have on different occasions been taken into account by the Board. The Board's 1981 *Guidelines on Acquisitions of Control* more specifically list greater efficiency, technological progress, improved employment opportunities and a positive impact on the country's balance of payment position as factors that serve the public interest.

123. Although the Board and the Minister both have to measure the conduct of parties or a particular transaction against the public interest criterion in deciding whether the rules governing competition have been breached, this does not mean that their respective perceptions of that concept, and hence their findings in a particular case, will necessarily coincide [92]

APPLICATION OF THE PRINCIPLES

Introduction

124. When giving notice of an investigation in terms of s10 of the Act the Board must have reason to believe that (a) a restrictive practice exists or may come into existence, (b) an acquisition has been or is proposed to be made, or (c) a monopoly situation exists or may come into existence The purpose of an investigation is accordingly either to confirm the Board's *prima facie* impressions and to place them in a position to recommend remedial action, or to allay their initial concerns To this end all interested parties are invited to produce evidence and arguments which could have a bearing on the matter The Board will usually not be in a position to make categorical pronouncements on the relevant issues at the initial stage of an investigation, but will, where this appears necessary, convey their impressions regarding involvement in a perceived restrictive practice, acquisition or monopoly situation to the parties concerned once sufficient clarity has been obtained. Parties will then be afforded the chance to respond before the Board finalises their report (210)

125. A feature of the Anglo and De Beers submissions was the great store placed on company law principles and the rights acquired in terms of those principles. In fact it is almost as if they implicitly sought to afford these principles the status of a *grundnorm* to which other branches of the law, including the rules governing competition, were or ought to be subservient.

126. To obviate any misunderstanding that may still exist in this regard, it must be pointed out that the principles of company law cannot be relied upon to subvert the rules governing competition. Actions that may be legitimate under company law could nevertheless be unacceptable in terms of the Maintenance and Promotion of Competition Act 1979 Consider in this regard the Securities Regulation Panel's *Code on Takeovers and Mergers,* which was issued in terms of s 440C of the Companies Act 1973, which states in the Explanatory Note to the Code that "The rules governing competition could, in their own right, have a bearing on affected transactions".

Even more emphatic is section 14 (1) (c) of the Act which empowers the Minister to declare a restrictive practice, acquisition or monopoly situation unlawful and to require any person concerned in such restrictive practice or monopoly situation, or who was a party to such acquisition, (a) to dissolve any body corporate or unincorporate, (b) to sever any connection or any form of association between two or more persons, including such bodies, (c) to terminate the membership of a member of any body corporate, or (d) to prohibit the exercising of any right to vote attached to the holding of any share in such body.

127. To aver in the circumstances that, regardless of their impact on competition, the actions which a minority shareholder may take in a company law context are immune from the Board's or the Minister's scrutiny, is to misconstrue the parameters of a minority shareholder's rights

Appointments to GFSA directorate

128. The action taken at GFSA's postponed annual general meeting held on 15 January 1991 which saw Mr E. P. Gush voted off the GFSA board of directors, vindicated Anglo and De Beers' contention that they and their subsidiary and associated companies did not have any right or power to appoint one or more of GFSA's directors. This being the case, it is only their shareholding in GFSA that has to be appraised.

Restrictive practice

129. Information provided by GFSA shows that for the period 1980 to 1989 the percentage attendance of shareholders at meetings varied from a low of 42 per cent to a high of 71 per cent. The average attendance during this time was 54 per cent. One may therefore conclude that at any time during the aforesaid period a maximum shareholding of 18 per cent was all that was required to block a special resolution. Immediately prior to 1 June 1989 Anglo and De Beers and their subsidiary and associated companies held more than 18 per cent of the shares in GFSA

130. The Board accept that the holding of shares by one company in a competitor's business, albeit of a sufficient extent to block a special resolution, does not per se constitute a restrictive practice However, the exercising of such veto power could well give rise to such a practice in the appropriate circumstances.

131. No evidence was forthcoming which suggested that Anglo and De Beers had ever exercised or threatened to use their voting rights in GFSA in a manner that restricted or would restrict competition between them. While the Board do not preclude the *possibility* that they could attempt to do so in the future, the evidence does not support a finding that they would *probably* act in this way The Board therefore conclude that the purchase of shares in GFSA by Anglo and De Beers or their subsidiary and associated companies since 1 June 1989 does not constitute a restrictive practice

Acquisition

132. During the proceedings that were triggered by Minorco's bid for Consgold, Britain's Monopolies and Mergers Commission[93] and the European Commission[94] left no doubt that Anglo and De Beers must be considered jointly in regard to their holdings in other companies Bearing in mind that (a) each of the two companies has a shareholding in excess of 30 per cent in the other, (b) the two companies have the same chairman, a common deputy chairman, four other persons who serve on the boards of both companies and two alternate directors of Anglo who serve on the De Beers board, and (c) the two companies each hold 50 per cent of the shares in Isatin Investment Holdings (Pty) Ltd, the Board have no hesitation in accepting that for the purposes of this investigation Anglo, De Beers, Isatin and Amgold can jointly be regarded as the holder of an interest in GFSA

133. Furthermore, the Board are of the opinion that the extent of the aforesaid companies' combined interest constitutes a "controlling interest" as prescribed in the definition of "acquisition". However, the Board do not believe that the holding of such a "controlling interest" in GFSA by the companies concerned per se restricts competition between them and GFSA In the absence of evidence supporting a contrary viewpoint, the Board accordingly find that the purchase of shares in GFSA by Anglo and De Beers or their subsidiary and associated companies since 1 June 1989 did not result in an acquisition

210

Monopoly situation

134. GFSA is a company that is determined not to be dominated or controlled by Anglo and De Beers. This makes it unlikely that they will co-operate with Anglo and De Beers to jointly control a particular class of business There is certainly no evidence to the contrary. One may therefore accept that the existing extent of Anglo and De Beers' shareholding in GFSA does not suffice to support a finding that there is a "substantial economic connection" between them giving rise to the control of a particular class of business. The purchase of shares in GFSA by Anglo and De Beers or their subsidiary and associated companies since 1 June 1989 accordingly did not result in the creation of a monopoly situation involving all these companies.

RECOMMENDATION

135. Since the particular facts encountered in this investigation neither constitute a restrictive practice or an acquisition nor give rise to a monopoly situation, no further action needs to be taken by the Board or the Minister.

POST SCRIPT

136. This investigation involved a company in which two of the country's major conglomerates, the Rembrandt Group and the Anglo Group, each have a substantial stake. Although the allegations of anticompetitive behaviour have been addressed, the Board believe the time is opportune for them and, indeed, all interested parties to focus on the wider implications of the case, namely the substantial network of formal relationships that exist between the major conglomerates in South Africa.

137. The concern over the extent of corporate conglomeration is wide-spread and covers all shades of political opinion. There are, of course, those who, perhaps having lost touch with the views and aspirations of the citizens of this country, are quite happy to maintain the *status quo*. Others, possibly on account of their being part and parcel of a conglomerate structure, make thinly-veiled attempts to divert attention from the issue[95] In contradistinction, there have been unequivocal calls for the "dismemberment of the conglomerates".

138. The Board accept as a point of departure that some measure of corporate conglomeration or diversification is not only tolerable but desirable However, the indications are that both from an economic and a political[96] perspective the degree of economic concentration in this country is probably too high. The search for a solution must be conducted in a responsible manner and take due cognisance of the peculiarities and economic imperatives of our situation. In particular idealism should be tempered with pragmatism. After all, it is in nobody's interest to throw the baby out with the bathwater.

139. The captains of industry should be in the vanguard of reform They have the experience and innovativeness (and, hopefully, also the courage) to identify those activities and entities within their groups which can survive and prosper on their own Press reports indicate that this is already being done in some groups, but the process needs to be extended and should include the identification of barriers to entry and inefficiencies that are caused by excessive conglomeration At the same time one must recognise that it will be more difficult to achieve the desired results during an economic phase that militates against corporate centrifugalism

140. It will serve no purpose to treat the symptons and ignore the root causes of the problem. Government policies which in the past may have contributed to economic concentration will need to be reappraised and, where necessary, rescinded.

141. If, as a result of a lack of action or resolve, there should be no discernible improvement in the situation in the short term, it is conceivable that a few years hence more dramatic steps akin to those introduced by the Supreme Commander for the Allied Powers in Japan after the Second World War, which included the Elimination of Excessive Concentration of Economic Power Act of December 1947,[97] are likely to be implemented.

142. The disentanglement of corporate competitors is just as important as and probably less traumatic to effect than the trimming of the conglomerates One of the pertinent issues in this regard is that of interlocking directorates Effective competition is continuously under actual or potential threat while a director from one company is able to sit on the board of another company with which it competes in a particular market, especially where the person concerned is a nominee of the rival company The argument that nothing untoward will happen because directors are bound in terms of their fiduciary duties to act at all times in the best interests of the respective companies is really not entirely convincing. Persons who find themselves in this position should therefore do some serious soul-searching if they recognise the significance of the competitive process in a market driven economy

219

49 *Meinhard v Salmon* 249 NY 458, 463–464.

50 *Burg v Horn* 380 F 2d 897

51 *United Aircraft Corp v Boreen* 413 F 2d 694.

52 *State Teachers Retirement Board v Fluor Corp* 566 F Supp 939; *O'Connor & Associates v Dean Witter Reynolds Inc* 529 F Supp 1179.

53 (1973) 40 DLR (3d) 371.

54 Beck "The quickening of a fiduciary obligation· Canadian Aero Services v O'Malley" (1975) 53 *Canadian Bar Review* 771, 773

55 *Bellairs v Hodnett* 1978 (1) SA 1109 (A).

56 See in general Naudé 135.

57. 1981 (2) SA 173 (T)

58 1988 (2) SA 54 (T).

59 *Prok Afrika (Pty) Ltd v NTH (Pty) Ltd* 1980 (3) SA 687 (W); *Dun and Bradstreet (Pty) Ltd v SA Merchants Combined Credit Bureau (Cape) (Pty) Ltd* 1968 (1) SA 209 (C), *Harvey Tiling Co (Pty) Ltd v Rodomac (Pty) Ltd* 1977 (1) SA 316 (T), *Wilrose Timbers (Pty) Ltd v C E Westegaard (Pty) Ltd and Others* 1980 (2) SA 287 (W), *Northern Office Micro Computers (Pty) Ltd v Rosenstein* 1981 (4) SA 123 (C), *SA Historical Mint (Pty) Ltd v Sutcliffe* 1983 (2) SA 84 (C); *Multi Tuber Systems (Pty) Ltd v Ponting* 1984 (3) SA 182 (D).

60 1972 (3) SA 430 (A) 458

61. *S v Ncokazi* 1980 (3) SA 789 (TkSc); *S v Leepile and Others (1)* 1986 (2) SA 333 (T); *S v Madlavu and Others* 1978 (4) SA 218 (E)

62. 1988 4 CMLR 24.

63 Gower *The Principles of Modern Company Law* 3ed (1969) 549

64 Cilliers & Benade *et al Corporate Law (1987) 229*

65. Beck (1975)53 *Canadian Bar Revue* 771, 788

66 Interpretation Act 33 of 1957 s6.

67 Oppenheimer "Union's group mining system" (1954) 44 *Mining and Industrial Magazine* 323 See also *Gulf & Western Industries Inc v Pacific Tea Co* 476 F 2d 687, 694 where it was held that " . . (a)s a matter of law, we are not aware of any decision that requires numerical control in order to establish an antitrust violation," and ss 47 and 48 of the New Zealand Commerce Act 1986 which state that the right to exercise or control 20 per cent or more of the voting power at any general meeting of a company constitutes a "controlling interest"

68. Whish 44; Neale & Goyder *The Antitrust Laws of the USA* 3ed (1980) 21–30; Bellamy & Child *Common Market Law of Competition* 3ed (1987) 63.

69 *Völk v Vervaeke* 1969 ECR 295, 1969 CMLR 273, *Beguelin Import v SAGL Import/Export* 1971 ECR 949, 1972 CMLR 81; *Société Technique Minière v Mashinenbau Ulm Gmbh* 1966 ECR 235, 1966 CMLR 357, *Cadillon v Hoss* 1971 ECR 351, *Salonia v Poidomani and Giglio* 1981 ECR 1563

70 Competition Act 1986 s 64.

71 Commerce Act 1986 s 27.

72. Trade Practices Act 1974 ss 45, 45D, 47, 49.

73 See eg the New Zealand Commerce Act 1986 s 66 *et seq*, Australian Trade Practices Act 1974 s 50, German Gesetz Gegen Wettbewerbsbeschrankungen art 24 (1); *US v Philadelphia National Bank* 374 US 321, 363, *US v General Dynamics Corp* 415 US 486, 497, and Council Regulation (EEC) 4064/89 of 21 December 1989 on the control of concentrations between undertakings in the European Community which was foreshadowed by the European Court of Justice in *Europemballage and Continental Can v Commission* 1973 ECR 215, 244–245

74 Canadian Competition Act 1986 s 65 (f)

75. Hovenkamp 306.

76 Naudé 271.

77 Blair & Kaserman chapter 2; Hovenkamp 19; Shepherd 34, 105, Waldman 4

78 *US v Grinnell Corp* 384 US 563, 578; *US v United Shoe Machinery Corp* 110 F Supp 295 affirmed per curiam 347 US 521

79. Hovenkamp 137 For a review of all the leading cases on the subject see Waldman 40

80 See eg article 86 of the Treaty of Rome; New Zealand Commerce Act 1986 s 36, Canadian Competition Act 1986 s 50, Australian Trade Practices Act 1974 s 46.

81 *Cape Town Municipality v Clarensville (Pty) Ltd* 1974 (2) SA 138 (C) 148D.

82 1958 (2) SA 368 (R) 370

83 See pars 9 and 10 *supra*

84 See eg the European Court of Justice's decisions in *Europemballage Corp and Continental Can Co Inc v EC Commission* 1973 ECR 215, 1973 CMLR 199, *Istituto Chemioterapico Italiano SpA and Commercial Solvents Corp v EC Commission* 1974 ECR 223, 1974 1 CMLR 309, *United Brands Co and United Brands Continental BV v EC Commission* 1978 ECR 207, 1978 1 CMLR 429, *Hoffmann-La Roche & Co AG v EC Commission* 1979 ECR 461, 1979 3 CMLR 211; *Hugin Kassaregister AB and Hugin Cash Registers Ltd v EC Commission* 1979 ECR 1869, 1979 3 CMLR 345.

85 See, inter alia, *In re Continental Can* 1972 CMLR D11, D27, *Hoffman-La Roche supra* at 524/277, *United Brands supra* at 277/486, New Zealand Commerce Act 1986 s 3 (8), Australian Trade Practices Act 1974 s 46

86 See section 14 which provides for similar approach by the Minister (210)

87 See, inter alia, Britain's Fair Trading Act 1973 s 84 and Restrictive Trade Practices Act ~~1976~~ ss 10 and 19, Australia's Trade Practices Act 1974 ss 50 and 50A, New Zealand's Commerce Act 1986 ss 61 (6) and 66 (8) Even the American "rule of reason" test for anticompetitive behaviour permits the assessing of such behaviour in conjunction with the social benefits that may ensue from it *Chicago Board of Trade v United States* 246 US 231, 238

88 *In re Rural Traders Co-operative (WA) Ltd and Others* 1979 ATPR § 40–110.

89 1976 ATPR § 40-012

90 Healey *Australian Trade Practices Law* (1988) 252

91 See paragraph 50 of Report No 27 *Investigation into Allegations of Restrictive Practices by or Involving Pharmaceutical Wholesalers and Retail Pharmacies* published under Government Notice No 684 in *Government Gazette* No 13422 of 26 July 1991 For a more comprehensive exposition see Alberts "Die betekenis van die openbare belang by die regulering van mededinging" (1990) 2 *SA Mercantile Law Journal* 285

92 See in this regard the Board's recommendations concerning restrictive practices in the liquor industry (Report No 10 31 March 1982) and the Government's eventual decision on the matter Rees "Monopolies and the public interest" 1983 *Leadership SA* 133

93 *Minorco and Consolidated Gold Fields PLC A Report on the Merger Situation* Cm 587 par 2 3

94 Re Case No IV/32 95 *Consolidated Gold Fields/Minorco* par 5.

95 *Financial Mail* 2 August 1991 at 62

96 In this regard it may be mentioned that in enacting antitrust legislation such as the Sherman Act and Clayton Act, the American Congress was convinced that a competitive economy would best promote a democratic society Senator Sherman himself accurately articulated the feelings of the American people when he said they would neither endure a king or emperor, nor submit to "an autocrat of trade"· Seplaki *Antitrust and the Economics of the Market Text, Readings, Cases* (1982) 12

97 Iyori & Uesugi *The Antimonopoly Laws of Japan* (1983) 9.

98 See in general the American Bar Association's *Antitrust Law Developments (Second)* (1984) 210

99 Carrol "Trade practice implications of director interlocks" (1990) 18 *Australian Business Law Review* 395, Carrol, Stening & Stening "Interlocking directorships and the law in Australia" 1990 *Company and Securities Law Journal* 290

100 *Financial Mail* 17 August 1990 at 89

101 *Annals of the American Academy of Political and Social Science* January 1915 at 45, reproduced in Hahlo's *South African Company Law Through the Cases* 432

(15 November 1991)

KENNISGEWING 1103 VAN 1991

ADMINISTRASIE: VOLKSRAAD

DEPARTEMENT VAN LANDBOU-ONTWIKKELING

KENNISGEWING VAN VERGADERING VAN SKULDEISERS KRAGTENS ARTIKEL 22 (1) VAN DIE WET OP LANDBOUKREDIET, 1966

Hierby word 'n vergadering van ondergenoemde applikante en hulle skuldeisers op die plek en datum hieronder genoem, belê, met die doel om skuldeisers in staat te stel om hul vorderings teen die applikante te bewys en 'n skikkingsvoorstel van die Landboukredietraad te oorweeg

J. H. SMIT,
Direkteur Direktoraat Finansiele Bystand,
Departement van Landbou-ontwikkeling

NOTICE 1103 OF 1991

ADMINISTRATION: HOUSE OF ASSEMBLY

DEPARTMENT OF AGRICULTURAL DEVELOPMENT

NOTICE OF MEETING OF CREDITORS IN TERMS OF SECTION 22 (1) OF THE AGRICULTURAL CREDIT ACT, 1966

A meeting of the undermentioned applicants and their creditors is hereby convened at the place and date mentioned hereunder for the purpose of enabling creditors to prove their claims against the applicants and of considering a proposal for a compromise by the Agricultural Credit Board.

J. H. SMIT,
Director Directorate Financial Assistance,
Department of Agricultural Development

Aansoek van Application by	Plek van byeenkoms Place of meeting	Datum en tyd Date and time
Coenraad Petrus Groenewald (Id. 360612 5013 004) en Jacobus Stephanus Strydom (Id. 460109 5035 086), van die plaas/of the farm Rietgat en Cyferfontein, Posbus/P O Box 56, Coligny, 2725	Kantoor van die Landdros/Magistrate's Office, Coligny	17 Desember/December 1991 om/at 10 00

143. In this investigation the Board indicated that the rules governing competition could be utilised to remove a director of one company from the board of a rival company where it is shown that this had lead to a restriction of competition between the two. Unfortunately, the procedural and evidentiary aspects of this remedy and the reactive nature thereof will often undermine its efficacy, which is why the Americans, on the basis of prevention is better than cure, saw fit to enact section 8 of the Clayton Act which outlaws interlocking directorates between certain categories of companies[98] and why voices are being raised for the introduction of equivalent provisions in Australia.[99]

210

144. If the general sentiment among company directors is that it would be "reasonable enough" to allow Anglo and De Beers to be privy to a discussion between the directors of GFSA on, say, a merger with Genmin,[100] or if, as Louis Brandeis has put it,[101] the practice of interlocking directors has helped to create a financial power so great that even the best men find themselves unduly influenced by it, then the "strict ethic" which Goldstone JA believes should be enforced in this area of the law is in jeopardy, and would warrant remedial action. Any envisaged changes to the present situation would, of course, have to be preceded by public debate on the issue.

REFERENCES

1 "The Sherman Act and the economic power problem" (1990) 35 *Antitrust Bulletin* 25, 28. See also Austin *Antitrust. Law, Economics, Policy* (1976) §2–1 and Areeda "Introduction to antitrust economics" (1983) 52 *Antitrust Law Journal* 523

2 Hill & Jones *Competitive Trading in New Zealand* (1986) 1; Blair & Kaserman *Antitrust Economics* (1985) 21; Waldman *The Economics of Antitrust Cases and Analysis* (1986) 4; Whish *Competition Law* 2ed (1989) 3; Scherer *Industrial Market Structure and Economic Performance* 2ed (1980) chapter 2, Lipsey *An Introduction to Positive Economics* 6ed (1983) chapter 19

3. Hill & Jones 7 See also Blair & Kaserman 4; and Hovenkamp *Economics and Federal Antitrust Law* (1985) 2

4 Cornell & Webbink "Public utility rate-of-return regulation Can it ever protect customers?" in Poole (ed) *Unnatural Monopolies* (1985) 27 at 28

5 Blair & Kaserman 25, Waldman 4; Hovenkamp 14; Shepherd *The Economics of Industrial Organization* 3ed (1990) 34.

6 Cowen "A survey of the law relating to the control of monopoly in South Africa" (1950) 18 *South African Law Journal* 124.

7 Shepherd "Section 2 and the problem of market dominance" (1990) 35 *Antitrust Bulletin* 833, 835

8 Shepherd *The Economics of Industrial Organization* 22 and 282 and the further works cited there; and Baumol, Panzer and Willig *Contestable Markets and the Theory of Industry Structure* (1982)

9. Blair & Kaserman 107 See further Hovenkamp 70 who states that elasticity of demand and supply are important to determining the proper geographic market, Canadian *Merger Enforcement Guidelines* (1991) par 3 3; USA Department of Justice *Merger Guidelines* (1984) par 2.3; and Brunt " 'Market definition' issues in Australian and New Zealand trade practices litigation" 1990 *Australian Business Law Review* 86

10 Blair & Kaserman 108; Shepherd 53; Hovenkamp 59. See also Canadian *Merger Enforcement Guidelines* (1991) par 3 2, and USA Department of Justice *Merger Guidelines* (1984) par 2.1

11 Fourie & Smith "Trends in economic concentration in South Africa" (1990) 58 *South African Journal of Economics* 371; Fourie "Economic concentration and anti-inflationary demand policy in South Africa" (1991) 59 *South African Journal of Economics* 16, 33

12. McGregor's *Economic Alternatives* (1990) 388.

13 Areeda & Turner *Antitrust Law* (1980) § 910d, Stigler *The Organization of Industry* (1983) 58

14 Hovenkamp 300.

15. Bork *The Antitrust Paradox A Policy at War with Itself* (1978) 221

16. 384 US 270, 86 SCt 1478.

17 *US v Pabst Brewing Co* 384 US 546, 86 SCt 1665

18 Canadian *Merger Enforcement Guidelines* (1991) par 4.2 1

19. Rule & Meyer "Toward a merger policy that maximizes consumer welfare: Enforcement by careful analysis, not by the numbers" (1990) 35 *Antitrust Bulletin* 251, 266 See also Canadian *Merger Enforcement Guidelines* (1991) par 4.2.1 where it is stated that in all cases an assessment of market shares and concentration is only the starting point of the Bureau's analysis In fact s64 (2) of the Canadian Competition Act 1986 states that the Tribunal shall not find that a merger or proposed merger prevents or lessons competition substantially solely on the basis of evidence of concentration or market share

20 Shepherd *The Economics of Industrial Organization* chapter 5. *Report of the Commission of Inquiry into the Regulation of Monopolistic Conditions Act 1955* (1977) 49 See further Britain's Department of Trade and Industry's paper on *Mergers Policy* (1988) Annex E

21 Mergers involving failing companies are also treated differently in other legal systems See eg USA DOJ's *Merger Guidelines* (1984) par 5 1, Canada's *Merger Enforcement Guidelines* (1991) par 4 4, Hill & Jones 150 The "failing company doctrine" is not a panacea for the revival of every unsuccessful business 210

22 *Economic Alternatives* (1990) 356 as updated· *Pretoria News* 28/2/91

23 See also *Report of the Commission of Inquiry into the Regulation of Monopolistic Conditions Act 1955* (1977) 43

24 Bork 248

25 *US v El Paso Natural Gas Co* 376 US 651, 84 SCt 1044, *FTC v Procter & Gamble Co* 386 US 568, 87 SCt 1224, *US v Falstaff Brewing Co* 410 US 526, 93 SCt 1096 For a critical appraisal of these and other cases see Hovenkamp 331 who suggests that the perceived potential entrant doctrine is controversial

26 *FTC v Consolidated Foods Corp* 380 US 592, 594, 85 SCt 1220, 1221–22 See further the criticism of Hovenkamp 328 and 336

27 *Merger Enforcement Guidelines* (1991) par 4 12

28 Whish 732

29 *Rank Organization/de la Rue* HCP (1968–69) 298, *Lonrho/House of Fraser* HCP (1979) 175

30 *Charter Consolidated Ltd/Anderson Strathclyde* Cmnd 8771 (1982)

31 Shepherd *The Economics of Industrial Organization* 382, Scherer 340–43, Baker "Recent developments in economics that challenge Chicago school views " (1989) 58 *Antitrust Law Journal* 645, 650–51, Gort and Swanson "Conglomerate size and competition between large and small firms" (1983) 28 *Antitrust Bulletin* 337

32 Competition Board Report No 20 *Investigation to Determine whether an Acquisition by Anglo American Corporation Limited and De Beers Consolidated Mines Limited of Goldfields of South Africa Limited has been, was being or was Proposed to be Made* (1989) pars 44–51

33 Competition Board Report No 20 par 83

34 Cilliers & Benade *Company Law* 4 ed (1982) 50 state dat the one key word which more than any other sums up the underlying principles of our company law is "disclosure" Another eminent scholar points out that this has been true ever since companies were accorded the twin privileges of incorporation and limited liability Sealy "The 'disclosure' philosophy and company law reform" (1981) 2 *Company Lawyer* 51 The fact that shareholding by nominess is permitted entails that it is often extremely difficult to establish *ex facie* the register of members who the beneficial owner of certain shares is This may well suit the shareholder(s) concerned but could militate against an expeditious determination of the extent of a particular person's stake in a company, and is certainly at variance with the concept of "disclosure" See further s 38 (1) of the Deposit-taking Institutions Act 94 of 1990 which states that a deposit-taking institution shall not without the written approval of the Registrar register any of its shares in the name of any person other than the intended beneficial owner

35 Cilliers, Benade *et al Corporate Law* (1987) 401, Hahlo's *South African Company Law through the Cases* 5ed (1991) (Pretorius, Delport, Havenga, Vermaas) chapter 11

36 *Brown v British Abrasive wheel Co Ltd [1919] 1 Ch 290, Dafen Tinplate Co v Llanelly Steel Co (1907) Ltd* [1920] 2 Ch 124, *Shuttleworth v Cox Bros & Co (Maidenhead) Ltd* [1927] 2 KB 9 (CA), *Sammel and others v President Brand Gold Mining Co Ltd 1969 (3) SA 629 (A) 680-1*

37 *Sidebottom v Kershaw, Leese, & Co Ltd* [1920] 1 Ch 154 (CA), 162–3, *Ex parte JR Starck & Co (Pty) Ltd* 1983 (3) SA 41 (W) 43

38 See eg sections 181, 185, 198 (1) (b) and 257

39 *Robinson v Randfontein Estates Gold Mining Co Ltd* 1921 AD 168, 179–180, Naude *Die Regsposisie van die Maatskappydirekteur* (1970) 106–154, Blackman *The Fiduciary Doctrine and its Application to Directors of Companies* PhD thesis, University of Cape Town (1970) Du Plessis *Maatskappyregtelike Grondslae van die Regsposisies van Direkteure en Besturende Direkteure* LLD thesis University of the Orange Free State (1990) 83

40 1891 WN 165

41 (1854) 1 Marq 461, 2 Eq Rep (1281) (HL)

42 [1930] 1 Ch 203

43 For a comprehensive review of the situation see Boros "The duties of nominee and multiple directors" (1989) 10 *Company Lawyer* 211, (1990) 11 *Company Lawyer* 6

44 *Aubanel and Alabaster Ltd v Aubanel* (1949) 66 RPC 343

45 *Berlei Hestia (NZ) v Fernyhough* 1980 2 NZLR 150, *Trounce & Wakefield v NCF Kaiapoi Ltd and Others* 1985 NZCLC 99 422

46 See in general Henn & Alexander *Laws of Corporations 3ed (1983) 625,* Fletcher *Cyclopedia of the Law of Private Corporations* Perm Ed 1986 Revised Volume § 838, §850 *et seq*

47 *Litwin (Rosemarin) v Allen* 25 NYS 2d 667, 677–678

48 *Pepper v Litton* 308 US 294, 84 L Ed 281

Businessman tells of Soviet platinum, gold deals

Star 16/11/91 (210)

AN ATTEMPT was recently made to provide JCI with platinum mining rights in Siberia which would have cornered the world market for the company, Sandton businessman Colin Gibbins claimed this week.

The platinum mining contract was intended to form part of a multi-billion roubles-for-dollars deal and would have given the South African conglomerate virtual control of the world's platinum market.

Mr Gibbins has also provided the names of people, all of them with top Government, military or intelligence service connections, involved in a 3 000-ton Russian gold deal which fell through — due, he claims, to Government pressure

Two men originally involved in the gold deal were Kurt Isernhinke, an import-export businessman who has connections in top Government circles, reaching into the President's Council, and Keith Edelston, who has connections with international bankers and the CIA

Mr Isernhinke has admitted he later tried to sell hardware which had military uses, including highly explosive red mercury, to Mr Gibbins but denied his claims that this was done to try to "set him up"

Mr Gibbins said the gold deal fell through because the South African Government feared it would harm their under-the-counter gold sales. It is believed they sent a Captain Mendo Rebello da Silva to Zurich to short-circuit the deal.

Mr Gibbins provided the Saturday Star with faxed copies of correspondence from Russian contacts in Switzerland who wished to set up the platinum deal

JCI has confirmed that they met Mr Gibbins, but an insider said they had dismissed his claims as "not being in touch with the real world".

Speaking from a house in Johannesburg's northern suburbs, Mr Gibbins said his Russian contacts had been approved by the National Intelligence Service

According to a wealthy business associate of Mr Gibbins, JCI is now negotiating directly with the Soviets in an attempt to set up the platinum deal and to cut out Mr Gibbins as the middleman

South African Government officials had indicated they were opposed to the deal going through because it undermined the country's traditional role as the West's major platinum supplier

The faxed document sent through by Mr Gibbins' Russian contacts on Monday speaks about the Siberian Norsylsk mining complex and says the deal is still open

The JCI source confirmed that they were negotiating for platinum mining rights in Norsylsk, Siberia

The document also refers to the possibility of building an aluminium plant and of exploiting oil

113(Continued)

with respect
(11)
(5)
(4)
(4)
(12)
(5)
E.1986 Q.4)

Barlows clams up on losses in Zaire

S Times (Buss) 17/11/91

210

By JULIE WALKER

BARLOW RAND directors believe the group's figures should have pleasantly surprised both shareholders and analysts.

Chairman and chief executive Warren Clewlow and vice-chairman Derek Cooper replied to questions at a sparsely attended news conference this week

Reporters who could not substantiate their speculation about the company's Zairean losses other than to say they were the estimates of analysts were put in their places by the pair

One estimate of the loss was published at R20-million Mr Clewlow made it plain that was not the kind of speculation the group approved of

Acceptable, however, is when Barlows' actual earnings a share are not down by as much as these self-same analysts speculated. The news releases almost gloated on this point

Shareholders are not entitled to be told the extent of the Zairean losses No comment was offered, but the setback of the looting and pillaging — probably R25-million — in the central African country is not only a financial one

The amount is trifling in the greater order of the Barlows group where pre-tax profit was almost R2,2-billion Yet it seems high-handed that Barlows management should keep it a secret from its very owners

Cash

The group's turnover of R32-billion was a tenth more than in the year to September 1990 and taxed profit edged up 1% to R1,5-billion

More attributable to outside and preference shareholders and a higher number of shares in issue meant a 7% reduction in earnings a share to 431c The dividend was maintained at 170c, with paper offered as an alternative to a final cash payout of 119c

Below the line came an extraordinary write-off of R433-million arising from goodwill, losses on disposals of properties and shares in subsidiaries, namely Rand Mines' Barplats.

Also included in the extraordinary items is the profit arising from the sale of Middelburg Steel & Alloys, which broke even in its final year with Barlows after last year's heavy losses

Mr Cooper does not think it necessary to try to unlock the potential in Rand Mines, whose principal investment now is Witbank Colls

The value of Wit Colls fully covers the Rand Mines share price, but if unbundling is taken to its logical limit and Barlows dished out all its holdings to members, there would be no cause for the beautiful Barlow Park and all who sail in her

Mr Cooper says it has never been proved that such unbundling is advantageous Barlows has bought out minorities in recent years, the opposite of unbundling.

Gencor, FNB tender 'nets Anglo R700m'

BDay 18/11/91

(210)

SEAN VAN ZYL and
WILLIAM GILFILLAN

ANGLO American's offer last week of Gencor and First National Bank shares by open tender is estimated to have raised about R700m, market sources say

Anglo announced its tender invitation to sell 45-million Gencor shares and 2-million FNB shares at the end of October.

The Gencor shares sold represent 3,8% of Gencor's issued share capital and the greater part of Anglo's former 5,3% stake in the mining house The FNB shares constitute 3,4% of the bank's issued shares

UAL Merchant Bank, on behalf of Anglo, said on Friday the tender offer had been oversubscribed Anglo would not disclose the amount raised, but described its Gencor investment as a non-strategic holding

UAL GM Nico van Heerden said the offer had been taken up by institutional investors including stock brokerages and state pension funds He said prices paid covered a "broad range" but were generally very good on the back of strong demand

Anglo said the funds raised would be used for capital development purposes such as the Middleburg Steel & Alloys' Columbus stainless steel project Market sources pegged Anglo's capital commitment for the project at about R400m

Analysts suggested the Anglo group was experiencing cash flow problems and would be reluctant to take up rights in Gencor's R2bn issue expected in January This would further dilute Anglo's holding in the mining house

One analyst said the Anglo group's main cash-generating operations had underperformed over the past year, leaving the group cash-strapped when it had embarked on a number of capital intensive projects The group also faced a number of pending rights issues by companies regarded by Anglo as valuable and "strategic" holdings The analyst said the group might be hard pressed to participate in the rights issues

Probe into Anglo deal

BDay 19/11/91 (210)

Business Day Reporter

ANGLO American's contentious tender sale of holdings in Gencor and FNB has been referred to the Registrar of Financial Institutions by the Johannesburg Stock Exchange Several brokers had expressed their concern that UAL's handling of the tender offer could represent a contravention of the Stock Exchanges Control Act, and the JSE's committee followed up with its reference to the Registrar

In another development, Anglo has denied that the R700m value placed on the deal by Business Day was correct, but has refused to divulge correct figures

JSE president Tony Norton said yesterday that brokers had expressed concern that the tender offer contravened the central market principles of the Act and that the matter now rested with the Registrar

Essentially, the concerned brokers believe that the tender offer could be the thin end of the wedge and that others could follow and represent the establishment of a market in equities outside the control of the Act

Rupert Pardoe, a divisional manager in Anglo's chairman's office, said yesterday the figures of R600m for the 45-million Gencor shares and R100m for the 2-million FNB shares, attributed by Business Day to UAL general manager Nico van Heerden, were incorrect He also believed Business Day had misquoted Van Heerden

However, Pardoe would not specify the correct amounts on the grounds that the information was confidential to Anglo, UAL and the tenderers He added that

☐ To Page 2

Anglo

BDay 19/11/91 (210)

☐ From Page 1

confidentiality had been a condition of the arrangement between Anglo and its merchant bankers, and that neither Anglo nor UAL intended disclosing the amounts to shareholders

Several stockbrokers wondered if the amount would be disclosed in Anglo's next report to its shareholders

Van Heerden said the R600m he had mentioned for the total Gencor shareholding had simply been illustrative and based on the Gencor share's price on October 31, and that he had not told a Business Day reporter R600m was the exact amount.

Pardoe and Van Heerden pointed out that the tender had been "successful" and "oversubscribed". However, they would not be drawn on whether the oversubscription had arisen because of a large number of tenders at prices way below those current on the JSE Pardoe stated that Southern Life, Anglo's life assurance arm, had neither tendered for any of the shares nor been allotted any.

The JSE committee has been particularly perturbed that UAL had represented itself as a share dealer through its handling of the tender and, as a result, had apparently contravened the Stock Exchanges Control Act

Anglo had not discussed the tender with the JSE committee at any stage, Pardoe said yesterday.

Some stockbrokers have been distressed by Anglo's decision to sell the shares by tender rather than through the market, where all transaction prices are disclosed

Pardoe claimed that brokers were aware of the tender price ranges and invited Business Day to "ask the brokers, as they all know" He also invited Business Day to "ask the institutions", but would not name institutions which had tendered successfully

Brokers themselves have evidence that tenders were accepted from abroad for as little as 1 205c a Gencor share Foreign buyers of SA equities through the financial rand have to book their transactions through the JSE. The prices the foreigners paid for their Gencor allocations had therefore to be made public.

One broker estimated that Anglo had sold its Gencor shares at an average price of about 1 230c Another estimated 1 220c and wondered why the tender had been necessary as the price received was so close to that quoted on the JSE.

Anglo is expected to use the proceeds of its Gencor and FNB sales to help finance the group's participation in the Columbus stainless steel venture. Apart from various expansion projects financed by group subsidiaries, Columbus will be the first major greenfields project developed by the Anglo group since the Elandsrand gold mine was brought into production in 1978.

ANGLO/UAL

210

Cat among the pigeons

FM 22/11/91

Complaints by some irate stockbrokers over Anglo American Corp's tender sale of about R700m worth of Gencor and FNB shares raises the complex issue of what kind of share dealing done off the market contravenes the Stock Exchanges Control Act

The JSE has referred the issue to the Registrar of Financial Institutions, Piet Badenhorst, who tells the *FM* that he had taken the matter up with Anglo and UAL Merchant Bank before the tenders closed Badenhorst says he pointed out to both companies that the tender appeared to conflict with both the spirit and letter of the Act. He asked certain questions and is awaiting replies

Some brokers are concerned that if this kind of tender action became widespread it could result in an equity market being established outside of the JSE and beyond the control of the Act But off-market trading between institutions is not new Brokers have been muttering about the commissions lost in this way for years. The muttering gets louder when times are tough, prompting some to say this is the real reason for the protest over Anglo's tender sale

Not so, says JSE president Tony Norton. He says the Act provides for a central market which does allow for limited private deals between parties to take place off-market

"The Anglo tender was not a private sale and this is the first such tender offer I have heard of," he says "They were asking the world to put in a bid for their shares and the agent, UAL, would decide who got what That amounts to a possible breach of the Act which has to be referred to the Registrar."

Registrar Badenhorst ... *awaiting replies*

A broker says Anglo and UAL were using market mechanisms to get the best prices but avoiding paying for this

UAL Merchant Bank GM Nico van Heerden denies the deal contravenes the Act and says UAL has replied to the Registrar's queries and presented a legal opinion backing up UAL's standpoint Van Heerden says UAL was not involved in dealing in shares, as the bank merely advised Anglo, which allocated shares and received payments directly.

Rupert Pardoe, a divisional manager in Anglo's chairman's office, declines to comment on Anglo's viewpoint on whether the tender contravened the Act Neither he nor Van Heerden will specify the amount Anglo raised from the sale but Pardoe claims estimates of R700m — the approximate market value of the shares — are "meaningfully wrong "

Anglo sold the shares because it wants the money to pay for its share of the acquisition of Middelburg Steel & Alloys (MSA) by Highveld Steel & Vanadium and Samancor The Gencor and FNB shares were not strategic investments and will not be subject to tax because the house has held them for longer than 10 years Pardoe says Anglo informed Gencor chairman Derek Keys in advance about the house's intentions He adds the deal was done off-market to avoid an overhang of shares depressing the Gencor market price

Highveld and Samancor are issuing shares to raise R1,1bn cash for the MSA purchase. Anglo/De Beers will contribute R550m for their share Most of that will come from Anglo, which does not appear to have the ready cash available.

Anglo's latest balance sheet, at March 31, showed group deposits and cash on hand of R1,56bn, but R1,5bn of that is accounted for by loans from associated companies and others That reflects Anglo's role as a banker to its associates and managed companies, such as the group's gold mines which have to bank their cash with Anglo

Anglo, in fact, had only R60m in cash that it could call its own In contrast, Anglovaal at June 30 showed deposits and cash of R1,33bn against managed companies deposits of just R253,6m *Brendon Ryan*

Middelburg Steel HQ under fire

Top staff face axe

210

S/Times (Buss). 24/11/91

By IAN ROBINSON

SENIOR head-office staff at Middelburg Steel & Alloys (MS&A) are among 100 staff members facing retrenchment after the sale of the company by Barlow Rand to an Anglo American, De Beers and Gencor consortium.

Among those leaving are two MS&A directors, senior managers and highly qualified technical staff.

Samancor managing director Hans Smith says he will not confirm the retrenchments until after the signing of the final agreement between the Columbus stainless-steel consortium and Barlows in the next few days

But he says about 90% of employees in middle and senior management positions have been "informed of their situation".

Mr Smith describes the retrenchment terms for those who will go as "fair and reasonable"

Business Times has been told by an MS&A employee that some will go at the end of the year and others next April

Win

He says some of those staying until April were warned they would be dismissed without severance benefits unless they "pull their weight".

Severance terms will be based on the number of years' service times a percentage of annual salary in the 5% to 7% range

Mr Smith says MS&A's Sandton head office will be closed in the middle of 1992.

The plight of MS&A employees is in contrast with Barlow vice-chairman Derek Cooper's brave words after ing the takeover of MS&A, which is to be incorporated in Columbus and Gencor's ferroalloy producer Samancor

Mr Cooper described it as a "win-win-win deal", saying. "Our people in MS&A have a better future in the industry they're in. The potential for them in a world-sized plant is unlimited"

One employee not to be retrenched is MS&A managing director John Gomersal who is also a member of the Barlow Rand board. Mr Gomersal will be reassigned to a yet-unspecified post in Barlow Rand.

When making inquiries at the Barlow Rand head office Business Times was referred to Mr Gomersal He declined to comment on the retrenchments or to say whether any other MS&A employees would be taken on by Barlow Rand.

Retrenchments by the new management represent a radical break with MS&A's record of no layoffs when it was in the Barlow camp The previous management recognised the cyclicality of the industry and the disruptive effect of retrenching highly trained people in recessions and recruiting them again in booms.

Anglo's earnings lifted 21% by sales

(210)

6 | D ay 29/11/91

MATTHEW CURTIN

THE sale of non-strategic investments, for more than R100m after tax, lifted attributable earnings at Anglo American Corporation by 21% but growth in the group's investment and trading income was sluggish in the six months ended September

Chairman Julian Ogilvie Thompson said yesterday the results were pleasing, even though they were driven by investment surpluses during difficult times

Attributable earnings climbed from 233c to 282c a share, and Anglo upped the interim dividend by 6% from 85c to 90c a share

Ogilvie Thompson said the prospects for weaker economic growth worldwide would affect economic recovery in SA.

"Most encouraging though is the current high level of export growth in manufactured goods, a process likely to be boosted in 1992 by the ending of remaining economic sanctions," he said. However, trading conditions at home and abroad would be tough for the rest of the financial year

Anglo would probably match last year's attributable earnings, which fell 7% to R1,4bn, but would find it harder to maintain equity accounted earnings at R2,6bn

Ogilvie Thompson highlighted the purchase, with the Gencor group, of Middelburg Steel & Alloys which would facilitate the development of the Columbus stainless steel venture

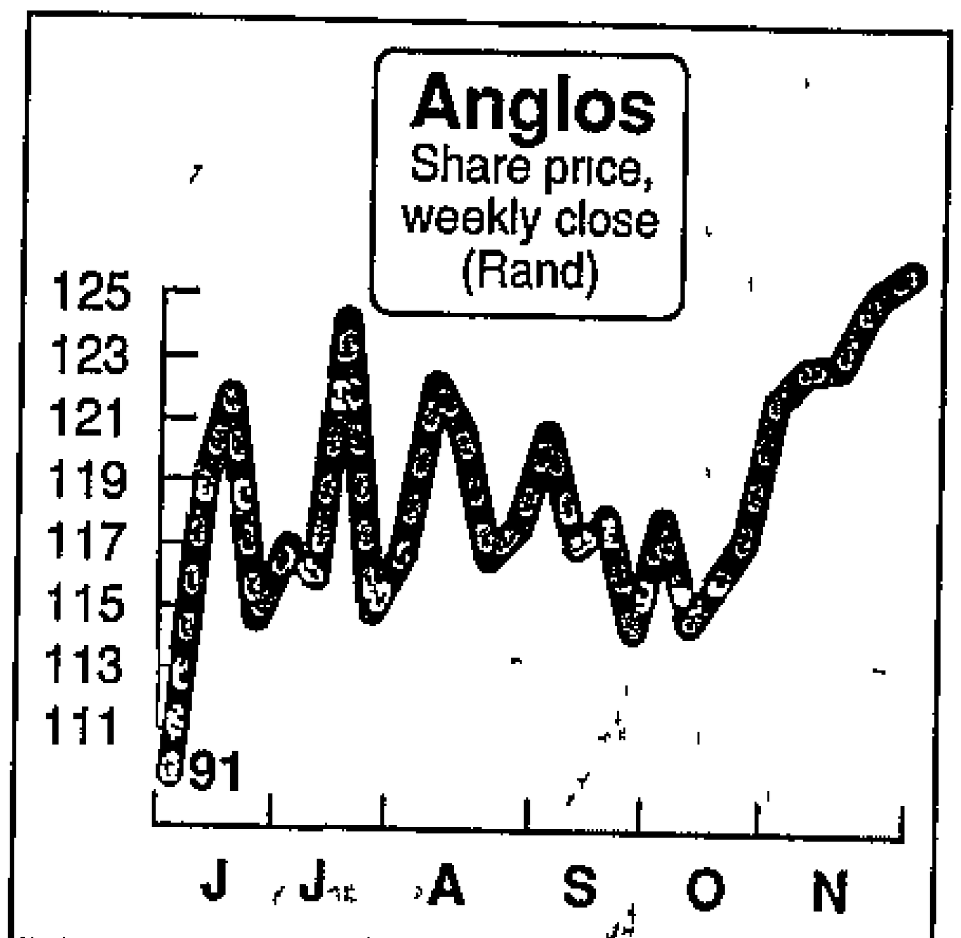
Investment income increased from R594m to R630m due to the consolidation of investment income of Anglo American Gold Investment Company (Amgold), and higher dividends from Rustenburg Platinum and the group's banking interests

These offset the increase in outside shareholders' share of Amgold's investment income, and lower dividend from Samancor and industrial interests

Anglo American Coal Corporation's improved operating profit lifted trading income from R226m in 1990 to R250m

By taking advantage of changes to the Income Tax Act — which meant investments held for more than 10 years could be disposed of tax-free — Anglo raised R102m net of tax

The group also raised R1bn by selling its stake in Gencor and 1,6-million First National Bank shares



Graphic LEE EMERTON Source I NET

SA 'springboard for mining'

210

MATTHEW CURTIN

THE international mining industry will have to look to the Third World for new mining ventures, and SA will provide the springboard for tapping the underexploited mineral reserves of this continent, says former Anglo American and De Beers chairman Harry Oppenheimer

Addressing a recent mining seminar in London — which coincided with his 83rd birthday and which was organised by merchant bank S G Warburg — Oppenheimer said "The best, the safest, perhaps the only way to approach the mining development of all southern Africa is through SA, which alone has the experience of local conditions, the technical skills, and the financial resources, know-how and connections which are required."

Oppenheimer recalled that Anglo had thought of SA "as a springboard for the development of the sub-continent to the North" in its early days, which took its political form in the development of the British Empire in Africa

He said the geography of mining, which would be transformed by the changes in Eastern Europe and Africa, was determined as much by the location of mineral deposits and the state of technology as politics and historical accident

He said apartheid had, in a combination of ways, destroyed the whole sub-continent's economy.

Little exploration or investment had been undertaken in the region since the early '70s, which meant the potential for finding new deposits was probably good Countries such as Zimbabwe, Namibia, Zaire, Mozambique, Angola and Tanzania had missed out on the gold boom of the '80s for political reasons although their prospects were now promising

However, mining in Africa might be subject to exceptional political risks

Developing countries were inclined to equate mining with exploitation in its worst sense, he said

These countries tended to react to world recession by increasing instead of cutting basic mineral output

AAC cashes in on investments

(210)

Anglo-American Corporation has declared an interim dividend of 90c (85c) a share for the six months ended September 30

Attributable earnings increased by 21 percent to R655 million (282c per share) from R540 million (233c) for the corresponding six months of 1990 STAR 29/11/91

Equity accounted earnings increased by 10 percent to R1 266 million (546c). The directors note that these improvements were due largely to the realisation of investment surpluses.

This cash generation has been achieved largely by the realisation of 46 million shares in Gencor and 1,6 million shares in First National Bank, reducing the Corporation's interest in this strategic investment to just over 20 percent. — Sapa

Mountains of wealth

By DAVID CARTE

210 S Times (Buss) 1/12/91

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

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

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

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

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

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

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

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

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

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

Tax changes help Anglo American

(210)

S Times (BUSS) 1/12/91

By CIARAN RYAN

ANGLO American can thank amendments to the Income Tax Act for its 21% increase in attributable earnings in the six months to September

The changes made it possible to sell assets, resulting in an investment surplus of R120-million.

But Anglo's receipts from the sale of about R700-million in Gencor and FNB shares will be brought to account only when the year's results are published in March

Anglo has raised R1-billion partly to pay for its share of Middelburg Steel & Alloys (MSA), which is to form part of the Columbus stainless-steel venture

Coal

Tax was R19-million lower in spite of the increase in pre-tax income to R995-million The changes in the Income Tax Act make it possible to sell investments after 10 years without the danger of tax on supluses

No further taxes are due on its dividend income, these having been settled by subsidiary and associate companies The effective tax rate was 14% (19%).

Attributable earnings were R655-million (R540-million), while trading income improved by 10,6% to R250-million, the result of a strong performance by Amcoal, which benefited from good export sales and a healthy domestic offtake, primarily by Eskom

Dividends from Rustenburg Platinum and the financial services investments were higher. But lower dividends were received from some of the industrial interests, particularly Samancor

Investment income of R630-million was 6% higher than in the comparable period last year

Amgold's earnings were fully consolidated — previously they were equity accounted. The consolidation of earnings was offset by an increase in outside shareholders' share of investment income

Rupert Pardoe, a divisional manager with the chairman's office, says net income showed a steady improvement as a result of the group's healthy diversification

"The trading side benefited particularly from coal and Amcoal is having a reasonable year Our diversified portfolio protects us against severe downturns"

Chairman Julian Ogilvie Thompson says in the chairman's review that the economy is poised for recovery in 1992, but will be affected by the international picture

"Prospects for growth in the international economy look weaker than they did earlier this year which is bound to have an impact on the South African upturn

"Most encouraging though is the high level of export growth in manufactured goods, a process likely to be boosted in 1992 by the ending of remaining economic sanctions"

TOP 100 RANKED BY MARKET CAPITALISATION

As at November 19, 1991

(210)

S/Times (13455) 1/12/91

No	Share Name	(Rms)
1	DE BEERS	34090
2	ANGLOS	27659
3	RICHEMONT	17357
4	SA BREWS	15002
5	GENCOR	14643
6	REMGRO	13181
7	ANAMINT	11500
8	SASOL	10346
9	BARLOWS	9936
10	LIBERTY	8882
11	RUSPLAT	8710
12	JCI	8186
13	LONRHO	7801
14	GENBEHR	7420
15	DRIES	7344
16	MINORCO	7238
17	REMB BEH	6696
18	GFSA	6659
19	ENGEN	5849
20	SAMANCO	5271
21	C G SMITH	5265
22	TIGER OATS	5331
23	SBIC	5219
24	AMGOLD	4998
25	BEVCON	4969
26	ABSA	4704
27	SAPPI	4591
28	AMIC	4464
29	LIB HOLD	4431
30	SAFREN	4406
31	SOPLATS	4266
32	C G S FOOD	4252
33	SUN BOP	4126
34	ISCOR	3829
35	KLOOF	3724
36	VAAL RFS	3727
37	SOUTHERN	3628
38	FIDBANK LS	3500
38	MALBAK	3238
40	ANGLOVAAL IND	3316
41	ANGVAAL N	3220
42	AMCOAL	3143
43	NAMPAK	3094
44	CHARTER	3059
45	FIRSTBK	2941
46	KERSAF	2932
47	NEDCOR	2929
48	IMPLATS	2813
49	FREEGOLD	2826
50	EDGARS	2795
51	TEGKOR	2663
52	GENBEL	2593
53	PREMIER GRP	2511
54	M&R HOLD	2453
55	HLH	2384
56	TIB	2310
57	AFROX	2307
58	CONSOL	2279
59	ELANDS	2255
60	PALAMIN	2180
61	FIT	2118
62	PIKNPAY	1917
63	MID WITS	1753
64	PPC	1696
65	PEP	1826
66	SOVAAL	1677
67	PEPKOR	1633
68	HARTIES	1624
69	ADCOCK	1616
70	TRENCOR	1578
71	HUNTCOR	1596
72	ABI	1590
73	LIBVEST	1557
74	AECI	1508
75	FOSCHINI	1471
76	TONGAAT	1422
77	WOOLTRU A	1406
78	ANGVAAL	1382
79	MALHOLD	1371
80	OFSIL	1295
81	BEATRIX	1233
82	M-NET	1216
83	ARGUS	1215
84	A ALPHA	1203
85	DISTIL	1190
86	M & F	1182
87	TOYOTA	1179
88	ASS MANG	1162
89	BANKORP	1153
90	I & J	1145
91	RAINBOW	1141
92	HIVELD	1096
93	TRNS NTL	1095
94	CADSWEP	1089
95	RAND MINES	1059
96	SUNCRUSH	1058
97	WIT COLS	1037
98	ALTRON	1005
99	HOLDAINS	1002
100	ALTECH	995

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

TOP 100 RANKED BY INCREASE IN TAXED PROFIT

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

210

Year-end cut-off date. November 1991

No	Share Name	Financial year end	
1	REGGIES	Feb 91	525.0%
2	ALEXWYT	Jun 91	450.0%
3	CLAUDE N	Jun 91	428.6%
4	WIT COLS	Sept 91	425 6%
5	TVL CLOTH	Jun 91P	400.0%
6	LITHO	Feb 91	362.5%
7	PLEASURE	Jun 91	330.8%
8	TEJ	Jun 91	295.5%
9	NICTUS	Jun 91	236.0%
10	COASTAL	Feb 91	226.9%
11	DARMAG	Mar 91	188 9%
12	TITACO	Feb 91	182.1%
13	SUPALEK	Apr 91	158.8%
14	GENBEL	Jun 91	154 6%
15	FINTECH	Feb 91	145 9%
16	SPICER	Feb 91	132.2%
17	VANSA	Sep 91	128.6%
18	PROFURN	Dec 90	115.8%
19	CARLCOR	Aug 91P	114.5%
20	RUHOLD	Feb 91	108.2%
21	OHIO	Feb 91	106.6%
22	DUKEL	Jun 91	102.9%
23	BUFFCOR	Jun 91	101.6%
24	ANBEECO	Apr 91	100.9%
25	CONTROL INSTR	Jun 91	100 0%
26	CONS MRCH	Jun 91	98 8%
27	DECHOLD	Jun 91P	80.3%
28	BARNETS	Jun 91	72 5%
29	SUPREME IND HOLD	Dec 90	61.3%
30	GENTYRE -A-	Dec 90	57 9%
31	MORKELS	Mar 91	54 9%
32	HORTORS	Mar 91	53.7%
33	LEEGALL	Mar 91	53 2%
34	SPUR	Feb 91	48.6%
35	PRESMED	Feb 91	44 8%
36	GENREC	Jun 91	44 6%
37	ROYAL	Aug 91P	43 4%
38	PERSKOR	Jun 91	43.1%
39	TEDELEX	Aug 91P	41 9%
40	AUTODEK	Mar 91	41.7%
41	CLYDE	Feb 91	40.3%
42	CHUBB	Mar 91	39 9%
43	JD GROUP	Dec 90	39.6%
44	SASOL	Jun 91	39.5%
45	DELSWA	Apr 91	37 4%
46	COATES	Dec 90	36.1%
47	CTP	Mar 91	35.2%
48	SUNCRUSH	Jun 91	34 8%
49	ALTRON	Feb 91	34.5%
50	MID WITS	Jun 91	34.3%
51	SHIELD	Feb 91	34.0%
52	GEN OPT	Jun 91	33.4%
53	FOSCHINI	Dec 90	33 0%
54	CROWN	Jun 91	32 9%
55	ABS	Sep 91P	32.5%
56	CURNOW	Dec 90	30 2%
57	SMART	Jun 91	29.3%
58	ADCOCK	Sep 91P	29.1%
59	AFROX	Sep 91P	28.7%
60	DELTA	Dec 90	28.7%
61	TRENCOR	Jun 91	28.5%
62	JASCO	Feb 91	28 1%
63	STD ENG	Aug 91P	27 0%
64	Q DATA	Jun 91	26 1%
65	IMPERIAL	Jun 91	26 0%
66	DATAKOR	Mar 91	25.8%
67	ABI	Mar 91	25 5%
68	RACY	Mar 91	25.3%
69	CAXTON	Mar 91	25 2%
70	CLICKS	Feb 91	25.1%
71	GF COAL	Dec 91	25 0%
72	ENSIGN	Dec 90	24 6%
73	W B HOLD	Dec 90	24.5%
74	IMPLATS	Jun 91	24.1%
75	CONSOL	Jun 91	23.2%
76	DIMENSION DATA	Dec 90	22.8%
77	TOYOTA	Dec 90	22.4%
78	KOPP	Jun 91	21.9%
79	SUN BOP	Jun 91	21 8%
80	EDGARS	Mar 91	21.8%
81	MCPHAIL	Dec 90	21 7%
82	BOWCALF	Dec 90	21.4%
83	OZZ	Mar 91	21.3%
84	PENROSE	Jun 91P	21.3%
85	TSI	Sep 91P	20 9%
86	CONCOR	Jun 91	20 9%
87	CASHBIL	Jun 91	20.7%
88	CHEMSERVE	Dec 90	20.3%
89	BTR DUNLOP	Dec 90	20 0%
90	UTICO	Dec 90	19 9%
91	I & J	Jun 91	19 6%
92	ED L BATE	Jun 91	19.5%
93	SAFCOR	Jun 91	19 1%
94	CNA GALLO	Mar 91	18.8%
95	BOYMANS	Feb 91	18.7%
96	BRIST IN	Feb 91	18.1%
97	KERSAF	Jun 91	17.9%
98	SA BREWS	Mar 91	17.7%
99	GRINCOR	Dec 90	17 7%
100	TOCO	Mar 91	17.5%

S/Times 1/12/91 (Bus 5)

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

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

Source. I-NET

(210) 1/12/92

CYRIL RAMAPHOSA — AN OGRE

UNLOVED

DAMMY WATT former Rand Mines chairman

JAY NAIDOO some like him, others don't

LAWRENCE McCRYSTAL outgoing Board of Trade and Industry head

?

QUESTIONABLE PERFORMERS

WORST PERFORMERS OVER LAST FIVE YEARS

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

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

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

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

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

Strike

But one man's hero is another's anathema

Business does not regard Cosatu's Jay Naidoo, whose intentions seem to be largely to spoil, as a hero No doubt his supporters do

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

The Business Times Top Five Businessmen of the year are indeed tops

Neil Jowell and brother Cecil have done a sterling job in bringing Trencor of which they are joint managing directors, to the No 1 slot on the JSE over five years

Premier Group's Peter Wrighton has shown that

LOVED

By JULIE WALKER

CYRIL RAMAPHOSA dispelling business fears

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

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

Afrox is one of the few companies to account for inflation before declaring profits The policy has hurt its bottom line when earnings are compared against companies that do not provide additional depreciation

Without its conservatism Afrox would have been among the top 10 performers but on the table finished 48th

Last but not least, David Brink He has turned around the cumbersome Murray & Roberts group from a precarious position five years ago to market leader — not only in construction but industrial investments It is to become the gross domestic fixed investment wing of the revamped Sankorp portfolio

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

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

Control

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

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

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

Former gold chief Clive Knobbs has left the group and helmsman Dammy Watt went, thanks to Barlows without facing the music

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

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

As Rand Mines ha

TSI tops TOP 100 RANKED BY RETURN ON SALES

OSA — AN OGRE TURNED SAINT

(180)
(E10)
S/Times (BUSS) 1/12/91

ERFORMERS FIVE YEARS

RETURN	(% PA)
	−47,04
	−36,74
	−36,51
ldings	−34,83
pment	−34,82
	−31,57
	−30,12
D	−29,72
	−28,92
	−27,97
	−26,75
	−25,00
	−24,43
	−23,92
	−23,28
	−22,67
	−22,63
	−22,63
	−21,53
lines	−20,93
	−20,83
nd GM	−20,57
	−20,43
chison	−20,35
	−19,73

FSI tons

LOVED

By JULIE WALKER

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

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

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

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

Strike

But one man's hero is another's anathema.

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

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

The Business Times Top Five Businessmen of the year are indeed tops.

Neil Jowell and brother Cecil have done a sterling job in bringing Trencor, of which they are joint managing directors, to the No 1 slot on the JSE over five years.

Premier Group's Peter Wrighton has shown that

CYRIL RAMAPHOSA dispelling business fears

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

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

Afrox is one of the few companies to account for inflation before declaring profits. The policy has hurt its bottom line when earnings are compared against companies that do not provide additional depreciation.

Without its conservatism, Afrox would have been among the top 10 performers, but on the table finished 48th.

Last but not least, David Brink. He has turned around the cumbersome Murray & Roberts group from a precarious position five years ago to market leader — not only in construction but industrial investments. It is to become the gross domestic fixed-investment wing of the revamped Sankorp portfolio.

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

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

Control

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

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

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

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

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

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

As Rand Mines has

CHRISTO WIESE bigger and bigger in retailing

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

Minorities of liquidated Eersteling and Modder B and members of worst-performers Rand Leases, Southgo, Wit Nigel, Gazgold, South Roodepoort, Carrigs and Egoli can take some comfort from the weary performances of JCI's Western Areas and Freddev.

Roughest

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

The banking sector underwent its roughest year ever in some quarters.

The heads of three banks which fell on hard times — Alpha Bank, Cape Investment Bank and Pretoria Bank — must rank among the falling stars in 1991.

By contrast, First National chief Barry Swart warrants a mention for hauling his bank back into the higher ratings on the JSE.

Investec's bright boys also merit a pat on the back for achieving enviable yet consistent growth.

De Beers seemed to have a quiet year, but tied up a huge deal with the Russians. De Beers came to control the stockpile of Russian diamonds as collateral against a hefty loan. This removed the threat of a market flooded with diamonds and a collapse in prices.

De Beers chairman Julian Ogilvie Thompson merits a mention among the great and good.

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

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

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

Overstated

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

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

Shareholders have been kept in the dark about the overstatement of profits and assets, but the position should never have arisen.

NEI Africa's auditors have not covered themselves with glory either.

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

Unidev was one of several rescue jobs undertaken by Bankorp.

Chief executive Piet Liebenberg deserves a medal for what he has managed to salvage from a listing ship.

He recruited outgoing JSE president Tony Norton to lead Senbank which Hennie van der Merwe left earlier this year.

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

Confides

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

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

DONALD GORDON . efforts in Europe pay off

No roses go to Hermanus Redelinghuys, who has been pursued almost to jail for failing to make an offer to minority shareholders of Sequel.

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

Conditionally in line for honours in 1992 are:

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

TOP 100 RANKED BY RETURN ON SALES

TOP 100 RANKED BY DECREASE IN TAXED PROFIT

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

Year-end cut-off date: November 1991

No	Share Name	Financial year end	
1	TGH	Dec 90	-2464 5%
2	MAXMECH	Feb 91P	-2340.0%
3	BESTER	Feb 91	-712.7%
4	ROOIBRG	Dec 90	-640.6%
5	UNIDEV	Dec 90	-602 5%
6	FRAME	Jun 91P	-515.6%
7	CONS FRAME	Jun 91P	-496 3%
8	TRADEGRO	Jun 91P	-346.4%
9	NATRAWL	Dec 90	-220.4%
10	TRIMTEX	Mar 91	-203 8%
11	RUSFURN	Jun 91P	-181.3%
12	METJE & Z	Jun 91	-158.6%
13	CMI	Jun 91	-134 7%
14	RANDEX	Jun 91	-126.3%
15	RABIE	Jun 91P	-110.1%
16	ADPROM	Feb 91	-105.9%
17	KNJ	Jun 91	-105 8%
18	UNISPIN	Sep 91P	-102.9%
19	MIDMAC	Jun 91	-102 7%
20	CARGO	Feb 91	-98 7%
21	KUDU	Jun 91P	-93.6%
22	MATH & ASH	Jun 91	-93.4%
23	BOUMAT	Mar 91	-91.5%
24	IBJOFFE	Dec 90	-89.5%
25	AIDA	Feb 91	-83.7%
26	GF NAMIB	Dec 90	-79.8%
27	ROMATEX	Sep 91P	-77 0%
28	AIMARK	Dec 90	-76.7%
29	C-MATIC	Feb 91	-74 5%
30	BRDACRE	Jun 91P	-72.5%
31	TIME	Dec 90	-70.8%
32	QUORUM	Feb 91	-68 3%
33	EVERITE	Jun 91	-68.1%
34	EUREKA	Feb 91	-67.3%
35	NAMIBIAN SEA	Dec 90	-67.2%
36	ADVTECH	Feb 91	-67.1%
37	MJM	Feb 91	-64 5%
38	SAFICON	Mar 91	-64.4%
39	VAALCAR	Feb 91	-63 7%
40	GEFCO	Dec 90	-63.6%
41	TR SERV	Mar 91	-61 7%
42	SHORDIT	Dec 90	-60 8%
43	ASSORE	Jun 91	-58 5%
44	VEKTRA	Dec 90	-57.3%
45	BASREAD	Jun 91	-56 3%
46	MILSTAN	Feb 91	-53.9%
47	HIVELD	Dec 90	-53.7%
48	KAROS	Mar 91	-52.6%
49	ARIES	Dec 90	-52.6%
50	BOLTON	Feb 91	-50 8%
51	MICOR	Jun 91	-50 5%
52	SPESCOM	Apr 91	-50 3%
53	T & N	Dec 90	-49 5%
54	EUREVEST	Feb 91	-49.0%
55	TIWHEEL	Jun 91P	-48.4%
56	AMGOLD	Mar 91	-48 2%
57	MIDAS	Feb 91	-47 8%
58	CULLINAN	Jun 91	-47 6%
59	PROGRESS	Dec 90	-46.6%
60	YORKCOR	Dec 90	-45.6%
61	MSAULI	Mar 91	-45.5%
62	LASER	Dec 90	-45.2%
63	RAINBOW	Mar 91	-44 6%
64	NAMIBIAN FISH	Dec 90	-44.6%
65	ASSENG	Dec 90	-44 1%
66	STREBEL	Jun 91	-43 9%
67	GLODINA	Dec 90	-42.6%
68	ACREM	Mar 91	-41.0%
69	AF CABLE	Jun 91	-39.6%
70	MARLIN	Jun 91	-38.7%
71	AROMA	Feb 91	-38.3%
72	SAPPI	Feb 91	-38.1%
73	GRINTEK	Jun 91	-37.7%
74	METAIR	Dec 90	-37.6%
75	LONGMILE	Jun 91	-37 3%
76	NEI AFR	Dec 90	-36.1%
77	VOLTEX	Jun 91P	-35.7%
78	ASS MANG	Dec 90	-35.7%
79	STERLING	Dec 90	-35 2%
80	SILTEK	Jun 91	-34 2%
81	ISCOR	Jun 91	-34.1%
82	REX TRUE	Jun 91	-33.6%
83	SAMANCO	Jun 91	-32 9%
84	CONCORDE TRAVEL	Mar 91	-32.7%
85	PENBORD	Dec 90	-31 9%
86	AMIC	Dec 90	-31 0%
87	SPL	Feb 91	-30.6%
88	DA GAMA	Mar 91	-30 4%
89	ELCENTR	Jun 91P	-29.7%
90	SONDOR	Mar 91	-29 6%
91	BARNEX	Jun 91	-28.9%
92	MULTISOURCE	Feb 91	-28.2%
93	BEARMAN	Feb 91	-28 0%
94	FSI	Dec 90	-27.9%
95	ENGEN	Aug 91P	-27 3%
96	BRENMIL	Feb 91	-27.3%
97	OVBEL	Mar 91	-27.1%
98	MASTBOR	Feb 91	-26.9%
99	OK	Mar 91	-26.2%
100	PENPIN	Dec 90	-25 9%

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

Source. I-NET

270

1/12/91

Anglo, De Beers coin it

210 ST Times (Buss) 1/12/91

By DAVID CARTE

ANGLO AMERICAN Corporation and associate De Beers are still by far the most profitable financial and industrial companies in SA. By taxed profits De Beers ranks 30th in the Fortune Global 500. Fortune reckons De Beers has the largest operating margin of any of its Global 500.

Anglo is second on the list with earnings of R2,6-billion and is excluded from the Fortune Global 500 because it is a conglomerate.

But both Anglo and De Beers would be shaded if one took account of the huge life-assurance mutuals.

Old Mutual's equivalent of a taxed profit exceeded R6-billion last year.

The tables, compiled by I-Net, exclude assurance and insurance companies, banks and gold mines.

Anglo equity accounts De Beers, so there are De Beers profits in Anglo — and there are Anglo profits in De Beers.

Partly because of the fabulous profitability of Engen, Gencor ranks third.

With a taxed profit leap of nearly 40% Sasol is fourth.

These are the only SA companies to earn more than R1-billion.

Fifth-placed Rembrandt would not pip Sasol, even if it had not stripped out Richemont. Together with Richemont, its earnings would have been slightly more than R1-billion.

Barlow Rand picked up in its second half to limit its earnings decrease to 7% in the latest just. With R1,1-billion of cash from Middelburg likely to contribute R200-million of interest rather than another loss, Barlows has a head start this year.

SA Breweries leapt up the list last year, but in the six months to September its earnings rose by only 10%.

Swiss town a key for SA minerals

(210)

S Times (Bus) 1/12/91

By IAN ROBINSON

THE town of Zug in Switzerland plays a key role in the marketing of South Africa's minerals

Zug is the headquarters of Marc Rich and Newco, two of the world's largest commodity trading companies Both had their origins in Philip Brothers (later Phibro), another large internatonal trading company

Marc Rich left Philip Brothers in 1974 after a pay dispute and started his own firm in London with Pincus Green who had been a Philip Brothers shipping expert

Alumina

Mr Rich, who is wanted in the US on tax evasion charges, is alleged to have made hundreds of millions of rands through his dealings with SA's Strategic Fuel Fund while acting as an intermediary with Arab oil producers

The group, which has offices in more than 40 countries, is also involved in mineral trade with SA — both imports of raw materials and sales of minerals

It is reputed to be by far the largest trader in SA coal and acts as agent on behalf of the mining houses It also sometimes buys coal for sale on its own account

Alusaf managing director Rob Barbour says his company has bought alumina from Marc Rich and has also sold aluminium to it "from time to time"

Alusaf has also talked to Marc Rich about Alusaf 2

After Phibro withdrew from SA in 1985 as a result of sanctions pressures, Mr Rich secured the agency for Gold Fields' Black Mountain basemetal concentrates which are now marketed by Clarendon, an associate company in the Marc Rich group

The group's most publicised link with SA's mining industry in recent years has been with John Vorster, chairman of Chromecorp Technology (CCT)

Marc Rich provided financial support for CCT's ferrochrome plant near Rustenburg which was commissioned in 1988 It was also involved in the financial arrangements for the purchase of Vansa Vanadium from Rand Mines by Vantech, a consortium of foreign investors, in a deal masterminded by Mr Vorster this year

Secretive

Output from both projects will be marketed through Marc Rich

It appears that Marc Rich's primary objective is to secure supplies of commodities for trading and this may mean providing capital to finance mineral projects Return on investment is a secondary consideration

Newco was established in 1985 to market SA minerals after disinvestment pressure forced Phibro to withdraw from the country

The management of Phibro's Johannesburg office stayed in place and formed Newco with SA financial support from the mining houses

After its takeover of Middelburg Steel & Alloys (MS&A), Samancor appointed Newco as its agent for ferrochrome sales in Europe and Canada

Previously MS&A used Newco for its ferrochrome sales worldwide

Highveld Steel & Vanadium is also believed to use Newco as its agent for the sale of steel and vanadium

Newco is also active in marketing minerals from other countries Together with Axsel Johnson it obtained the agency to sell Russian nickel from Norilsk

Mineral trading is a secretive business and neither Marc Rich's nor Newco's Johannesburg offices — SA Ore Corporation and Oreport — is prepared to talk to Business Times

It is believed that Phibro Energy, based in Stanford, Connecticut, is interested in returning to SA to trade in coal

TSI tops in profit margins

S/Times (BUSS)

1/12/91

By DAVID CARTER

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

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

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

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

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

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

Second among non-property companies is Palabora Mining, which achieved an operating margin of 45,8%

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

Margins

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

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

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

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

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

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

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

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

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

The median return on sales on the Fortune Global 500 was 3,3% The 130th company in SA — Haggie — achieved a margin of 10,9%, which could reflect less competition in this country

TOP 100 RANKED BY RETURN ON SALES

Operating profit divided by turnover excluding turnover of associated companies

Year-end cut-off date November 1991

S/Times (BUSS) 1/12/91

(210)

No	Share Name	Financial year end	
1	TSI	Sep 91P	70 9%
2	PALAMIN	Dec 90	45 8%
3	ENROL	Oct 90	41 7%
4	SPUR	Feb 91	38 4%
5	RUSPLAT	Jun 90	36 1%
6	TRANSUN	Jun 91	35 3%
7	SPURHLD	Feb 90	34 2%
8	IMPLATS	Jun 91	33 6%
9	W B HOLD	Dec 90	33 5%
10	SUNCISK	Jun 91	31 6%
11	AUTOPAGE	Feb 91	31 6%
12	*DE BEERS	Dec 90	31 3%
13	TRENCOR	Jun 91	31 0%
14	ASS MANG	Dec 90	30 8%
15	TECHIRE	Mar 91	29 6%
16	SUN BOP	Jun 91	29 3%
17	MINVEST	Jun 91	28 2%
18	SONDOR	Mar 91	26 8%
19	BUFFCOR	Jun 91	26 0%
20	RUHOLD	Feb 91	25 8%
21	SAMANCO	Jun 91	25 3%
22	SASOL	Jun 91	25 1%
23	KERSAF	Jun 91	24 8%
24	A ALPHA	Dec 90	24 1%
25	KELGRAN	Feb 91	23 5%
26	KEELEY	Feb 91	23 4%
27	AMCOAL	Mar 91	22 9%
28	PPC	Sep 91P	22 6%
29	TELJOY	Mar 91	21 5%
30	NAMIBIAN FISH	Dec 90	21 5%
31	CLAUDE N	Jun 91	20 7%
32	FOSCHINI	Dec 90	20 6%
33	NAMIBIAN SEA	Dec 90	20 5%
34	SABLE	Jun 90	20 2%
35	HLH	Mar 91	20 1%
36	BOWCALF	Dec 90	19 7%
37	UNITRAN	Mar 90	19 6%
38	INTERLES	Jun 91	19 4%
39	DA GAMA	Mar 91	19 3%
40	SAPPI	Feb 91	19 2%
41	BTR DUNLOP	Dec 90	19 2%
42	OAKFLDS	Jul 90	19 1%
43	AFROX	Sep 91P	19 0%
44	ELLERINE	Aug 91P	17 7%
45	RAND MINES	Sep 91P	17 6%
46	ACREM	Mar 91	17 0%
47	ABERDARE	Dec 90	17 0%
48	MARSHAL	Dec 90	16 9%
49	BEARMAN	Feb 91	16 9%
50	GYPSUM	Jun 91	16 6%
51	D & H	Aug 91P	16 6%
52	TWINS	Mar 91	16 6%
53	PROFURN	Dec 90	16 4%
54	SUNCRUSH	Jun 91	15 9%
55	WIT COLS	Sep 91P	15 9%
56	OZZ	Mar 91	15 8%
57	DISPTCH	Jun 91	15 7%
58	CARLCOR	Aug 91P	15 7%
59	CUTRITE	Feb 91	15 6%
60	COLFIN	Apr 91	15 6%
61	KAROS	Mar 91	15 6%
62	WALTONS	Feb 91	15 5%
63	SUPREME IND HOLD	Dec 90	15 4%
64	CONSOL	Jun 91	15 4%
65	SAFREN	Jun 91	15 4%
66	BLUCIRC	Dec 90	15 3%
67	ADCOCK	Sep 91P	15 3%
68	TIMES MEDIA	Mar 91	14 9%
69	SURE GRP	Mar 90	14 9%
70	BIDVEST	Jun 90	14 6%
71	SMART	Jun 91	14 5%
72	PRESMED	Feb 91	14 4%
73	EDGARS	Mar 91	14 3%
74	MASTBOR	Feb 91	14 0%
75	UNISPIN	Sep 91P	14 0%
76	EDDIES	Feb 91	14 0%
77	COLUMBIA	Mar 91	14 0%
78	SUPALEK	Apr 91	13 9%
79	CROOKES	Mar 91	13 9%
80	ANBEECO	Apr 91	13 8%
81	ABS	Sep 91P	13 8%
82	ALLGRP	Feb 91	13 7%
83	ALTECH	Feb 91	13 7%
84	ALEXNDR	Jun 91	13 7%
85	HUDACO	Nov 90	13 5%
86	MSAULI	Dec 90	13 4%
87	STERLING	Dec 90	13 3%
88	WOODROW	Feb 91	13 2%
89	TOCO	Mar 91	13 1%
90	JD GROUP	Dec 90	12 9%
91	OMNIA	Dec 90	12 9%
92	TR SERV	Mar 91	12 7%
93	METERS	Feb 89	12 6%
94	ANJET	Feb 89	12 5%
95	AMSHOE	Feb 91	12 5%
96	NORISTN	Jun 90	12 4%
97	LENCO	Feb 91	12 3%
98	NORISTN	Jun 90	12 4%
99	LENCO	Feb 91	12 3%
100	GF COAL	Dec 90	12 3%

* Based on pro-forma combined results attributable to De Beers/Centenary AG linked units

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

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

Source I-NET

JCI research arm open to all

MATTHEW CURTIN

MINERALS Processing Research Laboratory (MPRL), the metallurgical research arm of Johannesburg Consolidated Investment (JCI) group, is trying to woo business outside JCI by selling its leading-edge analytical and technological services

MPRL initially provided only an in-house analytical service but now does 20% of its work with companies other than those in the JCI group The laboratory has an annual budget of R16m on top of hundreds of millions of rands worth of equipment invested at its site near Germiston

That equipment includes a R1,25m Inductively Coupled Plasma — Mass Spectrometer which by heating sample particles to 10 000 degrees celsius can identify and measure elements in parts per trillion

Presenting MPRL's current operations to mining, media and stockbroking representatives on Friday, chief consulting chemist Neville Randolph said the laboratory was on a three-fold drive to improve contacts outside JCI, as well as its analytical and technological services.

MPRL has built up an integrated research operation based on serving Rustenburg Platinum, JCI's gold and coal mines, and its ferrochrome operation, Consolidated Metallurgical Industries

Randolph said MPRL's chemistry, mineral dressing, mineralogy and projects sections were now competing to some extent with the Chamber of Mines, Mintek and the universities for business (210 (2...)

MPRL set up the Chemical Effluent Control (Chemeffco) company to market its low-cost water purification and desalination process, dubbed Gyp-cix

Hydrometallurgy department head Heinz Gussman said the new process dramatically improved mines' ability to treat contaminated water pumped up from underground operations.

By treating large volumes of water with cheap lime and sulphuric acid, the Gyp-cix process produced clean water, at 73c a litre, and gypsum, a solid, inert waste material B/Day 2/12/91

MPRL has pioneered a new smelting process, called Foxsmelt The process does the same job as electric furnaces at 25% of the capital and 75% of the operating costs.

What MPRL is not selling is its Qemsem technology which, by using a high-powered computer and electron microscope, provides highly detailed analysis of the metallurgical qualities of platinum bearing reefs

Minorco acquires German firm

B/Day 3/12/91 (2.10)

MATTHEW CURTIN

MINORCO, Anglo American's Europe-based natural resources group, has bought its second former East German company in its first acquisition this financial year

The $17m acquisition of hard stone producer Lausitzer Grauwacke gives Minorco a dominant position in the German aggregates industry after its purchase of sand and gravel producer Elbekies in June

Cash-flush Minorco started the current financial year with $1,9bn on hand, and chairman Julian Ogilvie Thompson has said the group is committed to an acquisition programme aimed at buying high-quality, low-cost natural resources assets.

He said changes in Eastern Europe made it a prime site for commercial and industrial development if there was political and economic stability The reunification of Germany provided those essential ingredients

A Minorco spokesman said yesterday the group had bought Lausitzer together with 40-million tons of reserves from Treuhandanstalt, the German government body in charge of privatising state-owned firms in former East Germany

Minorco would spend $9m in the next three years modernising Lausitzer's operations, although the company was currently operating at a profit and had sound facilities

Lausitzer produced high-quality hard rock used in road construction, the production of asphalt and as railway ballast. Its quarry, 45km from Dresden, was the largest in the former East Germany, with good access to road and rail networks

"Minorco is optimistic about future market outlets for Lausitzer's products, particularly in view of the substantial planned capital spending on the country's transport infrastructure," the spokesman said.

"It is also well placed to benefit from major expenditure in Berlin over the next 10 years in its development as the new seat of German government"

Minorco assumed $3m in debt in addition to the purchase price.

Market sources have said that Australia might become the focus of Minorco's acquisition drive Anglo increased its stake in the Normandy Poseidon gold mine from 15% to 19,8% in September.

The difficulties gold mining companies were going through because of weak gold prices might make for "rich pickings" elsewhere in the Australian sector, especially as the tax holiday extended to Australian gold mines ended this year

Weak response holds up Gencor unbundling plan

B/Day 4/12/91 (210)

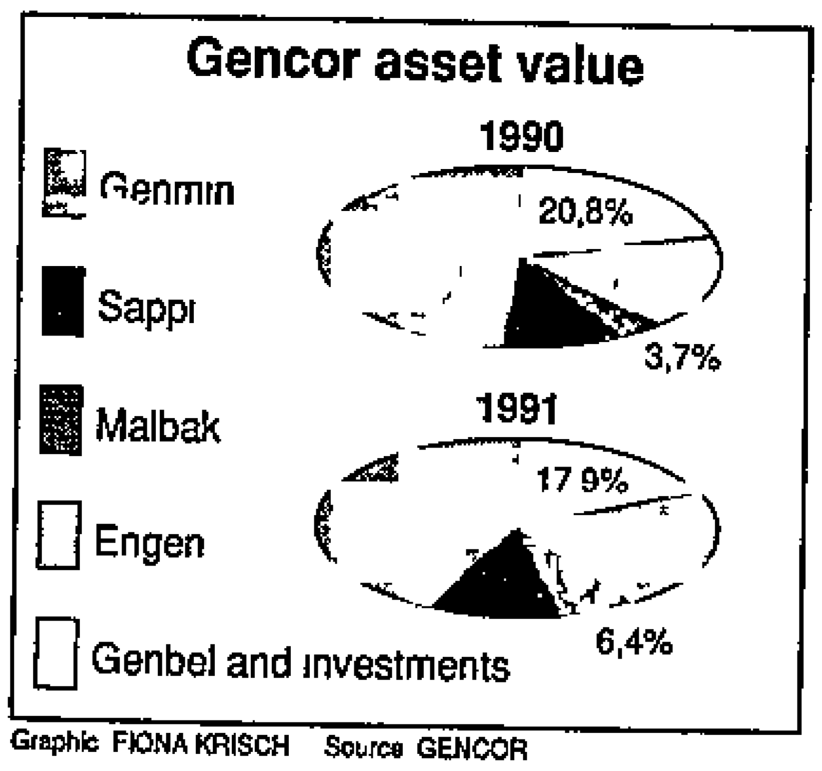
MATTHEW CURTIN

LACK of enthusiasm among shareholders for the proposed unbundling of the Gencor group has robbed Gencor of the incentive to go ahead with the scheme, chairman Derek Keys says in his 1991 annual review

However, Keys said "I remain convinced that this is a valuable option to preserve and we are clearing away the minor obstacles to its implementation so that it will be available to us should conditions change in its favour"

He said when Gencor first proposed distributing shareholdings in its five divisions to shareholders, he thought the proposal would be welcomed and that it would not prejudice other stockholders

"The latter statement is certainly true but shareholder enthusiasm for the move was definitely lacking — the Gencor share price dropped 20c — and we therefore lack sufficient incentive to proceed," he said



Graphic FIONA KRISCH Source GENCOR

Keys said the scale of Gencor's expansion plans — from the Columbus stainless steel joint venture with Anglo American to the Alusaf smelter project, the recapitalisation of paper group Sappi and the development of Impala Platinum's the Deeps prospect — meant the group had to consider replenishing its cash resources

Gencor would increase its authorised share capital at its AGM in January and hold a multi-billion rand rights issue soon after

However, Keys said Gencor's cash resources were such that while it intended to raise money on the stock-market, it was not compelled to do so

As of August 31, the group's liquid funds stood at R1,9bn, made up of R1,3bn in cash and money market assets, and an investment portfolio worth R600m at current prices Last year, total liquid funds amounted to R1,7bn

Keys predicted that "the downward pressure on profits" at Gencor would continue for the rest of the financial year

He said it was a matter for "considerable, if somewhat wry, satisfaction" that despite the plunge in the prices of commodities in the past financial year and the disappointing progress on inflation in SA, the decline in Gencor's underlying operating income was kept to 6%

Granite producer Keeley made its first appearance in Gencor's review of Genmin's minerals division.

Genmin took a 28,1% stake in Keeley in April

Genmin may buy Lonrho operations

(210)

MATTHEW CURTIN

GENMIN, the mining division of the Gencor group, might be on the verge of acquiring some or all of Lonrho's mining operations in Africa, market sources said yesterday

Analysts said that to defray the multinational conglomerate's debts of nearly £1bn and as part of change of strategy in Africa, Lonrho was prepared to sell, at the very least, its platinum and coal mining interests in SA to Genmin

Gencor chairman Derek Keys flatly denied last night that the group had any plans to take over Lonrho He said, however, Genmin and Lonrho SA were always in close contact with each other.

Genmin chairman Brian Gilbertson said Genmin was not planning to take over Lonrho SA's mining interests. However, the group was continually looking at "optimising the relationship" with Lonrho SA

Lonrho director Paul Spicer said from London "We are constantly talking to Gencor They are our partners in platinum mining in SA There are a lot of rumours flying about Lonrho and 90% of them are untrue"

Lonrho SA has a market value of more than R7,3bn and analysts said Gencor/Genmin was likely to pay for the acquisition of its and the group's other mining interests on the continent with shares and cash

They said talk of Gencor's takeover of the whole Lonrho group was far-fetched Gencor was interested only in acquiring those mining and transport interests, rather than other trading operations

Genmin's platinum arm, Implats, already has 25% stakes, via wholly owned subsidiary Gazelle Platinum, in Lonrho's Western Platinum and Eastern Platinum mines near Rustenburg. Lonrho also owns SA coal producer and investment company Duiker Exploration (market value R86m),

☐ To Page 2

Genmin B/Day 4/12/91

(210)

☐ From Page 1

as well as several gold mines in Ghana, Mozambique and Zimbabwe

Rumours that some sort of merger between the two groups was all but in place were not enough to stem the plunge in Lonrho's share price in London and Johannesburg Shares in Lonrho SA hit a low for the year of R11,20, nearly 6% or 70c down on the day

The Lonrho group has debts of £930m and it was reported at the weekend it might float off its Ashanti gold mine in Ghana, a move which could raise £255m

One analyst suggested that Lonrho was reconsidering its strategy in Africa for political reasons At the same time Gencor was keen to use Lonrho as a springboard for its own expansion plans in Africa

Gencor full of confidence

STAR 4/12/91.

By Ann Crotty

210

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

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

"The potential is expanding and we have the patience and the commitment to await its realisation."

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

Cash resources

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

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

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

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

would have to combine their property interests and mining title.

He said the results from RM Props' gold sales and interest received were likely to fall and lower profits for the property operations were expected.

Anglo chief has hopes for economic forum

BDay 5/12/91 (210)

MATTHEW CURTIN

THE single most important symbol of progress towards formal constitutional negotiation was the decision to convene last weekend's all party conference, Anglo American chairman Julian Ogilvie Thompson said in his interim review for the six months ended September.

He said Anglo's earnings climbed 21% in the period under review.

Commenting on the economy, Ogilvie Thompson said: "The need for certainty and stability in macro-economic policy has never been more urgent."

The proposed economic forum between government, political parties, labour and business could provide a chance to move way from the confused economic statements of some parties and to consider how best to realise economic growth and affordable poverty relief programmes for all South Africans.

"There will be a need to guard against pressures for populist quick fixes which will undermine long-term growth and stability," he said.

Printing error

A PRINTING error in an advertisement on Clicks' interim report yesterday resulted in borrowings being given as R473m. They were in fact R47,3m.

In a news report on holding company Score-Clicks, Clicks was inadvertently referred to as Checkers. The errors are regretted.

Gencor chief may resign

STAR 5/12/91 (210)

By Ann Crotty

Gencor chief Derek Keys may be on the point of announcing his resignation as executive chairman of the giant mining and industrial group, market sources say.

No one at Gencor was available last night to confirm or deny the report, but it was learned that Gencor would be making an important announcement today.

It is speculated that Mr Keys (60) will remain on the board in a non-executive capacity and that Brian Gilbertson, currently head of Gencor's massive mining division Genmin, will move in as chief executive of Gencor.

Mr Keys indicated last year that he would remain at the helm at Gencor until 1994.

His appointment to the top position in Gencor in April 1986 came as a surprise.

Newcomer

Mr Keys was a newcomer to mining and was regarded as a rank outsider.

But it proved to be an inspired choice. His unorthodox approach to management was instrumental in steering Gencor through an extremely tough trading period in the second half of the Eighties.

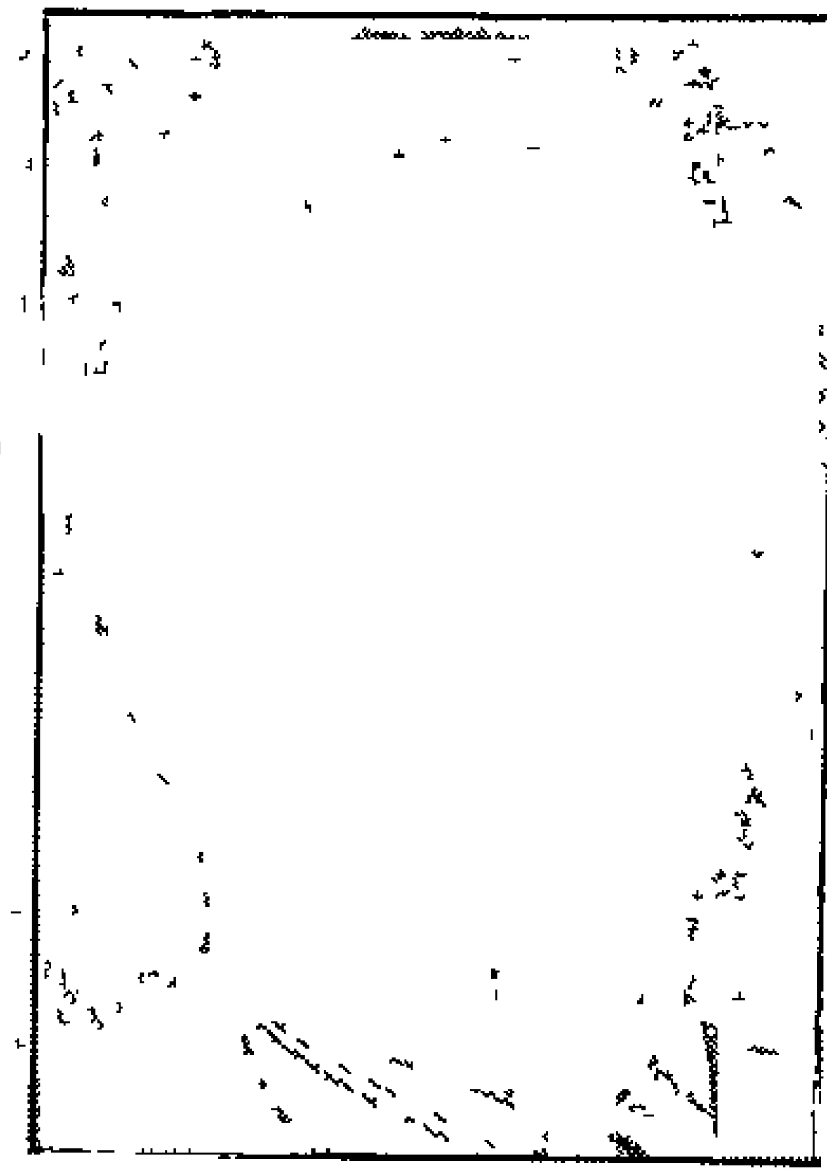
His innovative style resulted in significant senior management changes and a cleaner group structure, which was apparently much more attractive to investors.

Under his leadership, Gencor assumed a much more vibrant image.

As the recently published annual report for financial '91 indicates, the group (with net assets of R17,3 billion) is currently involved in a number of major long-term capital projects.

The same annual report refers to Mr Keys' conviction that the unbundling of Gencor remains an option — despite lack of shareholder enthusiasm.

He said in the report: "We are clearing away the minor obstacles to its implementation so that it will be available to us should conditions change in its favour."



Derek Keys

ANGLO AMERICAN FM 6/12/91

Raising cash

(210)

Anglo American Corp's healthy increase in attributable earnings of just over a fifth does not reflect an upturn in the economy On the contrary, chairman Julian Ogilvie Thompson says prospects for growth in the international economy look weaker than they did earlier this year This is bound to have an impact on SA's upturn

Investment income, which accounts for the bulk of income from mining and industrial operations, was almost static Nominally, it increased by 6% but much of this is accounted for by the consolidation of Amgold, which was previously equity accounted Almost all the increased investment income has been redistributed to minorities in Amgold

Anglo has tended to avoid major greenfield projects in the past few years but there are some signs of change. It is now engaged with Gencor in the development of the Columbus stainless steel project, is considering the development of the Namakwa Sands heavy-minerals deposit and it is developing the Zebra battery as a power source for electric cars in urban areas

For all this, it has needed cash The most significant increase was seen in "other" income, on the disposal of nonstrategic invest-

continued

FM 6/12/91 (210

ments of R102m after tax. This was dwarfed by the sales last month — after the half-way stage — of 46m shares in Gencor and 1,6m shares in First National Bank, which, with smaller disposals, raised R1bn for Anglo's cash reserves

Some of the year's surpluses will be treated as extraordinary items at year-end FNB, now 20% held, is still considered a strategic investment but it appears anomalous that the holding was lightened At the March year-end financial services & property was one of the areas, other than coal, to increase its contribution to the bottom line

Coal continues to provide healthy earnings growth and it helped to increase income from subsidiaries by 11% Amcoal earned an abnormal tax credit of R26m, of which R13m is attributable to Anglo Rustenburg Platinum, which is 24% held, provided higher dividend income

Anglo's management fee income from client companies such as Amic, Vaal Reefs and Western Deep Levels has fallen, reflecting the difficulties in mining and heavy industry

In view of the nonrecurring nature of the investment surpluses, Anglo has increased the interim dividend by 6%, and raised dividend cover from 2,7 to 3,1 At R125, the share stands on an earnings multiple of 10,7 based on equity accounted earnings, and 19,1 on attributable earnings, and offers a dividend yield of 2,6% The outlook for normal business activities is flat but there is strong long-term potential when mineral and commodity prices recover *Stephen Cranston*

Don Ncube, appointed an alternate director by Anglo American, at yesterday's news conference Suggestions that he was a token black were "an affront to my intellectual integrity", he told reporters. Picture ROBERT BOTHA

Ncube joins Anglo board

DARIUS SANAI 210

ANGLO American group industrial relations consultant Don Ncube, named as an alternate director this week, yesterday emphatically denied being appointed as a "token black"

"It would have been an affront to my intellectual integrity if I had been appointed on the basis of my skin colour," he said.

He said such appointments were "the most pernicious form of reverse discrimination", and added that the appointment reflected his 18 years of service and the position he had reached in the company.

Ncube is the second black person to be appointed to Anglo's board. Zululand University anthropology professor A L Vilakazi was appointed in 1980.

Ncube was appointed along with Anglo's executive committee secretary Philip Baum and finance manager Chris Yates.

Baum was a personal assistant to former Anglo chairman Gavin Relly for five years He also heads up the Anglo American and De Beers Small Business Initiative, which is responsible for developing business relationships with emerging enterprises. B/Day

An Anglo spokesman said race was "utterly irrelevant" in determining appointments within the corporation. 6/12/91

BRIAN GILBERTSON In the steps of Derek Keys

Gilbertson, first among equals . . .

S/Times (Bus) 8/12/91

210

By IAN SMITH

THE SUDDEN call to Gencor executive chairman Derek Keys to join the Cabinet could have left Marinus Daling, chairman of controlling shareholder Sankorp, with a succession headache.

But one of Mr Keys' greatest achievements in his five years at the helm of the diversified mining giant was to put in place a team of executives, any one of whom could have taken over.

"We could pick only one man for the top job, but we had a difficult choice," says Mr Daling

Couple

The plum job has gone to Brian Gilbertson, chairman of Genmin and an executive director of Gencor. His appointment caps a remarkable 3½ year career with the group.

The move has been welcomed by investment analysts, particularly because the group will need strong leadership as it conserves funds and sets out to raise cash for major developments in the oil, stainless-steel, aluminium and paper industries

A month ago Mr Keys told Business Times that he had agreed to stay with Gencor until August 1994 and one of his jobs before then would be to appoint a chief executive to ensure continuity.

The invitation from President De Klerk "a couple of weeks ago" speeded up the process

Mr Daling says he is sorry to lose Mr Keys, but he is glad that he will play a key role in the development of the economy and the country

"It must be a tribute to Derek that he leaves Gencor in a position where it is not dependent on one man He has built an excellent team which is already running Gencor's constituent parts"

The team of executive directors includes Bernard Smith, chairman of Engen, Eugene van As, chairman of Sappi, Tom de Beer, chairman of Genbel, and Grant Thomas, chairman of Malbak

Mr Gilbertson joined Gencor after Mr Keys asked Bernard Smith, who was putting together the energy empire which includes the Mobil and Trek operations and Mossgas options, to look for an exceptional executive to run the mining operations.

He came up with a name, and a short time later Mr Gilbertson resigned from JCI where he was director in charge of platinum after 18 years with the group, to join Gencor

His first task was to pull together Trans-Natal coal, which increased its contribution to group earnings from R5-million in 1988 to R87-million in the year to August 31

In March last year Mr Gilbertson became chairman of Genmin, responsible for all mining operations. He played a major role in the formation of Gengold, with Gary Maude as its head.

Gengold has been in the forefront of new strategies for gold mining It is the only mining house developing a major gold mine, Oryx

He is credited with taking the lead in persuading mine managers to concentrate on costs a kilogram of gold instead of costs a ton of ore milled.

Columbus

Mr Gilbertson has been closely involved in the planning for the Columbus stainless-steel project and a new aluminium smelting plant, which will be major contributors to SA's export earnings

He has similar traits to Mr Keys — he says he depends a great deal on his executives.

"They identify the critical issues and make recommendations I then help to choose a course of action"

That's a policy which has worked well for Gencor

Mr Gilbertson spent four years in research work with CSIR after he left Rhodes University with an honours in science and a master's in physics He also has an MBL from Unisa and he taught finance at Wits Business School for a spell

STAR 9/12/91

Barlows confident of future

By Ann Crotty (210)

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

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

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

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

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

The segmental analysis in the '91 annual report shows that fixed assets in the MMB division dropped from R4 billion at end-September '90 to R2,6 billion at end-September '91.

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

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

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

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

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

Mr Clewlow says· "The cash inflow from the sale of MS&A will greatly strengthen the balance sheet and offer the group more flexibility for investments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Anglo mineral venture

STAR 12/12/91. (210)

Anglo American said yesterday it was evaluating a project to mine heavy minerals on the West Cape, 80km north-west of Vredendal, at Brand se Baai.

It said the feasibility study would be completed early next year

If found to deliver positive signals, Anglo said it would decide whether to go ahead with the project — based on the availability of tax and other state concessions

Anglo said it intended to mine four main products from the area zircon, rutile, high titania slag and pig iron

There would be three separate facilities if the project got off the ground.

Mining and preliminary concentration of heavy minerals would take place at Brand se Baai, while further processing of the primary concentrate to produce the minerals would take place north of Koekenaap — Sapa

GENCOR (210) FM 13/12/91

Plenty of momentum

Activities: *Diversified group with important interests in mining, forest products, industry, oil and gas, and mining finance and investment*
Control: *Gencor Beherend 54,8%, Sanlam has ultimate control*
Chairman: *D L Keys*
Capital structure: *1,18bn ords Market capitalisation R15bn*
Share market: *Price 1 280c Yields 3,4% on dividend, 9,4% on earnings, p e ratio, 10,7, cover, 2,8 12-month high, 1 500c, low, 900c Trading volume last quarter, 8,5m shares*

Year to Aug 31	†'88	'89	'90	'91
Investments				
— carrying val (Rbn)	3,73	5,33	5,99	7,18
— valuation (Rbn)	7,99	13,16	14,61	15,99
Earnings (Rm)	720	1 051	1 479	1 405
Earnings (c)	73,5	105,5	125,8	119,5
Dividends (c)	27,0	34,0	40,0	43,0
Net worth (c)	819	1 211	1 375	1 473

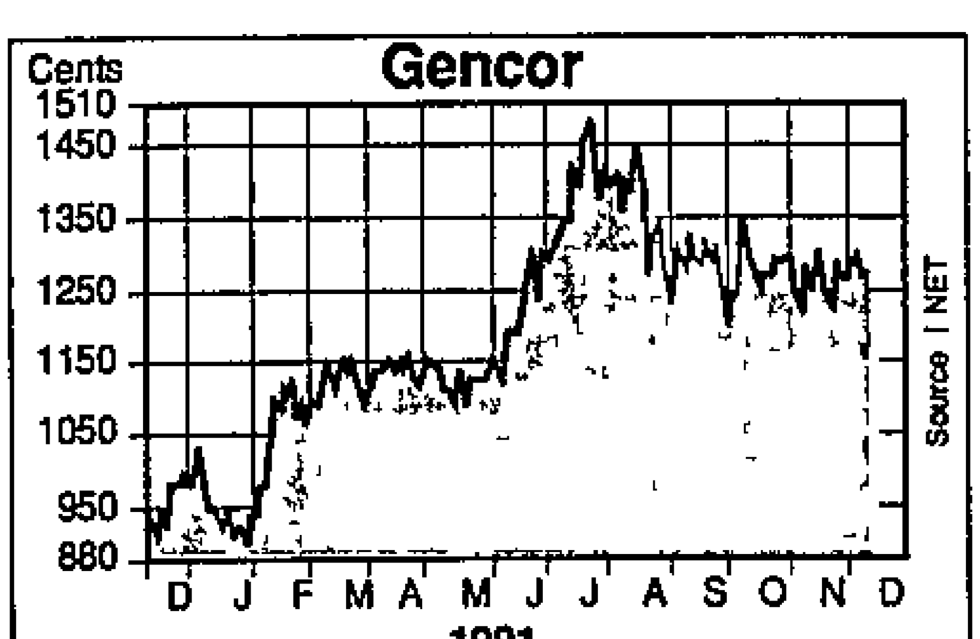
† Pro forma

When Derek Keys vacates the Gencor chair next month after a six-year stint, he will leave an impressive legacy strong management is in place, numerous large capital projects are being pursued and the house is well funded

In some respects, this may be a logical time for his departure, in that Keys has achieved major goals he talked of after his appointment Among the most important of these was the need to change the culture and the thinking in the organisation

When he arrived, Keys has said, most managers were spending their time "administering the estate " None of the senior executives was giving much attention to finding new business and nor was anyone required to make a priority of seeking new ventures Now, after large acquisitions — such as Mobil, Saiccor/Usutu Pulp and the controlling stake in Alusaf (Pty) — there are hefty spending programmes in various divisions

Among these, Engen is involved with a R670m expansion and will soon announce its R1,1bn second phase, Sappi is spending more than R700m on projects at Saiccor, Tugela and Enstra mills, Trans-Natal is investing about R1bn, partly on the creation of new export capacity, Gengold is developing



Gencor's Keys *not counting on currency weakness*

the new Oryx mine, with the first phase absorbing R1,3bn; a new smelter costing about R3bn is being considered for Alusaf; and the Columbus stainless steel consortium starts from a firmer base after having bought Middelburg Steel & Alloys and related chrome interests from Barlow Rand for R1,1bn

Gencor is well financed and has announced plans to hold another large rights issue (*FM* November 1) At year-end, though there were loans outstanding of R535m, the group held net cash balances comfortably exceeding R1bn Should the house raise the mooted R2bn, it will still hold a cash surplus of several hundred million after providing funds for the new ventures and rights issues, including upwards of R800m for Alusaf and following the entitlement in the R440m Malbak rights issue

Keys' successor, Genmin chief Brian Gilbertson, will therefore take over the running of a group that already has a great deal on its hands Gilbertson, who has taken a more hands-on approach while running the mining division, says he has no plans to change the decentralised management style that Keys instilled at Gencor However, the time may be right for a shift of emphasis

"All parts of the group are actively engaged in pursuing Gencor's goal of real growth," Gilbertson tells the *FM* "I suspect that my principal objective over the next year or two would be to see a number of major projects brought to fruition on prudent commercial and financial terms So my role could change for a while from an initiator to an implementer "

Other management changes are not expected in the short term Gilbertson intends to remain chairman of Genmin for a while, though he intends to appoint a successor in due course

Gilbertson led the team that studied the unbundling proposal and he remains open-minded on the subject "It clearly is possible to do it efficiently but the shareholder response (the price fell 20c on the announcement) threw cold water on the idea," he says

"The principal argument against it, is that a big financial group is better placed to take on the large projects But if the stage comes when the shareholders think it is the thing to do, we would certainly consider it "

As the table shows, there have been marked shifts in the sources of group earnings over recent years Whereas a few years back nearly 70% of earnings was from Sappi and Samancor, the contributions from both companies have flagged because of market weakness, others, particularly Engen and Genbel, have grown rapidly

Even so, the house remains heavily reliant on world commodity and precious metal markets If anything, this has become more true than ever Keys points out that, for the first time in many years, Gencor's receipts from export sales were not boosted last year by a depreciating rand

Average realised exchange rate for the year gave R2,65 for each US dollar, compared to to R2,66 the previous year. The current rate (R2,79) is more favourable but Keys says the conservative management of the country's external position by the monetary authorities makes it unlikely that currency weakness will contribute materially to group results.

Gilbertson believes Gencor will do well once markets recover, particularly if this is

GENCOR'S DIVISIONS

Earnings sources (Rm)

	1989	1990	1991
Gengold	153	155	125
Implats	91	123	123
Trans-Natal	36	73	87
Samancor	321	251	177
Minerals	92	128	84
International	37	41	23
Exploration	(81)	(110)	(114)
Corporate	(72)	(37)	(23)
Genmin	577	624	482
Sappi	276	240	154
Malbak	145	116	128
Engen	(29)	203	237
Genbel & invest	105	322	428
Corporate	(23)	(26)	(24)
Gencor	1 051	1 479	1 405

continued →
P.T.O.

COMPANIES (210) (680)

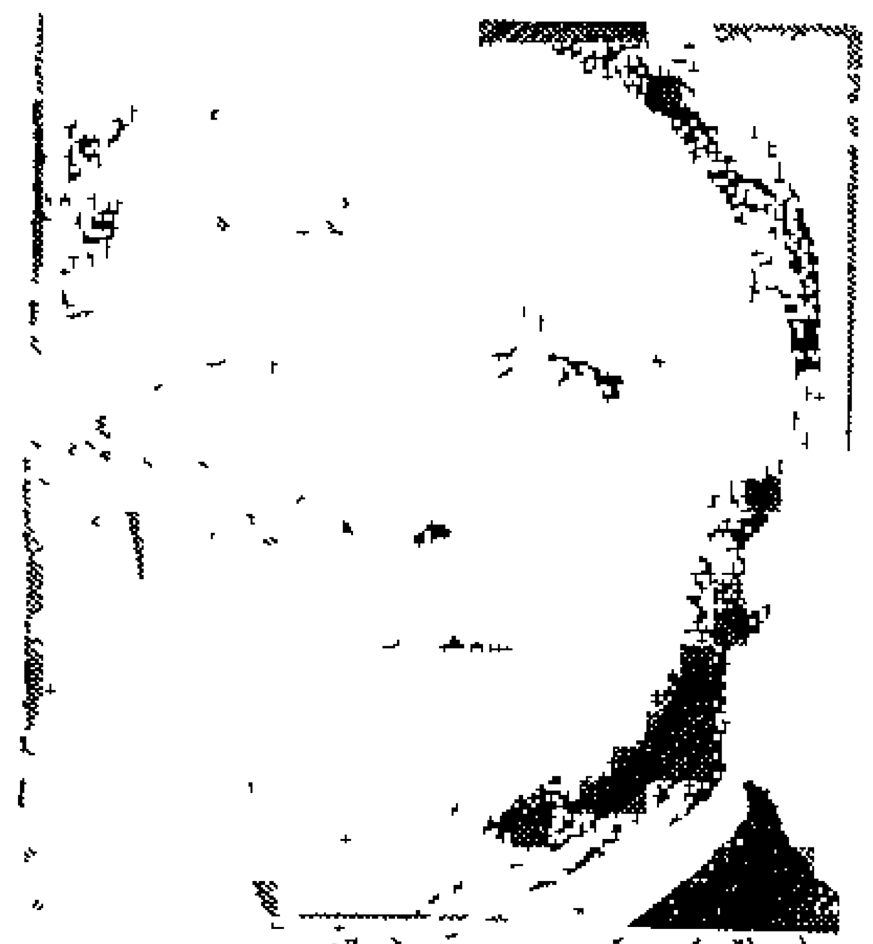
FM 13/12/91

accompanied by a firmer rand gold price Meanwhile, the group should have enough momentum and liquidity to allow another increase in the dividend this year, though the rate of increase is unlikely to exceed last year's 7,5%

At 3,4%, the dividend yield on the R12,80 share price is higher than yields on Anglo American (2,6%), Anglovaal (1,2%), Gold Fields (2,5%) and JCI (2,3%) But the gap is not greater than usual, and the 12% discount to the present NAV of about R14,60 is low The share remains a good long-term investment in commodities, with other attractions, such as energy *Andrew McNulty*

Reserve Bank involved in 'Dallas-style' intrigue over priceless gemstone mountain — court claim

Battle of the Cape millionaires



□ Mr Nicolaas Heyns

□ Dr Robert Hall

□ Mr Chris Ball

210

ARG 14/12/91

P.T.O

EXCLUSIVE

Weekend Argus Special Correspondent

AN urgent application before the Cape Supreme Court this week called for the imprisonment for contempt of court of Dr Robert Milton Hall, American millionaire who has lived in South Africa for the past 10 years.

An urgent interdict was also sought against the Reserve Bank and two of its officials, who are alleged to have been "maliciously hounding" a Somerset West businessman allegedly at Dr Hall's instigation.

The 600 pages of affidavits and documents in the application read like a script for *Dallas*, with millionaires locked in battle

Tales of intrigue with top bankers, allegations of influence in high places and plots to sabotage multimillion dollar international deals — are all part of a plot to gain control of an extraordinary Northern Cape gemstone mine known as "Green Mountain".

Among those involved is former Barclays Bank managing director Mr Chris Ball, who last year helped set up a deal in London in terms of which a German shipping company was to pay R15 million for only a 40 percent share in the mine. Mr Ball was to become a 10 percent shareholder. The deal fell through.

Another is legendary Namaqualand mining prospector Mr George Swanson, who, according to court papers, surreptitiously moved claim pegs to support his allegedly fraudulent claim to part of the mine. He withdrew his claim and handed the pegs to the police.

This week's court application was brought by millionaire businessman Mr Nicolaas Albertus Heyns of Somerset West, whose company, Greenstone Industries, owns a Richtersveld mountain of solid serpentine-bowenite, a unique gemstone similar to jade in appearance.

Dr Hall previously owned shares in the Greenstone mine, but when the two fell out, agreed to cede his shares to Mr Heyns in a settlement made an order of court in January 1990.

This week Mr Heyns called for Dr Hall to be imprisoned for contempt of court for failing to comply with a previous court order to return various documents taken from Mr Heyns's office one midnight in October 1989.

Dr Hall had also, despite the settlement agreement, allegedly launched a campaign of defamation against Mr Heyns and his companies, aimed at "ruining" him and gaining control of Green Mountain, Mr Heyns contended.

The German buyers who had wanted to buy a stake in the mine last year, withdrew from the deal at the last minute, allegedly because of defamatory statements about Mr Heyns by Dr Hall

On Wednesday Dr Hall consented to an order by Mr Justice Fagan which prohibits him from publishing any defamatory statements concerning Mr Heyns, or doing anything illegal which would prejudice the goodwill of his companies, pending the outcome of a further court action between them.

In terms of the order, Mr Heyns must issue summons dealing with the issues in dispute against Dr Hall within 14 days. The Reserve Bank and the two officials named in the aplication, Mr John Neethling and Mr Charles van Staden, are, however, opposing the application, and have been ordered to file replying affidavits by January 27

Mr Heyns has asked the court to interdict the Reserve Bank, Mr Neethling and Mr Van Staden from publishing defamatory statements about him, and from damaging the goodwill of his companies, Green Stone Industries and Africa International.

The action is part of a bitter saga which began in 1989 when Dr Hall and Mr Heyns's year-old business relationship ended acrimoniously

A separate case, in which Mr Heyns is claiming R1 million from the Reserve Bank for defamation, has already been set down for trial in the Cape Supreme Court in February 1992.

Dr Hall is a US citizen who, in the P W Botha era, achieved prominence as a lobbyist for the National Party cause. Some years ago he sold his Hout Bay residence, Klein Leeukoppie, to Sol Kerzner, and now lives with his South African wife, Elsa, at Stellenkloof, near Stellenbosch.

A dentist, he made his fortune from patents for miniature pneumatic drills that revolutionised dentistry 20 years ago He has not practised since He lived in Britain and Germany before emi-

■ Turn to page 3

Millionaires' battle like Dallas script

■ From page 1

grating to South Africa in 1980

In this week's court application evidence was presented of a mysterious deal struck by Dr Hall with the Reserve Bank more than 10 years ago It granted him a unique status, allowing him to do foreign exchange deals prohibited to other South African residents

"For Reserve Bank purposes I am a non-resident and therefore not under the jurisdiction of the Reserve Bank as would be a South African citizen," Dr Hall said

"I am willing to accept full Reserve Bank disclosure," he wrote in a personal memo to his attorney last year, included in the court papers

"Besides being a US citizen without permanent (SA) residence for Reserve Bank purposes, there are no regulations that preclude my personal finrand/dollar/commercial rand transactions."

Dr Hall then explained how this was possible "Ticky Gill, vice-president of then Barclays Bank (1981) secured this unique status for me, since I did not want to declare my world-wide assets, and the Reserve Bank gave me approval

"Ticky fortunately is now number three in the Reserve Bank, having been seconded from First National"

Mr J A van den Heever, 66, a retired prospector from Vioolsdrift, told in another affidavit of a visit by the Reserve Bank's Mr Neethling in November last year Mr Neethling told Mr Van den Heever that Dr Hall was a personal friend of President De Klerk, and that he had been "cheated" by Mr Heyns

As a result, Mr Neethling allegedly told the prospector, "Heyns's days in business are numbered" The Reserve Bank were first going to bankrupt Heyns, and then see to it that the Green Mountain mine was "handed over to Dr Hall"

On June 18 this year Dr Hall reported in a letter faxed to Mr Neethling at the Reserve Bank that he had received information that Mr Heyns was selling shares in his mining company "Is there anyone you know who could look into this matter?" he asked.

Shortly thereafter Mr Elmar Strauss, Deputy Mining Commissioner at Springbok, reported to Mr Heyns that he had received a telephone call from Mr Neethling who had asked Mr Strauss if he knew whether Mr Heyns had sold the mine

Shortly before Mr Heyns's attorney had told the Reserve Bank "My client has expressed his concern and apprehension that sensitive and confidential information might eventually reach Dr Robert Hall through Mr Neethling"

Mr Heyns said he was not intimidated by Dr Hall's connections in high places He did, however, regard the "conspiracy" in the Reserve Bank as of such dimensions that he had even feared for his life "I have drawn up a statement to be made public should something happen to me," Mr Heyns told bank officials, according to the transcript of the recorded interview handed in to court

"I have been forced to change from bank to bank because of the witch-hunt against me by officials of the Reserve Bank; to handle my banking affairs in a clandestine manner because if I do my business in a normal manner, then the information gets filtered through to these people conducting a witch-hunt against me and my companies on behalf of Dr Hall

"Before long an official like Mr Neethling turns up at my bank and frightens the bank into turning off the taps," Mr Heyns said His bank would be told, as if it were a proven fact, that "Heyns has committed fraud" and that they were "just busy finalising the investigation" This had happened a few times, he said, and as a result he had been unable to make any progress with his business for the past 18 months

In a handwritten statement handed in to court Miss Annette van Wyk, public relations officer at First National Bank in Stellenbosch, told how Dr Hall approached her in January this year and asked for overdraft figures for "his" company, Green Stone Industries

Miss Van Wyk said she knew that Dr Hall was not a director of the company and refused to give him the information

Weeks later, Mr Heyns told the court this week, Mr Neethling from the Reserve Bank turned up at the Stellenbosch bank, asking for the same information which had nothing to do with a Reserve Bank foreign exchange investigation

"Within weeks Dr Hall knows everything about my financial situation, to the last rand," Mr Heyns said

Mineral wealth is in white hands - NUM

210

Sowetan 17/12/91

JAMES MOTLATSI . . . president of NUM

By IKE MOTSAPI

SOUTHERN Africa is rich in mineral resources but this wealth is not reflected in the standard of living of the masses, according to a top National Union of Mineworkers official.

Mr James Motlatsi, president of NUM, was addressing members of the Southern African Miners Federation in Kadoma, Zimbabwe last week.

Zimbabwe's president, Mr Robert Mugabe, and his Minister of Mines and also president of Associated Miners of Zimbabwe, Mr Jeffrey Mutandare, were in attendance.

Motlatsi said the wealth has in general not gone to the people of Southern Africa but has been transferred to the "colonial elites in the region and, in greater quantity, to the rich countries, who pay us less and less in real terms for our hard-won minerals".

He said: "Mining is controlled by only a few gigantic companies, many of whom can be traced back to the racist companies from the last century.

"The most important company in the region is the South African Anglo American/De Beers group, which alone controls probably more than half of the regional mineral production."

Motlatsi said the mining operations needed to return to the "pre-capitalist mining industry's role where mining provided the raw material to make useful items that will increase the living conditions of the masses".

"We must start transforming our minerals into manufactured products for the local market and for export. If we do this we will create jobs and earn foreign currency to import what we cannot produce yet.

"We need to join together in a Southern African block that goes beyond the borders imposed upon us by the colonialists.

"We need to organise workers in all the mines and refineries across the region to enable them to combat the constant attacks on their wages and working conditions."

RAND MINES PROPERTIES

Paying out

(210)

FM 20|12|91

Activities: *Develops and markets property on the Witwatersrand and runs a number of dump retreatment operations to recover gold.*

Control: *Rand Mines 76,4%*

Chairman: *D T Watt; MD C G Steyn.*

Capital structure: *12,4m ords. Market capitalisation R158m*

Share market: *Price 1 275c. Yields 9,4% on dividend; 11,8% on earnings; p e ratio, 8,4; cover, 1,3 12-month high, 1 425c; low, 1 075c Trading volume last quarter, 197 000 shares*

Year to Sept 30	'88	'89	'90	'91
Gold produced (t)	3,7	3,6	3,5	3,8
Turnover (Rm)	154	166	172	181
Operating profit				
Gold (Rm)	32,7	25,3	4,4	3,3
Property (Rm)	9,1	9,5	17,7	16,6
Taxed profit (Rm)	28,3	25,7	20,9	18,8
Earnings (c)	224	205	169	151
Dividend (c)	120	140	140	240*

*Includes 100c special dividend

"It's an ill wind that blows nobody any good," goes the proverb and Rand Mines Properties (RMP) minorities can thank the troubles at Rand Mines for an unexpected dividend boost The cash-strapped mining house, obviously looking for every cent it could lay its hands on to cope with debts that soared to R312m at one stage (**see *Companies* lead**), milked R9,5m out of RMP through a 100c special dividend

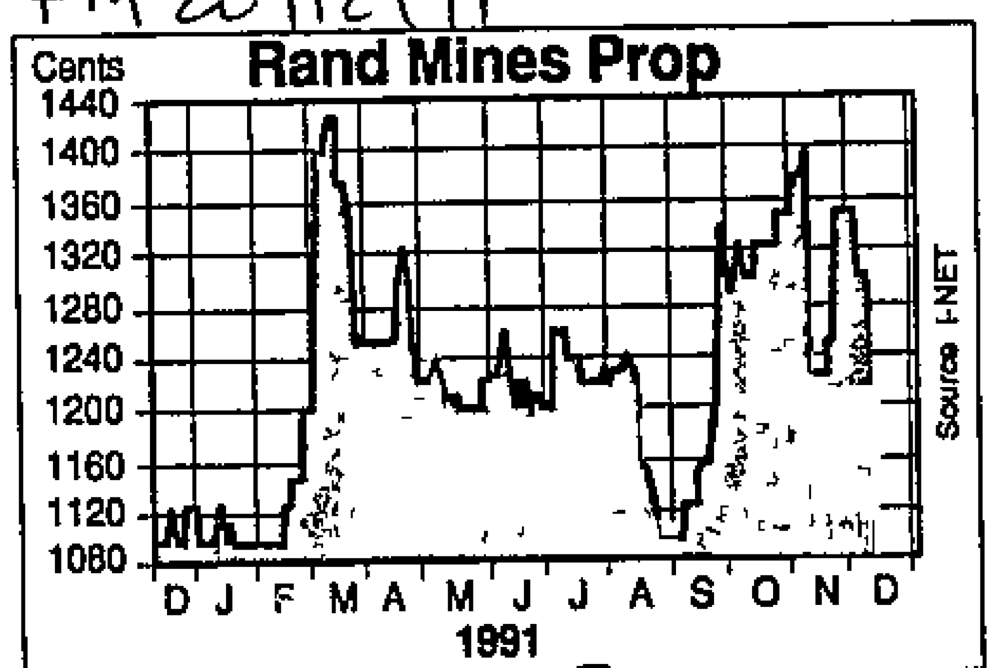
Chairman Damocles "Dammy" Watt, who is also chairman of Rand Mines, says RMP can afford it because cash balances exceeded requirements and RMP still has sufficient funds "to take advantages of opportunities that may arise"

The balance sheet shows R52,9m cash on hand at September 30 (1990: R58m), but current assets fell to R67,4m (R71,6m) while current liabilities rose to R54,9m (R39m) because of the higher dividend and a rise in creditors to R18,5m (R15,5m).

The decision to pass on some cash was probably reinforced by the fact that, in present depressed economic conditions, RMP can see little to do with its money other than leave it in the bank. Watt comments that RMP has identified no suitable investment opportunities in either property or gold re-

continue →

FM 20|12|91



(210)

covery and has finalised no commitments for additional new investments.

That does not say much for growth prospects this year and Watt expects both lower earnings and ordinary dividends There should be no more special payments because, with both the gold and property markets not performing, RMP needs the interest earned on its funds and Rand Mines has sorted out its own debt problems

Watt says there was a noticeable drop in demand for township land in the second half of the financial year as a result of the state of the economy, low business confidence and the socio-political climate That means lower property profits, which accounted for 84% of earnings last year

Gold operations are not looking too rosy either The report reveals worrying increases in working costs at the Crown Mines and City Deep dump retreatment along with a drop in grade at the Pilgrim's Rest plant in the eastern Transvaal

Dump retreatment plants are supposed to be low-cost compared with underground operations, but average gold price received by RMP's operations of R33 502/kg was a scant 1% above average costs of R30 341/kg and the group is selling gold forward

Barring a dramatic gold price recovery, it is difficult to see the share price do anything better than chug along at current levels

Brendan Ryan

Houses 'snapped up' in former mining town

210

STAR 20/12/91

Staff Reporter

House sales in the former mining town of Grootvlei south-east of Johannesburg are way over target, a director of the private consortium that bought the town earlier this year said yesterday.

A group of businessmen bought the town for R4,5 million when the Springfield Colliery closed down. The ANC had also wanted to buy the town, which is 90 km from Johannesburg, to house returning exiles.

The director of the consortium, G C Viljoen, has rejected a report that Grootvlei is becoming a ghost town. More than 80 of the 158 homes in the town had been sold but many were not yet occupied while the mine rehabilitated the area, he said.

Grootvlei Extension 1, which was previously the black housing area, has been completely sold out, he said.

Estate agent Donald Herman, who took over property sales in the town in August, said the houses were "selling like hot cakes".

The prices of three and four-bedroom houses range from R30 000 to R59 000 and had been sold mainly to Johannesburg buyers who commuted to town each day.

"More than 70 percent of the property has been sold, rented or is under development — it's certainly not a ghost town," he said.

Buyers were particularly attracted to the former mine facilities, including a sports club, hall and swimming pool.

The owner of a hotel on the outskirts of Grootvlei, however, is unhappy with the situation, and said the future of the town was very bleak.

"It looks to me as if they have sold very few houses," Manie Kriel said

Although many houses in the town are not yet occupied, business prospects are very good, say local businessmen.

Cecile Willemse of Grootvlei Dairy said residents were optimistic about the future of the town.

UAL mining fund is a world beater

S Times (Buss) 22/12/91. 210

By JULIE WALKER

UAL's Mining & Resources portfolio not only outperformed SA's other mining funds in 1991 but has beaten the world's best in terms of major currencies

A survey of UK commodity and energy unit trusts put Waverley Australasian Gold fund at the top with a return of 24,6%, a shade ahead of James Capel Gold & General

The worst of the 24 funds listed, Lloyds Bank Energy International, retreated by 13,3%

The survey measured total return from sales to repurchase and reinvesting income in the first 11 months of the year

I reckon that the smart hard currency should have been in SA's funds because of the appreciation of the financial rand this year

By converting SA's mining and resources unit trusts into sterling terms using sales to repurchase and ignoring income, I calculate that UAL Mining & Resources gave a veritable 39,4% return

If income were to be included, the return tops 46% — without a shadow of a doubt the world's best performer in the category

UAL Mining & Resources' return to SA unitholders over the same 11 months on a straight repurchase to repurchase is 23% — almost five percentage points ahead of the nearest rival Guardbank Resources, and a good 30% ahead of Old Mutual Gold, which lost its fund manager earlier this year

UAL fund manager Bill Belovay says his portfolio is heavily weighted in the strongly performing diamond sector and in the best mining houses

This low-risk strategy has paid off

Mr Belovay's exposure to gold at 7% is considerably lower than that of his rivals

He has favoured platinums, which in spite of the recent knock continue to outperform the all-gold index

New Act will deregulate mining

State mineral rights to be privatised

(210)

BDay 31/12/91

LESLEY LAMBERT

THE mining industry is preparing for the introduction of significant legislative changes, including the privatisation of state mineral rights, early in the new year.

The new Minerals Act, which will consolidate nine principal mining statutes, including most sections of the Mines and Works Act of 1956, is expected to be passed early in the 1992 session of Parliament.

A major function of the new Minerals Act will be to promote privatisation and deregulation in the industry, the Chamber of Mines reports in its newsletter.

The Act will promote the gradual privatisation of state mineral rights It will also enable the holders of mineral rights to find their own markets and sell their rights on the free market rather than being forced to lease them to the state

The Act places greater emphasis on issues such as safety and health and proposes wider trade union participation in steps to rectify dangerous practices

In order to promote privatisation within the mining industry, the Act dispenses with the existing right of the state to mine for, and dispose of, all precious metals, precious stones and natural oil

These rights will be vested in the holder of the mineral rights — in effect reverting to the position under common law, says the the chamber's legal services division

Provisions for the disposal of state-owned mineral rights are another important feature of the Act

However, the chamber's legal team says the removal of the state's mining rights and the need to obtain statutory mining and surface rights from the state is counterbalanced by the expansion of statutory powers of control over the exploitation of mineral rights and the impact of prospecting and mining on the environment

Under the Act, a prospecting permit or mining authorisation will be required for any mineral. This means private landowners will now have to obtain statutory approval before prospecting or mining for base minerals Applicants must satisfy the authorities that they are the holders of the rights to the mineral or have obtained the holder's consent They must convince the authorities they will comply with approved schemes in rehabilitating the land

A new administrative system is being set up to implement the Act in the various mining regions into which SA is divided

Newly appointed regional directors will replace the system of mining districts and regional inspectorates The deputy director-general of Mineral and Energy Affairs will be responsible for safety and health matters and regional mining engineers will be appointed within the offices of the various regional directors.

□ The Chamber of Mines has produced an environmental *aide-mémoire* to help mine managements comply with the new environmental responsibilities contemplated in the Minerals Act The document will help mines compile a comprehensive environmental management programme report, which will detail their compliance with the requirements of the Act.

MINING — GENERAL

1992

JANUARY — SEPTEMBER

Oppenheimer gives backing to Australian tantalum project

210

STAR 2/1/92

PERTH — Harry Oppenheimer, doyen of the mining industry, is backing a project in Western Australia designed to bring long-term price stability to the tantalum market

Tantalum is a heavy metal with a high melting point and excellent resistance to most forms of chemical attack Its most important use is as a powder for capacitors It is also used as the carbide in cutting tools and, as a pure metal is fabricated for use in chemical plant and aerospace applications

One of Mr Oppenheimer's family companies is investing in Gwalia Consolidated, an Australian group, which owns Greenbushes, one of the Western world's three big operating tantalum mines

Greenbushes needs A$29 million for construction of a new tantalum processing plant and crushing circuit and development of hard rock reserves

Work on this will start soon and Gwalia believes that in five years time the Greenbushes mine will account for about 20 percent of world tantalum supply, estimated by then to be about three million pounds a year

Some A$20 million (R43 million) of the necessary cash has been raised by the issue of convertible notes to two groups Dunstan, a European company that represents Mr Oppenheimer's family interests and Rockefeller & Company, the investment arm of the New York banking family

Catalyst

The catalyst for this intriguing association is Jim Ainworth, a director of Gwalia, while Dunstan has put up A$5 million

Tantalum prices were extremely volatile in the late 1980s and Peter Lalor, Gwalia's managing director, suggests that this damaged the metal's prospects by encouraging substitution in the capacitor market by ceramics and aluminium So, when Gwalia absorbed Greenbushes in 1990, its strategy was to stabilise the market

To this end it recently signed five-year contracts to supply more than two million ounces of tantalum oxide at a fixed price of about US$40 a pound for the first four years with the world's two biggest tantalum processors — Hermann C Starck of Germany and the Cabot Corporation of the US

Gwalia is also supplying Metallurg in New York and Triebacher of Austria Between them these four account for about 85 percent of the tantalum processing market

"We've been able to convince our main customers that the industry will be better off in the long term by taking the volatility out of the market," says Mr Lalor

To fulfil its contracts, Greenbushes' output will rise from about 300 000 pounds of concentrates (containing about 35 percent of tantalum) to 400 000 pounds in the financial year to June 1992 and to about 650 000 pounds in the 1994-95 financial year

This production increase is expected to be mainly at the expense of tin producers in Thailand and Brazil who supply tin slag, from which tantalum is recovered

Processors say that it costs about US$45 a pound to produce tantalum this way Moreover, they expect the cost to rise as environmental pressures increase because tin slag contains uranium

Demand

Gwalia estimates that demand for tantalum was about 3,4 million ounces last year compared with output of 2,5 million ounces The deficit was made up from stocks and from production from tin slag

Greenbushes has about 30 years of reserves Mining is by open pit methods at present but in five years time further investment will be needed to go underground

Ray Lynch, Gwalia's chairman, says that construction of the new plant should be completed by October next year and the mine will operate normally while the project is being completed — Financial Times

rm management at the University
le based on concrete experience.
uch as case studies, scenarios
ore attention.

in agriculture, demand from
dge. The system within which
e has to be taken into account
ng in mind the proposed manage-

be presented in a purposive
pendent system. This probably
alty and departmental system
ent schools.

T
t
a

Easy route to explosives

ST Times 5/1/92.

IN THE wake of this week's bomb attacks, police admitted it was impossible to control fully the massive quantities of explosives circulating in South Africa's mining and blasting industries.

With 30 000 tons of explosives manufactured in South Africa every month, police and mine officials face an uphill battle in trying to stop thefts from manufacturers, transport companies and mines

Lieutenant-Colonel Lukas Noeth of the SAP's Inspectorate of Explosives, said it was "quite impossible to control explosives 100 percent Those who want it can still get hold of it All the blasting that's going on now is proof of this," he said

By PETER MALHERBE

Police indications that commercial explosives were used in this week's bomb blasts appear to have been borne out by the Afrikaner Volkstaatbeweging's (AVB) claim yesterday that it used 18,5kg of Anfex explosives for the blasts at the Krugersdorp and Verwoerdburg post offices

Anfex explosives are used exclusively in the mining industry

Risk

Colonel Noeth said his inspectorate had in recent years been searching for weak links in the manufacture and distribution of explosives

However, total control meant police would have to escort all vehicles carrying explosives and post guards wherever explosives were used

"It's impossible to close all the holes," he said

Colonel Noeth said the greatest risk of theft was at the place of use This was despite stringent licensing requirements and regulations to control the storage, transport and use of blasting material

Experts said only one kilogram of explosives could kill people in a confined space. The Pretoria car bomb in 1983, which killed 19 people and injured 200, was estimated to have contained 35-50kg of explosives

Control

Industry sources said the explosives market consumed some 30 000 tons a month, including 16 500 tons of packaged material.

Dr Piet Hugo, director-general of the Department of Mineral and Energy Affairs, said inspectors carried out routine inspections on mines, although mine captains and underground managers were ultimately in control of explosives

"We are always on the lookout for malpractice, but we are talking about tons and tons of explosives handled daily by hundreds of people Things can go wrong There are various ways of getting things out"

Dr Hugo said it was the mine management's duty to check what happened to every stick of dynamite

Mr Dick Kruger, safety services manager for the Chamber of Mines, said legislation prescribed security measures for the mining industry

These included keeping materials locked away at all times, supervision of handling and transport of exlosives and the destruction of unused explosives.

Underground, orders were signed for and mine officials checked these against usage

Leading mining houses contacted were all adamant that security procedures were strictly adhered to on their mines They pointed out that bulk delivery explosives, which were assembled on site, could not easily be stolen or misused

They said random security checks were made at ground level to prevent the theft of packaged explosives.

Mines urged to increase cover

BDay 13/1/92 (2.10)

ROBERT WICKS

THE SA mining industry has been criticised for lagging behind in arranging advanced and comprehensive insurance packages, and mining houses have been advised to purchase "catastrophe insurance" to protect shareholders.

But such claims have been disputed by mining industry sources who said the concerns of shareholders were always a priority and that insurance policies were of a certain nature because mining houses did not always see themselves as being exposed to particular risks.

PFV insurance broker Trevor Malton said many policies did not cater for underground flooding, earthquakes, shaft or rock collapses or certain business interruptions.

He said that standard fire and peril covers did not meet the needs of many mining companies.

Anglovaal insurance manager Haig McLaren said as a general rule, the domestic insurance market was reluctant to give underground flood cover, but it could be obtained overseas subject to negotiation.

Malton said: "Insurance has to provide complete protection for mining companies and requires much in-depth research and a knowledge — based on years of experience — of the risks involved."

He said some mining houses felt it unnecessary to purchase full business interruption insurance — which could be relatively expensive because of the substantial budgeted revenues — and tended to opt for standing charges only cover.

"Business interruption insurance should be designed to take into account the fact that different tax rates apply to mining revenue, as opposed to non-mining revenue."

This was confirmed by McLaren who said shareholders' interests should be protected through the use of business interruption insurance.

He said the nature of mining insurance policies was largely dependent on a mine's track record, but some mines had it within their ability to withstand small losses.

Anglo American official Theresa Erasmus said the group's policy regarding risk and insurance was to identify, measure and keep under constant review the risks to which the group's companies were exposed.

Erasmus said the corporation applied strict discipline to control, eliminate and improve conditions and practices which generated any exposure to risk.

"Our policy is to purchase, as far as available at commercial prices, insurance for those risks beyond the absorbed retention levels. This is primarily to protect the catastrophic exposures of the corporation but must also be need related," she said.

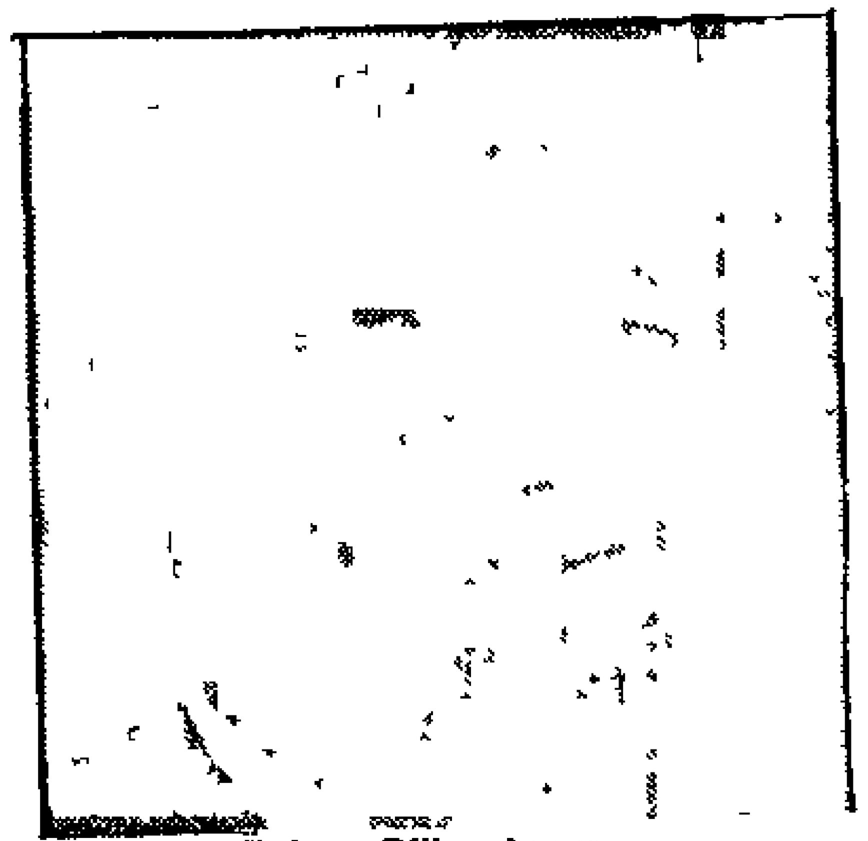
A Gold Fields spokesman said mining houses were being forced to take on catastrophe insurance.

He said the company was at present insured against fires, explosions and rioting, but not against storm damage as it was unviable and far too costly.

Malton said: "Some mining houses take the view that future mining costs are an unknown factor and that their shareholders look for meaningful dividends today and not some time in the future. These mining houses ensure their shareholders are, as far as possible, fully protected insofar as insurance will allow."

Gencor clears way for new rights issue

STAR 14/1/92



Brian Gilbertson

Finance Staff 210

Gencor's incoming chairman Brian Gilbertson believes that while Gencor will be affected in the short term by the low end of the commodity cycle, its long-term growth prospects are excellent.

Mr Gilbertson was speaking after yesterday's annual meeting, the last to be presided over by Derek Keys. Mr Gilbertson succeeds Mr Keys as Gencor's executive chairman.

Asked about the likelihood of a rights issue, Mr Gilbertson said shareholders had approved the creation of the new shares needed, should Gencor go ahead with a rights issue.

14/1/92

"The way has been cleared for a rights issue, and the formal decision as to whether or not to proceed with the rights issue will be taken shortly.

"Gencor is well-funded at present but, as in the past, we prefer to have a pool of cash to draw on as and when it is needed for the new projects that bring us growth."

Mr Gilbertson referred to Gencor's last rights issue in 1989 when the group raised R1,5 billion.

"We used the funds to follow our rights in the Genbel rights issue in 1989, to take up an increased interest in Oryx in the same year and to follow our rights in the Sappi and Malbak rights issues last year.

"Having funds at the centre also meant we were in a powerful position when it came to making our investment in Middleburg Steel and Alloys."

Gencor's Keys takes leave of the corporate world

B Day 14/1/92 (210)

MATTHEW CURTIN

Outgoing Gencor chairman Derek Keys, centre, chaired the group's AGM in Johannesburg for the last time yesterday. He takes up his appointment as Trade and Industry and Economic Co-ordination Minister on January 20. Keys is flanked by incoming Gencor chairman Brian Gilbertson, right, and Sankorp CE and Gencor director Marinus Daling. Picture ROBERT BOTHA

DEREK Keys bowed out from the corporate world yesterday at the Gencor group's AGM in Johannesburg

It was Keys's last day as Gencor chairman and CE, posts which Brian Gilbertson fills from today

Keys takes up his appointment as Trade and Industry and Economic Co-ordination Minister on January 20, as the group he steered from 1986 is on the verge of announcing a multibillion-rand rights issue to finance its companies' expansion plans in 1992

Gencor director and Sankorp CE Marinus Daling paid tribute to Keys, saying that if he proved as successful a Minister as he had proved a chairman, it boded well for the future of SA

Keys thanked Gencor's shareholders for the support they had given the group in the six years he had been chairman

In bringing projects like the new Oryx gold mine and the Columbus stainless steel joint venture with Anglo American to fruition, Gencor needed the support of shareholders who recognised the long-term character of the mining business rather than those looking for short-term gain, he said

Gilbertson said in a statement yesterday Keys had revitalised Gencor and "its new energy and direction is evident from the major projects which are now under consideration by group companies".

Shareholders approved at yesterday's meeting the creation of new shares which would be needed should Gencor go ahead with a rights issue this year.

Gilbertson said: "The way has been cleared for a rights issue, and the formal decision as to whether to proceed with it will be taken shortly Gencor is well funded at present, but we prefer to have a pool of cash at the centre to draw on as and when it is needed for the new projects that bring us growth"

UAL beats mining indices

Finance Staff (210)

A limited exposure to gold shares allowed UAL's Mining and Resources Fund to top the list of unit trusts focusing their investments on mining shares

The fund reported a return of 24,5 percent in 1991, in excess of the 17,1 percent rise of the JSE's mining producers index and the 23,6 percent increase in the mining financial index

UAL said that the portfolio managers focused investments into blue chip mining shares with a low exposure to gold shares

STAR 15/1/92

During the last quarter of 1991 the trust also changed the structure of its holdings in platinum, maintaining 10,3 percent holding in this sector

UAL believes that platinum prices were not reflecting the underlying fundamentals of demand and supply and that, given time, these would reassert themselves

A distribution of 4,1c per unit was declared for the December quarter

The UAL general unit trust declared a distribution of 23,37c a unit, but its return of 30 percent traced most of the other general funds during 1991

The Selected Opportunities Fund, however, did well delivering a return of 41,5 percent for the 12 months, while the Gilt Fund's return of 14,33 percent was in line with the growth in the All Bond index on the capital market

- Commercial Union's CU Growth Fund more than doubled its assets over the year from R12,5 million to R26 million

Boffin Nick back to his former turf

S[T]imes (Buss) 19/1/92 (210)

By JULIE WALKER

DINNER in London three years ago with an old Wits colleague set the course for the appointment of Nick Segal as group consultant, strategy and public affairs, at mining house JCI.

After more than 20 years in England and America, during which Dr Segal changed disciplines several times from the original chemical engineering through economics, development banking, policy analysis and strategy formation to business development, he is returning to the land of his birth when many professionals are considering the opposite passage

No stranger to risk, having abandoned a safe career 10 years ago to establish his own consultancy, Dr Segal says something stirred deep down to bring him back to SA.

At the London dinner was JCI gold and uranium chief Ken Maxwell The topic of employment at JCI was not discussed, but the seeds of the idea were sown

Dr Segal was commissioned to orchestrate an exercise in corporate strategy for JCI

Options

It was good enough for chairman Pat Retief to be convinced that Dr Segal was the man for a post at JCI

Dr Segal says he had several options, but working at JCI made the most sense

He says he is privileged to have been given the chance to do "something constructive"

Years of experience, both as part of a large body corporate and as an entrepreneur, have led to a wealth of international contacts — a quality many South Africans lack through little fault of their own

The job will have several primary headings Strategic management of the public relations exercise is one, a role in the Chairman's Fund another

Helping to formulate group strategy has the most scope for Dr Segal to apply his talents

"Economic and investment opportunities are readily identifiable, but the selection is the challenging part My role will be to formulate criteria for the basis of choice

"Where the group needs a policy, such as responding to new labour laws or the proposed Minerals Bill, my function will be to co-ordinate the efforts of the group's specialists in these fields and to present credible arguments"

Dr Segal will remain a non-executive director of SQW, the Cambridge-based international consultancy he founded

While in Britain, Dr Segal was involved in a variety of assignments He wrote an acclaimed paper, The Cambridge Phenomenon The Growth of High Technology Industry in a University Town, in 1985 He is the author of a CSIR policy study on science and technology policies and economic development

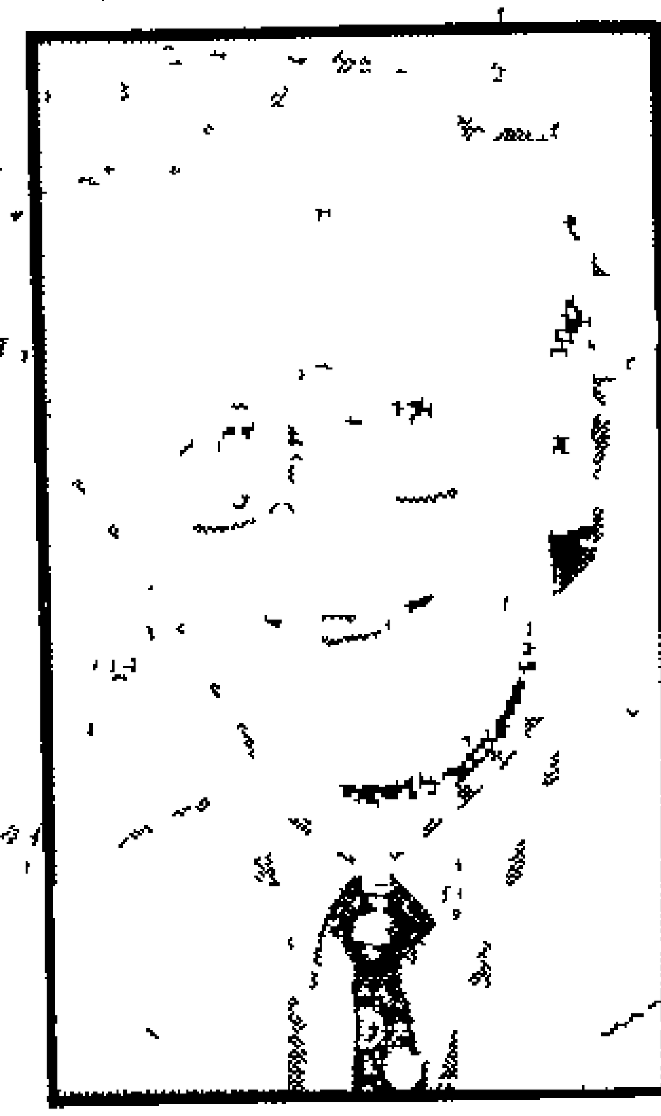
Pussyfoot

Dr Segal also directed a study on London's transport, and was principal consultant to the UK Cabinet Office on the policies of science and technology exploitation and of national innovation He has also worked on projects for the Hong Kong Government

Dr Segal has a high regard for British institutions But in spite of their sophistication, there is a deep inertia or even reluctance to grasp the key issues

"There is too much pussyfooting when the truth is that we really have to get some simple messages across when there are problems to be solved"

Dr Segal, his Cape Town-born wife Diana and daughter Tessa will settle in Melrose North



NICK SEGAL Varied careers

Gush and Boyd land top spots at Anglo

(210) STAR 20/1/92

By Derek Tommey

Anglo American, the giant of the Southern African mining, financial and industrial scenes, is to get two additional deputy chairmen

They are Peter Gush and Leslie Boyd

They join other two deputy chairmen, Graham Boustred and Nicholas Oppenheimer

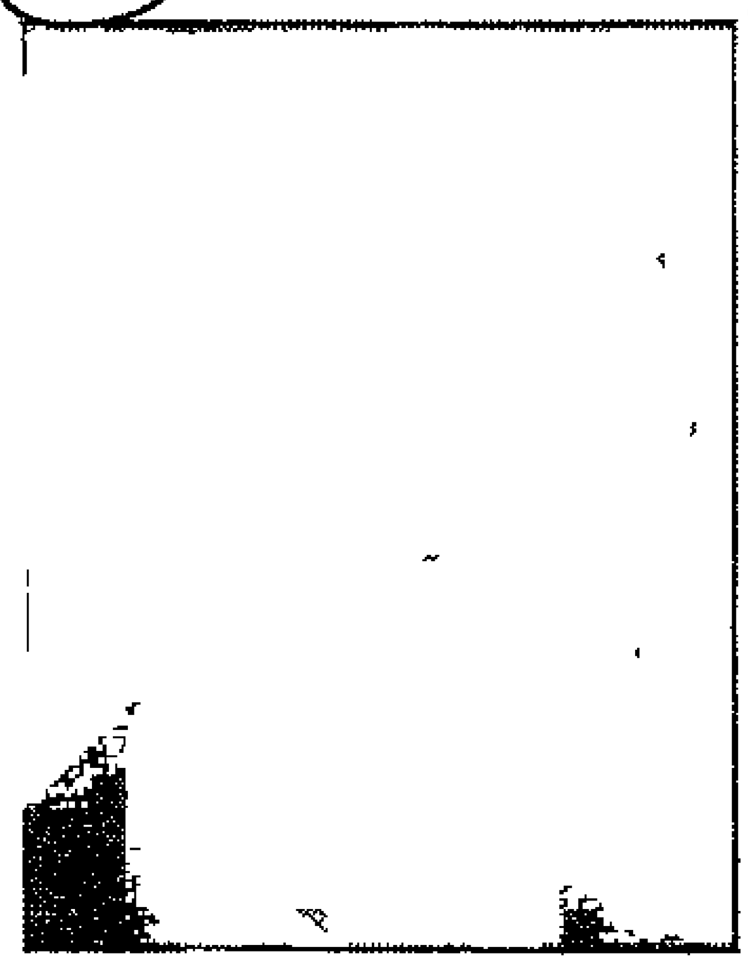
The appointment of Mr Boyd will surprise nobody For a number of years he has been deputy to Mr Boustred, who is now nearing retirement.

Together they have been highly successful in developing the group's industrial interests into a major part of operations and it has always been on the cards that Mr Boyd would eventually succeed Mr Boustred

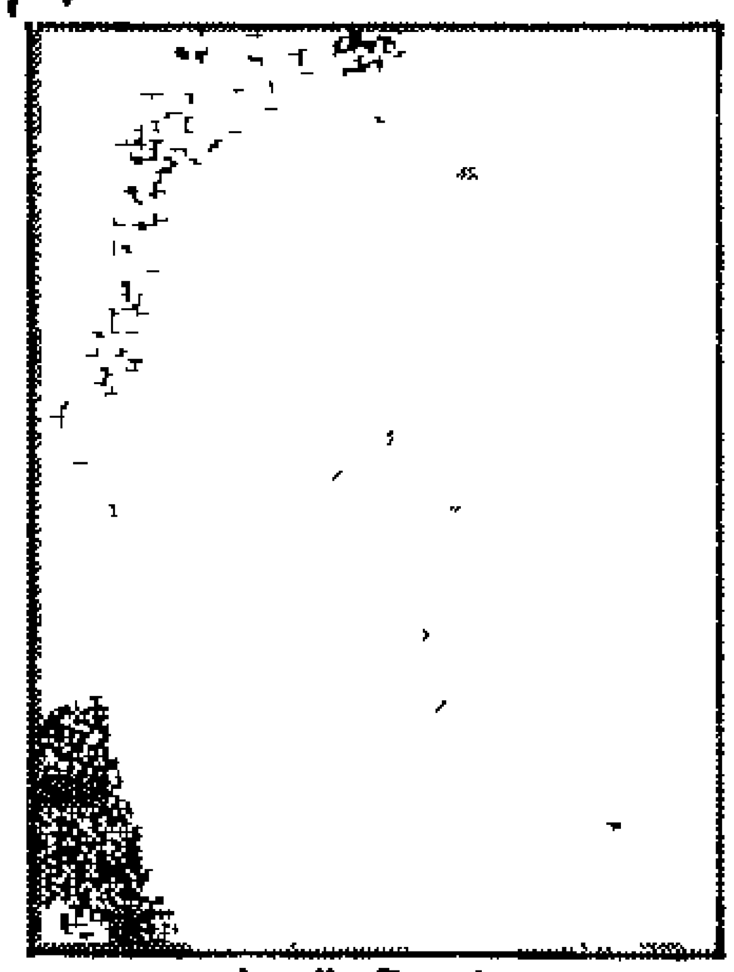
He will shortly take over as chairman of Amic, the group's industrial arm, but Mr Boustred will remain as an Anglo deputy chairman

However, Mr Gush's appointment will take some by surprise Mr Gush (53) has been recognised as one of Anglo's high-flyers since 1961 when, working as a mining engineer at Western Holdings, he won a Rhodes Scholarship to Oxford University and obtained a master's degree in Politics, Philosophy and Economics

He followed this up by becoming a director of the corporation in 1974 and was appointed to the executive committee in 1975



Peter Gush



Leslie Boyd

In 1977 he was given a chance to gain experience as head of a large corporaton when he was appointed chairman and chief executive of Hudson Bay Mining & Smelting Company

In 1983 came his first "surprise" appointment as chairman of Anglo's gold and uranium division

Gavin Relly, then chairman of Anglo, said of the appointment "Gush is flying high and has a lot of future ahead of him"

However, in 1989, at the time Mr Relly was about to retire, it was announced that Mr Gush was also retiring as chairman of the gold and uranium division to "pursue his own interests"

The official announcement added that he would retain many of his directorships, including that of Anglo American, and would be available for special assignments

There is bound to be speculation that this "retirement" was simply to give Mr Gush time to prepare for his position as deputy chairman

Mr Gush will succeed Julian Ogilvie Thompson as chairman of the diamond services division, which provides technical services to De Beers' mines.

He will rejoin the executive committee of the corporation and have responsibilities in the area of the corporation's exploration activities

The appointment of the two new deputy chairmen reflects the growing size of the corporation and the need to spread responsibility among a larger number of executives

While there might be some speculation about whether the new moves could change the succession path, the present chairman, Julian Ogilvie Thompson, who will be 57 this year, probably has at least another seven years in office and talk about a successor would seem premature

Mr Gush was born on March 6 1938, and educated at Grey College, Bloemfontein, and the University of the Witwatersrand where he obtained a B Sc cum laude in mining engineering.

He was president of the Chamber of Mines in 1986-7 After his retirement as chairman of the gold and uranium divsion, he remained a director of the corporation and served on the Amgold and Amic boards He is married and has three children

Mr Boyd was born in Bellshire, Scotland, and qualified as a metallurgical engineer in England We worked in the British steel industry and joined Highveld Steel as general works manager in 1970

He became managing director of Highveld in 1974 and chairman in 1983 He was appointed to the executive committee of Anglo American in 1984 and deputy chairman of Amic in 1988

He is married and has three children

High hopes for Keys in Cabinet

B/Day 20/1/92.

(210)

LESLEY LAMBERT

FORMER Gencor chairman Derek Keys today steps into his new role as Minister of Trade, Industry and Economic Co-ordination. He has the mammoth task of bringing order to economic policy, and creating an industrial framework within which wealth can be generated.

Keys, who bowed out of the corporate world at Gencor's AGM last week, assumes immediate responsibility for the creation of a new industrial policy which could make or break SA's ability to compete on foreign markets and generate jobs and wealth at home.

The portfolio of Economic Co-ordination gives him added influence over economic policy decisions, making him one of the most powerful members of Cabinet.

A senior official in his department said recently that Keys had a number of plans in mind, but did not want to pre-empt other Cabinet Ministers by disclosing them ahead of the Budget. The official added that once Keys was ready to discuss his plans, he would take on a higher profile than his predecessor in Economic Co-ordination, the late Wim de Villiers.

Keys has a reputation for restructuring and restoring ailing companies.

During his five years as chairman of Gencor, SA's second largest mining house, Keys produced 142% growth in the capital base on compound earnings of 21% a year. The restructuring of the gold division and industrial interests under Malbak focused the group's activities and resulted in the re-rating of Gencor shares which rose by more than 100% during his term

The majority of capital projects currently under way in SA are linked to Gencor.

Keys' earlier restructuring of Malbak produced similarly impressive results

There is great hope within government and the private sector that he can work the same magic on the micro-economy by bringing entrepreneurial vitality and creativity into the rigid structures of government and the public sector.

His predecessor, Org Marais, whose new portfolio is Productivity, Tourism and Administration, has established the basis for much of Keys' work.

The Industrial Development Corporation tariff report, which recommends the reduction of protective tariffs and the creation of an environment conducive to exports, is expected to be considered by Government early in the parliamentary session.

The technology report, which, together with the IDC report, is likely to dovetail with a broader industrial policy, is also before Cabinet.

There has been progress in efforts to resolve the conflicting demands of the clothing and textile industries. A task group, appointed by Marais to investigate a new policy to help the industries adapt to lower levels of protection, has submitted its recommendations

The Board of Trade and Industry has been restructured and a new chairman has been appointed to implement the IDC proposals and new anti-dumping measures. The BTI's investigation into food prices has yet to report its findings and it is possible that a similar investigation will be conducted into building materials.

Marais was also responsible for the introduction of section 37E of the Income Tax Act, an incentive programme which allows for accelerated tax write-offs on mineral beneficiation projects that add value to local minerals and export at least 60% of production. Anglo American and Gencor's joint Columbus project is likely to be one of the major beneficiaries of the programme.

Keys' biggest task is likely to be the co-ordination of all these policies into comprehensive industrial policy, interwoven with economic policy

Japanese mining mission to visit SA

210
NA 21/1/92

TOKYO — The Metal Mining Agency of Japan will send a research agent to South Africa by February to gather information about its mining industry, a spokesman for the semi-official body said

"Mineral-rich South Africa is an essential country for Japan and in Johannesburg we are going to gather detailed information about its mining industry," said the spokesman

The agency has research agents in 12 foreign cities including London, New York and Beijing Johannesburg is its second location in Africa after Nairobi

Japan signed an agreement with South Africa on January 13 to establish full diplomatic relations, following the lifting of its economic sanctions against apartheid last October.

"The closer relations were behind our decision," the metal agency spokesman said

Japan imports gold, platinum, copper and other metals, including rare metals, from South Africa — Sapa-Reuter.

Time not right for open market

Finance Staff

Barlow Rand chairman Warren Clewlow has expressed doubts whether SA companies are ready for an open market now that the country has re-emerged in the world economy

Addressing the Johannesburg Afrikaanse Saakekamer last night, Mr Clewlow said "The stakes in international trade have been raised enormously and I have to question whether the majority of businesses are ready for free trade both within SA and internationally"

He stressed that the country's competitiveness and productivity, when measured in international terms, were both extremely low

"We no longer fit into the category of cheap labour countries and our other competitive advantages are shared by at least one or two other competitors around the world

"We have got an enormous amount of work to do to look at every aspect of our business, find out where in the world somebody is doing it better and set ourselves the target of being the best," Mr Clewlow said

Mr Clewlow called on the business sector and organised labour "to create a consensus about the economic process and to work together to achieve their mutual goals"

This would be a key factor in promoting an effective tripartite alliance of business, unions and state

STAR 21/1/92

Barlow Rand more focused on consumers

STAR 21/1/92

210

By Ann Crotty

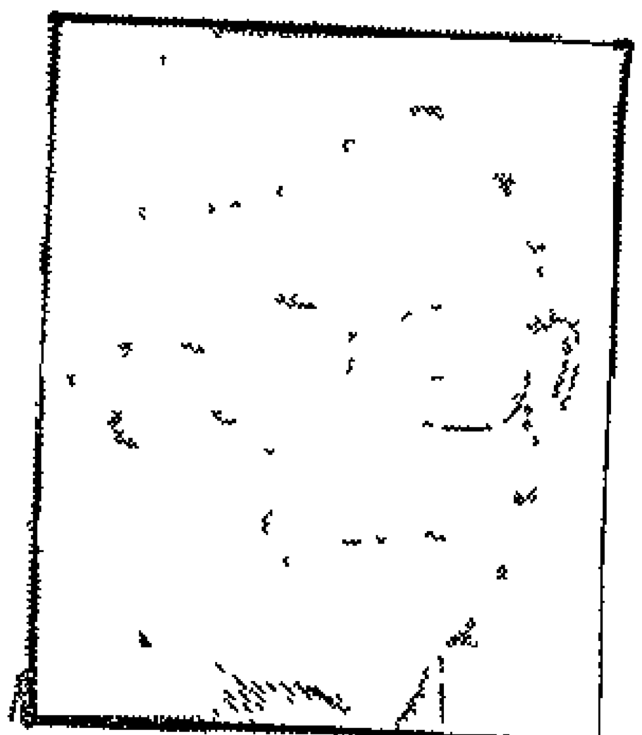
Having spent the past 18 months sorting out Rand Mines and having, more recently, disposed of Middleburg Steel and Alloys the Barlow Rand group now looks like a food and industrial conglomerate — with a substantial coal house

The market obviously likes the new streamlined group Although off its recent high of R59,50, at R58 the share is on a fairly demanding earnings and dividend yield

As newly appointed MD Derek Cooper points out "We are now close to the consumer, when the economy picks up as it must in the next 12-18 months, Barlows must benefit." He also notes that the group is now virtually borrowings-free

At yesterday's agm chairman Warren Clewlow outlined the recent major developments and referred to the group's results for the first quarter of financial '92.

In the three months to end-December trading continued sluggish, however group turnover improved over the comparable period in financial '91 "Attributable profits have also increased against those achieved last year and, more significantly against our budget"



Derek Cooper . new MD at Barlow Rand

The major developments include the "completion of the structural adjustment of Rand Mines" which involved a rationalisation of operations in that division From December the group benefited from the receipt of R1,17 billion for the disposal of MS&A

"On the other side of this equation, the group has been very active in redeploying its resources in accordance with its strategic plan to increase the proportion of its business in branded value-added products and to optimise the use of its core skills in distribution and specialised manufacturing facilities"

Mr Clewlow believes that with the on-going urbanisation of the population this focus must be positive for the group's future

He also refers to the listing of Smith Sugar and the R370 million rights issue at Tiger Oats

In addition there was the scrip dividend offer with 83,7 percent acceptance. This provided additional cash of R190 million for the group

"These various developments will further increase the resources of the group thereby placing it in a strong position to take the opportunities that will no doubt come our way"

Referring to Mr Cooper's appointment as group MD, Mr Clewlow stated "For the past year I have held both the positions of chairman and chief executive

"Derek, already vice-chairman is well qualified to assume this pivotal role, having had a wide range of experience within the group"

Gencor seeks R2bn to fund expansions

(210)

B/Day 21/1/92

WILLIAM GILFILLAN

GENCOR is set to raise R2bn in a rights issue long expected by the market.

Chairman Brian Gilbertson said yesterday the funds would be used to finance several projects.

Details of the issue will be given on Monday

However, market analysts are expecting Gencor to offer new shares in the region of R11 a share in a one-for-six rights issue. This compares with yesterday's closing price of R12,10 a share

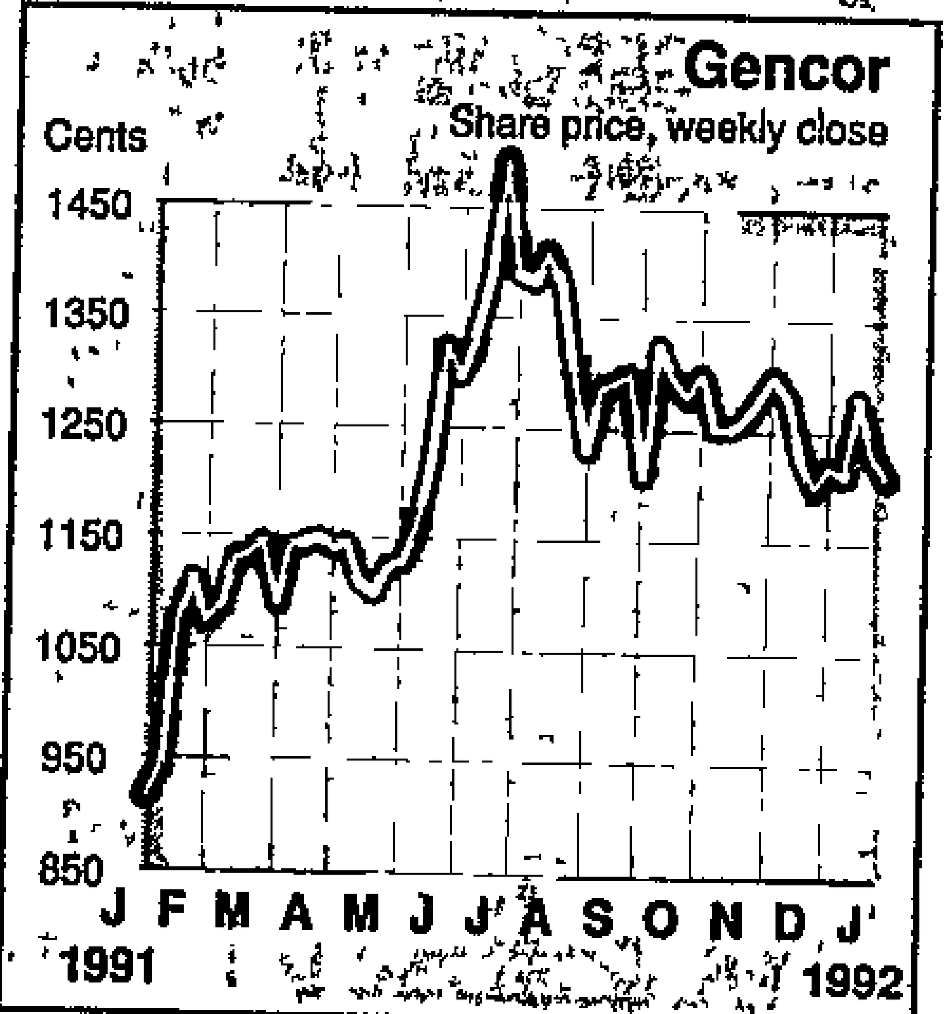
Parent Genbeheer, which holds 54% of Gencor, will itself raise R1,1bn from shareholders to follow its rights and to redeem five-year preference shares which were issued in 1987.

Sankorp, which holds 50% of Genbeheer, and the Rembrandt group, which has a 25% shareholding, have indicated they will also follow their rights.

Gencor is involved in a number of major projects which will require funding in the foreseeable future.

"Our major group companies are adequately funded for the present but we found in the past that having funds available at the centre when we needed them put us in a powerful bargaining position," Gilbertson said last night.

"It is well known that the group is currently either engaged in or examining a number of large projects, including the



Graphic: FIONA KRISCH Source I-NET

Columbus stainless steel project, the Alusaf expansion, the development of the Oryx gold mine and phase two of the Genref refinery expansion," Gilbertson said.

"As the advantageous terms agreed with Eskom have made the expansion of Alusaf's smelting capacity cost competitive in world terms, I am confident the expansion will go ahead," he added.

The expansion was expected to cost about R4,5bn and Gencor, with its 31% interest in Alusaf, would need to lay out about R1,4bn if no outside (non-equity) finance was used by the aluminium giant.

Also Gencor, with its 63% holding in the

□ To Page 2

Gencor

B/Day 21/1/92

(210)

□ From Page 1

new Oryx gold mine, was expected to spend about R500m on the further development of the mine in the next two years

Although the acquisition by Samancor and the Columbus consortium of Middelburg Steel & Alloys would reduce the cost of the Columbus project, it was still expected to cost more than R2,5bn

But a large part of these expansions could be financed by loans and trade credits

Ignoring the possibility of soft loans and trade credits, Gencor — with its stake of about 45% in Samancor, which in turn has a 50% interest in Columbus — would have to lay out more than R500m to finance its share of the project

And, if no outside finance were used, about R600m would be required from Gencor if the second phase of Engen's expansion of the Genref refinery went ahead Gencor holds about 62% in Engen

When asked about Impala Platinum, Gilbertson said "The company has not requested any funds from Gencor up to now"

To facilitate the administration of the rights offers, Gencor and Genbeheer have advanced the declaration date of their interim dividends to coincide with the last day to register for the rights offers, January 31 Gencor has declared an interim dividend of 16c a share, against the previous year's interim of 15c

Barlow Rand notches up growth despite adversity

BIDay 21/1/92 (180) (210) (282)

LESLEY LAMBERT

BARLOW Rand's turnover and attributable profit for the first quarter of the current financial year were higher than last year's and ahead of budget in spite of poor trading conditions, chairman Warren Clewlow told shareholders at the group's annual meeting yesterday.

Clewlow said that as a sequel to last year's restructuring the group was committed to substantial new capital expenditure, expected to total R1,8bn this year Of this amount, R250m had already been spent on new acquisitions during the first three months of the year

Benefits of restructuring, which saw substantial disinvestment in certain mining and mineral beneficiation interests, would start flowing through at the end of this year, Clewlow said in his report to shareholders.

The "structural adjustment" of Rand Mines had been completed while the sale of Middelburg Steel & Alloys and the chrome mining operations would contribute a total R1,172bn to the group's funds

The redeployment of these funds was already under way, with the focus on investment in "branded value-added products and the optimal utilisation of core skills in the specialised manufacturing and distribution facilities," Clewlow said

"With the ongoing urbanisation of the SA population, this focus must be positive for the group's future," he said

Recent acquisitions included a Caterpillar dealership in Bulgaria and offshore interests in the US for UK-based subsidiary, Bibby

Upturn

On the food side, Tiger Oats acquired the remaining 50% of Petz Products and the assets and brands of Colman Foods from Reckitt & Colman C G Smith bought a sugar mill and Reunert invested in Telephone Manufacturers and boosted its stake in Electric Lamp Manufacturers of SA

The group has also been busy with a number of other internal reorganisations In TSI a decision was taken to split its two computer-related businesses into two separate listings, and C G Smith Sugar is to be listed on February 14 with the offer extended to shareholders in C G Smith Foods and C G Smith

Tiger Oats is to raise R370m in a rights issue to enable it to extend its businesses in branded, value-added products.

Clewlow expressed concern about prospects for an economic upturn While there was reason to believe that many of the essential fundamentals for an upturn were in place, he warned South Africans not be too optimistic about an early end to the recession.

"I believe it to be further away than most people believe, not least because the expected recovery in world markets has not yet come about and there are disquieting trends in many of the major economies in which we, as a country, operate," Clewlow said

On the domestic market, the essential, co-operative triangle of state, business and labour was not yet working adequately, Clewlow said, and. while there were promising signs of progress, until this co-operation was in place it would be difficult for the economy to achieve its full potential

JCI 'serious about going offshore'

B/Day 22/1/92 (210)

WILLIAM GILFILLAN

JOHANNESBURG Consolidated Investment (JCI) has signalled it is serious about offshore expansion by appointing Nick Segal as group consultant for strategy and public affairs

"JCI has been giving active consideration to moving abroad Local mining groups undoubtedly have opportunities to take their technological and project management experience, which is first rate, overseas," Segal said in an interview

Investment opportunities for JCI had arisen in Latin America, Africa, eastern Europe, North America and Australasia, the problem for the mining house was choice

Expanding outside SA presented a number of difficulties, albeit transient, which included finding compatible partners and becoming familiar with cultural and institutional differences, he said.

But he did not believe that local protection resulting from SA's economic concentration was a limiting factor when moving abroad "If local groups make a mistake abroad, I doubt a sufficient explanation for this is they have been too sheltered in SA"

South African-born Segal, who worked for more than 20 years abroad as an international policy analyst, including a five-year stint at the World Bank, said higher added value activities, including the beneficiation of raw materials, provided a great challenge for the local mining industry.

He said not enough investment in higher value added activities had taken place, although there had been some growth

Segal said the most pressing economic priority in SA was the generation of new jobs in a way that was compatible with stimulating the export sector

"But it is dubious to suggest the export sector needs to be labour intensive

Sasol, Gencor news depresses trading

MERVYN HARRIS

DIAGONAL Street was weighed down yesterday by news of two huge rights issues and a consolidation of recent gains as some investors took profits on blue chip industrials and switched to rand hedge shares

Plans by mining house Gencor and petrochemical group Sasol to raise a total of R3bn in separate issues injected hesitancy into trading on worries that more cash would be tapped from the market than was expected B|Day 22|1|92

After coming down 20c on Monday, Gencor eased a further 3,7% or 45c to R11,65 as the share moved towards the expected offer price of around R11 (240) (210)

Sasol held up slightly better After opening at Monday's closing high of R20,65, the share drifted back to close 3,1% down at R20 in strong two-way trade (232)

Sentiment remained firm and was reflected in gains on the overall market outnumbering losses by nearly two to one as the JSE all gold index rose 15 points to 1 327 and the industrial index fell 18 to 4 513. Precious metals were steady. In New York gold closed at $357,85, up $0,20

Rights offers may net R10bn

RIGHTS issues on the JSE are expected to raise R10bn this year against the R6,53bn raised in 1991, analysts say.

For this year, rights issues announced and those already in progress total R5,31bn These figures exclude "disguised" rights issues in the form of scrip dividends, which are becoming an attractive route for many companies

Among the major rights issues for this year are Gencor's R2bn and Sasol's R1bn announced yesterday

A fund manager said yesterday companies were taking advantage of the strong equity market to raise funds for job creation projects Analysts said while these rights issues would help take the heat off the market, they were not likely to exert downward pressure on share prices

Sanlam senior GM investments Ronnie

JABULANI SIKHAKHANE

Masson said that at current high share prices, institutional investors had been expecting these rights issues and had budgeted accordingly

Analysts estimated institutional cash flows at between R30bn and R35bn, excluding about R10bn from state pension funds One analyst said rights issues would absorb up to R10bn of these funds this year Foreign sales of SA equities would also take a portion of the institutional funds. Sales of SA equities by foreigners totalled R4,1bn in 1991 and indications were that the trend would continue this year, she added (210)

"Assuming that rights issues and buying of local shares from overseas absorb about

☐ To Page 2

22/1/92

Rights offers

B/Day 22/1/92 (210)

☐ From Page 1

R14bn of the institutional cash flows, some R20bn to R25bn (including funds from state pension funds) would still be available for investment," an analyst said

Stockbroker Dawid Meades said the rights issues would be a "welcome relief to the market which is starved of blue chip shares" For example, preliminary calculations by Meades show that about R360m worth of Gencor shares, or 2,6% of its market capitalisation, were traded last year Meades said that excluding Gencor's controlling shareholders, the R2bn rights issue offered shareholders an opportunity to buy shares which would have taken them about three years to get in the market The Gencor rights issue would also give Sanlam, the ultimate controlling shareholder via Sankorp and Genbeheer, to invest up to R500m of its discretionary funds in new Gencor shares

Although no other major rights issues — in the R1bn mark — are expected to be announced, there was talk in the market that SA Breweries might also come to the market to raise funds

The scrip dividend route would also be attractive Companies like Sun Bop, Nedcor and Barlow Rand had already taken advantage of this

More improvement in Genbel earnings

STAR 27/1/92

By Sven Lunsche

210

Genbel, Gencor's investment arm, which was one of the major contributors to Gencor's bottom line last year, continued to show an improvement in earnings and dividends in the six months to end-December

Announcing the results yesterday, Genbel MD Anton Botha said the group would be going to the market soon for additional funds to participate in various projects planned by Gencor subsidiaries.

In the interim-period, Genbel's distributable income rose from R74 million to R82 million, equivalent to a rise in earnings per share from 17,1c to 19c — an increase of 11 percent.

The interim dividend was raised by the same level from 13,5c to 15c

The increases were achieved despite the declining earnings from Genbel's mining and resources companies, which accounted for about 44 percent of the group's assets at year-end.

The lower earnings from mining-related companies, however, reduced the value of Genbel's portfolio to just under R3 billion at the half-year, compared with R3,2 billion at the end of June 1991

Mr Botha said that Genbel had been actively realigning its assets in recent years from low-growth gold shares into other resource-based equities with better prospects

Anton Botha . . . realigning assets

As a result, it had acquired significant interests in platinum counters Impala and Rustenburg and paper group Sappi during the interim period.

The value of Genbel's assets at the end of December was equivalent to 693c a share, which compares with the market price of 700c at the same time.

Looking ahead to the full financial year, Mr Botha expected Genbel's earning and dividends to exceed those of the 1990/1 fiscal year.

He said the group's short-term trading subsidiary, Unisen Investments, had declared a dividend of R15 million — up from R12,5 million in 1990 — and should declare R25 million for the full year, compared with 1990's R20 million.

Gencor pitches offer at R10 a share

210

STAR 27/1/92

By Sven Lunsche

Gencor's R2 billion rights offer has been pitched at an attractive R10 a share — a 14,5 percent discount on the ruling JSE price of R11,70.

Announcing details of the rights issue yesterday, Gencor chairman Brian Gilbertson said the group was offering shareholders 17 new shares for every 100 held, resulting in 200 million new shares

Mr Gilbertson gave details of some of the projects which would require additional funding in the near future.

The most important of these was Oryx, which would require a further R500 million to bring it to the self-funding stage, he said.

Projects already in the pipeline and on which financing decisions would probably be taken later in the year were the Columbus stainless steel project and the aluminium smelter at Alusaf

Gencor was studying the position of the No 6 sub-vertical shaft at the Winkelhaak gold mine, currently on hold, with a view to rationalising the project with some of the group's Evander gold interests

"The decision could facilitate future gold mining developments in the area, particularly if the gold price rose," Mr Gilbertson said

He indicated that Gencor was looking at major off-shore projects, but added that such projects would only be undertaken with the support of international financing agencies and other partners

The funds would also be helpful as the group expected pressure on its profits in the current financial year without the contribution of one-off earnings, which had boosted the bottom-line by R350 million in financial 1990-91, he said

"However, we expect that income at the operating level for the 12 months to August is likely to approach that of last year."

Gencor's parent, Gencor Beheerend, which is underwriting the offer, also announced details of its R1,1 billion offer to follow its rights in the Gencor issue

Genbeheer is offering 18 new shares for every 100 held for 900c a share On Friday, Genbeheer closed at R10

Genbeheer, which is underwriting the Gencor offer, has also undertaken to obtain subscriptions for its rights, as well as those for Genbeheer's subsidiary companies

Sanlam and its subsidiaries have undertaken to follow their rights entitlement to 386,8 million new Genbeheer shares, equivalent to 54,7 percent of the issue

The issue is underwritten by Sanlam's financial arm, Sankorp

Gencor discount at 14,5%

2.10

WILLIAM GILFILLAN

GENCOR's R2bn rights offer has been priced at R10 a share, representing a 14,5% discount on Friday's closing price of R11,70 a share

The new shares will be offered at the ratio of 17 for every 100 held.

Expectations of lower earnings and a volatile market were the reasons cited by market sources for the "surprisingly low" R10 a share price chosen by Gencor.

Chairman Brian Gilbertson, while accepting the price was "a little on the low end" said the discount was narrower than the 18% discount given in the group's 1989 rights offer which raised R1,4bn

"On Friday's closing price of R11,70 a share, pitching the offer at R11 a share would have given a discount of only 6% which could be considered a little thin in this volatile market," Gilbertson said.

Gencor was happy to select a slightly wider discount "in order to ensure the rights offer went off without problems and we get a full take-up of the shares".

One stock market analyst believed a reason for the wide discount was that Gencor knew the market was expecting a drop in earnings this year. The mining group, heavily dependent on commodity prices, has been hit by the weakness in the commodity market. Earnings below 110c a share are expected, which would be more than 8% down on last year's earnings of

☐ To Page 2

Gencor

B/Day 27/1/92

210

☐ From Page 1

119,5c a share.

Gilbertson said "We expect the pressure on our profits which started last year to continue and shareholders should remember that we will not necessarily have the one-off earnings which we reported in our 1991 financial year"

Income from various one-off sources boosted Gencor's earnings last year by about R350m. "However," he said, "we anticipate that income at the operating level for the 12 months to August 31 is likely to approach that of last year"

One analyst said another consideration when deciding on the wide discount was to ensure the offer went off without problems especially considering the chairman had only recently taken up his post Gencor was also believed to be covering itself in case the market weakened before the end of February

Shareholders have until the end of February to take up their rights

Meanwhile Gencor's holding company Genbeheer is to raise R1,1bn in order to follow its rights in Gencor The R1,1bn was to be raised through issuing 127-million shares at R9 a share on the basis of 18 new shares for every 100 held This compares with Friday's share price of R10 and reflects a 10,0% discount

Sankorp, which holds 50% of Genbeheer, and the Rembrandt group, with 25% shareholding, are to follow their rights

Gilbertson said the attraction for the institutions of this rights offer — the biggest yet in SA — was that it gave them an opportunity to invest in greenfield projects, rather than to continue chasing paper on the JSE

Genbel earnings up, but assets smaller

(210) MATTHEW CURTIN

GENBEL, investment arm of the Gencor group, has posted an 11% rise in earnings a share in the six months to end-December, but in that period the value of the group's net assets fell more than 6%.

Stable or higher dividends from the companies in which Genbel is most heavily invested led to the group's attributable income rising in the interim period to R82m from R74m in 1990

Earnings a share climbed to 19c from 17,1c, and the group declared an interim dividend of 15c, compared with 13,5c the year before. B|Day 27/1/92

Genbel's biggest investement by value is in Genbeheer, holding company for the Gencor group, followed by Gencor's energy group Engen. Then come offshore company TransAtlantic, Impala Platinum (Implats) and De Beers

They make up more than half Genbel's total investments

Since 1987 Genbel has reduced its holding of investments in the gold mining sector which, from representing 61% of its portolio by market value in that year, was only 13% on December 31 last year.

Chairman Tom de Beer said in a statement at the weekend that attributable earnings and dividends for the current financial year were expected to exceed last year's.

He said the major transactions in the

☐ To Page 2

Genbel

B|Day 27|1|92 (210)

☐ From Page 1

interim period were Genbel's sale of shares in Rustenburg Platinum, an increase in its holding in Implats and the purchase of 1,5-million shares in Sappi.

The market value of the group's assets fell to R3bn, or 693c a share, at the end of the interim period, against R3,2bn or 740c a share at its 1991 year-end in June, because of a sharp drop in the value of its gold and platinum investments

However, this compared more favourably with the group's net asset value of 642c a share at the interim stage in 1990

De Beer said the value of the group's net assets was R3,1bn, or 706c a share, on January 22 this year

Terms of rights offers released by Anglovaal

(210) ARG 28/1/92

JOHANNESBURG — The Anglovaal Group has announced the terms of the rights offers to be undertaken by its financial and insurance companies

In terms of these offers the companies concerned will raise AVF Group R43 million, Avins R46 million, Crusader Life Assurance Corporation R20 million and AA Life Assurance Association R26 million.

However, AVF Group will use R40 million to follow its rights in Avins, which, in turn, will use R37 million to follow its rights in the Crusader Life and AA Life offers

In order for the AVF Group's two indirectly held operating subsidiaries — Crusader Life and AA Life — and its overseas based associate, Pegasus Assurance, to continue with their projected growth paths, additional capital is required

The new capital will reduce the necessity for reinsurance financing, thus increasing the embedded value of the business written with ultimate additional long-term benefits to shareholders

Avins, the immediate holding company of Crusader and AA Life, intends to follow its rights in respect of the rights offers by Crusader Life and AA Life and to participate in a Pegasus share issue, the Avins portion of the latter will total R8 million

AVF will in turn follow its rights in respect of the Avins offer and the funds raised will be used for this and to provide for its own needs

AVF Group ordinary shareholders will be offered 31 new ordinary shares for every 100 ordinaries held at 140c a share The two major shareholders — Anglovaal and ABSA Merchant Bank — have undertaken to follow their rights to the new shares that will accrue to them, with Anglovaal underwriting the balance of the offer.

Avins' ordinary shareholders are to be offered 63 new ordinary shares, for every 100 shares held at 50c each AVF Group has undertaken to take up its entitlement of the new shares, the balance being underwritten by Anglovaal

Crusader Life ordinary shareholders will be offered 47 new ordinary shares for every 100 held at 210c each

Holding company, Avins, has undertaken to follow its rights, with Anglovaal underwriting the balance.

All three rights offers will be made to shareholders registered on January 31 and the companies' share registers will be closed from Monday, February 3 until Friday, February 7, 1992, inclusive — Sapa.

Even JCI not proof against recession

210 2090

STAR 29/1/92

By Derek Tommey

Even Johannesburg Consolidated Investment (JCI), a major mining house with large investments in gold, platinum, diamonds, property, newspapers and beverages, is not immune to the recession.

After years of strong and sustained profit growth, its earnings showed little increase in the six months to December.

The directors warn that as a result of continuing tight trading conditions, earnings for the full year could even be lower than those of last year.

The interim statement, released yesterday, shows that equity-accounted earnings rose only R1,5 million in the six months to R190,6 million, equal to 129c (128c) a share.

An unchanged interim dividend of 42c a share has been declared.

Retained earnings

Pre-tax profit rose 2,9 percent from R171,4 million to R176,4 million, while tax took R10,3 million (R13 million).

Share of retained earnings of associate companies dropped to R24,5 million from R30,7 million.

Retained earnings, after the transfer of R24 million from non-distributable reserves, amounted to R152,7 million, against R96,5 million at the end of December 1990.

Despite the recession, JCI is continuing to invest heavily in new projects. Capital expenditure for the six months was R189,7 million, up from R98,7 million a year earlier.

And at the end of December it had commitments to spend R122,7 million (year ago, R233,9 million).

Ordinary shareholders' interest rose from R2,2 billion to R2,38 billion, while total capital employed increased from R2,27 billion to R2,60 billion.

Properties

At the end of December, JCI had R2,48 billion (year ago, R2,05 billion) in investments, loans, marketable properties and mining prospects, and R617,8 million (R567,1 million) in fixed and mining assets.

Net current liabilities were R502,6 million (R339,2 million).

The net asset value a share was R61,85, up from R61 at the end of June.

Unit trusts

Managers are now turning to mining shares

BDay 30/1/92

ZIO

PORTFOLIO managers say the run on industrials last year has left little room for further growth in 1992 and they are turning to mining shares

Their view is based on the expectation that together with an upturn in world economies there will be renewed demand for commodities such as steel, copper, aluminium, platinum and manganese

Old Mutual unit trust portfolio managers have already started moving into mining shares.

Sanlam unit trust investment chief Stafford Thomas says "The mining sector has underperformed over the last few years and there is potential for good growth, especially as it will be coming off a low base

"One of the changes which has taken place in our portfolios has been to increase their exposure to mining shares"

There is some disagreement, however, on the timing of the renewal of US, UK, Japanese and German economies

Syfrets portfolio manager Matt Brenzel says "We believe the American economy has bottomed out and will start to pick up, while the UK economy is close to a trough and will start bottoming out in the first quarter

"The emphasis in our portfolios will be towards selected commodity type shares"

Brenzel says, however, that it is too early to expect a recovery in the commodity cycle at this point

"Commodities will remain under quite a bit of pressure for some time as the final death throes of the world economic recession are played out"

He says not much growth is expected from industrials, which showed strong growth last year, especially as the economic recovery locally and internationally is expected to be a lacklustre one

Southern Life investment manager Carel de Ridder, however, says while commodities will benefit from freer trade he does not expect a broad recovery and pins his hopes on GDFI and export manufacturing stock

Thomas says there will be an upturn in Western economies throughout 1992 and 1993, though much depends on a revival of the American economy

On the other hand, Old Mutual portfolio manager Adrian Allardice says he does not foresee any significant upturn in mining shares in 1992 but they do offer reasonable value

The mining funds, which had a poor showing last year, should perform reasonably well in 1992

"There was a lot of nervousness in metal prices in 1991 because of fears about the world economy

"I do not think the fundamentals are going to get any better but the fears are going to fall away a bit. Russia sold a lot of its stockpiled commodities last year and it is unlikely it will do it to the same extent this year

"So we should see some recovery in metal share prices this year," Allardice says

Old Mutual unit trusts have been slowing down their purchases of industrial shares and increasing their purchases of mining shares

Some of these shares are holding their own in an otherwise drifting market However, Allardice says there is a need for careful selection in the choice of shares

"Mining financials offer the safest investment as it is easy to be wrong about a particular sector At least mining financials have a broader spread and we are buying at a discount

"We expect reasonably good fundamentals, but that does not necessarily mean that all share prices will be stronger because some have overrun themselves"

Quarterly

Business Day SURVEY

*THE phenomenal growth of the unit trust industry is likely to continue this year. Unit trusts have established themselves as a savings and investment vehicle which cannot be ignored in today's inflationary environment. Analysts believe they will attract interest whatever the immediate outlook for equities. **LINDA ENSOR** reports.*

A volatile market calls for caution

THE stock market is likely to be volatile this year and caution should be exercised by potential unit trust investors, says Association of Unit Trusts chairman Clive Turner.

He says the industry will not achieve the same rate of growth as last year B/Day 30/1/92

"The fundamentals alone suggest the stock market is at a high level and there could be some form of correction.

"But there is a lot more than fundamentals that is pushing up the market — for instance, the institutional cash flows and a possible rerating against the major stock markets of the world

"The fundamentals cannot be looked at in isolation." 212

Turner says investment for the medium to long term will be rewarded, but the volatility factor is high in the short term

Consolidated Fund Managers (CFM), a portfolio management company which offers advice to potential unit trust investors on the timing and choice of their investments, has also adopted a conservative stance on unit trust investments given the high level of the JSE.

CFM MD Clive Fox says there are risks attached to investing in highly rated markets

"During the latter half of 1991 we have become progressively more bearish about the outlook for equities," he says.

"While we recognise the positive impact of the massive institutional cash flow, yields on blue-chip industrials have fallen to dangerously low levels"

Fox says world equity markets are discounting a rapid recovery from recessionary trends

Should the recovery be slower than expected or disrupted for some reason, a significant correction could occur

The three types of funds

THERE are three types of unit trust — general equity, specialist and income-gilt funds

General equity funds invest across the entire spectrum of the stock market, holding shares in the gold, mining financials, other mining, financial, industrial and other sectors

A substantial portion of their assets are also invested in liquid assets

University of Pretoria Graduate School of Management's Hugo Lambrechts says "General funds strike a balance somewhere on the scale between capital growth and income producing investments These 'balanced' funds attempt to minimise risk through diversification"

About 80% of unit trust funds are invested in the general equity funds, which achieved a total average return (capital growth plus income) of 34,2% in 1991

Average

Over five years the average total return on a lump sum investment for the longer established general equity funds was 19,7%, rising to 20,7% for a monthly regular investment

Specialist funds invest in specialised areas, concentrating their investments within a particular sector

"These funds normally emphasise the need to derive capital profits rather than dividend growth and by their nature are less diversified and therefore more risky than general unit trusts

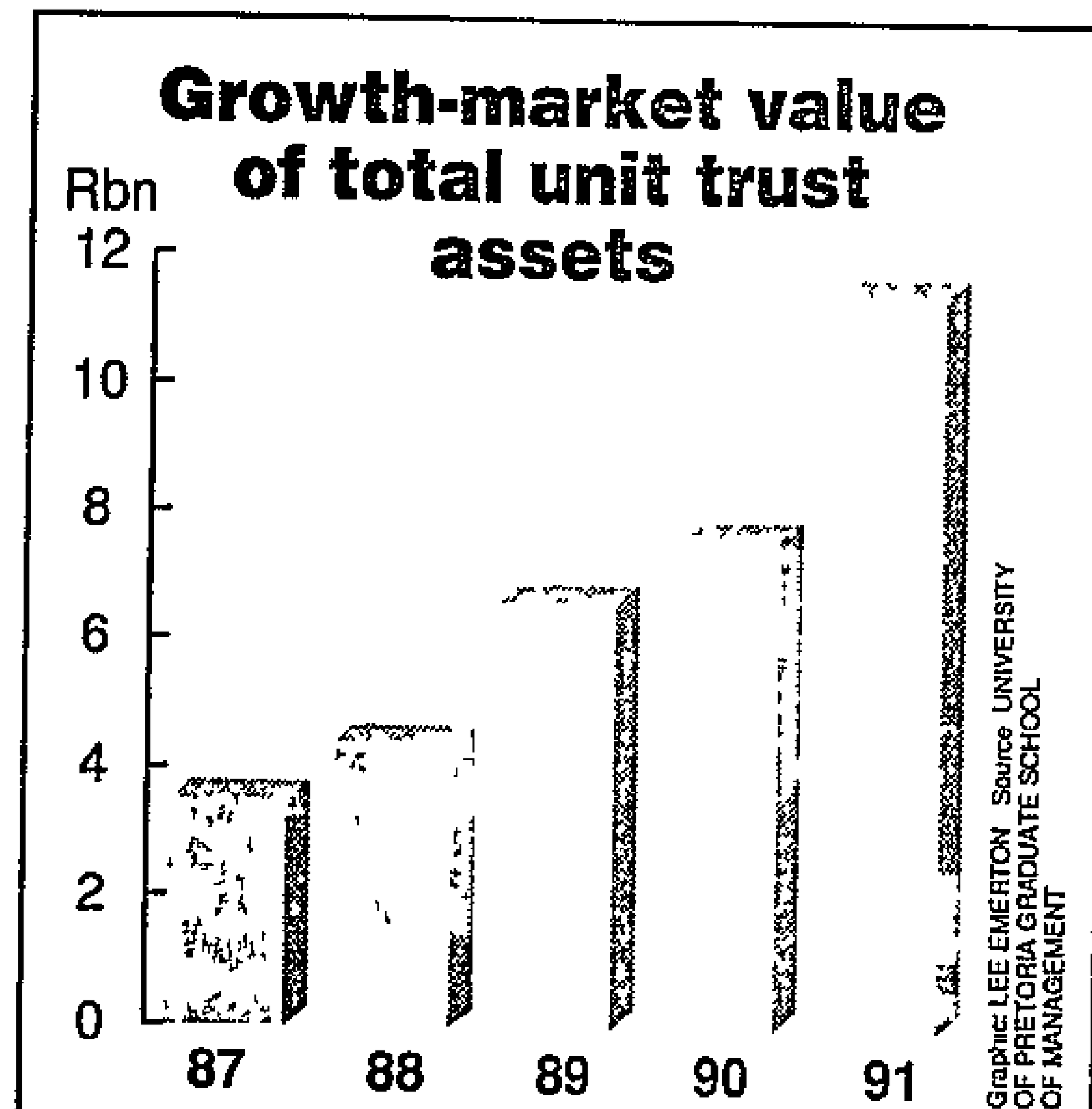
"This is by virtue of their concentration on specialised sectors such as the gold, mining, financial and industrial sectors," Lambrechts says

The specialist equity trusts earned an average total return of 20,8% in 1991

Lambrechts says the income-gilt funds invest in high income earning securities, with substantial holdings in long term government and semi-government stocks

"Due to the high cash requirements of such funds they must maintain a substantial balance of funds in liquid money market instruments"

The average total return for the six income funds in 1991 was 16,5%



Mining sector lags behind industrials

B/Day 30/1/92

LAST year was a difficult one for the JSE's mining sector, which lagged behind industrials in terms of performance.

The mining producer's index, for instance, rose 17,13% and the mining financial index by 23,58% compared to the 42,35% increase in the industrial index

The UAL Mining & Resources Unit Trust produced the highest sale to repurchase return of 16,21%, with the other mining funds generating returns below 10%, except for Guardbank Resources, which came in with 12,49%

Sage Resources Fund's result was 9,02%, Sanlam Mining produced a return of 8,6%, Southern Mining 7,21% and Old Mutual Mining 1,06%.

UAL Mining & Resources also beat all the international resources based unit trusts, a feat particularly pleasing to its fund managers as they say it comes at a time when SA mining shares are a more acceptable part of the global investment market

Investment manager W Belovay says the key to the fund's performance is its allocation of assets into the top blue chip mining shares with a low weighting in gold shares Gold shares were an unrewarding investment in 1991.

During the last quarter, the UAL Mining & Resources Fund changed the structure of its holdings in platinum shares, but maintained a 10,3% exposure in this sector 210 212

The quarter saw the disposal of 75 000 Impala Platinum shares and the introduction of Potgietersrust Platinum through a dividend in specie from the fund's Rustenburg Platinum shares and the rights arising from Lebowa Platinum

The private sector needs a partner in the state

BDay 31/1/92.

(210)

DEREK KEYS

THE fixed investment decisions of businesses are not taken in Parliament They are also not taken in the offices of Ministers and government officials These growth-determining decisions are taken in large and small businesses throughout the country, in the light of their projections and expectations and their views of the opportunities the future offers them.

Their record is not a bad one. There are examples of where the private sector invested in the wrong direction and received no return. On average, however, our entrepreneurs have shown healthy judgment and have read the future investment climate well.

But we need more investment. We need more investment in productive capacity. How do we get the private sector firms to decide, to a greater extent, to venture in the fixed investment area? This is the crucial question It is the main question I am interested in. If you like, it is the question I am prepared to become obsessed by It could not unfairly be described as the question that brought me to this place. In terms of instruments to promote investment, there is a veritable arsenal available in the shape of goverment actions of one kind or another. In this my first speech I would prefer to try to reach the root of the problem rather than tinker with remedies for symptoms.

The root of the problem of an inadequate level of investment is uncertainty. Before an entrepreneur takes a growth decision, he must reach a particular level of certainty. In times of strong growth in the world economy, it is relatively easy to reach this level, and also when the decision is in essence simply the extension of an existing undertaking.

As a country we have, however, reached the point where, against the background of a lukewarm world economy, we must enter two important new investment fields where the risk-reward relationship for the private sector seems less promising than that to which it is accustomed

The first of these is the export market for manufactured goods and their intermediate products. The second is the whole domestic socio-economic field.

Compared to the internal market, the export market is a jungle. This jungle is not neutral. Every man's hand is against one, and he is backed by his home government at every turn. The governments of the largest countries jump left and right in trade matters to protect and advance the interests of their nation's firms. There is still plenty for South Africans to learn in this area.

As regards the socio-economic area, a crucial one for us to get right, we have still not developed a satisfactory mechanism for fully enlisting private sector participation If we want to win, we shall have to do so. Clearly, the underlying basis of this challenge will not change quickly How then, against this background, can we increase entrepreneurs' level of certainty?

The answer is simply confidence. Firstly, the state must demonstrate its own confidence by calmly and systematically striving towards the highest long-term economic goals.

Secondly, we must let entrepreneurs develop confidence in the state as a reliable partner in the successful extension of business I am not talking about money. I am referring to co-operation, flexibility, and the willingness to undertake any transactions that will advance the general welfare. The motto must be that the entrepreneur can depend on the state

This does not happen overnight: we are talking attitudes, we are talking transactions, we are talking deals, we are talking about a process which begins with a trickle and ends in a flood of confidence.

I have been talking about investment decisions which centre on the entrepreneurial factor. However, I should not like anyone to think that I underrate the role to be played by labour or the critical importance of its contribution to accelerated economic growth.

In all the international examples of superior economic growth — Sweden in the '30s, postwar Germany and Japan, Korea in the '60s and so on — there is one common factor, the golden triangle of business, labour and the state joined in a consensus carefully and consciously aimed at economic growth.

This is very much in my mind, and I am watching every attempt being made to develop areas of business-labour consensus with the keenest interest.

☐ **This is an edited extract of Trade and Industry and Economic Co-ordination Minister Keys's maiden speech in Parliament on Wednesday.**

LETTERS

Local firms could lead mining revival in Africa

(210)

B/Day 5/2/93

MATTHEW CURTIN

LED by SA mining groups, Africa might be on the brink of a mining revival which will provide considerable investment opportunities for overseas companies, says Gengold MD Gary Maude

Speaking in Paris yesterday, Maude said the mining industry in many parts of central Africa had become run down and inefficient, mainly because of insufficient reinvestment

At a seminar on mining in southern Africa organised by the French government's Board of Foreign Trade, he said money was available to help African countries revamp their mines, not least from the World Bank However, potential investors insisted mining reconstruction be done in partnership with major mining groups of proven ability and resources.

SA's mining houses were ideally placed to provide this assistance and many approaches had been made to major groups to manage the rehabilitation of many mines on the continent

Maude said the prospects for overseas investors were good for two reasons

☐ If Africa's mines were to be revived, vast equipment and capital resources would be required, presenting "exciting business opportunities" for overseas companies, and

☐ The slump in commodity prices presented overseas companies with a chance to do their homework on investing in the African mining sector

By the time their homework was done, these companies would be well placed to take advantage of the upturn in the commodities cycle when it came.

"This will provide significant opportunities for French companies to export a wide range of products to the mining industry It will provide investment opportunities for French financial institutions too," he said

Maude noted that SA had more than 80% of the world's manganese reserves, 70% of platinum reserves, 55% of chrome, 45% of gold, 32% of vanadium, and major coal reserves Investors and exporters of mining equipment could not ignore SA and the country's mining group system which had developed especially to make possible massive new mining ventures to exploit these rich mineral resources

Gencor alone had 15 gold mines, 12 coal mines, eight chrome mines, five base metal producers and the world's second largest platinum producer, plus 10 projects worth R5bn under way. Gengold's new Oryx mine would reach full production of one ton of gold a month in 1994 at a cost of R1,3bn, and employ 7 000 people

Maude said "The major SA gold mining groups have never had a problem raising capital for projects like this The capital is readily available locally, and the mining house system provides the security and continuity that major investors require"

Genmin, Gencor's mining arm, signed an exploration and mining agreement last year with the French government's mining group, Bureau de Recherche Géologique et Minière

SA 'regaining status as top mineral exporter'

B|D4 5/2/92

CANBERRA — SA is in the process of regaining its position as a leading mineral exporter, with the virtual complete removal of trade sanctions providing growth potential not seen in the last decade, a leading South African economist said yesterday

Frankel Max Pollak Vinderine economist Mike Brown said while the country recovered relatively well from its post-sanctions hiatus of 1987, SA could, in due course, be expected to compete on level ground with other mineral producing countries such as Australia

SA, in a future sanctions-free climate, would compete more rigorously with Australia for a share of coal, mineral sands, vanadium and iron ore markets, Brown said

Recent plant extensions had raised SA's annual steaming coal exporting capacity to 53-million tons from 45-million tons, and planned additions to the Richards Bay loading terminal would increase capacity by a further 10-million tons

While this was dwarfed by Australia's 106-million tons annually, SA was likely to be competing for around 20% of a forecast increase in global demand for coal of around 100-million tons a year by the year 2000, Brown said (210)

Production of mineral sands in SA, the capacity of which was recently raised to one-million tons from 700 000 tons a year, also loomed as a potential competitor to Australia

Brown told Australia's national commodity outlook conference that SA had sufficient spare vanadium to supply all but 5% to 10% of world demand for many years — VWD

Investment carrot offered French mining companies

ARG 5/2/92 (210)

DEREK TOMMEY

JOHANNESBURG. — French investors have been given a mouth-watering list of business and investment opportunities that would become available in South Africa when commodity prices recover.

Mr Gary Maude, managing director of Gengold, told a Paris seminar on the mining sector in South Africa and Zimbabwe, which had been organised by the French Government's Board of Foreign Trade, that commodity markets were depressed

But as they recovered South African companies would create new mines to exploit the vast mineral wealth of the country and other parts of Africa

"This will provide significant opportunities for French companies to export a wide range of products for the mining industry. It will provide investment opportunities for French financial institutions," he said

"Those companies that use the present depressed conditions to do their homework, to investigate the country, to form relationships with South African companies, to get to know the political parties and to understand the political dynamics of the country will be well placed to take advantage of the upturn when it comes"

He said political changes in South Africa could lead to a mining revival on the African continent led by the South African mining groups.

The mining industry in many parts of central Africa had become run-down and inefficient, mainly because of insufficient re-investment.

Money was available to assist these countries to reinvigorate their mining, not least from the World Bank.

"But potential investors now insist that mining reconstruction is done in 'partnership' with major mining groups of proved ability and resources"

Mr Maude said South African mining groups were ideally placed to assist in this way.

Ferro producers lock horns with buyers

JCI FM 7/2/92 (210)

Over the capex hump

When a mining house goes out of its way, as its subsidiaries issue profit statements, to warn the hacks in advance, inviting them round for briefings and plying them with food and drink, but sends out its own interim unheralded through the fax too late on press day for any of the financial weeklies to cover, an understandable reaction is to wonder what it's trying to hide. By sheer chance, it was the same day the Absa-Bankorp deal was announced.

The fact that JCI's half-time results are so similar to last year's and close to expectations only deepens the mystery. We have to look at the constituents of the bottom line to find any discrepancies.

Investment income rose by R7,1m. A R16,3m increase in receipts from Rustenburg was diluted by lower dividends from others. "Other net" revenue switched from a positive R4,4m to a negative R9,9m, primarily because of higher interest charges on additional debt required to fund mining assets and investments. Retained earnings of associates fell from R30,7m to R24,5m.

The net effect of these items was to trim earnings by R20,5m. While dividend income went some way towards restoring the shortfall, the only way the group was able to show a marginal gain in final earnings was to include above the line R14,5m dividends in specie from Rustenburg when it distributed shares in Lebowa and PP Rust.

Many analysts would consider this an extraordinary item, to be taken below the line. It does not add to JCI's overall wealth, it is really just a reshuffling of assets.

Finance director Vaughan Bray concedes this would have been an option but claims in mitigation that JCI showed only a small part of the R50m-plus it could have, using the balance to offset investment write-downs.

Changes in the balance sheet are more dramatic. Net current liabilities continue to widen, from R339m in December 1990 to R428m in June and R503m now, in spite of six-month retained earnings of R153m. The other side of that is massive six-month capex of R190m (against R99m in the comparable half-year before), which, in turn, correlates closely to a R177m increase in book value of fixed and mining assets.

Long-term liabilities are minuscule — R69m of total long-term capital of R2,6bn (or assets of almost R9bn, at market value). So group finances are strong, if there is a problem, it's the maturity profile of liabilities. A debenture issue is unattractive for tax reasons and JCI has shrunk from rights issues — it is generally thought, because of its control structure and links with Anglo.

JCI's Bray *happy with the borrowings*

Bray says capex peaked in the latest period as Tavistock's new export colliery neared completion. He is comfortable with the borrowing position — net short-term borrowings are about R380m.

December 31 NAV was R61,85 a share. It may be a bit lower now but should still be above R60. So the current market price of R53 is a discount of some 12% — which looks about right.

Michael Coulson

STANDING STILL

Six months to	Dec '90	Jun '91	Dec '91
Invest Income (Rm)	137,6	213,1	144,7
Operating Inc (Rm)	16,4	29,3	16,8
Attributable (Rm)	189,1	374,6	190,6
Earnings (c)	128	255	129
Dividends (c)	42	90	42
NAV (c)	5 015	6 100	6 185

Groups' sub-contracts worth R34m

BDay 11/2/92 (210)

LINDA ENSOR

CAPE TOWN — The value of Anglo American's and De Beers' sub-contracting activities to small businesses burgeoned to R34m in 1991 from a start of R6m in 1989 and their Small Business Initiative (SBI) is poised to expand joint ventures with small business.

SBI manager Johan Kruger said while SBI aimed to increase its activities, there were limits

"Further subcontracting would require substantial capital investment on the part of suppliers — our partners — so that they can produce more sophisticated products competitively," Kruger said.

SBI's emphasis in future would be on joint ventures LITET, a venture capital company owned jointly by Anglo and De Beers, had already invested in five companies and had more on its books for 1992.

Kruger said a minority stake was taken in emerging small businesses by providing management and technical assistance as well as financial expertise.

The SBI is based in Anglo's purchasing department so that all possible subcontracting opportunities can be identified. Kruger said subcontractors were commissioned on the basis of strict business principles of competitive pricing, high quality and the ability to meet delivery schedules

Delegation from Chinese mining industry to visit

210

BDay 25/2/92

EDWARD WEST

A HIGH-level mining delegation from mainland China will arrive in SA on February 29 to foster mining technology co-operation between the two countries, said Batemans spokesman Dawid Dawes yesterday.

The five-man Chinese delegation will be headed by Jiao Zhi, deputy director general of China's state gold bureau. He has been in SA since February 13 as part of a delegation hosted by Sacob investigating potential trade between the two countries

Although the itinerary has not yet been finalised, it is understood that the delegation will meet representatives of SA's gold mining industry including representatives from Shaft Sinkers, Gold Fields of SA, Cementation Group, Boart, JCI, Eimco, Mintek and the Chamber of Mines' research and development department

It is believed that the delegation will investigate SA's deep gold mining technology and its latest exploration and gold refining techniques.

The delegation was to have arrived today but Dawes said the visit was cancelled two days ago due to communication problems between the Chamber of Mines, Nedbank subsidiary Nedfinance Asia and the Chinese themselves. Chamber of Mines spokesman Peter Bunkell confirmed the Chamber's invitation to the Chinese yesterday

- SA is to send a trade mission to China in April

Meanwhile, the first trade delegation from Hong Kong in 16 years will arrive in SA on Saturday.

The 80-man delegation from Hong Kong represents 46 companies.

ANC 'will regulate business'

(210)

JOHN CAVILL

LONDON — A future democratic government in SA was bound to bring in regulations to ensure that the big mining and business conglomerates "serve the public good", ANC economic adviser Vella Pillay said yesterday B/Day 26/2/92

Speaking at the Investing in SA conference to bankers, businessmen and investors, Pillay, a former international banker, made no mention of nationalisation But he spelled out a nationally planned restructuring of the SA economy involving a mandatory social compact between the state, business and trade unions

"The ANC does not possess any doctrinaire position relating to the control of the conglomerates"

But they should be seen to serve the public good, to be accountable for the enormous power they wielded in the economy and their boards of directors should "cease to be self-renewing oligarchies", he said

Thus a democratic government was bound to enact "regulatory arrangements" committing conglomerates to a set of social obligations to their workforces and to long-term investments in productive capacity to generate employment, technological innovation and progress, he said

Pillay said there was no "quick start" to solve the deep-seated structural crisis in SA inherited from the apartheid system.

The "mindless" adoption of monetarist policy by the Reserve Bank had undermined the role of interest rates and monetary policy as an anti-inflationary device

The ANC envisaged a mixed economy, with a sizeable private sector encouraged by monetary and fiscal policies but steered by an equally significant public sector.

Anglo boss backs 'yes' vote

Sowetan 26/2/92

210

ANGLO American Corporation and De Beers chairman Mr Julian Ogilvie-Thompson yesterday commended State President FW de Klerk for calling a referendum and said he would throw his weight behind a "yes" vote

Ogilvie-Thompson said the vote for the continuation of the reform process was critical, despite other current positive political developments such as the Convention for a Democratic South Africa.

He was speaking at the opening of a R54-million De Beers scientific and manufacturing complex on Monday.

He said the consequences of a "no" vote would be "a disaster to say the least".

"I have no doubt that President De Klerk's decisiveness in calling a snap referendum will be rewarded by white South Africans displaying good sense

"Certainly it seems absolutely critical to me that people of all political parties should do their utmost to ensure a 'yes' vote.

Meanwhile, two businessmen have launched a campaign for a positive vote in the referendum

A statement yesterday said the fund, suggested by Times Media Limited managing director Mr Stephen Mulholland, would seek financial support from business for a non-party political campaign

The fund would be jointly chaired by Dr Chris van Wyk and Mr George Thomas. - *Sapa*

SA bid to be top jewellery supplier

210

Bl Day 28/2/92

ADRIAN HADLAND

SA WILL soon make a bid to become a major supplier in the international jewellery manufacturing industry.

At a meeting in Johannesburg yesterday, representatives from SA's premier gold and platinum producing, manufacturing and retailing concerns agreed in principle to establish a SA Jewellery Development Corporation

The corporation, to be based in Johannesburg, will attempt to provide a strategy for increasing SA's share of the world and local manufactured jewellery markets

It is intended also that the corporation will co-ordinate technological advances and research

"We want to be a force in jewellery around the world," said the Johannesburg City Council's director of commerce and industry Collin Wright, who facilitated the meeting SA produced only five tons of jewellery in 1990 of a world total of 1 985t. The local market is estimated to be worth more than R500m, with considerable room for expansion.

One idea mooted was to focus on ethnic, African designs for gold and platinum jewellery to secure a niche in the lucrative international market

Another idea was to consider providing locally manufactured jewellery aimed specifically at the expanding SA tourist industry

Top players in the global fabricated gold jewellery market at present are Italy, India, the US, Turkey, Japan, Taiwan and Thailand

"Ten years ago Thailand produced very little gold jewellery Now it is among the top 10 producers in the world. We want to do the same thing with SA," said Wright

Restrictions on the SA jewellery industry, including a 35% ad valorem tax, were lifted two years ago and, with the introduction of a government gold loan system whereby manufacturing jewellers can obtain Reserve Bank gold from commercial banks at only 4,5% to 5,5% interest, the way has been cleared for the development of the industry

"The potential of the industry is not being realised at an international level," said Wright "What was needed was a bold, strategic initiative and that is exactly what we now have"

The possibility of a cheap supply deal with gold and platinum producers on behalf of the Jewellery Development Corporation is believed to be under consideration

A meeting within the next two weeks will discuss more concrete proposals and the undertaking of feasibility studies tre (tyres, motorspares and ... retailers include a J D Group furniture store and some local Vereeniging traders ■

UNDERMINED LAND (210)

FM 28/2/92

Notes from underground

Guidelines governing the use of undermined land are under review by a government-appointed committee Recommendations, to

continue —>

PROPERTY FM 28/2/92

(210)

be published soon, could result in restrictions on developing such land being eased considerably. In this way, more land could be made available for building and development on the Witwatersrand

The owners of the land — set above mining activities of the past or present — include Rand Mines Properties, Sage Properties, Johannesburg and other councils as well as private individuals.

Over the past 15 years, Steffen, Robertson & Kirsten Consulting Engineers (SRK) has been involved in more than 70 undermining projects. The firm worked on the Standard Bank head office in Simmonds Street, Johannesburg — the first major development to take place across mine workings.

SRK says, judging from its experience and from an analysis of the behaviour of undermined land, relaxing the guidelines restricting development is justified if a thorough, responsible approach is adopted.

SRK partner Dick Stacey says: "Relaxation could help to ease the severe shortage of land for development close to the CBDs of Johannesburg, Krugersdorp, Roodepoort, Germiston, Springs and other centres"

He adds: "The land in question lies over the main gold-bearing reefs of the Witwatersrand, which traverse the full length of the area in an east-west direction. Mining began in the late 19th Century and has resulted in extensive areas of undermined land from Randfontein to Springs

"Because of the possibility of ground movements from mining operations, the erection of buildings on this ground is strictly controlled by the Government Mining Engineer. For example, no buildings, roads, railways or any structure whatever may be built without written permission when the depth of the mine workings is less than 90 m."

When SRK investigated the Standard Bank site — which lies over the Main Reef Leader and South Reef — it designed remedial measures to allow development These centred on constructing in-stope concrete pillars to create a rigid "arch" near the surface to safeguard against collapse or instability in the mine workings at greater depth. At other sites only nominal, low-cost stabilising measures have been necessary.

Stacey believes some of the land could be used for formal and informal housing but "property owners and developers may not be keen on informal housing as it may not be as lucrative to develop as industrial and commercial property However, balanced development is desirable."

SRK believes "where the requirement for stabilising measures is negligible, and the cost would be correspondingly small." ■

Tiny's Russian hand

S/Times (Buss) 1/3/92 (210)

SOUTH Africans worried about the political outlook and cuts in the mining industry could soon be offered a lifeline by Tiny Rowland's Lonrho: get out of the Transvaal heat and come to work — in Russia.

Lonrho director Joe Platts Mills is on a reconnaissance mission to report on opportunities for mining and mineral exploration in Ukraine, Uzbekistan and Kazakstan He will assess an identified promising mining prospect — Lonrho will not disclose which metal — and report to the board shortly

The central Asian republics are attracting interest from the world's mining giants. Mr Rowland is particularly struck by the prospect of attracting skilled SA technicians and engineers to Russia, both for mining and for industrial ventures being launched by 50%-owned international trading group Krupp Lonrho

Lonrho has opened an office in Moscow. It employs 500 in a new £9-million factory 1 000 kilometres south of the city It makes reinforced concrete blocks for workers' houses next to the Lada car plant. A Krupp-Lonrho timber and furniture factory north of Moscow provides doors and window frames.

A Lonrho source says: "The company has a good working relationship with the Russians and the opportunities could be big. The Asian republics in particular are desperate and Lonrho is the only company working with them. It can import trucks, mining equipment and expertise in return for marketing agreements on soft commodities, such as cotton. It could act as middle man across a whole range of goods and services"

Lonrho's Paul Spicer says: "Every opportunity is being examined. Foreign investors would like to see South Africa coming out from its wall of isolation The opportunities in Russia are exciting in agriculture and in mining." — Sunday Telegraph.

MidWits's earnings boosted 7% to R24,9m

B Day 2/3/92

210

Business Day Reporter

THE Anglovaal Group's investment, finance and exploration company, Middle Witwatersrand, has reported a 7% increase in earnings to R24,9m for the half-year ended December 31.

An unchanged ordinary interim of 2c has been declared, payable on March 20.

Although the board expects that earnings for the full year will be similar to those of the previous year — when attributable profits amounted to R46,6 million, equivalent to 14,5c — it warns earnings are subject to uncertainties such as world metal markets, interest rates, and to the Venetia diamond mine's development

Prospecting

Income during the period was R46,0m (1990: R50,3m) Mining investment income was generally unchanged as in the period a year ago Interest received fell to R29,2m from R42,3m, because rates were reduced as were surplus funds brought about by purchases

Total expenditure was 15% lower at R6m (R7,1m), of which R4,5m (R6,2m) was spent on prospecting

The net outcome was a pre-tax profit of R40,0m (R43,3m) of which tax took R16,5m (R20,3m)

MidWits's share of associated companies' earnings rose to R5,3m (R4,0m) because of the first-time equity-accounting of MidWits's share of Rhino Andalusite Mines' earnings for the period.

The Venetia diamond venture, being developed by De Beers, is expected to start production in mid-1992 and reach full production in 1993 De Beers is entitled to recoup Venetia's full capital cost before full profit sharing comes into play.

Until then, however, Midwits's revenues will be restricted to its 65,6% stake in Saturn Mining which, in turn, will receive a royalty equivalent to 12,5% of Venetia's profit

The directors report that the current phases of the Free State gold prospecting programmes are nearing completion. the Sun drilling programme is progressing as planned and is expected to be completed by about the middle of the current year

Results from the Oribi area are now being evaluated, and may lead to the purchase of additional mineral rights in the area, as well as further drilling

At one stage analysts believed the Sun prospect woud be developed as an extension of the group's Loraine mine They now believe this is unlikely as little would accrue in the way of tax benefits They are also cautious about Sun's viability and its likely cost

The group has acquired 850 000 Rand Coal ordinary shares at a cost of R11,5m and has invested a further R32m in preference shares.

The market value of MidWits's quoted investments and listed associates on December 31 was R529,3m (R565,2m), the book value was R70,8m (R56,8m)

COMPANIES

New investment for Anglovaal

ANGLOVAAL is set to announce a major new investment on Friday in conjunction with the release of its results

210

Business Day Reporters

Anglovaal spokesmen would not comment yesterday, but it is believed that the group will announce an investment in a new field of business. As Anglovaal has mining and industrial interests, the possibilities are wide-ranging

With a cash pile in excess of R1bn in shareholders' funds, the group could be looking at local or international investments

BDay 4/3/92

In September last year, group finance manager David Barber said the group would make an announcement early in 1992 on its Sun gold prospect in the northern Free State.

Drilling results from a feasibility study on the prospect were available at the end of last year. If a new gold mine is given the go-ahead, its estimated capital cost will be at least R2,5bn, and some analysts have said it would only be viable with gold prices above $400 an ounce

However, there was additional speculation that industrial arm Anglovaal Industries (AVI) could be involved in a deal with Pepsico, soft drink bottler Suncrush or tobacco and snacks company Utico.

It was also suggested that AVI could be looking at the local production of all-aluminium cans for beverages.

Mining house may take feather from AVI's cap

(210)

B/Day 4/3/92

MATTHEW CURTIN

MINING house Anglovaal would report interim earnings growth of about 15% on Friday, as the group's fortunes were increasingly dependent on the performance of subsidiary Anglovaal Industries (AVI), market analysts said yesterday

They said AVI's excellent results published last week, in which it turned in 18% higher earnings, boded well for the group's chances of surviving the recession comfortably Good results from frozen foods manufacturer and distributor Irving & Johnson, consumable goods division National Brands and AVI Diversified Holdings' engineering division lifted AVI earnings to R122m from R103m

One analyst said investment in Anglovaal shares was a way to reap the benefits of AVI with "the added excitement" of the group's gold exploration ventures and stake via Middle Witwatersrand Exploration in De Beers new Venetia diamond mine He said interim results would confirm Anglovaal as the strongest performing mining house.

Frankel, Max Pollak, Vinderine analyst Peter Davey said Anglovaal's results would be "much like AVI's", with earnings growth of between 14% and 15%, taking earnings to near R155m in the interim period, from R135m in 1990.

Davey said the picture would look less rosy as the recession took its toll, with both AVI and Anglovaal likely to see year-end earnings growth down to about 12% and 9% respectively.

Mining contributed 21% of Anglovaal's earnings in 1990/1991, with the group's gold mines contributing only 4%. Its Hartebeestfontein and E T Consolidated gold mines have weathered depressed conditions in the industry, but Loraine's position has become more precarious than a year ago The gold mine narrowly staved off closure in November, and its survival this year depends on it selling forward half its production at satisfactory prices.

Davey said that outside of gold, Anglovaal's key mining interest was Associated Manganese, which would pass on its strong results in the first half of 1991 — due to high manganese ore prices — to Anglovaal However, manganese ore prices had slipped sharply since December, and with the continuing trough in the ferro-alloy market knocking subsidiary Feralloys, Anglovaal's earnings from base metals and minerals would be lower by year-end.

In 1991 the group posted 18% higher attributable earnings of R280m against R238m in 1990, declaring an unchanged dividend of 92c a share.

Anglo taps foreign interest

210

MATTHEW CURTIN

MOUNTING interest in investing in SA has prompted Anglo American to launch an investment roadshow to brief international investors on the group's activities

Anglo official Glen Finnegan said yesterday that during June and July, Anglo planned to hold an "investor presentation in Johannesburg as well as in the main financial centres around Europe"

She said there would be "general presentations" on the corporation and its investments.

B/Day 4/3/92

"They are a response to the growing and renewed interest from international investors in SA companies, and in Anglo American in particular," Finnegan added.

The news comes as SA's return to international financial and business respectability gathers pace.

Anglo American faces the prospect of having to contribute billions of rands to finance large new capital projects in SA, as well as more run-of-the-mill capital programmes under way in the numerous mining and industrial companies in which the corporation has interests.

Anglo has a 50% stake in the Columbus Stainless Steel joint venture, with Gencor, which is expected to be given the go-ahead this year at a likely cost of R2,5bn.

Anglo is involved in a variety of gold exploration projects and has a stake in Gencor's developing Oryx gold mine which will come to full production in the mid-1990s at a cost of R1,3bn

Feasibility studies on Anglo's R900m Namakwa mineral sands project are also expected to be completed this year, when the corporation may give the project the green light

Anglo refutes attack from CP

(210)

B Day 6/3/92

MATTHEW CURTIN

IT IS not often that Anglo American has the chance to kill two critics from opposite ends of the political spectrum with one stone

But latest comments from the CP suggest it is becoming a little pink in the referendum run-up, and not a million miles away from voicing exactly the same fears about monopoly capitalism that the ANC has had for years

Anglo is used to arguing against ANC plans for nationalisation and claims that SA profits have been siphoned abroad, to the distraction of chairman Julian Ogilvie Thompson

Nationalisation had failed totally in Eastern Europe and "jolly near destroyed Africa north of SA", he said in a interview last year

However, with the political parties gearing up for March 17, the CP has now entered the fray of economic debate with a stinging attack on Anglo and former chairman Harry Oppenheimer

CP spokesman Clive Derby-Lewis said yesterday the call by Oppenheimer and Anglo for a "yes" vote in the referendum smacked of "gross hypocrisy"

Oppenheimer and the corporation had for years drained SA of the profits both had made in SA and invested them abroad, he alleged "Oppenheimer has disinvested from SA to such an extent that only 4% of his personal empire is still held in SA"

He alleged that Anglo American's offshore arm Minorco — which he suggested was still based in the Bahamas although its head office has been in Luxembourg for some time — and Swiss-based De Beers Centenary were effectively conduits for exporting profits from SA

The CP believed this showed what little faith big business had in De Klerk's reforms, and many businessmen would "secretly be voting 'no'"

Derby-Lewis said the CP would, of course, ensure there was a stable investment environment in SA, but would not elaborate on how that would be done

Anglo's response yesterday was swift and to the point.

"What palpable nonsense!" said spokesman Michael Spicer "Derby-Lewis betrays his ignorance of basic economics and the salient facts"

Spicer said it would be bizarre if international investment was regarded as unpatriotic, because it was an integral part of building a world-class company which was to the benefit of SA Anglo was first and foremost an SA company, with R12bn in projects under way or in the pipeline in SA

Spicer said that invariably Anglo invested abroad by reinvesting its profits or borrowing against the corporation's name, rather than taking out money with Reserve Bank permission through Exchange Control

He note that Minorco's fortunes were founded on the nationalisation of the Zambian copper mines Both Minorco and De Beers Centenary — again a company which was not set up with money disinvested from SA — paid large sums of money back to SA by way of dividends

Anglovaal interim report shows earnings slowdown

(210)

B/Day 6/3/92

MATTHEW CURTIN

MINING House Anglovaal has turned in 6% higher attributable earnings for the six months to end-December as the fortunes of subsidiary Anglovaal Industries (AVI) contrasted sharply with those of Anglovaal's mining and mineral producers

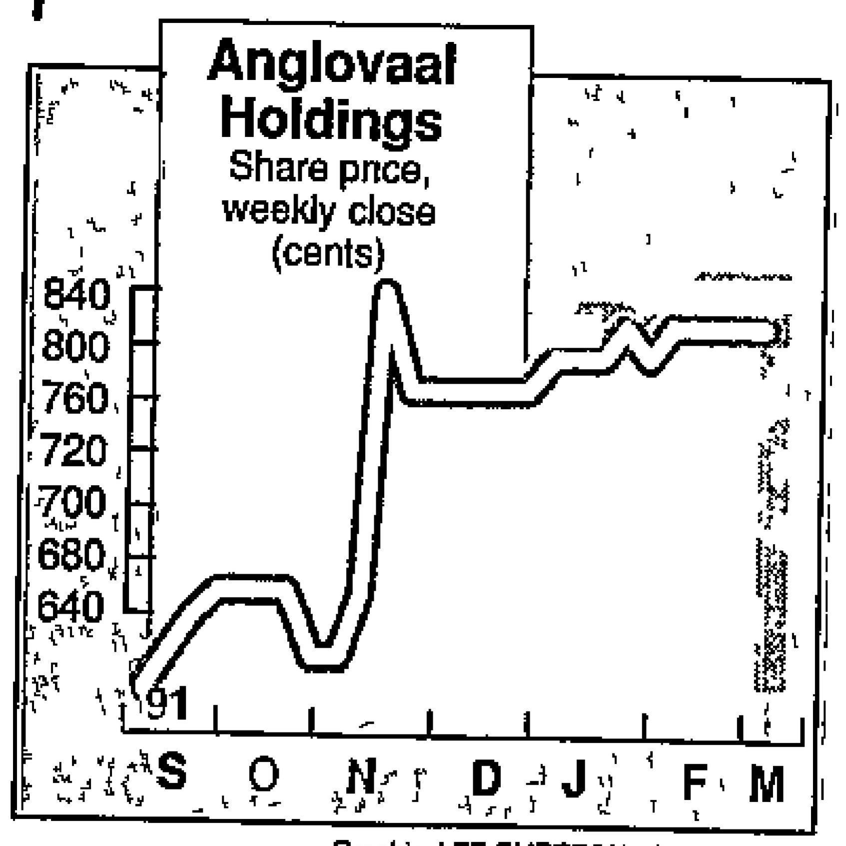
Attributable earnings rose to R143m from R135m in 1990, translating into a 5,7% increase in earnings a share to 240c from 227c

Anglovaal declared a 10% higher interim dividend of 33c, against 30c last year.

Earlier this week AVI defied the recession to report 18% higher earnings, thanks mainly to good performances by the engineering interests of AVI Diversified Holdings, glass and packaging manufacturer Consol, frozen foods manufacturer and distributor Irving & Johnson and consumable goods division National Brands

Chairman Basil Hersov said in a statement yesterday that these companies' good results largely offset "a substantially reduced contribution from Grinaker Holdings, and to a lesser extent, the textile business of Avtex Holdings"

In contrast to AVI, Hersov said



Graphic LEE EMERTON Source I NET

income from the group's mining investments was at a similar level to that received during the comparable period last year

Hersov said local and overseas recessionary conditions were likely to persist for the rest of Anglovaal's financial year, putting group earnings under pressure Anglovaal has sustained solid earnings growth for more than five years, but the latest results show the slowest growth at the interim stage since 1987

Anglovaal's principal mining interests are gold, manganese and iron ores, ferroalloys and coal They contributed only 21% of group earnings in 1990/1991, with that percentage likely to drop further

The group's gold mines have weathered weak gold prices well, except Loraine The manganese ore and ferroalloy markets are in a trough, with previously high manganese ore prices tailing off from the start of this year However, the future for Anglovaal's mining interests hold more excitement

The group has an 87,5% stake in Saturn Mining which has the right to receive royalties from De Beers new Venetia diamond mine in the northern Transvaal Anglovaal received a maiden contribution from Saturn worth R2,8m in the interim Hersov said development at the mine was on schedule, with production set to start in the second half of this year

The group also has two important gold exploration programmes on the go Hersov said drilling on the Sun and Oribi prospects in the northern Free State were near completion, and Anglovaal had contributed R38m in exploration costs, with another R44m to be spent by year-end Should Anglovaal give the go-ahead to a new mine on the southern Sun prospect, it may incur a R2,5bn capital cost

Hersov said exploration by Target Exploration north of the Loraine mine was continuing, with drilling complete at 10 out of 20 boreholes

Anglovaal pushing ahead with exploration

STAR 6/3/92

(210)

By Derek Tommey

Anglovaal, one of the country's major mining and industrial investment houses, is not letting the recession hold back its expansion plans.

It is pushing ahead with a heavy capital expenditure programme including a major investment in prospecting for gold which could lead to the establishment of two and possible three new gold mines, an interim statement issued today shows

These developments should provide the group with strong growth when the economy and the gold price start to recover

In the six months ended December Anglovaal increased its earnings by six percent from R135,3 million to R143,1 million equal to 240c a share

But as if to reassure shareholders that this sort of earnings' growth is not the norm it has increased its interim dividend by 10 percent from 30c to 33c a share

And a development which shareholders will also find encouraging, is that capital expenditure (on new plant and equipment) amounted to R116,3 million in the six months ended December, which was an increase of R24,5 million or 26,7 percent on the same period a year ago

Furthermore Anglovaal also reports that it is planning to spend a further R164,4 million on capital expenditure of which only R47,2 million had not yet been contractually committed

Financing

In view of Anglovaal's strong financial position and negligible borrowings, it should have no difficulty financing this expenditure, or of coping with the tough times and economic uncertainties which lie ahead

Anglovaal is continuing to spend heavily on gold exploration Expenditure in the northern Free State in the six months ended December was R38,2 million and it expects to spend a further R43,5 million in the six months ending June - which suggests that the results so far have been most encouraging f

The drilling programme in the Sun area is progrsssing as planned, says Anglovaal and is expected to be completed around the middle of this year when the results will be evaluated.

The results of drilling in the Oribi area are being evaluated and may result in the purchase of additional mineral rights and further drilling.

In the central Free State north of the Loraine gold mine, prospecting by the Target Exploration Company of mineral rights acquired from Loraine is making good progress

A total of 19 300 metres was drilled in 20 boreholes in the six months ended December 31 and in all but two of the boreholes initial intersections were achieved on all the major reefs Ten of these boreholes were completed in the sixth month period

The results of this drilling will be published when the outstanding multiple deflections have been completed and initially evaluated

The cost of this exploration until the end of December was R30,3 million An extra R6,0 million will be needed

Anglovaal increased its turnover by seven percent to R4,1 billion in the six months ended December Operating income dropped 5 percent to R376,1 million and income from investments rose 42, prcent to R22,5 million

Tax paid dropped seven percent R178,6 million and taxed profit was unchanged at R220,0 million

Earnings

Equity accounted earnings from associate companies rose 17 percent to R45,7 million while earnings of outside shareholders dropped one percent to R122,6 million

The result was attributable earnings of R143,1 million (R135,3 million)

Total shareholders' interest in Anglovaal at December 31 was R4,1 billion while debt capital, deferred taxation and long-term borrowings amounted to R521,1 million. Net current assets amounted to R2,2 billion

The net worth per share was R50 (year ago R46)

Zambia courts Anglo, Genmin

S Times (Buss) 8/3/92

210

THE Zambian Government is negotiating with Anglo American and Genmin about privatisation of State-controlled Zambian Consolidated Copper Mines (ZCCM).

By CIARAN RYAN

BRIAN GILBERTSON Interested

Sources in Lusaka say talks between Zambia and Anglo started soon after the election of the new government. Anglo owns 27,3% of the mining group through holding company Zambia Copper Investments.

Anglo spokesman Michael Spicer says. "Anglo remained a shareholder throughout nationalisation.

"As a consequence of last year's election, the new policy of openness, the move to a mixed economy and talk of privatisation, we decided we would like to be as helpful as possible as an existing shareholder and play a more positive and active role in future

"Old management attitudes were hostile to Anglo. This is no longer the case and this we regard as an incentive

Columbus

"Several high-level visits have been made to Zambia, including some by technical teams We continue to discuss technical co-operation with the government and management of ZCCM."

Genmin chairman Brian Gilbertson says his group is also talking about mineral interests in Zambia "including ZCCM"

He will not comment on the possibility of a Columbus-style joint venture with Anglo in Zambia

But a mining industry source says the funds required to recapitalise ZCCM might be too onerous for any single bidder, making a joint venture a distinct possibility

Genmin was invited by ex-president Kenneth Kaunda to study ZCCM, but appeared to have been wrong-footed when he lost the election

ZCCM is the backbone of Zambia's economy, accounting for more than 90% of its foreign currency earnings For this reason, the Zambian Government is nervous of parting with its controlling interest

But at the same time it wants the mine to be run as efficiently as possible

Code

Anglo would be keen to get a bigger share in ZCCM and Genmin, too, would want to get its foot in the door.

ZCCM urgently needs recapitalisation and any bidder would want guarantees from Zambia that it would not renationalise the mines or interfere in the remittance of dividends

Steven Mwaba of Zambia Industrial & Mining Corporation (Zimco) says 120 State-owned enterprises are for sale

A new investment code provides incentives for investors, says Mr Mwaba

According to a source in Lusaka, the Zambian Government is considering converting the country into an export processing zone, removing virtually all foreign-currency and trade restrictions in an effort to boost the economy

The irony for Anglo is that it could end by reacquiring — at a knock-down price — the position in ZCCM it was forced to relinquish to the Zambian Government in 1970 at the height of its nationalisation drive

Anglo was forced to sell its majority stake in ZCCM to the government at book rather than market value in 1970 The shareholders, primarily Anglo, were paid more than $330-million for the 51% share

Anglo paid the proceeds from the bonds to its new international investment arm, Minorco, to fund its international operations

Minorco used some of the money in Anglo's South American mining ventures, some North American mines and ultimately in Salomon Brothers

In June 1991 Minorco's cash holdings totalled $1,9-billion

After nationalisation Anglo continued to manage the ZCCM mines until this arrangement was ended in 1973, resulting in Zambian copper production declining from 719 000 to 416 000 tons by 1988

Taxes

The consequences for Zambia's economy were devastating — gross domestic product, measured in constant 1980 prices, declined from $988-million in 1974 when copper prices peaked to $184-million in 1988

The government under Dr Kaunda bled ZCCM dry, charging taxes of up to 73% of profits

One possibility would be to split ZCCM into its component parts — Nchanga Consolidated Copper Mines (NCCM) and Roan Consolidated Copper Mines (RCCM) — ahead of privatisation

Investec recently announced that it had been retained to investigate ways of restructuring Zambia's national debt

It will also provide finance for infrastructural developments and help the privatisation programme

Murray & Roberts is returning to Zambia to assist in housing, construction and civil engineering projects

A new investment code allows for a five-year tax-free holiday

On a recent visit to SA, Zambian Minister of Local Government and Housing Michael Sata indicated that exchange controls would shortly be abolished and company tax reduced

Gencor issue successful

BDay 9/3/92 Business Day Reporter (210)

IN SPITE of the uncertain market conditions, the Gencor rights issue was well supported by its shareholders.

Gencor shareholders and/or their renouncees applied for 195,6-million of the new Gencor shares on offer — a 97,8% takeup. Gencor Beherend will take up the balance in terms of its underwriting commitment, thus ensuring that Gencor will receive its full R2bn

The Gencor Beherend rights offer to raise R1,1bn was 99,8% subscribed and its underwriter, Sankorp, will take up the remaining 310 799 Genbeheer shares

The new shares were listed on the JSE on February 27.

EXECUTIVE SUITE By William Wells and Jack Lindstrom

FM 13/3/92 (210) FOX

ANGLOVAAL (210) FM 13/3/92

Staying ahead

Considering the performance of Anglovaal's share price, there is little room for any disappointments in the earnings or dividends if the house is to retain its premium rating

The share has outperformed the mining house index since mid-1990, with Anglovaal's price rising steadily from R45 early last year to R88 this week Though many of the operations are facing tougher conditions, the bottom line result is actually better than was achieved a year ago

At the 1991 interim, attributable earnings rose 28% but EPS fell 8% because issued shares had increased after the rights issue This time both attributable earnings and EPS were up 6%. While hardly cause for excitement, this rate of advance is comfortably above the present average for mining houses JCI, for example, also reporting for the six month to December, posted almost unchanged EPS

Whereas Anglovaal maintained the 1991 interim dividend, this year it has been lifted by a tenth, to 33c But, while the higher payout is obviously encouraging, it is not necessarily indicative of the board's view of the outlook for the rest of the year

Earnings were bolstered by the two-fifths improvement in investment income, rising to R22,5m, reflecting the higher liquidity after rights issues At the same time, cash reserves at the centre have been drawn down by various investments

When Anglovaal Industries (AVI), Consol and Irvin & Johnson raised a total R787,9m through rights issues of convertible debentures in October, Anglovaal invested R232,1m to subscribe for its full entitlement to the AVI debentures More recently, Anglovaal followed its rights in the AVF Group offer, at a cost of R25,5m.

According to one market estimate, the house currently has a net free cash balance of around R170m Net current assets of R2 174,8m at December 31 were slightly higher than the 1990 level of R2 060,9m

Build-up of production at the Venetia diamond mine will bring increasing benefits for Anglovaal from the second half of this year, though the effects are greater for the mining finance subsidiary, Mid Wits

The group has a combined 87,5% interest in Saturn Mining, Prospecting and Development (Pty), which, pending recoupment of capital, is receiving a minimum royalty of 12,5% of the mine's profit before appropriation for capex In the first half Saturn received R2,8m; full production is to be reached by early 1993

Chairman Basil Hersov does not hold out any prospect for an improvement in the pace in the second six months With both local and overseas economies expected to remain in recesssion for the rest of the financial year, Hersov says group earnings will remain under pressure

Overall, the house will probably be doing well to lift the year's EPS by around 5% to, say, 500c At R88, the share price is very close to market estimates of the present NAV and the dividend yield is only 1% compared with the sector average of 2,5%. At this price the share can hardly be considered a buy

Andrew McNulty

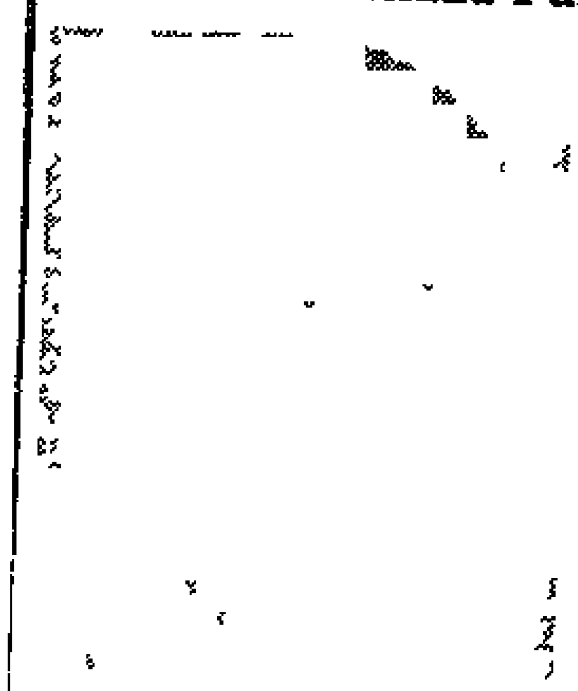
Does ANC want to carve up SABC?

LINDA GALLOWAY
Weekend Argus Reporter

(21c) ARG 14/3/92

BROADCASTING staff claim the African National Congress is insisting on top-level staff changes at the SABC to ensure balanced coverage of its viewpoint, but the ANC says the claims are "wild rumour-mongering".

SABC staff who did not want to be named said rumours were rife that the ANC was "insisting" on senior staff changes. They said high-level members of the ANC had been seen in the corridors of the SABC at Auckland Park and this had led to unease among editorial staffers who felt their jobs could be threatened.



☐ Dr Pallo Jordan

But ANC spokesman Dr Pallo Jordan rejected the allegation. The ANC had made numerous submissions on "the whole area of broadcasting, not just the SABC" to three of the Codesa working groups, and would be making further representations soon.

The ANC says it supports an independent broadcasting authority appointed by all parties in parliament and various elements of the civil society. It was not against a private sector role in broadcasting.

"We have called for a new board of directors for the SABC which is more representative and have said that the members should not be office bearers in any political organisation," he said."

No means sanctions and huge job losses

By ROBIN PEGLER and CIARAN RYAN

THE consequences of a No vote on Tuesday will be devastating for JSE-listed companies with established export markets

Capital investment in projects such as Columbus Stainless Steel and the Genref refinery would be halted.

Particularly affected would be companies involved in the export of paper, pulp, coal, metals and minerals, fruit and sugar.

They include Sappi, Anglo American Industrial Corporation (it has holdings in Highveld Steel, Mondi and Boart), Samancor, Amcoal, Trans-Natal, Rand Coal (formerly Witbank Colliery), Iscor, Langeberg, Tongaat-Hullet and CG Sugar 2.10

Value

The R3-billion Columbus venture between Highveld and Samancor would almost certainly be scrapped The feasibility study said it was only possible if there were no sanctions

Although ferrochrome and ferromanganese are strategic metals and therefore not subject to sanctions, extreme pressure would be placed on consumers to find other sources of supply This would affect Samancor and Consolidated Metallurgical Industries

Middelburg Steel & Alloys' stainless-steel operations, recently acquired by Highveld-Samancor from Barlows for R500-million, would also be threatened

In terms of tonnage Iscor exports half its output, although the value is less than half

Coal is SA's second-largest export, earning R4,2-billion in 1991 Coal sanctions would be reimposed almost immediately

Rand Coal managing director Rick Mohring says about half the company's coal is exported The loss of markets would force the mine to retrench half of its labour force of 12 000

Mr Mohring says "Then there is the multiplier effect caused by the loss of these jobs Several other people rely on the mining industry A total European Community ban on coal from SA is a distinct possibility in the event of a No vote"

Citrus and deciduous fruit exports are worth about R1,2-billion a year, much of which would be lost in the event of a reimposition of sanctions

A Sappi spokesman says about 50% of group products — including those of Usutu and Sappi Europe — are sold abroad A loss of markets would force the company to retrench many of its 18 000 workers

Businessmen say a No vote will outrage the international community which will respond with a sanctions drive far more severe than any before

The cost of a No vote would be the loss of tens of thousands of jobs within weeks and a freeze on investment, both here and abroad

Barring the possibility of an outright ban on investment in SA, pure rand-hedge shares, such as Richemont, Minorco, Charter and Lonrho, would appreciate in proportion to the decline in the financial rand. The finrand would plummet as capital fled SA.

Under a Conservative government, expenditure would be concentrated on the police, military, public-sector pay rises and bailing out farmers, all of which would be inflationary Spending on black housing, health and education would probably be curtailed

Times 15/3/92

Chamber chief denounces CP

B/Day 16/3/92

CHAMBER of Mines CE Tom Main has denounced CP efforts to use his views on sanctions to persuade South Africans to vote "no" in the forthcoming referendum.

A chamber statement said yesterday "Referendum 92", a CP pamphlet, wrongly identified Main as a former chairman of the Chamber and quoted him as saying: "It is not sanctions which do us damage, but the threat of sanctions We have the minerals the rest of the world wants. Why should we be sanctioned?"

Main said the words attributed to him by the CP were not altogether correct and had been used in the wrong context. (210)

"Presented as they are, without placing them in the wider context in which they were uttered, the words appear to suggest that I, and by implication the mining industry, have scant regard for the damaging effects of sanctions. This is not true," Main said.

Sanctions, particularly financial sanctions which had done incalculable harm to SA's economy, had been vigorously opposed by himself and the mining industry.

He said about 10 000 jobs had been lost in the coal mining industry as a direct result of sanctions.

The ban on the importation of Krugerrands also had an inhibiting effect on SA's ability to add value to gold exports.

Main said developments in the Soviet Union made it even more important to ensure SA did not backtrack into a political environment that would prompt the rest of the world to re-impose sanctions — a move that would almost certainly include strategic minerals and which would prove to be far more destructive than the previous embargo. — Sapa.

Report by S Thomas, Sapa 141 Commissioner St Jhb

Old mining property may be invaluable, says RMP

210

B/Day 16/3/92

MATTHEW CURTIN

ONLY a quarter of the mine dumps and slimes dams on the Witwatersrand are likely to disappear in the next 15 years, but old mining property may prove an invaluable asset for property developers as urbanisation gathers pace around Johannesburg.

Rand Mine Properties (RMP) MD Colin Steyn said at the weekend that of the 2 000ha of dumps and dams owned by the group, only about 450ha would be cleared in the next 15 years

RMP has been one of the largest owners of old mining property on the Reef since its foundation in 1968 when it inherited the property of the defunct Crown Mines, City Deep and Consolidated Main Reef Mines

Steyn said the low gold content of sands and slimes meant they were unlikely to be treated even if gold prices improved considerably RMP, which runs two retreatment operations, treated material with an approximate grade of 0,7g/ton while it had large reserves with a grade of only 0,3g/ton Without higher prices or new retreatment technology, these reserves were unworkable

RMP operations manager Ron Lautré said dump sites posed special problems for property developers. Even after dumps were cleared, land pollution was a problem Residual chemicals remained in the soil which could attack concrete and steel.

Precautions could be taken to protect services and foundations but at a possibly prohibitive cost.

Lautré said radioactive radon gas was another problem. Uranium was invariably left behind in soils after dumps were cleared The metal broke down into different isotypes over time, one of which was the dangerous radon gas which could percolate from the soil and pose contamination risks.

He said RMP wanted to build on dumps and dams but it would have to wait for new engineering techniques — such as floating foundations — and more sophisticated environmental safeguards

Steyn said there were environmental dangers, and RMP spent about R200 000 a month monitoring and controlling its dumps and slimes dams

However, he said building on former mining property underrun by mine shafts posed no drawbacks for modern property development. RMP had sold 200ha of residential property and 600ha for general industrial use in the past 20 years

There were no engineering restrictions in building on old mine property if underground workings were more than 240m below the surface Above 240m, building was possible on top of old outcrop workings depending on the particular circumstances.

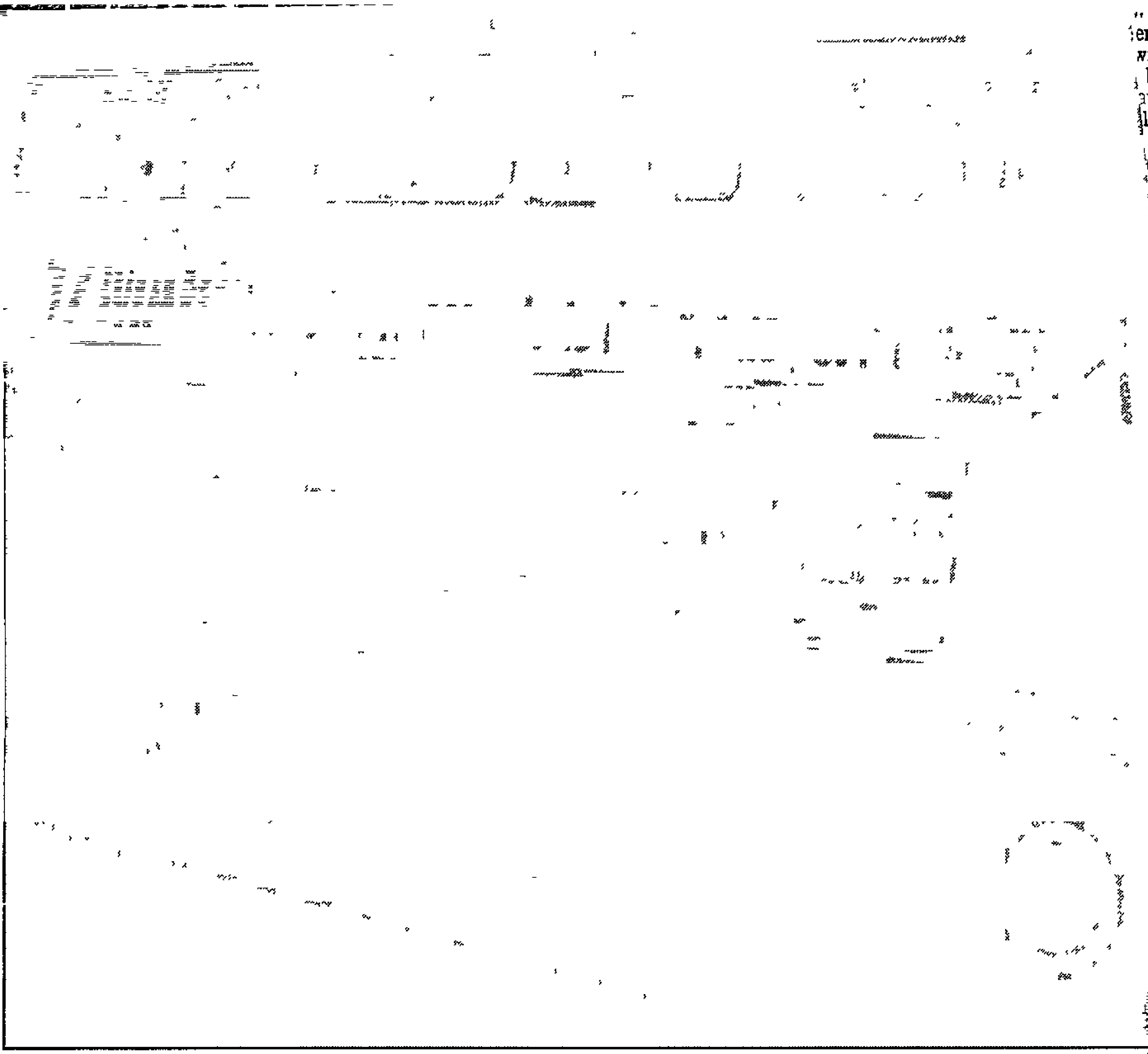
Lautré said that by laying concrete or steel supports across the bottom of old workings which were then filled with compacted soil, the land became safe for development, albeit at a cost

However, that was still more than competitive with property values north of the Reef RMP sold serviced mine property for general industrial use at R100-R150/m². Underground repairs would add R100/m² to the cost, but that compared with prices of R3 000 to R5 000 in the CBD.

Steyn said there was an oversupply of land for industrial and commercial use in and around Johannesburg While some institutions had bought property in anticipation of economic recovery, the small investor was absent from the market.

However, he noted the peculiar development of city property — because of apartheid and gold mining — was coming to an end. Johannesburg was marked by large chunks of vacant but disadvantaged property which lacked infrastructure.

He said the demise of the Group Areas Act had freed constraints on the development of much residential property and, given the proximity of old mining land to the city centre, both residential and commercial development was bound to take off.



Driving for "yes" votes . Johannesburg municipal buses have entered into the spirit of the referendum.

CP sanctions propaganda blasted

Chamber of Mines chief executive Tom Main yesterday denounced Conservative Party efforts to use his views on sanctions to persuade South Africans to vote "no" in the referendum. STAR 16/3/92

According to a chamber statement yesterday, Referendum 92, a CP pamphlet, wrongly identified Mr Main as a former chairman of the chamber and quoted him as saying "It is not sanctions which do us damage, but the threat of sanctions. We have the minerals the rest of the world wants Why should we be sanctioned?"

Mr Main said the words attributed to him by the CP were not altogether correct and had been used in the wrong context

"Presented as they are, without placing them in the wider context in which they were uttered, the words appear to suggest that I, and by implication the mining industry, have scant regard for the damaging effects of sanctions This is not true," Mr Main said.

Sanctions, particularly financial sanctions which had done incalculable harm to South Africa's economy, had been vigorously opposed by both himself and the mining industry

"The mining industry, too, has been damaged by the international community's adoption of a trade embargo against SA Some 10 000 jobs were lost in the coal mining industry as a direct result of sanctions and that is why the industry worked so hard to have them lifted.

"The ban on the importation of Krugerrands by most countries around the world also had an inhibiting effect on South Africa's ability to add value to gold exports" ~~285~~ 210

Mr Main said developments in the former Soviet Union could now facilitate the availability of strategic minerals which in the past — in spite of sanctions — the Western democracies had relied on South Africa to provide ~~2604~~

This made it even more vital to ensure the country did not backtrack into a political environment that would prompt the rest of the world to reimpose sanctions — a move that would almost certainly include strategic minerals and prove to be far more destructive than the previous embargo — Sapa.

(Report by S Thomas, 141 Commissioner St, Jhb)

Minorco lifts earnings

(210) STAR 20/3/92

Finance Staff (480)

Anglo American's overseas investment arm, Minorco, showed positive earnings growth despite the slump in its major markets

In the six months to end-December earnings before extraordinary items rose by three percent to $98 million, while earnings per share improved from 56 US cents to 58c

The interim dividend was raised by six percent 18c (17c) a share.

The group has been able to withstand the global recession and depressed commodity prices, but much of its earnings are still derived from investments and interest on its cash holdings of about $1,8 billion

Total borrowings amounted to $457 million, which placed the group in a favourable position for growth through acquisitions, the directors say

The principal contributors to equity earnings were Charter Consolidated and Engelhard Corporation

The group was on the acquisition trail in the interim period

It bought another quarrying operation in Germany for Dm27 million, giving it a strong foothold in the aggregates industry, while in the UK it acquired Buxton Lime Industries, a major supplier of chemical-grade limestone to industry.

The group said yesterday it was cautious about prospects, despite its good performance in the interim period.

It did, however, indicate Minorco was in a strong position to benefit from any economic upturn, while current conditions gave it the opportunity to make strategic acquisitions at attractive values.

Inflation war key to get SA metals shining

(210) ARG 21/3/92

Weekend Argus
Business Staff

THE future competitiveness of South African mineral exports on world markets will hang in the balance until the country finds a way to deal with inflation — or at least get it down to levels comparable with mineral-producing countries which compete against it.

So says Chamber of Mines economist Mr Francois Viruly in a report on the role that domestic inflation has played in putting the squeeze on gold mining profits.

Mr Viruly says an inflationary climate created an upward pressure on the cost of various supplies and services as well as pressure to increase wages, which made up a significant part of overall working costs

Because it had no influence over the amount of revenue received for its production, the industry was highly susceptible to the effects of inflation.

It could not simply increase the price of its product to compensate for the profit squeeze as other industries could.

The consequences of sustained inflationary pressures were heightened when they coincided — as they had done in the gold mining industry — with an extended period of stagnation in revenue caused by a poor gold price

According to the report, in the period 1986-1991 the gold price in rand terms had outperformed the price in US dollars, Swiss francs, Japanese yen, Australian and Canadian dollars

A comparison of the year-on-year percentage change in the gold price measured in local currency, however, disclosed the greatest cumulative fall in the real (inflation adjusted) gold price in the period 1986-1991 occured in South Africa.

Over this period the real rand gold price declined by 41,6 percent compared with Australia (-39 percent), Canada (-36,3 percent) and the US (-21,2 percent).

The industry had risen to the challenge of inflationary pressures by successfully managing to keep annual working cost increases to far below the national Producer Price Index

Despite these achivements, however, recovery costs were still rising faster than revenue.

"South Africa's failure to find an effective remedy for its inflation problem is undermining the cost-cutting efforts of the mines," Mr Viruly said.

He concluded "Bold moves by South Africa's fiscal and monetary authorities to deal incisively with inflation are urgently needed if the gold mining industry is to stem the continuing erosion of its real income and secure the future of threatened mines and jobs."

Mining houses will gain on capital tax

210

S Times (Buss) 22/3/92

By ROBIN PEGLER

ALTHOUGH the Budget generally does little to expand the economy, there are two measures which will help, and which should be seen in conjunction with each other

Investors need now hold investments for only five years, compared with 10 years before, to avoid paying tax on the capital profit.

Investment managers expect this provision to help mainly the mining houses, whose profits on sales of investments are generally regarded as revenue for tax purposes

A few months ago Anglo American sold by tender large holdings in First National Bank and Gencor, which it regarded as non-strategic investments, to raise capital for development The new tax provision should facilitate further sales by the mining houses, though not necessarily using a similar procedure

Beatrix was listed in 1985, and has been highly profitable to its original investors Where it is not regarded as a strategic holding, this is one that the mining houses could now sell

The extent to which the mining houses take advantage of the new tax provision will depend on their development needs For example, Gencor and Anglo American are both heavily involved in the Columbus stainless steel project, which will need about R2- to R3-billion to establish

The new tax provision will give them scope to make sales if they want, though Gencor has just had a R2-billion rights issue

Major capital expenditure on new mines in the Moab, Sun prospecting and South Deep areas will probably await a more promising gold price

Bauxite

The other provision in the Budget expected to expand the economy is the implementation of section 37E This allows capital write-offs of more than 100% of the amount spent by beneficiators of raw materials (not necessarily only minerals) which export, provided that the added value and the percentage of exports are sufficiently high

This could apply to imported raw materials for example, Alusaf will need to import bauxite, but as the result of the local high energy input the aluminium exported will have considerable added value

Columbus should also benefit substantially, and needs this tax concession to make the project viable This ties up with the tax relief on the sales of investments described above

The beneficiating company will receive cash upfront instead of having to claim in arrears, as in the past It will receive this in the form of a negotiable certificate, which could be traded

Other companies which investment managers consider might benefit include Sappi, Mondi and Sasol

ECONOMY & FINANCE

FM 14/2/92

☐ Reduce costs by 30%. These have been pushed up by the proliferation of syndicates and agencies. Costs to members in syndicates which wrote £100m a year were only 4% of gross premiums. At £10m a year, this went up to 10%, and [illegible]

☐ Corporate membership. To reach £15bn capacity by 1997 will require at least 5 000 new names — and the fallout from the bad years may yet take a further toll. Allowing corporate membership is a long-term objective and the task force envisages that, in return for t[illegible] le[illegible] members w[illegible] than sole tr[illegible]

Mining gear contract

210

S/Times (BUSS)

KOMDRESCO, a joint venture between Anglo American subsidiary Amquip and Dresser Industries, was recently awarded a R60-million contract for the supply of mining equipment to Amcoal. 22/3/92

Komdresco represents the mining-equipment business of Dresser (USA) and Komatsu of Japan, one of the largest suppliers of construction and mining equipment in the world.

In terms of the deal Amcoal will be supplied with the largest wheel loader manufactured by Komatsu, the WA800, the first of its kind to be marketed locally.

Komdresco offers a wide range of construction and mining equipment, from crawler tractors to wheel loaders, hydraulic excavators, cranes, scrapers, graders, belt conveyors, crushers, feeders and forklift trucks.

Tax cuts of little help to mines

(-2110) ST Times (BUSS) 22/3/92

By JULIE WALKER

MINING tax concessions will make virtually no difference to SA's mines unless mineral prices climb

The Budget proposed that the fourth step be taken in phasing out the surcharge on non-gold mining companies, and that the formula rate for gold mines be adjusted to bring it more into line with the present company tax rate.

The most profitable gold mines will benefit from a reduction at the top of three percentage points to a maximum tax rate of 58%. While this is still almost a quarter higher than the top corporate tax rate of 48%, the effect of the tax tunnel reduces its impact

The first 5% excess of income over expenses is not taxed and is known as the tax tunnel Many mines fall into this category, sometimes by design, such as balancing their capital expenditure

Pleased

It allows the mines to continue to provide a small return to investors through dividends while not having to pay tax

Gold Fields of SA corporate finance director Alan Wright is pleased that the Minister of Finance continued with his previous decisions to bring mining tax closer into line with corporate tax rates, but says that it has only a marginal beneficial effect on his group in view of current low metal prices

Rodney Yaldwyn, head of mining research at stockbroker Simpson McKie, says that few gold mines pay mining tax because of the squeeze on profits

"The change will mean slightly lower tax bills for mines such as Driefontein, Hartebeestfontein and Kinross, which are high tax payers But it won't make any difference to most of the other mines," says Mr Yaldwyn

Non-gold mines' taxed profits could edge up by a maximum of 1,5% The maximum rate should come down from the current 50,9% to 49,4%

"It was disappointing that there was no word on ring-fencing," says Mr Yaldwyn

Ring-fencing prevents the capital costs of establishing a mine from being offset against the taxable income of another

Offset

Previously, some mining companies combined contiguous and sometimes non-contiguous mining areas to take advantage of the tax system

The government put an end to that practice several years ago by decreeing that capex from one mine can be offset only against mining income from that same mine

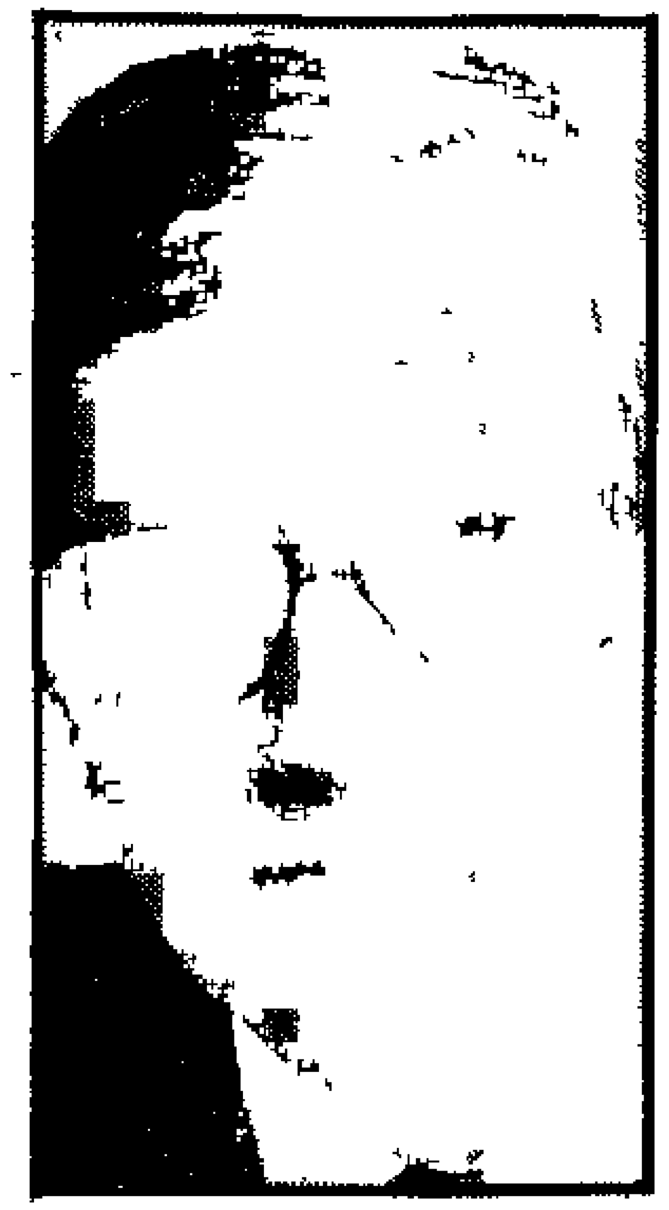
This effectively put paid to many new mines on the drawing-boards because of the lowered potential returns and payback times

Mr Wright says the mining tax advisory committee made appropriate recommendations to the Minister of Finance, but these did not form part of the Budget.

Anglo American tax consultant Marius van Blerck says that now is an ideal time for the government to abolish ring-fencing. At present there is very little mining-tax base because of depressed mineral markets, but when prices do perk up there would be a much greater incentive to invest in mining

"It would be like mortgaging some of the growth in the tax base now for future rewards," says Mr Van Blerck.

He has some hope that the matter will be given careful consideration before June



ALAN WRIGHT ... pleased with Minister, but because of low metal prices benefits are marginal

SA mining 'needs to trim costs'

(210)

BDay 23/3/92

MARCIA KLEIN

SA's mining industry will face increasingly stiff competition in international markets unless the growth in unit production costs can be restrained

An article in the latest Metals Bulletin said this could be achieved by containing factor input prices and by improving productivity.

According to the article, SA's mineral industry has been losing its competitive edge due to price inflation and production costs — which have been running above those of competitor countries

On an index of 100 in 1980, SA's international competitiveness rose to 171 in 1985, but had been reduced to 141 by 1991. The US, on the other hand, had increased its competitiveness from 100 to 116 over the period, after dipping to 74 in 1984 After reaching 116 in 1986 and 1987 and dropping to 91 in 1991, Australia has lost competitiveness over the 11-year period, while Canada's has risen to 105 The index is based on production costs, wholesale prices and the performance of the rand in relation to a basket of other currencies

An analyst pointed out that often US gold mines do not include the cost of finance, while SA's working costs do In this light, these figures may not show the full picture

The Metals Bulletin said that in the international context, competitiveness is defined by price, quality and currency exchange rates

Production costs of the SA mining industry rose by about 10,9% during 1991 This compares with 10% in Australia, 5,4% in Canada and 1% in the US Over a five-year period, an increase of more than 14% for SA's mining industry "far exceeded the rise in costs in Australia (10,3%), Canada (8,3%) and the US (2,4%)", the bulletin said.

Over the same period, wholesale prices in SA grew by 13% compared to Australia's 5,5%, Canada's 1,9% and the US's 3,3%

In addition, the effective exchange rate of the rand depreciated by 4,6% over 1991 The bulletin said this "had a marginally beneficial impact on international competitiveness, as it countered the negative effect of the rise in the producer price and wholesale price"

The international competitiveness of SA's mineral exporting industry declined marginally in 1991 due to the relative rise in costs

The article said this was mainly through increased costs of wages, power, fuel, imported equipment and interest on loans

Although Australia followed a similar trend, the US and Canada improved their competitive positions by controlling costs and prices.

The analyst said it was difficult to compare the SA mining industry with other countries as the playing fields were not level SA mining would need to improve efficiencies in line with recent wage increases, or else wage hikes would need to be balanced out by new tax regimes, which have been initiated in the Budget

He said another factor which hampered SA's competitiveness was that capital goods were imported and were costing more

RMP gives 20 000ha to Parks Board

B/Day 30/3/92

RAND Mines Properties (RMP) has handed over 20 000ha of pristine wilderness in the Langekloof Mountains to the National Parks Board, to be used for environmental education and the creation of hiking trails

A statement on Friday on behalf of Rand Mines Properties and the Parks Board said the area, near the Tsitsikamma National Park, was the country's biggest known remaining wilderness in private hands The land will probably be incorporated into the Tsitsikamma National Park

RMP handed over the area at a function at the Storms River Mouth camp in the Tsitsikamma on Friday

The land — which has been privately owned for almost 100 years and which has never been put to commercial use — is known as Zoetkraal (66) (210)

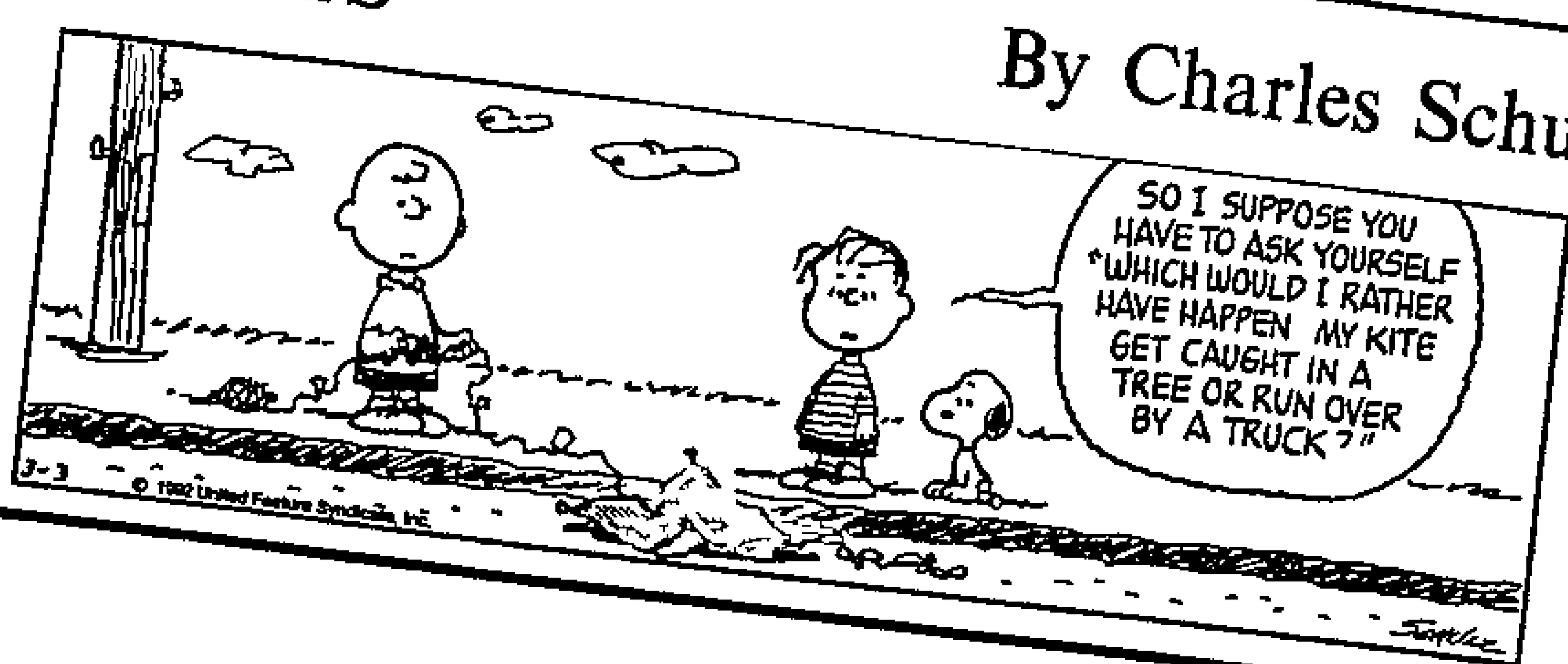
It incorporates a 35km-long valley with water running all year round

Former RMP MD John Turner, who initiated the project, said it had been agreed with the Parks Board that the overall concept for the management of the land would be sharply focused on outdoor recreation and environmental education

"Therefore, walking-hiking trails and rustic accommodation will probably be the main feature of development." — Sapa

PEANUTS

By Charles Schulz



Diamond firm petitions FW

B/Day 30/3/92

MASERU — A diamond mining company has petitioned President F W de Klerk to hold an inquiry into the Lesotho Highlands Water Scheme Treaty

Swissborough Diamond Mines MD Joe van Zyl said on Friday his company had petitioned De Klerk to inquire into who was responsible for action taken by the Lesotho government

On Tuesday Lesotho revoked the mining group's mining leases. Van Zyl said he had heard rumours that SA had pressured Lesotho into taking action against his group (47)

All mining operations have been suspended pending legal proceedings to set aside Lesotho's decision to revoke the mining leases Van Zyl said earlier this week the company would take the issue to the world court and the UN — Sapa

Rumour boosts ZCI shares

MATTHEW CURTIN 210

SHARES in Anglo American investment company Zambia Copper Investments (ZCI) jumped 110c or 55% to 310c on the JSE yesterday amid speculation that SA mining companies were about to return to the copper belt

ZCI's main investment is its 27,3% stake in state-run Zambia Consolidated Copper Mines (ZCCM), which has been earmarked by government for privatisation

Market sources have suggested that either Anglo or Gencor is involved in talks aimed at taking over ZCCM It is understood other foreign mining companies might also be interested

BDay 31/3/92

An Anglo spokesman would not comment yesterday on speculation that Anglo was set to involve itself again in copper mining in Zambia

Angry residents campaign to stop mine dumps dust

STAR 31/3/92

210

By Anna Louw
East Rand Bureau

Fine dust blowing off three mine dumps has angered residents in the suburbs of Boksburg and Germiston.

They say it is causing respiratory and other health problems.

Nearly 3 000 residents of Sunward Park, Freeway Park, Farrar Park, Reiger Park in Boksburg, and Els Park in Germiston, have signed a petition protesting against the problem, which is particularly bad in winter.

The residents held a meeting in the Freeway Park Primary School hall last week with officials from ERPM — which owns two of the mine dumps — to thrash out solutions.

The third mine dump is owned by Transvaal Sand Supply

The problem has been going on for years

Action committee chairman Hannes Niemand said the meeting became so heated at times that an ERPM manager Billy Williams threatened to walk out.

"The point is that ERPM has done nothing to alleviate the problem and is refusing to acknowledge that the dust has become a serious pollution problem," said Mr Niemand

Boksburg town councillor Chris Smith suggested that ERPM should make use of a R5 000 annual grant available from the council, to plant grass on the mine dumps.

He said ERPM has never made use of the grant in the past

Another councillor, Andries du Toit, said he would take the matter up in council to see if its parks department would be willing to plant trees next to the M17, which he said became treacherous in rain

"A film of dust on the road surface is extremely dangerous in wet weather," said Mr du Toit.

Mr Niemand said he had gone as far as taking the matter up with the office of Environmental Affairs Minister Louis Pienaar but the response was very disappointing

He said the situation was so bad at times that mechanics in a service station workshop in Sunward Park were unable to work on cars because the mine dust penetrated everything.

"Apart from aggravating respiratory conditions, the dust gets into furniture.

"It is hell on wash day and generally makes life miserable," said Mr Niemand.

He said his action committee would fight tooth and nail until the pollution problem was solved.

The only way to do it was to plant grass on the mine dumps.

Botrest dividend 'remote in extreme'

(210) MATTHEW CURTIN

DEBT-LADEN mining company Botswana RST (Botrest), in which Anglo American has a 12% stake, is unlikely to pay share divi-dends in the foreseeable future.

Chairman S M Johnson said in his annual review the payment of dividends was "re-mote in the extreme", because of accumu-lated losses and interest payments, exacer-bated by weak metal prices in 1991.

Botrest subsidiary BCL produces nickel, copper and cobalt from its Selebi-Phikwe mines. B/Day 31/3/92

Johnson said the outlook for base metal prices in 1992 was not encouraging, with the world's recovery from recession yet to hap-pen. Events in the former Soviet Union would continue to affect the nickel price — in 1991 unusually high Soviet sales saw nick-el prices tumble.

He said high inflation in southern Africa and rising costs in Botswana would hit the company as BCL faced large capital and replacement spending programmes in the coming years, which would further raise the ideal prices levels necessary for the com-pany to cover its costs.

The 15-year, 60-million pula loan granted to BCL via the Botswana government from the EC in December last year might prove insufficient if prices did not recover.

Botrest posted a net loss of 371-million pula in the year ended December 1991, against 149-million pula in 1990. Its accumu-lated deficit stood at 1,8-billion pula at year-end (1990: 1,4-billion) with long-term bor-rowings of 2,2-billion pula.

Economist focuses on twin malaises

B/Day 1/4/92

(210)

MATTHEW CURTIN

THE fall in capital spending by the mining industry in recent years reflects an underlying malaise in metal prices on world markets and in the rate of investment in the whole SA economy, says Frankel, Max Pollak, Vinderine economist Mike Brown

Brown says that both obstacles to new mining investment are unlikely to be removed in the near future

However, speaking at the 1992 Capital Expenditure Prospects conference in Sandton yesterday, Brown said the lifting of sanctions and new tax concessions for mining and export oriented projects were key developments which might stimulate mining investment.

The demise of sanctions affected the export of iron ore, steel and coal most importantly.

Although SA producers would not automatically regain lost markets, the removal of sanctions promised that SA would compete on level ground with other mineral producing countries, qualifying for its fair share of international mining finance capital.

Beneficiation

Brown said the 1992 Budget "leaned perceptibly in the direction of encouraging new mining ventures".

He highlighted the expansion of section 37 (e) of the Income Tax Act which effectively reduced the cost of capital for new mineral beneficiation projects.

Brown said the reduction of the "safe-haven" rule from 10 to five years for the sale of quoted shares not being subject to tax could unlock between R13bn and R66bn in equity funds in the mining houses for investment elsewhere

Even so, projected mining capital spending could fall from R6,2bn in 1992 to R4bn in 1994 as gold mining spending stagnated, the most recent expansion phase in the coal mining industry wound down, new platinum mine development remained on hold and De Beers completed its Venetia diamond mine.

He said capital spending by the mining sector had been more or less stable in real terms in the '80s.

However, after a resurgence in investment in new gold and platinum mines in 1989 and 1990, real spending fell 6% in 1990 and dropped further last year.

Paradoxically, the percentage of fixed investment in the economy generated by the mining sector crept up in the past decade, reflecting the slump in general investment activity in the economy during the period.

Brown noted that the mining industry contributed more than 22% of GDP in 1980, but only 10% in 1990

He said the mining industry was caught in a metal price dilemma

Apart from a brief flurry in the late '80s, metal prices had been on the slide for most of the past 10 years

Yet the international mining industry, including SA, had taken an optimistic view on metal price recovery, developing many new projects.

The outcome today was the creation of much spare production capacity for many minerals, which might continue to dull prices for some time to come

In addition, investment in new mining ventures had been deterred by a number of factors outside the political problems facing SA, falling rates of investments and savings exaggerated by sanctions and disinvestment, endemic high inflation which pushed up the "hurdle rate" for real returns on capital employed, the fading exchange rate cushion in the late '80s, inimicable tax rates for new capital projects at odds with trends outside SA, and soaring labour costs unaccompanied by gains in productivity

No dividend from Anglo firm in Zambia

210

MATTHEW CURTIN

ANGLO American's Zambia Copper Investments (ZCI) has passed its interim dividend after the failure of some creditors of Zambia Consolidated Copper Mines (ZCCM), in which it has a 27,4% stake, to approve the copper producer's proposed 1991 dividend

B Day 7/4/92

ZCI received no dividend income in the six months ended December 1991 and, after financial income of $736 000, posted net earnings of $468 000 ($772 000)

Market sources have speculated for some time that Anglo or Gencor, which has had talks with mining industry authorities in Zambia, might be involved in a take-over of ZCCM Anglo owned the company before it was nationalised by the Zambian government

ZCCM's after-tax profit in the six months ended Septmber 1991 rose to 3,2-million kwacha against 2,6-million kwacha, but the increase largely reflected the devaluation in the Zambian currency In US dollar terms, profit fell to $44m from $66m

Anamint lifts payout

STAR 10/4/92

(210)

Anglo American Investment Trust (Anamint) has declared a final dividend of 310c a share for the year ended March 31 which, with the interim dividend of 72c, shows a marginal increase in the total distribution to 382c for the year (1991 380c).

Anamint's net asset value per share was 8 888c, an increase of 17,3 percent over the previous year's 7 578c

Attributable earnings were maintained at R383,4 million (R380,5 million)

The company's major asset is its holding of 98,2 million De Beers/Centenary linked units

Anglo backs code of conduct

BDay 14/4/92

WILSON ZWANE

ANGLO American was anxious to sign a code of conduct relating to stayaways with the NUM as soon as possible, spokesman James Duncan said yesterday

Duncan was commenting on a blueprint, set out by the Goldstone standing commission on public violence and intimidation, for managing tension and conflicts between management and unions on the mines

The commission appointed a committee to consider violence which left 86 dead and 403 injured at Anglo American's President Steyn mine in Welkom last November

Releasing its findings recently, the committee said tension and conflicts on the mines could be managed if

- All mine managements and the NUM agreed on the legitimacy of political activity in hostels,
- Managements and the NUM agreed on strict rules for the control of meetings,
- Managements reviewed training for the conducting of disciplinary meetings,
- The mining industry appointed an ombudsman to mediate between management and the NUM,
- An urgent agreement on ways to alleviate tension in the hostels was reached; and
- An urgent agreement between managements and the NUM on a code of conduct relating to stayaways should be set up

210

Duncan said negotiations between the corporation and the NUM on alleviation of tensions on the mines had been concluded while "we are anxious to sign the code of conduct with the union as soon as possible"

Chamber of Mines spokesman Peter Bunkell said it was still too early to say what course of action the industry would take as the commission's report was only distributed by Anglo American last week

An NUM spokesman said it would be premature to comment on the commission's recommendations as the union got a copy of the report only last week

President Hotel's goods auctioned

Own Correspondent

CAPE TOWN — The contents of the former five-star President Hotel in Sea Point went under the auctioneer's hammer yesterday, signalling the end of an era.

Its revamping into a R227m luxury hotel and flat complex will begin as soon as all movable assets have been sold.

Auctioneer Kelley Finberg said the auction, which would continue today, was one of the largest held in Cape Town. BDay 14/4/92

The goods ranged from a giant brass chandelier and vast quantities of furniture to hundreds of miniature shampoo bottles. Anxious bidders were watched by forlorn staff members who had been retrenched.

Parts of the hotel, which has been reduced to a maze of dusty corridors piled high with furniture, date back to the turn of the century.

A circular relating to the acquisition will be posted to shareholders in due c

PROP

RMP gears up to develop land

B/Day 22/4/92

RAND Mines Properties (RMP) still has between 400ha and 500ha available for development between Germiston and Roodepoort.

The company, formed in 1968 when Consolidated Main Reef Mines, Crown Mines and City Deep were listed into RMP, has sold about 600ha of industrial and commercial land and 200ha of residential land over a 20-year period. Sales were in a vast area, from Wadeville in the east to Robertville on the West Rand, and Southgate and Ormonde in the south.

RMP MD Colin Steyn says some of the land between Germiston and Roodeport is being processed for industrial, commercial, business and residential use while the rest will be developed depending on market demand.

Most of RMP's land is still reserved for mining and, while the company has freehold, permission for development has to be obtained from the Mineral and Energy Affairs Department

When government's decentralisation policy was in operation in the early '80s, it refused to grant industrial rights in central areas, so land had to be acquired in outlying areas, such as Springs.

(210)

However, most industrial corporations are not eager to locate to outlying areas. "It is hoped that the East Rand will become an attractive location to investors in time to come," says Steyn.

RMP sees the need to gear for future economic growth, expected to come from an industrial base. "We are already receiving tentative inquiries from offshore companies carrying out feasibility studies about locating to SA.

"These companies will want to locate to areas of high industrial activity. RMP's property is well situated in terms of the PWV area — traditionally the hub of industrial activity — and that is where the company expects the largest economic growth to occur," says Steyn.

Gencor hit by 25% plunge in earnings

BDay 28/4/92

(210)

WILLIAM GILFILLAN

WEAK commodity prices and a drop in interest income have hit Gencor's interim results hard, with the mining house posting a 25% plunge in attributable earnings in the six months ended February.

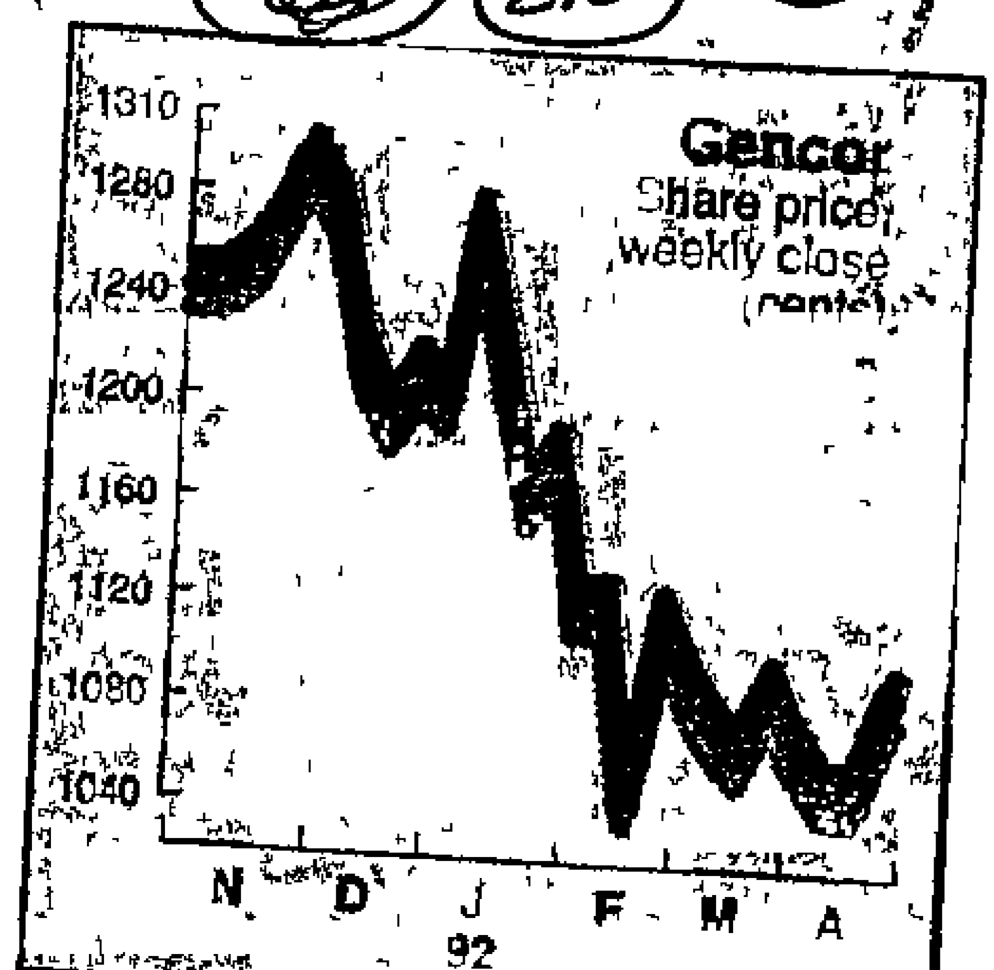
Gencor's interests include gold, platinum, ferroalloys and paper — sectors suffering sustained low prices — and the group had to follow its rights in two multi-million-rand rights issues last year, which hit its cash reserves.

Chairman Brian Gilbertson warned yesterday that worse was to come in the second half of this year.

"An improvement in the depressed market conditions currently being experienced by our businesses is not yet in sight and seems unlikely before the end of the financial year. Consequently our earnings for the second half will not easily match the first half's level," he said.

In a six-month period best remembered for Gencor's expansionary drive, management declared an interim dividend up 7% at 16c a share (1991·15c). This came on the back of large cash reserves from the R2bn rights issue held in February. Earnings a share dropped to 47,8c from 65c on an unchanged number of shares in issue.

The contribution from 46%-held mining



Graphics RUBY-GAY MARTIN, Source I-NET

finance and investment company Genbel plummeted to R78m (R270m). However, R120m of Genbel's contribution last year related to a paper transfer on a sale of investments from one Genbel entity to another.

Gilbertson said excluding this paper profit, Genbel's and Gencor's contributions for the first half of last year would have decreased to R150m and R644m, as a result the decline in the mining house's income

☐ To Page 2

Gencor

BDay 28/4/92

(210)

☐ From Page 1

for the first six months of this year would have halved to 13%.

Cash reserves were sharply down for most of the half-year as Gencor followed its rights in both Sappi and Malbak late last year, outlaying R520m and R176m in these two deals. Also a R245m investment was made in Samancor in a transaction relating to its acquisition of Middelburg Steel & Alloys' ferrochrome interests and Rand Mines' chromite interests.

The contribution from wholly owned mining, metals and minerals group Genmin dropped to R206m (R253m). Gilbertson said weak demand and low prices for its export products were the main reasons for the decline in Genmin's contribution.

Gengold accounted for R53m (R66m) of the R206m, as most of its gold mines declared lower dividends, hit by weak prices and higher capital expenditure.

A lower platinum price, substantially reduced production (because of industrial unrest), difficulties at its refineries and higher capital spending meant Impala's contribution to Genmin fell to R44m (R62m).

At Trans-Natal increased exports helped the coal group recover from the termination of the contracts to supply Eskom's Camden and Komati power stations. As a result Trans-Natal's contribution to Genmin increased to R40m (R37m).

"The effect of depressed markets and low commodity prices was reflected most severely in the results of Samancor and the Minerals division," Gilbertson said.

The contribution from 50%-held paper group Sappi rose marginally to R105m (R102m), while the contribution from oil and gas group Engen increased to R124m (R92m).

Although Engen's turnover rose by a marginal 4%, the improved margins enabled the company to achieve real earnings growth. Industrial holding company Malbak, held 51%, accounted for R61m (R59m) of Gencor's total attributable income.

Project finance

Profit will be criteria for getting govt aid

BDay 30/4/92 (210)

BARRY SERGEANT

THE recent era of project financing in SA has witnessed the creation of some large economic units, perhaps highlighted in the past decade by Atlantis Diesel Engines (ADE) and Sappi's Ngodwana mill in 1980s.

A very recent proposed project financing is Anglo American's announcement of Eastvaal, the first new large, deep-level gold mine in decades The past decade has witnessed a sea-change in the pathology of project financing, in adaption to changing economic, political and social circumstances

For the future, the industrial sector of the economy will see the dominance of tax benefits in project financing displaced by the criterion of export competitiveness The mining sector stands on an unchanged, if not slightly better, tax footing

Both industrial and mining sectors will continue to be subject to the vagaries of international commodity price cycles and at least in some cases, anti-competitive measures by some economic blocs

In SA, the demise of sanctions will hopefully see the overall emphasis change from "self-reliant" to truly internationally competitive This is a tall order

Projects with direct government backing (such as ADE and Mossgas) will continue to be dominated by the ad hoccism associated with the sometimes incoherent reasoning behind such projects

In the private sector, large-scale project financing will still be dominated by the expertise of large corporations and their ability to fund such projects from a combination of internal cash flows, rights issues/loans, and favourable fiscal treatment (either direct tax benefits, or export-type incentives)

In isolated cases SA can expect sub-regional parastatal project financings with substantial private sector participation, such as the Lesotho Highlands project.

These projects are characterised by attempts to cater for long-term public demand, and a blend of financing from public coffers, the private sector, and global agency funds

The financial and logistical details of projects can be very complicated But the long-term bottom line is all that really counts Sometimes, one of the factors in the project financing equation plays too important a role, and all other factors become subservient to it

Heyday

A classic example is Section 24 of the Income Tax Act, which in its heyday in the early 1980s, meant government paid 65% of the cash cost of a project

The general principle of Section 24 was that 130% of the capital of a new economic unit (essentially industrial) could be written-off against profits

What happened in practice was that some projects were so large that the sponsoring corporations had to "sell" tax allowances to other corporations that had spare profits to write-off

This allowed for an accelerated write-off that went against the spirit of the original legislation Over the years, government appreciated the amounts of tax it was losing earlier than expected, and the benefits of Section 24 were steadily diluted

In a somewhat related context, other projects were benefiting from a combination of "decentralisation" incentives Though these policies have now been largely discredited, perhaps their demise is more a function of the central SA fiscus eventually coming under severe financial pressure, than anything else

Finally, the other crucial ingredient in project financing over the past decade has been a number of changing and generous export incentives

It is all different today (outside the mining sector) The development of internationally competitive industry in future will be dominated by the new, and now refined, Section 37 of the Income Tax Act.

In a nutshell, this incentive requires a large portion of a new economic unit's production to be exported and be internationally competitive

Unlike Section 24, which applied to static situations, Section 37 is dynamic The members of the project financing consortium must do far more pre-project research than before

Section 37 will encourage very large and advanced projects, such as the Anglo American/Gencor proposed Columbus stainless steel joint venture

Within the mining sector, cost of production as a measure of economic soundness will come to the fore as never before

If this indicates bottom line profits given revenues at the levels seen in the troughs of recent times, project backers will not be difficult to find But experience in mining will continue to be critical

The announcement of Eastvaal by Anglo American demonstrates this

The new project will require every iota of mining expertise available at Anglo American

However, financial details of the project financing were manifestly important to it being given the green light

Because the new project is adjacent to Vaal Reefs, its production is to be considered replacement ore for Vaal Reefs

Allowed

For this and many other reasons, the R1,7bn cash cost of the new mine, will, according to Anglo American, only cost Eastvaal's shareholders R600m One particular reason is that Eastvaal will be allowed to use Vaal Reefs' "tax base"

Tax considerations will continue to be important in mining — but tax benefits are useless unless profits are being made

In project financing across the board, sources of capital will change in the future For much of the past decade, private and public financial insitutions offshore have not done much business with SA This changes with the lifting of most sanctions Unfortunately, a huge obstacle will hamper this endemic domestic inflation

It will not pay to raise funds offshore unless the project is generating a material portion of both sales and profits in a strong currency

Top mining show draws 22 entries

210

STimes CBUSS7 13/5/92

By IAN ROBINSON

TWENTY-TWO South African mining equipment manufacturers and their affiliates will take part in South America's largest mining show.

Expomin '92 will be held from May 12 to 16 in Santiago, Chile — the hub of South America's booming mining industry.

The first Expomin — SA also took part — was held in 1990.

In contrast to the rest of the world where the industry is depressed, huge investments will be made in mining and metallurgical projects in South America in the next few years.

In Chile — the world's largest copper producer — scheduled capital expenditure on mining and metallurgical projects is $4-billion.

Major projects will include the $500-million Canadian-controlled Cerro Colorado copper mine and a $1-billion aluminium smelter and power station.

Chief director of the South African Geological Survey Cornelis Frick presented his paper, Business Opportunities in Mining in Southern Africa, at Safto's conference in Johannesburg this week.

He said a survey of multinational mining companies in 1990 rated Latin America the highest investment priority for the present decade.

Six companies in the Boart group will exhibit in the SA pavilion at Expomin. Products on display will include hydraulic drifters, hard-metal wear products, coal-mining products, roofbolts and a jaw crusher.

Boart director Brian Young says: "We have been active in South America for many years and have targeted the continent as a market with major potential for our products.

"Much of our equipment is made to withstand SA's arduous conditions and it is well suited to meeting the demands of South America's difficult mining environment."

Other major SA companies which will be at Expomin include Barlow Equipment Company (load haul dumpers), Dorbyl (heavy engineering equipment), Willard Batteries and Shaft Sinkers.

Limited

A spokesman for the Department of Trade and Industry says that more South African companies would have exhibited had space been available.

SA will take part in another important international mining exhibition later this year at Sudbury in Canada where heavy underground equipment will be on show.

Exhibitors will be limited to a display of brochures. Eight SA companies will be represented.

RMP in big redevelopment plan

B Day 4/5/92 (210)

ADRIAN HADLAND

A MULTIMILLION-rand scheme to redevelop vacant mining land in and around Johannesburg is being negotiated.

It is envisaged that a mixture of low-rise, high-density residential accommodation and business property will be developed on land currently occupied by mine dumps and slimes dams.

Rand Mines Properties (RMP), which had talks with the Johannesburg City Council concerning the possible development, expected 450ha of land could be cleared over the next 15 years.

"We are definitely considering the freeing of land encumbered by mine dumps," said RMP marketing manager Owen Wiggins "RMP is in the process of identifying land that would be suitable for housing."

RMP owns 4 000ha of mining land in an area stretching from Germiston on the East Rand to Roodepoort on the West Rand.

The sale of vacant mining land was "very high" on the agenda of the company's corporate strategy, said Wiggins.

It was believed other mining companies were also considering the possibility of redeveloping their land in the region

RMP said in a statement at the weekend that 50% of its land was "permanently encumbered by mining infrastructure, making it undevelopable. A large percentage of the remaining land is also reserved

☐ To Page 2

RMP

B Day 4/5/92 (210)

☐ From Page 1

for long-term mining activities should the gold price rise significantly"

Based on current planning, a favourable gold price and adequate land values being realised, it was estimated that about 450ha of land could be cleared in the next 15 years, the statement said

Johannesburg's city planning director Japie Hugo said the mining land was an area of great opportunity

"No other city in the world has centrally located land opportunities on this kind of scale," he said

The land envisaged for development runs along the M2/Main Reef Road axis and includes significant portions adjacent to the CBD

Hugo said "The land would have mixed development use, including the creation of both affordable housing close to places of employment as well as business opportunities to stimulate economic growth"

The finer details of the planning process would be discussed by the Central Witwatersrand Metropolitan Chamber's physical development working group However, as the chamber had suspended its activities, negotiations had been delayed.

Hugo stressed the planning process would be fully participative — and would include business, community and council representatives in the negotiations

"We want to do it in a co-operative manner with all the key stakeholders," he said The motivation for the project came from a range of sources, including the city council, civic associations and the Central Witwatersrand Regional Services Council

Wiggins said the rehabilitation of mining land was an expensive process "The necessary precautions must be taken in protecting services and foundations from residual chemicals remaining in the soil after clearance of dumps" Residual chemicals needing to be cleared included cyanide and radon gas

"In other cases outcrops have to be repaired and made safe The cost thereof is in the region of R1 000 per running metre," he said

A wholly owned subsidiary of RMP, Rand Mines Milling and Mining, was already involved in the reclamation of mine dumps During the past 20 years, about 800ha had been cleared for residential (200ha) and business development (600ha)

Material currently on mine dump sites would be recycled at RMP's reprocessing plants at the City Deep and Crown Mines facilities The many tons of waste remaining would be added to existing slimes dams, which would be increased in height, Wiggins said

Funding for projects was expected to come from the state and the private sector

Sallies plant 'under review'

B/Day 6/5/92 MATTHEW CURTIN (210)

OPERATIONS at Anglo American's SA Land & Exploration Company (Sallies) dump retreatment plant would be reviewed on "an ongoing basis" to ensure adequate cash reserves were available to meet closure and clean-up costs if necessary, a spokesman said yesterday.

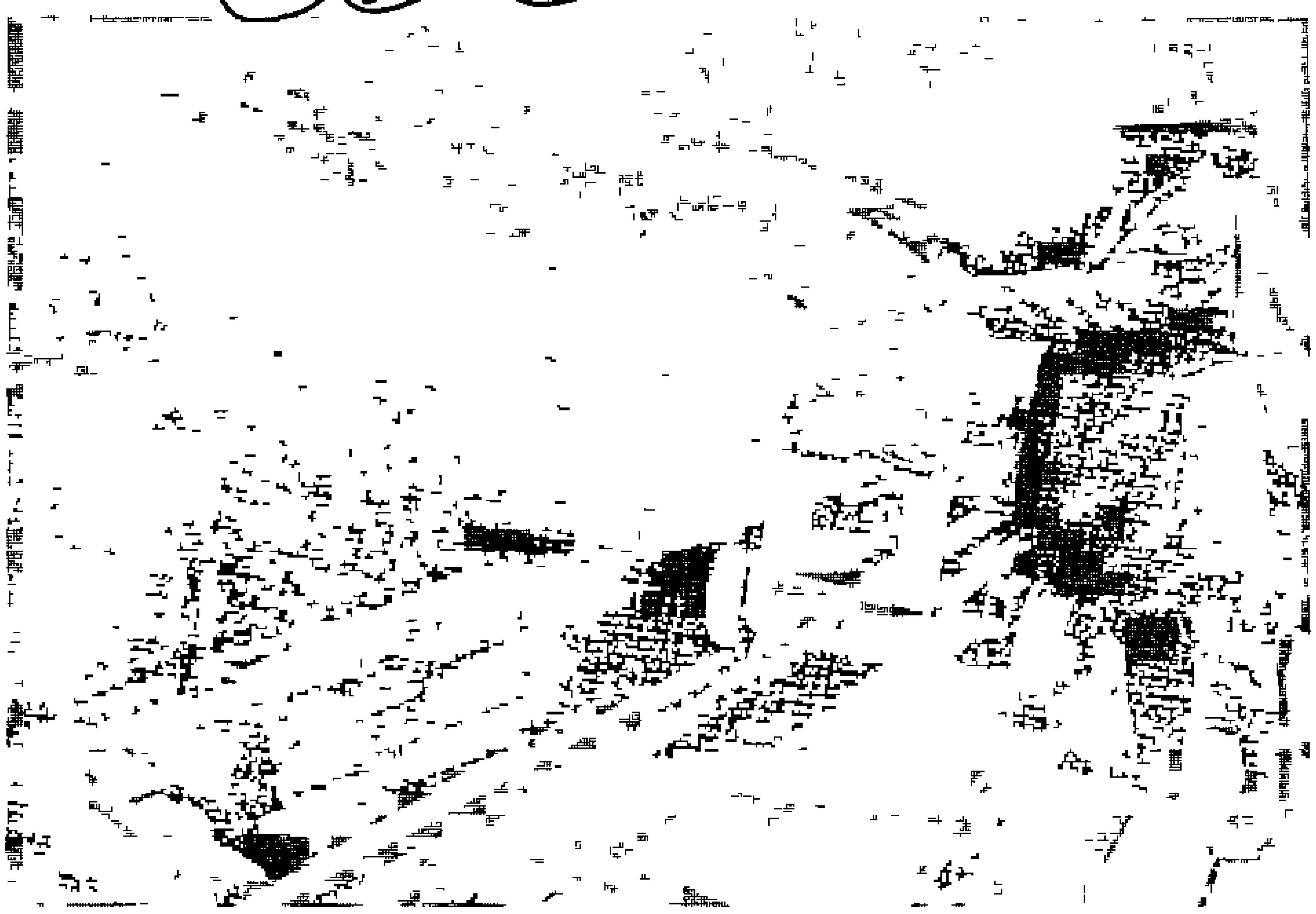
Sallies was operating at a loss because of low gold prices and disappointing grades Management was trying to remedy the position by more selective screening of dump material Shareholders would be kept informed of developments

Taking on the big boys

w/mail
8/5-14/5/92

210

Mining is among the chief culprits in polluting South Africa. But a farmer took on Anglo American Corporation —and the court judgment has spurred the industry to become more environmentally aware.
EDDIE KOCH *reports*



Making amends .. Anglo American repairs the damage at Boondoks

A DAVID-AND-GOLIATH legal battle between the country's biggest mining corporation and a small-time farmer has shown that intense public pressure can combine with corporate responsibility to safeguard the environment from being degraded by industrial pollution

In November 1989, Anglo American Corporation attracted the ire of environmental groups when 10 000 tons of contaminated mining waste, left by Anglo's prospecting division on a game farm in the eastern Transvaal, killed all the aquatic life in a nearby river

The waste was dumped illegally on the course of the river on a farm called Boondoks in the Barberton district after Anglo's prospecting services abandoned a shaft in the mountains where they had been exploring for gold

The incident sparked a protracted dispute, which farm owner Luke von Johnson eventually won when he managed to persuade the company to remove the dump — and the result encouraged a thorough overhaul of environmental policy in the corporation's mining division

The R2,5-million operation involved removing all waste material from the dump, cleaning up and rehabilitating the site and carefully burying the waste about 5km away

In addition, Anglo conducted a comprehensive survey of its other prospecting sites According to company representative James Duncan, every road, gulley and trench dug by the company was checked to eliminate unnecessary damage to the environment

"The incident at Boondoks also resulted in Anglo implementing a thorough environmental code of conduct that the management of all mine prospecting operations is obliged to implement," said Duncan

The code requires that·

●An environmental impact assessment is carried out at the beginning of every prospecting operation

●Monitoring of environmental disruption takes place during prospecting operations

●Steps are taken to remedy any pollution problems as soon as these may appear

●At the conclusion of every prospecting operation, a certificate is signed by all parties concerned that site has been properly cleared.

Anglo was found guilty in court of violating clauses of the Mines and Works Act at Boondoks and was fined R10 000, which was suspended for five years The magistrate took into account the rehabilitation carried out by the corporation and the review of environmental policy that the incident had stimulated

"I think a sentence to hold the company to their word regarding this case and to try to keep them in future from conducting their operations in a manner detrimental to nature would be a suitable sentence," he ruled

The Worldwatch Institute has judged the South African mining industry to be one of the most damaging to the environment in the world

"South Africa has treated mining like a sacred cow, fearful of disturbing the cash flow Air and water near mining smelting operations is hardly monitored and what little monitoring is done is not reported In South Africa the extent of mineral damage from mineral extraction is massive," said a 1990 report by the Washington-based institute entitled *Apartheid's Environmental Toll*

But if this description was accurate two years ago, the outcome of the Boondoks case is a sign that some sections of the mining industry are beginning to take the environmental impact of their operations more seriously

Other mining executives have also begun to display a sensitivity in their boardrooms to the ecological consequences of their activities

Richards Bay Minerals is conducting the largest environmental impact assessment ever conducted in South Africa at the proposed site of its controversial scheme to strip mine the dune forests of Lake St Lucia

John Frear, group environmental consultant for Genmin, says the company is spending large amounts on rehabilitating old dumps and preventing acid water from leaching out of slimes dams

Butch Smuts, chief ecologist for Anglo American, said last year that "the corporation has decided at executive level that no new project will be funded without the environmental side being considered. This year we adopted an integrated environmental approach which requires consultants to be appointed from the word go"

Royal spearheading R2,2-bn offshore deal

STAR 14/5/92

E10

Finance Staff [redacted]

Anglo American looks set to buy control of European food group Del Monte Europe (DME) via the Cape-based Royal Group

Market sources said that a consortium of Anglo American Industrial Corporation (Amic), De Beers and Anglo's offshore arm Minorco would provide the financial backing for the deal

There has been no official comment from any quarter but Finance Week reports today that Royal group is spearheading the R2,2 billion international deal

It seems that Royal has already acquired control of Cape-based fruit-canning group Donald Cook for about R60 million — pipping Barlow Rand subsidiary Langeberg

Announcement of this deal has been delayed until the DME transaction has been finalised.

There has been considerable market speculation about a major deal for a number of months with strenghtened after Royal issued a cautionary statement last week.

It is unclear what stake of the enlarged Royal Food group will ultimately be held by chairman Viv Imerman and his family.

"One estimate is that he will have an effective 40 percent but given the size of the deal it is difficult to see how he could hold on to this much, Finance Week says

Should the deal go ahead, it will create an enormous fruit-canning and fruit juice group

At some stage it will include Anglo's existing fruit interests which are held in Rhodes Fruit Farm and it will also include Donald Cook which has an established local and international infrastructure for fruit exports

Rand Mines shows 12% dip in earnings

BDay 18/5/92 (210)

DUMA GQUBULE

RAND Mines has reported a 12% decline in attributable earnings for the half year to end-March in spite of a good performance from its coal mining operations

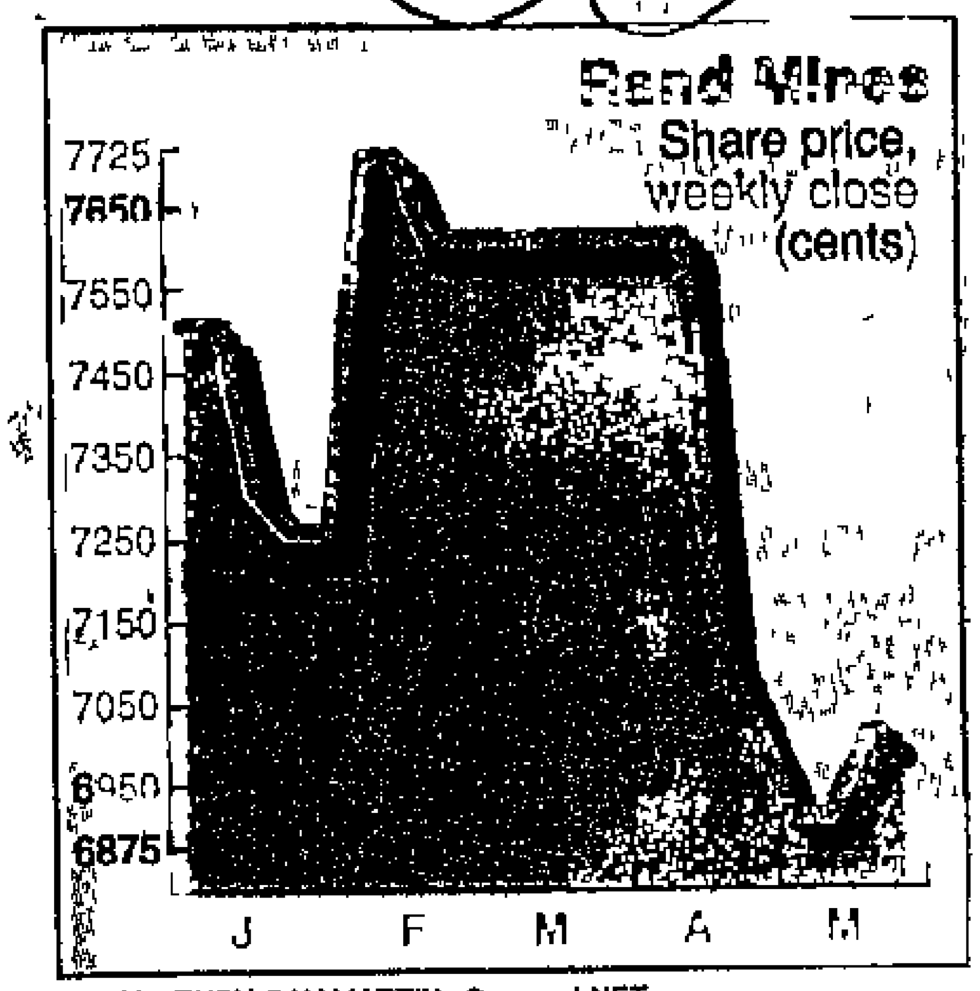
The group, the last of Barlow Rand's listed subsidiaries to report for the six-month period, saw its attributable earnings fall to R91,6m (R104,3m) or 614c (700c) a share. The dividend was 100c a share

The results were not comparable with those of the same period in the previous year because certain operations were discontinued or rationalised, the directors said at the weekend.

Earnings from continuing operations increased by 15% to less than R90m (R77,4m), and were boosted by satisfactory results from its coal operations.

Randcoal, the 70%-held subsidiary, recently reported a 90% increase in after-tax profits to R98m. Its R68,8m earnings contributed 75% to the Rand Mines group's half-year earnings.

The directors anticipate a decline in full-year earnings. Second-half profits, which could be significantly influenced by exchange rate fluctuations, were expected to be lower than in the first half.



Graphic RUBY GAY MARTIN Source I NET

A Rand Mines' spokesman said the results were gratifying viewed against difficult circumstances during the six-month period.

"With the reconstruction of the group now behind us, Rand Mines is financially

☐ To Page 2

Rand Mines

BDay 18/5/92 (210)

☐ From Page 1

sound once again."

Turnover rose marginally to R868,6m (R866,6m) Excluding discontinued operations, sales were 15% up on the previous year's figure of R755m

Operating profit fell 2% to R185,6m and after higher interest payments, pre-tax profit was down 10% to R138,9m With a lower tax bill and higher payments to outside shareholders (which nearly doubled, reflecting the sale to Randcoal of Corgroup), attributable earnings came to R91,6m

At the end of the previous financial year, the group indicated it would give priority to strengthening the balance sheet At the end of March the holding company had R30m in cash, while the sale of long-term debts had been reduced to R9m (R87m)

The directors said the growth in coal profits was attributable to higher volumes and a weaker rand

Gold operations showed a R2m loss although working costs increased marginally by 2% The loss was as a result of metallurgical problems at the Crown Mines recovery plant.

A spokesman said "The managed gold mines are under strong pressure at today's gold prices and jobs are being threatened"

Property's contribution to earnings increased to R7,1m (R6,3m)

Barlows profit up 15% to R400m

(210) B/Day 19/5/92

MARCIA KLEIN

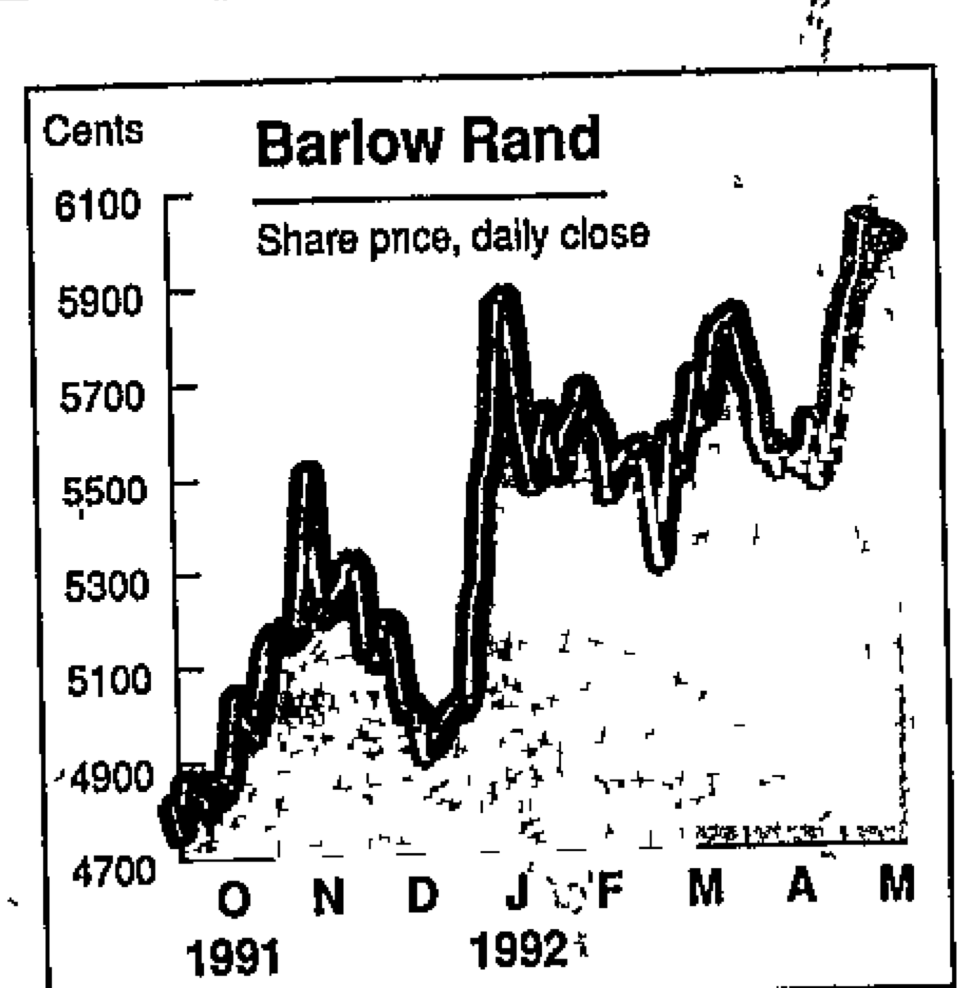
ALTHOUGH the diversified Barlow Rand group was affected by the drought and global recession, it reported a 15% rise in attributable profit to R400m (R348m) in the six months to end-March

This translated into an 11% earnings rise to 207,3c (187,5c) a share on increased shares in issue following a scrip dividend in the previous year

The benefits of Barlows' disposal of Middelburg Steel & Alloys (MS & A) flowed through to bottom-line earnings, enhancing the group's financial strength and stabilising the cyclicality of earnings.

Vice-chairman and MD Derek Cooper warned yesterday that the effects of the drought were being felt, and could affect some of the group's companies — particularly its food and packaging interests — in the second six months.

Group turnover increased 9% to R16,9bn (R15,5bn), and an improved margin, largely because of the exclusion of MS & A's results, was reflected in an 11% rise in operating profit before interest to R1,4bn (R1,2bn). The interest bill declined 10% to R303m, but Cooper pointed out that Barlows had received the proceeds from the MS & A sale only during the first quarter



Graphic FIONA KRISCH Source I NET

Operating profit grew 19% to R1,1bn (R888m) and with a 22% increase in income from investments and a 28% higher taxation of R429m, profit after tax improved 17% to R832m (R713m).

Mining and mineral beneficiation interests showed a 14% profit improvement to

☐ To Page 2

Barlows

B/Day 19/5/92 (210)

☐ From Page 1

contribute R182m or 22% of after tax profit, but Cooper said prior year figures included a R17m loss from MS & A There had not, in fact, been much growth in this division apart from the coal operations

Food and pharmaceutical interests, which contributed a third of group profit after tax, showed a 13% increase in profit in the six months These interests included CG Smith Foods, CG Smith Sugar, Tiger Oats and Imperial Cold Storage

Industrial interests contributed 20% of group after-tax profits on the back of good results from the electronics, electrical and information technology companies. Results from building materials, steel and motor vehicles were poor

Packaging and textiles, which reflected the results of Nampak and Romatex, improved by 14% to contribute to 16% of after tax profit International interests — housed in J Bibby & Sons — held their profitability at R65m

A 6% higher interim dividend of 54c (51c) a share was declared On the balance sheet, gearing improved to 21% from 47% as a result of "tight asset management, the effects of the MS & A sale, the scrip dividend, the Tiger Oats rights issue and the listing of CG Smith Sugar"

Cooper said cash inflows from these developments resulted in a R1,1bn net decrease in funding requirements The net cash position showed a positive R250m Retained cash from operations improved from a R73m utilisation to a positive R346m, while other cash improved from R89m to R1,5bn

Capex would continue "at a high level", and the group would continue to look for new products Cooper expected a slower increase in earnings during the second half

Talk of Minorco's bid for Tarmac sweeps UK

BDay 19/5/92 (210)

IAN HOBBS

LONDON — Strong speculation again swept the markets yesterday that Minorco is preparing to bid for Britain's biggest construction and building materials company, Tarmac

Minorco, the cash-laden international arm of Anglo American and De Beers, yesterday refused to respond to reports that it wanted an agreed deal with Wolverhampton-based Tarmac — but was ready to go hostile if necessary

Roger Philimore, joint MD of Minorco, which is tax havened in Luxembourg, said he was not prepared to comment on market speculation — in spite of it coming from high level banking sources

Troubled Tarmac, whose profits collapsed from a peak of £393m in 1988 to just £21m last year, is acutely aware of its vulnerability But Tarmac chairman Sir Eric Pountain is believed to be not interested in Minorco's attentions and is already preparing his defences

Tarmac CE Neville Simms yesterday said the company had not received a formal approach from Minorco.

"If we had anything to tell our shareholders we would have done so," he said

The key assets Minorco has its eyes on are Tarmac's massive quarrying interests on both sides of the Atlantic.

Minorco recently paid ICI £115m for Tunstead quarries in Derbyshire, and acquired substantial aggregates business in Germany

Minorco's main interest in its failed bid for Consolidated Gold four years ago was its huge ARC aggregates business

It also recently tried to get Bardon Hill quarry, but lost out to a £87m bid by the Evered group.

London broker's Durlacher told the Evening Standard of London that with $1,8bn in cash burning a hole in their pocket, and massive borrowing power, it was very important for Minorco to do a deal "With economic recovery beginning to be seen, they don't want to miss the bus," they said

London analysts said a Minorco bid for Tarmac at up to 250p a share, valuing it at about £1,8bn on a mixed basis of assets and earnings potential, was logical.

One broker said that even if Minorco "went hostile", few Tarmac people would leave And this, for Minorco, was a vital consideration.

Tarmac shares are holding around 145p after soaring to 160p late last month on anticipation that Minorco was moving in for the kill

Odorous assault has Reef in its clutches

STAR 20/5/92 210

Winter is upon us. With it comes the low inversion layer over the highveld, trapping smoke and making people feel sick. The onslaught of smells has already begun, writes JULIENNE DU TOIT.

IT USED to plague the east. Now the west of Johannesburg is also suffering from bad smells, watering eyes, biliousness, wheezing and generally assaulted senses.

On Tuesday last week Hilton Hamann of Greenhills in Randfontein called The Star There was a ghastly smell of gas that was burning his lungs and throat and making his eyes water.

His wife Joy was suffering the same symptoms and later in the day started vomiting

A local creche had smelt the odour, but it had passed by mid-morning and the Randfontein health department, while concerned, could not trace the smell

Industries in the area, which include mines, a petrol refinery and a milling company, denied they were the culprits.

On Friday, Dawn Hollander called from Florida. There was a disgusting smell in the area, she said Her entire family felt bilious and their throats were tight

"You can't tell me this is healthy," she said

Roodepoort health department said that that particular rotten-egg smell, which had plagued Florida, Weltevreden Park and Delarey before, was thought to come from Secunda or Sasol

And the smells in the east are continuing

At a meeting in Germiston on Thursday about 20 people, fed up with suffering from asthma and shutting their windows tightly to block out smells, evinced blank disbelief on being told that tests had shown no high concentrations of anything toxic in the air.

The company Eco-Tox carried out tests in the rather posh area of Klippoortje, where the smells seem worse than most places. It found nothing untoward in the summer months of December 1990 to March 1991 or the winter months of May to July last year

Germiston department of health head Joe Harmse stressed, however, that this was a pilot study and an in-depth one would follow.

Lionel Rowley of Klippoortje said he had suffered severe allergic reactions ever since he moved to Germiston about 10 years ago.

Germiston's town clerk said at the meeting he had been approached by people who, having moved to Germiston, suddenly developed asthmatic symptoms.

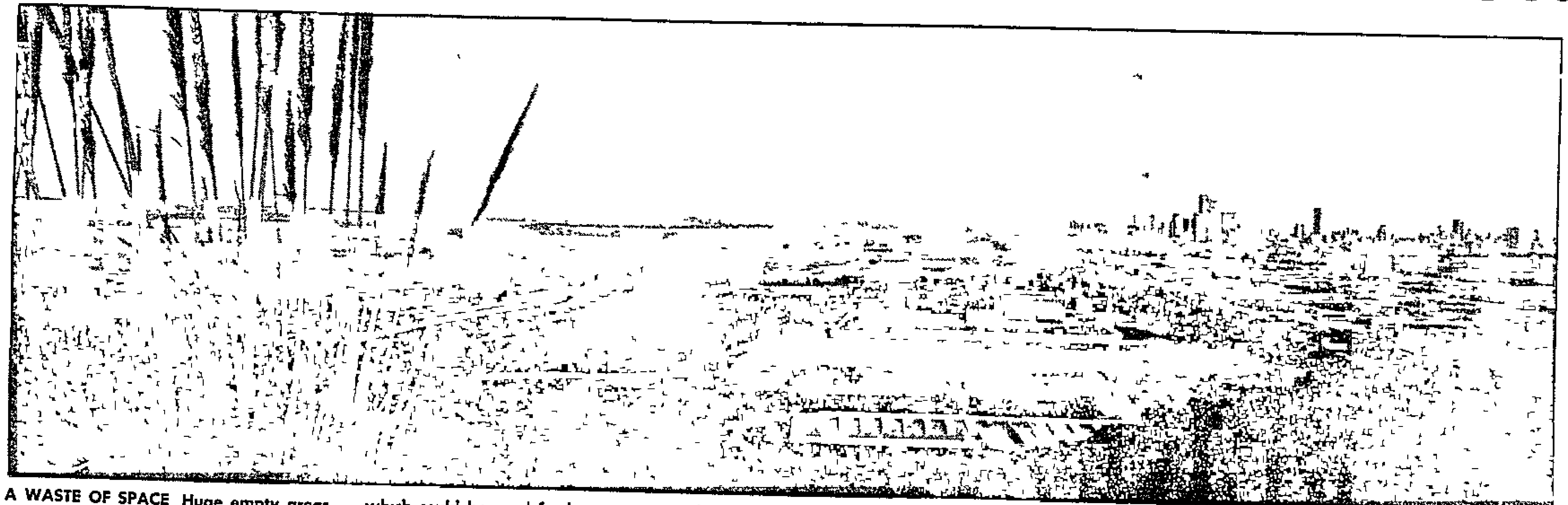
And former Germiston mayor Kelly Morris said "Germiston has always had a smell. But I am sometimes woken up by smells of plastic and varnish These are new smells. We live in expensive houses, on large grounds, and we have to close all our windows to stop the smell seeping in. We appeal to industries to stop this."

Dr Petro Terblanche of the CSIR, who is involved in the Airchem study on the East Rand, said particulate matter was often the culprit.

It overloaded the body's defence system, making people susceptible to infection. Particulate matter was associated with chronic bronchitis, wheezing, asthma, increased phlegm production and respiratory tract irritation.

The sulphur dioxide emitted by power stations and in townships from coal-burning turned into acid rain in the wet season But in winter the dry acid remained airborne and was inhaled It ate away at steel fences, but not much was known of its effects on humans, said Dr Terblanche □

There's urban land for Africa



A WASTE OF SPACE Huge empty areas — which could be used for housing — are being "squatted" on by large conglomerates, it is claimed. ● Photograph JOHN HOGG

VAST tracts of land owned by large conglomerates around Johannesburg could be used for low-cost and informal housing. JOE LOUW reports.

210

STAR 23/5/92.

THERE is no shortage of land for low-cost and informal housing in Johannesburg because there are thousands of hectares being "squatted" on by large conglomerates

This the conclusion of a land use study commissioned by the Civic Association of Johannesburg (CAJ) and the Metropolitan Chamber The study has led CAJ general-secretary Cas Coovadia to demand that underutilised land be released — or else.

"I believe that the choice is not whether the land should be made available for development or not," he said, "but whether it is freed through negotiation and co-operation, or via land occupation"

The study revealed that land requirements for residential as well as for secondary and tertiary employment needs in the Greater Johannesburg area are between 20 000 and 31 000 ha

However, a total of 164 000 ha was estimated to be available in those areas studied Large portions of the land are owned, it was revealed, by mining houses and other conglomerates Coovadia named Rand Mines Properties, Anglovaal and African Explosives and Chemical Industries (AECI) as the biggest culprits

"It is thus very evident," said Coovadia, "that land is available to house people in areas that will meet logical criteria in a holistic approach to the problem of housing the urban poor"

Coovadia listed these criteria as access to the urban system, closeness to transport routes and bulk infrastructure (roads, electricity, schools, etc) and closeness to employment opportunities He called for cooperation and "innovative" ways of making the identified land available for the development of low-cost housing and the generation of income

A World Bank study, based on data provided by Johannesburg City Council's town planning and metropolitan planning departments, made available to the Saturday Star, states that within 10 km of the city centre, 40 percent of the land is still unutilised

"Even taking into account the development constraints imposed by mining land and geological features, this figure is abnormally high," says the report. "This low rate of build-up has a negative effect on the efficiency of the city"

The report points to another "land use oddity", created by the now-abolished Group Areas Act which established racially determined zoning and dispersed the largest population group to the perimeters of the city

The density of most cities of the world peak within 5 km of the centre and decrease gradually towards the periphery By contrast, in most Witwatersrand cities the pattern is quite the opposite because of the townships artificially created on the city outskirts in the "out of sight, out of mind" policies of the past

"This has serious consequences for the welfare of the population and the efficiency of urban services and economic activities," the report says

One example given points out that, with the average distance between township and workplace about 24 km, the average cost per minibus trip (at 1991 prices) meant approximately R115 a month per person was spent on "illogical" travel — a serious impact on the already low earnings of urban families on the periphery

Richard Tomlinson, in his book "Urbanisation in a Post-Apartheid South Africa", indicated that Johannesburg could "comfortably" accommodate up to 150 percent more people

Another researcher, Tony Wolfson, who works for Planact, a Johannesburg service organisation which advises community groups, believes that the legacy of low-density settlement (one unit, one plot), especially in white suburban area has meant that some of the most suitable land is grossly under-used

For the wealthy, he says, "local councils permit low-density use with a subsequent 'wastage' of space that could be usefully occupied by the urban poor"

He cites an earlier study of plot densities which showed for example that while in densely populated Melville an average of 39 people occupy one hectare, the same space in Meadowlands hostel accommodate 690 Moroka, which also has one unit per plot, accommodates at least 60 people per hectare

In addition he points out market forces preclude the development of multi-storey apartment blocks because of the high building material, planning and design costs involved in such projects "thus perpetuating low-density land use in poorer areas as well"

Wolfson does not believe that the property market as a mechanism is sufficient to determine the distribution of living space in the urban areas Low income people will never get a chance he says They will be marginalised forever It is unrealistic to have a booming property market in South Africa's major cities when the economic status of the majority of the population does not warrant such a market

"Planning decisions in the future will have to prioritise development in favour of the majority where the most benefit can be achieved but one cannot just ignore the rights of existing property owners We have to come up with creative local policies to solve these problems"

Top Finnish mine group sets up shop in SA

ST Times (Bus) 24/5/92 (210)

FINLAND'S largest mining company Outokumpu — an international supplier of mineral processing technology — has set up a subsidiary in South Africa

The subsidiary will also serve Southern Africa

It could become a base for worldwide exports of technology

Outokumpu comprises four segments base metals production, copper production, stainless steel and technology

By IAN ROBINSON

Outokumpu Mintec, a group in Outokumpu Technology, has established an office at Halfway House The group supplies equipment, processes, instruments and automation for the mining and metallurgical industries

Outokumpu Mintec president Seppo Kreula, who visited SA, says that although the group operated here through agents for more than 20 years, two reasons prompted its decision to establish a subsidiary

Outokumpu is in other major mining countries — such as Canada and Australia — and has long felt a need to add SA to the list The lifting of trade sanctions by Finland — the first Scandinavian country to do so — in July last year gave Outokumpu the green light

A bill has also been presented in the Finnish Parliament to lift investment sanctions It is expected to be passed soon

Outokumpu was the first Finnish company to move into SA after the lifting of trade sanctions

Outokumpu also believes it needs a base in SA to service its equipment already installed It regards service as more than maintenance It includes knowhow and expertise Outokumpu is committed to improving the recovery and efficiency of existing plants

It also wants a base to promote sales of equipment and technology During his visit Mr Kreula examined the most effective strategies

Several mining houses also want Outokumpu to have a direct presence in SA.

Since it established a presence in SA, Outokumpu has contracted to supply Kloof gold mine with two PROSCON process-control equipment systems. It is discussing the supply of similar equipment to other mines.

Outokumpu supplies more than 30% of flotation cells sold worldwide and is promoting the concept of "intelligent mineral technology" — an effective combination of equipment and technology — to maximise recoveries and to lower costs

Fine

Flotation cells are used to separate milled (finely ground) sulphide ore from waste material

Outokumpu has developed the next generation of flotation cells which give better recoveries It has also made the world's largest flotation cell of 100 cubic metres, which provides savings in capital expenditure.

Finnish interest in the SA mining industry was also illustrated by the visit of 10 members of the Finnminers group of mining equipment manufacturers this year

Barlows set to slow down

SI Times (BUSS) 24/5/92

210

By JULIE WALKER

BARLOWS was one of the few companies to report improved earnings in a week when industrial share prices soared

The conglomerate's turnover added 9% to R16,9-billion in the six months to March

The group benefited from the sale of Middelburg Steel & Alloys (MS&A) to Samancor and partners. Earnings were 20% up at R1,2-billion before tax and gearing was more than halved to 21%

The group's electrical and computer interests did well, textiles recovered off a low base and pharmaceuticals boomed But building materials, steel and cars fell back

Slow

Mining subsidiary Rand Mines fared well out of coal, but its gold mines are battling for survival. A pay freeze has been proposed to help them stay afloat

The directors see signs of a slow international recovery, but any impact will be deferred Real growth in SA's economy is not expected in the second six months, particularly because of the drought

Earnings a share grew 11% to 207,3c, but the directors do not expect the same pace of advance in the second half-year

Only three other companies reporting interims could boast an increase in earnings over previous comparable periods, Barlows' ISG (formerly TSI) being one

Santam Insurance's bottom line jumped by a third to 65,2c and the dividend was raised 21% to 17c in the six months to March.

The short-term insurer's assets topped R1-billion in spite of the high crime rate The directors expect the same again in the second half, barring catastrophes.

Lebowa Bakeries also lifted its earnings 15% in the 12-month interim to March Fedfood raised its pre-tax profit by 6% to R86-million in the year to March

Fedfood's bottom line was penalised by a 28% higher tax bill There is good and bad news from group chief executive Dirk Jacobs On the downside are recession, low consumer spending, a traditionally slow trading period to August and higher grain prices

These are countered by head-office rationalisation benefits, the closure of unprofitable operations (including 1990 acquisition, fruit processor Patoma), improved exports and better Chilean fishing

Another five companies that reported interims did worse than before, but none incurred a loss and all increased turnover

Of the 11 groups announcing preliminary results, four managed to improve Advtech and Publico shaped up well, steel company GIC raised its earnings 10% in the year to March and warned that its controlling British shareholder wishes to sell out

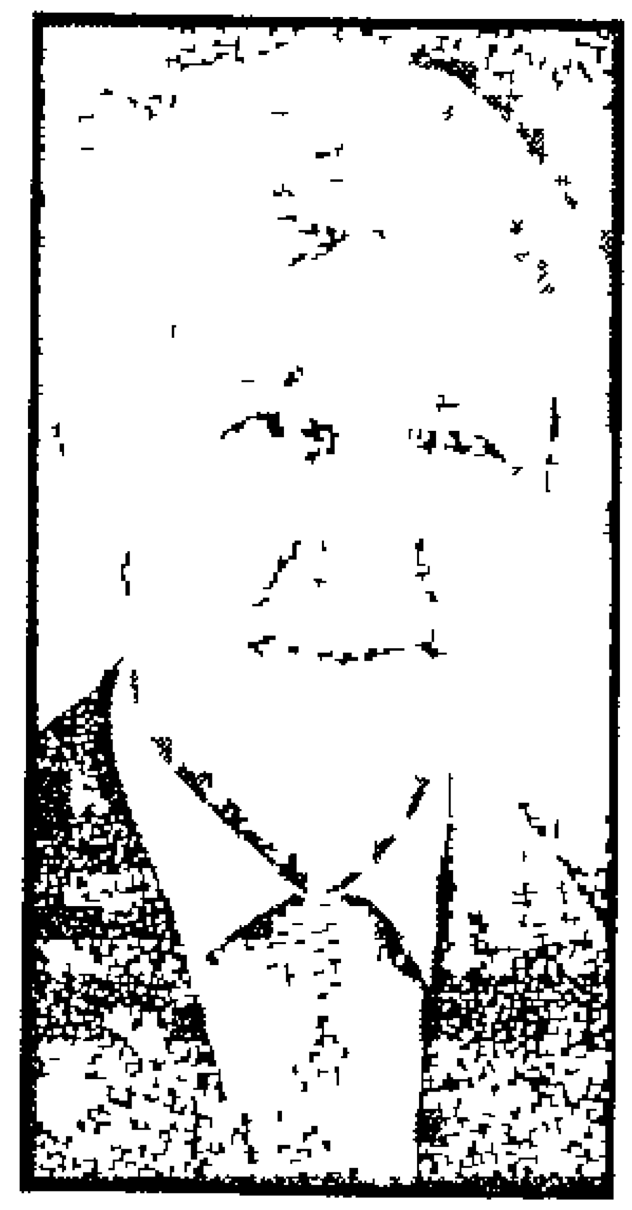
Southern Life showed its consistent, if predictable, 19% rise in earnings a share for the year to March

Health

Chairman Neil Chapman was proud of the group's investment performance The share prices of most of its holdings have been climbers recently — for example, First National Bank, SA Breweries and Safren.

Mr Chapman refers to the inequality of tax imposed on financial institutions and hopes the three-fund approach under discussion will be introduced

The three-fund approach could be stretched to include a fourth arm Life companies earn income from three broad sources — taxed, untaxed and corporate areas, such as fee income The fourth arm concerns deferred compensation



NEAL CHAPMAN Tax inequality

If distinctions can be drawn between these funds, more equitable tax treatment can be applied

Southern Life subsidiary AMA (formerly Affiliated Medical Administrators) is developing health-care services Its employee benefits division is facilitating the provision of low-cost housing and its Southern Foundation is channelling its efforts into education

Only one company incurred a loss — Time Its life business is going well, but losses in housing have forced it to close that division at a large extraordinary loss

New air service

AIRMIDLANDS is to launch a daily air service between Maritzburg and Johannesburg next month.

The airline will use 15-seat-

Major bookovers in Gencor, Genbeheer

TIM MARSLAND (210)

MINING group Gencor and its parent Genbeheer featured in major bookover deals on the JSE on Friday with shares worth more than R170m changing hands

Market sources said the Transnet pension fund might have been involved in the unchallenged, special bookover deals

One dealer described the deal as "the feature of the year, never mind the day" Another dealer said the transaction was "a semi-partnership which had been formed between one institution and another"

The Gencor bookover saw 5-million shares worth R63,75m changing hands at [illegible] a share — its closing price. Parent [illegible]eer saw 10-million shares — 1,2% of [illegible] sued share capital — worth R110m changing hands at R11,00 a share The shares ended the day at R10,90

A dealer said Gencor itself might have sold the shares He said Gencor's shares were looking underpriced but were returning to better levels BDay 25/5/92

Overall, the market ended steady on Friday, with the all share index gaining one point to 3 683 The industrial index hit a new high of 4 601

Balancing act for SA mines

BDay 25/5/92 (210) (2[illegible])

MATTHEW CURTIN

SA MINING houses are engaged in a delicate strategic balancing act. They are caught between the differing demands and potential of business in southern Africa and overseas, says Johannesburg Consolidated Investment (JCI) group strategy consultant Nick Segal.

Segal said at the weekend "It is a difficult policy decision for a mining house to take to commit resources in a greater southern Africa rather than elsewhere, with the conflicting influences of the need for regional economic stability and the attraction of hard currency business overseas"

In the mining sector, Segal said "with all things being equal" there was probably a tendency to favour regional projects, because of political influences, macroeconomic demands and the similarity of mining codes.

Business would also take comfort from growing World Bank and International Finance Corporation involvement in developing southern African economies, because of the promise of economic stability which such involvement brought with it

"Balance in regional development is vital SA may appear as a honeypot to its neighbours — and relatively, it is — but the country has huge problems in its own hinterland," he said

"You have to ask the question why SA should help develop the region with all the problems it has at home"

Politically, SA's integration into the region was clearly a priority, although there would be inevitable caution from southern African countries.

Economic development in southern Africa had to complement rather than dilute development in SA Segal said there would be "natural synergies" if the PWV region was complemented by similar metropolitan centre in the region Hence the current focus of development strategy in trying to stimulate nodes of growth in southern Africa, to stem the flow of unskilled people to SA

However, the answer for a mining house would depend on whether involvement in the subcontinent boosted its bottom line and complemented the corporation's strategy

Segal said for many companies it was crucial that they "think internationally" "A new government in SA will no doubt be cautious about local investment overseas, so business has to present a well thought out case in its favour"

Unless SA business ensured it had internationally competitive companies, it would lose out Even in southern Africa, there was stiff competition for investment and development projects from foreign companies in spite of the commitment of local business to SA and the region Segal noted all the most prosperous countries had companies which were world leaders in their fields

It was interesting that, for example, Sappi, had "gone international", with its recent acquisitions in Europe establishing it as a world player in its sector.

However, other companies tended to look more closely at southern Africa because of their existing expertise and the resource-based nature of the regional economy.

For these companies, the decision to invest in southern Africa was not difficult Analysts have said SA companies with a role to play in infrastructural development included Eskom and construction group Murray & Roberts which stood to gain from aid-funded projects aimed at rebuilding the economies of countries like Angola, Mozambique and Zambia For others, African markets might be too difficult to reach

Segal said "JCI would look hard at favourable mining opportunities in southern Africa as it would any others elsewhere in the world"

The key benefits locally were those of logistics and familiarity with mining in African conditions

No growth for Amaprop in oversupplied market

BDay 26/5/92

(210)

PETER GALLI

ANGLO American Properties (Amaprop) failed to show growth in the year to end-March, with attributable profit after extraordinary items falling marginally to R36,3m in the year to end-March (1991 R36,7m)

Total dividends 6,4% higher at 50c (47c) were declared on the back of earnings 8% up at 78,87c a share from 72,98c Retained profit for the year almost trebled to R13,02m from R4,9m

In the annual report also released yesterday chairman Gerald Leissner said the improved earnings were attributable to the continuing growth of net rental income from its office and shop accommodation, as well as an improved performance from the Carlton Hotel in the last quarter of the financial year

"However, over the next year rent levels will rise only where leases provide for an automatic increase. This is because the oversupply situation in the retail and commercial markets has been aggravated by new space

"This has resulted in falling office rentals and, at best, static rent levels in most retail situations," he said

The group would continue to emphasise the need to retain tenants and would maintain its properties in excellent condition and offer good service The company would not buy any new land nor start any infrastructural development on land it holds over the next year

Leases due to expire in the next year, together with space presently unlet, amounted to about 18% of the total portfolio

The Carlton, which reduced its loss for the year under review to R1,8m from R2,1m previously, is expected to move into the black in the short to medium term

The hotel is the only part of Amaprop's varied R1bn property portfolio that could show an immediate increase in profitability should the local economy begin an upturn

The industry and other players have expressed concern about the perceived deterioration of the major CBD's

Amaprop holds major investments in all of these and is attempting to correct these perceptions through its manager, Anglo American Property Services (Ampros).

"We are confident that profit from well maintained, well located CBD properties will grow at least as well as decentralised properties — possibly even at a greater pace," he said

The total lettable area of the portfolio of completed developments is 448 491m2 from 445 536m2 in 1991 Retail space accounts for 33,5% or 150 324m2 of this, with the balance being commercial space

Some 78% of the space in the portfolio is located in Johannesburg, with 10,1% in Durban, 7% in Pretoria and 4,9% in Cape Town

Mine houses in Welkom cheap

PETER GALLI (210)

IF YOU are interested in a Welkom home, you can pick up a mine house for between R20 000 and R30 000.

Demand for rental accommodation in the town had been boosted by stringent cost-cutting by Free State mines, said H Lewis Trafalgar group MD Neville Schaefer. Bl Day

A number of company-owned homes had been put up for sale. Some tenants bought them, while others moved closer to the city centre

The scrapping of the Group Areas Act and migration from other towns to Welkom were also contributing factors, with flat vacancy levels dropping to around 3%. 27/5/92

Schaefer said the firm was focussing on Welkom's rental market due to economic pressures and the property market's performance.

Rentals in Welkom had risen marginally over six months, well below the 20% national average About 167 Welkom firms had closed down, but the worst was over, Schaefer said.

Anglo's ability to make most of upturn in doubt

B/Day 29/5/92 (2.10)

MATTHEW CURTIN

ANGLO American Corporation has successfully pulled through local and international recessions, but question marks hang over its ability to take best advantage of the economic upturn when it comes, say market sources.

The corporation's preliminary results for the year ended-March 31 1991 are published next week. Analysts said yesterday that Anglo would post solid results for the year, with predictions of a minimum 5c dividend rise to 330c a share.

A leading industry source forecast a 5c dividend increase with equity accounted earnings falling a little more than 1% to 1 104c from 1 118c a share.

Mathison & Hollidge analyst Barry Sergeant said his conservative estimates put the dividend at 330c with attributable earnings 3% higher at 620c compared with 604c a share in 1991.

Edey Rogers analyst Keith Bright said equity accounted earnings would "disappoint", but Anglo's dividend declaration would be a good barometer of how the corporation saw the future economic climate.

If Anglo's view was bullish, confident of an upswing in the third quarter this year, the dividend could be as high as 345c a share, he said.

Analysts agreed the highlight of the year was Anglo's decision to go-ahead with the Moab gold mine at a cost of R1,7bn.

Paper producer Mondi's expansion into the European paper industry, Minorco's gathering interest in Europe's aggregates business, and the completion of the Botswana soda-ash project were signs of Anglo's diversification.

However, analysts questioned whether this would be enough to boost earnings significantly.

Rewards

Last year, chairman Julian Ogilvie Thompson said Anglo's results compared favourably with rival international mineral resources groups such as Rio Tinto Zinc, CRA, Amax, Miranda and Alcan.

Sergeant said a group like RTZ, recently restructured and with broad mineral interests especially in base metals, might be better placed to reap the rewards of a new commodities boom, unlike Anglo with its concentration in gold and diamonds.

Analysts said the question of "unbundling" and unlocking value within the group was likely to be on the corporation's agenda, but not a priority.

Anglo ~~had at~~ least R12bn worth of projects underway or in the pipeline, and for the moment was raising funds by disposing of non-strategic assets, such as part of its stake in First National Bank (FNB) and its holding in Gencor, which raised R1bn last year.

Another analyst said that Anglo's interest in the Columbus stainless steel venture and Minorco's cautious acquisition programme were signs the group was concentrating on added-value projects at home and abroad to bring it real returns in the future.

Analysts said the lion's share of Anglo's earnings in 1991/1992 would come from its diamond subsidiaries, which contributed nearly 30% of equity earnings in 1990/1991.

The group's financial services holdings — Anglo has a 20% interest in FNB and 40% of Southern Life — would bolster earnings as would associate gold mining companies Vaal Reefs and Western Deep Levels, with a flat contribution from Amcoal.

However, weak gold prices had hit Anglo's gold mining investments in general, and those held by subsidiary Amgold. Recession at home and abroad had taken their toll on industrial associate Amic, Rustenburg Platinum — which cut its interim dividend by 30% — Samancor, and its overseas groups.

NICK SEGAL Johnnies hard at work on several deals

Mining houses move into Africa despite fears

S/Times (BUSS) 31/5/92 (210)

By IAN ROBINSON

SOUTH African mining companies are moving into Africa in spite of concern expressed among some businesses about trade prospects.

Mining companies' optimism is in contrast to a pessimistic statement by Premier Group deputy chief executive Gordon Utian this week that "one's got to be very, very careful about us (SA) being the engine of Africa"

He said politics caused huge problems and Africa needed investment more than trade.

However, Premier chief executive Peter Wrighton told Business Times that the group remained bullish about long-term prospects in Africa Premier had experience, people and systems and was prepared "to take a few bumps on the way"

Only 4% of total mining exploration expenditure worldwide has been spent in Africa

Most SA mining houses are looking for opportunities in Africa, but are reluctant to name countries they are operating in until deals are concluded

Gold Fields (GFSA) is poised to become the first SA company to manage a mining project in Zaire

Hold

Director of new development Bernard van Rooyen says GFSA has formed a partnership with a small group of Belgian investors, the Zairean State mining corporation and the International Finance Corporation (IFC), which is affiliated to the World Bank. It is hoped to develop a gold mine at Kilo Moto in northeastern Zaire

GFSA is the principal private shareholder and will operate the project

The project is on hold because the IFC cannot confirm its commitment until a more representative government is established The move to democracy will start next month when the Convention Nationale is reconvened to draw up a new constitution

The mine is being operated by the Belgian partners, but GFSA plans to expand annual production to 2,5 tons of gold and will explore the surrounding area

GFSA has also made proposals to the Ghanaian Government about the development of two projects scheduled to be privatised

Johannesburg Consolidated Investment (JCI) group consultant strategy and public affairs Nick Segal says the mining house has several projects in Africa

JCI is "attracted by the concept of being international"

Rand Mines has established an international resources group to look at foreign operations, particularly in Africa

A Genmin spokesman says the group is involved in exploration in West Africa including Ghana and the Ivory Coast It is also interested in the copper industry in Zambia and Zaire.

Chairman Brian Gilbertson and Genmin executives visited Zambia several times in the past year

Rio Tinto and Minorco are said to have approached Zambian Consolidated Copper Mines (ZCCM) about a share in its copper mining

Anglo American spokesman for foreign mining operations was not available for comment, but the group may be allowed to play a more active role in ZCCM.

Anglo holds an interest in ZCCM through Minorco and it is believed that a ZCCM board meeting was held in Johannesburg for the first time this month.

It is believed that both Anglo American and Premier Group are involved with Gecamines, which produces most of Zaire's copper in Shaba province Premier says it has been approached by Zairean authorities to take a part in Gecamines' food arm, Gecamines Development But the involvement is on hold after riots

De Beers is also involved in mining diamonds at Miba in Kasai province

Modular

Van Eck & Lurie (VEL) of Johannesburg — the minerals and metals division of Bateman Project Holdings — has supplied modular diamond recovery plants to Angola, Zaire and Guinea It is executing orders for four projects for Brazil's Odebrecht

Odebrecht is managing the exploration and extraction of diamonds in the Quango region of Angola on behalf of Endiama, the State mining corporation

Chamber research arm under review

(210)

MATTHEW CURTIN

PRESSURE is mounting on the Chamber of Mines to review its operations because of the continued slump in the mining sector President Naas Steenkamp is expected to announce an important restructuring of the organisation when he addresses the chamber's annual meeting on June 16

Particularly under scrutiny is the chamber's research wing Comro, whose budget was cut to R23m in 1990/1991 from R73m in 1989

BIDay 2/6/92

Comro spokesman John Stewart said yesterday the recession was "shifting the requirements and nature of the mining industry's technological research and development, a service provided by Comro

"Comro is currently investigating possible strategic options"

Those options included the establishment of Comro as "a specialist mining R & D company affiliated to the chamber". Another was the establishment of "a strategic alliance or venture" with the CSIR

Comro currently employs about 260 people About 160 scientists and engineers lost their jobs in 1990.

The chamber reviewed its approach to gold mining research in 1990 The mines decided to continue with well-advanced research programmes themselves, and curtailed Comro's involvement in stoping and underground environmental work and human resources, which they took over themselves Comro's work last year focused on health and safety matters

● See Page 8

Ramphele named Anglo director

BDay 2/6/92 (210)

MATTHEW CURTIN

ANGLO American has appointed distinguished academic and community health worker Mamphela Ramphele as a non-executive director of the corporation

Anglo chairman Julian Ogilvie Thompson said yesterday that he was particularly pleased with Ramphele's appointment because of her important contribution to research work the group was undertaking on the issue of poverty in SA

Ramphele had taken a leading role in Anglo's efforts to define affordable and effective programmes of poverty alleviation which would be undertaken in SA within a framework of sound macroeconomic policies.

Ogilvie Thompson said the research would form the basis of discussions with political parties as well as make a contribution, through publication, to the wider public debate on these issues.

Ramphele is currently deputy vice-chancellor at UCT, where she completed a PhD in social anthropology last year.

In 1990 she won an Anglo and De Beers Chairman's Fund research grant for adolescent research in the Western Cape

Picture BRIAN HENDLER

'Contraventions led to finrand changes'

BDay 2/6/92

SUSAN RUSSELL

THE large number of exchange control contraventions uncovered and investigated by the Reserve Bank led to the amendment of many of its policies regarding finrand applications, the Rand Supreme Court heard yesterday

This was said by Reserve Bank official Charles van Staden during cross-examination.

He was testifying at the trial of former Interboard chairman Ed Dutton who pleaded not guilty to 14 counts of forex and finrand fraud involving about R150m

The State alleged that Dutton, using forged invoices and contracts, had obtained foreign currency unlawfully by misrepresenting that the funds were required to pay for plant and equipment purchased overseas.

It was alleged that most of the plant was never purchased and that the value of the imported plant was grossly inflated

Dutton was also alleged to have had ultimate control of the two overseas companies, Partic Industrial Co Ltd and Ligneus Processing and Engineering Co Ltd, which were purported to have supplied the goods

Dutton denied that he controlled the Mary Gibbs Trust, which was the ultimate holding company for the Dutch- and SA-registered Interboard companies, or that the Trust owned Ligneus and Partic

Cross-examined by Dutton's counsel Max Hodes SC yesterday, Van Staden told the court that one of the measures, introduced after the Reserve Bank had uncovered and investigated so many exchange control contraventions, was to establish whether there was any relationship between the overseas supplier and the local importer.

This and other amendments to Reserve Bank exchange control policy applied only to finrand applications, Van Staden said

The witness was also asked by Hodes whether the Reserve Bank was concerned about where the overseas investor who wished to use the finrand mechanism obtained his funds

Van Staden said the Reserve Bank was not concerned if the funds were obtained from a foreign source, but if funds had been made available by someone with an SA interest, the Reserve Bank would obviously have a different attitude to that particular finrand application

The case continues today

Anglo's attributable profit goes up 20%

B/Day 2/6/92 (210)

MATTHEW CURTIN

ANGLO American Corporation chairman Julian Ogilvie Thompson was generally optimistic on political and economic fronts after his group lifted attributable profit 20% to R1,7bn in the year to end-March.

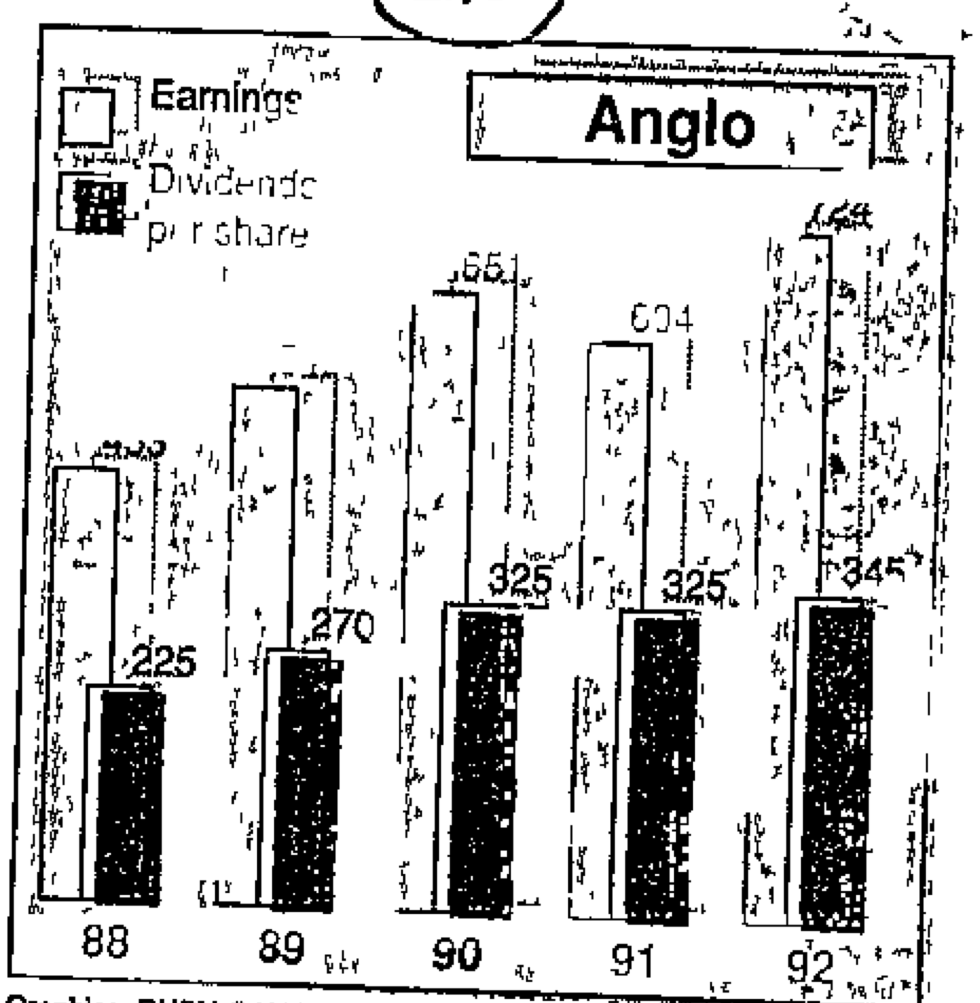
However, the ANC's call for mass action to break the deadlock in negotiations was "unwise, unreasonable, and unhelpful", he said at a media briefing yesterday

Presenting the corporation's preliminary results, in which Anglo declared a 6% higher dividend of 345c a share, Ogilvie Thompson said that business had been more sympathetic to stayaways when apartheid was in place

Such a campaign now would make life hard for companies, workers would suffer lost wages, more jobs could be put at risk and the country's image could be damaged It could delay SA's recovery from recession and deter new investment

Anglo's earnings, which came to 724c a share compared with 604c last year, were boosted by a jump in investment surplus to R222m from R47m

Anglo set aside R500m of the R630m earned on the disposal of stakes in Gencor and FNB last year "as a general provision against the carrying of investments and loans"



Graphics RUBY-GAY MARTIN Source ANGLO

Equity-accounted earnings growth proved more sluggish, up only 0,5% at 1 124c from 1 118c a share

The group's gold, coal, financial services

☐ To Page 2

Anglo

B/Day 2/6/92 (210)

☐ From Page 1

and property divisions increased their shares of equity earnings.

The major contributor to these remained diamonds, at 25% or R640m

Ogilvie Thompson said political sides had to work out a solution through negotiation, a process which would have its inevitable ups and downs. SA's heterogeneity meant a new political system based on power sharing was "a better way to go" than one based on majority rule 2/6/92

He said the worst of the local and global recessions was over, with signs of recovery in the US and parts of Europe, although there was uncertainty about Japan.

SA had suffered an extraordinarily difficult decade in the 1980s from the collapse of gold prices to the economic consequences of the war in Angola. Such difficulties were unlikely to be repeated in the 1990s and the economy would benefit from the maturing of government's understanding of economic and monetary policy and the absence of a huge national debt.

Deputy chairman Graham Boustred said SA business was adequately structured, with sufficient managerial and technical competence to develop internationally competitive industries, particularly in medium-technology fields

Ogilvie Thompson reiterated that the unbundling of Anglo was not in the corporation's or SA's best interests

SA's leading conglomerates were small by international standards, but large enough to ensure SA could remain internationally competitive and put together large new projects like the Columbus Stainless Steel joint venture, he said

AAC role in Press defended

(210)

STAR 2/6/92.

By Derek Tommey

Anglo American chairman Julian Ogilvie Thompson was scathing about allegations that his group interfered in the English-language press and it needed to be "unbundled"

He told a news conference yesterday he doubted whether there was any media group in the world where the editors and journalists had a freer time, and had less interference from their shareholders than Argus and Times Media.

Anglo American's involvement in the press had been a great success story

"We find it rather strange that we should be continually lambasted for having helped bring about their independence and viability"

Anglo had received its shares in the Argus group from Charter Consolidated which had acquired them in a mining takeover and wanted to stick to its core-business

Anglo had acquired shares in Times Media from the Advowson Trust to stop it being taken over by people who it was thought at the time would not support the independence of the journalistic profession

"We think there are journalists who do not agree But we think we managed to maintain the freedom of the English-speaking press and its viability And those are the two criteria which should govern

"Any reconstruction of the press would have to meet these criteria," he said

Anglo shows its might in recessionary times

By Derek Tommey (210)

STAR 2/6/92

South Africa's biggest mining house, Anglo American, has reported a 20 percent increase in attributable earnings in the year to March from 604c to 724c a share.

The final dividend has been raised by 6,25 percent from 240c to 255c, making a total payment of 345c a share — an increase of 6,2 percent on the 325c paid last year.

Anglo chairman Julian Ogilvie Thompson said yesterday the group was pleased with the results.

"When seen against the background of quiet world economies and poor commodity prices, the results are a testament to the strength of the group and its diversity, both geographically and commodity-wise."

Shares

As a result of the world recession, investment income rose only 8,4 percent to R1,65 billion, while trading income dropped 1,6 percent to R507 million.

But the profit from the sale of shares — encouraged by certain tax concessions — increased more than fourfold, rising from R47 million to R222 million.

This was after it had been deemed prudent to transfer another R500 million profit from the sale of shares to reserves.

Net pre-tax income rose 14,8 percent to R2 452 million, while net taxed income was 20,2 percent higher at R2,2 billion.

Mr Ogilvie Thompson said Anglo did not make dividend forecasts. But the increase in the 1992 dividend indicated that the group believed next year's earnings were going to be satisfactory, or it would have been more cautious than it had.

He was optimistic about the economic outlook for South Africa.

He said the country had been through a most extraordinary decade and been hit by five major happenings, four of which could not be repeated in the next decade.

The four happenings were:

- The slump in the gold price;
- The war in Angola, which probably was a bigger drain on the economy than was realised at the time;
- Government handling of fiscal and monetary policy. The present Government had a clearer picture of how fiscal and monetary policy ought to be conducted,
- The foreign debt crisis

If South Africa had good rains in the coming year, the economy could improve by 1,5 percent.

And if the world no longer required South Africa to devote two to 2,5 percent of gross domestic product to repaying foreign loans, and supplied aid and investment, South Africa might enjoy at least a 3,5 percent and possibly a five percent growth rate.

"This is something quite different from what any of us have seen for a decade. We are rather hopeful and optimistic that things could be a lot better in this decade."

Referring to the political situation, he said that all sides realised they had to work out some solution and had to come back to negotiations.

The sides were not too far apart when they had reached the latest road block. "We expected negotiations to progress in fits and starts," he said.

The group liked to think that gold was bouncing along the bottom.

A major point was whether the major private holders were going to be net buyers or net sellers.

"Our own view is that given the fundamental factors of production and demand, it would be silly for central banks to sell gold because the price must go up."

He said retail sales of diamonds were expected to improve this year

Tight

Coal prices were fairly tight and there was no great scope in the immediate future for substantial increases.

The steel and alloy business may have reached the bottom, he said.

Leslie Boyd, a deputy chairman, said there had been a definite pick-up in orders in the stainless steel business.

This had given the group greater confidence to go ahead with the Columbus project.

Mr Ogilvie Thompson said that if South Africa wanted to invest in big projects, it would need big companies. South Africa needed more larger groups rather than fewer

Anglo American was spending less on gold prospecting as it had large ore reserves that would be economical at about R40 000 a kilogram, and some that could be brought into production in the R35 000 to R40 000 range.

Dr Ramphele joins board

Deputy vice-Chancellor of the University of Cape Town, Dr Mamphela Ramphele, has been appointed a non-executive director of the Anglo American Corporation

Dr Ramphele has been involved over the last year in Anglo's efforts to define affordable and effective programmes of poverty alleviation

She holds a doctorate in social anthropology, and has received honorary doctorates from South African and American universities as well as research awards

Malbak sets up R2,5-bn food group

STAR 2/6/92

By Stephen Cranston

Foodcorp, a R2,5 billion food giant created by the merger of Fedfood and Kanhym, was launched at a function in Johannesburg yesterday

Group chief executive Dirk Jacobs said this new group would contribute a quarter of the income of the Malbak conglomerate.

"It represents a crucial component of the group's intensified focus on the consumer market," he said.

Well-known brand names such as Table Top, Enterprise, Simba and Bobtail are in the stable.

Mr Jacobs noted that the Malbak formula had been successfully applied at Kanhym and had also been brought to bear on Fedfood since its acquisition late last year

The downsizing of ongoing operations and rationalisation had already produced a saving of R24,75 million at Fedfood, which, over a 12-month period, would translate into a 27c, or 17 percent, improvement in Foodcorp's earnings per share.

Mr Jacobs said Foodcorp would be strong on branded products and on low production costs.

He said that 60 percent of Foodcorp's products carried "strong" brand names and said that Heinz would soon be closing a deal with the group

Mr Jacobs said this would bring a major international group into the SA food industry, which is dominated by Tiger and Premier

Malbak chairman Grant Thomas will be chairman of the new group, Dave Kennealy, the former Malbak financial director is operations director, and Gert Schoonrad, the former MD of Table Top, is international director

In my view . . .

A daily commentary on current economic affairs by writers of the Star

ANC blueprint sadly lacking in specifics

STAR 2/6/92.

By John Spira

The long-awaited ANC economic blueprint has seen the light of day Perhaps it shouldn't come as a surprise that the document spells out precious little into which commentators can dig their teeth

The best that can be said is that it doesn't contain anything wildly radical. The worst is that it's so woolly that virtually any interpretation can be placed on the proposals contained therein.

A "mixed economy", for example, can mean anything from one percent free market to 99 percent free market; anti-trust legislation is likewise a matter of infinite degree. Then there's a whole lot of nebulous rhetoric about a differentiated approach to trade barriers, an investigation into fiscal structures and "just" compensation to be paid to enterprises which are nationalised.

Not a lot in the way of specifics — which is, one can argue, good political strategy

Against such a background, it would be churlish to point a finger at the absence of substance.

Strong censure is, however, warranted over the gap the ANC could have taken but didn't. Critics of the Nationalist government have been vehement in castigating Pretoria for its inability to appreciate the need to offer attractive incentives to prospective foreign investors.

Instead of recognising such a heaven-sent opportunity — to upstage the government and acknowledge the vital role that foreign investment could play in revitalising the economy — the ANC has gone and rejected special treatment for foreign investors.

In my view, a strategy statement so lacking in perspicacity robs the document of any credibility it might have enjoyed.

Had the ANC done its homework, it would have appreciated the job-creation capacity and the technology inflow that investment from abroad brings in its wake.

The homework would have revealed that global investment capital is in short supply — which is why such capital is being actively wooed by countries which understand its capacity for promoting prosperity

Back, then, to the drawing board, Mr Mandela — which would be time much better spent than issuing ultimatums the results of which would be to drag the economy deeper into the quicksand.

In my view . . .

A daily commentary on current economic affairs by writers of The Star.

Russian mining needs South African expertise

STAR 3/6/92

(UO)

By Derek Tommey

By Derek Tommey

The Russians have been putting out the red carpet for President FW de Klerk, and with good reason Mr de Klerk should be a most welcome visitor to a land struggling to emerge from the chaos of communism

For South Africa has the knowhow that Russia needs to bring its mining industry up to scratch.

Democracy flourishes when living standards rise, and South Africa is well placed to play an important role in increasing Russia's wealth and strengthening the democratic process there

The importance of Mr de Klerk's visit stems from the fact that both countries are major producers of gold, diamonds and platinum — three products that command premium prices in the outside world

But while South Africa is mining these successfully, the same cannot be said for Russia.

Most people who have seen Russian mines suspect that once a proper system of costing is introduced, it will be found that much of their output is uneconomic.

No one really knows what it costs to produce an ounce of gold or platinum in Russia or a 100 carats of diamonds

This is the result of a system where the supplies and services for mines are ordered by bureaucrats in Moscow, regardless of cost.

Their task is simply to see that the goods are produced as specified in the Plan No effort is made to compare costs with revenue, and it appears there is no way of doing so

The result is there is nothing to stop a product worth, say 100 roubles, costing 10 times this figure

This may be tolerable under a communist system where the public is taxed to make up the difference But it will not go down so well in the democratic system to which Russia is moving

And this is where South Africa should be able to play an important role

SA has the experience and the knowhow to help the Russians put existing mines — where it is at all possible — on a sound financial basis and to assist in the development of new mines Moreover, South African knowhow will be much cheaper than that of other countries

All that is needed now is for the Russians to ask for this assistance This week's visit by Mr de Klerk to Moscow and the friendly reception he received from President Boris Yeltsin suggest that a Russian request need not be too far away

● De Beers has been talking to the Russians for some time, and while nothing has yet come of these talks it is possible that the situation could change in the not too distant future

Nicholas Oppenheimer, deputy chairman of Anglo American, who has been handling De Beers' Russian negotiations, said this week that Russia was a great country where there were and would be opportunities

However, he said it was far from clear at this time what those opportunities were

"Whether this will lead in due course to our doing projects together or in us investing in Russia I think only time will tell"

ANGLO AMERICAN

Dividend hike surprises some analysts

FM 5/6/92 210

The delicate frieze on the entrance to 44 Main Street may not attract much attention, but Anglo American's latest results certainly should It has posted a 19,95% increase in what it calls attributable earnings and a 20c per share rise in total dividends — arresting last year's slump, the first time in eight years that growth was halted

The final dividend of 255c took some market analysts by surprise They point out that the increase in attributable earnings was almost entirely the result of one-off events, including share realisations (the sale of mature investments) and the large dividend in specie from Rustenburg Platinum

In a year of constricting international economic activity, chairman Julian Ogilvie Thompson, ever the master of understatement, says the group is "pleased" with the result. The increase in attributable earnings to R1,68bn is testament, he says, "to the underlying strength of the group," in the face of poor commodity prices

Diamonds, gold, coal and (indirectly) platinum remain the core businesses The diamond sector, at nearly 25%, remains the largest contributor to earnings, though this is down from 29% in financial 1991 Ogilvie Thompson expects retail diamond sales to improve marginally this year.

The gold division's contribution to equity-accounted earnings rose slightly to R244m However, some of this will have come from tax-free interest earned on Amgold's rights issue. Anglo's managers are putting some store by the heavy Russian sales last year and believe that since this is unlikely to be repeated, the gold price has bottomed

Amcoal turned in a solid performance, with a R24m improvement in its contribution World prices remain tight but Anglo says it is well positioned to take advantage of any upturn in demand

Tax fell by R59m, or nearly 19%, to R254m. Anglo says this "reflects a reduction in Amcoal's tax rate, including an adjustment to prior years' deferred tax benefits arising from a lower tax rate "

Equity-accounted earnings rose marginally to R2,61bn. Total distribution of 345c a share is covered 2,1 times by attributable and 3,3 times by equity-accounted earnings

The group is sitting on a cash pile of about R800m, much accruing from the massive sale of some of its holdings in Gencor and First National There are no immediate plans to use this, but Ogilvie Thompson confirms that Anglo is looking for new investment opportunities He will not predict 1993 earnings, beyond saying he feels they will be "satisfactory "

Ogilvie Thompson warns that ANC threats of unprecedented mass action are

TREADING WATER

Year to March 31	1991	1992
Investment inc (Rm)	1 526	1 654
Equity-acc earnings (Rm)	2 591	2 607
Earnings per share (c)	1 118	1 124
Dividend (c)	325	345
NAV (R)	132,12	152,55

"unwise " They could result in some companies laying off more staff — at a time when unemployment is critical

Deputy chairman Leslie Boyd confirms that the Columbus stainless steel project is well on track and that recommendations to the various boards will be made in July Columbus, a multibillion-dollar project, is expected to catapult SA into the first league of stainless steel producers

Questions about prospects for Minorco were turned aside at the press briefing Referring to reports that De Beers is on the verge of opening new mines in Russia, deputy chairman Nicholas Oppenheimer confirmed that ties with Russian producers have strengthened However, he says "there are no immediate plans by De Beers for the development of new mines in Russia "

On economic prospects, Ogilvie Thompson said SA has experienced an extraordinary decade, including a major debt crisis, a substantial fall in the gold price, a significant war in Angola and a relatively dry decade which impeded agricultural output Since these factors, weather excluded, are not likely to recur, he feels there is scope for "a nice pickup in the economy."

The intimation of satisfactory growth in the 1993 year suggests that dividends may increase to about 380c Some analysts have a contrary view, however, since the group is powered primarily by precious metals and diamonds, prospects for which are relatively dull, they do not expect exciting results Indeed, they point out that equity-accounted earnings in 1991 are no better than for 1989 and see no reason for 1993 to be exceptional

At R122,50, Anglo is on a p e of 10,9 (equity-accounted) and 17 (attributable) and effectively a future dividend yield of 3,1% It trades at a discount of about 22% to NAV, which must be some comfort to investors But it looks fully priced *David Gleason*

TOLLGATE HOLDINGS FM 5/6/92

End of the beginning?

The first phase of correctional procedures is almost over Most entities that were either hopelessly unprofitable or required too much

FM 5/6/92

time or resources have been ended or sold.

But neither chairman Julian Askin nor the other members of his consortium anticipated that their plans to resurrect the group would have to be carried out in the worst recession since World War 2 So results for 1991 are not as good as they had hoped for but show signs of significant potential

The 67% rise in operating income to R43,5m is encouraging It indicates that someone is doing something right Granted, much of the improvement comes from eliminating unproductive expenditure but there is clearly a core of quality earnings The year coalesced much activity

UK-based Jaton Holdings, a wholesaler of

Tollgate's Askin
must be doing something right

industrial fasteners and wire mesh products (*Leaders* November 15), was effectively acquired in December The balance sheet includes Jaton, but its earnings will accrue only this year

The assets of Gants Holdings and Norths Industries were finally disposed of These transactions involved the write-off of R31,2m in 1991 and R46,1m in the previous year Complex negotiations finally led to the sale of Cape Town bus company Tramway Holdings soon after year-end

The Tramways sale will cut interest-bearing debt from R224m to R156m but came too late to have any effect on interest paid, of R35,6m (R47,7m) After various write-backs and adjustments, attributable earnings of R3,6m show a swing of R28,9m

On a weighted average 28,1m ordinary shares in issue, nominal EPS is 13c, but this is such a gallimaufry of normal and abnormal items that it has no real meaning and is no indicator of this year's prospects Divi-

cont →

MPANIES

Anglo tops the list in mining world

Own Correspondent

LONDON — In spite of the weak gold price, the Anglo American group retains its position as the western world's biggest mining company — more than twice the size of its nearest rival Rio Tinto Zinc (RTZ) B/Day 5/6/92

Swedish consultancy Raw Materials Group says Anglo, including De Beers, accounted for 8,5% of the value of all non-fuel mining last year. RTZ is second on 4,2.

Anglo has held the position since 1984 when its ouput was worth 16% of the western total, but has lost nearly half of its share because of falling gold production and the price of bullion (210)

RTZ, however, has increased its slice of the total by nearly 20% — from 3,5%

Third and fourth in the league were the state-owned mining corporations of Chile (3%) and Brazil (2,6%)

Gencor, with 1,3%, was placed 11th with Barlow Rand (0,8%) 21st, Rembrandt Group (0,7%) and AngloVaal (0,7%) 15th, while Iscor (0,5%) and the state of Botswana (0,5%) were among those sharing 18th The rankings were published in the 1992 edition of Who Owns Who in Mining

Methane may be fuel of the future in SA

S/Times [Buss] 7/6/92.

(210)

By IAN ROBINSON

MINING companies in Southern Africa are looking at a potential major energy source — coal bed methane (CBM)

CBM is natural gas trapped in coal seams and can cause explosions if not drained out of mines However, when released into the atmosphere it may harm the environment by contributing to global warming.

The National Energy Council (NEC) — now incorporated in the Department of Mineral and Energy Affairs — commissioned a study last year of the potential of CBM.

Safety

The study pinpointed two areas with high CBM potential — the Waterberg Basin and Paardekop-Amersfoort in the south-eastern Transvaal.

The department's director of coal, energy and the environment, Jan Bredell, says there are three potential motives for the extraction of CBM before mining begins safety, environmental protection and its use as an energy or chemical feedstock resource

Quad/EPI — the Cape Town-based hydrocarbon (oil, coal, gas) exploration consulting company — has formed an association with international CBM consultant Advanced Resources International (ARI).

ARI pioneered much of the US CBM production and Quad/EPI has done work on CBM in Turkey and the UK.

The association with ARI has enabled Quad/EPI to implement a CBM resource appraisal and development service in Southern Africa. Although CBM offers great potential — a large coal mine can contain as much methane as a third of the Mossgas reserve — Quad/EPI stresses that much groundwork is still required to prove its profitability in SA

A small company in Zimbabwe — Trotter Exploration — plans to exploit CBM in the Chiredzi area in the south-east of the country as a feedstock for wax.

The wax facility will have an annual production capacity of 20 000 tons Two US companies, ARI and Colorado Rentech, will provide technical assistance with the gas extraction and the wax production respectively.

The capital cost of the project has been estimated at US $15-million to $17-million for CBM extraction and $20-million to $25-million for the wax plant.

Trotter is talking to potential joint-venture partners in Australia, SA, the US and Canada. The project has a two-year lead time.

Commercial exploitation of CBM requires not only a reliable source but a nearby market because gas is expensive to transport.

Research into the potential exploitation of CBM in SA is at a preliminary stage Two major factors determine the ability of the coal seams to store methane higher rank and greater depth increase storage capacity Rank refers to the extent to which the original vegetable matter has been converted into coal

Paper

Several mining houses, including Rand Mines, Genmin and Johannesburg Consolidated Investment (JCI), are doing research on coal seams which contain methane. Shell is making "paper studies" of CBM resources in SA

JCI technical director, coal and base metals, Con Fauconnier says holes being drilled to explore coal seams in the Standerton-Volksrust area will be tested for CBM Seams in this area are at an average depth of about 400 metres, which indicates greater CBM potential than most in existing mines which are usually at depths of less than 200 metres

Foodcorp and Heinz call off the bout

S/Times [BUSS] 7/6/92

DIRK JACOBS, group chief executive of Foodcorp, regretfully told members of the Investment Analysts Society this week that negotiations with foreign food giant Heinz had been suspended

"A bout takes 10 rounds, and we started the 10th," he said "But we have temporarily discontinued discussions"

Mr Jacobs was reluctant to give reasons. Political turmoil seems to be the most obvious.

But Mr Jacobs told the audience that he was talking to many people abroad.

In his extensive travels this year with Foodcorp chairman and Malbak boss Grant Thomas, Mr Jacobs has been encouraged by the number of food companies viewing SA as a point of entry to the rest of the sub-continent.

FOODCORP

"They see this as a good market to invest, or to reinvest in, and they want to avoid the pitfalls of going in blind. We must present them with an opportunity to come in on our terms

"There will be some success and some disappointment, but we are getting in first so as to get the pick of the crop" He added that technological ties were important — to prevent waste through reinventing the wheel.

Equally interesting was his spotting of Kanhym and Fedfood goods originally sold to Europe on the shelves of Middle-Eastern supermarkets.

"We could have sold it direct if we had had a dedicated exporting team. For this reason we have engaged expert negotiator Gert Schoonraad to develop our international business."

Foodcorp will have four broad divisions falling under operations chief Dave Kenealy Grain based food and edible oils houses Nola and Ruto-Sunbake. Snacks comprises Simba products. Protein resources is Marine, Hanni and agribusiness such as meat and chicken, and prepared foods looks after Enterprise and Table Top

Foodcorp's interests are strong brands and major market players. From shop cabinets alone, Table Top and Harvestime have 56% of the frozen vegetable markets. Table Top and Enterprise between them have 48% of burgers.

Simba dominates with 60% of the snack market and 30% of nuts ("we overtook Star this year"). Enterprise is strong in chilled meats.

On the ethnic beverage side Mnanti beer powder has 80% of the market and No 1 accounts for half of mague sales.

Mr Jacobs advised the audience not to scoff at Nola s 4% of the cooking oil market. In that cut-throat business the larger players are in financial difficulties whereas Nola is making money

Touching on the drought, Mr Jacobs said that the pace of urbanisation would accelerate this year because so little had been grown to feed rural people whose subsistence depended on growing and selling their surplus for other supplies.

FOODCORP

"There are a lot of hungry people out there. They will have to buy food from the shops, but I don't know how they are going to pay for it.

"I expect raw material costs for producing basic foodstuffs to increase by more than 30% It will be a challenge managing margins, more so with staples."

Foodcorp is among the lowest-cost producers, a factor Mr Jacobs said would be increasingly important.

In the merger, 100 Fedfood shares will be issued for every 300 Kanhym, which will be delisted.

Since October's warnings to shareholders about the rationalisation of Sankorp's investments, Kanhym's shares have jumped by 90% to 775c and Fedfood's by 25% to R22,75.

The merger results in a group with historical turnover of R2,5-billion and attributable income of R80-million — more than a quarter of Malbak's bottom line.

FOODCORP

Pulling the two together will erase some of the cyclicality associated with Kanhym in particular Cost savings should amount to a taxed R13-million a year.

Mr Jacobs said the group was now of sufficient substance to make it attractive as a potential partner for foreigners

Foodcorp had room to improve its returns on funds employed — Malbak's requirement is 25%-plus and Foodcorp notionally achieved only 20% in the year to August 1991

Mr Jacobs also had a few things to say about the social and political fronts.

His group's thrust is to look after the needs of its employees through training and the delegating of decision making right down to the shop-floor

"When an employee comes and tells you his people need a creche, listen to him and do something about it. That way, it will be seen that you are helping in the right places and for the correct reason."

He added that foreign investment would come "if only the politicians would stop messing around while the country's burning"

He said the risk was high, given the financial reward, even for domestic investment.

In the short time before the August yearend, Foodcorp will show growth. It will be followed by real growth in the year to August 1993, says Mr Jacobs

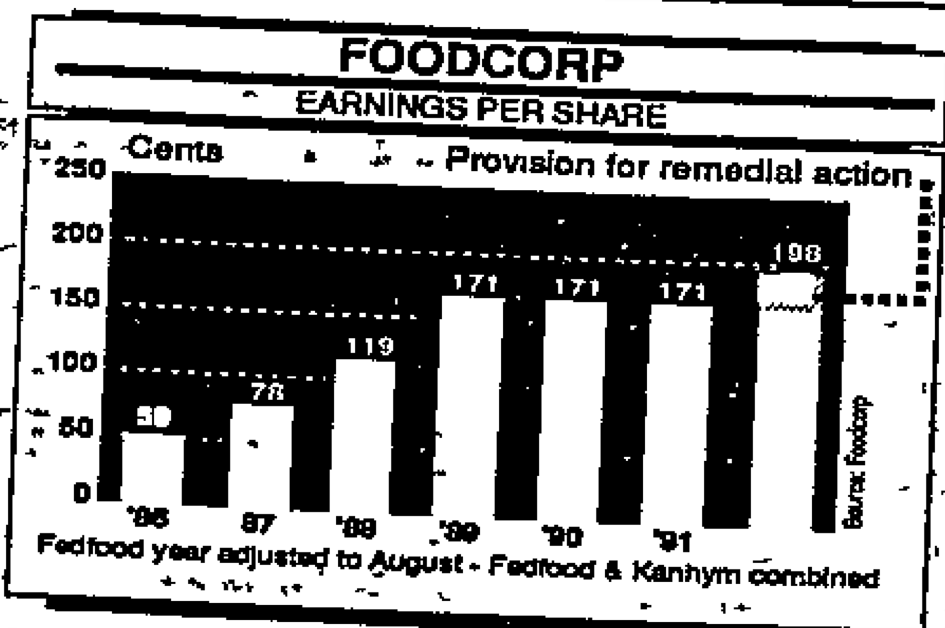
Society chairman Bob Phipps concluded that Foodcorp looked quite cheap at lower than 15 times earnings.

Mr Jacobs said he had a large incentive to make it work — his job

FOODCORP — the offspring of the merger between Fed food and Kanhym in the Malbak fold — is a descriptive if not imaginative name When some of the options are considered, it does take on more appeal

KanFood was put forward but rejected for its narrow-range connotations FedHym, some wag said, combined the worst of the Boere and the Jews MalKos (literally, mad food) was not bilingual enough to sound appropriate.

And the new logo? Foodcorp managing director Dirk Jacobs says anyone who cannot see a plate of steaming food is hopeless Overheard at the Foodcorp launch on Monday· "Where there's smoke, there's toast."




DIRK JACOBS A no 1 incentive to make it work — My job

Anglo American chief looking to better times

S/Times (BUSS) 7/6/92 (210)

DIAGONAL STREET by Julie Walker

THE timeous release of results by Anglo American Corporation, coinciding neatly with a flurry in precious-metal prices, helped push the share price above R125 again this week.

The year's trading range has been from R132,50 in January to R110 at the end of April.

Anglo's news conference was well attended by foreign reporters keen on socio-political issues.

Chairman Julian Ogilvie Thompson spoke eloquently for almost an hour without giving too much away He promised a comprehensive analysis at the end of the month when the annual report and chairman's statement were released.

The group's attributable income grew by a fifth to R1,68-billion in the year to March 31, but a more telling indication was the 6% rise in dividend to 345c a share.

Mr Ogilvie Thompson said it was a testament to the group's strength across mining, industrial, commercial and geographical boundaries.

Mr Ogilvie Thomspon found the proposed mass-action campaign, intended by its perpetrators to hasten a political settlement, to be unwise, unreasonable and unhelpful.

"There was a stage when we all had some sympathy with stay-aways by those denied full and fair rights. But now they are counter-productive, making life more difficult and might lead to even further reductions in employment.

"There is bound to be a degree of intimidation in making these stayaways effective. I leave it to your imaginations to fill in the gaps on where it comes from, but it is quite contrary to the principle of democratic freedom.

"I like to think that all sides know a solution will be reached and that they will all have to come back to negotiate something."

Mr Ogilvie Thompson hoped for better times after a decade in which four extraordinary items occurred. Gold's 10-year decline might be arrested, the costly Angolan war was over; there was a clearer understanding by the authorities of monetary and fiscal policy with the worst of the debt crisis now behind, and it was a relatively dry decade.

If SA's growth rate could be lifted to 5% a year and its population growth rate reined in, things could be different in the next decade.

On the gold price, he referred to Gold Fields Mineral Services' Gold '92, which he interpreted as mildly bullish.

"How the central banks will deal with gold is unknown, but it would seem silly of them to sell it if they know that by keeping it, the gold price will go up"

He expected diamonds to pick up a little.

He said stainless-steel orders had already improved.

Anglo-Saxon countries appeared to be emerging from the recession and America might be following.

There was no new word on the next phase of the Columbus stainless-steel project, but it was used as an opportunity to demonstrate that big was not always evil. The multibillion-rand proposal was too big for any one of SA's groups, so co-operation had been achieved.

Rather than unbundling SA's corporations, Mr Ogilvie Thompson sketched a case where SA needed more larger players if it was to compete globally, being a relatively small nation.

He referred to an article in the Economist highlighting power concentration in other small countries, such as the Netherlands, Switzerland and Spain, where the top 10 companies accounted for almost half of those nations' market capitalisation.

Mr Ogilvie Thompson saw no need to be defensive about Anglo American's holdings in the media. He knew of no other country where the major shareholders of newspaper groups permitted a greater degree of independent journalism than did Anglo

Anglo American saw fit to squirrel away R500-million of the R630-million surplus realised on the sale of large holdings in First National Bank and Gencor The chairman welcomed clarity on the tax position where investments held for five years could be sold, saying it would improve stock-market liquidity — "very desirable"

Funny, I could have sworn those two deals were done off the market.

● Mamphela Ramphele, Vice-Chancellor of the University of Cape Town, has joined the Anglo American board. She comes armed with credentials in medical and public services and is an authority on poverty alleviation.

MANAGER — MACHINE TOOLS

New Bill proposes taxes on mine land

(210) CT 9/6/92

By BILLY PADDOCK

ALL mining land previously exempt from property tax will now have rates levied on them "according to the system of market value" if the new bill government introduced in Parliament yesterday is passed

All agricultural land that falls within municipal boundaries will also be subject to tax but at a reduced rate and in accordance with a formula based on the pro rata valuation of the site value of the land

The new Local Authorities Rating Ordinance Amendment Bill introduced by Local Government Minister Leon Wessels is the result of several inquiries conducted over the past decade into the various rating and valuation systems applied in the four provinces.

The bill provides that "full rates be payable on mining land, but that they be phased in over three years".

The valuation, by an official valuator appointed by each local authority according to strict conditions, of rateable property of both land and improvements be made according to the system of market value

The Bill envisages that the rates to be levied on mining land will be done as follows

- With effect from July 1, 1993, 25%,
- From July 1, 1994, 50%,
- From July 1,1995, 75%, and
- From July 1, 1996, 100%

The Bill abrogates all exemptions from rates but local authorities could grant a "grant-in-aid" in respect of the rates which may be levied on certain classes of rateable properties such as churches, amateur sports fields, welfare institutions and other groups which use the land for charitable purposes and education.

Mining groups can dig into wealth of expertise

Bday 9/6/92

(210)

CSIR's Corporate Mining programme sets out the skills of the organisation's 13 business divisions

Manager Brian Protheroe says there are skills resident in various CSIR divisions which can, if properly identified and adapted, be well-suited to the mining industry

A head-office function, the programme was launched about two years ago and has notched up some successes

"In a nutshell, we're focusing skills from various divisions to satisfy the needs of the marketplace.

"Being a single point of entry for potential clients is crucial, it's no longer necessary for them to go from 'pillar to post' to find the services they need"

Protheroe says the CSIR provides the necessary technology, but when it comes to producing actual products or hardware, projects are undertaken in tandem with industrial partners

"One example is a project we are undertaking with Pilkington Glass, where glass tile liners are being developed for the bulk materials handling industry

"Skills have been harnessed from our Information Technology, Materials and Production, and Mining Technology divisions"

Looking at other areas in which the CSIR can become involved, he points to exploration, where it can provide relevant information about potential mining areas

Indications

"Using our satellite tracking and enhanced imaging, it is possible for us to provide indications of an area's geology, while our Geographical Information System (GIS) provides relevant information about the surrounding infrastructure."

Apart from this, clients can also turn to the CSIR for political and economic data relating to the area.

Where Mintek deals traditionally with the processing side of mining, and the Chamber of Mines Research Organisation (Comro) is financed by the mines to perform various research functions, the CSIR performs several other functions

"Industry is now demanding that research should be properly co-ordinated, there is substantial value in project co-operation and obviously there are projects which can be done better and easier through co-ordinated efforts rather than individual organisations attempting to handle them on their own."

In the US, it is becoming fairly common for government-owned laboratories to become more private-sector orientated to satisfy the needs of industry, so Protheroe says the CSIR is keeping up with world trends.

"Our moves are obviously rooted in the fact that government grants are remaining static, and from the need to supplement them from other income But this is well-timed, because more private sector groups are realising the value of having an R & D partner which is multi-disciplinary," he says

As for the future, he says that because the mining sector must control its operating costs, having mulit-skilled workers is becoming popular, but there is a limit to this

"Now, more mining houses are looking at new technologies Some are keen to introduce more mechanised mining, as the coal mines have done, because this can allow mining 24-hours a day

BRIAN PROTHEROE

With safety and health becoming major issues in mining, he says Corporate Mining is working on some safety projects in the underground support area, and is also addressing some aspects of the health issue with the appropriate authorities

"The scope is massive. With the increasing use of underground vehicles, for example, there is opportunity for our vehicle experts to get involved in projects such as checking the toxicity levels of their exhaust emissions and finding remedies — or even going as far as helping develop systems for underground traffic management"

Bill targets mine land for property tax

BILLY PADDOCK (210)

CAPE TOWN — All mining land exempt from property tax will now be subject to rates, levied "according to the system of market value", if the new Bill government introduced in Parliament yesterday is passed. BD aug 9/6/92

All agricultural land which falls within municipal boundaries will also be subject to tax but at a reduced rate and in accordance with a formula based on the pro rata valuation of the land's site value.

The new Local Authorities Rating Ordinance Amendment Bill introduced by Local Government Minister Leon Wessels is the result of several inquiries in the past decade into the various rating and valuation systems in the four provinces.

It provides that "full rates be payable on mining land, but that they be phased in over three years".

The Bill envisages the rates to be levied on mining land as follows:

- with effect from July 1 1993, 25%,
- from July 1 1994, 50%,
- from July 1 1995, 75%, and
- from July 1 1996, 100%

The memorandum to the Bill states that after the inquiries' conclusions had been studied by government departments, the Provincial Administrations and organised local authorities the permanent financial liaison committee drafted proposals which were approved by Cabinet.

The Bill abrogates all exemptions from rates but local authorities could grant a "grant-in-aid" in respect of the rates which may be levied on certain classes of rateable properties such as churches, amateur sports fields and welfare institutions.

MATTHEW CURTIN reports that Anglo American tax consultant Marius van Blerck said last night that he could not comment on the Bill without examining it.

Van Blerck, an authority on mining tax, said that it was not "the most appropriate time to add extra costs to the mining industry, and the impact of the Bill would require careful analysis, especially with regard to marginal mines".

A Chamber of Mines spokesman declined to comment, as did Gold Fields of SA executive director Alan Wright.

NEWS IN BRIEF

Mining tax contribution down

(210)

THE mining industry had paid R2,2bn in tax in the 1990/91 tax year as against R3,45bn in the 1986/87 year, Finance Minister Derek Keys said in Parliament yesterday

B/Day 19/6/92

He said this represented a contribution of 3,3% against 10,1% of state revenue In 1989/90 mining's contribution was R2,274bn or 3,7% of state revenue

ANC cashes in on 087 lines

THE ANC has joined the 087 pay-line operation to raise funds It will cost R5,97 a minute to phone on the ANC's 087 line and a top prize of R1 000 will be presented at a special luncheon

Coast guard may be established

THE possibility of establishing a coast guard in SA is being investigated by an inter-departmental committee following the De Beer commission of inquiry's recommendations. Environment Affairs Minister Louis Pienaar and Transport Minister Piet Welgemoed said yesterday the committee would investigate the formulation of a national maritime policy

High-tech NP campaign starts

B/Day

THE NP launched a countrywide, hi-tech campaign yesterday to draw black supporters The party caucus gave the six-language marketing package the nod yesterday and at least 2 500 meetings will be held using videos, full colour leaflets, cartoons and display portfolio folders. B/Day 19/6/92

Indian, coloured MPs join NP

PRESIDENT F W de Klerk welcomed four former independent MPs from the House of Delegates into the NP yesterday, while two more members of the Labour Party crossed the floor to join the NP in the House of Representatives

B/Day 19/6/92 REPORTS Political Staff Sapa

Chamber to organise Moscow mining forum

STAR 9/6/92.

Finance Staff (210)

Co-operation between the South African and Russian mining sectors will be taken a step further when the Chamber of Mines hosts the first mining forum in Moscow next month.

The conference will coincide with a visit by a Safto-led team of mining experts to Russia and a mining exhibition, Sovex 1992, organised by the Russian Federation of Chambers of Commerce and Industry in Moscow

Mike Veysie, senior manager of Safto's international division, said the increasing co-operation highlighted the urgent need for technical expertise to upgrade a vast number of Russia's mines

The R140 million revolving credit line to Moscow announced last week would be used to acquire mining capital equipment and also finished consumer products from South Africa, which were cheaper for the average Russian consumer than goods from other Western countries

Several SA companies had already set up offices in Russia, including Premier, AIOC and De Beers.

The increasing co-operation between the two countries also held advantages for Russian exports

"Former armament factories are now producing cheap consumer goods which could be sold to other southern African countries via South Africa," Mr Veysie said

Safto's mining mission will visit Russia from July 9 to 24 The Chamber of Mines' mining forum will be held on July 14 and 15

Country living from Ampros

(210)

LINDA ENSOR

CAPE TOWN — Anglo American Property Services (Ampros) has launched its multi-million upmarket country estate, Welgedacht, in Belville's Tygerberg Hills Bday 10/6/92

The landscaped estate will eventually consist of 408 residential stands priced at about R90 000 each, giving a total value to the estate of about R37m

Each stand will average 1 100m² and houses will have to be built within prescribed size specifications. Thirty-six stands have already been serviced and went on sale last week

Ampros director Peter Gardiner said at the launch the total area of the new estate was 134ha which would be divided into four neighbourhoods, each incorporating elevated viewpoints and water features

Adjoining the estate is a 52ha recreational nature reserve and a 15ha area of wetlands

"This residential development has been designed to incorporate the principles of integrated environmental management with residential estate management," Gardiner said.

Mining, farm land set to be taxed

[redacted] (210) [redacted]

CAPE TOWN — A Bill which provides for the taxation of mining and agricultural land inside municipal boundaries has been tabled in Parliament by Local Government Minister Leon Wessels

The Local Authorities Rating Ordinance Amendment Bill provides for all mining land exempt from property tax to be subject to full rates.

STAR 10/6/92

It is proposed that such rates be phased in over three years.

Agricultural land falling inside municipal boundaries would also become subject to tax, but at a reduced rate and in accordance with a formula based on valuation of the land's site value

It is proposed that all rates exemptions be dropped but that local authorities may give a grant-in-aid.

The phasing in of rates is envisaged as follows: 25 percent from July 1 1993; 50 percent from July 1 1994; 75 percent from July 1 1995; 100 percent from July 1 1996.

The valuation of rateable property of both the land and improvements should be made according to the market-value system.

Several inquiries have been conducted over the past 10 years into various rating and valuation systems applied in the four provinces

The findings of these inquiries and final recommendations — as approved by the Cabinet — were referred to the provincial administrations and Department of Local Government. — Sapa.

(210)

MAMPHELA RAMPHELE — A FREE SPIRIT AT ANGLO

FM 12/6/92.

Mamphela Ramphele is no raving free-marketeer, but her remarks denouncing radical redistribution and nationalisation certainly have raised her profile with corporate SA Last week, Anglo American appointed her to its board, making her the first woman to hold such a position with the corporation

Anglo says it chose Ramphele — who has a medical degree from Natal University and a BCom from Unisa — because, over the past year, she has taken a leading role in the company's efforts "to define affordable and effective programmes of poverty alleviation "

"I can't see myself changing Anglo," she says with a little laugh "But I cannot see much socio-economic transformation unless we systematically engage the major players in the private sector "

Just last year, Ramphele (44) got a doctorate in social anthropology at UCT for a thesis on the health of hostel dwellers. She was also named a deputy vice-chancellor It's a long way from King William's Town, where she established a clinic in the Seventies and was a founder member of the black consciousness movement Her close association with the movement's leader, Steve Biko, led to her banning and banishment to the northern Transvaal in 1977, the year he was killed in detention In Tzaneen, she founded a community health and self-help programme

Her latest book is called *Bounds of Possibilities, The Legacy of Steve Biko and Black Consciousness* Though she bore him a son (his name, Hlumelo, means "a new seed growing from one who is dead"), it irks her that her achievements are filtered through the Biko name "If I had died, would he always be asked about me?" As for her politics, she says she is "a free spirit" who can talk to all parties Her best-known work, *Uprooting Poverty The SA Challenge*, which she wrote with Francis Wilson for the Carnegie Foundation, appeared in 1989 and put her on the US speech-and-prize circuit

Back in SA, the work led to her appointment to the Independent Development Trust, which has R2bn of government money at its disposal to help alleviate poverty and upgrade facilities

When not talking about her pet topics of migrant workers, children and sexism, she tackles the issues of redistribution and nationalisation She brands them "unsophisticated zero-sum debates" that are counterproductive A measure of realism is necessary, she says, to temper the aspirations of South Africans who believe redistribution would make them wealthy overnight

No doubt Anglo agrees

Mines 'crucial to SA's future'

(210) CT 17/6/92

Own Correspondent

JOHANNESBURG — The sluggish performance of the mining industry was no reason to dismiss its role as a critical component in the economy's development, outgoing Chamber of Mines president Naas Steenkamp said yesterday.

Addressing the chamber's 102nd annual meeting here, Steenkamp said the mines had an exciting and productive future provided the political and economic environment was favourable.

"It is argued that what our country requires now is a diversification of the economy with manufactured exports occupying a position of primacy," he said.

"There is no doubt the expansion of manufactured exports will inevitably provide much of the basis for future economic growth What is patently invalid is the facile dismissal of mining as a significant generator of wealth in a future SA."

He said minerals were essential to growth in the manufacturing sector and were vital to the agricultural sector as the fundamental component of fertilisers.

Steenkamp said the industry would continue to create employment opportunities and wealth which would bring benefits to all through the multiplier effect.

The disposal of salaries and wages, combined with the flow of other mining industry revenue into the domestic economy, forms part of the industry's 20% direct and indirect contribution to GDP.

Steenkamp warned that help from abroad was not "axiomatic" and while political progress had stirred interest among international entrepreneurs about industrial and commercial enterprises in the country, "the horn of plenty was not about to flow"

He said the country's leaders had to craft an economic system that would instil investor confidence and create the conditions essential for growth and the struggle against poverty and deprivation

Role of mines still vital (210) Steenkamp

BDay 17/6/92

JONO WATERS

THE sluggish performance of the mining industry was no reason to dismiss its role as a critical component in the economy's development, outgoing Chamber of Mines president Naas Steenkamp said yesterday

Addressing the chamber's 102nd annual meeting in Johannesburg, Steenkamp said the mines had an exciting and productive future provided the political and economic environment was favourable.

"It is argued that what our country requires now is a diversification of the economy with manufactured exports occupying a position of primacy," he said.

"There is no doubt the expansion of manufactured exports will inevitably provide much of the basis for future economic growth. What is patently invalid is the facile dismissal of mining as a significant generator of wealth in a future SA."

He said minerals were essential to growth in the manufacturing sector and were vital to the agricultural sector as the fundamental component of fertilisers

Steenkamp said the industry would continue to create employment opportunities and wealth which would bring benefits to all through the multiplier effect

The disposal of salaries and wages, combined with the flow of other mining industry revenue into the domestic economy, forms part of the industry's 20% direct and indirect contribution to GDP

Steenkamp warned that help from abroad was not "axiomatic" and while political progress had stirred interest among international entrepreneurs about industrial and commercial enterprises in the country, "the horn of plenty was not about to flow"

He said SA's politicians had to devise a constitution that would command common loyalty and make it work in a context of enduring peace. At the same time the country's leaders had to craft an economic system that would instil investor confidence and create the conditions essential for growth and the struggle against poverty and deprivation

Since SA had been barred from certain international markets for the past few years, getting back meant stiffer competition and over-energetic attempts by SA to regain those markets could result in oversupply, he said

Turning to the coal industry, Steenkamp said he expected the country to export 53-

□ To Page 2

Mines

BDay 17/6/92 (210)

□ From Page 1

million tons of coal by 1995

He said last year the country exported 48,5-million tons and, with the lifting of sanctions, the closure of high-cost pits in Europe and the phasing out of the lignite-based power stations in eastern Europe, there were new export opportunities in the medium to long term.

Steenkamp said prices of other commodities were depressed during the past year by international recessionary conditions Zinc, copper, nickel and lead prices had been uninspiring and a stagnant steel market was responsible for a decline in the demand for ferrochrome and vanadium The sale of diamonds was expected to be significantly lower in the first half of this year than in the same period last year, but the industry was "soundly based"

Steenkamp is succeeded by Anglo American executive director and former vice-president Bobby Godsell

● See Page 6

Anglo's Godsell takes the lead at the chamber

B/Day 17/6/92 (210)

MATTHEW CURTIN

CAPPUCCINOS and hot dogs with lashings of tomato sauce and mustard may seem worlds apart from the down-to-earth reputation which the mining industry has, but they happen to be a favourite snack of the new Chamber of Mines president Bobby Godsell

Godsell, an Anglo American executive director, former Saccola chairman, and respected industrial relations negotiator, succeeded Gencor executive director Naas Steenkamp as chamber president at the organisation's annual meeting in Johannesburg yesterday

The post of president has never been exclusively reserved for mining engineers, although the 1990 office-bearer Clive Knobbs was a mining man through and through Steenkamp has served two terms as president, but his brief at Gencor is corporate affairs, while newly appointed vice-president Alan Munro, head of Gold Fields gold division, is a mathematician by training

However, Godsell represents a different breed of mining house executive — capitalism with a human face perhaps — and he has been seen as a young Turk inside the Anglo monolith No earnest contributions to the Journal of the SA Institute of Mining and Metallurgy for Godsell, but he is co-editor of the book A Future South Africa Visions, Strategies and Realities, deputy chairman of the SA Beyond Apartheid project and a member of the State President's Economic Advisory Council.

A major event set to take place within weeks of his appointment is the signing of the Anglo/NUM code of conduct on gold mines, triggered by the need to address industrial relations on the "shop-floor" in the wake of the 1987 miners' strike. Godsell played a key role in facilitating what had been protracted negotiations which are likely to set new standards for labour relations in SA

Godsell is currently leading the chamber's negotiating team in the industry's annual wage talks, but his new portfolio will take him out of direct participation in collective bargaining at the chamber.

Godsell says a key task facing the chamber is to bring all parties involved in the industry — from government departments to unions and management — together to discuss not the minutiae of annual wage packages, but the long-term future of the industry

"We need to ask whether SA will have a gold mining industry to speak of in 30 years time, and how all the parties involved are going to ensure that there is," he says Resolving the impasse over ring-fencing and the macro-economic concerns of job creation, growth and equity in the sector, and securing clear-cut environmental standards are among the issues which need urgent and patient negotiation

Steenkamp says of his term of office that the practice of resolving disputes among chamber members by consensus at a time of social and political upheaval proved difficult. "The effect was to retard decision-making and to yield to compromise shaped on a lowest common denominator, which at times made for ineffectual contributions to matters of public policy."

The chamber has for some time been dogged by disagreements between the different mining houses, most notably Anglo and Gold Fields, on issues like minimum wage rates, and most recently, productivity and gold price-related wage bonuses

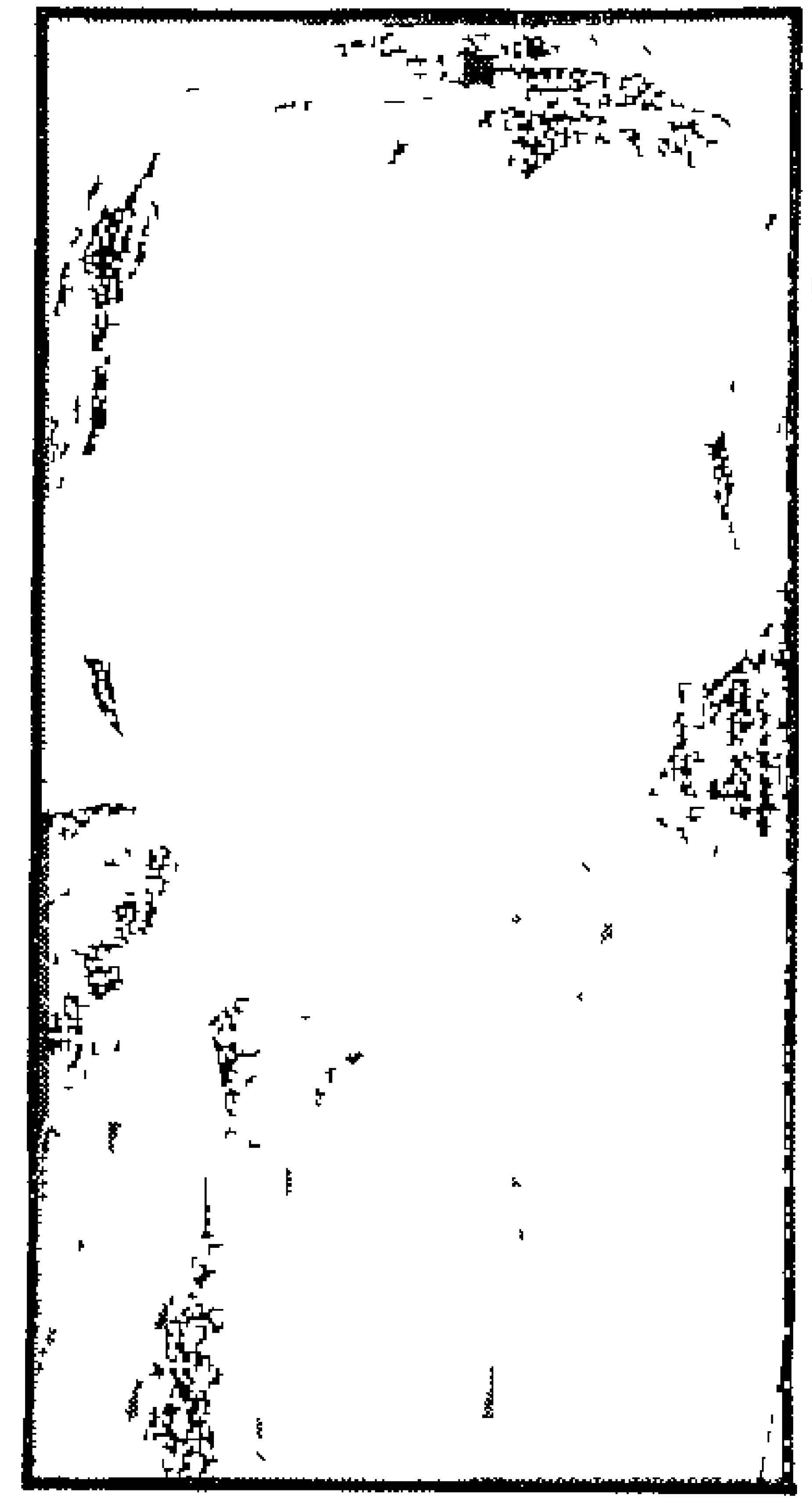
Steenkamp says consensus prevailed in the end Godsell has shown himself to be particularly adept at achieving it. As Saccola chairman, he has played a key role in the tripartite agreement on the Labour Relations Act His tenure coincides with a shift in chamber strategy as it tries to provide quality and affordable services to its members during one the industry's worst slumps

The organisation has traditionally provided a range of hands-on services, from labour relations and market analysis, to running the chamber's research arm Comro, the Rand Refinery, the Nuclear Fuel Corporation, and health and social facilities

Steenkamp notes that staff levels at the chamber have shrunk from more than 6 000 a few years ago to less than 4 000 in 1991, and the chamber will have to become a "lean, user-orientated organisation".

Godsell will oversee the change which he sees as a focusing of the chamber's role as an employers' association.

"This is a golden age for employers' associations," he says, thanks to organised labour's success in insisting on industry-level approaches and solutions to problems it identifies.



☐ GODSELL

REVIEW

New president for Chamber of Mines

Finance Staff 2|0

Bobby Godsell, executive director, industrial relations and public affairs of Anglo American, was yesterday elected president of the Chamber of Mines at its 102nd AGM. STAR 17/6/92

Mr Godsell obtained a BA from the University of Natal and an MA from the University of Cape Town.

He served on the Buthelezi Commission and the HSRC's Intergroup Relations Project.

He was deputy chairman of the Beyond Apartheid Project and is a member of the Economic Advisory Council.

Mr Godsell co-edited the book "A Future South Africa: Visions, Strategies and Realities" and is currently leading the chamber's team in wage negotiations with the NUM.

Bobby Godsell

Jurie Geldenhuys of Anglovaal and Alan Munro of GFSA were elected vice-presidents.

All no

By Michael Chester

Provided the political and economic environment improved, the South African mining industry still promised an exciting and productive future, Chamber of Mines president Naas Steenkamp said yesterday.

He told chamber members at the annual general meeting in Johannesburg that while the fortunes of gold were unlikely to show dramatic improvement in the short term, there were signals on world gold markets that supply-and-demand fundamentals made the outlook more one room and carrying out essential renovation work, which included replacement of toilet and bathroom fittings, was R18 009,

(2) Vote 4L1—Works ~~Branch~~—Minor Works,

(3) (a) and (b)

the flat is being used as an overnight and changing facility, as well as a Durban office and meeting venue for the Deputy Director-General Health Services and his senior staff The purpose is inter alia to save on overnight hotel accommodation

---

SAP. information on applicants for security work

301 Mr C E HERTZOG asked the Minister of Law and Order †

(1) Whether the South African Police has any information on persons who apply for work at security firms, if so,

(2) whether it has been found during the latest specified period of 12 months for which figures are available that an increasing number of members of Umkhonto we Sizwe applied for work as security guards and were appointed in such posts, if so, what are the relevant details,

(3) whether the Government has taken or is going to take any steps in this regard, if not, why not, if so, (a) what steps and (b) when?

B755E

The MINISTER OF LAW AND ORDER

(1) No

(2) Falls away

(3) (a) and (b)

No, private security firms are regulated by the Security Officers Act, No 92 of 1987

Section 12 of the Act determines the requirements with which security officers must comply

Number of murders in Natal Midlands/Natal

307 Mr L FUCHS asked the Minister of Law and Order

(1) How many murders were reported in (a) the Natal Midlands and (b) Natal in 1988, 1989, 1990 and 1991, respectively,

(2) with reference to the murders reported, (a) how many cases have resulted in (i) an investigation, (ii) prosecution and (iii) conviction and (b) in respect of what date is this information furnished?

B767E

The MINISTER OF LAW AND ORDER

(1)

	1988	1989	1990	1991
(a)	1 971	1 718	2 132	1 882
(b)	4 650	4 481	5 642	4 986

(2) (a) (i) The number of cases reported is the same as the number of cases investigated

(ii)

1988	1989	1990	1991
803	654	670	671
2 193	1 945	2 086	2 079

(iii) Although the particulars of convictions are kept by means of fingerprint records, statistics as such are not kept by the South African Police

(b) 31 December 1991

Sources of GST: certain magisterial districts

308 Mr A E DE WET asked the Minister of Finance

What were the sources of general sales tax collected in the magisterial districts of (a) Bloemfontein, (b) Welkom, (c) Odendaalsrus, (d) Virginia, (e) Sasolburg, (f) Kroonstad, (g) Bethlehem, (h) Harrismith and (i) Bothaville in the 1989-90 and 1990-91 financial years, respectively?

B770E

The MINISTER OF FINANCE·

The information requested is not available at present I have requested my Department to contact the hon member with a view to discussing which available information of this nature may be of assistance to him.

Total amount collected in GST

309 Mr A E DE WET asked the Minister of Finance

What, in respect of the 1990-91 financial year, was the total amount of general sales tax collected in (a) the whole of South Africa and (b) each of the (i) provinces and (ii) self-governing territories?

B772E

The MINISTER OF FINANCE

			1990/91-financial year R
(a)		Total	18 046 840 392
(b)	(i)	Cape Province	4 289 300 964
		Natal	1 805 391 418
		Transvaal	11 297 961 181
		Orange Free State	622 986 700
	(ii)	Lebowa	5 995 852
		Gazankulu	2 737 360
		KwaZulu	12 958 936
		QwaQwa	5 726 007
		Kangwane	2 652 727
		KwaNdebele	1 129 787

Tax revenue from mining industry

317 Dr F H PAUW asked the Minister of Finance † (210)

In respect of each of the latest specified five years for which information is available, (a) what was the tax revenue from the mining industry and (b) what percentage did this constitute of the total (i) revenue of this industry and (ii) State revenue?

B789E

The MINISTER OF FINANCE

(a)

Financial year	Rm
1986/87	3 450
1987/88	2 838
1988/89	2 552
1989/90	2 274
1990/91	2 201

(b) (i) Not available (210)

(ii)

Financial year	Percentage
1986/87	10,1 %
1987/88	7,5 %
1988/89	5,3 %
1989/90	3,7 %
1990/91	3,3 %

Clinics for sexually transmitted diseases: amount allocated

341 Mr M J ELLIS asked the Minister of National Health

What total amount was allocated for the (a) running of clinics for sexually transmitted diseases and (b) establishment of new clinics for such diseases in the Republic for the 1991-92 financial year?

B833E

The MINISTER OF NATIONAL HEALTH

(a) R183 010 million was spent on subsidizing local authorities for the rendering of primary health care services which included sexually transmitted diseases and

(b) R8 962 million was allocated for the establishment of new services

SA, Russia 'may form precious minerals cartel'

BDay 22/6/92.

210

JONO WATERS

GROWING signs of co-operation between the Russian and SA mining industries — which have already led to technology transfers and intra-company dealings — have increased speculation of the setting up of a "precious minerals cartel" by the two countries.

SA mining company executives were known to have visited the newly formed Commonwealth of Independent States (CIS) and had in turn hosted similar visits by Russian mining personnel, industry sources said at the weekend

"Unofficial as it is, Russia is being allowed to target the Japanese market without SA interference and the Russians have left the US market for SA," a local analyst said

The growing detente between the two countries is further evidenced by the fact that the Chamber of Mines and the CIS will host a seminar and exhibition of mining techology in Moscow next month

Fifteen SA mining executives will attend the seminar

Chamber of Mines senior GM Horst Wagner said the possibility of the formation of a cartel between the two countries was "just speculation"

He said the chamber did not involve itself in commercial actions This would have to be done on an individual basis by mining houses

However, one mining specialist said the cartel possibility in strategic and precious metals was unlikely because it could lead to exploration and eventual discovery of other deposits elsewhere

He said if the two countries were to form a cartel, new supplies would eventually be discovered and the cartel would suffer a collapse similiar to that of OPEC in the early '80s

"Cartel is a hugely dirty word, and while it does lend some stability to prices, unrealistic price levels will eventually prompt the need for the discovery of new deposits," he said

He said if anything were to happen, it would be behind closed doors "On the surface the two countries will cooperate on a technical level."

De Beers, he said, was the only successful cartel because it benefited everyone

The producers received high prices, the manufacturers of jewellery gained a fair return on their products and people who bought the diamond jewellery found that it kept its value

A report carried in the Wall Street Journal Europe last week said between them the two countries produced more than 90% of the world's platinum, palladium and rhodium, about three-quarters of vanadium, two-thirds of chrome, almost 50% of managanese, two-fifths of the world's gold and almost 25% of diamonds

It said platinum dealers contended that the Russians and South Africans would avoid any collusion in platinum and other metal markets because of strong anti-trust action in the US and Europe

But it quoted one dealer as saying that a more likely scenario would be "a nod or a wink, as producers of both countries swap vital market information"

The SA Reserve Bank, which sells SA's gold on behalf of the mines, and Almazejuwelirexport, Russia's marketing agency, appeared to swap information about development in the precious metals market, said the report quoting European precious metals dealers

De Beers Centenary AG has already been contracted to sell $5bn of Russian gems over five years

Sought-after SA mining houses to focus on Africa

BDay 22/6/92

MATTHEW CURTIN

IN A scramble for foreign investment, dozens of developing countries including former members of the Soviet Union are courting SA mining houses to back new and existing mining projects. The SA response is likely to be cautious and focused on sub-Saharan Africa, says Gencor new business division manager John Clemmow.

He said at the weekend that the recent Union Bank of Switzerland investment conference held in Tashkent — capital of former Soviet republic Usbekhistan and attended by Anglo American and Gencor representatives — was a sign of the high reputation resource-rich developing countries had of SA.

But, he believes some of the best mining opportunities lie in Africa. "Many countries have been under-explored and existing mining operations have often not been developed to their full potential. On the political front, there is a growing willingness among African governments to change policies to encourage investment. And the sub-Saharan region has some of the world's best ore bodies," Clemmow said.

He noted that a potentially economic Uzbekh copper deposit shown to SA visitors during the recent visit to the republic had a grade of 0,4%, compared with much higher levels on the copperbelts.

He said there were perceptions among governments that SA mining groups were seen to have advantages over their overseas rivals.

First, they constituted some of the largest in the world, with Anglo/De Beers in the top three, and Gencor not far behind. They were seen as long-term investors interested in large mining projects.

Clemmow said that Gencor nevertheless had strict criteria by which it evaluated possible overseas projects, the first of which was size. There might be room for small business development schemes in the mining sector supported by the group in the longer term. small projects requiring cash injections of only \$1m to \$2m were not large enough to justify Gencor's involvement at the moment.

Gencor would invest only in resources which fitted the group's strategy. It is understood that SA mining houses were increasingly interested in overseas oil, gas, and base metals reserves rather than precious metals. Compared with its rich reserves of gold, platinum and coal, SA had few economically viable copper, nickel, oil and gas reserves.

Clemmow said country-risk was another key factor, with SA mining houses more willing than their rivals to investigate opportunities in Africa. Because of the political and economic problems on the continent, other mining groups which already had geographically diverse portfolios were more circumspect about putting money into African ventures.

"If we assume that SA will succeed economically, and it is an assumption we have to make, then the rest of Africa is likely to do well too, and is worthy of our attention," he said.

A final criterion was Gencor's need for a financial return on its investment, and the ability to extract profits from the country it invested in. Projects had to provide a good rate of return and be accompanied by a suitable investment code in the country in question.

He said that SA investment on the continent would go hand-in-hand with the involvement of international financial institutions. The World Bank and its private sector arm, the International Finance Corporation (IFC), were able to set the macro-economic conditions and precedents necessary for securing syndicated foreign loans and encouraging joint ventures to develop new mines. SA had normally equity financed mining projects, but might now look for overseas loans and joint ventures.

Gencor's mining arm had forged an alliance with French state mining group Bureau de Recherches Geologiques and Minieres to explore and develop mines in Africa and overseas. Gold Fields was a joint-venture partner with Belgian entrepreneurs to develop a gold mine in north-eastern Zaire. The project's go-ahead depended on political stability being returned to the country for the IFC to agree to provide and guarantee loans.

210

SA, Russia set for mining link-ups?

(210)

CT 23/6/92

JOHANNESBURG — South Africa and Russia, former ideological enemies, are fast linking up across a broad mining front, which could eventually lead to joint ventures and closer market co-operation, analysts said

Substantive contact and exchange of technical know-how have taken place amid political reform in the past year, they said

But, analysts also warned of key issues ahead in the new-found friendship — political risk, lack of finance and the danger of being seen to collaborate in the world mineral and metal markets that they dominate

Numerous exchange visits have taken place since South Africa's Chamber of Mines mineowners' body and the Russian business federation signed a co-operation treaty last year, analysts and industry officials said

The new contact is already paying off, they said

Impala Platinum Holdings said last week that Russia's Norilsky Nickel was refining part of its platinum output because of problems at its own plant, while Osburn MMD Ltd, part of the Boart International Group, said at the weekend it had commissioned a chrome recovery plant at Kazakhstan's Donskoy GOK mine

A group of South African mining executives and representatives of mining supply companies will attend a mining technology seminar and exhibition in Moscow next month, followed by tours of the region, the chamber's senior GM, operations, Horst Wagner said

SA suppliers of mining equipment also saw the CIS region as a potential market, he said — both regions are involved in deep level mining

Analysts said greater co-operation on production and marketing levels was likely in many areas already influenced by both players, but not on an official industry basis

They warned that the United States and Europe, which have anti-trust legislation, would not tolerate active collusion to influence international market prices

The chamber said that between them South Africa and the CIS produce about 40% of the world's gold, 95% of platinum, palladium and rhodium, and more than half of global manganese and chrome ore output

"It is the nature of capitalism to form cartels," Ed Hern Rudolph Inc's Graham Parker said — Reuter

Mining study given go-ahead

STAR 24/6/92

By Louise Burgers
Municipal Reporter

210

A R360 000 study into the viability of using mining land for housing development in Greater Johannesburg was given the go-ahead by the Central Witwatersrand Regional Services Council (CWRSC) last night.

The aim of the study is to evaluate the mining land belt in the region of Greater Johannesburg.

This will be done in terms of its development potential in order to establish the optimal future use of the land.

In addition, the cost of the development on the mining land will be compared with the cost of development at sites such as Rietfontein or Orange Farm, to establish a basis on which recommendations can be made with regard to the most cost effective use of the land

A report before the CWRSC pointed out that as very few scientific and comprehensive studies had been done on the development potential of mining land, claims and policies related to any development on mining land appeared to be unfounded and often biased.

Pressure for such a comprehensive study, from both the private and public sectors, had necessitated an evaluation of the mining land in terms of its development, city councillors were told.

The study will be undertaken by two firms, Barker and Associates, who will undertake the collection and analysis of geological and geotechnical data, and B K S Incorporated, who will do a comparative cost analysis of development potential.

The consultants will study undermining, possible continuation of mining activities; issues of radio-active emissions and radon gas, the availability of mining land, and legislative and regulatory conditions related to proclaimed mining land, as well as standards set for construction on the land

Overseas involvement in SA firms at low level

210

STAR 24/6/92

LONDON — South African mining and other resource corporations are valued at over $70 billion, but foreign involvement in them is lamentably low, says Gencor executive director Tom de Beer.

He told an international forum of bankers and investors in London that these companies were almost exclusively financed by private-sector risk capital in the form of equity, while debt financing, by contrast, amounted to only $1,3 billion.

He told the Euromoney Issuers and Borrowers Forum that a recent estimate put foreign involvement in South African companies at only $10 billion, which amounted to less than 15 percent of the current market capitalisation.

However, three major South African companies ranked among the top eight global resource corporations in the world by way of market capitalisation.

De Beers ranked second, Anglo American came in at fourth place, with Gencor eighth on the ladder.

Mr De Beer said these three stocks together accounted for 50 percent of the precious-metals and minerals sector of the Financial Times Actuaries World Index.

He believed political hurdles were falling away for foreign investment in South African companies, but that foreign exchange controls would continue to hamper international diversification. — Sapa.

Barlow Rand still top of companies' list

8/Day 25/6/92 (210)

MARCIA KLEIN

BARLOW Rand is still in top place in terms of total assets (R18,9bn) and turnover (R32bn) in the Financial Mail's 26th Top Companies survey of SA's leading 300 industrial companies

Sasol, which moved from seventh to second position in terms of assets, was the top company in terms of net profit (R1,2bn) The 56% growth in assets reflected its acquisition of the remaining 50% interest in Sasol 3

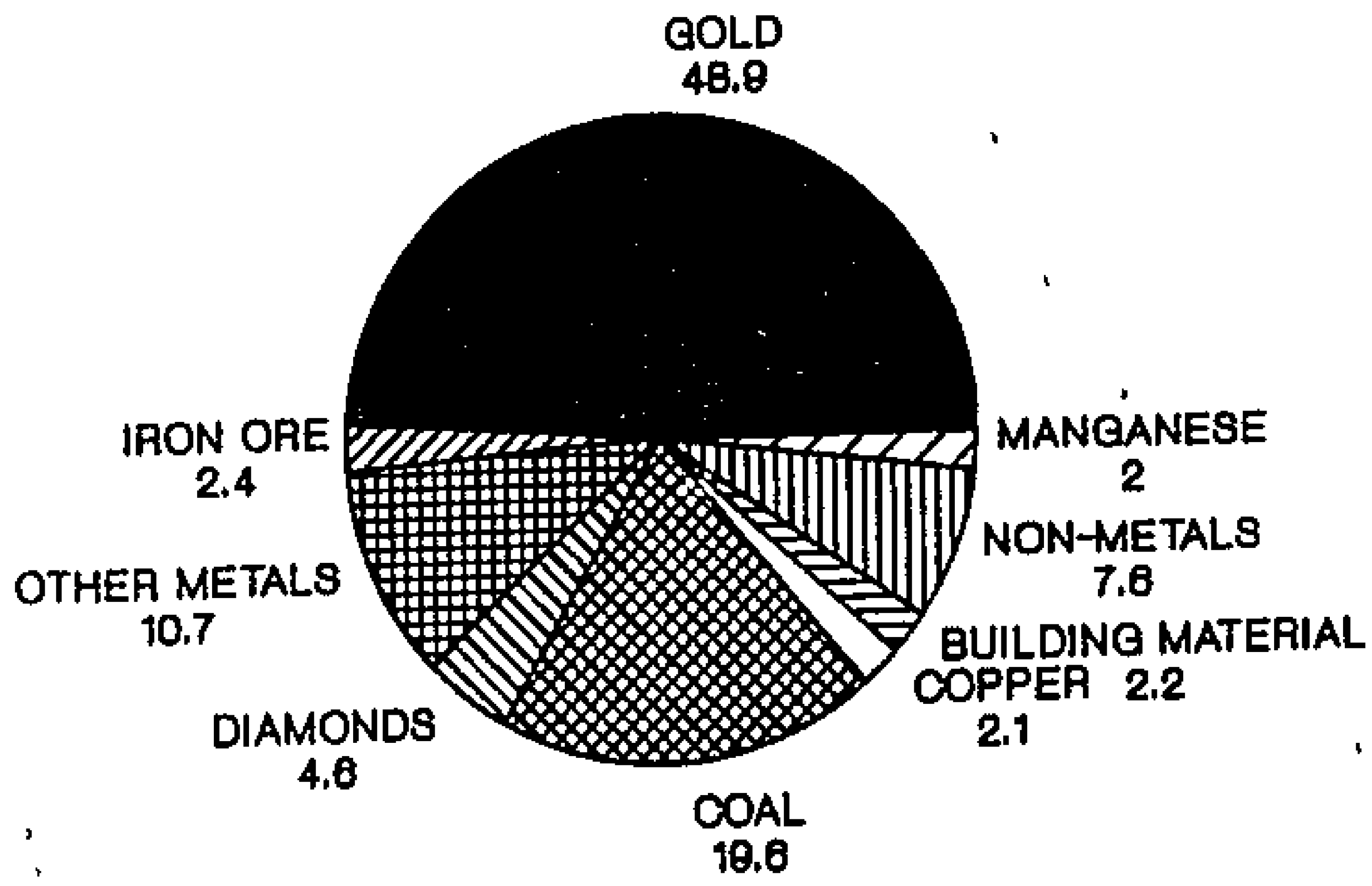
SA Breweries (SAB), the third largest in terms of assets and net profit, had the largest market capitalisation (R14,9bn). The top companies table does not include companies domiciled overseas, but the survey said Richemont still had the largest market capitalisation on the JSE industrial board

Following SAB was Anglo American Industrial Corporation, Iscor, CG Smith, Rembrandt Group, Sappi, CG Smith Food and Safren Total assets of all companies in the top 300 grew by 13,2% to R213,7bn, turnover grew by 13,2% to R305,7bn, but net profit dropped by 1,1% to R14,9bn

The biggest movers were Scharrighuisen and Royal

The past year saw the lowest number of new listings since 1985 — with 16 companies A record R12,9bn was raised in rights issues in the 15 months to end-March

The top mining houses, ranked in terms of equity funds, market capitalisation and net profit, were Anglo American, Gencor, Johnnies and Gold Fields of SA. In the gold mine league, ranked by gold production, Freegold was first, followed by Vaal Reefs, Driefontein Consolidated, Western Deep Levels, Randfontein and Harties



Gold still accounted for just under half of SA's total mineral output by value in 1990. Coal made the second-highest contribution

SA on way to becoming a mining supermarket

STAR 25/6/92 -

210

By Derek Tommey

SA is on its way to becoming a mining supermarket, says Mike Brown, economic consultant to brokers Frankel Max Pollak Vinderine

He told the Royal Institute of International Affairs in London that SA was reducing its dependence on gold mining by increasing production of other minerals.

He cited the significant expansions in the platinum industry, the completion of the major new diamond mine at Venetia, and investment in the coal mining industry to meet the expansion at Richards Bay.

He added that this broad movement to diversification should continue for the next half-decade or more

Mr Brown highlighted the "somewhat unique nature" of the SA mining industry, pointing out that it was highly concentrated, and referring to increasing opposition by "various liberations movements" to this centralisation

He said the domination of the industry by the major mining houses had its roots in the need for capital formation.

But other factors had been the lack of skills, limited access to technology, the need for industry-based wage bargaining and centralised lobbying against a strong and not always friendly government

Foreign investment in mining ventures in SA had been largely absent for the last decade or more, and this had been heightened by the wholesale withdrawal of foreign mining companies in the sanctions era, though Britain's RTZ had been a notable exception

Mr Brown said that as pressures built up against the mining house system, "de-bundling" of the mining conglomerates had become one of the talking points in financial circles.

But the rebuilding the economy, with export promotion as a key factor, meant that mining would obviously play a major role.

If SA wanted to compete in international markets it would need world-class companies

He said emerging politicians would have to decide whether their redistribution objectives might be better served by a large and vigorous industry that was an international player, or by a dismembered mining sector that would inevitably require the burdens of capital formation, risk-sharing and skill capabilities to be borne by other sectors of the economy

Anglo's new Jo'burg offices cost R176m

PETER GALLI

ANGLO American Corporation has spent R176m on the new office block to house its operating divisions at 55 Marshall Street

Anglo alternate director Philip Baum yesterday justified the building costs in the current economic climate, saying it signalled Anglo's commitment to the country

The 18-storey building would have 28 000m² of usable space and five basement levels with 297 parking bays, while the top floor would house a conference centre and auditorium More than 850 staff from the finance, coal, gold and diamond divisions would occupy all the available space from mid-September

BDay 26/6/92.

While buildings in the area would be affected by the consolidation of staff into the new building, its 9 West Street building and another would stand empty and would have to be sold or rented, Baum said

Anglo American Property Services (Ampros) office leasing manager John Maynard yesterday confirmed the corporation wanted to sell 9 West Street for R19,25m, or rent out entire floors

(210)

Baum said the development was part of the corporation's long-term planning and was undertaken at a time when extremely advantageous prices were achieved

He said it signalled Anglo's commitment to the CBD and SA's future, and rationalised the use of head office space

NUM proposes inquiry into marginal mines

210

JONO WATERS

A NATIONAL Union of Mineworkers' (NUM) delegation met government officials in Pretoria yesterday and proposed that a commmission of inquiry be appointed to look into the survival of marginal mines and mine down-scaling. B/Day 26/6/92

NUM negotiator Martin Nicol said the union would like to see the apppointment of a body such as the Marais committee, which in 1990 presented a report on marginal mines. However, the committee had neglected mine down-scaling in its report, as retrenchments of the current proportions were not expected until after 2000.

The meeting stemmed from rationalisation plans at the marginal Harmony gold mine, where the work force had been slashed to 14 000 from 31 000 in 1989.

The NUM estimated the job cuts at Harmony represented a loss of four tons of gold and R120m in foreign exchange

In a memorandum to Energy and Mineral Affairs Minister George Bartlett earlier this month, the NUM proposed that the state refund indirect taxes generated by marginal mine activities so that such mines could remain safe sources of employment.

Nicol descibed the meeting as "cordial and fruitful", saying government representatives agreed there was a need to review state policy on the mining industry.

DIRK HARTFORD reports that the NUM yesterday cancelled a meeting with the Chamber of Mines, saying national negotiations were in jeopardy after Gold Fields of SA and Anglovaal refused to consider the union's profit-sharing proposal.

R15bn SA projects on Anglo capex list

S|Times (Buss) 28/6/92. [redacted] (210)

By JULIE WALKER

ANGLO American is committed to R15-billion capital expenditure on new and existing projects in South Africa, says chairman Julian Ogilvie Thompson in his annual review.

He gives this figure in reply to propagandists who have nurtured the myth that SA's large companies spirit funds abroad at the expense of domestic investment.

Mr Ogilvie Thompson says the SA projects include spending on gold mines, collieries, the Venetia diamond mine and new facilities in the steel, aluminium, motor and paper industries account.

They are "surely an expression of our faith in the country's future".

Also under consideration is the R1-billion Namakwa Sands project. Its go-ahead is likely to be given this year.

Flow

Mr Ogilvie Thompson defends Anglo's investments outside SA on several grounds The investments are approved by the Reserve Bank and financed by foreign borrowings or through the financial rand at no cost to the nation's reserves

They generate a growing flow of hard-currency earnings. In 1991, De Beers and Anglo groups alone chipped in $340-million, or nearly R1-billion, by remitting dividends

The benefits percolate not only to direct members, but to more than 6-million people indirectly invested through life, pension and provident funds as well as the group's employee shareholder scheme

Nor does Anglo have anything to be ashamed of because it is big, according to the chairman Although it and its associates account for 23% of the market capitalisation of the JSE, this is not unique The market share of SA's top 10 companies is less than that of their equivalents in six Western European countries, Australia and Hong Kong.

JULIAN OGILVIE THOMPSON Investment abroad helps South Africa

He attributes economic concentration to two factors Mining houses have become the vehicles for investment because of their accumulated resources; and second, political policies have accentuated concentration for the past 30 years.

Mr Ogilvie Thompson says that if size is seen as a problem, the solution is to open the economy to foreign competition and to give SA companies freedom to invest abroad.

Countries that lack big companies are at a disadvantage in global competitiveness

Anglo is to increase its European development facilities for Zebra Battery, a provider of clean power for passenger vehicles in polluted urban areas. It has also bought a joint controlling interest in leading pulp and paper group Frantschach.

Mr Ogilvie Thompson is convinced that by reallocating the priorities of state expenditure and improving the efficiency of existing schemes, much could be done to alleviate poverty in SA.

The Government should concentrate on its core areas of responsibility — health, housing, education, and law and order, more effectively, efficiently and accountably.

Anglo has prepared a working paper containing two examples The first is the provision of clean water and sanitation to 12-million rural dwellers

The second is the development of voluntary schemes for community services and youth training.

Winner

Integral to the scheme would be basic skills training. Those involved would be paid a modest daily allowance, leaving communities a little richer and the economy with a little more cash Trainees could return to the economy with marketable skills at a cost low enough to ensure the survival of the scheme

But SA will become a winning nation only if it adapts to a new world economic order which favours adherence to market principles and where democracy goes more than skin deep.

"We must stop marginalising ourselves in the eyes of the world by the culture of ungovernability and the violence it has bred, ritualistic adherence to strikes, boycotts, disruption and intimidation, and replace it with a culture of discipline, sober hard work and mutual respect," says Mr Ogilvie Thompson

Mines gain time to stave off municipal land taxes

S1 Times (Buss) 28/6/92 (210)

By IAN ROBINSON

THE mining industry has won a reprieve and payment of municipal rates has been postponed

A standing parliamentary committee decided not to go ahead with the Local Authorities Rating Ordinance Amendment Bill

The Bill would oblige mining companies to pay tax to local authorities on property in the municipal areas The rates would be phased in over three years from 1 July 1993

A parliamentary spokesman said the committee had decided not to go ahead with the Bill in order to give the Chamber of Mines more time to recommend amendments The representation would be made to a committee under the chairmanship of Finance Department Director-General Gerhard Croeser

The spokesman said the Chamber of Mines had stressed that it was not opposed to the principle of payment of rates on mining land, but it was concerned about certain aspects of the Bill

The chamber sent a delegation to the parliamentary committee to express concern about the possible impact of the Bill

At this stage mining companies are not prepared to comment on the potential costs resulting from the legislation

Marginal

An Anglo American spokesman says, "the corporation is concerned about the Bill because it will add costs to the mining industry at an inappropriate time, particularly in the case of marginal mines"

"The gold mines are in no position to carry further costs and have lost 51 000 jobs in the last 18 months

Mining companies have a huge infrastructure in municipal areas and are concerned that rating could be applied to structures and underground workings as well as the land

The new taxation is said to be the sting in the tail of the Government's drive to fully privatise the mining industry Industry sources say the chamber expressed concern that the Bill could lead to an increase in the gold mines' tax burden before promulgation of the new Minerals Act

Mining land became liable to municipal taxation in terms of the Minerals Act of 1991 It provided for the privatisation of State mineral rights

The status of proclaimed land which had been exempt from municipal rating was changed to private ownership Under the old laws, land was proclaimed in areas where gold and diamonds had been found and where the State allowed individuals and companies to stake claims

Rateable mining land in the Johannesburg municipality would increase tenfold if the new legislation were approved However, the rating of this land would provide only scant relief for Johannesburg ratepayers

A city council spokesman says the area of non-rateable mining land in Johannesburg is 2 515 hectares — more than 10 times the 207 hectares of rateable mining land The total area of the Johannesburg municipality is 50 909 hectares

Clubs

Mining land becomes rateable when it is used for purposes other than mining The value of the rateable mining land is R56,9-million compared with R91,4-million for non-rateable land Current annual yield from rateable mining land is R2,33-million compared with the potential annual yield of R3,75-million from non-rateable land

Potential income from mining land which would become rateable under the draft legislation is small compared with the city's current total annual revenue from rates of R451-million derived from a total land value of more than R11-billion

The draft Bill is not aimed specifically at the mining industry, but is part of legislation to eliminate exemptions from valuation systems.

The Bill would also increase the scale of rating on agricultural land in municipal areas and abrogate exemptions from rates for institutions such as churches and sports clubs

However, municipalities would be empowered to pay grants-in-aid — refunds on rates — to these institutions

Anglo defends corporations' role

B/Day 29/6/92 (210)

MICK ELLINGHAM

ANGLO American Corporation chairman Julian Ogilvie Thompson has mounted a robust defence of the role of large corporations in the SA economy

In his 1992 chairman's statement, he said the existence of big corporations enabled SA to compete in the global economy by promoting exports and earning foreign exchange

Countries that lacked big corporations were at a disadvantage in global competitiveness

If size was perceived as a problem, the solution was to liberalise the economy and open it to foreign competition, and give SA companies greater freedom to invest abroad.

Anglo and its associates accounted for about 23% of the JSE's market capitalisation But the market share of SA's top 10 companies was less than that of their equivalents in six western European countries, Australia and Hong Kong

Ogilvie Thompson said Anglo and its associates had built, from grass roots, companies that today accounted for 18% of the market's capitalisation, thereby introducing and increasing competition

He said two factors had caused concentration in the SA economy

☐ Industrialisation was initiated by mining, and it was therefore natural that the successful mining groups should become vehicles for investment in other industries,

☐ Concentration had been accentuated by the repercussions of political policies such as stringent exchange control and sanctions

"Far from being the stereotypical, rootless conglomerate, Anglo is a creative, developmental organisation in business for the long term"

Ogilvie Thompson rebuffed criticism that the larger SA companies had invested little in SA while moving funds abroad He said domestic investment had been remarkably resilient This was borne out by the commitment by Anglo and De Beers to R15bn of capital expenditure on new and existing local projects, in spite of the economic downturn.

Most of this was for new shafts and sub-shafts on gold mines, new and replacement capacity for the collieries, the major new diamond mines at Venetia and new or upgraded facilities in the steel, aluminium, motor and paper industries

Chief among these projects was the R1,7bn Moab deep-level gold mining operation and the Columbus stainless steel joint venture with Gencor

Also under consideration was the R1bn Namakwa Sands heavy-minerals beneficiation project

Anglo had also invested significant sums abroad to become a world class competitor, with the necessary new markets and technology.

It had recently acquired joint control of Frantschach AG, a European pulp and paper group and photocopy paper manufacturer

World market weakness and deepening SA recession had been harsh on two major areas of Anglo's business, Ogilvie Thompson said.

The contribution of platinum, base metals and other mining fell by 20% to R414m, while the earnings of Anglo's industrial and commercial interests fell by 17% to R542m

Anglo, De Beers 'committed to SA'

STAR 29/6/92

Even in these adverse times the Anglo American and De Beers groups and their associated companies are committed to capital expenditure on new and existing projects in South Africa exceeding R15 billion in today's money, says Anglo chairman Julian Ogilvie Thompson in his annual statement.

The bulk of this investment is for new shafts and sub-shafts on the gold mines, new and replacement capacity for the collieries, the major new diamond mine at Venetia, and new or upgraded facilities in the steel, aluminium, motor and paper industries.

(210)

"That surely expresses our faith in the country's future", says Mr Ogilvie Thompson.

He points out that domestic investment by the private sector has been remarkably resilient, and that criticism that the large South African companies have invested little in this country, while "spiriting" funds abroad, is simply untrue.

Two of the corporation's major projects are the Moab deep-level gold mining operation and the Columbus stainless steel joint venture with the Gencor group.

Moab, at a cost of R1,7 billion, will be mined as an extension of Vaal Reefs

Sinking the main shaft will begin in the next quarter, and production is scheduled to start in 1997.

At full capacity, Moab will produce about 13 tons of gold a year and employ 5 000 people

Russians tightening mining ties with SA

210

STAR 2/7/92

By Neil Behrmann

LONDON — There is increasing evidence that the SA mining sector is providing technical expertise for and considering long-term investments in Russia and other CIS states

However, suggestions that the South Africans will collaborate in marketing key minerals or in dealings on world markets are denied by mining officials of both countries

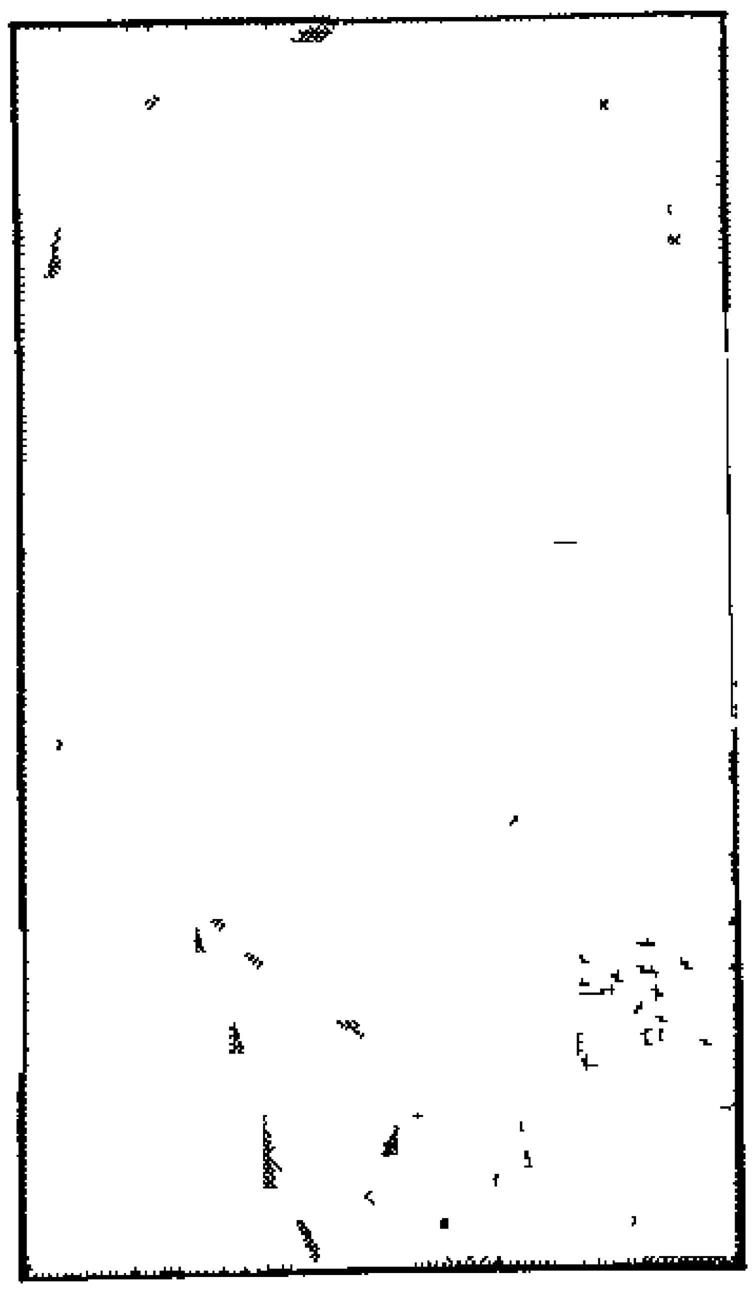
Their combined production accounts for more than 90 percent of the world's platinum, palladium and rhodium, nearly three-quarters of its vanadium, two-thirds of its chrome, almost half of its manganese, 40 percent of its gold and almost a quarter of its diamonds.

But gold cannot be manipulated because of huge above-ground stocks and the surge in North American and Australian output in the past few years

Any efforts to hold the price would not work for long

Moreover, both South Africa and Russia are members of the World Gold Council, the international marketing organisation that promotes the metal for mines worldwide Any price fixing cartel would be unacceptable to other producers

European precious metals



Johann Liebenberg far to early to speculate

dealers say, on the other hand, that the SA Reserve Bank, which sells gold on behalf of the mines, and Almazejuwelirexport, Russia's marketing agency, do appear to exchange information about developments in the bullion market

"They may deny any co-operation, but in recent months it has been clear that the South Africans have had excellent intelligence about Russian sales," a bullion dealer says

John Taylor, mining analyst at James Capel, says the platinum, palladium, and rhodium markets, which are tiny compared with gold dealings, are much more susceptible to collaboration

SA and Russia could easily withdraw supplies from the market if the price collapsed, he says

But platinum dealers say the Russians and South Africans will avoid any collusion in the platinum and other metals markets because of anti-trust action in the US and Europe

"More likely, there will be a nod or a wink, as producers of both countries swop vital market information," says a platinum dealer

Regardless of dealings, SA producers will be less inhibited than their North American, European and Australian counterparts in becoming involved in CIS mining enterprises, says Mr Taylor

"As South Africans, they are used to political risk and are very keen to expand international resources"

Leonard Geron, senior partner of DG Oxford Consultants, specialists on the former Soviet Union, says "Sophisticated SA technology will be of great use to the Russians"

He contends, however, that the two countries may eventually be tempted to collaborate

As a result of their increased co-operation, the SA Chamber of Mines and the CIS will hold a joint seminar on and exhibition of mining technology in Moscow in mid-July

Johann Liebenberg, senior general manager, external relations at the Chamber of Mines, says about 15 SA mining executives will take part in the seminar along with 50 to 60 delegates from Russia and other CIS republics

"It is far too early to speculate about future co-operation," he says He stresses that the present arrangement comprises only technical and mining information

Geologists and technical experts from Russia and SA have already visited mines in the respective countries in the past year

These visits followed a "protocol of co-operation" between the Chamber of Mines and the former Soviet Union

That agreement, which was transferred to the Russian Federated Chamber of Industries, effectively demolished the barriers that prevented the two countries from exchanging technology and expertise

In February, Anatoly Filatov, chairman of Norilskiy Nickel, the Russian state combine that produces platinum, palladium and rhodium, visited Impala Platinum, SA's second-largest producer

Charter profit falls but dividend rises

B/Day 2/7/92 (210)

JOHN CAVILL

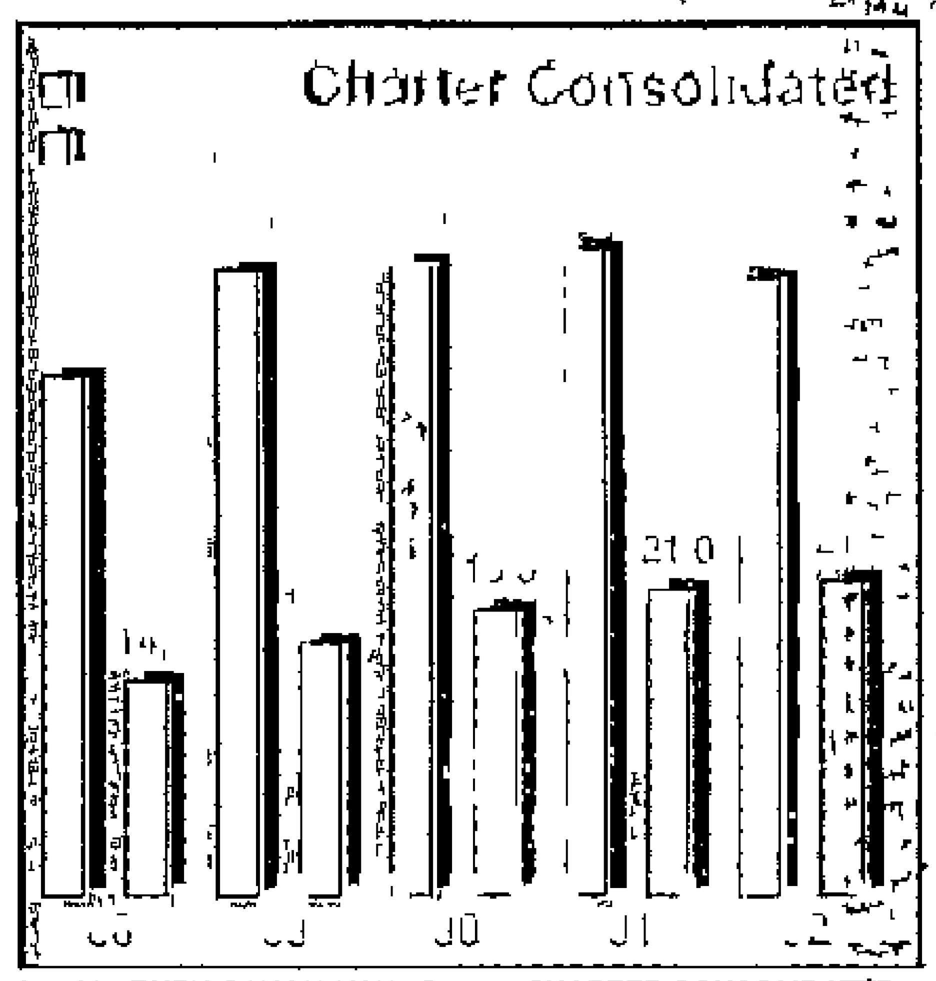
LONDON — Charter Consolidated has raised its final dividend in spite of a fall of nearly 5% to £73,8m in pre-tax profit for the year ended March 31

The industrial conglomerate, which is 36%-owned by Anglo-De Beers-controlled Minorco, reported yesterday it would pay a final dividend of 14,5p a share to make a total of 21,5p — up 0,5p on 1990-91

Turnover in Charter's operating divisions, which was flat in the first six months, rose by nearly 10% in the second half to lift the total by £22m to £462,5m

In spite of a second-half decline at Charter's 38,5%-held associate Johnson Matthey, consolidated turnover was 2,2% better at £1,13bn Pretax profits continued to slide — by £800 000 — but at a slower rate than during the first six months, when they dropped by £2,9m

Cost-cutting produced a revival in the stricken mining-equipment business, blighted by a fall-off in orders from British



Graphic RUBY GAY MARTIN Source CHARTER CONSOLIDATED

Coal, which slashed 1991's operating profits by 81% to £1,5m While sales drooped by £4,8m to £110,4m, the division's surplus recovered by 87% at £2,8m.

Pandrol, the rail track equipment opera-

□ To Page 2

Charter

B/Day 2/7/92

tion which won a Queen's Award for Export Achievement, continued to expand — especially in Hong Kong, China and Japan At £94,4m, sales were up 13% and operating profits 9% better at £11,8m

The drive to reduce costs also produced an improved performance in quarrying (stone) and mining (coal) where earnings were up 11% to £3m But the sale of two US contracting mining operations led to a fall of nearly 10% in turnover to £54,9m

Building products (via the 66,9% holding in Cape) suffered from the collapse of the UK construction industry, even though overseas sales jumped by nearly 50% Cape is expanding into Germany and the Far East (where sales and profit doubled) and non-UK business is now 39% of the total against 29% previously.

(210)

□ From Page 1

The division's sales rose £20,5m to £202,8m, but low prices cut margins and overall profits fell 26% to £12,5m

After investment of £55m — £30m on acquisitions — Charter's net cash balance was £122m (£133m) However, weakening rates saw interest income decline by £4,6m to £19,2m

CE Jeffrey Herbert said the increased dividend reflected the strong balance sheet — net assets a share increased to 519p — and a business that was in good shape

"The recession has been long and deep in most of our markets, especially in the UK There are few signs that things are about to change "

The group's share price firmed slightly to 541,5p following the results - and remain just below their 1992 peak of 548p

Anglo chief quizzed on political outlook

STAR 3/7/92 210

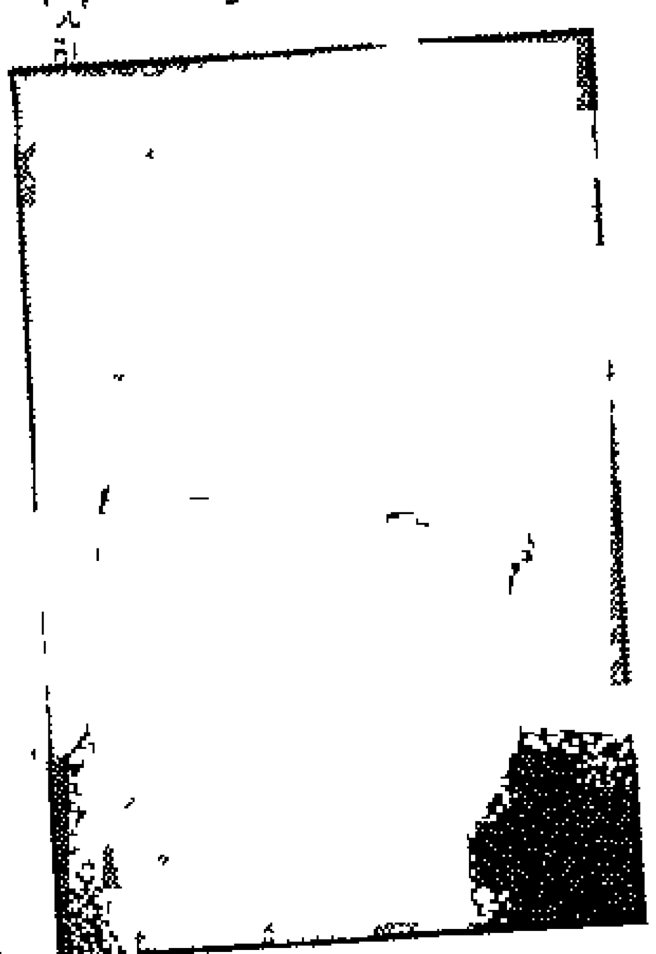
By Neil Behrmann

LONDON — Shareholders of Anglo American Corporation can expect flat earnings growth this year, says chairman Julian Ogilvie Thompson

"There won't be a great deal of growth in 1992,' said Mr Ogilvie Thompson But if the world economy improved 1993 would be a far better year He stressed that the company had a strong balance sheet and minimal debt

The first international presentation of the giant company at London's Claridges Hotel, however did not offer much cheer for international investors who have seen their shares drop by a quarter from the dollar peak of around $41 which was seen at the end of last year.

In real terms over the past ten years, the value of Anglo's investments rose at an annual average rate of 15 percent in rands and 16 percent in dollars, according to Warburg Securities, Anglo's London brokers



Julian Ogilvie Thompson
Anglo confident political outlook will improve

The total real average capital appreciation plus compounded dividends is estimated at 17 percent

"This is superior to most of the diversified international resource groups,' says Warburg Securities

Questions from 240 institutions and brokers were muted and concentrated on South Africa's political prospects rather than on the company itself

Since the decline in the share price for foreign investors was mainly as a result of the slide in the financial rand, the concern was not surprising Foreign shareholding in Anglo has slid to 7 percent from 18 percent in the early eighties

The Anglo team however, was confident the political outlook would improve

"All the major political parties recognise that a compromise solution is the only workable future for all," said Mr Ogilvie Thompson

"There is a growing pragmatism in the economic thinking of the ANC and other political organisations," he said

BOBBY GODSELL (210) FM 3/7/92

Strength in diversity

There is an unusual original in his office by Gerard Sekoto called "Policeman and Dog." Alongside it is a plaque marking the SA Police's enduring gratitude. These are unexpected artefacts because Bobby Godsell (40), the new president of the Chamber of Mines and an executive director of Anglo American Corp, is an unashamed classical liberal and an involvement with the SAP isn't quite what you'd expect.

The Sekoto oil, says Godsell, reminds him constantly that the mining industry is one of the toughest there is, and violence and aggression are never far from its surface. Anyway, Sekoto is an internationally acclaimed artist. The SAP plaque is to mark his involvement in a child-abuse programme. Both are examples of this compassionate man's eclectic interests.

Godsell's business career has been devoted to Anglo American, he has been with the corporation for 18 years. Before that he acquired two arts degrees from the universities of Natal and Cape Town in sociology and philosophy. His traditional role at Anglo has been to superintend the group's industrial relations policy. His views on the role of trade unionism and its introduction to the mining industry in the Seventies — pioneered by Anglo — led him to early clashes with some mine managers.

"What they found difficult to understand was that, for the first time, they would be involved in adversarial negotiations. The introduction of trade unions inevitably meant a decline in managerial prerogatives." That was something some mine managers, schooled in the hierarchical system of the industry, found hard to accept.

Godsell says the chamber will face a difficult year which will be taken up mostly with ensuring that the industry acts decisively in a number of areas, mostly in matters such as legislation, as usual in labour relations, and in ensuring the sector isn't dismissed out of hand as a relic. The mining houses have already reacted "unbelievably well" to the challenges of static gold prices and rising costs. The chamber's job is to turn that effort to good advantage.

"What's important," says Godsell, "is that the groups talk to one another and are determined to resolve their acknowledged differences in a number of areas. The chamber is successful because it finds strength in its very diversity."

Godsell says he has always viewed his life on the basis of what he would like to do, rather than what he wants to be. He is intrigued and distressed by the economic failure of Africa and he believes businessmen have the all-important role of ensuring the creation of wealth. "I've learnt that making money isn't easy but it's very important."

Godsell *a decline in managerial prerogatives*

Deeply religious — "my Christian beliefs are the cornerstone of my life" — Godsell is devoted to his wife and three daughters.

This thoroughly nice, complete man has a hard year ahead of him. ■

UAL files solid return

B Day 8/7/92

Business Day Reporter

UAL Unit Trust recorded excellent results for the first half of 1992, due mainly to substantial investments in Rustenburg Platinum, JCI, First National Bank, Liberty, Richemont and the Premier Group

A return of 20,21% for the 12 months to 30 June 1992 was achieved

A distribution of 27,41c a unit was declared for the second quarter of 1992

In the past 12 months, the UAL Mining and Resources Unit Trust has outperformed the Mining Producers Index A distribution of 3,91c a unit was declared

The UAL Selected Opportunities Trust, a specialist fund, achieved a return of 16,11% for the past 12 months

(210)

The UAL Gilt Unit Trust experienced a decline of interest rates during the second quarter of 1992

The fund achieved a return of 21,4% over the past 12 months

Sanlam's five trusts raise liquidity levels

B Day 8/7/92

LINDA ENSOR

CAPE TOWN — Sanlam's five unit trusts all raised liquidity levels significantly during the quarter to end-June to take advantage of buying opportunities expected to emerge in the stock market

The level of cash in the Sanlam Index Trust increased to 11,7% (8,6%), Sanlam Trust to 12,4% (7,8%), Sanlam Dividend Trust to 21,2% (12,4%), Sanlam Industrial Trust to 13,7% (10,9%) and the Sanlam Mining Trust to 9,3% (8,6%)

The Industrial Trust has declared a distribution of 13,6c per unit, the Index Trust 21,2c and the Mining Trust 5,9c

Senior portfolio manager Stafford Thomas said the market had been unstable in the last quarter, largely due to adjustments on most foreign markets and the uncertain local political situation

In the short term, the local market would benefit from the underpinning of the US stock market by the presidential election campaign, which had decreased US interest rates But industrial shares in SA were relatively expensive and significant growth could not be expected

Thomas said higher growth in dividends and earnings was necessary before industrial shares could be expected to advance

Commodity shares were the top performers in the last quarter They benefited from the upturn in some world economies. Production shortages of some commodities were possible, which could positively influence SA's commodities and precious metals, Thomas said

The biggest purchase by the Sanlam Trust over the quarter was the acquisition of 800 000 Midwits shares, and Tempora, Anglovaal Industries and Sappi shares

The Dividend Trust bought Midwits (200 000), Datakor (471 600), AVI and Richemont and sold Q Data (538 200), Santam (242 700) and Carlcor The Industrial Trust bought Tempora, AVI, Pepkor, Richemont and SA Breweries and sold Carlcor, Placor and Tiger Oats (322 500)

The Index Trust bought Absa shares (548 700), Palamin, Johnnies, CG Smith, Remgro, Richemont and Sappi and sold Libvest (200 000) and Tiger Oats (640 377)

Total returns over the last three years were — Industrial Trust 27,4%, Sanlam Trust 22,3%, Dividend Trust 20,5%, and the Index Trust 19,6%.

Sappi counting on overseas activities to reverse decline

B Day 8/7/92.

MARCIA KLEIN

PULP and paper giant Sappi's aggressive foray into international markets could be the catalyst for reversing its declining profits trend of the past two years

At end-February, the group's turnover had increased to R2,84bn from R2,67bn, but net income had dropped to R312,8m from R374,7m in the previous year and from R605m in financial 1990 Operating income and earnings a share had shown a similar decline, but international activities could change this trend

Sappi supplies about 50% of SA's total paper requirements, and exports almost half of its production worldwide About 50% of the income from its SA operations comes from international sales

International links include Sappi Europe, which owns five fine paper mills in the UK, Sappi Trading, which markets the group's products internationally from SA, Zurich, the US and Hong Kong and the Usutu Pulp Company in Swaziland In a massive overseas drive, Sappi recently announced the R825m acquisition of 90% of Germany's largest coated paper producer Hannover Papier

The turnover of Sappi's non-SA operations increased by 7% to R1,8bn to end-February, and improved profitability is expected in the coming year

Chairman Eugene Van As said in the annual report that exports to Europe, the US and the Far East were expected to improve "by well over the 10%" recorded last year.

At the group's AGM earlier this week, Van As said Sappi was trading better than a year ago and expected to show positive earnings growth in the current financial year

Trading conditions had remained difficult in the first four months since the year-end, but there were "encouraging signs of further price increases in both the pulp and kraft liner board markets offshore"

The local market remained in a low growth phase with no signs of improvement on the levels obtained in the last trading period

Despite significant improvements in productivity of its mills in Europe, trading conditions remained difficult Van As said Sappi was well placed for a better economy in the UK

The acquisition of Hannover Papier, and the international vendor placing of 19-million Sappi shares at R44 a share, had put the group in a stronger position

Presmed shares to be increased

B Day 8/7/92

Business Day Reporter

PRESIDENT Medical Investments (Presmed) would increase its number of ordinary shares from 11,5-million at 25c each to 18,4-million shares at 15,6c to improve tradeability and introduce a share option scheme, it said today.

The existing 11,5-million issued ordinary shares would be consolidated on a 1-for-5 basis.

The consolidated shares will then be subdivided to create an issued share capital of 18,4-million ordinary shares at 16,625c.

Authorised share capital would also be consolidated and subdivided on a similar basis, and increased to ensure that Presmed would have sufficient authorised but unissued shares in reserve.

Each shareholder's 100 shares would increase to 160 The effect of the proposal would reduce earnings a share from 30,9c to 19,3c, while dividends would move down from 6,7c to 4,2c. Net asset value a share would amount to 60,4c from 96,7c before the proposal. Although the earnings would be diluted by 37,5%, shareholders' earnings and net asset value would remain unaffected.

Syfrets fund focuses on mining shares

8/0494 10/7/92 (210)

LINDA ENSOR

CAPE TOWN — Syfrets Growth Fund focused its buying activity on mining shares in the last quarter and generally adopted a cautious approach to the equity market, fund manager Tony Gibson said yesterday on release of Syfrets' quarterly unit trust results.

He said a too heavy weighting in equities was risky in the present local and international climate While growth of the world's major economies would see commodity prices and hence mining shares rise, this would not be sufficient to offset the impact of an international correction in share prices.

However, Gibson advised worried investors against knee-jerk reactions which might result in them selling out of unit trusts at this stage because of short-term economic and political considerations The stock market had needed a correction and investment strategies had been revised

The downside was limited because of large institutional cash flows.

In the last quarter exposure to mining shares increased to 29,2% from 25,8% but, apart from buying in the potentially high value counters, liquidity was allowed to build up. The focus was on consolidation and there was little significant selling

Cash, short-term deposits and gilts accounted for 15,8% of the portfolio, the market value of which was R627m. Holdings in De Beers, Rusplats, Anglo American, Gencor, Absa, Richemont and Rembrandt were strengthened and new holdings acquired in Malbak and Lefic

Syfrets Growth Fund's income distribution for the quarter was 2,66c per unit and the purchase-to-repurchase return over the past 12 months was 23,57%. The fund is the top performer of all general equity unit trusts over five years with an annual return of 21,7%

The R362m Syfrets Trustee Fund concentrated buying on De Beers, Gencor, Malbak and Sasol with the proportion of industrials little changed at 56,8% (58,5% the previous quarter) Cash constituted only 2,3% of the portfolio, with the balance of the non-equity holding invested in shorter dated negotiable certificates of deposit and gilts.

The Trustee Fund distributed 1c per unit in the last quarter

The Syfrets Income Fund, which switched to longer-term instruments and high yielding bonds over the quarter to enhance capital performance and improve yields, distributed 3,94c per unit bringing the total for the year to 16,22c

The recently launched Syfrets Gilt Fund declared an income distribution of 32,67c per unit

ANGLO AMERICAN CORP

Raising some questions

FM 10/7/92

(210)

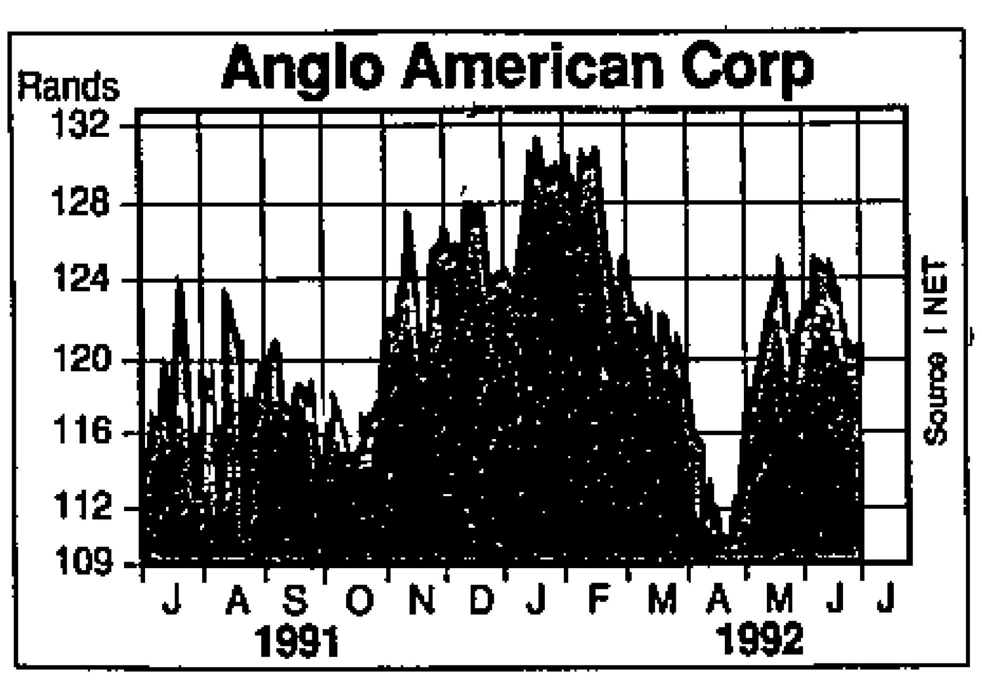
Activities: *Mining finance house, invests in operating client companies and in important associates, provides administrative and technical services*
Control: *De Beers 38,7%.*
Executive chairman: *J Ogilvie Thompson*
Capital structure: *232m ords Market capitalisation R27,4bn*
Share market: *Price R118 Yields 2,9% on dividend, 6,1% on earnings, p e ratio, 16,3, cover, 2,1 12-month high, R132,50, low, R109,50 Trading volume last quarter, 2,1m shares*

Year to Mar 31	'89	'90	'91	'92
Attributable earnings (Rm)	1 254	1 507	1 401	1 680
Equity accounted earnings (Rm)	2 645	3 117	2 591	2 607
Earnings (c)				
equity accounted	1 148	1 347	1 118	1 124
attributable	545	651	604	724
Dividends (c)	270	325	325	345
Net worth (c)	12 410	16 339	13 212	15 255

Someone has told Anglo, finally, about the benefits that can accrue from publicising your company This year's annual report and chairman's statement, launched with the razzmatazz of a polished road show, is substantially more comprehensive than any previous offering And chairman Julian Ogilvie Thompson, accompanied by his deputy chairmen, immediately left on a European tour to relate publicly with shareholders and financial analysts

Unfortunately, the publicity attached to this year's report raises as many questions as it answers The thrust of the presentation appeared to be a justification of "the big is beautiful" theme, and it is true that Anglo is acutely conscious that, as SA's biggest conglomerate, it sticks out like a sore thumb to the avaricious little economists who throng the corridors of the ANC What will happen to Anglo in the new SA, when that finally comes about, and what role it will play or be allowed to play, are clearly uppermost in the collective mind of Anglo's executive

Part of the road show was a videoed interview with Harry Oppenheimer, head of the family which, effectively, controls Anglo The question has to be whether it is right for Anglo to continue to portray itself as a



Anglo's Ogilvie Thompson *talking to shareholders*

family business, made safe through its complex crossholdings from the great international raiders Does a family-owned business wash any more in the modern world? And, even if it does, who wants to invest in SA under the current circumstances of endless strife and violence? The interview with Oppenheimer is all the more curious for the fact that he is no longer even on the corporation's board

That Anglo has been stung by the criticism that, for the country's largest operating combine, it is doing precious little in the way of greenfields development comes out clearly in the chairman's statement

It trundles out De Beers' development of Venetia, the Columbus stainless steel project (which some analysts say is more of a Gencor project), and it concentrates on its usual litany of new shafts and subshafts There are also some likely new projects where a decision is imminent, such as the R1bn Namakwa Mineral Sands beneficiation project

In all, says Ogilvie Thompson, the group is involved in capital expenditure projects which total R15bn This certainly sounds impressive, but some analysts say it's about what would be expected anyway from a group this size

If Anglo's three main associates — De Beers, JCI and Minorco — are included in a counting exercise, then the market capitalisation of US$22,4bn at June 1 (R63bn) makes it the world's largest natural resources grouping Of course, it is that kind of number that makes it such an obvious target for a future government

The financial results for 1992 were, frankly, disappointing Equity accounted earnings rose a minuscule 0,6% to R2,6bn Investment earnings fell 5,4% to R2,4bn

Attributable earnings, defined as consolidated earnings excluding the retained earnings of associates, rose to R1,7bn — an increase of 20% That was due, admits Ogilvie Thompson, "largely to the surplus on realisation of investments" But some market analysts are highly critical of the way these have been treated in the accounts

They suggest that where Anglo has sat on mature investments for long periods, and has then sold them in the marketplace, a better method of accounting for them, given the extended run of inflation which has helped to increase the market prices, would have been as extraordinary items Instead, they have been applied in bolstering what would otherwise have been disappointing results

Whichever way Anglo's results are perceived, account has to be taken that the corporation operates principally in the area of commodities, and these have been hard hit by a worldwide recession and sagging prices Anglo's game plan now looks to be to hold the ring while searching for new avenues of profitable investment this will not be an easy task The corporation's traditional expertise, concentrated as it is in mining and in metals and precious stones marketing, may not be sufficient in the decade ahead without new strings to its bow

Dominant, as it is, on the SA scene, Anglo has long been an essential core holding in most institutional portfolios There is no reason to change that perception now The intriguing aspect is whether its new-found enthusiasm to market itself abroad will bring any material gains *David Gleason*

CHARTER CONSOLIDATED

FM 10/7/92

Cheap way into JM

(210)

With three of its four operating cylinders firing higher profits, Charter Consolidated's dividend increase at the end of a tough year smacks of confidence The 0,5p hike to a total 21,5p, however, echoes the 0,4p improvement at Johnson Matthey, Charter's 38,5%-owned associate, which also bristled with optimism though its profit stood still

With interest rates down — every one point move in UK rates produces a £2m swing in earnings — and the construction industry in tatters, Charter did well to hold

FM 10/7/92

(210)

the decline in pre-tax profit to 4,85%, at £73,8m, in the year to end-March Margins in Charter's biggest operating division, building products and services (via Cape), were bludgeoned last year with profit falling by 26% to £12,5m, on sales up by 11% at £203m Net interest received, the third-biggest source of earnings, was cut by a quarter to £14,6m

But strength at Pandrol (rail track equipment), cost-cutting at Anderson (coal mining plant) and Cast (quarrying and coal mining) combined to limit the decline Pandrol, which picked up a Queen's Award for Export Achievement, bustled in markets from China, Hong Kong and Japan to the US, with sales up 13%, at £94,4m, and operating profit 9% better, at £11,8m

Anderson, blighted by the slump at its biggest customer, British Coal, saw the benefits of cost-cutting and halving of its work force to 1 100 in two years. Profit, which fell from £8m to £1,5m in the previous year, pulled back to £2,8m — though its margin remained woefully thin at 2,5%

In addition, Cast benefited from disposals of contract mining operations in the US, while Hargreave, the quarrying business, managed to increase profit Overall, its surplus nudged up 11% to £3m

With net cash of £122m (£133m), Charter is sitting pretty after spending £55m on acquisitions and investment

Charter, however, still leaves unanswered the question of its holding in Johnson Matthey, whose equity-accounted £25,5m was 43% of group operating surplus The stake is worth £307m and, with JM's dividend yield of only 2,9%, the opportunity cost is considerable

To some London commentators, the position makes Charter an extension of its 36%-owner Minorco's wider strategy, despite management's independence in building the group's focused four pillars The connection, however, is doing the share price no harm Charter was at its year's high of 548p (up 17% from the low) and on a dividend yield of 5,4% and p.e of 12,5 after the figures.

That makes it a relatively cheap indirect way into JM — which, after a 39% gain, to 440p, is yielding just 2,9% and commands a multiple of 18 on the promise of future demand for platinum-based car exhaust catalysts

John Cavill

Chamber of Mines may not survive new labour relations era

B|DAY 13/7/92. **ALAN FINE** 210

THE whispers are becoming increasingly insistent, even at the highest levels of the industry the Chamber of Mines' days as the collective bargaining representative of the big six mining groups are numbered. And so are the days of centralised collective bargaining in the industry.

This is not the first time that the possibility has surfaced Discussion over the chamber's ability to survive as an employers' organisation in the face of disunity has arisen periodically ever since the mid-'80s and the advent of chamber/NUM bargaining But the issue has become more stark as industrial governance has become more complex and the choices open to mining groups broader At the same time, paradoxically, strong centralised bargaining is arguably more important for the industry now than ever before

Since the NUM was first recognised by the chamber in 1984, different mining groups have taken different stances in wage negotiations, and in attitudes towards the place in the industry of black trade unionism in general.

Where wages are concerned, Gold Fields and Anglovaal have consistently opted for a steeper wage curve — meaning lower wage rates in the lower job categories where most NUM membership is situated. Rand Mines gold division, under its previous regime, often took a similar stance, although its coal division generally went with the more liberal positions of Anglo American and JCI — higher wages for the unskilled and semi-skilled, mainly black, section of the workforce and a narrower skill differential overall.

Genmin wage and other labour policies shifted from the former to the latter group around 1986 after a hierarchical upheaval which saw the departure of the conservative Johann Fritz and the rise of Derek Keys and Naas Steenkamp within the organisation

These shifts between the liberal and conservative axes in the industry continue to this day Rand Mines gold division, now under CE John Turner and human resources executive Richard de Villiers, is now perceived in union circles as possibly the most liberal group

They were, for example, the first to make a move on the NUM's agency shop proposal this year. And the NUM has been astonished at the group's openness in disclosing financial and operational information. This has contributed in no small measure, for example, to the NUM's relative amenability towards austerity measures aimed at keeping Harmony in business

JCI, on the other hand, the union says, has changed its spots for the worse — although JCI denies this Having taken similar positions to its sister company, Anglo American, for much of the '80s, the NUM alleges that the corporation has adopted, for example, similar policies to the Gold Fields/Anglovaal grouping in facilitating union organisation

Assistant general secretary Marcel Golding says JCI has been frustrating union access to its mines It has adopted restrictive policies on the holding of mass meetings and has not been as co-operative as it could have been in processing union subscription stop orders He says JCI has also taken to "promoting ethnicity" on its mines "We cannot organise their captive labour force," he says

He takes issue, in particular, with JCI gold and uranium division chairman Kennedy Maxwell, whose activities in the liberal Consultative Business Movement Gold..g sees as incompatible with JCI labour relations practices

Maxwell says Golding is "misinformed" He says JCI has access agreements which provide for meetings and that the union has made no complaints about stop order processing in the past year. With regard to ethnicity, Maxwell says each employee is entitled to choose for himself where to live, and JCI does not attempt to influence hostel residential patterns in any way

The Gold Fields style of operation has, in the union's view, consistently made it more difficult to organise workers The NUM has continually been frustrated at its inability to make significant inroads at group mines And Gold Fields has consistently suffered less industrial unrest than those groups which facilitated NUM activities through easier access to workers Some union officials, in moments of despair, grumble that they have not yet been able to show — through concerted industrial action — that Gold Fields' "anti-union" approach is counter-productive.

Gold Fields has traditionally refused to become embroiled in debate over NUM "union-bashing" allegations Its argument, though, is that its philosophy is a "long term" (as opposed to conservative) one more conducive to job retention and job creation

It is not only corporate philosophy that has prompted divided employer stances within the chamber. On wages in particular, Rand Mines wages are generally lower than their Anglo and JCI counterparts because of the more marginal nature of their operations Genmin wage levels fall between the high and low points — a reflection, perhaps, of the relative profitability of its gold mines.

Golding sees corporate philosophy as the crux of industry developments "Anglo, Rand Mines and to a lesser extent Genmin have developed coherent views which recognise the union as partners in industry. Gold Fields, Anglovaal and JCI do not accord us the same role, but they take this path at their peril."

The refusal of Gold Fields and Anglovaal to participate in productivity or profit-sharing schemes is seen as yet another symptom of the philosophical divisions in the industry which threaten the chamber's role as a central collective bargaining agent.

Two factors which have acted as a "glue" between chamber members in the face of diversity are now melting away Firstly, until a few years ago, individual mines' "ability to pay" was not a significant determinant of wage levels — allowing a large degree of wage homogeneity But the gold mining costs squeeze has changed all that

Secondly, the closed shop agreement which applies to white workers has been the basis of centralised bargaining in the industry for decades Now the closed shop is to go — the chamber has announced its intention to negotiate its scrapping as soon as this year's wage talks are concluded

This will mean that entirely new bargaining structures will have to be devised and, given the growing philosophical diversity and differing operational imperatives in the industry, a more decentralised form of bargaining could be in the offing

The NUM can see it coming, and plans to do what it can to head it off "The chamber is not succeeding in acting as an industrial negotiating forum We accept the need for flexibility, and for negotiations at company or mine level on appropriate issues But an industry level negotiating forum is needed for negotiations, for training matters, research, regional development, health and safety and for industrial restructuring and management," says Golding

The NUM also has more practical problems with decentralised bargaining It simply does not have the manpower resources to conduct dozens of separate negotiations each year

This is not the time for either chamber officials or representatives of their affiliates to discuss these issues at length. They are, after all, still in the midst of the 1992 wage negotiations, and publicly raising these questions could cause a fair amount of discomfort within their ranks

"We have a longstanding structure of collective bargaining. The structure has proved to be flexible, and is continually reviewed in regard to developments in the industry," was all chamber GM, industrial relations, Adrian du Plessis would say

It is only the extent of the revision that is in question. With the NUM scheduled to respond on Wednesday to the latest chamber wage offer — or, shall we say, offers, since each group and, in some cases, individual mines have made separate and distinct offers — it is time to begin asking whether this may not be the last time the negotiations occur in their present form.

LETTERS

Third World 'hard hit by mining'

WASHINGTON — Third World countries are especially hard hit by the heavy environmental damage mining causes, Worldwatch says in a new report.

Worldwatch, a private environmental group, published a 53-page study at the weekend that says mining and smelting generate 2,7-billion tons of waste a year, much of it hazardous.

John Young, author of the study, said this dwarfed the amount of city refuse, estimated at 1,5-billion tons.

In addition, smelting gives off about 6-million tons of sulfur dioxide, a major contributor to acid rain — about eight tons out of every 100 that humans produce.

Much of the damage is done in Third World countries, where international organisations encourage mining.

Young acknowledged the need for mining, quoting from the study in 1550 by Georgius Agricola that without metals "men would pass a horrible and wretched existence in the midst of wild beasts".

But Young argues that mining benefits foreigners more than it does people in mining countries. The US, Japan, France and Germany subsidise Third World mining.

210

The study suggests that much mining can be replaced by recycling and that newly mined minerals should be taxed to pay for cleaning up mines.

Worldwatch cites some examples of environmental damage from mining:

- ☐ Two nickel smelters in Russia produce 300 000 tons of sulfur dioxide a year and over 200 000ha of nearby forest is dying.
- ☐ One copper mining operation removed a piece of the US state of Utah that was seven times the mass of all the soil and rock dug out to build the Panama Canal.
- ☐ On the island of Bougainville, near New Guinea, a copper mine dumped 130 000 tons of tailings a day into the river system.
- ☐ Deforestation for wood for smelting iron ore on the Carajas project in Brazil could destroy 50 000ha of tropical forest a year for 250 years.
- ☐ Waves of gold miners have hit Indonesia, the Philippines, Zimbabwe and Brazil. They often use the high pressure jets of water outlawed as too destructive in California a century ago. — Sapa-AP

S/Star 14/7/92

Blacks rate Anglo most caring company

BDAY 15/7/92 (210)

RAY HARTLEY

BLACKS believed Anglo American was SA's most caring company, a Business and Marketing Intelligence (BMI) "Corporate Care Check" released yesterday said.

While 12% of those interviewed voted for Anglo, 30% said they could not name a single caring company.

The report's author Bets Nel said the lack of awareness was the result of companies giving their social involvement "a very low profile"

The survey was conducted at 1 000 sampling points in major urban areas, but BMI did not say how many were interviewed

The next most caring companies after Anglo were perceived to be SA Breweries (10%), Shell (9%), Pick 'n Pay (8%) and Eskom (7%), the report disclosed

Whites surveyed put Pick 'n Pay first, Anglo second and Sanlam third

The retail, manufacturing and financial sectors of industry were seen as least caring among blacks, the survey showed

The Frame group was SA's least caring corporation, claimed those black respondents who were prepared to name a company The OK was said to be the second least caring, followed by Spoornet

Companies that cared for the community, employees, housing and education, in that order, were seen by blacks as caring

Most blacks put housing (60%) before schools (28%), job creation (24%) and recreation (14%) as their most pressing need, while whites rated job creation (26%) and crime prevention (22%) before housing (20%) as their most important needs

The report said all respondents believed government should carry the major responsibility for addressing the problems

NUM and chamber 'still face two major issues'

BDay 16/7/92 DIRK HARTFORD (210)

THE major issues still confronting the Chamber of Mines and NUM negotiating teams are the union's demand for an agency shop and an arbitration agreement to cover individual dismissals, says NUM assistant general secretary Marcel Golding.

The parties met yesterday in their ninth round of negotiations, even though the implementation date for a new agreement had already passed. They were scheduled to meet again today.

All the mining houses, except Gold Fields and Anglovaal, have agreed to share 20% of profits with workers, subject to a formula to be negotiated.

Golding said yesterday although this did not meet its demand, it signalled a "willingness by the bulk of the industry to move to a new way of supplementing the very low basic wage increases".

Golding criticised Gold Fields for refusing to consider the profit-sharing agreement.

Gold Fields also did not follow other mining houses in increasing the employer's provident fund contribution by a half percent of basic monthly salary and paying the full share of increased premiums under the funeral and death benefit scheme.

Gold Fields offered a 6% increase, or R31 a month, against Anglo American's 8,9% and Gengold's 7,4% offer for gold mines. On coal mines, offers range between 7% and 13%, said Golding.

Only Rand Mines and Anglo American have said they are willing to discuss the agency shop.

Meanwhile about 4 000 miners at JCI's Randfontein Estates mine near Westonaria took part in a protest march at the mine yesterday.

There was also a march by JCI's Westonaria gold mine workers, said a NUM spokesman.

NUM president James Motlatsi told the workers JCI's "arrogant" stance at negotiations was because its mines were not properly organised under the NUM.

Chamber agrees to profit-sharing plan

BDay 17/7/92.

210

Business Day Reporters

THE NUM and the Chamber of Mines last night reached a wage settlement including a scheme dividing among workers 20% of mining groups' profits

However, the NUM has declared a dispute in the coal mining sector after the chamber's collieries refused to make a "significantly" improved wage offer The NUM will seek a conciliation board meeting for the coal mines Offers ranged between 7,5% and 13,9%.

On the gold mines, Gold Fields of SA and Anglovaal refused to consider the profit-sharing scheme.

The NUM said last night details of the profit-sharing scheme would be discussed at group level to negotiate the levels at which profits would be shared.

Workers will get 20% of group profits after deductions for capital expenditure, interest and royalties.

NUM spokesman Martin Nicol said it was hoped the agreement would lead to workers on some mines getting increases in line with the increase in the cost of living

The union said the agreement was reached after employers conceded an additional 1% contribution to the Mineworkers' Provident Fund This offer was not matched by Gold Fields and the NUM was now in dispute with its mines

Gold Fields offered gold mine workers a 6% wage increase, or R31 a month, against Anglo American's 8,9% and Gengold's 7,4%

NUM assistant general secretary Marcel Golding said "Workers on well organised mines will get a better deal than those where NUM is not well represented

"The low basic wage increase ensures that jobs are protected to the maximum extent, while profitable mines will share part of their profits when they make them"

Chamber industrial relations GM Adrian du Plessis described the settlement as "a very positive one in a very tough year for the industry"

He regretted that the NUM had found it necessary to declare a dispute in respect of coal mines which had made a "substantial movement towards settling", and he hoped the dispute would be resolved soon

Options market swaps Barlows with Gencor

BDAY 17/7/92 210

SHARON WOOD

THE Traded Options Market (TOM) will replace options on Barlows with Gencor today in a move which could help pull the JSE's formal options market out of the doldrums

This is just one positive development in a market which seemed doomed to failure.

Interest in TOM has increased significantly during the last week, derivative dealers say. This is clear by the 90 contracts traded last week compared with 10 the previous week.

In addition, there has been a surge in overseas institutions' interest.

At present they are prevented from trading in TOM, but the Reserve Bank is addressing the issue.

Simpson McKie derivatives head Elaine Stot says foreigners could become a major force on TOM.

She attributes foreign interest last week to the fact that the institutions can protect themselves from adverse movements in equities.

The outlook for TOM is quite optimistic, she says, because the stockbrokers are making a united effort to raise interest in the market

However, it is difficult for stockbrokers to make markets because they do not have sufficient capital and TOM needs institutional players to do this, she says.

Frankel Max Pollack Vinderine joint MD David Shapiro says: "TOM was dying and has now been taken off the heart and lung machine and is starting to breathe for itself"

"In the next few months we hope to get a few hundred contracts," he adds

Gencor's replacement of Barlows will make a big difference because the share has a lot of exposure and is tradeable.

TOM has struggled to gain liquidity since its opening and has been criticised for its high fees, which are believed to be deterring major institutions from trading in the formal options market.

Industrial waste can mean cheaper housing

BIDAY 17/7/92.

A LEADING SA mining corporation has found a way to save money, provide cheaper housing and protect the environment by using its industrial waste to make building materials.

Details of the breakthrough were carried in a paper delivered on Tuesday at a Johannesburg environmental symposium focusing on recycling, at the SA Institute of Mineral and Technology

Genmin Mining Corporation engineer B E Dowling said the process had begun with a Council for Scientific and Industrial Research (CSIR) report which concluded that chrome, copper and platinum slag (metal waste) was suitable for making concrete

Genmin began making "cement bricks", experimenting with different proportions of platinum slag and cement mixed with water, and testing them. It was also found that chrome slag could be used instead of sand in mortar for bricklaying or for plastering.

Slag is being incorporated into Genmin's employee housing scheme at its Impala platinum plant, and two entrepreneurs are making bricks using platinum slag. A special mould has been invented to make brick units to replace steel window frames and door frames, further reducing costs

Manufacturing from waste was no miracle cure for housing, since the most expensive ingredient was the cement, Dowling said.

"However, using the waste material will contribute to savings in brickmaking costs and simultaneously reduce pollution of the environment."

In another paper, SA companies were warned that they would be forced to keep pace with foreign achievements in recycling.

The paper, presented by consulting engineers Dr Robert Muller and Dave Hojem, said the most recent legal requirements in Europe demanded that recycling take place if it was technically and environmentally feasible. Waste which filled these criteria could not be dumped

Although SA had the most advanced technology for processing and recycling plastics, it still lacked stringent legislation for waste treatment — Sapa

Gencor eyes Mozambique

DUMA GQUBULE

GENCOR is discussing a joint venture agreement with Washington-based mining company Edlow Resources and the Mozambican government to explore for titanium deposits in Mozambique

Genmin executive director Jack Roux yesterday confirmed that his company had been talking to the two parties

He said his company had committed "a couple of million rands" for further investigation of some of the deposits This would be followed by a feasibility study which, if successful, could lead to a project.

Jack Edlow told Southscan magazine his company had discovered two deposits in Mozambique with "world class potential". He expected to sign formal contracts with the Mozambican government and a large international mining company within 30 days

BDAY 17/7/92

Traded options on Gencor to be listed

BDAY 20/7/92. (210)

Business Day Reporters

THE JSE would list traded options on Gencor shares from Wednesday, JSE executive president Roy Andersen said on Friday

Options would be settled in cash and allocated to the March expiry cycle With the share price ranging between R11 and R12, puts and calls would be listed with strikes of R10, R11, R12 and R13 when trading commenced, said Andersen.

On recent speculation which indicated that the Gencor option was replacing the option on Barlows, he said "While the JSE regularly reviews the performance of existing contracts and considers the introduction of new ones, no decisions have been taken regarding the replacement of any TOM listed options"

Although no Barlows options were available currently, they met "remained a valid candidate"

The listing was motivated by interest from the broking community and institutional investors, he said.

Hazards if SA fails to clean up waste

S/Times (BUSS) 26/7/92 (210)

By ZILLA EFRAT

COMPANIES which do not plan their hazardous waste management now may pay dearly in the future.

So says director of environmental protection at the Department of Environment Affairs (DEA) Koos Stander

The groundwork is being laid for legislation to improve SA's hazardous waste management system A Bill could be tabled in Parliament by mid-1994

A report on a CSIR investigation initiated by the DEA is being circulated for comment.

It says SA's waste management laws and strategies are inadequate The loss of resources and expense to be met by future generations is rising

After the WasteCon '92 conference in November a workshop will take place in the first quarter of 1993 where proposed legislation is expected to be decided on

The changes could cost companies billions of rands

Mr Stander says the CSIR report stresses that any hazardous waste policy must be affordable — both to the polluters and the environment.

The DEA has received excellent co-operation from business

"Many responsible companies realise that what is coming is necessary and are tackling the problem."

CSIR says few industries have waste management strategies

Common

A survey of 542 waste disposal sites found that conditions which could lead to contamination exist at more than half of them As long as current practices persist, the number and danger of these sites will grow.

The investigation found there is almost no control of the transport of waste and malpractice is common. Treatment facilities are the exception rather than the rule and most are fairly primitive.

Some industries have lost business because they were unable to meet the environmental requirements and waste policies of foreign customers.

CSIR says most hazardous waste in SA is generated in industrial processing and mining

Gold mines generate a million tons of hazardous waste a year But most high-hazard waste comes from manufacturing industry The greatest concentration of waste is in the Transvaal

The report says a regulatory system for hazardous waste is urgently required It recommends that any policy be based on the principle that the polluter pays.

This is likely to have an effect on the price consumers pay for goods and services, but costs should be tied to the quantities and hazards of waste associated with the products

The choices made by consumers are then likely to provide waste generators with an incentive to reduce it at source

The report proposes that the liability for the results of negligence or malpractice should rest with the waste generator

It recommends that the Government's costs in introducing and maintaining the regulations be covered by registration and permit fees paid by waste generators, transporters and operators of facilities

It also advises the Government to encourage the setting up of private-sector hazardous waste collection, transport, treatment and disposal facilities They should be driven by market forces, but reinforced by legal requirements

Start

Mr Stander says companies may have to change their raw-material inputs and process technologies

CSIR waste management manager Graham Noble says the cost-effective way of meeting the challenges is by reducing waste generation at source.

He calls on the Government not to wait until it has perfected the details of a regulatory system, but to start introducing essential controls under existing legislation

Mine Pensions Fund pays top price for Rosebank site

BIDAY 29/7/92 (210)

PETER GALLI

THE Grosvenor Motors site at the intersection of Jan Smuts Avenue and 7th Avenue in Rosebank has been sold to the Mine Pensions Fund for R13,5m

This translates into a sale price of R1 422/m² of permitted office bulk — one of the best prices obtained in the area

The 9 492m² site was put out to sale by tender by Russell Mariott & Boyd Trust (RMBT) Six tenders were received, ranging from R6m to R13,5m, RMBT director Nick Harris said

"The site was rezoned by the Johannesburg City Council last year and allows the development of offices to a bulk floor area ratio of one with a height restriction of three floors," he said

The interest shown by both developers and long-term investors was "most encouraging" and confirmed there was still strong demand for good quality properties, Harris said

The sound demand for the site was due to the fact that it was well located with excellent exposure on the intersection, he said.

"The site has a municipal value of R5,1m, but this is used for determining rates and does not necessarily bear any relationship to market values," Harris said

Mine Pensions Fund property GM Mike Cullambine said he did not believe the pension fund had overpaid for the prime site, adding that no development would take place for at least 15 months

Lease

The site is occupied by McCarthy Motor Holdings trading as Grosvenor Motors and the sale is subject to a lease allowing McCarthy to occupy the property for six months from registration of transfer

"The tenant also has the option to extend the lease for six more months and will pay us a net rent of R44 000 a month We are weighing up our options for the development of the site at the moment," Cullambine said.

The pension fund had tendered for the site as it had no exposure in the area and this was one of the last prime sites in the area

It was looking to do "something exciting" with the site and was investigating the possibility of developing it itself

"The rental market is now hopefully close to the bottom and if our development comes on-stream in three years the market should be on an upward trend and we will gain sound rentals," he said

The site has Business Four use which allows it to be used primarily for offices, banks, building societies and restaurants as well as the existing use of public garages

As a secondary right — requiring council permission — the site may be used for special buildings, car sales lots, public or private parking areas, dwelling units, outbuildings and residential buildings

It has a 3m building line along 7th Avenue and 6m along Jan Smuts Avenue, with access from both of these

Talks could limit mass action losses

BDAY 31/7/92

ALAN FINE and DIRK HARTFORD

210

TALKS between NUM and various mining houses show "some promise" of delivering agreements which could ensure next week's scheduled political protests keep productivity losses to a minimum, an industry source says.

It is understood the union and some managements are discussing the possibility of joint meetings and rallies facilitated by adjustments to the timing of shifts or the taking of leave — similar to arrangements on the day of the Boipatong funeral.

The source cautioned, however, that discussions were still in progress and no agreements had been reached.

Earlier this week NUM wrote to employers in the industry saying its members would be participating in the planned week of action, and seeking talks to ensure events went off peacefully.

NUM was not available for comment last night.

Although there have been a spate of ongoing discussions at company, regional and even industry level about next week's mass action, employer and union sources expect the strike to go ahead as planned next week.

But some progress has been made in regard to the three days after the general strike. In the western Cape, for example, shop stewards will be released at midday to attend protest meetings in the city centre, but production will continue.

In Natal, employers and unionists are expected to sign a declaration pledging peaceful, disciplined and orderly conduct and the right of individuals not to participate in the mass action.

RAY HARTLEY reports employers who dismissed workers for participating in next week's general strike would be blacklisted and targeted in further mass action, Cosatu general secretary Jay Naidoo said at a news conference yesterday.

"To take disciplinary action will be seen as endorsing the agenda of the De Klerk government," he said.

"We will launch a campaign both internally and internationally to effect actions such as a blacking action, or a boycott of products or delivery of raw materials to those factories, as one part of that programme of action."

Naidoo said Cosatu was considering declaring a dispute with Saccola because of the its role in the failure of recent negotiations around a charter.

"There are various other actions being contemplated at grassroots level, but certainly we are not going to stand by and watch employers take a stand which places them in the government camp."

ANC secretary-general Cyril Ramaphosa told the news conference threats of dismissals and written warnings by business were "acts of blatant intimidation infringing on the right of all South Africans to engage in peaceful protest."

Ramaphosa confirmed ANC president Nelson Mandela would lead a march on the Union Buildings next Wednesday.

Five left-wing organisations, however, said yesterday they would not support the stayaway, Sapa reports.

Nactu, the PAC, Azapo, the New Unity Movement and Independent Trade Unions jointly decided not to take part. Inkatha has also urged its supporters to work.

The 43 000 members of the all-white Mineworkers' Union have been asked to "keep the economy going" during the mass action, MWU general secretary Hein Ungerer said yesterday.

GERALD REILLY reports a Sabta spokesman said the strike would mean losses of up to R40m for the industry.

Johannesburg Chamber of Commerce and Industry executive director Marius de Jager said the loss of earnings among several million black workers would dramatically reduce total incomes.

Several ANC-aligned organisations yesterday said a school stayaway would be supported.

● Comment: Page 12

Restructuring 'must be left to market forces'

BDAY 17/8/92 210

GAVIN DU VENAGE

THE economy in a post-apartheid SA will have to be restructured and not merely reformed, JCI group economics consultant Ronnie Bethlehem said on Friday.

However any restructuring should be left to market forces and not take on a punitive form, Bethlehem suggested at the Fourth International Organisation and Management symposium

The central characteristic of capitalism was its flexibility, as seen in takeovers and mergers which played their part in the restructuring of corporate ownership and control

He cited the example of the transfer of control of General Mining from Anglo American to the Sanlam-Federale Group in the 1960s, which gave Afrikaner capital its first major stake in the gold mining sector

This transfer irrevocably changed the relationship between English speaking and Afrikaans speaking power interests

Until then, English speaking capital and Afrikaner labour had engaged in acrimonious and bitter battles into which the Afrikaner nationalist government was often drawn

Following the transfer, divisions within the white community as a whole subsided, allowing the government to take a more impartial aproach to the sector and industry as a whole

He said it was possible that similar market-driven restructuring in a changing SA could reduce pressure on the ANC and PAC to demand redistribution through state nationalisation of conglomerates.

However, restructuring would face a number of threats, the most significant of which was the climbing rate of unemployment, currently over 40% of the economically active population

In addition, Bethlehem said, there was a chronic shortage of housing

"These are fundamental macroeconomic problems," he said

The complexity of SA society meant a solution could not be found in ad hocpolicies, but through an NP/ANC alliance

This alliance should include all other moderate parties to secure broad national support

Rand Mines streamlines head office

MATTHEW CURTIN

RAND Mines is restructuring its head office, after a year in which the group has been transformed from a diversified mining group into a coal mining house with marginal gold mines and exploration interests

210

The changes will see the group abandon some of the traditional roles of a mining house, essentially becoming a holding company with two distinct mining divisions, Rand Mines Property and a fourth engaged in exploration activity

There is no official word about how many jobs will go from Corner House, the group's Johannesburg head office, where a few hundred people are employed

Deputy chairman Allen Sealey said yesterday the changes amounted to the "divisionalisation" of Rand Mines activities

The mining house would consist of a coal division made up of Randcoal, and a gold division consisting of Blyvooruitzicht, Durban Deep, ERPM and Harmony gold

□ To Page 2

Rand Mines

B/DAY 7/8/92 (210)

□ From Page 1

mines, plus the property division The fourth division would consist of "a small team in charge of exploration, developing existing mineral rights and investigating other business opportunities in SA and abroad"

Sealey said the reorganisation would be complete in about 10 days' time.

Rand Mines had been considering for some time what head office structure would best serve the group's interests

It was decided to move services provided in the past by head office to the divisions. The gold and coal divisions would now have staff dedicated to their own engineering, geological and metallurgical needs, with a few specialist services retained at Corner House.

Sealey said the separate divisions would be better focused now. For example, it made sense for the coal and gold divisions to be separated, given the different economic fortunes of the two sectors which directly affected their ability to pay wage increases. The restructuring of Rand Mines head office follows the drastic streamlining of the group in the past year.

The mining house has sold its platinum interests to Impala Platinum, its vanadium and chrome producers to Vanadium Technologies and Samancor respectively, its forestry operations to Sappi, and its granite mineral rights to Genmin

Rand Mines retains a stake in its former platinum company Barplats, but had to take on hundreds of millions of rands in debt in the process.

Last year, the group consolidated its coal mining interests in Witbank Colliery, renamed Randcoal.

Analysts say much of the impetus for change comes from controlling shareholder Barlow Rand With Rand Mines' abortive billion-rand foray into platinum and vanadium mining, four struggling gold mines and erratic results from Barlow Rand's wholly owned subsidiary Middelburg Steel & Alloys, the conglomerate decided to reduce its exposure to cyclical commodities markets as far as it could Hence the sale of Middelburg to the Highveld Steel & Vanadium/Samancor consortium late last year, and the vigorous reorganisation of Rand Mines

B.DAY 7/8/92

Anglo's safety deal

210

COMMENT by Anglo American PRO James Duncan was inadvertently omitted from our Wednesday report on Western Deep Levels. Duncan told Business Day that attempts over several months by the mine to persuade the NUM to join discussions on a safety agreement had been fruitless. Duncan was reluctant yesterday to comment further, saying the mining house was not prepared to negotiate the issue with the union through the Press. NUM denied it was not prepared to discuss safety at Western Deep and said the opposite was true.

Mine projects worth R5,25bn put on ice

(210) .

BDAY 11/8/92.

MATTHEW CURTIN

SA MINING houses have put more than R5,25bn worth of gold and platinum mining projects on hold as they wait for metal prices to recover.

Market sources say many new mines and mothballed operations will be revitalised only if gold and platinum prices sustain increases above $400 or $450 levels.

In the meantime, the mining exploration sector remains in the doldrums, with share prices at rock bottom.

Gold closed in London yesterday at $350,70, compared with $351,10 on Friday. Platinum was fixed at $375 yesterday afternoon, against Friday's fix of $377,25.

However, Frankel, Max Pollak, Vinderine analyst Mike Brown said yesterday that the mining industry was better protected from potential political instability than other sectors of the economy, in terms of giving the green light to new ventures and reviving old ones.

A political settlement and stability were critical for the success of projects which depended on foreign investment or overseas aid from organisations like the World Bank, or on local markets. Mining houses were less vulnerable because they produced strategic minerals for overseas markets, he said.

In the mining industry, management was primarily concerned that projects provided an adequate rate of return, essentially a function of high enough grade ore reserves and metal prices.

"If the resources are there and can be developed at the right price, then the projects will go ahead," Brown said.

Anglo American gold and uranium division chairman Clem Sunter was more cautious. He said yesterday: "All of our projects, including the R1,7bn Moab project, are planned on the basis of there being a negotiated political settlement and a new dispensation which will allow the gold mining industry to continue as a viable economic entity in private hands."

The biggest gold mining project which may be given the go-ahead, if gold prices improve, is Anglovaal's Sun prospect in the northern Free State. Analysts say the new

☐ To Page 2

Mine projects

BDAY 11/8/92 (210)

☐ From Page 1

gold mine will cost Anglovaal more than R2,5bn and will probably need the involvement of other mining houses to help raise the necessary finance.

An Anglovaal spokesman said the results of the feasibility study would be published next month.

Johannesburg Consolidated Investment (JCI) was proceeding with exploration and preliminary development work at its South Deep prospect, next to the Western Areas gold mine. Gold division chairman Kennedy Maxwell said last year that "as and when (a firmer gold price) becomes more apparent, I believe it will be propitious to launch this exciting project as a full-scale mining operation." An analyst said yesterday that the capital cost of the new mine would be between R1,5bn and R2bn, depending on the scale of the operation.

This year, Gengold shelved work at its new Weltevreden mine and on the No 6 subvertical shaft project at Winkelhaak because neither project was economic at current gold prices. The group had earmarked R460m and R702m respectively for the ventures.

In the platinum sector, Impala Platinum has said it will go ahead with a R300m rights issue to restart mining at the Barplats' Crocodile River mine if platinum prices and stock market sentiment improve to enable the group to raise the money. The same goes for the R340m Messina mine in Lebowa in which Implats has a 54% stake. Barplats' other mine at Kennedy's Vale has been mothballed. It would require a multimillion-rand capital injection if platinum production was to go ahead.

Implats and rival producer Rustenburg Platinum (Rusplat) have not abandoned their multimillion-rand expansion programmes, but at Rusplat's sister company, Lebowa Platinum, management has shelved plans to increase production from 70 000 to 100 000 tons a month.

Despite the depressed state of much of the mining sector, several large mining projects are proceeding.

Development is well under way for the R600m first stage of JCI's new Potgietersrust Platinums mine.

Gold Fields' R1,1bn Northam platinum mine will start full-scale production from 1993. Development at Gengold's Oryx is on schedule and the R1,3bn mine will reach full production in 1994.

Increased earnings for restructured Genbel

MATTHEW CURTIN

GENBEL, Gencor's investment arm, has reported a 6,9% increase in earnings a share in the year-ended June 1992 Genbel has restructured its portfolio in recent years and its growing reliance on its non-mining investments and stake in fuels group Engen helped offset the impact of the depressed mining industry on profits

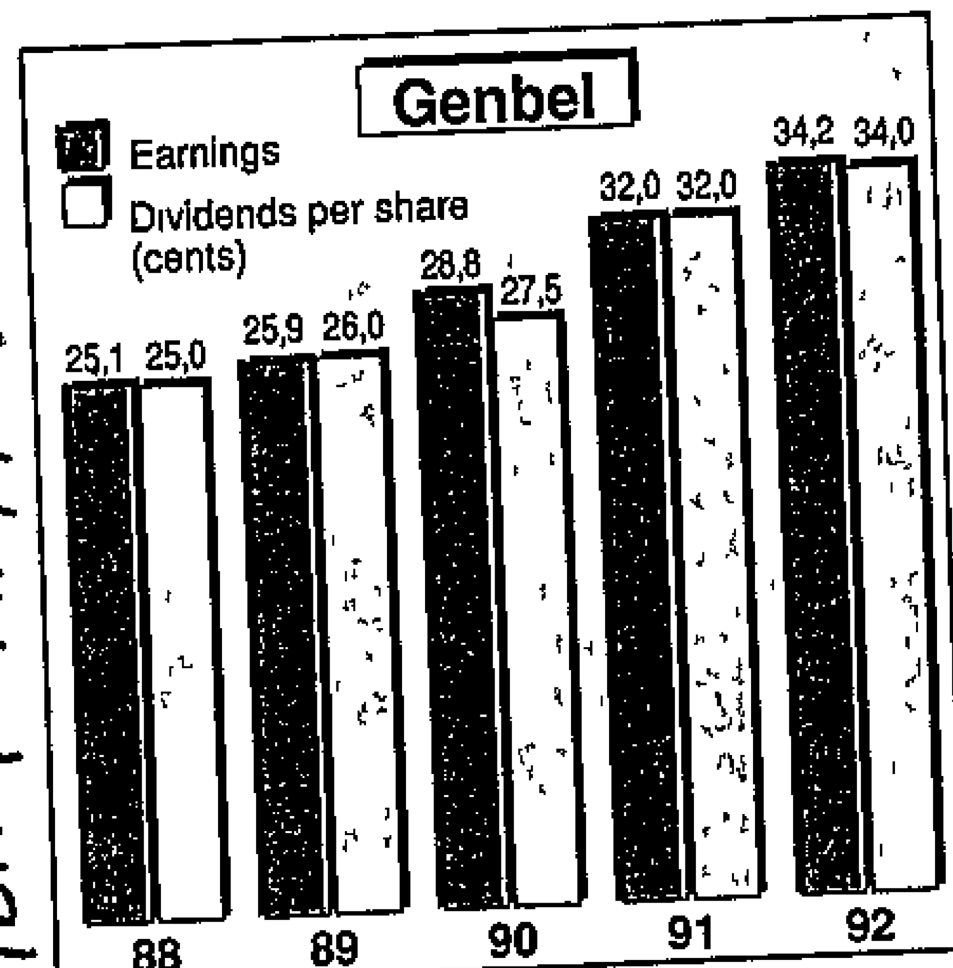
Earnings rose to 34,2c from 32c a share Genbel declared a 6,2% higher dividend, up at 34c from 30c a share.

MD Anton Botha said that "given a moderate recovery in the world economy, Genbel should achieve further growth in earnings and dividends in the 1993 financial year". The company would continue to restructure its portfolio, reducing its exposure to the metals and minerals markets, to ensure it was maximising shareholders' wealth in the long-term, he said

Genbel turned in distributable income of R148m (R138m), and earned a R143m non-distributable surplus on the sale of all or part of its stakes in Anglovaal Holdings, Gencor, mining investment company Middle Wits, and Rustenburg Platinum

Botha said Genbel increased its holdings in Samancor, Sappi, Transatlantic and Impala Platinum, and increased interest-free bridging finance to Gengold' developing Oryx gold mine

In the year, the market value of Genbel's



Graphic RUBY-GAY MARTIN Source GENBEL

net assets in precious metals and mining financials fell to R1,3bn from R1,8bn The value of its investments in the finance, insurance and property sectors rose to R663m from R611m, in the energy sector to R470m from R429m, and in the paper sector to R311m from R195m

The total market value of the company's assets fell to R3bn from R3,2bn in 1991

Unisen, Genbel's wholly owned short-term trading company, paid R22,5m in dividends against R20m last year, after producing a R33m (R41m) profit In 1990, Genbel transferred its short and medium-term investments to Unisen, after selling a significant proportion of them at a profit

Send in raiders to toss out featherbeds and free economy

B/DAY 20/8/92. (210)

Two former economic advisers to Margaret Thatcher, SIR ALAN WALTERS and GEORGE GUISE, call for drastic changes to SA's corporate structure

SOUTH Africa is a continental anomaly. A Third World country, with the tribalism, the violence, the excessive public spending, overregulation, the overweening bureaucracy, state-owned behemoths, the protection and politicisation of much economic activity.

But superimposed on these is a convincing presence of the First World in the form of the great mining and manufacturing corporations. The English-speaking South Africans have dominated the private business sector, just as the Afrikaners have been predominant in government employment, while blacks have provided the labour. An oversimplification? A caricature? Perhaps, but it conveys the essence of SA for most of this century.

The income generated by the industrial and mining sector produced a large tax revenue to finance the jobs and sinecures in the public sector. The stated objective of the ANC leadership is to capture control of government in order to secure and expand those public sector jobs

There has also been much talk of expanding the public sector by nationalisation, quotas for blacks, Africanisation, and so on. But now there is growing realisation among black leaders that such measures have been the root of the dismal economic performance of all the Second (communist) World and most of the Third World economies.

If there is a golden rule in economic management, it is that high taxation, expropriation, regulation and control lead to dilapidated infrastructure, political turmoil and uncertainty which drives capital and jobs away. That, in turn, exacerbates both economic and political tensions — and so leads to a vicious circle of decline.

What can the ANC, Inkatha, the NP and other groups do to promote wealth and growth to break out of this vicious circle? The solution is to send not for Marx and Lenin, but for Hanson and Goldsmith.

As in any other dirigiste socialist country (and, with its high ratio of government involvement and interference in economic life, SA must be so classed), the economy is dominated by very large corporations.

In SA, fewer than 10 conglomerates dominate the First World industrial sector. They have pyramidal or interlocking shareholdings which lock out their external shareholders from any influence over management, and protect their management from any true accountability to shareholders.

As is well documented, conglomeration, especially with monopoly power and protection against intruders, leads to much inefficiency. The rate of return on capital in the many peripheral activities is low. This is reflected in the fact that for most of these conglomerates the share price is less than the value of their component assets.

In any free market there would be a corrective, namely a takeover bid. Lords Hanson and White or Sir James Goldsmith would buy up the shares, take control, strip off the peripheral loss-making companies, change management and sell them for perhaps more than their acquisition cost, and get the company back to basics in its mining operations.

But few managements in SA fear a takeover bid

Many reasons explain these featherbeds in the boardrooms. The most important is that everyone is in a featherbed with everyone else. Large blocks of shares are held by corporations in the same group as well as by controlled pension and insurance funds. It is virtually impossible for any outsider to mount a takeover bid against the interlocked interests of the five conglomerates which account for more than three-quarters of the market capitalisation of the JSE.

It is, however, a moot point whether, in the absence of such interlocking holdings, a protectionist, socialist government of the kind which has been in power in SA for so long would ever allow takeovers. Socialist governments are characteristically averse to buccaneers like Goldsmith and Hanson. They prefer their house-trained managers, who are more amenable to the habits of bureaucracy. Yet, they wonder why foreign capital is so reluctant to appear.

We believe takeovers would benefit virtually all groups in SA. Let us take the difficult one first: would they benefit the blacks? We believe they would.

First, such takeovers and unbundling would create, not destroy jobs. The efficiency gains that can be made are high — perhaps reductions in costs of 50% or more. This would make much industry efficient and competitive in terms of world as well as African markets.

Second, SA manufacturers could flood into their natural markets — displacing Asian manufacturers, but also developing new markets that do not now exist. This is the basis for real jobs and prosperity in the black townships as well as in the grassy suburbs

As for the owners of these conglomerates, their shareholdings would be worth much more under an open takeover regime True, some family shareholding groups as well as entrenched management cliques would lose their power to decide the fate of industry, but that is the price they must pay for the opening of the economy — but how handsome would be the rewards

The Afrikaners would lose their privileged positions in the public sector while all races would be free to exploit the opportunities which a liberalisation of the white cartel-dominated industrial sector will provide. We suspect that removing the featherbeds in both the public and private sectors will be the making of a new generation of multiracial entrepreneurs.

The main task of a reforming government must be to insist on the disentanglement of the crossholdings of the conglomerates and the opening up of SA to foreign as well as domestic corporate raiders

The first step is so simple. It is for the regulatory authorities of government and the stock exchange to cease the restrictive practice of protecting entrenched management groups from their disenfranchised private shareholders. If a takeover appears, the cross-shareholding should have the option of accepting the offer or of bettering it, but not of turning complacently away.

Such a simple shift in regulatory policy would not only bring SA into line with the most efficient, modern capitalist economies, but simultaneously awaken those sleeping assets which form SA's hidden wealth.

— Financial Times.

☐ **Walters is AIG Trading Corporation vice-chairman. Guise is former director of Consolidated Goldfields and was a member of the Prime Minister's Policy Unit 1986-90.**

Gencor close to a decision on unbundling

BDAY 20/8/92

JANE ARBOUS

GENCOR is close to a decision on whether to split its mining, industrial and finance interests, a move that could radically change the group's nature and structure, chairman Brian Gilbertson said

"Primary unbundling is a distinct possibility, and we are close to a decision in principle," Gilbertson said in an interview

If approved, he said the move would most likely mean splitting up wholly owned General Mining and hiving off its industrial and finance companies while leaving its gold, platinum and coal mines as the core of business

"The process could take years, but it would change quite radically the nature and structure of the group," said Gilbertson, who took over as chairman in January from Derek Keys, now Finance Minister

Gilbertson said such a move would halve the size of Gencor, currently the world's eighth-largest resource group and SA's second largest mining and industrial group Its market value is about R17bn and it employs 200 000 people

"At the end of the day, it will be a judgment on what the right course is," he said.

The benefits of unbundling were threefold, he said

"It gives us a clearer resource focus — the paper and pulp activities of Sappi, for instance, are materially different from digging holes in the ground

"It also releases for Gencor's shareholders the 10% or 20% discount inherent in a pyramid structure, and a smaller group would appear to be politically more welcome in the new South Africa Internationally, not just here, big power blocs appear less acceptable"

The biggest drawback to splitting up the group would be the loss of size needed to undertake large internationally competitive projects in commodities, he said.

"But even as big as Gencor is now, I have to have help and partners. It's not so much the capacity to mount individual projects, but the combination of them when peak funding occurs in the same two or three years."

Gilbertson's current priority is putting in place two massive projects, which he said would establish SA as a major player in the stainless steel and aluminium markets

Final approval for the previously announced R3bn Columbus stainless steel venture is now expected in October, and the go-ahead for the Alusaf aluminium smelter project, which will need R5-6bn in capital expenditure, by the end of 1992.

Locally, resource companies were expected to move from exporting commodities only into the downstream activities of converting them into exportable end products, he said

However, new investment opportunities within the country seemed limited for Gencor "Commodities is a competitive business and you have to have an international perspective We've looked at everything we can in South Africa," he said

Despite tough times for most of its companies, and gloomy earnings forecasts for the coming year, Gencor was pursuing a policy of growth, and it was considering a number of large off-shore projects, he said

He declined to give details, but said approval for one project was imminent

Gencor was also active in many African countries "We have the skills and can bring the funding to develop deposits"

Gilbertson said a new mining world had arisen to rival the gold-based mining houses on the Witwatersrand, which had been isolated by years of international sanctions

"In a normal world we should have been out there looking out for our business," he said

Instead, the growth of new mining companies in Australia, South America and elsewhere had changed the supply/demand balance in the gold market, among others, and had shifted SA from a dominant position despite its huge reserves — Reuter

Mining house shares lose shine

BDAY 27/8/92 210

MATTHEW CURTIN

SHAKY diamond, gold and platinum prices have dulled the appeal of SA's mining houses However, some analysts say many of the shares should not be ignored because they offer protection against weak individual commodities and the potential of good growth once the cycle turns around

George Huysamer analyst Koos Pretorius said yesterday the shock turnaround in De Beers' fortunes had made the market wary of single commodity mining companies, and knocked the appeal of other groups linked to the diamond business

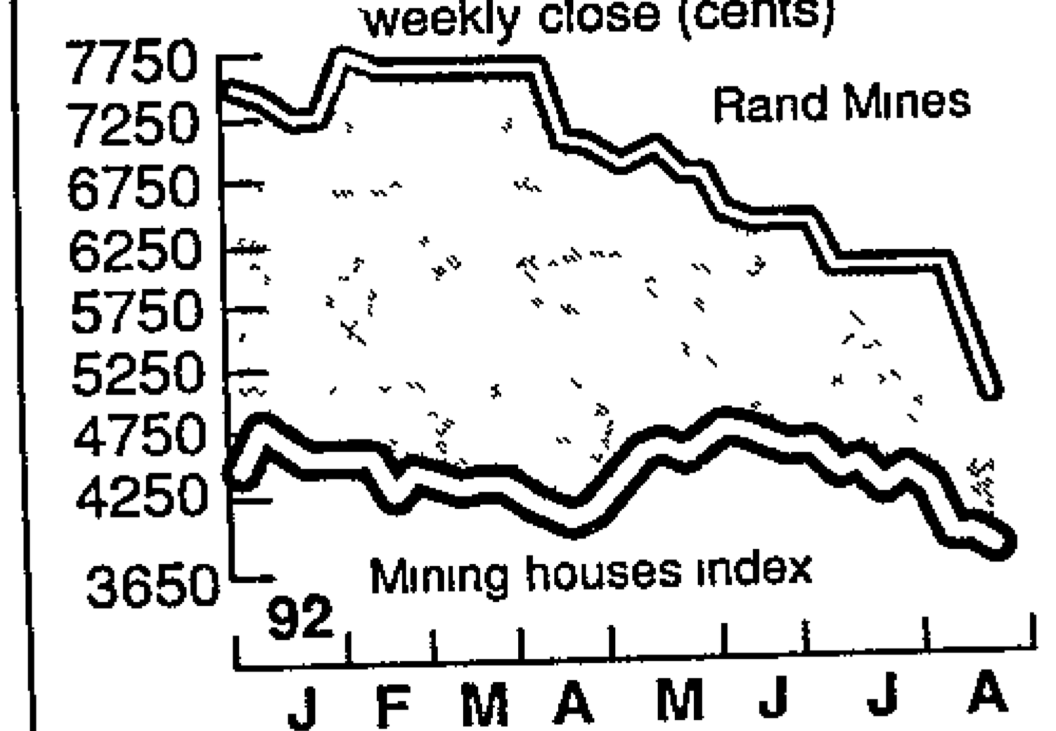
De Beers shares rallied a little on the JSE yesterday, closing 40c up at R53,10, still R40 off highs for this year Anglo American shares fell 25c to R94,75, a fall of more than R11 or R16% in the past month, and are 21% lower since the beginning of the year

Mathison and Hollidge analyst Barry Sergeant said Anglo American particularly and Anglovaal — through investment company Middle Wits, which has an indirect stake in De Beers' Venetia diamond mine — had lost ground on the JSE recently because of their exposure to diamonds.

Anglovaal fell 50c to R70,50 yesterday, a fall of nearly 10% or 750c in the past month

However, Anglovaal, Johannesburg Consolidated Investment (JCI), and Gencor are the three mining houses the stock of which has held up the best so far this year, losing only 3% to 10% of their value since January.

Pretorius said these groups offered investors the security of diverse interests with limited exposure to any one commodity He said their "downside" was that they would sacrifice the spectacular growth in earnings should a commodities' boom occur.



Graphic LEE EMERTON Source I-NET

He said Gencor was "a real steal" at current prices The stock closed 10c higher at R10,75 yesterday, giving Gencor a price/earnings ratio of 10,4

Pretorius said Gencor offered shareholders the prospect of real earnings growth in the 1990s, once the Alusaf smelter and the Columbus Stainless Steel expansion projects got off the ground, with the bonus of fuel group Engen's solid prospects

However, Sergeant cautioned that Gencor faced huge cash demands through its links to more than R10bn in capital projects the aluminium and steel projects, the developing Oryx gold mine, Engen's share of further stages of the Genref expansion projects, and the revival of Impala Platinum's mothballed platinum mines

Both analysts said it would be premature to "write off De Beers", and agreed a "downweighting" of Anglo stock in portfolios was in order

Pretorius said Gold Fields, "theoretically" a good stock, seemed to have been neglected by investors The group's shares have sunk 25% so far this year, and closed 25c lower at R57,75 yesterday

Sergeant said Gold Fields, because of the strength of its balance sheet and the quality of Driefontein and Kloof gold mines, was a safe haven for investors

Concern over financing the later stages of development at Northam Platinum was mitigated by the chances that a rights issue would be held by the mining company, not the mining house

He said JCI was also attractive, because platinum was the most likely commodity to turn around sharply, bringing super profits to Rustenburg Platinum and outweighing the mining house's exposure to diamonds

JCI stock has fallen 16% in the past month to R49,75, but is still near levels at the beginning of the year

Analysts agreed that Rand Mines was the mining house in which investors had lost interest The group's shares have fallen 33% this year to R50, and were bid at R40 on the JSE yesterday, after ambitious bids of R17,50 on Tuesday

Divested of its platinum, forestry and base metal interest, and lumbered with four marginal gold mines, Rand Mines amounted to little more than coal-mining subsidiary Randcoal, an attractive investment in its own right, they said

The restructuring of Rand Mines' head office, involving the "divisionalisation" of the mining house's operations, is still under way

Genbel sees some encouraging signs of a worldwide economic recovery

STAR 27/8/92 (210)

By Stephen Cranston

STAR 27/8/92

The current portfolio weightings in Genbel are similar to the South African components of the Financial Times Actuaries World Indices.

In the annual report for the year to June, MD Anton Botha says that if Engen, which refines and distributes oil, were re-classified as a consumer goods and services company, the similarities would be very close.

Genbel holds 22 percent of its portfolio in finance, insurance and property shares, compared with a 19,6 percent weighting in the Financial Times SA Index and 59,9 percent in basic industries as against 56,4 percent in the FT index

Genbel's energy component is 15,5 percent, compared with the FT index's 4,1 percent, and the consumer goods and services holding is 2,6 percent, compared with 17,1 percent.

Chairman Tom de Beer says that although certain commodity prices have risen in line with increasing demand since January, these had little or no impact on the fortunes of many of Genbel's underlying investments.

He adds that the South African investment environment was also affected by continuing high interest rates and political uncertainty. Genbel increased its earnings by seven percent to 34,2c a share.

Mr de Beer says there are encouraging signs that the major world economies are improving and that the bottom of the commodity cycle may have passed

Mr Botha says that foreign exchange control and a continuing healthy balance of payments surplus have sustained the value of the commercial rand.

"These factors reduced the profitability of many of the companies in which Genbel is invested.

"We are therefore only mildly optimisitic that the profitability of companies in the portfolio will show any improvements in the current year."

Anton Botha . . . only mildly optimistic

The Star/Allie

Advance bookings for this week's retirement planning seminar organised in conjunction with Allied Bank have now closed, but bookings can still be made by phone.

The seminar is at th

hedge attractions

Andrew McNulty

INDSEL/NATSEL

FM 4|9|92

Moving into line

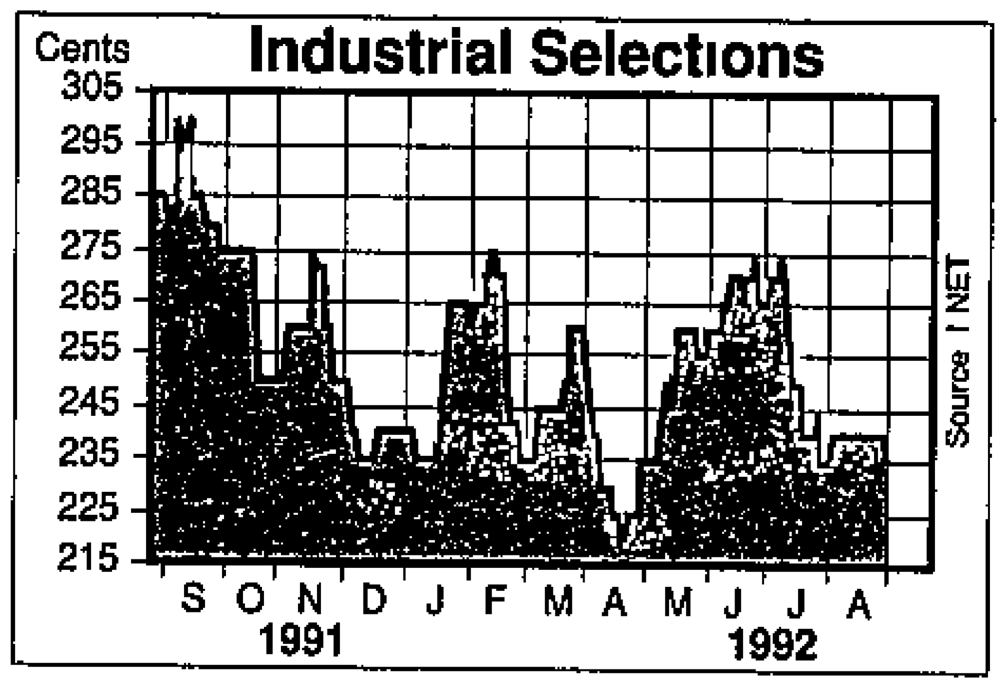
(210)

Portfolios of these two IDC-controlled investment companies continued to move further into line during the year to end-June National Selections (Natsel) — the smaller of the two — divested completely from Abcom Holdings and Natal Thread with the result that, in terms of the spread of investments, the only differences between the two portfolios now are Industrial Selections (Indsel)'s holdings in Gubb & Inggs and Delfos & Atlas Copco

There remains, however, a more fundamental difference in that Indsel's portfolio is

continue

FM 4|9|92 (210)



INDUSTRIAL SELECTIONS

Activities: *Investments in listed and unlisted shares of companies engaged in manufacturing and beneficiation of minerals*

Control: *Industrial Development Corp (52,1%)*

Chairman: *P J van Rooy*

Capital structure: *273,8m ords Market capitalisation. R643m*

Share market: *Price 235c Yields 5,1% on dividend, 6,1% on earnings, p e ratio, 16,3, cover, 1,2 12-month high, 300c, low, 220c Trading volume last quarter, 7m shares*

Year to Jun 30	'89	'90	'91	'92
Div income (Rm)	36,6	41,8	37,1	39,3
Taxed profit (Rm)	36,9	42,7	38,0	39,3
Earnings (c)	13,5	18,6	13,9	14,4
Dividends (c)	10	11,5	11,5	12
Net worth (c)	273	309	291	325

NATIONAL SELECTIONS

Activities: *Investments in listed and unlisted shares of companies engaged in manufacturing and beneficiation of minerals*

Control: *Industrial Development Corp (50,8%)*

Chairman: *P J van Rooy*

Capital structure: *230,2m ords Market capitalisation R529m*

Share market: *Price 230c Yields 6,3% on dividend, 7,4% on earnings, p e ratio, 13,5, cover, 1,2 12-month high, 300c, low, 230c Trading volume last quarter, 4,2m shares*

Year to Jun 30	'89	'90	'91	'92
Div income (Rm)	36,8	41,5	36,9	39,3
Taxed profit (Rm)	37,5	43,1	37,9	39,1
Earnings (c)	16,3	18,7	16,5	17,0
Dividends (c)	12	14	14	14,5
Net worth (c)	289	336	302	339

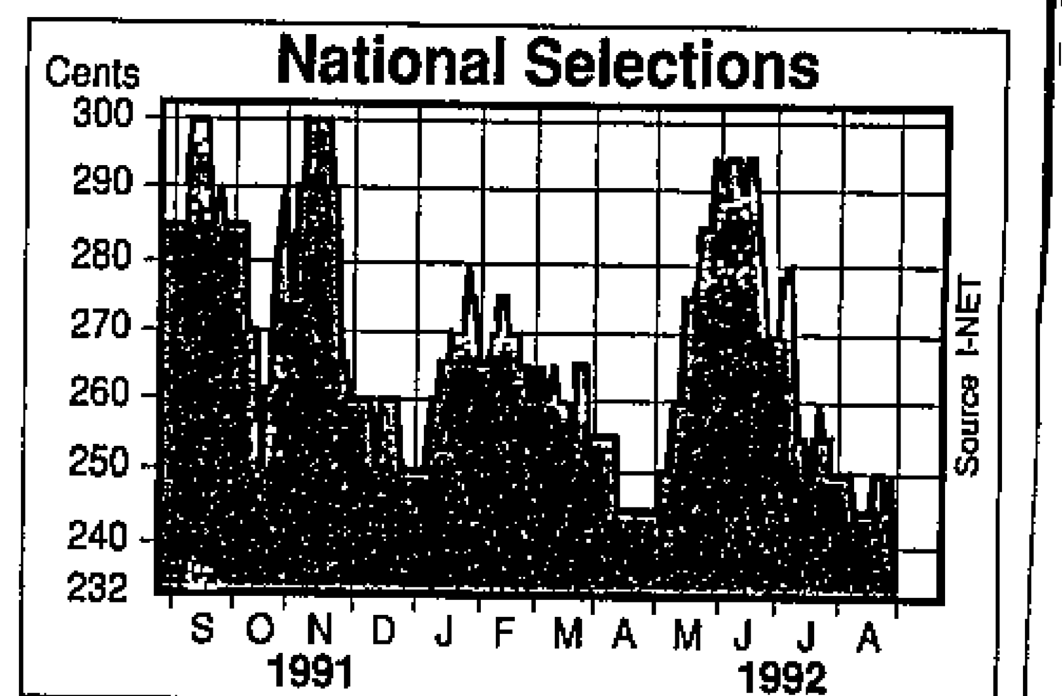
more heavily weighted in favour of the industrial sector, but this hardly justifies the continued existence of two separate corporate structures, a point underscored by the fact that there is almost no difference between the dividend income of the two companies

Portfolio changes common to both companies included the sale of Bankorp following that company's absorption into Absa, a lightening of their respective holdings in unlisted Automotive Overseas investments, and increases in the two Richards Bay mining companies, Richbay Mine Holdings and Richbay Smelter Holdings For the rest, holdings were left unchanged, underlining the companies' long-term investment philosophy.

Based on the position at June 30, net worth of Indsel (with listed investments at market value) rose from 291c to 325c, while that of Natsel showed a slightly larger proportionate gain (12,2% against 11,7%), from 302c to 339c In each case, true net worth is probably understated as these calculations include the directors' valuation of unlisted investments based on cost or a dividend yield of 10% Against this, however, the recent slide in JSE prices has taken quite a hefty toll, knocking about 31c a share off the value of each company based simply on their respective listed portfolios

But their own share prices have suffered even more From 12-month peaks of 300c, Natsel has crumbled to 230c, while Indsel is not much better off at 235c So whereas a year ago, when the *FM* reviewed the 1991 annual reports, there was little material difference between share prices and net worth, now fairly substantial gaps have opened up with Indsel at a 25% discount to NAV (adjusted to current share prices of listed investments) and Natsel 20% below its recalculated net worth

Under more favourable market conditions, both shares would be worth picking up at current prices While neither company is ever likely to produce any fireworks, there is no denying the quality of their portfolios and, as long-term investments, their stature is



enhanced by the directors' policy of not increasing dividends unless they are reasonably sure the higher level can be maintained — an obvious attraction for those requiring a stable income source *Brian Thompson*

GENBEL

FM 4/9/92 (210)

Waiting for commodities to turn

Activities: *Holds a portfolio of quality investments, predominantly in SA mining and resource industries Also controls significant mineral rights and is involved in investment markets*
Control: *Gencor 49,97%; Sanlam 9,8%*
Chairman: *T L de Beer, MD A D Botha*
Capital structure: *432m ords Market capitalisation R2,25bn*
Share market: *Price 520c Yields 6,5% on dividend, 6,5% on earnings, p e ratio, 15,2; cover, 1,0 12-month high, 735c, low, 500c Trading volume last quarter, 3,93m shares*

Year to Jun 30	'89	'90	'91	'92
Investments				
— Valuation (Rbn)	2,53	3,64	3,03	2,90
Investment inc (Rm)	86	110	106	107
Other income	11	18	40	58
Net income (Rm)	100	157	415	291
Dist earnings (Rm)	97	120	138	148
Dist earnings (c)	25,9	28,8	32	34,2
Dividends (c)	26	27,5	32	34
Net worth (c)	664	785	740	701
Total return (%)	55	17	3	(3)

As Genbel's major investments are predominantly in commodity or precious metal exporters, as well as the holding in Liberty Life UK financial and property arm TransAtlantic Plc, there was little prospect of real earnings growth over the past couple of years

Total return to shareholders — a useful statistic included in the annual accounts — was a negative 3% in the year to June, well down on the returns of 1989 and 1990 (see table) Given the nature of the portfolio, the

RESOURCE BIAS

Market value of major investments

	Rm	%
Engen	396	13,1
TransAtlantic	371	12,2
Genbeheer	363	12,0
Impala	354	11,7
Sappi	311	10,3
De Beers	241	8,0
Samancor	175	5,8
Oryx (inc loan)	154	5,1
Unisen	147	4,8
Kinross/Winkels	112	3,7
Other	404	13,3
Total	3 028	100,0

share did not escape the general downrating accorded to mining financials whose income and valuations have been dragged down by the weak markets for products produced by their underlying assets and by the stable rand/dollar exchange rate

This is not to say that Genbel is simply a passively managed investment company Emphasis is placed in the annual report on the active management and the fact that the

Genbel's Botha ... *modest earnings growth this year*

company consists of more than a portfolio of long-term investments

Chairman Tom de Beer notes, for example, that higher interest receipts and an improved distribution from Unisen Investments, Genbel's investment trading company, more than counteracted the effects of the continued worldwide recession and this enabled Genbel to report an increase of nearly 7% in earnings and dividends.

Interest income was the more important of these two factors, having more than doubled during the year from R14m to R33m Dividend income from investments was up by R1m to R107m.

Distributable income from Genbel Offshore Investments (GOI) was unchanged at R24m, though GOI also suffered a R13m net loss on investment transactions, shown as a below-the-line deduction to the company's unappropriated income

MD Anton Botha spells out the investment philosophy by saying that new investments by Genbel in SA are generally concentrated in areas where the funds can be channelled directly or indirectly into export-orientated capital-intensive industries, principally in Gencor.

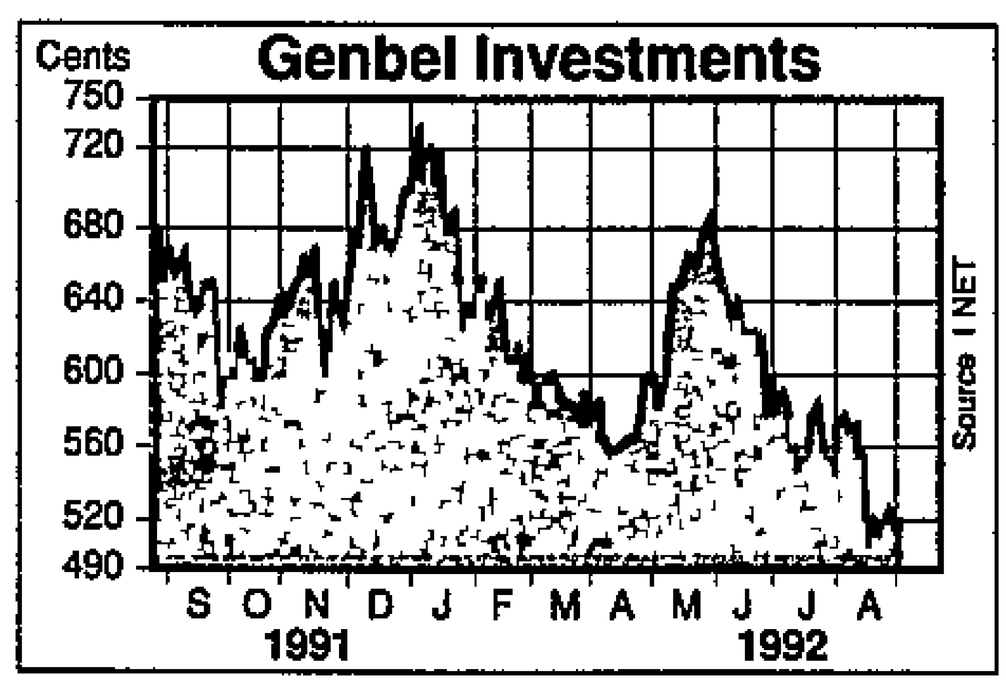
This approach was followed with the acquisitions made last year. shares were acquired in Sappi, through the rights issue in November 1991 and private placing in June 1992, in TransAtlantic through its rights issue, and further shares were bought in Impala and Samancor. Shares were sold in Genbeheer, Anglovaal Holdings, Middle Wits and Rustenburg Platinum, while a further R48m was advanced as an interest-free shareholders' loan to Oryx Gold Holdings

With these transactions, Genbel's available liquid assets declined by R29m to R145m at year-end

Unisen made an after-tax profit of R33m in the 1992 year and Genbel received dividends totalling R22,5m (1991 R22,5m) from the company Botha adds that Unisen's gross return on assets was 18,8%, which compares favourably with the 13,9% total return on the JSE All Share index for the year.

Even with active management, Genbel's earnings this year will be influenced heavily by commodity markets While De Beer says there are encouraging signs that the bottom of the commodity cycle may have passed and Botha adds that since early 1992 there has been noticeable strengthening in prices of many commodities in the Genbel portfolio, they are only mildly optimistic about improved profitability by these companies in 1992/1993

The forecast is thus for only modest growth in Genbel's earnings in 1993 De Beer believes the growth should become stronger in 1994 and beyond Though immediate prospects are not exciting, the share is inexpensive compared with other leading



mining holding companies and offers an investment in a quality portfolio with rand hedge attractions *Andrew McNulty*

INDSEL/NATSEL

FM 4/9/92

Moving into line

Portfolios of these two IDC-controlled investment companies continued to move further into line during the year to end-June National Selections (Natsel) — the smaller of the two — divested completely from Abcom Holdings and Natal Thread with the result that, in terms of the spread of investments, the only differences between the two portfolios now are Industrial Selections (Indsel)'s holdings in Gubb & Inggs and Delfos & Atlas Copco

There remains, however, a more fundamental difference in that Indsel's portfolio is

continue →

Anglo said to be bidding for Aussie group

STAR 4/9/92. (210) (22550)

SYDNEY — Anglo American is one of a number of companies rumoured to be bidding for British Petroleum's 49 percent interest in Australia's Olympic Dam, one of the world's biggest uranium, copper and gold projects.

The stake is estimated by many analysts to be worth in the region of A$600 million ($432 million).

"We are in negotiations with a buyer, but certainly an announcement is due not within days but within weeks," BP spokeman Neil McMaster said yesterday.

Western Mining, which owns the major shareholding, has first right of refusal on any sale

In 1989 it blocked BP's plans to sell its interest to Britain's RTZ Corporation for A$800 million.

The sale would mark the departure of BP from Australia's minerals scene, although it will retain a presence in oil and gas production in both Australia and Papua New Guinea.

Peter Lester, resources manager at stockbrokers ANZ McCaughan, said BP was likely to sell the stake for a figure between $400 million and $450 million

"Asset values in general have fallen dramatically in the past few years," Mr Lester said

Western Mining values its 51 percent stake in Olympic Dam, one of Australia's two producing uranium mines, at A$424,8 million ($306 million).

Western Mining yesterday reported a net loss of A$21,2 million for the year to end-June

This represents a sharp turnaround on the profit of A$361,9 million a year earlier, because of writedowns on mining assets and low metals prices

It said Olympic Dam contributed a profit of A$19,1 million during the year

Mr Lester said likely candidates for BP's stake were RTZ, SA's Anglo American group and the Royal Dutch Shell group's minerals arm, Billiton

BP has been continuing to look for buyers for Olympic Dam since the RTZ deal fell through

The company has been negotiating with the current prospective buyer for nine to 10 months.

Western Mining has 90 days to exercise its right of refusal after being informed by BP of its proposal to sell

"I cannot comment until such time as there is a formal approach by BP," a Western Mining spokesman said

Olympic Dam produced 1 369 tons of uranium oxide in the year to June 30, 62 082 tons of refined copper, 22 851 ounces of gold and 467 192 ounces of silver — Sapa-Reuter

STAR 10/9/92

Question over ET Cons earnings

210

By Derek Tommey

Eastern Transvaal Consolidated Mine's (ET Cons) earnings this year will depend mainly on the rand gold price, says chairman RAD Watson

Mill throughout and recovery grade will remain relatively constant at last year's levels, but working costs will continue to rise, though below the inflation rate

Additional revenue should come from the retreatment of the calcine dams, which will start in January at an initial rate of 1 200 tons a month at an estimated recovery grade of 7,5g/t.

The company is investigating retreating the Consort and Sheba tailings dams.

ET Cons spent R7,7 million (1991: R8,8 million) on prospecting during the year.

Drilling on the Slaaihoek nickel/copper/platinum prospect shows it is a complex mineralised body.

Further work will be done in the current year to determine its potential

Capital expenditure this year will be about R11,7 million, mainly on the calcine retreatment plant, shaft deepening and sludge pumping at Sheba, shaft deepening at Consort, employees' housing and amenities, and on matters related to the environment.

JCI's attributable earnings rise 5%

B/Day 11/9/92

(210)

MATTHEW CURTIN

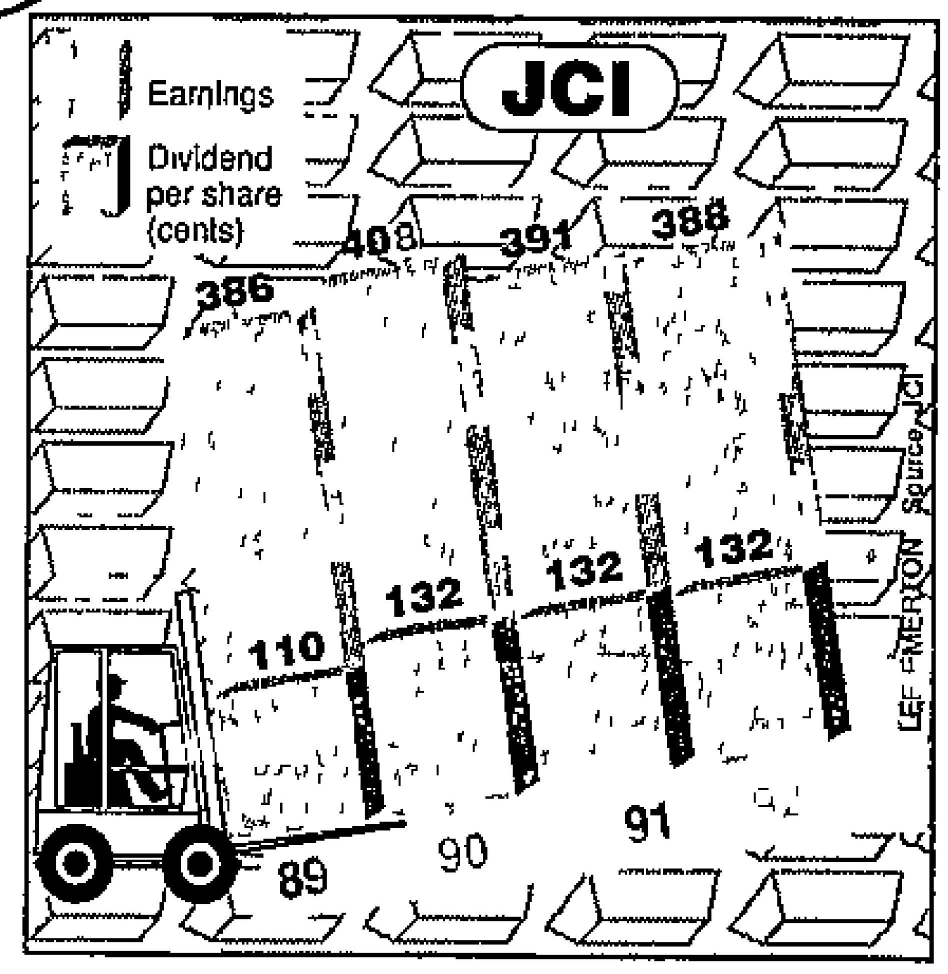
JOHANNESBURG Consolidated Investment (JCI) reported a 5% increase in attributable earnings in the year ended June 1992 and declared an unchanged dividend of 133c a share

Chairman Pat Retief said the failure of the world economy to recover in the year hit the heart of JCI's businesses whose fortunes were tied closely to commodity prices. Added to that was the relative strength of the rand against the dollar, which affected the group's rand revenue "In these circumstances, our results are satisfactory," he said.

For the first time in the mining house's history, its industrial and non-mining interests contributed more to equity-accounted earnings than its platinum, gold, diamonds and other mining interests.

Attributable earnings rose to 298c from 283c a share, but at the equity-accounted level they fell slightly to 388c from 391c a share

JCI's pre-tax profit rose 4% to R463m from R445m With a small fall in taxation, after-tax profit rose 5% to R440m from



R418m Attributable earnings rose on the back of an increase in investment income to R370m from R351m and higher earnings from operating subsidiaries at R56m (R47m), although sundry revenue fell to R14m from R22m.

JCI's share of retained earnings of associates fell 16% to R133m from R158m That knocked the group's equity-accounted

☐ To Page 2

JCI

B/Day 11/9/92

(210)

☐ From Page 1

earnings, which fell to R572m from R576m JCI's long-term borrowings rose steeply to R170m as of June 30 1992 from R79m last year, while net current liabilities increased to R446m from R428m

Retief said JCI faced "a very difficult year ahead" with earnings likely to fall at the attributable and equity-accounted level

The group was still well positioned to take full advantage of any recovery in local and overseas markets Rustenburg Platinum was expanding its output and was selling all of its current production, while JCI had one of the world's best untapped gold prospects in its South Deep venture However, local political conditions, the stock market sentiment and gold prices would have to improve significantly for the project to be given the green light

Retief said he was frustrated at the lack of progress being made on the political front, particularly with its impact on business confidence

In the year, JCI fully equity accounted its stake in SAB for the first time which boosted earnings significantly Previously only the group's stake in SAB via investment company Bevcon had been accounted in this way

Industrial investments contributed 42% or R243m of equity-accounted earnings, compared with only 36% or R205m in 1991, thanks to good performances from SAB, Premier Milling, Times Media and Argus, more than offsetting problems at Toyo a

Industrial earnings improved further with the turnaround at ferrochrome producer Consolidated Metallurgical Industries — ferrochrome contributed R2m against a R11m outflow last year — and continued income from JCI's engineering interests

On the mining side, the good news came from JCI's gold division, principally Randfontein Estates, which increased its dividends in the year, despite its policy aimed at building up a R90m cash reserve by mid-1993 Platinum mining was hit by slow economic growth worldwide, with the platinum mines contributing R120m against R190m the previous year, a share of earnings reduced from a third to a fifth overall The contribution from diamonds fell too, but Retief said the poor performance of JCI's coal investments was particularly disappointing

Unlike its competitors, JCI's coal interests in the Middelburg joint venture and Tavistock Collieries lacked the protection from the depressed export trade afforded by sales contracts with Eskom power stations

I&C produces R4m surge

(I&C) EDWARD WEST 210

INDUSTRIAL and Commercial Holdings (I & C), which has as its major asset a 12,5% stake in Saturn Mining and Prospecting, has upped attributable income to R4,57m from R135 000 in the year to end-June 1992.

Saturn had rights to receive 12,5% of Venetia diamond mine's profits until the mine capital spending was recouped, after which it was entitled to a 50% share of the profits. Anglovaal and Mid Wits held 87,5% of Saturn. I & C was owned by its directors with a 63,6% stake.

I & C results published today show dividends received from Saturn in the 12 months to June 30 1992 amounted to R434 000. After expenditure of R221 000, tax of R6 000 and an extraordinary income of R4,35m, attributable income was R4,57m.

A dividend of 2c a share was declared. SDAM 11/9/92

Since year-end Saturn has declared a further dividend.

Industrial interests do for JCI sterling work

By Derek Tommey (210) STM 11/9/92.

Helped by increased income from Argus, Premier and SA Breweries, mining house Johannesburg Consolidated Investment (JCI) has come through an extremely difficult year with higher profits, says chairman Pat Retief.

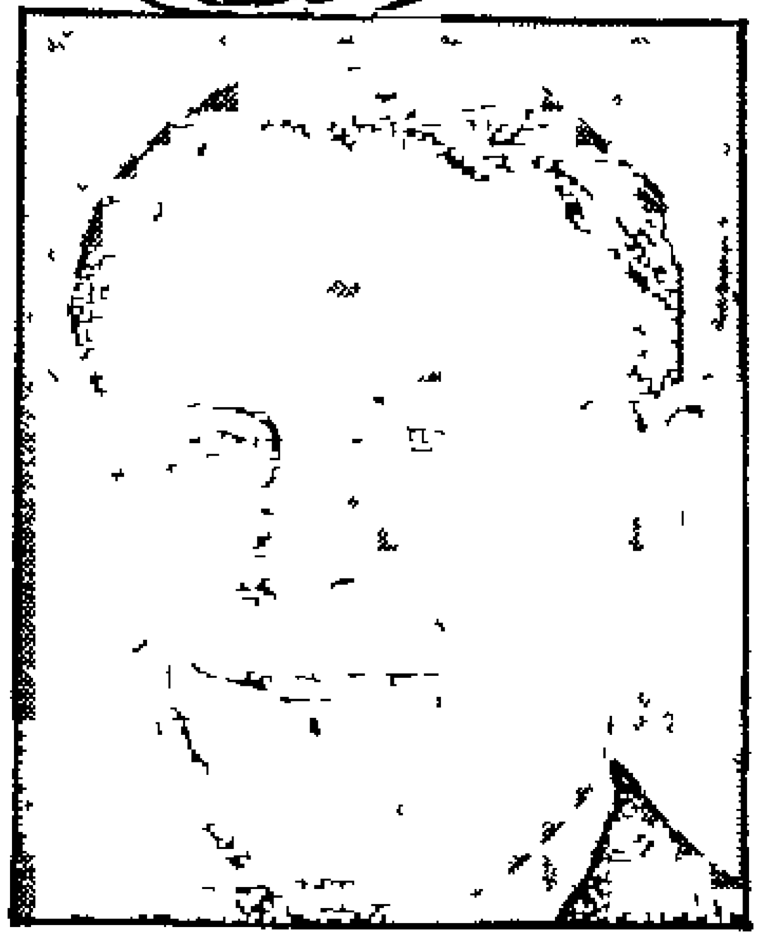
Attributable earnings in the year to June grew 5,2 percent from R418,0 million to R439,6 million Earnings a share rose from 283c to 298c.

However, equity-accounted earnings, which include JCI's share in the undistributed earnings of associate companies, declined slightly from R576,1 million — equal to 391c a share — to R572,1 million — equal to 389c

The profit figures take virtually no account of the PP Rust and Lebowa dividends in specie, which have been used to create a provision against possible investment losses.

An unchanged final dividend of 90c has been declared, making an unchanged total of 132c for the year

The figures suggest the de-



Pat Retief . . . lower level of earnings expected in 1993

scription "mining house" for JCI is becoming something of a misnomer

Earnings from industrial and property investments in the year just ended exceeded earnings from minerals and mining, though admittedly it is the first time this has happened.

Mining's contribution to profits fell from R314,5 million to R242,8 million, or from 54,8 percent to 42,4 percent of the total.

But income from property and industry rose from R203,4 million to R267,3 million — from 35,2 percent to 46,7 percent of the total

Income from platinum slumped by R76,1 million to R120,1 million, but income from gold rose R4,6 million to R15,9 million.

Diamond income fell R10 million to R68,8 million.

The coal unit's results were disappointing, its contribution to JCI's profits dropping by R7,7 million to R41,1 million

Mr Retief says the coal unit is a good one and that a far higher return had been expected, with almost R500 million having been invested in it over the past few years.

But the export coal market has become difficult, with spot coal prices recently dropping by $5 to $7 a ton.

Mr Retief says this will affect price negotiations for 1993

The lack of a linked Eskom power station had also made JCI's coal division more vulnerable to a downturn.

Industrial investments produced income of R242,62 million (R205,3 million), while the ferrochrome division had a R13,4 million swing from loss to profit

Mr Retief says the group is expecting a lower level of earnings in 1993, but is well positioned to benefit from an upturn in the world economy

The South Deep gold deposit, which JCI is preparing to develop, is the most important unexplored deposit in the world, he says

JCI is in a unique position at South Deep because the twin haulage from Western Areas has enabled it to inspect the ore body at the proposed shaft site

Before JCI can go ahead with a mine at South Deep it has to be confident gold can be produced at a low price

JCI is looking for new prospects oveseas, including Australia However, all the platinum prospects so far investigated have proved worthless

JCI's shares had a net asset value of R68,86 each at June 30, up from R61 a year ago

Its investments had a market value of R9,67 billion (R8,25 billion), while total assets were R2,96 billion (R2,48 billion)

Current assets at June 30 were R1,8 billion Current liabilities were R2,32 billion, resulting in net current liabilitres of R446,4 million (R428,3 million a year ago).

employer turnout Those who did hours

The giants prepare for battle

W/Mail 11/9-17/9/92

Anglo's liberal stance goes no further than its pocket, claims Numsa. The country's biggest union is set to take on the country's biggest corporation, reports

MONDLI MAKHANYA

ANGLO AMERICAN is to become the target of a National Union of Metalworkers Union-led campaign aimed at forcing it to change its alleged strategy of trying to "smash" unions during disputes.

This campaign — which Numsa will propose at the Congress of South African Trade Unions' campaigns conference this weekend — follows the recent industry strike in the steel and engineering sectors, in which several thousand strikers were dismissed by Anglo subsidiaries

It will supplement Numsa's push to have the Labour Relations Act's provisions on balloting and legal strikes scrapped and a court battle later this year to overturn a supreme court interim finding that the strike was illegal.

Numsa also insists it is still in dispute with the Steel and Engineering Industries Federation of South Africa (Seifsa) and has re-opened negotiations with the employer body At a bargaining meeting this week, employers raised their pay offer to 9,1 percent, while the unions party to the industrial council dropped their demand to 12 percent.

Numsa claims that Anglo was behind Seifsa's hard-line approach in this year's negotiations and that the decision to attack the strike in court emanated from Anglo.

Anglo spokesman Glen Finnegan dismissed the claims, saying the response of subsidiaries varied depending on how the strike and trading conditions affected them. "Against the background of a severe national economic downturn and soaring unemployment, the companies which dismissed striking workers because their business operations were damaged did so only as a last resort," contends Finnegan.

On the dismissals, the union suggested Anglo had used the same strategy as in the 1987 National Union of Mineworkers' (NUM) strike, when 50 000 miners were dismissed — most at Anglo mines

Characterising Anglo's attitude as "workers have the right to strike and Anglo has the right to dismiss", Numsa's Les Kettledas said "Anglo claims to be a major protagonist of liberal and democratic values Yet since the 1987 NUM strike it has shown that its support for the right to strike goes no further than its pocket."

Other Cosatu affiliates are likely to sympathise with Numsa's campaign proposal The NUM is currently locked in a wage dispute with the Anglo associate company De Beers, which recently de-recognised the union. Several other Anglo subsidiaries — including Amcoal — have given warnings to workers who missed work during the August national stayaway

LABOUR BRIEFS

W/Mail 11/9-17/9/92

Cosatu queries on NMC

AFTER reservedly welcoming the restructured National Manpower Commission two weeks ago, the Congress of South African Trade Unions is to meet Manpower Minister Leon Wessels about aspects of the body.

Cosatu wants to seek clarity on the role and voting status of "experts" on the commission. Only thereafter will it decide on whether to rejoin the body it pulled out of last year.

Workers threaten sit-in

DISMISSED Walter Chipkin workers have threatened to stage an indefinite sit-in on the food merchant company's premises to press management to re-instate them.

The 1 000-strong work-force was dismissed in June after going on strike demanding that the human resources manger should not take part in the negotiations with the union.

W/Mail 11/9-17/9/92.

Keeping future shock down

210

South 12/9 – 16/9/92.

HEADED by Mr Clem Sunter, Anglo American's scenario team acts as the company's "radar system", scanning the future business environment for surprises and pitfalls and sensitising management to change

"Every company has a certain resistance to change," says Sunter "It's a natural human condition Scenario planning is there to lower that resistance by stretching the imagination. It is therefore a very useful process since change in any form — economic, political or technological — can make or break a company"

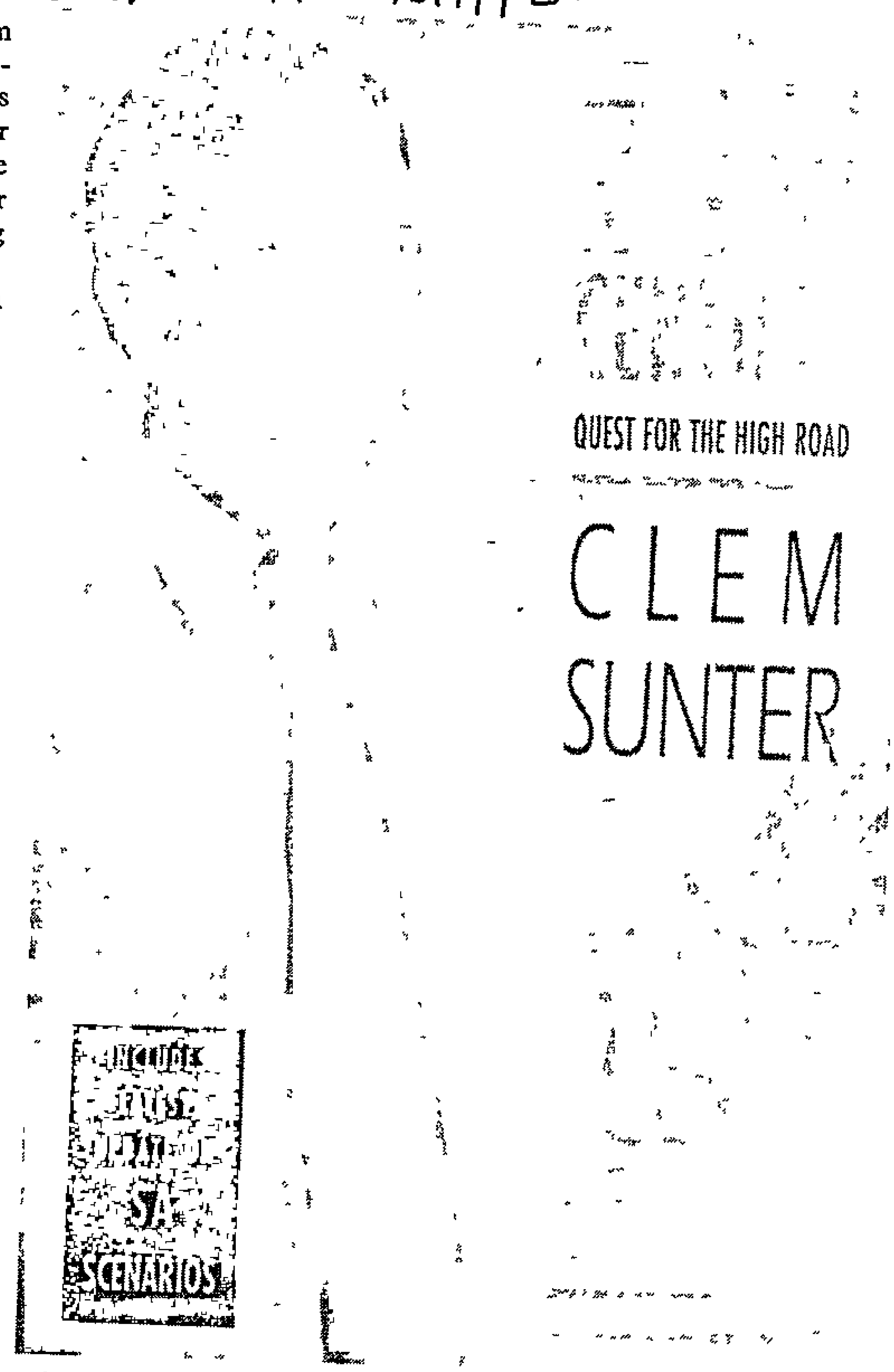
The first Anglo scenario was developed in 1985 and has been constantly updated since The book and video on the scenarios have been read and seen by thousands, including government and liberation movement leaders

The scenarios have been uncannily accurate — they forecast the disintegration of the Soviet Union 21 months before it took place — and, even if you don't agree with with some of the values in the scenarios, they contain a great deal of food for thought

Sunter says the scenarios are based on sets of certainties and uncertainties about the future.

For example, it is likely that no matter what happens in the future, nations will still be around and will still be fighting one another There will be money in circulation and people will be trading with each other.

The Anglo team took four things as certain — continued population growth in poor countries, the revolutionary impact of technology on society, the shift of values from crude materialism to a more balanced approach to life, and the



unchanging characteristics of a winning nation

When looking at uncertainties about the future, it realised these could include the effect of Aids on population growth, what fundamentalist Islam could do to geopolitics, and what changes in the global climate could do to agriculture

In the end, however, it realised that perhaps the greatest deciding factor in the future would be whether rich nations "will rise to the challenge of assisting the poor to become winners in their own right, or will they turn their back?"

The articles on this spread look at various possible answers to this question

Change 'should be a challenge'

8/DAY 15/9/92 (2.10)

JONO WATERS

THE SA mining industry's influence on the economy was recently demonstrated, with the JSE catching a "chill" when the De Beers financial results were announced

This was said yesterday by Sacob deputy director-general Ron Haywood at the opening of the 1992 Electra Mining Exhibition in Johannesburg

He said the industry was under pressure, but it still made a major contribution to SA's economy through job and wealth creation in its downstream activities.

Mining houses were major players in initiating the expansion in the manufacturing industry, and billions of rands would be spent in the years to come.

"When the world economy improves, boardrooms will give the green light to projects that are on hold."

Haywood said he was encouraged by the latest GATT report, which predicted the world economy would pick up next year and grow by an average of 2,7% over the next few years

"While we are living in an uncertain world with dramatic and traumatic change taking place, I would like to see change as another word for challenge to maximise opportunities in the coming years," Haywood said.

However, as important as mining was to SA, the emphasis was shifting to manufacturing, especially in the export of value added products

He said he found the "export culture" generated by the mining industry at the exhibition far stronger than he had expected

Anglo 'happy' to talk to Cosatu

210

ANGLO American would be happy to meet Cosatu to find constructive solutions to "prevent conflicts" as nothing positive could be achieved by attacks on individuals or organisations, Anglo executive director Bobby Godsell said yesterday B|DAY

Godsell was responding to Cosatu's decision at the weekend to target the company with industrial action because of dismissals during the recent metalworkers' strike. 16|9|92.

Meanwhile DP spokesman Robin Carlisle condemned Cosatu's call for more mass action as "another season of dark madness".

Cosatu has meanwhile called on employers to respect the desire of workers to commemorate the Bisho massacre on Friday when the victims are to be buried Cosatu said many workers wanted to attend the funeral and should be given the day off

Workers will stay away in the eastern Cape and Border regions and Cosatu has asked employers to "demonstrate their concern" by shutting down for the day.

● Comment. Page 6

Bartlett urges mines to cut costs

JONO WATERS

THE mining industry generated R43bn in sales last year and accounted for 52% of SA's total export revenue, Mineral and Energy Affairs Minister George Bartlett said yesterday BIDAY 16/9/92

Bartlett told the Massmin 1992 conference in Johannesburg that about 680 000 people worked in the mining industry and were paid R12bn in wages and salaries, which supported 3,4-million dependants

He said SA was richly endowed with minerals, but it had to be able to offer its products at competitive prices on international markets This implied that the mining industry would have to find more cost effective methods of mining

The normalisation of SA's relations with the rest of the world would open up many new markets for its products

SA had all but one of the major requirements for investment by foreign companies in mining and mineral production — political stability, he said

SA had a favourable geological environment, attractive mineral and investment policies including security of tenure and a good physical, financial and technological infrastructure

(210)

Bartlett said it was encouraging to note investors were coming to SA with a view to establishing joint mining ventures Most of the visits were aimed at studying SA legislation and mining methods

Local industry should be encouraged to manufacture equipment for the domestic mines Local manufacturers could also produce for the export market

"The Electra Mining exhibition presents an ideal opportunity to show the international mining community the expertise available in SA," Bartlett said

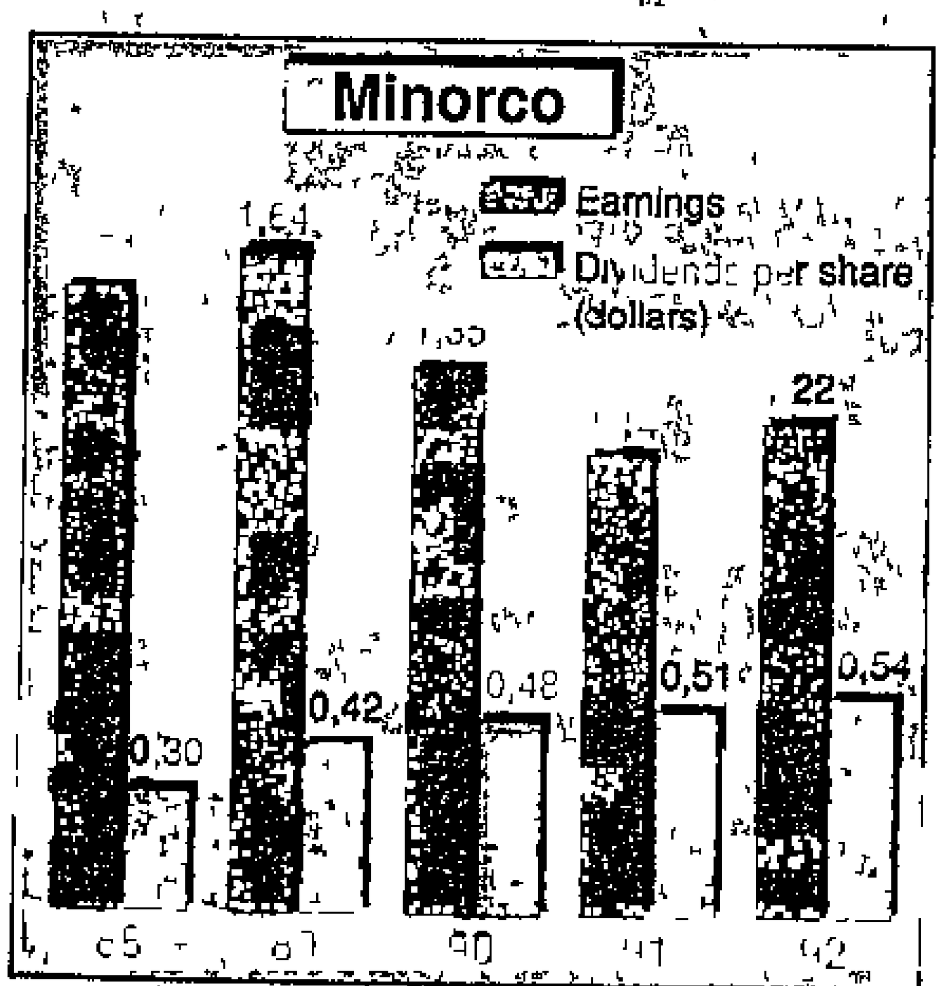
The exhibition, the biggest industrial show in Africa, is running concurrently with the Massmin conference at Nasrec until Friday. More than 400 exhibitors from 20 countries are participating

Rand Mines restructure

LONDON — Rand Mines warned that share prices of Rand Mines and Rand Coal could be affected by consideration being given to a proposed restructuring of the Rand Mines Group

"Shareholders in Rand Mines and Rand Coal are advised to exercise caution in dealing in their shares," Rand Mines said in a statement to the London Stock Exchange — Reuter (210) CT 17/9/92

Minorco raises dividend (210)



Graphic RUBY-GAY MARTIN Source MINORCO

MATTHEW CURTIN

MINORCO, Anglo American's cash-flush mining and minerals associate, reported a 7% increase in earnings a share and upped its total dividend by 6% in the year ended June 1992 BDay 18/9/92

Earnings before extraordinary items rose to $1,22 from $1,14 a share. The group declared a dividend of $0,54 ($0,51) a share

Chairman Julian Ogilvie Thompson said yesterday. "Minorco increased its earnings and dividend despite difficult business conditions while continuing its transformation, through acquisitions and restructuring, into a natural resources operating group."

☐ To Page 2

Minorco BDay 18/9/92 (210)

☐ From Page 1

However, change at Minorco barely dented its large cash pile which stood at $1,78bn at June 30 this year, compared with $1,89bn in 1991 The group acquired, at a total cost of $308m Canadian zinc and copper producer Hudson Bay Mining and Smelting in August 1991; the UK-based Buxton Lime Industries (December 1991) and Nash Rocks (April 1992), and, in Germany, gravel producer Lausitzer Grauwacke GmbH in November 1991

However, it was reported this month that Minorco was set to buy BP's stake in Australian copper, gold and uranium producer Olympic Dam for about $300m

A Minorco spokesman said yesterday that with the purchase of an extra German quarry and the two UK operations, Minorco had built up "the core of a European industrial minerals division"

Minorco's turnover leapt 120% to $1,7bn from $771m with the consolidation for the first time for a full year of US agribusiness Terra Industries and Hudson Bay In the previous year the companies were equity-accounted for all but the last quarter

However, operating profit rose only 12% to $64m from $57m The spokesman said the contribution from Terra — a fertiliser and feed producer and agricultural services group — was lower because of the inclusion in 1991 of earnings for the quarter to end-June only, its most profitable period because it was the spring planting season

Contributions from Hudson Bay's industrial mineral interests offset lower earnings from gold, hit by weak prices

Financial income remained the largest contributor to earnings and rose slightly to $169m ($168m) in spite of lower US interest rates Minorco's equity-accounted earnings increased to $95m from $64m because of a restructuring of Minorco's investment portfolio, a good contribution from metals group Engelhard, and only a small fall in Charter Consolidated of Britain.

Pre-tax profit rose to $253m from $244m, with after-tax income increasing by a smaller amount to $216m ($215m) because the group paid more tax Attributable earnings rose to $206m from $194m

JCI (210) (217) FM 18|9|92

Showing flexibility

Improved results from JCI, which showed a 5% increase in attributable earnings for the year to June, were ahead of market expecta-

FM 18|9|92 FOX (210)

tions They were achieved largely on the back of improved income from some unexpected sources, as well as success in staunching the losses at ferrochrome producer CMI

The results are all the more surprising because management has reversed its decision, taken at the interim stage, to report R14,5m above the line from the dividends in specie declared by Rustenburg Platinum

STABLE EARNINGS

Year to June 30	1991	1992
Income from invest (Rm)	350,7	369,6
Pre-tax profit (Rm)	445,2	463,8
Attributable earnings (Rm)	418,0	439,6
Equity earnings (Rm)	576,1	572,1
Attributable earnings (c)	283,0	298,0
Dividends (c)	132,0	132,0
Net worth (R)	61,0	68,9

when it distributed its interests in Lebowa Platinum and Potgietersrust Platinum That was criticised at the time because the dividend in specie was essentially a shuffling of JCI's interests and should have been taken below the line as an extraordinary item

Executive director Vaughan Bray says "We decided to follow the path of accounting virtue, took the amounts below the line and used them to make provisions against some of our investments" Companies against which provisions have been made include exploration company Barnex, gold producer Lindum Reefs and antimony and gold producer Consolidated Murchison

Chairman Pat Retief says JCI's performance was satisfactory given the extremely difficult year, with mining income for the first time contributing less than the industrial and property interests

Mining contributed R242,8m — 42,4% — to 1992 equity accounted earnings of R572,1m, while industrial and property weighed in with R267,8m, equivalent to 46,7% In the 1991 year mining contributed 54,8% and industrial and property only 35,2% to total equity earnings of R576,1m

Main contributors to the improved industrial earnings were SA Breweries, Premier and Argus, while CMI contributed R2,1m in preference dividend payments compared with a loss of R11,3m in 1991

Treasury operations did exceptionally well and net income from this source, after allowing for interest payments, jumped to R21,6m (R12m) Other substantial contributions came from the Lennings engineering operation which kicked in R15m (R0,7m), as well as mining finance and other income which contributed R11m (R3,2m)

These last two items have some analysts muttering about "fancy accounting footwork" JCI disposed of its Lennings interests last year and even Retief, at last week's briefing, confessed he had been "surprised" to see funds still coming in from this source

Bray explains that, though Lennings sold nearly all its assets, the company remains part of the group The bulk of the money consists of interest accrued during the year

Cont

JCI's Retief *predicting lower earnings*

FM 18|9|92 (210)

on suspensive sales along with interest on funds already received About R2,5m was from on-going operations not yet sold He expects another R16m-odd from Lennings this year

Bray describes the mining finance and other income as a lot of "bits and pieces," the major items being R2m dividends from Shaft Sinkers, R2,6m dividends from the property company that owns JCI House and about R1m from Dabi

Outlook for this year is not good, with Retief predicting lower attributable and equity earnings given the depressed world economy and the continued violence and political uncertainty in SA Income from Rustenburg Platinum will drop further, as will income from investments in De Beers and the diamond trading companies

Most analysts expect a maintained dividend, though attributable earnings may be as much as 13% lower The share price has yo-yo'd in the past two months, dropping from a high of R64,50 to R48 before recovering to around R53,50, yielding 2,5% against the 3,1% sector average At these levels JCI appears to offer fair value

Brendan Ryan

Mine profit-sharing deal finalised

ALAN FINE 210

THE NUM and Anglo American have reached agreement on the detail of a profit-sharing scheme for the corporation's gold mines, which could add a maximum of 25% to 171 000 workers' basic earnings.

However, initial payouts, given the present circumstances of the industry, are likely to be low BDAY 30/9/92

The scheme — agreed to in principle at negotiations at the Chamber of Mines earlier this year — also will apply to members of the Council of Mining Unions and the three officials' associations.

In terms of the agreement, 5% of planned post-capex profits of each of the four participating mines, up to a level equal to the average quarterly profit for the period July 1991 to June 1992, will be distributed to the respective workforces

And 20% of any profits above that level will be distributed. However, a cap equal to 25% of pensionable earnings will apply.

The four mines are Freegold, Western Deep Levels, Elandsrand and Vaal Reefs.

The profit share payments will be made in a lump sum every three months after quarterly results are announced. The first payment will be made next month based on the September quarter's figures.

According to calculations prepared by the NUM as an example of the magnitude of likely payouts, and assuming the September quarter results are identical to June's, workers at Freegold would receive payments equal to an average 1,2% of earnings, those at Western Deep 0,5%,

☐ To Page 2

Profit-sharing

BDAY 30/9/92

☐ From Page 1

210

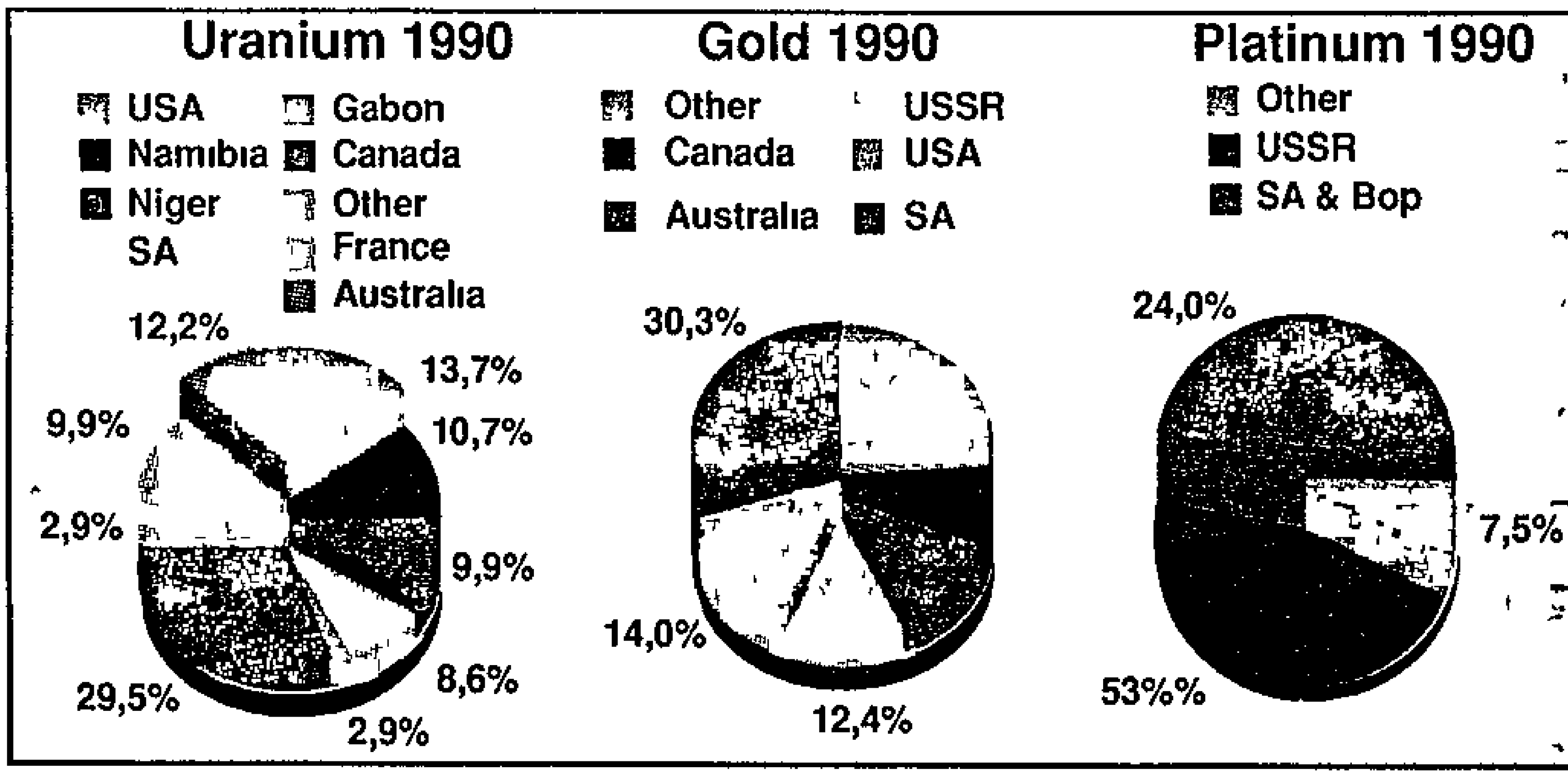
2,6% at Elandsrand and 1,7% at Vaal Reefs. The average monthly wages at the mines range from about R1 040 to R1 300.

It has been agreed that 25% of the profit-sharing "pool", or a minimum of R25 per person — whichever is higher — be divided equally among the workforce. Amounts above that would be distributed in proportion to pensionable earnings.

Rules for monitoring the scheme are still to be finalised, but it will include regular monthly meetings for shaft-stewards and other employee representatives, and a training programme, to help workers understand the financial issues involved.

Details of the scheme were confirmed by Anglo and NUM spokesmen. A joint statement was being prepared.

The NUM is involved with talks on the same issue with Gengold and Blyvooruitzicht Gold Fields, Anglovaal and JCI are not participating in the scheme.



Delicate balancing act by the mining industry

BDay 22/9/92. (210)

MATTHEW CURTIN

MINING may be the key to development of southern Africa, but the region is not necessarily in a position to attract the investment needed to start new ventures

SA's mining houses are engaged in a delicate strategic balancing act They are caught between the differing demands and potential of business in southern Africa, as opposed to overseas, says JCI group strategy consultant Nick Segal

He says "It is a difficult policy decision to commit resources to southern Africa rather than elsewhere There are conflicting influences — the need for regional economic stability on the one hand and the attraction of hard-currency business overseas on the other"

Similarity

In the mining sector, Segal says, "all things being equal", the tendency is to favour regional projects because of political influences, macro-economic demands, SA's access to potential mines and similarity of mining codes

But all things are rarely equal, and the political uncertainty and economic decay in much of central and southern Africa militates against most companies committing resources to the region

David Russell, mining analyst at stockbrokers Irish Menell Rosenberg, says "Political normality is crucial in order to encourage investment and closer co-operation in the region" Mineral deposits are often remote and infrastructure non-existent, or in a poor state

An example is the Moatize coalfield near the town of Tete in Mozambique, between the Zimbabwe and Malawi borders

SA coal group Trans-Natal, along with the Mozambican government and Brazilian company Companhia Vale do Rio Doce, is conducting a feasibility study which could lead to a multibillion-rand revamp of the Moatize mine, the country's only surviving coal producer

However, not only do the partners have to upgrade mining facilities, but they have to consider upgrading a 520km stretch of the Tete-Beira railway, and build new port facilities in Beira

There is burgeoning SA interest in tapping the region's mineral resources Genmin has paid well-publicised visits to Zambia, and Johannesburg has been full of rumours of Genmin's impending takeover of Zambian Consolidated Copper Mines (ZCCM)

But industry sources say that despite the willingness of Frederick Chiluba's government to return state-run enterprises like the copper mines to private-sector control, a combination of the mines' poor condition — starved of capital investment for years — and resistance to change from below cabinet level makes the involvement of a company like Genmin unlikely in the short-term

Stymied

Political problems have stymied the attempt by Gold Fields of SA to rejuvenate gold mining in the north-eastern corner of Zaire, near the Ugandan and Sudanese borders

A consortium — including Gold Fields, a group of Belgian entrepreneurs, and the International Finance Corporation (IFC), the private-sector development arm of the World Bank — has approved the scheme

However, the green light for the project depends on the IFC being able to sign agreements with the Zairean government, in which the corporation would take a 10% stake in the project and help raise R47m in borrowings

The IFC has not been able to do so because of political turmoil in Zaire

Russell says there is potential for a successful co-operative approach to tapping the sub-continent's mineral resources

He suggests that in the long-term, one might see the mining of Malawian bauxite and its conversion to alumina

These mining facilities could be linked to a regional electricity grid tied to Eskom's existing infrastructure

Fuelled

The grid would connect Malawi to power stations fuelled perhaps by Mozambique's offshore oil and gas reserves And the Malawian alumina would be fed to Alusaf for export

Segal says mining houses and business can take comfort from growing World Bank, IFC and EC involvement in developing southern African economies, because of the promise of economic stability which such involvement brings

He says, however, that "balance in regional development is vital SA may appear a honeypot to its neighbours — and relatively, it is — but you have to ask the question Why should SA help develop the region with all the problems it has at home?"

Politically, SA's integration into the region is a priority, although there will be inevitable caution from southern African countries

Economic development in the region has to complement rather than dilute development in SA

Segal has said there would be "natural synergies" if the Pretoria-Johannesburg area was complemented by a similar metropolitan centre in southern Africa, hence the current focus of development strategy in trying to stimulate growth nodes in southern Africa in order to stem the flow of unskilled people into South Africa

Crucial

He says that for many SA companies, it is crucial to "think internationally" Unless local business ensures it has internationally competitive companies, it will lose out Even within southern Africa, there is stiff competition for investment and development projects from foreign companies

Analysts say SA companies with a role to play in infrastructural development include Eskom and Murray & Roberts, which stand to gain from aid-funded projects aimed at rebuilding the economies of countries like Angola, Mozambique and Zambia

For others, African markets might to be too small and too difficult to reach

Segal says "JCI would look hard at favourable mining opportunities in southern Africa, as it would at others elsewhere in the world"

But the starting point must be a mining proposal of quality for a commodity in which the group is confident and which can be exploited at low cost He says JCI would examine such a proposal equally carefully, whether it be from southern Africa, elsewhere on the continent or in Latin America

Anglovaal seeking new investments

2,10

BDAY 22/9/92

NANCY KEATES

ANGLOVAAL is increasing earnings and looking for new investments, despite tough trading conditions.

Analysts expect the company to report an increase in earnings a share for the year to June 30, of between 6,4% to 8,5% or between 500 and 510c from 470c in the previous period.

"We're budgeting for slightly higher profits than last year but there are so many unknowns," says deputy chairman Clive Menell.

The unknowns include SA's emergence from four years of recession, commodity price movements, political developments, and the state of the major world economies, he says.

While Anglovaal has no major business changes planned, it is "ready to take advantage of investments in select companies struggling to survive the recession.

"These are times when opportunities arise because companies get into trouble. We're relatively liquid and on the lookout."

Anglovaal's liquidity comes primarily from Anglovaal Industries, which reported earlier this month a 10% increase in earnings a share to 907c from 825c a year earlier, moving to a net cash position of R469,5m at the end of 1992 from a net borrowing position of R271,8m.

The company sold its stake in Cadbury Schweppes for R177,1m and raised R547,3m from a rights issue in the year.

Despite improved profits, Anglovaal management maintains its conservative approach. "The bottom line was 10% up but we're not happy with the result," says Menell.

Its mining interests also performed well. Middle Witwatersrand, which has interests in gold, coal, manganese, ferrochrome and diamonds, reported a 16% increase in earnings to 16,8 cents a share from 14,5 cents a year earlier.

However, the low gold price and uncertain political scenario led Anglovaal earlier this month to postpone development of a major gold mine. The company, which spent R250m on exploratory drilling and purchasing mineral rights, says the Sun gold mining project was too risky in the current climate, given the uncertainty about actual reserves and grades.

We think it is down there and also the right grade but we can't be certain," says Menell.

Analysts agree the postponement was a good decision, saying the gold price, which is below $350 an ounce, would have to exceed $400 to make the estimated R2,5bn development worthwhile.

"One could buy a top quality mine on the market now for less than it would cost to develop Sun,' said Davis, Borkum, Hare mining analyst Trixie Ingram.

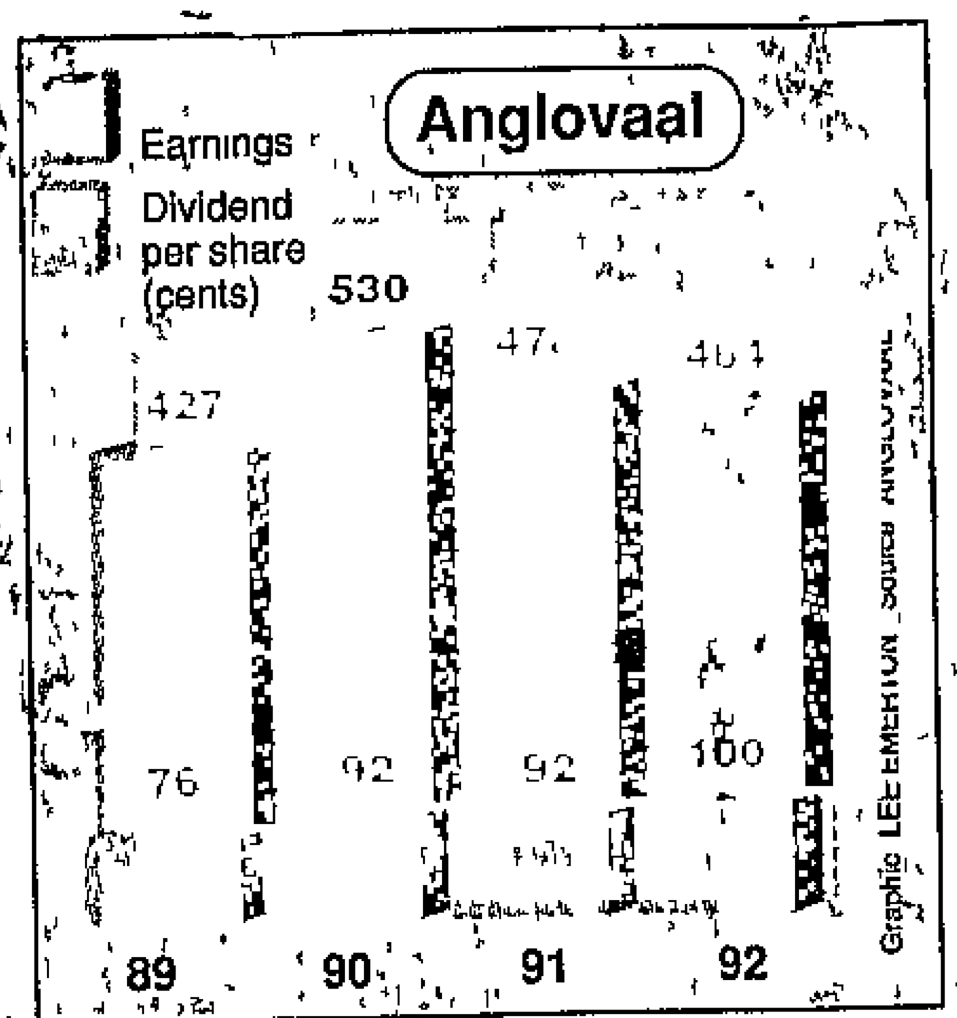
Anglovaal prospers from its role in De Beers' new R1,1bn Venetia diamond mine.

The group's Saturn Mining is entitled to 12,5% of Venetia's net profit until the mine's full capital costs have been recovered. When the capital expenditure, to which Anglovaal makes no contribution, is recovered, Anglovaal will receive 50% of net profit.

Venetia contributed R7m to Midwits' earnings in 1992. The mine is expected to reach full production of 5,9-million carats a year by the end of 1993 and recover capital by the end of 1994.

Analysts say current troubles in the diamond market, which resulted in De Beers announcing a significant cut in dividends for the year ending December 1992, are expected to have improved by the time Venetia reaches full production.

"Anglovaal's exposure to Venetia gives it potential for major growth," says Simpson, Mckie mining analyst Mike Wurth — AP-DJ.



'Long recession' hurts Anglovaal

MATTHEW CURTIN (210)

ANGLOVAAL, whose interests range from gold mining to diamonds, construction and biscuits, reported a 3% fall in earnings a share in the year ended June 1992

Earnings fell to 464c from 478c a share in 1991, but the group raised its total dividend by 9% to 100c from 92c a share

A spokesman said yesterday lower earnings stemmed from "the continuation and, in fact, worsening of the longest recession in SA in 50 years, combined with weak demand for certain of the group's mining products by its major overseas customers, whose own economies performed poorly".

Earnings were sustained by strong contributions from diversified industrial group Anglovaal Industries and ore and alloy producer Associated Manganese, which became a subsidiary during the year. Turnover rose 6% to R8,2bn from R7,7bn, but operating profit fell 8% to R748m (R816m) BDAY 23/9/92

With a jump in investment income to R49m from R39m, the fall in pre-tax profit was limited to 7%, down at R332m from R376m After-tax profit fell only 3% to R466m (R479m) because of a 12% lower tax bill, although the contribution from equity accounted earnings fell to R76m (R83m). Including that income, after-tax profit fell to R541m (R562m). Attributable earnings fell R278m from R285m

Finance, interest and other income remained the largest contributor to Anglovaal's earnings in spite of lower interest rates in the year. The next largest contributors were the group's base metal and mineral interests, packaging and rubber

□ To Page 2

Anglovaal BDAY 23/9/92

operations, and consumer goods interests.

Gold mining contributed a meagre R0,5m to earnings, compared with the R10m it contributed in 1991

□ Anglovaal has pointed out that the omission of a paragraph in a report yesterday may have given the impression that deputy chairman Clive Menell was referring to the results released today when he said "We're budgeting for slightly higher pro-

(210) □ From Page 1

fits than last year, but there are so many unknowns"

The previous paragraph, which put the comment in context, was omitted during sub-editing It stated Anglovaal says the uncertainties that make SA a difficult country to operate in are continuing in the current financial year. However, the group remains cautiously optimistic that it will pull through

Two new companies to be listed

Rand Mines is split into four entities

BIDAY 23/9/92 (210)

MATTHEW CURTIN

BARLOW Rand has broken up Rand Mines, the mining house which pioneered the development of the Witwatersrand gold mines

The group has split Rand Mines into four companies, creating two new ones in the process, Rand Gold and Exploration (Goldco) and Platco

Both will be listed on the JSE in the near future and hold Rand Mines' gold and platinum interests respectively

Rand Mines, reduced to a holding company for its coal division Randcoal, will take on R110m in debt to capitalise the new companies, through the issue of redeemable preference shares.

At a news conference held at Barlow Rand head office in Sandton yesterday, Rand Mines chairman John Hall said "Rand Mines, to all intents and purposes, ceases to exist"

Hall has been appointed chairman of Barlow Rand's new mineral resources division, consisting of Pretoria Portland Cement (PPC), Rand Mines — which may be renamed to reflect its status as a coal holding company — Rand Mines Properties (RMP), Goldco and Platco

Barlow Rand MD Derek Cooper said while Rand Mines had been effectively "unbundled", the move did not mean Barlow Rand was planning to do the same to its industrial interests

Cooper said that for some time Rand Mines had suffered from "cross-subsidisation", a system which was "no longer working to the benefit of shareholders" as the profits and dividends of some operations were dented by the costs and expenditure of others

He said Barlow Rand and other investors could better evaluate the relative merits of the operations, because the Rand Mines interests had now been separated into self-standing companies

In addition, dividend flows, from Randcoal for example, would now flow as directly as possible to those shareholders primarily interested in the coal business, without being diluted by Rand Mines' old obligations to its gold, exploration and other mining interests

Randcoal has acquired all Rand Mines' coal interests, including mineral rights, Eskom contracts and management contracts, for R225m through the issue of 26,5-million new Randcoal shares

Goldco will acquire Rand Mines' gold mining assets shares in the four marginal gold mines it manages, and extensive gold mineral rights Platco will acquire the 45% stake in Impala Platinum subsidiary Barplats and other platinum mineral rights

Cooper said both new companies would be debt-free and capitalised, through the R110m Rand Mines redeemable preference share issue, to enable them to meet all known liabilities and short-term commitments, other than Rand Mines' obligations to a possible Barplats rights issue Platco's commitment to Barplats would be underwritten by Barlow Rand

He said R70m would be used to capitalise Goldco which was obligated to provide ERPM with a R35m interest-free loan Platco would be a platinum investment holding company, "an investment which will be a valuable one in the longer term"

Barplats' two mines are currently moth-

☐ To Page 2

Rand Mines

BIDAY 23/9/92 (210)

☐ From Page 1

balled, waiting for a significant rise in platinum prices before being restarted

Shareholders in Rand Mines will receive 63 RMP shares, 200 Goldco shares and 100 Platco shares for every 100 mining house shares they hold

Hall said "The purpose of the deal is to enhance the value of the assets that were contained in the Rand Mines group By placing each business in a separate entity, we have achieved transparency, focus and enhanced flexibility That has to be good for shareholders both present and future"

The financial restructuring reflects the reorganisation of Rand Mines at the operational level Its head office functions have fallen away and management concentrated in the separated new-look coal, gold and exploration and platinum companies

● See Pages 6 and 10

Anglovaal earnings drop

(2D) CT 23/9/92

Own Correspondent

JOHANNESBURG. — Anglovaal, whose interests range from gold mining to diamonds, construction and biscuits, reported a 3% fall in earnings a share in the year ended June 1992

Earnings fell to 464c from 478c a share in 1991, but the group raised its total dividend by 9% to 100c from 92c a share

A spokesman said yesterday lower earnings stemmed from "the continuation and, in fact, worsening of the longest recession in SA in 50 years, combined with weak demand for certain of the group's mining products by its major overseas customers, whose own economies performed poorly"

Earnings were sustained by strong contributions from diversified industrial group Anglovaal Industries and ore and alloy producer Associated Manganese, which became a subsidiary during the year Turnover rose 6% to R8,2bn from R7,7bn, but operating profit fell 8% to R748m (R816m).

With a jump in investment income to R49m from R39m, the fall in pre-tax profit was limited to 7%, down at R332m from R376m After-tax profit fell only 3% to R466m (R479m) because of a 12% lower tax bill, although the contribution from equity accounted earnings fell to R76m (R83m)

Including that income, after-tax profit fell 4% to R541m (R562m) Attributable earnings fell R278m from R285m.

Finance, interest and other income remained the largest contributor to Anglovaal's earnings in spite of lower interest rates in the year The next largest contributors were the group's base metal and mineral interests, packaging and rubber operations, and consumer goods interests

Gold mining contributed a meagre R0,5m to earnings, compared with the R10m it contributed in 1991

Decades of slow decline catch up with Rand Mines

BDAY 23/9/92

MADDEN COLE

210

THE terse statement last week, that Rand Mines was considering restructuring the group, seemed an inadequate way of announcing the demise of a group which, in its time, was the greatest mining house in the world

John Hall, chairman of Rand Mines and now head of Barlow Rand's new minerals division, announcing the details at a news conference yesterday, put it as unemotionally "Rand Mines," he said, "to all intents and purposes, ceases to exist"

The decision closes a key chapter in SA mining history Without Rand Mines, the development of the Witwatersrand could have been delayed for many years

It was said that mining on the Witwatersrand really began with the formation in 1893 of Rand Mines by mining industry legends Alfred Beit, Julius Wernher, Hermann Eckstein, Lionel Phillips and Percy Fitzpatrick

After the South African War it accounted for 40% of SA's gold production, was the Transvaal's largest employer and its biggest landowner The company's budget was larger than that of the Transvaal administration of the period

During its heyday it controlled 15 of the biggest and richest gold mines in the world, including City Deep, Crown Mines, Durban Roodepoort Deep Ferreira Deep, Geldenhuis Deep Modder B, Rose Deep, Village Deep and Nourse Mines and, later, ERPM In 1910, the market value of these mines, excluding ERPM, totalled £69m A 100% dividend was paid in 1904, 180% in 1906 and 200% in 1909

The formation of Rand Mines, which always operated from The Corner House (there were four Corner Houses in the past 100 years), changed the whole character of mining finance, and through its success SA's gold mines achieved international fame

In France at the turn of the century, Rand Mines shares were regarded "with something approaching veneration" The man in the street believed a good return on investment could always be expected from "a Corner House company"

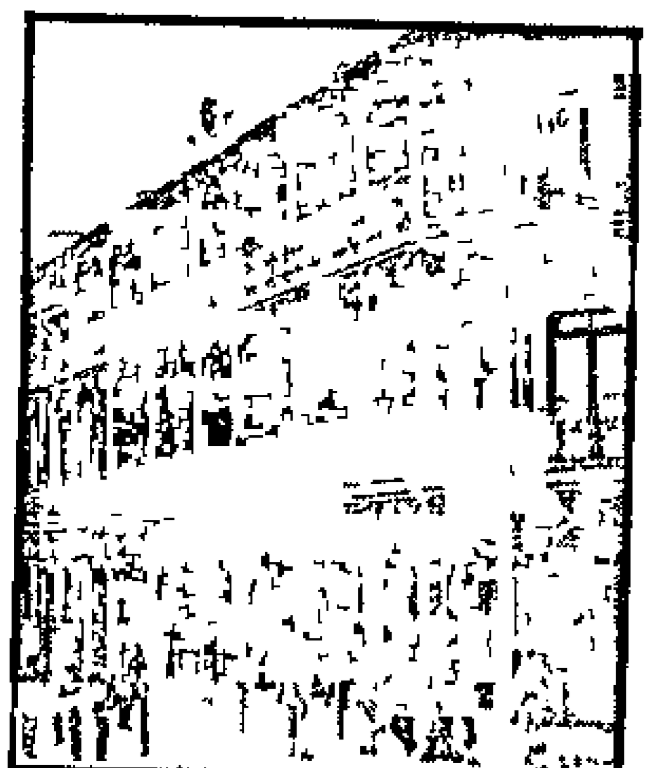
What went wrong? A P Cartwright in The Corner House and The Golden Age traces the history of this once illustrious mining house

When John Martin was appointed chairman in 1930, The Corner House's position as the biggest and best mining financial house in the world remained unchallenged But soon afterwards the company's fortunes tilted downwards The tilt was started by what Cartwright described as "the lost chance" and the "dropped option"

In the '30s, the company which was then controlled from London by the Central Mining and Investment Corporation (which had incorporated the interests of Wernher, Beit & Co and H Eckstein & Co) started to decline, albeit imperceptibly at first Its 15 gold mines had dropped to 11, and during that period it had failed to gain control of a single new profitable gold mine

The lost chance related to Rand Mines Central Mining turning down an offer in 1932 by New Consolidated Gold Fields to participate in the exploration of the West Wits Line Prospecting in the area had started at the turn of the century by the Pullinger brothers By 1932, a company, West Witwatersrand Areas, was formed to drill a number of boreholes on farms which included Venterspost and Libanon Early offers of participation had also been turned down

Martin regarded the venture as "a prospecting gamble" and decided that it was "advisable to leave it alone" Which was a pity, for 21 of the boreholes sunk by West Witwatersrand Areas struck what was described as "highly payable reef"



The second Corner House, in front of which Johannesburg's first stock exchange began trading

Cartwright notes that Rand Mines then looked around for any crumb from Gold Fields' "banqueting table" The company managed to secure 724 morgen, Blyvooruitzicht, "in the centre of the 4 000 morgen held by West Witwatersrand Areas"

There was another missed opportunity Cartwright recorded that after Sir Abe Bailey died in 1940, Martin was appointed one of the executors of his estate Included in the estate was the company, Western Holdings, the first company to strike gold in the Free State goldfields Before his death Bailey had proposed Central Mining-Rand Mines take over all his interests Cartwright explained Western Holdings was still highly speculative, and Martin was not a gambler Anglo American then snapped up Western Holdings

What was known as the "dropped option" followed Rand Mines' options in the Free State covered three farms around Odendaalsrust In 1940 it was decided to drop the options on the farms north and south of the town, and keep those to the east The southern options bordered on what became the most profitable mine in the Free State, Free State Geduld The options taken out to the east, proved disappointing

One could speculate whether Alfred Beit, who was never averse to a gamble, or Lionel Phillips, who was reputed to have had "a nose for gold", would have let those opportunities slip

A new vitality was introduced into Rand Mines in 1958 with the appointment of American Charles Engelhardt as chairman So much so that the then deputy chairman and joint MD, Peter Anderson was able to say in 1968 that Rand Mines planned "still to be in occupation of The Corner House in the year 2000" His prediction has fallen short by a little more than seven years

In 1971 Rand Mines merged with Thos Barlow & Sons in 1971 to form Barlow Rand In recent times the mining group's fortunes declined sharply, caused by unfortunate management decisions, the fall in international metal prices and deteriorating social and economic conditions in the country

Its four remaining gold mines — Harmony, Blyvooruitzicht, ERPM and Durban Deep — are all marginal and reported a combined after-tax loss of R40,9m in the June quarter Barbrook, commissioned by Rand Mines in 1989, was placed under liquidation before being delisted last month after ore processing difficulties and crippling industrial action pushed up costs It was the group's only new gold mining operation to come on stream in recent years. The "little gamble" cost R126m

Former giant Harmony gold mine, struggling for survival, is trying to put together rescue plans to prevent closure Other reverses include the delisted Vansa which sold its vanadium mine last year, and the ill-fated Barplats Rand Mines retained a stake in the latter, since sold to Genmin, but in the process had to take hundreds of millions of rands in debt

There is a finality about yesterday's announcement, unlike the lost opportunity and dropped option which allowed Rand Mines to continue operating from The Corner House Some management figures see it as an opportunity for renewal But ordinary members of the staff, especially those who started their careers in the third Corner House, think differently For them, the end of Rand Mines is akin to a personal bereavement

With hindsight, analysts believe the decline in group fortunes began because Rand Mines did not replace its gold interests in the '40s, '50s and '60s, and made a series of poor decisions in the '80s They blame poor management decisions decades ago for the group's present condition

However, 20 years ago when major decisions, contributing to the decline and fall of the group, were taken, few people could have predicted the present global recession and the desperate political, social and economic events that have overtaken the country

But then forecasting in mining always has been difficult As Lord Baillieu, chairman of Central Mining from 1945 to 1958, once remarked, "there are no safe bets in mining"

SPOT DESK

Barlow Rand wary of cyclical commodities

B/DAY 23/9/92. 210

MATTHEW CURTIN

BARLOW Rand has emerged from a 20-year flirtation with the commodities business in control of a quality coal mining business, but with its other mining investments thrown to the wolves

In announcing the unbundling of Rand Mines yesterday, Barlow Rand has reduced its exposure to cyclical commodities businesses to a bare minimum John Hall, chairman of the group's new mineral resources division, says that the group has now put into practice its belief that the best way to invest in the commodities business is to prudently spread the risk

The strategy was already evident early last year The group first thought of reducing its exposure to the cyclical markets, by floating wholly owned subsidiary Middelburg Steel & Alloys, before selling it to the Columbus Stainless Steel joint venture

Group MD Derek Cooper says that the unbundling was the product of Barlow Rand's evaluation and reassessment of the Rand Mines portfolio, and the restructuring now allows shareholders to do the same. Both say the restructuring will enhance the value of Rand Mines' assets: the businesses are transparent and on a sounder, more independent management and financial footing

Barlow Rand's only significant stake in the mining business is its 75% holding in Rand Mines, divested of all its assets except for its 77% stake in Randcoal It has only a 30% stake in the new Rand Gold and Exploration (Goldco) which has acquired Rand Mines' gold mining assets, and a 74% stake in Platco, whose major asset is a 45% interest in Barplats

Analysts question whether talk by Barlow Rand and Rand Mines management of enhancing Rand Mines' assets through the restructuring has any substance

One expects owners of the new Goldco shares to dump them as soon as they come on to the market, given the poor quality of its assets. The short-term outlook for Harmony gold mine is bleak, Blyvooruitzicht is two years from running out of payable ore reserves, Durban Deep remains a marginal producer, and ERPM is crippled by its R400m debt-burden

Hall is candid about the mistakes Rand Mines made in the 1980s: "Rand Mines had great visions of the commodities business in the 80s, but in the past two years we evaluated our assets, on the basis that they had to be low-cost producers, and found we had problems"

"Never again will we borrow money to finance a commodities business," he says. He calls the Vansa Vanadium venture "a mistake" and notes Rand Mines had to bite the bullet at Barplats — taking on millions of rands worth of debt

Anglovaal earns less pays more

STAR 23/9/92 (210) (187)

Despite the severity of the recession and a three percent decline in attributable profit for the year to June, Anglovaal has raised its final dividend by 5c to 67c a share, making a total payout of 100c

Gold accounted for much less revenue than previously, the company drawing the bulk of its earnings from base metals and minerals (20 percent), packaging and rubber (20 percent) and finance, interest and other income (21 percent)

Consumer goods accounted for a further 25 percent.

The company says the lower earnings at R278 million were the result of the continuing recession, combined with weak foreign demand for some mining products.

Turnover

Turnover was six percent higher at R8,20 billion, while operating profit was eight percent lower at R747,8 million

Major contributors to earnings were Anglovaal Industries and, to a lesser degree, Associated Manganese Mines, which became a subsidiary in the course of the year.

Both companies posted higher earnings which were, however, insufficient to offset lower net contributions from gold mining, base metals and mineral investments — Sapa.

'Shattering lessons' for mining

(210) ARCT 24/9/92

Staff Reporter

SHARING profits and power with workers has brought about "fundamental" change in the mining industry, said Anglo American executive director of public and industrial relations Mr Bobby Godsell.

Speaking at the Cape Town Civilian Blind Society's annual meeting last night, Mr Godsell said his company learned "shattering lessons" during the past few years.

A formula whereby workers would share in profits in case of a gold price rise had restructured economic relations fundamentally

It created "psychological ownership" by making workers feel part of the company.

Initial problems with power-sharing had disappeared and there were at least 80 to 90 successful agreements for every strike in South Africa.

OAU mission in city for talks on violence

(230) ARG 24/9/92

MICHAEL MORRIS
Political Correspondent

WAYS to end violence are at the top of today's Cape Town agenda for a team of Organisation of African Unity experts.

The eight-member team, led by Senegal's ambassador to Zimbabwe, Mr Ousmane Camara, was welcomed at at D F Malan airport last night by the regional chairmen of the ANC and PAC, Dr Allan Boesak and Mr Theo Mabusela respectively.

Picture ANDREW INGRAM, The Argus

TEAM ARRIVES: ANC regional chairman Dr Allan Boesak welcomes OAU official Ms Christine Mfula to Cape Town.

The OAU shares international concern over violence and finding ways to end it has been the focus of the experts' mission.

Dr Boesak said he welcomed the OAU visit because it "heightens the presence and influence of the international community, and international attention, on the situation in South Africa".

He added: "I believe the more international attention and co-operation we get, the better.

"The OAU mission will clearly be having broad discussions with everybody involved, including the government, and that should give them a good idea of what is happening. We welcome this."

PAC secretary for relief and aid Ms Patricia de Lille said the delegation would meet the regional executives of the PAC and ANC, Anglican Archbishop Desmond Tutu and representatives of the Transport and Omnibus Workers Union, the Transport and General Workers Union and Codeta to discuss issues related to violence.

The delegation is on a three-week visit to South Africa.

'Shattering lessons' for mining

(210) ARG 24/9/92

Staff Reporter

SHARING profits and power with workers has brought about "fundamental" change in the mining industry, said Anglo American executive director of public and industrial relations Mr Bobby Godsell.

Speaking at the Cape Town Civilian Blind Society's annual meeting last night, Mr Godsell said his company learned "shattering lessons" during the past few years.

A formula whereby workers would share in profits in case of a gold price rise had restructured economic relations fundamentally.

It created "psychological ownership" by making workers feel part of the company.

Initial problems with power-sharing had disappeared and there were at least 80 to 90 successful agreements for every strike in South Africa.

Unemployed in bus depot demo

(356) ARG 24/9/92

Staff Reporter

ABOUT 200 members of the Western Cape Unemployed Workers' Union (Wecuwu) have demonstrated inside the Golden Arrow Bus Service depot in Woodstock.

After briefly toyi-toying, the group handed a memorandum to the management of the company.

The memorandum called for the unconditional reinstatement of 222 workers the Union claims were fired during the recent strike.

The union also demanded "free transport for the unemployed", for fares to be reduced to "affordable levels", concessions for students and that vacancies be filled by Wecuwu members

ANGLOVAAL (210)

Hobbled by gold

A sharp decline in the contribution from the gold mining operations was largely behind the dip in Anglovaal's group earnings The gold operations' earnings contribution crumbled to R500 000 (1991 R10,4m), while group earnings declined to R278m (1991 R285m) FM 25/9/92

Anglovaal's tighter margins, shown in the 8% drop in trading profit drop despite the 6% rise in turnover, reflects difficult economic times The deterioration in the group performance was somewhat disguised by the lower tax charge and EPS fell only 3%

The increase in the dividend, on a lower cover, reflects the strong balance sheet rather than any optimism about near-term prospects

Fortunes of the trading operations have changed, with the packaging and rubber activites, held through Consol, displacing base metals and minerals as the largest contributor to earnings Packaging and rubber contributed R55m (1991 R46m), while base metals and minerals accounted for R54m (R49m) Notably, JCI last week reported that its income from industry had for the first time exceeded that from mining

Major earnings contributors were Anglovaal Industries and Associated Manganese Mines, which became a subsidiary during the year Both companies reported higher earnings But these increased contributions were more than offset by lower contributions from gold mining and other base metal and mineral investments, as well as reduced interest earned on central cash resources

Anglovaal's results were also hit by the poor performance from its construction and electronics operations, held through Grinaker Holdings, whose contribution plummeted to R4m (R13,2m)

In assurance and financial services, The Board of Executors reported higher earnings but at a slower rate than in the past Directors say life assurers Crusader Life and AA Life are operating in "increasingly unfavourable market conditions" because of shrinking disposable incomes

FM 25/9/92 (210) (180)

A provision has been made against the carrying value of the AA Life investment as "it may take several years to achieve a market related return "

Turning to diamonds, 87,5%-held Saturn Mining receives a minimum royalty of 12,5% of the Venetia Mine's profits (before capital expenditure appropriations), pending the recoupment of capital expenditure by De Beers The royalty amounted to R7m (R29 000) in fiscal 1992

The group reckons earnings growth will be a major challenge in view of the long recession, with consequent lower mineral and metal prices However, the strong balance sheet should ensure the dividend is at least maintained

William Gilfillan

JCI's mining group hoping for tax break

JONO WATERS 210

A CHANGE in legislation would allow JCI's mining holding group DAB Investments (Dabi) to dispose of its entire portfolio without incurring a tax liability, chairman Martin Cross said in the company's annual report. BDAY 25/9/92

He said shareholders would be requested to authorise management to liquidate its investment portfolio at the company's annual meeting.

Dabi announced earlier this month that it had plans to dispose of its entire investment portfolio and distribute the profit to shareholders through a cash dividend.

Cross said the main reason for the decline in dividend payments to 40c (94c) was because CMI did not pay a dividend

BARLOW RAND/RAND MINES

FM 25/9/92 (210)

A plan to realise value

Barlow Rand's plan to unbundle, and eventually eliminate, the 100-year-old Rand Mines, marks the close of an era, it means the end of the road for SA's oldest mining house But for shareholders, the restructuring has the potential to realise value the market has been ignoring for years

By placing the distinct businesses into separate listed companies, Barlows will ensure the market will have a clear view of the assets, which can then be valued realistically At the same time, investors (including Barlows) will be able to take a view on particular activities, without being lumped with holdings in assets they don't want

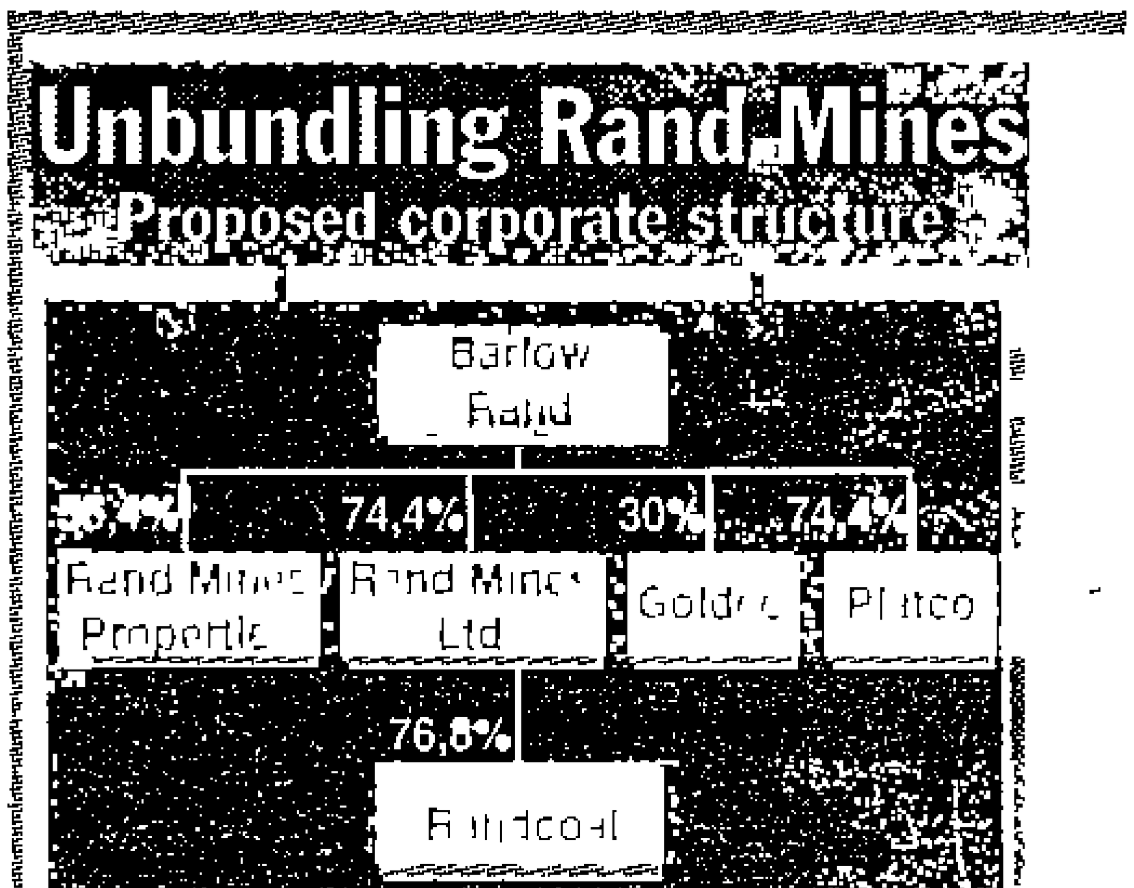
These appear to be the main motivations Barlows vice-chairman and MD Derek Cooper cites several other factors cross-subsidisation between activities — a process that, he contends, has become counter-productive for Rand Mines — can be avoided, management in each company can focus clearly on their businesses without the distraction of other, unrelated activites or funding requirements, and each business will be placed on a sound financial and management footing

Essentially, Rand Mines will become a 74,4%-held holding company, whose only asset will be 76,8% of RandCoal (see diagram) Barlows will have direct stakes in three companies now held by the mining house These will be 56,4%-held Rand Mines Properties (RMP), 30%-held Goldco and 74,4%-held Platco All will be listed

Along with Pretoria Portland Cement, an investment of Rand Mines when the house was merged with Thos Barlow & Sons in 1971, these companies will go into Barlows' new mineral resources division, to be run by John Hall

Shares are to be distributed in specie to Rand Mines shareholders They will receive 63 RMP shares (currently worth R403), for every 100 Rand Mines shares held, one Platco for each Rand Mines share, and two Goldco for each Rand Mines share Barlows will also make a further distribution to its own shareholders, as it will retain only 30% of Goldco

Barlows' Hall
spreading the risk



Rand Mines' role as a conduit is likely to be temporary It is being retained for the next few years because of "complex tax reasons " Until these are resolved, it's not possible to issue dividends in specie

Potential to realise value from the unbundling is patently there Ahead of the announcement, Rand Mines' share price stood at R43,50 — just above the 12-month low of R42 but a long way below the high of R77,70 The share is at a hefty discount, probably close to 30%, to the value of underlying assets The extent depends on how the figures are calculated, particularly the valuations placed on unlisted assets, and there are fairly wide differences in calculations of brokers

However, a rough breakdown shows the present share price takes account of little more than the coal interests The 70,8% stake in RandCoal is now capitalised at about R637m, which equates to about R42,74 a Rand Mines share

As an indication of the value of other assets, 76,4%-held RMP, has a market cap of about R60m, or R4,02 a Rand Mine share Goldco's NAV, according to the announcement, exceeds R100m, about R6,70 a share Platco will have investments which are currently listed with a market value of about R90m, about R6,04

This totals R59,50 a Rand Mines share, but much will depend on how the market would value self-standing companies, as well as the house's assets that are now unlisted These include extensive properties and mineral rights

Goldco, to be listed as Rand Gold & Exploration, will remain a mini mining house In addition to the Rand Mines stakes in the operating gold mines — ERPM (29,5%), Harmony (14%), Blyvoortuitzicht (4,9%) and Durban Deep (15,1%) — Goldco will own the group's mineral rights other than coal and platinum, which it will continue to exploit It will also continue to provide mining and related technical and professional services After refinancing, Goldco will have about R70m cash, of which R35m is ear-marked for the ERPM loan

Hall says if the company comes up with prospects that could be brought to account, these would be offered to Barlows, which would decide whether to invest in a new project Alternatively, other funding methods could be considered, or the prospect could be sold However, it is notable that Barlows emerges with only a 30% holding in Goldco and minimal effective stakes in the operating mines That presumably implies Barlows is taking a bearish long-term view on gold and wants to distance itself from this sector

It would be in keeping with the philosophy Barlows has recently taken on commodities "When you are in the commodity business, where the market has wide fluctuations and large amounts of capital are required, you don't have 100%," says Hall "You need to spread the risk A holding of 30%-40% makes sense "

The other companies that emerge from the restructure will be subsidiaries of Barlows, though the exposure to RMP and the coal will be basically unchanged Platco's assets consist primarily of an effective 45% investment in Barplats Genmin, which has management responsibility, decided to close this mine after the merger It could be re-opened given sufficient improvement in platinum and rhodium prices

Cash flow effects for Barlows are neutral, but there could be some savings in the mining companies The mineral resources division head office is being reduced to about six people, each company attending to its own requirements The overall payroll is being reduced by 66 Hall says exploration expenditure will be cut to a nominal figure of R3m-R4m, from more than R30m

Whether Barlows will retain all these companies remains an open question On this point, Cooper says "we are a shareholder like any other " He notes the group was preparing to list Middelburg Steel when an attractive offer came from the Columbus consortium and the company was sold

There have, in fact, been rumours that a consortium of interested parties has been canvassing the idea of securing control over certain of Rand Mines' gold companies and that Rand Merchant Bank (RMB) is acting for the syndicate However, RMB chairman G T Ferreira says "I really know nothing fm 25/9/92 210

about this "

What is clear, however, is that the shades of night are falling on one of SA's formerly great mining houses It's a matter of time before Rand Mines becomes the second of the six sisters to disappear (Union Corporation was the first, subsumed into General Mining)

After a proud record over decades, there have been some notable failures in recent times — such as the forays into platinum and the inability to develop new gold prospects. Sadly, perhaps the unbundling is now the logical end *Andrew McNulty and David Gleason*

Mineral rights and wrongs

(210)

S/Times (BUS) 27/9/92

SOUTH Africa is unique among major mining nations in that most mineral rights do not belong to the state but to private owners or mining companies

It is the least satisfactory system because it is an absurd path a would-be prospector must follow if he is to secure a place to explore

An image comes to mind of of stout white farmers as the fortuitous owners of the bonanza lying beneath their crops On the other hand, tribal authorities are seldom far from the news as disputes arise about royalties and other dues over the land they occupy

The reality — no matter how unpalatable it might be to the champions of free enterprise — is tbat SA's mineral rights will pass to the state when a new government takes charge

The good news is that it will be no bad thing SA no longer enjoys the diverse mining exploration activity of the past, not because there is nothing left to find, but because prospective ground, information and development are sterilised under the existing scheme

A prospector faces a mammoth task before he can take a single rock sample He first needs permission from the holders of individual rights, many of which have been sub-divided through inheritance It is so complicated that securing mineral rights has become a business in itself

If the rights are privately owned, the prospector must negotiate option fees with the owners

Farmers granting options over their mineral rights can grant them to several successive suitors But the information found by the first prospector is seldom if ever released without his permission Obviously, there is unnecessary duplication — most of it footed by the taxpayer because exploration costs are tax deductible

Farmers rarely pay tax on option fees or mineral-right sales

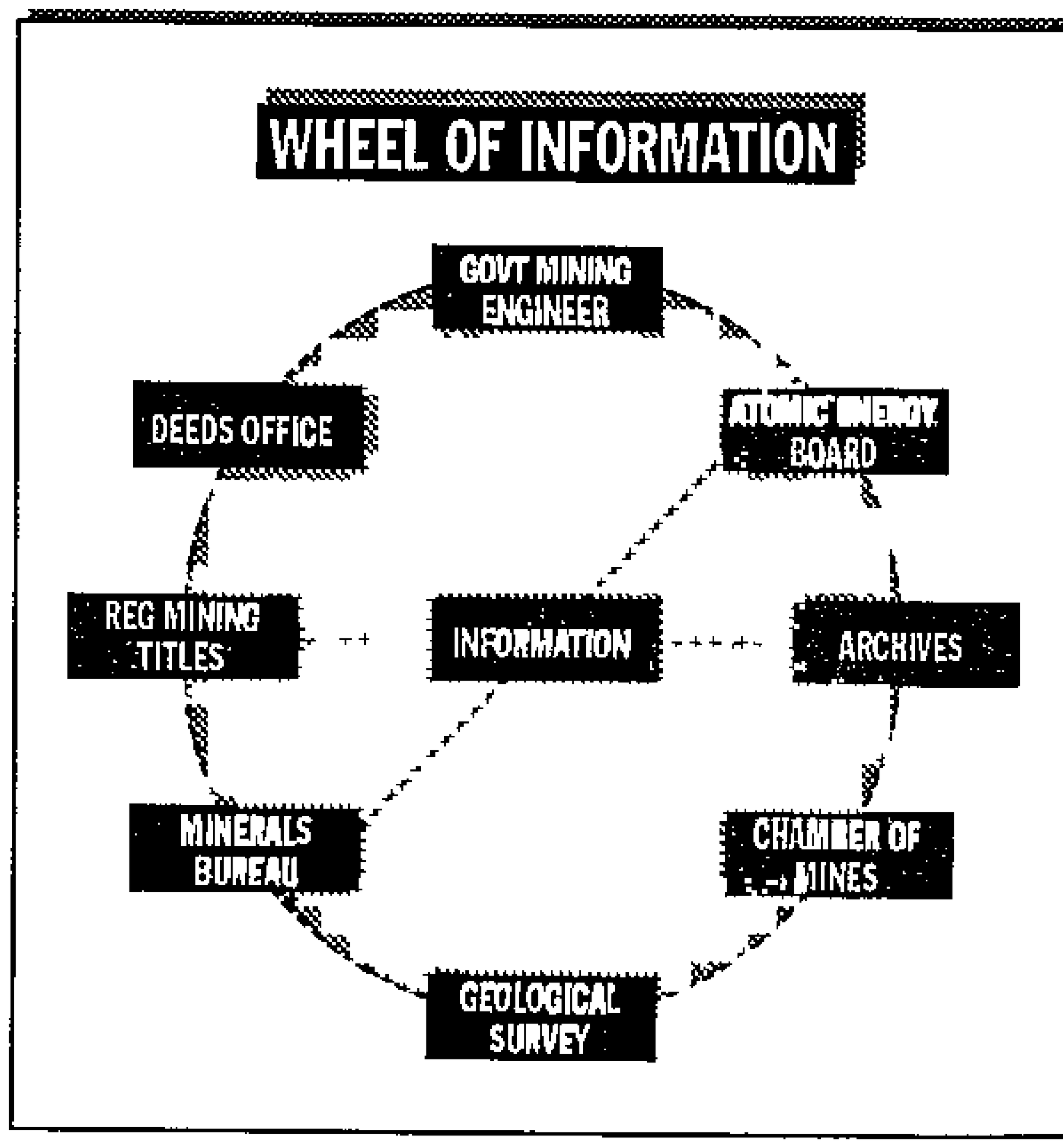
If those rights are owned by a mining house, access to dormant ground might be restricted for self-strategic reasons, or be negotiated and sold In neither case does the state get anything even though it indirectly paid for most of the prospecting

Rather than regard the ownership of mineral rights as reverting to "the people", replace the inflammatory connotation with "the taxpayer"

A wheel of fortune spins in the mineral rights information business Information is sometimes duplicated, sometimes lost between the spokes Around its rim are the Government Mining Engineer, the Atomic Energy Board (if uranium is involved), incomplete or restricted national archives, the Chamber of Mines, the Geological Survey, the Minerals Bureau, the Registrar of Mining Titles and the Deeds Office

To find the mineral rights owner, the provincial office has to be visited In the Transvaal, farms are administered from Pretoria, which at least has a computerised deed registration system Erven are overseen manually in Johannesburg

Eventually, a mining title can be obtained and development go ahead



Internationally, mineral rights generally belong to the state as a national asset Prospectors negotiate access with the state — a single action — and rents go to the state instead of to the rich white farmer or the tribe After all, the taxpayer pays for the exploration, why should he not get some of the rent?

Better still, the information generated is the property of the state It becomes public knowledge, prevents duplication, saves on research costs and forms an easily accessible database

The state uses the income to fund the administration costs In its capacity as mineral rights custodian, the state promotes competition and international investment through making ground accessible and through the convenience of a single decision point

Small operators have equal access — it could be particularly useful here A project dismissed by a mining house as unprofitable could be the very thing for a small outfit

What if (and when) mineral rights are state-owned and all the information liberated? (Dormant ground due for development within two years as well as existing mines would ideally be exempted)

The state retrieves its national heritage, receives income, uses it to set up an efficient self-funding central administration The information and the ground are made accessible to stimulate initiatives and foreign investment in a mineral-rich country

Advantages to companies include the ability to take up opportunities and to compete on an equal footing Research costs would be reduced because the wheel need not be reinvented by separate parties There would be no more inter-company negotiations or costly litigation about ownership

On the job front, things could hardly be worse than they are now International investors would still require SA expertise and would operate through joint ventures, using contractors and consultants On paper, everyone would win

Mineral rights have been written down to zero value by most mining houses — they own 90% in any event. The low share prices of dedicated mining exploration companies discount their poor prospects under the status quo

SA's mining houses make no excuses for looking abroad for new ventures — why should foreign and other SA companies be precluded through bureaucracy from looking here?

Reversion of mineral rights to the state is coming anyway A bit of goodwill could go a long way to keeping the mines in private hands

COMPANIES

Mine clean-up a feature of Minerals Act

BDay 29/9/92 (210)

JONO WATERS

THE new Minerals Act of 1991, which was implemented at the beginning of the year, presents the mining industry with a huge challenge especially in the cleaning up of mining operations, industry sources say.

Energy and Mineral Affairs Minister George Bartlett says the Act rests on "three legs" — the best use of resources, the health and safety of workers and the rehabilitation of the environment. Bartlett believes that the Act will provide a balance between economic growth and the environment

The biggest changes introduced by the Minerals Act concern rehabilitation of the environment.

A senior evaluator in a major mining house says buildings have to be levelled to a metre below surface unless the owner of the land wishes to retain the structure, and buildings must be perceived to have a value.

He says if Freegold were to be closed tomorrow and rehabilitated in strict accordance with the Act, it would cost the company more than R1bn

Base metal and opencast mines must submit their rehabilitation plans by the end of the year and precious metal mines have until the end of 1993.

Edward Legg of Harties and Richard Wills of Anglovaal delivered a paper to the Massmin conference recently, saying the new Minerals Act repealed and consolidated virtually all previous mining legislation.

They added that, for the first time, legislation dealt substantively with rehabilitation of the surface of the land that had been subjected to prospecting and mining.

This meant that everything related to the mining operation had to be dismantled and the land returned to its pristine state with streams and wetlands.

As a form of self-regulation, the Chamber of Mines environmental committee drew up a guideline, for the recently completed Environmental Management Programme Report, of what should be in mines' environmental plans

The report was submitted to the Inspector of Mines who forwarded the document to the Water Affairs and Forestry, Agricultural and Environmental Affairs departments for comment.

Consulting engineers, Steffen, Robertson and Kirsten director Fanie Geldenhuis said Water Affairs had expanded on the requirements for rehabilitation and the regulations were extremely onerous

There was also the element of cost. Geldenhuis estimated a properly put together environmental report would cost a medium-sized gold mine between R50 000 and R100 000.

Geldenhuis said a mine could lose its mining authorisation if the environmetal report was not accepted. Penalties for not abiding by the regulations are R5 000 plus R1 000 a day and up to 18 months in jail.

Alto buyout