

Economic Notes

Economic Notes is written by Labour Research Service (LRS), Cape Town.

Company profiles: 1. Perskorgroep

A blank wall was the end result of our attempts to trace the ultimate ownership and control of the two major publishers of the Afrikaans press: Perskorgroep Bpk and Nasionale Pers Bpk.

According to McGregor's *Who Owns Whom* Perskor is ultimately controlled by Dagbreektrust Ltd. But who controls Dagbreektrust?

Rembrandt has some control over Perskor through a number of companies, including Dagbreektrust Bpk. We are, however, unable to assess the extent of Rembrandt's control.

Nasionale Pers ownership hidden

The ownership of Nasionale Pers is totally hidden. Clearly, however, the control of both Nasionale Pers and Perskor lies with Afrikaner capital.

In much the same way, control over the English press lies with the owners and management of English capital. Here, however, we know that the bulk of the English lan-

guage press is owned by Johannesburg Consolidated Investments (JCI) - which is ultimately controlled by Anglo American.

Die Transvaler is Perskor's major daily Afrikaans newspaper. It had a daily circulation of 55 000 on average in 1989.

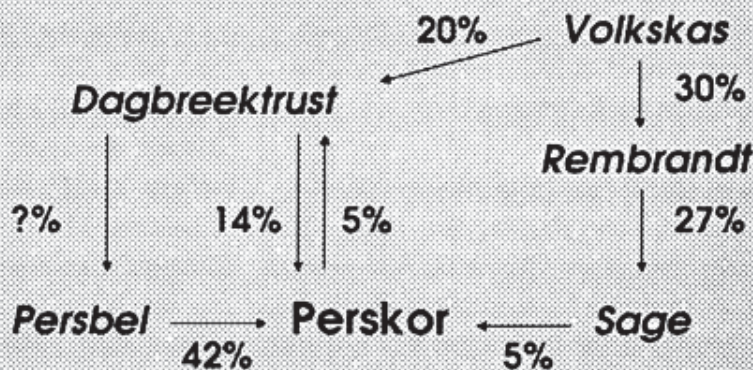
The other two major newspapers run by Perskor are the English daily, The Citizen and the Afrikaans Sunday paper, Rapport. The total average daily circulation of Perskor's two daily papers was 168 000 in 1989. Rapport's circulation amounts to 395 000.

Nasionale Pers publishes the following major newspapers: Beeld (Tvl), Die Burger (W Cape), Oos-terlig (E Cape) and Die Volksblad (Orange Free State). Their total average daily circulation amounted to 207 000 in 1989.

Perskor is not only a newspaper publisher. It also publishes eleven glossy magazines, has a 23% share of M-Net, a 25% share of Maister Directories (the Yellow Pages), and publishes books too.

Perskor does not have a wonderful financial history. Over the past four years its return on assets has been below 14%. Most other companies have recorded returns above 20% during this period. Its profits in 1989, however, reached a re-

Perskor's ownership links



Perskor's magazines

Living & Loving

Rooi Rose

Your Family

Bona

Keur

Farmer's Weekly

Garden & Home

Scope

Thandi

Talk

Personality

spectable R23 million, an increase of 14,9%. ❖

2. LONGRAIL

Longrail might be small compared to some of the big trucking companies but it certainly packs in big profits.

The company has two divisions: *Railit* which specialises in small scale transportation, like door-to-door loads and small consignments; and *Long distance* which transports goods and equipment in bulk between all the major centres in South Africa

Since 1985 it has been recording massive returns on shareholders' investment. At the same time its profits before paying tax have risen from R370 000 in 1985 to R7,1 million in 1989.

There are many ways to examine a company's profitability. A company's *return on shareholders' investment* is one. This measure of profitability compares profit before tax with the investment made by shareholders (the owners of the company).

For example, for the year to February 1989, Longrail recorded a profit before tax of R7,1 million. The shareholders had R28,7 million

invested in the company in February 1989.

Dividing profit before tax by the shareholders' investment gives the *return on shareholders' investment*. For the year to February 1989 the return was 37,1% (R7,1 million/R28,7 million). This means that for each rand invested in the company, the shareholders made a profit of 37 cents.

If the company continues to record a return of 37% on shareholders' investment, it will take just over two years for the shareholders to get back their original investment. And they would still own the company!

The graph shows Longrail's return on shareholders' investment from 1985 to 1989.

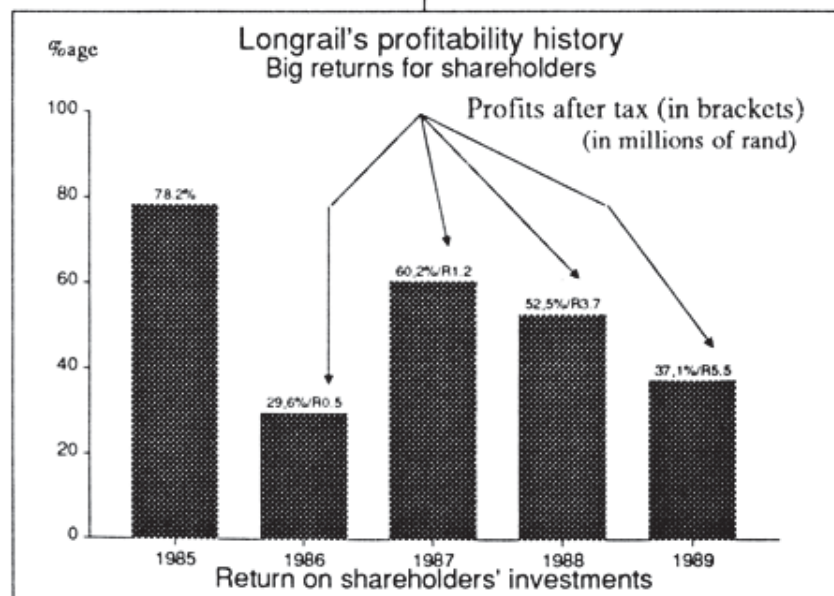
The directors own 64% of Longrail's shares. Between

them they shared R476 000 in directors' pay and R1,2 million in dividends during the year to February 1989. Calculated on a weekly basis, each director received R6 320 per week on average during the year!

In 1989 Longrail directors decided to re-invest R4,1m of the company's profits. This money will be used to expand both the Long Distance and Railit divisions. ❖

Factory operatives: How their wages compare

Higher skilled jobs have commanded relatively high wages because of skill shortages and because higher skilled jobs have historically been occupied by whites.



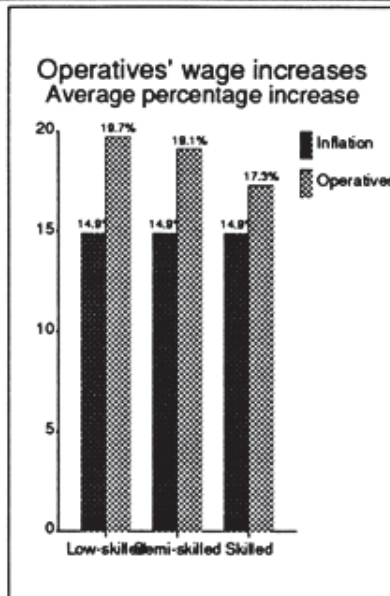
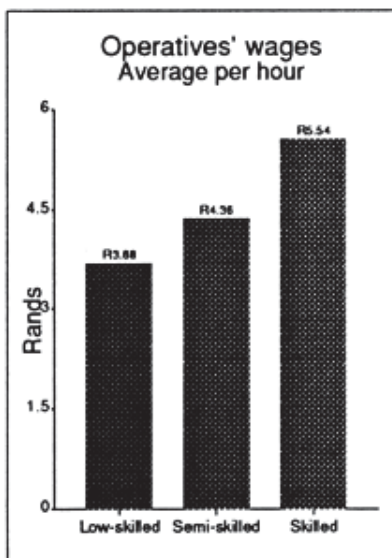
This is highlighted by the Labour Research Service's latest publication on operatives wages.

Wages paid to three levels of operatives were surveyed: low-skilled operatives, semi-skilled operatives and skilled operatives. The survey covered 158 bargaining units where wages were settled by negotiation in the period April 1989 to March 1990.

The survey showed that on average semi-skilled operatives earn 68 cents per hour (or 18,5%) more than low-skilled operatives. The pay difference between semi-skilled and skilled operatives is even higher. Skilled operatives earn R1,18 (27%) more than semi-skilled operatives.

In all three categories of operatives, average wage increases exceeded the inflation rate of 14.9%.

The increases granted to low-skilled and semi-skilled operatives are in line with the average increase of 19.7% granted to labourers in the second half of 1989. ❖



Capital: what is it?

Capital can take two forms: productive capital and money capital.

Productive capital: machinery, factories, mining equipment, tractors, sewing machines. These are things which workers can use to produce other things. The more productive capital that workers have, the more they can produce. This creates wealth and raises living standards.

Money capital: money that is set aside to buy productive capital. Money that is used up to buy food or clothing or pay rent (in other words consumed), is not capital.

In company financial accounts, productive capital is usually referred to as "fixed assets". Fixed assets are part of productive capital.

South Africa had capital worth R629 billion in 1988. Of this huge amount, 5,2% became worn out during the year.

So an extra R33 billion had to be invested in productive capital just to keep up its value to the same level! In 1988, this was done, and another R7 billion was added, an extra 1,2% of productive capital.

In other words, productive capital grew in 1988 by just 1,2%. The population of South Africa grew by about 2,5% in the same period! So each South African worker had less capital to help him produce than the year before.

In the manufacturing industry on its own, the situation was worse. The bosses failed even to replace the machinery that was worn out during the year. The real capital stock in manufacturing in 1988 was 1,6% less than in 1987 - and fully 8,9% less than in 1984! ❖

Utilisation of production capacity

In an economy which is slowing down, fewer goods than normal are produced. The amount of factory space and machinery is unlikely to have changed, however. The result will be a falling utilisation of production capacity.

Utilisation of production capacity measures how busy a factory is. That is, the level of use to which a factory and its machinery is put. It is measured as a percentage.

When a factory is fully used, it will achieve 100% utilisation.

This means that its machinery cannot run faster to produce more goods - and neither can the workers work faster.

But a factory is unlikely ever to run at 100% utilisation. Unexpected delays in the supply of raw materials, the breakdown of one of the machines or a cut in electricity supply are just some of the reasons for this.

Normally a high level of utilisation is said to be 85%. When an industry reaches this level, companies will in general be unable to expand production without investing in new machinery. So industries which reach 85% utilisation should be thinking about new factories and extra machinery.

A low level of utilisation means that the company can expand production cheaply. No new money has to be invested; no new machines have to be bought. When production rises in such factories profits really soar!

The latest figures (for November 1989) show that on average factories had recorded 84.6% utilisation. Iron and steel industries were at over 90% - transport equipment was only 76.7%. But we expect these figures to be lower now. ❖

A note on the building industry's stamp benefit system

The article on the building industry's stamp benefit system in the last edition of the Bulletin (Vol 14 No 8) included a pie graph showing the value of a building worker's weekly benefits.

The pie graph showed that

Inflation

Area	Consumer Price Index (1985=100)	Annual rate of inflation (% increase over 1 year)
	Mar 1990	Mar 89 - Mar 90
Cape Town	194,9	14,1%
Port Elizabeth	198,9	14,4%
East London	191,7	15,0%
Durban	187,8	15,9%
Pietermaritzburg	192,3	15,1%
Witwatersrand	198,8	15,7%
Vaal Triangle	193,0	14,7%
Pretoria	204,4	13,5%
Klerksdorp	205,1	14,1%
Bloemfontein	178,5	13,0%
OFS Goldfields	195,8	14,6%
Kimberley	188,2	13,9%
South Africa	196,4	14,9%

Source: Central Statistical Service

Inflation

Area	Consumer Price Index (1985=100)	Annual rate of inflation (% increase over 1 year)
	Apr 1990	Apr 89 - Apr 90
Cape Town	196,7	13,8%
Port Elizabeth	200,5	13,2%
East London	193,9	15,0%
Durban	190,1	15,6%
Pietermaritzburg	193,8	14,1%
Witwatersrand	201,0	15,6%
Vaal Triangle	194,2	13,9%
Pretoria	206,4	13,0%
Klerksdorp	206,1	13,0%
Bloemfontein	179,6	12,3%
OFS Goldfields	197,8	13,5%
Kimberley	189,6	13,4%
South Africa	198,3	14,6%

Source: Central Statistical Service

a general worker in the Cape Peninsula can receive, each week, a stamp containing benefits worth R34.80. The graph did not show who paid for these benefits. All these benefits *must* be paid for by the employer.

Many building workers are not aware of this and building bosses have exploited this,

sometimes deducting the value of "benefits" from the worker's weekly wage.

A general worker should, therefore, receive a wage of R136.43 per week and benefits of R34.80 per week. A general worker's total weekly earnings amount to R171.23. ☆