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Car sales look set for 'gentle upturn'

Gov Post 2/1/88

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By BOB KERNOHAN
Business Editor

NO fireworks — but certainly a "gentle upturn" in motor sales is forecast for 1988.

That is the opinion of one of the country's leading authorities on the fortunes of the industry, Robin Emslie, editor of the magazine *Automobil*, which has disclosed its predictions for

the year ahead in its latest edition.

But even long-time industry watcher Emslie concedes that gauging the issues which will affect sales next year and into the '90s is not easy, although he identifies a key factor as being the vital yen/rand and German mark/rand exchange rates. "Any real deterioration

of the rand against the West German or Japanese currencies will force vehicle prices upwards, any real improvement will assist greatly to contain the spiral."

Labour stability will also remain a crucial factor — "and this is one area where top businessmen seem to have the least optimism and the greatest fears".

"That also means that this area is receiving constant attention by managers and trade unionists alike — and there does seem to be an area of common intention in wanting to get things right for the future," says the *Automobil* editor. "The next 12 months will see watershed develop-

ments in this area, however, and — in the process — it doesn't seem as if the motor industry is going to be able to get through unscathed".

The authoritative magazine predicts that the "ageing car park" — the number of cars past their average life — will also play a key role in determining market sizes in the years ahead.

"There are some who say (or want to hear it said) that the average life of the South African vehicle has doubled or even trebled. "There are others a little more conservative. "There is no question that the last three years of reduced new vehicle input have extended the life of licensed cars in South Africa ...

"There's a school of thought which holds that this will continue for quite some time — which slows the number of new-input sales, but improves the aftermarket activity. "Another viewpoint is that the ageing process reaches a point when replacement can no longer be avoided and becomes compulsory — and many people attribute some of the sales build-up in 1987 to exactly this factor. "Backlog demand is a real term and must always have an impact ... Underpinning the upturn will be the general economy.

"Available disposable income — be it in the pockets of the individual or in the cash flow of companies of all sizes — will govern buying decisions through 1988. "In this area the 'where-and-its' are legion. "Will there be serious and meaningful tax concessions in the March budget? "Will the economy continue to rise even at the present tardy rate? "Will elements of the Margo Commission's recommendations become part of the fabric? "Will the country avoid major political reversals or disruptions of peace in the next 12 months?"

Summing up, Emslie says: "With all these elements making up our uncertain future, it is almost impossible to be accurate in forecasting — even with a very magical crystal ball. "The official National Association of Automobile Manufacturers [Narnasa] Market will grow by 10% in 1988 — to around 220 000 units ... "We know one manufacturer who sees no increase at all 1988 over 1987, and we know others who are looking at totals of 235 000 and 240 000."

But he ends on an optimistic note that the motor industry and related trades "can look ahead with more confidence at the end of 1987 than they have been able for quite some time". "The emphasis, however, must be on taking care as they (the industry and trade) progress and prosper. "Very harsh lessons have been handed out during the recession, one hopes that all have learnt them well and will know how to survive a gentle upturn in 1988."

December bonanza for PE business

D/D 2/1/88

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By JENNY CULLUM

MORE than R165 million has poured into Port Elizabeth and Uitenhage shops this December.

Final figures for the Christmas season spending spree are not yet available but all expectations were exceeded, as visitors and residents shopped — and shopped — their way to a new record December.

Port Elizabeth Chamber of Commerce director Mr Tony Gilson said the general impression was that sales were "significantly up" on last year.

An earlier Chamber survey indicated that figures for December would be 11% to 17% higher than last year but final figures would exceed even the higher estimate of 17%.

Some retailers in the city have had increases in turnover of 40%, 70% and 35%, compared to December last year.

Mr Gilson said sales in December last year in Port Elizabeth and Uitenhage were R141,7 million. Sales this December are expected to be considerably more than R20 million up on last year's figures.

This covered butchers, dairies, grocers, food, bottle, furniture, footwear and clothing stores, booksellers and stationers, jewellers, chemists, sports, entertainment, department stores and general dealers.

Members of the 1 000-strong Chamber who have reported back were "very pleased" with sales results. "Since the beginning of the year sales have been improving at a very encouraging rate. Port Elizabeth has been part of the country-wide trend."

The city, however, had had special problems and had really only been recovering lost ground since 1985 and 1986. It was the best year ever in terms of rands, although inflation had to be taken into account.

Sales in December 1986 were 14% higher than the previous year.

In January this year, the figure was R95,7 million, dropping in February to R83,7 million and R86,1 million in March. In April it rose to R97,5 million and by August had topped R107 million, compared to R90,1 million the previous year.

Mr John Thornton, general manager of a large chain store, said sales had been 10% higher than the budget estimate and more than 40% higher than last year. The upswing had been mainly in non-food items, such as clothing, bicycles and electrical appliances.

Checkers (1/2) strike is over

The strike by members of the Commercial, Catering and Allied Workers' Union (Ccaawusa) at 18 Checkers stores in the Transvaal has ended.

The strike started after the alleged unfair dismissal of Mr P Xaba.

Checkers management has agreed to suspend Mr Xaba with pay, pending arbitration. *W. S. M. C.*

R8,7 billion Christmas shopping spree

CAP & TIMES 5/1/88
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Staff Reporter

THE country's shoppers lashed out and spent a whopping R8,7 billion in retail purchases during the closing weeks of 1987, according to preliminary estimates.

This places retail sales for December about 18% above the turnovers recorded 12 months ago — and well in line with most forecasts.

Particularly noticeable this year is that consumers have made increasing use of credit rather than cash for retail purchases, despite year-end bonuses.

This emerges from a quick poll among the country's major retailing groups. Banks and other financial institutions said it was still too early to precisely determine the extent of an increased credit demand, although preliminary "guesstimates" do indicate a sharp rise.

What may effectively emerge, according to some retailers, is that the public are using credit lines to facili-

tate their purchases of consumer durables, and cash to fill their fridges and grocery shelves.

The upmarket Garlicks retailing group estimates its December turnover last month is about 27% up on the previous year and well ahead of forecasts.

Spending patterns were spread pretty evenly throughout the country — focussed on gift areas such as fashion and perfumery, according to the managing director of Garlicks, Mr Jack Garlick.

He noted that far more shoppers are using credit lines to make their purchases, estimating that his group's debtors' book has jumped by 40% to 50%.

Similar trends have been experienced by the other retail groups and are forcing management to review this side of their operations, tightening up controls as far as possible.

"The last thing we want to do is put a ceiling on credit," commented Mr Garlick.

S/Time 10/1/88

Small business drive 30

THE success of the Black Shareholders Association has prompted the formation of the Small Business Owners Association of Southern Africa. Director Jean Saint John says the association is geared to meet an expected increase in small businesses, such as cottage industries, export-import, flea markets and self-help projects. He believes that promotion of the concept of share and business ownership will offer entrepreneurs an opportunity to succeed.

SBDC is facing funding crisis

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B/day
11/1/88

LINDA ENSOR and
JACQUES MAGLIULO

THE Small Business Development Corporation (SBDC), which is experiencing an alarming rise in bad debts, will have to scale down the level of its activities unless increased government funding is forthcoming.

A write-off of R16m in bad debts is projected for this year. Since its formation in 1981, and including the 1988 projection, a total of R29,7m in bad debts has been written off — or 6,8% of the total of R436,2m loaned.

SBDC MD Ben Vosloo says that as a result of this development and because the SBDC has come to the end of its expansionary period, the size of loans granted will have to be cut back. For instance, while in 1986/87 loans valued at R177,2m were granted, this year a projected R133m will be lent.

"Activities will have to be reduced by as much as one-third if government aid is not received," says Vosloo.

Compared with two years ago, when one in four applications for loans were approved, now only one in seven applications is being granted, he says.

Stricter criteria will be imposed and non-income services such as training and after-care will have to be curtailed.

"We cannot carry on with this level of bad debt write-off if we wish to continue existing," Vosloo says.

Until now, he says, a write-off of about 5% was regarded as a reasonable figure for the high risk/low return nature of SBDC's business, but anything beyond this would place the financial health of the SBDC "in jeopardy".

Profit margins are too low to carry a loss of this magnitude and the return on capital is not more than 5%.

With the rising level of bad debts, overhead expenditure has also risen dramatically and the SBDC now has to support a highly specialised staff of about 700 people.

New methods of financing the corporation are under consideration and the SBDC has requested government finance of R291,8m, spread over the next five years. This would start with R46,8m this year and grow at an annual rate of 20% to R74,4m in 1992.

Government is keen, as part of its

● To Page 2 →

Size of loans will be trimmed

privatisation initiative, for the SBDC to finance itself through borrowing, but because of the high-risk nature of its business, financial institutions have so far been reluctant lenders.

Vosloo insists that, despite its R8m monthly cash-flow, the SBDC in the long-term would not be able to function without government assistance, as the high rates of interest would be unserviceable and its gearing would become unmanageable.

"One cannot provide long-term

← ● From Page 1

finance with short-term loans," he says.

Government has agreed to provide guarantees for loans obtained from the private sector and, in principle, has supported the proposal to subsidise interest payments, though to what extent has yet to be decided.

However, a ceiling has been placed on the amount of loans government is to guarantee, further limiting funds available to the SBDC.

Homemakers' listing is scheduled for March 7

HOMEMAKERS, the new household and furniture conglomerate is to be listed on the retailers and wholesalers sector of the JSE from Monday March 7.

Documentation regarding the formation of Homemakers, to be reversed into Fabric Library, will be posted to shareholders of the six listed companies involved today, UAL Merchant Bank announced yesterday.

Circulars will be posted to shareholders of Fabric Library, which is to change its name to Homemakers, W&A, which expects to have a 43% holding in Homemakers and W&A's

KAY TURVEY

holding company, Waicor.

In addition shareholders of W&A listed subsidiaries World Furnishers and Bradlows will be offered shares on the basis of 540 Homemakers for every 100 World shares and 1 900 Homemakers for each 100 Bradlows. For each 100 Housewares held 190 Homemakers will be offered.

On the basis that all minority shareholders accept the Homemakers offer, CE Hilton Nowitz forecast pro-forma profits of R23,2m attributable to ordinary shareholders in the year to December 1987, equivalent to about 14c per share.

BDay 14/11/88 (30)

GREATERMANS expanded last year by buying traditional department stores, although their future is controversial and speciality stores have gained ground internationally.

Dept stores still viable — chain

KAY TURVEY

Tradegro's wholly owned subsidiary bought the Cape Town Stuttafords store and three John Orrs stores from John Orrs Ltd, now renamed Storeco.

Greatermans MD Kevin Smith says the emphasis is on moving away from the giant, full-line store to a more focused, limited-line department store aimed upmarket. The intention is to shed "the blue rinse, fuddy-duddy" image and move into fashionability, he says.

The R110m-a-year retailing group plans a listing on the JSE this year. Synergy benefits from the take-overs and more aggressive marketing resulted in growth of 35% in the last six months of 1987, not counting the extra turnover from the new stores.

Smith says the listing is to be considered in August, once the recently taken-over businesses have been cemented and the stores' identity established. All six stores are to fall under the Stuttafords banner, although the John Orrs Sandton City store will retain its name because Stuttafords is also represented there.

Listing funds will be used for the open-

ing of new stores and diversification. Smith believes there is still room for expansion in upmarket, speciality department stores with opportunities for another four stores countrywide, before moving into speciality stores, as top US Department store Maceys has done.

Smith describes the Stuttafords acquisition last July as a natural progression, as was John Orrs, the motivation being to secure the sites. Stuttafords is in Cape Town's upmarket Cavendish Square and the John Orrs stores are in prime retail space in Sandton City, Maritzburg and Durban's Musgrave Centre, one of the country's most successful shopping centres.

All acquisitions were funded out of a strong cash flow leaving room for further acquisitions.

An obvious target for Greatermans must be the sluggish family-owned Garlicks, because it is nationally represented in well located areas.

Councillors lose Soutacoc posts

THE Southern Transvaal African Chamber of Commerce has dismissed its two executive members who are community councillors.

This was confirmed yesterday by Soutacoc's president, Mr Willie McBain-Charles. He said this followed a resolution adopted by the region at its conference last year.

The two executive members — Mr J P Masongo, a Daveyton councillor, and Mr J Hlatshwayo, a Kwa-

By JOSHUA RABOROKO

Thema councillor — walked out of Soutacoc's meeting in protest against the decision last week.

They could not be reached for comment yesterday.

Two other councillors, Mr Z Mashao and Mr J Hlongwane, both of Mamelodi, have resigned from Soutacoc following the decision to dismiss councillors.

Soutacoc's move comes in the wake of campaigns launched by political and trade union movements to ostracise community councillors.

Mr McBain-Charles said the region would no longer allow traders who are community councillors to have executive positions.

He said: "We are going to see that the resolution is implemented in all our branches. We have instructed branches to adhere strictly to the resolution."

30 Jonathan 14/1/88

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Sowetan
15/1/88

End of Farm trade

By ALI MPHAKI

THE Soweto City Council has cracked the whip on 16 traders doing business at the MacDonald/Levine farms in Soweto.

The traders must vacate the farm to give way to the developers, who will be starting with their project on Monday.

Some of the traders have been operating on the farm for more than 20 years, but have been promised a place once the area has been developed.

"In fact, the sooner they move out the better because they stand to benefit once the developers are through with their work. If they do not want to move they will encounter problems," Miss Estelle Bester, Soweto's housing director said.

Meanwhile residents classified as non-Sowetans have been temporarily allowed to erect shacks at the Dlamini emergency camp.

This is contrary to the Soweto Council's initial intention to help move the residents to Rietvallei in the West Rand.

No rush for credit

Shoppers may have gone on a spending spree this Christmas. But intimations that they did so on impulse and are now up to their eyeballs in debt seem exaggerated.

Though Assocom confirms that around R8,7bn was spent at retail stores in the last two months of 1987 — much of it by means of either bank or in-store credit — it points out this was no more than expected, given seasonal factors and the relatively buoyant economy.

"The increase in credit demand was not a total surprise," says Bernie de Jager, assistant head of the Reserve Bank's Economics Department. "Our third quarter figures had already shown a general improvement in the overall performance of the economy. The fourth quarter figures confirmed the trend."

Despite the good December, many major retailers do not feel credit-financed purchase got particularly out of hand. Indeed, many report unusually strong year-end cash flows.

At Garlicks in Cape Town, December credit sales as a percentage of total sales were actually down 6% on the previous month. The Transvaal also saw a drop of 1%. For these reasons Financial MD Dave Wilson sees no reason to put a ceiling on credit. "Indeed, we are still encouraging it."

Echoing this view is Edgars' Financial Director Robert Maydon: "We're happy with the level of credit sales. Indeed, we're surprised at the liquidity of our customers. The major proportion of them are mature adults who manage their finances correctly."

Greatermans Eastgate — benefiting perhaps more than other stores from an up-market clientele — reports only around 0,75% of its credit sales turn out to be bad debts.

Some stores did see a considerable jump in their debtor books though. At Dion, credit sales represented 35% of total December

purchases, up 15% on last year.

However, of that, about 22% was bank credit; the rest was in-store credit. CE Hy-mie Sibul points out that with Dion's stricter than usual terms — minimum 20% deposit and interest charged on instalment payments — credit is virtually self-financing. "We've never had a repossession since we started our credit scheme last April. We are definitely not overexposed."

Does this mean the banks are shouldering the debt burden?

"A customer who buys something without paying cash is not necessarily using credit," says Tony Poriadis of First National's card division. "Many of them pay off that sum as soon as they receive their monthly statement."

As to how many subsequently go on to make use of extended facilities to pay off overtime, Poriadis says a clearer picture should emerge within the next eight weeks.

Standard Bank won't have to wait that long. "Though our turnover is up on last year, there is no marked increase in debt," says John Cruickshank, assistant GM of the Card Division. "This shows people are using their Mastercards more as a payment mechanism than as a means of long-term credit. Spending has been disciplined."

It thus seems a little premature to have read into the Christmas spending splurge signs that the slack demand for credit was about to reverse itself. Interest rate bulls will have to pull in their horns a while longer yet.

Household firm seeks acquisitions

KAY TURVEY

HOMEMAKERS, the new household and furniture conglomerate to be reverse listed into Fabric Library is seeking to buy companies involved in the distribution of products and services in and around the home.

Homemaker CE Hilton Nowitz says group policy is to maintain relatively low borrowings for the sector and maintain gearing below 60% in order to pursue acquisitions.

At present the group scheduled to be listed on March 7 has a debt/equity ratio of 40% and the transmuted listing statement shows a strong pro forma balance sheet at 2.8:1.

Eight merged

The merged company brings together W&A's Nieman/Lee and its subsidiaries World and Bradlows with JSE-listed Housewares and Fabric Library as well as unlisted Sembel-It, Multi-Pine and Harry Coll. Each operating company will continue to be autonomously managed.

On a pro forma basis sales grew by 24.6% to R288m in 1987 and attributable earnings showed a 48% gain to R23.3m.

World furnishers, the top contributor to bottom line earnings accounted for R7.1m in after tax profits. Housewares contribution was R6.3m.

Nowitz points out that Housewares and the textile companies Nieman/Lee and Fabric Library, which developed in the recession years of 1985 and 1986 provide a buffer to the highly cyclical furniture sector.

He says the individual subsidiaries will benefit from the organic growth in the present consumer led economic recovery. In particular, furniture sales are recovering from the clamps on instalments credit sales which were relaxed in August 1985.

Financial strength

In addition advantages will be gained from internal synergies and Strategic acquisition made possible through the financial strength of Homemakers.

Nowitz says the established customer base in excess of 300 000, composed entirely of credit rated accounts, offers considerable opportunities for cross marketing.

"The association with World offers an immediate, nationwide entree to the black market for Housewares, which intends to form separate sales teams that will utilise World's existing infrastructure," he says.

Selected furniture retail stores will offer speciality branded melamine kitchen units from Multi-Pine and Fabric Library is preparing a range of linen for Housewares.

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Blows

15/1/88

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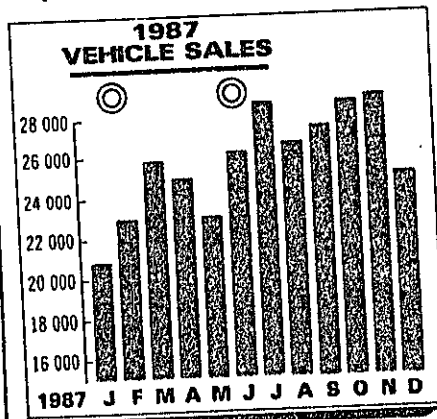
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16,8% leap in vehicle sales a good omen

15/1/88
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VEHICLE sales in 1987 — 16,8% higher than in 1986 — have been greeted joyfully by manufacturers, who hope they presage a good 1988.

National Association of Automobile Manufacturers (Naamsa) figures yesterday showed a total of 309 150 vehicles



were sold in 1987 compared with 264 676 in 1986.

Car sales exceeded expectations, cracking the 200 000 barrier to rise 15,1% with a total of 200 824 (174 453).

The yearly growth in sales received a boost from the 33,5% climb in December sales. A total of 25 043 vehicles were sold in December compared with 18 761 in December 1986.

Naamsa director Nico Vermeulen projects a modest growth of between 6% and 10% in unit sales in 1988 compared with 1987 and expects passenger car sales to rise to 215 000 units, light-commercial vehicle sales to 105 000, medium-commercial vehicle sales to 5 200 units and sales of heavy trucks and buses to about 8 500 units.

CSO SALES/DE BEERS

Solid fundamentals

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Sales of rough diamonds by the Central Selling Organisation (CSO) during 1987 underline one reason for local market nervousness about De Beers. The figures have emphasised the negative effect of the rand's recent strength against the dollar, and its potential to curb De Beers' profit growth, at least in the short term.

It is doubtful that profits will be dampened too seriously, as they should still be boosted by other factors for some time. But it helps to explain the weakness of the share, particularly when there are the additional concerns about the effects of a possible slowdown in world economic activity and uncertainties about the actions of international investors.

That the diamond market so far has remained fundamentally solid is shown by the CSO dollar figures, which rose by 20,3% for the full 1987 year, and by 12,8% in the second half. Although a marked slowdown came towards the end of the year, this had been widely expected by analysts who thought CSO policy might be to cut back on supplies of rough stones to the trade at the November sight until the effects of the stock market crash became clearer.

This is roughly what happened: according to the official statement, November and December allocations were reduced, and "this move has been well received by the trade." After the speculative hard asset boom of the late Seventies, and the subsequent recession in the diamond industry, it has become a cornerstone of De Beers' philosophy to avoid any build-up of stocks in the trade.

With the rand/dollar rate rising to 0,4909c in the 1987 second half against 0,4197c in the 1986 second half, the sales in rand terms actually fell by 3,6% during the second six months and rose by only 6,6% for the year as a whole (see table). For the present the rand has stabilised around US\$1c, but looks capable of moving higher so it is uncertain how much longer an adverse currency movement will hurt De Beers. I don't think it is a long-term

CSO SALES							
Exchange rates curb rand growth							
	1986	1986		1987			
	Full	1st half	2nd half	Full	1st half	2nd half	Full
US\$m	1 823	1 214	1 343	2 557	1 560	1 515	3 076
Rm	4 027	2 710	3 200	5 910	3 214	3 086	6 300
Ave R/\$ rate	0,4527	0,4480	0,4197	0,4327	0,4854	0,4909	0,4881

problem.

When De Beers' year end figures are released in March, they may indicate an even harsher effect. CSO sales figures are converted to rands at the exchange rates ruling at the time of each sight, but the group's accounts are drawn up according to the rates ruling at the year end; and on December 31 the rate was slightly above US\$2c.

However, whatever damage is done to reported profit figures by the currency should be at least partly offset by better underlying profit margins. From early last year De Beers has been increasing production of its own diamonds, and chairman Julian Ogilvie Thompson noted some time ago that sales of all types of diamonds are improving. This means that De Beers should have sold more of its higher quality, more profitable gems, with positive implications for the margin on the diamond account.

But since October the real concerns about the diamond market have related to the stock market crash

and worries about economic recession, particularly in the US. A lot of these concerns have more to do with sentiment than any hard evidence about how the diamond market actually works. Figures for retail sales since the early Seventies show that there has been only very limited correlation with US economic growth rates, and certainly between 1973 and 1984 — before equities began surging — there was absolutely no correlation with levels of world stock markets (see graph).

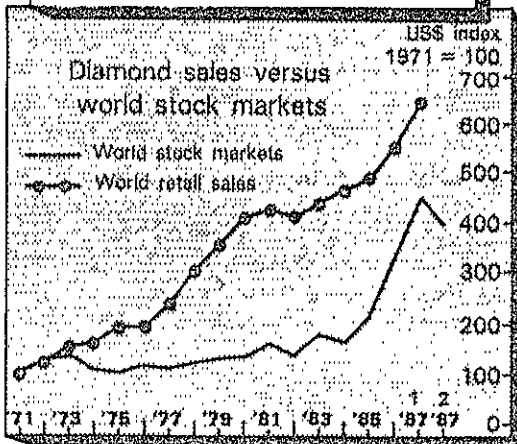
Broader market

It may seem reasonable to assume that a recession in the US would cause sales of luxury items such as diamonds to weaken, given that the US is still the largest consumer of gem diamonds. But that argument overlooks the recent broadening of the diamond market and the CSO's penetration of high-growth Far Eastern economies. Stocks in the trade have been kept low, so if retail sales can be made to maintain their virtual 20-year growth record then both rough sales and De Beers' earnings should maintain momentum, as should the dividends.

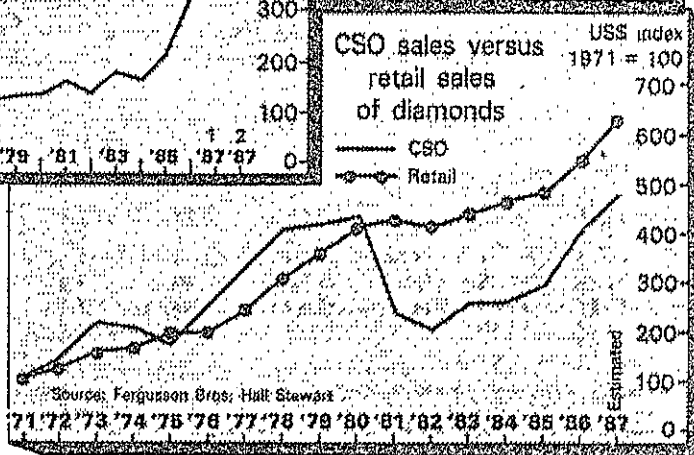
That is the bullish argument. Against this, it is simply not possible yet to determine how far the global economy may deteriorate. The stock market apparently feels that the risk profile on De Beers' share has worsened, particularly in view of its sensitivity to foreign stock market trends. During the Seventies — a high-growth period for the diamond market — the share generally stood at fairly high yields. Even in 1979 the dividend yield was above 7% and in 1980, at the peak of the diamond boom, it was above 6%. The yield does not seem likely to return soon to those levels unless there is a major crash. But I can see little need to chase the share just yet.

Andrew McNulty

Sales and equities out of step



Retail and rough sales move in line



Record for Morkels

Business Times Reporter

TRUE to the pre-Christmas forecasts, listed furniture retailer Morkels turned in the highest monthly sales in its history in December.

Sales totalled R18 730 000 — 45,6% ahead of the previous December and 10% above Morkel's budget of R17-million.

The 75-store chain's results for the nine months to December were 36,5% ahead of the previous year.

"We are firmly on track to deliver year-end results substantially ahead of our prospectus forecast," says managing director Carl Jansen.

Morkels, which was listed last March, will declare its maiden dividend in June.

Mr Jansen says: "We read the consumer mood carefully and focused all our energy on marketing for growth. It paid off handsomely."

"There is no doubt that the consumer has been out to invest in furniture to meet the built-up demand for replacement."

Sales of TV sets and video recorders maintained their momentum, and there was increased demand for furniture.

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17/1/88

Shortages knock car sales

By Don Robertson

DECEMBER car sales were disappointing.

In spite of being well above the comparable figure for the same month in 1986, they failed to match the expanding base established after the middle of last year.

Stock shortages are blamed for the poor performance in December in spite of the fact that it is normally a weak sales month.

But with December car sales of 15 967 compared with 18 620 in November, the total for the year was 200 824 — 15.1% above the 174 453 in 1986.

Stock shortages were particularly evident in November's high-flyers, BMW experiencing a 50% drop in sales and VW's total falling by 23.4%. Mercedes-Benz continued to lift sales as the effects of the devastating strike were overcome.

Light commercial sales in December were 9.7% down on the 9 216 in November at 8 322. This left sales for the year at 96 346 — 22% above the 1986 figure of 78 835.

In the medium commercial sector, sales took a steep dive to 329 in December from 475 in November. The year's total was 4 738 against 4 449.

Heavy truck and bus sales fell to 425 from 638 in December for an annual total of 7 242 in 1987 compared with 6 939 in 1986.

Industry sources believe sales will grow modestly, at least in the first half of this year, although they fear that the rand's decline against the yen and mark could result in a further spate of price rises.

In spite of this, a total sales increase of between 8% and 10% is envisaged for the year. Car sales are expected to rise to at least 215 000, light commercials to 105 000, mediums to 5 200 and heavies to 8 500.

(30)
17/11/88
SIT

WHOLESALER and distributor Elcentre warrants a closer look in a pricey electronics sector

It appears relatively cheap — its PE ratio on forecast earnings is stated at only 6,3 times at the current share price of 315c. The sector's average is twice that.

However, this criterion alone is a poor yardstick of the company's rating. For the years to February 1988 and 1989 Elcentre will not provide for tax because of assessed losses and allowances.

This is entirely in accordance with accounting practice, but it does mean that in the first year in which tax becomes payable, Elcentre's attributable earnings will be comparatively lower than previously declared profits which were not taxed.

PREMIUM

Nathan Mowszowski, one of the group's executive directors, believes the market has taken this future tax burden into account in affording Elcentre its current rating.

He likens it to a PE rating of 10 fully taxed, with a small premium for the tax shield.

He thinks that the market has been a little sceptical about the group's ability to cope with an enormous rise in business. Before the acquisition of Globe Electrical (Glolec) in October 1986, Elcentre turned over R75-million a year.

At the same time Elgro, a pure pyramid holding company, was formed, which should trade at half the Elcentre share price. This is generally the case.

After that takeover and the subsequent purchase of Keens/Litecor and Atlas Cables, that figure exceeds R400-million. Mr Mowszowski says the group has beaten its earnings forecasts since the takeovers, and believes it can exceed the 50c earnings a share forecast for the current year. The number of shares in issue after the acquisitions is 59,2-million.

Elcentre plans to consolidate and get the business running more efficiently. He

Worth plugging in to Elcentre

says margins have increased and should continue as a result of rationalisation efforts.

Elcentre buys 95% from SA electrical manufacturers and 5% from abroad. It sells to the mines and industry, electrical contractors, government and municipalities, stores and other customers through its 61 distribution centres.

Growth may also come from both geographical and product diversification. For example, the consumer market accounts for a small part of the business, but is growing rapidly.

Elcentre may hold as much as 60% of the electrical wholesale distribution business, being by far SA's largest. There are several hundred independent outlets.

Direct supply by manufacturers to clients on large tenders is still considerable.

The business is run from Johannesburg by the three Mowszowski brothers and Phillip Aginsky. Nathan Mowszowski says that Elcentre can grow by between 25% and 30% a year.

STEADY

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Elcentre intends to cover dividend by 2,5 to 3 times. If provision for tax had been made the shares would be rated on a notional PE of about 8 times.

The shares should be bought for steady growth, but investors should not be fooled by the apparent bargain-basement PE tag the shares wear.

Finger trouble

THUMBS down to the JSE computer.

I included Boltons in my portfolio of shares for 1988 two weeks ago. I like the company, which has interests in Bolton Footwear, Bolton Properties and Cargo Carriers. Using the information provided by the JSE computer I thought the shares looked inordinately cheap at 840c on a price-earnings ratio of 3 and a dividend yield of 10%.

However, one sharp stockbroker told me that the JSE's information had not been updated to incorporate the Bolton group's restructuring several months ago.

Bolton's forecast earnings for the current year are 108c. At the price of 840c the PE should have been reported as 7,8.

The shares are now 1 000c on a 9,3 PE — still good value. Incidentally I see the JSE information has been updated.

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SA retailers to test computer data scheme

B/D Day 18/1/88

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APAC

KAY TURVEY

COMPUTER-to-computer data interchange that will slash paperwork between retailers and suppliers is now being developed in SA, with pilot tests set to start in February.

Most major retailers and manufacturers are lending their support to the SA Numbering Association (Saana), which is heading the scheme, internationally claimed to effect a 7% saving on total sales.

Electronic Data Interchange (EDI) will allow transaction documents such as orders and invoices to be transmitted between the computers of one company to those of its trading partners.

Beechams, Colgate Palmolive, Nestle, Premier, Metro, OK, Pick'n Pay, Spar, Unilever, Woolworths, Tiger National Milling and Reckitt Household are to serve on the recently formed working group, which will test the system.

Standards to ensure all EDI users follow common computer syntax to standardise the structure are being developed by Saana. Saana executive director Bob Pearcey says they are spearheading the creation of these standards as they will incorporate codes based on the barcode number banks Saana control.

Pearcey says it is difficult to quantify the time saving benefits attached to the system designed to reduce paperwork, improve accuracy, speed up communications and allow for tighter payment control.

He says Saana hope to encourage MBA students from the Wits or UCT business schools to prepare cost benefit analyses on EDI.

In the UK a similar type system has taken off attracting 600 members. Other such systems have also been adopted in the Netherlands, France, Germany, Austria, Japan and the Scandinavian countries, while Australia and New Zealand, like SA, are working on theirs at present.

Apart from the more conventional methods of using magnetic tape, floppy disk or point to point electronic transmission via the telephone exchange, Saana is considering appointing a third party networking facility.

This will enable them to link different kinds of computer systems that might not otherwise be compatible says Pearcey. Further it will allow them to offer a store and forward facility that records data messages and transmits these to the receiving computers when transmission lines are free.

Talks with the Posts and Telecommunications Department reveal it may launch a suitable third-party message handling service.

In addition Pearcey says they are liaising with the Receiver of Revenue to code tax exemption numbers and, in conjunction with the Sales Tax Director, are looking at re-drafting existing legislation to include EDI.

EDI & SAANA

20 B/day 19/1/88

COMPANIES

Higher copper prices have dramatic effect

HIGHER copper prices had a dramatic impact on Gold Fields of SA (GFSA) base-metal companies during 1987.

On the coal front, Gold Fields Coal saw another decline in profit during the last quarter, despite an increase in tonnages mined. The fall in profit was partly due to a tax bill associated with the joint venture with Matla.

The company has now seen a 21,6% fall in taxed coal profits for the year to end December.

However, after deductions for capex — which was R6,3m lower in 1987 — earnings have risen from 81c to 85c a share, ahead of analysts forecasts of 79c for the year.

In general, the base-metal companies benefited from firmer metal prices during the year, particularly copper, which rose spectacularly on

CHERYLYN IRETON

the London Metal Exchange.

This had a significant impact on unlisted O'okiep Copper which was able to transform last quarter's gain of R157 000 to a net profit of R18m.

GFSA deputy chairman Dru Gnodde said the higher price was a major factor behind the 75% rise in net profit to R20,4m (R11,7m) for the year, which helped O'okiep rid itself of borrowings of R17m and resulted in the first dividend payment — 20c a share — in a number of years.

Even so, analysts noted sales of blister copper were 5,7% lower than the previous year and a greater percentage of the metal was obtained from toll concentrates from Namibia.

O'okiep's profit margin improved from 15,3% to 17,9% during the 12-

month period.

Black Mountain continued to do well at operating level, but the resumption of normal tax payments during the year resulted in a 25% decline in taxed profits — before capex.

Annual production of lead, copper and silver declined and sales of all metals were sharply lower. But higher prices received and lower costs left operating profit 13% higher.

Tsumeb also took advantage of the higher metal prices, increasing 1987's operating profit by 79% on the back of higher metal prices.

Copper sales rose 30% despite a drop in production of all metals.

Rooiberg Tin's rationalisation seems to have been successful with the mine producing a small profit for the last quarter. For the year, the tin producer reported a slight loss of R270 000 after deductions for capex.

NOVEMBER

1987

ENERGY

March 1988 30

Bazaar strike - workers vote

"The refusal to appoint a conciliation board (by the Minister of Manpower) means the industrial court has no jurisdiction to adjudicate in the issue. The question is what happens to these workers when OK refuses even to go to arbitration because this is against the company's policy," said Mr Masina.

He said the ballot began yesterday and would determine whether the workers would go on the legal strike.

OK's industrial director, Mr Keith Hartshorne, said he was not aware of the ballot, but that communication was continuing between the company and the union.

- Ccawusa' members went on a wage strike at OK from December, 1986 to March, 1987.

DD 19/1/88
Public hearing on North End

"I am very pleased that there is this investigative committee because there is nothing to investigate."

Daily Dispatch Reporter

EAST LONDON — An investigative committee of the Group Areas Board will hold a public hearing here today in respect of the proposed opening of the North End area to all traders.

The MP for East London City, Mr Piet de Pontes, yesterday gave the details behind the meeting which will be

held at the city hall this morning.

Mr De Pontes said that the chairman of the North End Traders' Association, Mr D. Meyer, had approached him in connection with an application to open the North End, declaring it a free trade area similar to the city's central business district.

Mr De Pontes then contacted the deputy

minister of the department of constitutional development and planning, Mr Piet Badenhorst, and the regional director of the department of development planning for the consideration of opening the area to all traders.

"They investigated and sent a report to the group areas board," Mr De Pontes said.

He said that the pro-

posed opening of the area was advertised and an investigative committee of the board would be meeting here today to hold a public hearing in respect of the opening of the North End area to all traders.

Mr Meyer, who had no previous knowledge of today's meeting, said yesterday that the announcement of the public hearing was "marvellous".

"They should just grant it. It should be granted very easily."

Mr Meyer said that ever since the CBD had been opened, his association had been making representations to the government through Mr De Pontes and the municipality to get the North End opened.

Few reservations about North End deregulation

Daily Dispatch
Reporter

EAST LONDON — A public hearing of objections to the proposed deregulation of the North End, by an investigative committee of the Group Areas Board (GAB), revealed few reservations concerning the move.

The investigative committee, comprising two board members — the committee chairman, Mr B. Barnard, and a part-time member, Mr A. Cassim — discussed the proposals with municipal and council representatives, the chairman of the North End Traders' Association (NETA), Mr D. Meyer, the MP for East London City, Mr Peet de Pontes, and members of the public yesterday.

The effect of the proposal, if it is passed, will be that the areas between Kimberley Road and Beaconsfield Road and Park Avenue and Lennox Road, including the Oriental Plaza, will become Section 19 free



The chairman of an investigative committee of the Group Areas Board, Mr B. Barnard, right, and another committee member, Mr A. Cassim, in East London yesterday.

trade zones.

Mr Barnard said the "general feeling" of the investigation had been that there was no opposition to the addition of three new areas in the city to the present free trading zone, although the provincial secretary "had some reservations" about the inclusion of a bus terminus and the North End sports fields.

Mr Meyer told the committee his organisation welcomed the move as it was "vitally import-

ant to the viability of the North End as a trading area that it is open to all races".

"There is already tremendous development in the area, including the construction of the first stage of the North West Expressway.

"Once that is completed, plans will be submitted to council by the NETA to begin a programme of upgrading the area further."

Mr De Pontes expressed his approval of the deregulation of the area, adding that zoning the area for the residential use of a specific race group would be "superfluous as the purpose of the area is for commercial activity".

The central business district of the city was opened to trade by all races early last year, but the North End was excluded, as it was thought at the time that the major activity there was light industry.

The council then applied for the inclusion of the North End after representation by the NETA and the East London Chamber of Commerce.

30 B/D Day 20/1/88

Wooltru resignation a complete surprise

CHRIS CAIRNCROSS

CAPE TOWN — The sudden resignation of Wooltru group chief executive Tony Williamson this week came as a complete surprise, chairman David Susman told Business Day yesterday.

He noted that Williamson had been the driving force behind the restructuring of Wooltru, and his loss would be sorely felt now the group was poised to try out its new format.

Williamson handed in his resignation this week and will leave at the end of July in "order to pursue personal business interests", according to announcement from Wooltru yesterday.

Williamson told Business Day his departure was "amicable and uncomplicated". He had been reaching a point where he needed a change.

'Entrepreneurial'

Now 50, Williamson said he needed to do something "entrepreneurial" — and definitely not in retailing. He has been with Wooltru since it took over Truworths eight years ago.

The broking community, which confesses to have raised a few eyebrows at some of the decisions taken by Wooltru under Williamson's stewardship recently, is not wholly convinced by the bland explanations emanating from Wooltru's new Cape Town head office.

"We suspect that some internal power struggle has led to his (Williamson's) resignation," one analyst surmised.

Some believe that Wooltru is "losing its way" partly due to decisions orchestrated by Williamson.

Decisions signalled out for criticism include: the "extravagant" amount spent on Wooltru's lavish headquarters; the aborted efforts to take over Pep; the questionable investment in Makro; and the sharp rise in borrowing to over 50%.

But Susman said Wooltru had had a good 1987, and could now do even better.

No successor has yet been appointed, and no decision will be made for some time, according to Susman.

The Wooltru board is due to meet twice in the next 10 days to discuss how any new appointment will be handled.

(24) B11111 20/1/88

Factory shop concept finds favour

DURBAN landlords are demonstrating ability to adapt to a changing market by converting space for use as "off-price" factory shops. In fact, according to Bill Leslie, commercial and industrial letting director for the J H Isaacs Group (Natal), the concept is so appealing to the retail sector that JHI has constant calls for suitable premises in which to house such operations.

One of the prime attractions, Leslie said, is the short turn-around time required to get the store into operation once the lease has been signed. "With Mr Price's, a direct-to-the-public store in Brickhill Road, they were in operation within a month of taking over the premises," he comments.

The concept calls for a large warehouse, which can easily be converted into a retail outlet through quick refurbishing, inclusion of fittings, good lighting and signwriting.

Premises should meet several criteria to become successful as "factory shops". These include economical rentals, low overheads, easy accessibility on the fringe of the CBD, high visibility and ease of refurbishing. The interior should be clear, with maximum usable floor space.

Leslie said the rise of factory stores is an example of landlords adapting to a changing market and changing the nature of the use of their premises to good effect.

Adjudicator for OK

Journalist 20/1/85 (30)

THE Minister of Manpower has appointed a conciliation board to adjudicate in the dispute over "a continued dismissal syndrome" at OK Bazaar stores, the Commercial Catering and Allied Workers' Union said yesterday.

The appointment has averted a strike, which could have taken place soon after the ballot that Ccawusa began conducting this week was completed.

Ccawusa spokesman

Mr. Vivi Masina said the union had suspended the ballot and would wait 30 days before taking action, as required in terms of the Labour Relations Act.

He said this was the first time the Minister had appointed a conciliation board regarding OK.

Ccawusa has claimed that the company has fired workers unfairly over the last few weeks in Johannesburg, Nelspruit, Germiston and

Klerksdorp. The union said management had been firing the workers on unsubstantiated allegations of theft and unlawful appropriation of property.

"Workers at other branches were dismissed after customers claimed they saw them stealing. Hearings to determine the truthfulness of the allegations had often been conducted without witnesses of proper evidence, Ccawusa has said."

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Help for live fowl traders

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Sinetun
2/1/88



**MR ELIAS Nhlanhla...
president of Black
Poultry Association.**

AN ASSOCIATION has been formed to help black businessmen get licences to sell live fowls in the townships.

This was said yesterday by the president of the newly launched Black Poultry Association, Mr Elias Nhlanhla.

Live fowl traders without licences in the townships have been harrassed, arrested and have had their goods confiscated by authorities.

They have also been exploited by white farmers who sell chickens to them at exhorbitant prices.

Mr Nhlanhla said: "For too long we have been exploited by people who keep their prices high. As a result customers often buy chickens at unreasonable prices from the street corners."

The association would also try to trade with big business.

The association will meet at the Orlando West Industrial Park, Soweto, on Sunday at 2pm.

Leave us alone - hawkers

THE private sector and the Government have been called upon to lift trading restrictions immediately and to stop the harassment of black hawkers in the city centres and townships.

More than 200 black hawkers took this decision at the annual congress of the African Council of Hawkers and Informal Business in Johannesburg at the weekend.

Members of the Johannesburg Traffic Department, backed by the SAP, raided hawkers in the city's station area only hours after the congress began.

Hawkers were arrested and fined R100 each for trading without licences. Their goods were confiscated. Ironically, senior traffic

By JOSHUA RABOROKO

department members, city council department members and city council officials attended the conference which highlighted problems facing black entrepreneurs.

The president of ACHIB, Mr Lawrence Mavundla, and Progressive Federal Party MP Mr Rupert Lorimer have slammed the raid, calling it "petty and unnecessary".

Mr Johan Naude of the Small Business Development Corporation said the raid was unnecessary. A Johannesburg Traffic Department spokesman said the raid followed a complaint to his

department. The congress resolved that the private sector should help them if they wanted hawkers to continue supporting them.

"We want to earn a decent living and the private sector must help us," Mr Mavundla said.

He said the private sector should also support employment training projects.

A hawker who has traded in the city since 1961 said many people were not granted new trading rights when they tried to renew their licences.

He said they were arrested indiscriminately because the authorities did not check whether they had been granted new licences.



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Sweetman

21/1/88

Caister Lodge. But he then took the money for his own use and failed to pay off the loan obligation debited to the unit in the books of Clint Sands Investment Share Block Ltd, the company established to control the development.

Confronted with this allegation, Helman told the NLS investigator he was entitled to do so because the loan obligations were his responsibility and if Clint Sands needed the funds he would pay up.

This evidence was contradicted by brochures advertising Caister Lodge which represented Mayne & Van der Linde as the developers (a contention repeated by Mayne & Van der Linde after the court application).

"In view of the fact that the sale documents refer to Helman & Partners as the seller of the share blocks, this is a misrepresentation. In fact it supports my contention that the entire scheme was structured in such a way as to evade the requirements of Section 15 of the Share Blocks Control Act," says Geyser's affidavit.

The affidavit reopens the mystery of a "missing R1m" from the Malington Place development. Answering a previous allegation made in this regard, Helman contended in an affidavit submitted to the Durban Supreme Court that an amount of around R400 000 had been paid out in cash by his partner, Mayne & Van der Linde, to secure the vacancy of two premises later demolished to make way for the development.

Though no supporting vouchers were submitted, he had employed shareholders' deposits held in trust to pay Mayne & Van der Linde in cash. The debits were accordingly made against the shareholders' investments.

But Geyser contends in his affidavit that only 17 people appeared to have been involved in such a buy-out at one of the premises, and that a sum of probably less than R15 000 was paid by way of compensation.

Helman was nonetheless reluctant to lay a charge for the apparent theft or fraud against Mayne & Van der Linde, and had no plans to claim against his professional indemnity insurance.

Geyser submits it appears that Malington shareholders were defrauded of this sum to recover overruns incurred in previous joint developments by Helman and Mayne & Van der Linde.

"It was only when their accounts were challenged that they put forward the fanciful story of paying off occupants in the sum of R400 000," he submits.

The return date for the final order to strike the names of all three attorneys from the roll is June 3. ■

RETAIL ROUNDUP

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Speedy recharge

Considering the pounding taken by retailers in the recession — and the commonly held belief that SA is over-shopped — it's hardly

surprising that 1987 saw no newcomers to the FM's list of regional and community shopping centres (see table).

There were some changes, however. Sandton City was enlarged by 2 800 m² to make it the largest shopping centre in SA. And in Roodepoort the Hyperama's lettable area was increased to 29 025 m².

Dion Centre in Parow was renamed Warehouse World by new owners Coreprop, who also bought out their partners in The Avenues, Springs. Coreprop are planning to enlarge it by 6 000 m² this year at a cost of R8m.

Meanwhile, the 28 000 m² Blue Route Shopping Centre was sold to Cape Town developer Harry Fuchs for R12m and will be upgraded when he takes transfer later this year.

Developers' caution about getting into the retail market seems to have evaporated in the warmth of economic recovery. Not only are they refurbishing and expanding existing centres, they are also laying ambitious plans for new ones. If all are translated into bricks and mortar, next year's list could be substantially rewritten.

Some of the large new centres already under construction include:

- Highgate, a 41 000 m² centre to the west of Johannesburg. Several major chains have already signed for space. Developers Nitor are spending some R58m of the Iscor and Eskom pension fund's money on the project;
- Walmer Park in Port Elizabeth, eventually comprising some 30 000 m² of lettable retail space anchored by Pick 'n Pay, is being developed by Volkskas Merchant Bank and the Port Elizabeth Municipal Pension Fund at a cost of R50m.

There certainly will be no shortage of shopping on the East Rand. Besides well-advanced plans to boost the commercial component of the Benoni, Boksburg and Brakpan business centres, Retail International is planning a further 32 000 m² of shopping behind Pick 'n Pay's Boksburg Hypermarket. With the additions, the complex will boast 90 000 m² of trading space. Meanwhile, Rosmarin & Associates are developing a 35 ha site to the west of Brakpan which is expected to provide a further 45 000 m².

Provincial approval has recently been granted to Rand Mines Properties for the proposed 50 000 m² Southgate centre, south of Johannesburg, and to Elcorp for the controversial Clarendon Gardens development in East London. The latter will comprise some 36 000 m², of which OK Hyperama will be taking 14 500 m².

OK is involved in five major developments — two for its own account — at a cost of around R60m. Four of them will feature more than 21 000 m² of trading space each and they are all said to be "in areas where they are needed."

But Anglo American Property Services (Ampros) MD Gerald Leissner takes the opposite view. He claims SA doesn't need more big centres in white areas.

in charge of shopping centre development, also holds that more shopping is needed in and around black areas. However, he maintains credibility problems remain. Blacks are hesitant to allow white money to flow into shopping centre development in black areas — on the premise that profits from development should end up in black hands. And institutions are still reluctant to lend money to blacks as sole developers. ■

ticularly in black townships. Soweto, he says, needs about 30 new neighbourhood centres, most of which he expects will be provided in the next three to five years.
Divaris Real Estate's Philip Upton reckons the Cape Peninsula can support a few more neighbourhood centres and that a large centre, similar to the one at Mitchell's Plain is needed in Khayelitsha.
Gavin Main, Rapp & Maister's director

"Pietersburg, for example, seems to be managing admirably with the shops it has but is getting two large centres. There also seems little doubt that the new Sanlam Centre in Pinetown, near Durban, will hurt shopping in its immediate vicinity."
Ampros's view, he says, is that SA needs only two types of centre: big regionals — "and we have more than enough of them" — and small neighbourhood developments, par-

FM 22/1188

Not meeting demand

At the beginning of 1987 the motor industry anticipated total car sales of 185 000. Only a few fringe optimists would have dared suggest the figure would finally go as high as 200 824 for the year.

Hindsight, they say, is an exact science. But industry sources now believe sales could have been even better if there had been no stock shortages. So much so that passenger car sales of around 215 000 are being predicted for 1988.

The bad news, however, is that the industry, coming as it has off such a low base, is not yet over the current crunch on stock. And sales could once more be retarded as a result.

Says director of the National Association of Automobile Manufacturers of SA (Naamsa) Nico Vermeulen: "The stock position in the motor industry remains on the low

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side and acute shortages in certain sectors could slow the recovery in new vehicle sales. Motor manufacturers are committed to long lead times in respect of imported components and have consequently experienced difficulties in reacting to the increased demand which continues to outstrip supply in most vehicle categories."

This was a major cause of the decline in new car sales of 14,2% from November to December 1987 — although the total of 15 967 was still 32,2% higher than Decem-

ber 1986.

Volkswagen MD Peter Searle admits the company could not meet the rise in consumer demand during the year: "We were desperately short of stock. To meet demand we will be increasing our production by 30% in 1988.

"As a consequence, we had to turn down big orders by car rental companies. We believe we could have sold an additional 1 000 units a month if we'd built them."

But even this did not prevent the Golf/Jetta range from overtaking the Corolla as

the best-selling car in SA — and taking 17,41% of the market share. Overall, VW increased market share from 17,4% to 19,9%.

Toyota remained the market leader but dropped market share from 26,0% in 1986 to 24,8% last year — far short of their goal of 30%. But marketing director Brand Pretorius says he's happy with a share of around 25%: "We will be very pleased to maintain a quarter share. To try to increase market share would mean a disproportionate marketing cost and an unacceptable cost to our shareholders."

However, he notes, "the industry is still some way behind our peak year of 1981 when 301 000 units were sold."

The biggest loser in 1987 was strike-torn Mercedes, whose market share fell from 11,2% to 9,2%. It was the only manufacturer to register a decline in units sold — from 19 468 to 18 571. Samcor fell from 20,7% to 19,8% and lost its number two spot to VW. Nissan, BMW and Delta — the latter in its first full year after the GM pull-out — all showed modest gains in market share.

But if car companies have been caught short the same can't be said of bank leasing divisions. In December new business written by Wesbank, the general banking arm of First National Bank, broke R200m for the first time.

Says Senior GM Neville Nightingale: "Analysis shows that our record month her-

aided the return of the private consumer to the motor vehicle market. Our figures reveal that sales to individuals increased dramatically while sales of some commercial vehicles were down."

Naamsa predicts there will be a further modest growth in vehicle sales of between 6% and 10%. Vermeulen expects car sales to go up 7,5% to 215 000 units, light commercial vehicle sales of 105 000 (up 9% from 96 000), medium sales of 5 200 (up 10% from 4 700) and heavy truck and bus sales of 8 500 (up 17% from 7 200).



Manufacturers caught on the hop by end-of-year spending boom

Drastic retail shortages

THE boom in consumer spending towards the end of last year took manufacturers by surprise and retailers are now experiencing drastic shortages of some goods.

Despite stepped-up production and a shorter Christmas break, manufacturers of colour TV are having first to meet backlog orders before current demand.

Massive Orders

Motor manufacturers, too, are battling to meet the unexpected upturn in consumer spending and some models are in short supply. Component manufacturers have also been restrained by capacity limitations.

Tek Electronics MD Mike Bosworth said: "We are in a totally sold-out position and I expect the industry to remain so for the next three to four months. We have massive back orders and what is coming off our production lines is already pre-sold."

Sales of TV rose by a dramatic 27% last year over 1986, SA Radio and Television Manufacturers Association (SARTMA) chairman Jack Cohen said last week.

LINDA ENSOR

Colour TV sales by association members increased by 52% and monochrome sets by 4%.

SARTMA's vice-president Richard Ferrer said stocks of colour TV sets held by manufacturers at the end of December totalled 9 300, less than one month's sales, while monochrome stocks totalled 2 300 sets. As retailers experienced buoyant Christmas sales, supplies had virtually been wiped out when they began restocking.

"There is a drastic shortage at retail level," Ferrer said, adding that the situation should have eased by mid-February.

Long lead times — up to six months — for imported components delayed the acceleration of product to meet the increase in demand, Mr. Bosworth said was caused not only by the drop in *ad valorem* duty last year but also by the long-overdue release of the pent-up replacement market.

SARTMA is expecting sales of TV sets to increase by 10% this year.

OK Bazaars' marketing director for fur-

niture and appliances Arthur Solomon said there was a shortage of certain colour and portable TV sets in the industry and also a dramatic shortage of tumble-driers.

Most vehicle manufacturers opened earlier than usual after the Christmas shutdown to meet the surge in demand. Vehicle sales rose by 16.8% last year, with a 33.5% surge in December sales. Sales are expected to increase by a further 6 to 10% in 1988.

Pressure on stocks

Volkswagen's marketing director Clive Warrlow said the length of time it took to gear up production — in terms of obtaining both the necessary raw materials and the skilled manpower — had played a large part in demand outstripping supplies.

As National Association of Automobile Manufacturers (Naamsa) director Nico Vermeulen said: "The pressure on stocks is peculiar to the stronger-than-expected upturn in the motor vehicle market." He added that stocks were on the low side throughout the industry.

Big business is playing key role

THERE is a widespread belief that there is something inherent in the capitalist process that leads to a steady displacement of small business by big business.

This belief is totally without foundation and can only be regarded as superstition. Big businesses are appropriate where very large aggregations of capital are necessary or useful.

An optimum economy would be one where every kind of activity was conducted on the scale, most efficient for it.

Unfortunately, most economies in the world, and certainly that of South Africa, are very far from this optimum because a whole range of Government policies has skewed the economy in the direction of big business.

In the case of South Africa three kinds of policy have had this effect.

In the first place, there are the policies rooted in the conventional Western mixed economy.

MICHAEL O'DOWD, chairman of Anglo American and De Beers Chairman's Fund Education Trust, takes a new look at an old debate between big business and small business

These policies have been based on a desire to expand the public sector and to monopolise sections of the economy in state enterprises, which by their nature are big and almost bound to be capital-intensive.

Secondly, some policies are an integral part of apartheid and the Government's anti-urbanisation policy.

Inflation

Systematic interference with the provision of such services, from hawking to shoe-repairing, by black people for black people has lowered the standard of living of these urban inhabitants by depriving them of services contributing to unemployment and slowing down the growth of the South African economy.

Finally, there is the effect

on the economy of inflation and particularly of negative interest rates. This, probably more than any other factor, is calculated to lead to the concentration of the economy and the growth of aggregations of capital which are not economically useful.

The South African economy has indeed become unduly concentrated in recent years. However, the extent of concentration has been grossly exaggerated and its nature has been misrepresented as well.

There are very few monopolies in South Africa, but there are a good many cartels, and some of them are very harmful indeed. They have very little to do with the growth of large companies or groups, however.

The root cause of cartels in South Africa, as virtually everywhere they arise, is

closed entry. The South African economy is riddled with situations where licences are required to enter a particular form of business, either from the Board of Trade or from some other institution with statutory power.

In discussing the concentration of wealth we have to pursue ownership through to its ultimate resting place. To deplore, as some writers have actually done, the concentration of wealth in the hands of insurance companies and pension funds is the height of absurdity.

Qualification

In a wealth sense the shares that belong to a mutual insurance company are owned by its policy-holders, and shares that belong to a pension fund are owned by

its members. This wealth is key widely held indeed.

The concentration of power is another matter. Insofar as the directors of a company actually do have power, this power is increased as the amount of the assets they control is increased. The rub lies in the "insofar as" qualification.

The control of assets in a competitive capitalist environment confers virtually no power at all. As the environment becomes less competitive it may confer more power. Even so, in nearly all real world situations this form of power is very slight.

It is ironic, indeed, that measures to make takeovers more difficult are often represented as either progressive or anti-capitalist. Exactly the reverse is the case. The only interest which is protected by making takeovers difficult is that of inefficient management.

● Extract from *Inafrica* for South Africa, Centre for Applied Social Sciences, Durban.

ST 24/1/88 30

SBDC in talks with Sats over land deal

Daily Dispatch Reporter

EAST LONDON — The Small Business Development Corporation (SBDC) here has held talks with Sats with a view to leasing part of 40 hectares of Sats land adjacent to the central business district.

The manager of the East London office of the SBDC, Mr J. J. Hamman, said nothing was final as they were not sure how successful the talks could be.

He could not say how

much land would be involved in the project.

"Should the lease be finalised, we intend to develop the land on the hive of industries concept as used throughout the country," he said.

Work has already been started on the SBDC hive project at the Lock Street jail which is expected to cost R1,2 million.

The six staff members of the SBDC will be moving from their offices in the Sanlam building into the new offices at

the Lock Street jail on Friday.

● The future of the Sats training facilities at Cambridge is still in the balance due to the small number of apprentices using the facility.

The regional manager of Sats, Mr Louis du Toit, said in November that unless it could be shown that the facility was both needed and well used by the city, it would be closed down.

Mr. Du Toit appealed to employers in the Border area to make use of

the facility, but only a few apprentice electricians from the private sector were making use of it.

The facility was still in danger of being closed he said yesterday.

Mr. Du Toit was optimistic that there would be a greater intake in this new year.

There are facilities for training apprentices in the electrical, building and mechanical fields, he said.

290
Munich
27/1/88

BOYCOTT STRATEGY

THE boycott of businesses owned by councillors in the Vaal Triangle was not a fight aimed at councillors as individuals, but a means of persuading them to identify with the residents and address their needs fully, a Pretoria Supreme Court judge heard yesterday.

This was said by a defence witness in the Vaal Triangle treason trial, Mr Victor Matlabe Mbatyazwa while being cross-examined by state advocate Mr P Fick.

The trial involves high ranking

officials of the UDF, Azapo, Vaal Civic Association and Azanyu. All have pleaded not guilty to treason and alternative charges of terrorism, subversion and murder before Mr Justice van Dijkhorst and an assessor.

Mr Mbatyazwa said the idea of launching a boycott against councillors' businesses in the area was brought up by an accused in the case, Mr Oupa Hlomuka, at a meeting to discuss the R5,90 rent increases in 1984. The accused, according to the witness, said the decision to impose an increase

showed that councillors lacked consideration.

"Mr Hlomuka told the meeting that the boycott was not a fight against the councillors but that they (councillors) would have to understand that we wanted them to feel for us. He said by not buying from their shops, they would also be subjected to the same type of pain they had inflicted on us by increasing the rent," said Mr Mbatyazwa.

The witness rejected Mr Fick's suggestion that it was Mr Tom

Manhata, also an accused, who called for the boycott of these businesses and that councillors would have to be killed and burnt for refusing to resign their posts.

The court further heard that the council was also accused of having paid little attention to what was being done with the money they received from people for rent. It was suggested that residents should concern themselves with the administration of the money they were paying to the council, the witness said.

(Proceeding)

By Lana Jacobson

3/11/78

Wooltru's Tony and David differ

TONY Williamson says he quit as chief executive of Wooltru on amicable terms with other members of the board.

His surprise resignation was followed by reports that stockbrokers believed his departure was caused by "Woltru losing its way partly because of decisions by Mr Williamson". However, Mr Williamson says that the group traded extremely well in 1987 and it expects to do well again in the current year.

Recession 30

"All companies in our group are trading well, including Makro."

Mr Williamson says his decision to quit was not sudden. He had discussed it with chairman David Susman for some months.

But Mr Susman says: "Mr Williamson's resignation was unexpected. We are sad to lose him. We may have shown disappointing results in 1985 and 1986, but they were due to the recession and not to management problems. How-

ever, our results in 1987 were good and we expect 1988 to be excellent.

"There is no truth in talk that there was acrimony between us. He has been made an offer which he finds impossible to refuse," says Mr Susman.

Although Mr Williamson will stay on as a non-executive director, he believes it is a good time for him to get out of corporate business. He considers himself to be at a "watershed of my life".

"I am 50 years old and I have not seen my five children grow up. I would like to spend more time with my family."

Mr Williamson has been with Wooltru since it took over Truworths eight years ago. He will leave at the end of July.

Industry 'firmly on the up'

(30) 8/day
1/2/88

Car rentals take huge jump in '87

MICK COLLINS

VEHICLE rentals surged in November last year with total revenue in the car sector jumping by a massive 56,8% compared with November 1986.

This was an improvement of 41,8% in real terms after an adjustment for inflation and shows the industry to be firmly on the up, spokesmen said.

Pretoria University's Bureau for Financial Analysis (BFA) said fleet sizes were larger on average by 36,8% above those of November 1986.

The results of a survey by the bureau were compiled from the completed returns of 25 car hire firms controlling an aggregate of 10 156 passenger cars, covering about 90% of all rental passenger cars.

Compared with November 1986, the index for the number of rental days increased by 43,6%, which was higher than the increase in fleet sizes (36,8%).

The increase in the index of check-ins (29,7%) read with the increase in rental days (43,6%) and in revenue

earnings kms (49,7%), shows that while more people made use of rented passenger cars than in November of the previous year, they did so for considerably longer periods and distances per check-in.

Revenue per km was the highest in Natal at 41c and the lowest was in the Rest of SA at 30c. The average for the whole of SA was 30c.

The same revenue, calculated per rental day, was the highest in the Rest of SA at R61,78 and the lowest in the Transvaal at R46,49 — with an average of R49,51 for the country as a whole.

Revenue, expressed per check-in, varied from R243 in the Rest of SA and the Transvaal to R172 in Natal. An average of R211 was recorded for SA.

Expressed per fleet unit, revenue was again the highest for the Rest of SA at R1 308 and the lowest in the Western Province at R1 067.

McCarthy grabbing bigger slice of market

AW 1/21/88

The McCarthy Group ended 1987 with its best-ever sales for the month of December and significant increases in its share of the market for new cars and heavy commercials.

And the group — South Africa's largest vehicle distributor — is forecasting a stronger vehicle market across the board for 1988, according to Mr Theo Swart, joint managing director of McCarthy and the man responsible for its motor trading operations.

Mr Swart said McCarthy upped its new car market share from an average of 12,2 per cent for the first 11 months of last year to 13,2 per cent in December, while their share of the heavy commercial market jumped by 2,5 per cent to 13,1 per cent in December.

Mr Swart said one of the major factors which bolstered new car sales during December — and continues to do so this

Private ⁽³⁰⁾
rentals
making
a big
difference
— Theo
Swart



year — is the system of private rental introduced recently by the banks and motor traders.

“There is no doubt that private rental has been the saviour of the car market — giving a boost to sales and providing additional employment for people not only in the motor manufacturing and trading industries but also in areas such as banking. New jobs have been created from management levels right down to the floor sweeper,” said Mr Swart.

He said that the system

of rental has improved the ratio of fleet sales to private sales from 80/20 to 70/30. “We are hoping that this ratio will reach a 60/40 level in the reasonably near future,” said Mr Swart.

Turning to the outlook for 1988, he said McCarthy expects the South African economy (GDP) to grow by no less than 2,5 per cent in 1988. “This, coupled with the benefits of private rental, prompts us to expect national dealer sales of new cars to rise by at least 15 000 units this year,” said Mr Swart.

SBDC in bid to revive East Rand

By Ian Smith

THE Small Business Development Corporation is making its first drive to attract highly skilled artisans to one of its "industrial hives".

Specialist engineering equipment will be provided in a 12 000 square metre factory on the East Rand which is being converted to provide up to 200 mini-factories for entrepreneurs.

"The East Rand has been hard hit by rationalisation in large manufacturing groups and many jobs have been lost," says SBDC general manager James Scott.

"We cannot afford to allow the decay of industrial areas as has been seen in the UK's mid-west and the American Rustbelt. The proliferation of small businesses could be a major contributor to economic stability and growth in industrial areas.

"The East Rand has many skilled artisans and offers an ideal opportunity for them to establish a small business in relatively high-tech fields."

Cubicles

The communal tool room will be well equipped, and parts of the building are suited to electronics operations.

The cost of establishing the cubicle-size factories and providing machinery and specialist equipment will be R3-million. Occupants will be in place by the end of the year.

"This is well below the cost of a purpose-made building and it could create another 600 jobs," says Mr Scott.

So far the SBDC's "hives" have catered for emergent businessmen with more basic skills.

In the more high-tech fields the cost of equipment is a major barrier to the establishment of a venture.

Mr Scott says the "hive" in the Wadeville factory is a big step in the SBDC's drive to

recycle buildings which began two years ago. The factory and offices, previously owned by Reunerts, has been empty for three years.

Similar projects in other parts of SA have been successful. In Pennyville, on the West Rand, a "hive" has 170 tenants and there are another 50 on the waiting list.

Other centres are at Blackheath, Cape Town; Korsten, Port Elizabeth; Hamilton, Bloemfontein; and Phoenix, Durban.

The corporation has brought Die Ou-Mark in Bloemfontein back into use by converting it into small shops and the old Lock Street Jail in East London will open in May — for small industries and speciality shops.

SBDC spokesman Johan Naude says the Wadeville factory will have accommodation for welders, carpenters, clothing manufacturers, upholsters and many others.

"Anybody who can prove that he has a skill which can be applied to generate business can qualify for tenancy," he says.

The monthly rents, which are said to be reasonable, include service charges and give access to facilities like welding plants, spray booths and milling machines.

Deregulation

The SBDC offers support from advice to loan finance, formal training and marketing help.

"The entrepreneurship centre concept has proved it plays a vital role in bridging the gap between informal and formal business," says Mr Naude.

"It provides easy entry to business with a minimum of legal formalities for the first-timer.

"It will grow with Government's new thrust on deregulation and its commitment to the support of small business."

Which is ^{star} 'cheapest' ^{2/2/88} per trolley? ³⁰

Pick 'n Pay supermarkets and hyperstores are the cheapest 'per trolley', a South African Consumer Council survey has revealed.

The survey was conducted in 40 stores in Johannesburg and Pretoria during January, where 98 products were priced in each. The stores were divided into hyperstores and supermarkets.

The cheapest supermarket was Pick 'n Pay (R247,82 a trolley), then Checkers (R251,34), OK Bazaars (R251,91) and Spar (R267,33).

The cheapest hyperstore was Pick 'n Pay Hypermarket (R243,03 a trolley); then Checkers Warehouse (R244,23) and OK Bazaars Hyperama (R244,89).

Goods included toiletries, cleaning agents and groceries.

Other facts which emerged were:

● The average price a trolley increased by 11,5 percent from R244,37 in January 1987 to R250,08 in January 1988.

● The cheapest hyperstore was Boksburg Pick 'n Pay Hypermarket.

● The cheapest supermarket was Pick 'n Pay in Verwoerdburg.

Lowest total of failures recorded since 1980

(30) B/Don 2/2/88

Business conditions improved last year

HELENA PATTEN

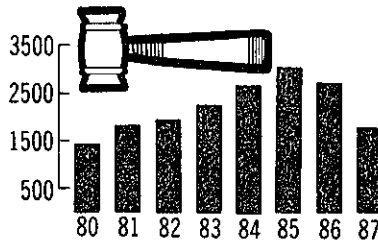
BUSINESSES and individuals fared better in 1987 than in the previous year, said Information Trust Corporation (ITC) in a statement after its analysis of statistics for last year.

The analysis looked at the levels of business failure, insolvency and civil judgment for debt, and indicated that conditions improved as the economy took an upturn beginning in mid-1986.

ITC said the total number of business failures in 1987 (1 809) was the lowest since 1980 when 1 441 were recorded. The figure represented a dramatic decrease since the peak in 1985 of 3 061 liquidations.

Paul Edwards, ITC's MD, said giv-

LIQUIDATIONS



Source: INFORMATION TRUST CORPORATION Graphic: JOHN McCANN

en the strong performance of the fourth quarter of 1987, the level of liquidations was expected to remain low for the first half of 1988, since many sections of the economy had returned to profit, including the construction industry.

Edwards said a rise in interest rates was predicted for the second

half of 1988 and could well have a damping effect.

"While it is generally felt that interest rates for the second half will be a maximum of two points higher than the prevailing prime rate, there are some schools of thought that believe that the rapid increase in government spending, with a decreased surplus on the balance of payment accounts, could push interest rates well above 15%. This would have a deleterious effect on highly geared companies."

The number of sequestrations for individuals in 1987, compared with 1986, showed a decrease of 10% — to a still-substantial R690m. The real rand value of judgments against individuals also showed a decrease of 10% on 1986.

New entrepreneurs want protection from bureaucracy

Small Business calls for a Bill of Rights

30
SMC
3/2/88

By Michael Chester

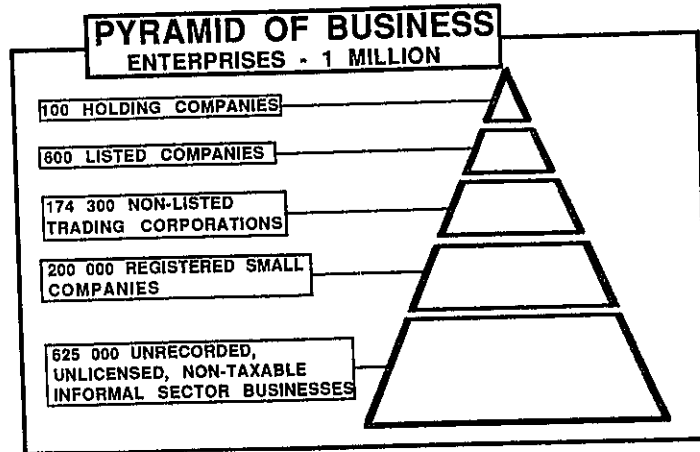
The Small Business Development Corporation (SBDC) appealed today to the Government to introduce a special "business charter" in the form of a Bill of Rights to protect small entrepreneurs in the informal sector from harassment by bureaucracy.

The appeal came from Mr Mike Smuts, general manager of development services. He urged the establishment in all major cities and towns of specific zones where informal-sector street traders and hawkers are guaranteed freedom to operate without red-tape hassles.

The recommendations came after a fresh wave of official action against street traders in the Johannesburg city centre.

Mr Smuts expressed particular concern over recent enforced removals of several black hawkers and traders from the Hoek Street Mall, which the SBDC helped to launch as a market reserved for informal-sector operations.

Harassment of the informal sector was still occurring, in



spite of recommendations by the Economic Affairs Committee of the President's Council that needless regulations and red-tape should not be allowed to be obstacles to black entrepreneurs setting out to launch their own business enterprises.

"There have been voices of encouragement at parliamentary level and several obsolete regulations have disappeared," said Mr Smuts. "But there are still many incidents of harassment by bureaucrats at municipal level using antiquated by-laws to order the removal of street traders on one excuse or another — such as causing lit-

ter problems, or stepping across a particular invisible boundary, or offences under obscure traffic laws.

"Sometimes there is also harassment by vested interests inside the established formal sector which resent competition, and cause hassles to street traders who venture into what they regard as their own sales territories.

"They fail to see the longer-term benefits of a strong informal sector to the entire economy and to their own businesses.

"The informal sector is already responsible for no fewer

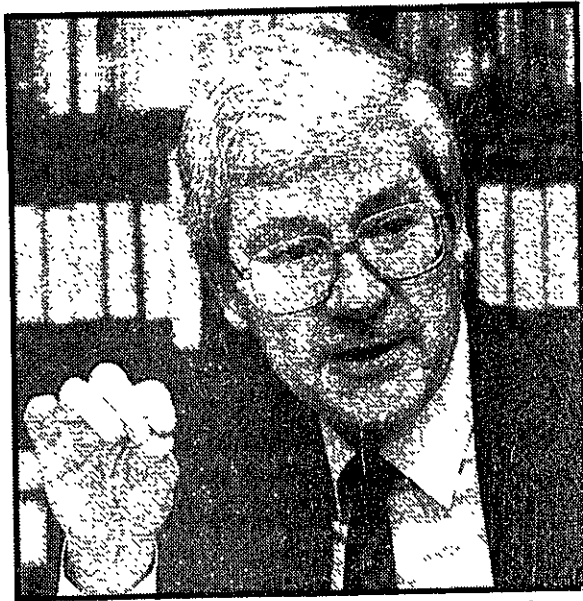
than 600 000 of the million business enterprises in operation in South Africa today. It has already created 1 500 000 jobs or more to hack down the unemployment problem, and emerged as easily the biggest generator of new job opportunities in the country. The more successful it becomes, the more wealth it generates to everyone's ultimate benefit.

"It is both tragic and farcical that harassment is allowed to continue. One can visualise the modern structure of South African business as a pyramid. Its foundations depend on a growing informal sector — and if there is tampering with the foundations, the whole pyramid is threatened.

"It is also obvious that the thicker and stronger the foundations, the bigger the pyramid it becomes capable of supporting.

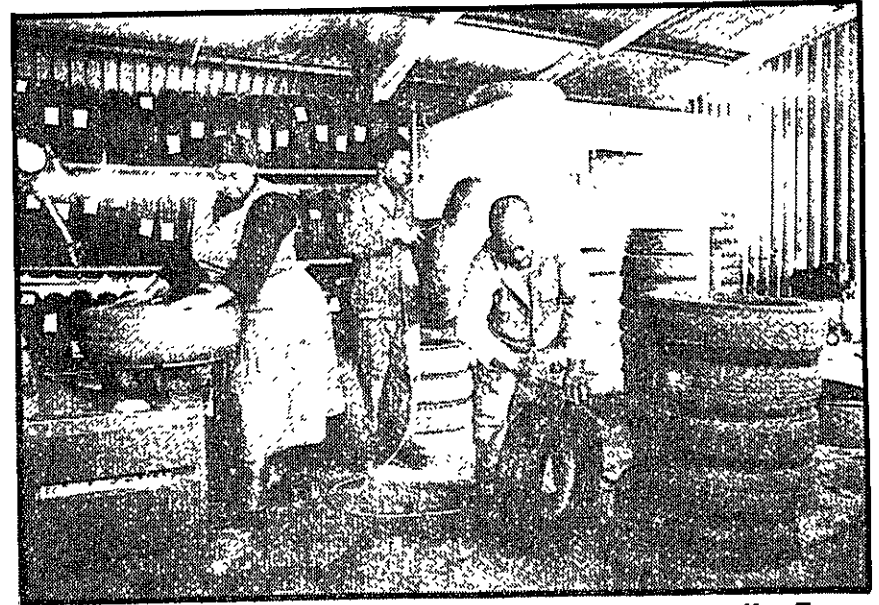
"The best way to ensure the safety and future expansion of the foundation is to introduce a special form of business charter — a Bill of Rights — to protect the whole informal sector and guarantee its expansion."

30 (18) B/day 3/2/88



□ VOSLOO ... regulations are too confusing

South Africa must eliminate unnecessary regulations hampering the development of the informal business sector, which had become vital to the economy, Small Business Development Corporation chief executive BEN VOSLOO told the Human Sciences Research Council "Evolution-Revolution" conference in Pretoria yesterday. Here are extracts from his speech



□ ROAD TO SUCCESS ... tyre business at SBDC complex at KwaTema

Helping the small man start a business is vital to economy

IF SOUTH AFRICA is to promote evolution rather than revolution, this can only be achieved by convincing the less privileged members of society of the benefits of free enterprise.

Access to the economy will have to be simplified, and this can only be achieved by promoting the small, fledgling enterprises of the informal sector and reducing encumbering legislation and start-up costs.

The South African government has changed its economic thinking.

Before 1979 the emphasis was on the development of large industries. Large-scale nationalisation took place, leading to increased governmental control.

Small businesses were largely ignored as a force in the economy.

The extraordinary range of unrecorded activities, the large number of people employed in the informal sector, the low cost per job, the near zero skills required and

the low cost of on-the-job training were seldom appreciated.

In the US, the unrecorded economy is as high as 20% to 30%. In other words, the US economy is bigger by 20% to 30% than generally recognised.

It is currently estimated that more than 500 000 businesses out of one-million in SA are unrecorded, providing an income base for as many as 3,5-million people.

Many are one-man operations, subsistence farmers, hawkers, street vendors, backyard mechanics, taxi owners, hairdressing salons, muti stalls and curio makers.

The economic activity of the unrecorded sector is, however, often declared illegal because enterprises are not being conducted within the framework established by the many laws and regulations which govern business activity.

We believe that, in spite of some

effort to get the balance right, the scales are still tipped heavily against entrepreneurship.

Regulations have grown over the years to a stage where many of them are too heavy a drain on national resources. Where they go further than necessary, they lower profits or raise prices — or both.

Regulations can stifle competition and deter new firms from entering the market. Too many people in central and local government spend too much time regulating the activity of others.

Some regulations were framed decades ago, and have now been added to or amended so that they have little relevance to the modern business world.

Other regulations are too complex and confusing, even to professional advisers and sometimes to the people who administer them.

The impact of regulation takes its toll in diverting precious time and energy that would be far better used in generating products,

services, sales and — in the end — jobs.

Every hour spent in form-filling is one less hour spent on running a business.

A great deal of time and energy of officials in central and local government is taken up by enforcing and applying regulations. Simplifying them will save time, money and effort for government and its staff.

Benefits of deregulation have gradually been recognised by government and there has been some movement towards lifting legal restrictions on small business and allowing easier access to economic opportunities.

Following the President's Council report on small business deregulation in 1985, steps have been taken by government to facilitate deregulation.

Instructions were given to cen-

tral government departments to examine legislation for its possible restrictive effect on small business.

Provincial authorities were told to examine ways in which small business could be promoted on the local authority level, and some issues necessitating relief have been identified, notably the position of street vendors and home businesses.

The Competition Board plays a key role in the process, with reports and recommendations for the office of privatisation and deregulation.

The board's recommendations on mini-bus taxis, as well as other transport undertakings, have had a positive effect on facilitating access to the transport industry.

Only by promoting the small fledgling enterprises of the informal sector and reducing encumbering legislation and start-up costs can this essential access to the economy be achieved.

World concern grows over Mayekiso's trial

after
2/12/88

By MARTIN NTSOELENGOE

THE International Congress and Federation of Trade Unions is to put pressure on the government to give treason trialist Moses Mayekiso and his co-accused bail and a fair trial.

A firm decision on what kind of pressure should be applied on South Africa will be made at ICTU's six-day conference which is to be held in Europe from March 10 to 16.

This was disclosed by ICTU secretary-general Peter Michalzik, who jetted into the country a few hours before the trial resumed again this year.

The ICTU is not the only international body to show concern over Mayekiso's detention.

Ten other prominent American lawyers are monitoring mayekiso's trial.

The committee was constituted by Owen Bieber, president of the United Automobile Workers of the United States of America.

Mayekiso, 38, general secretary of the newly formed National Union of Metal-

workers of South Africa, was arrested at Jan Smuts Airport after visiting many overseas countries on trade union matters.

After spending sometime in detention, he was charged - together with Paul Tshabalala, 38, Richard Mdakane, 29, Obed Bapela, 28, and his younger brother, Mzwandile Mayekiso, 22, all of Alexandra - with treason, sedition alternatively subversion.

All have pleaded not guilty to the charges.

The State alleges that the five acted with hostile intent to coerce, overthrow, usurp or endanger the authority of the State.

The five are also alleged to have launched a campaign against the South African Police, the South African Defence Force and the Alexandra Town Council in their bid to make the township ungovernable.

The accused, who are said to be members of the the Alexandra Action Committee, are also alleged to have formed yard and street committees and organised boycotts of nearby shops.

The ICFTU, which is represented in 98 countries and has 100 affiliates around the world, has been campaigning for the release of Mayekiso since his arrest about a year ago.

Michalzik told *City Press* that the ICFTU was an umbrella body of all big trade unions in the world.

He added that the more than 1 500 delegates at next month's meeting, would decide on what form of pressure to apply on the South African government.

He further said that pamphlets were being printed throughout the world in more than 100 languages to give Mayekiso moral support.

"We want to stand in solidarity with Mayekiso and those charged with him, and show the world that they are not alone in their struggle.

"The federation is at the moment busy raising funds for Mayekiso and his friends.

"It's common cause that a trade unionist will always be forced by circumstances to partake in the affairs of his community," Michalzik said.

He had lots of praise for Mayekiso, whom, he said, was not only respected in South Africa as a good trade union leader, but was also held in high esteem throughout the world.

"Mayekiso is an extraordinary leader and we in the ICFTU have the confidence that he will be freed.

Small-town feud set for showdown

By EDYTH BULBRING

A SMALL Eastern Cape town dominated by two feuding families waits to see if 38 children from one faction dare to attend the school for 1 000 pupils from the rival faction.

If they do, their arrival could spark a school boycott.

The bitter feud between the Menzies and the Kekanes and their respective supporters started at the height of the consumer boycott in 1985 when a member of the Kekane family opened a shop in Bongweni township, near Cookhouse.

The Menzie family discovered it was a front for a white business and the shop was burnt down.

Then Nokhaya Menzie, the wife of United Democratic Front leader Edward Menzie, was beaten to death, allegedly by Kekane family members.

The Menzies retaliated by hounding the Kekanes and their supporters out of the township and burning down their homes.

For the next 18 months about 200 people from the Kekane faction

camped outside the Cookhouse police station, during which time "cross-border raids" resulted in the deaths of about 10 people from both families.

Members of the Kekane faction refused to join the UDF-affiliated Cookhouse Youth Congress.

The Kekanes returned to Bongweni in September last year and housed in a compound behind a 10m high fence encircled with barbed wire. The compound is called Ekupumeleni, "a place of rest".

A school was set up in one of the matchbox houses in Ekupumeleni. But at the end of last year the Kekanes asked the Department of Education and Training to close the Ekupumeleni school and allow the 38 pupils to attend Msobomvu school, which caters for pupils up to Std 7.

According to the principal of Msobomvu, who did not want to be named, the DET complied and closed

the compound school.

In response, the Msobomvu school committee last week convened a meeting to discuss the attendance of the children from the Kekane faction.

The principal said only 70 people attended as no-one was told what was on the agenda. Some parents from the Menzie family walked out of the meeting on the grounds that the decision would affect the entire community which was not represented.

However, the Kekane parents were advised by the school committee that their children could attend the school "at their own risk".

So far, only one of the expected 38 pupils has come to Msobomvu school, according to the principal.

He said he had not heard the rumours of a boycott by the 1 000 schoolchildren. However, youths spoken to in Cookhouse last week said pupils would boycott the school if the compound children started attending. — Pen

Star 5/2
Penpin
bullish
about its
prospects

Finance Staff
Pennypinchers (Penpin), the Cape-based building materials chain, reports a 58 percent increase in turnover to R65 million for the year to December 1987, writes Anne Crotty.

The group, which came to the Development Capital Market (DCM) in December 1986 and moved over to the main board last year, is bullish about prospects for financial 1988. MD Fasiel Malherbe is looking to a 70 percent increase in turnover to R110 million in the current year, with sales boosted by expansion initiated in 1987.

"We will break through the R100 million barrier with ease and without opening any new stores", he says.

Penboard, a Penpin subsidiary listed on the DCM last November, boosted its contribution to group turnover by 125 percent to R17,3 million. Management is expecting this figure to double in financial 1988.

In the last financial year, a new division, Pennypinchers Properties, was formed to give the company exposure to the property market. Penprops acquires strategic properties to accommodate Penpin branches and on an investment basis.

Penpin is currently trading at around 120c a share, off its 12-month low of 90c and well below the high of 200c. In the current market climate it may take more than the full announcement of the results in March to move the price.

SBDC's loan fund boosted

By Michael Chester
The Small Business Development Corporation (SBDC) yesterday announced plans to boost its flow of loan funds to budding black and white entrepreneurs by R42 million a year.

The target is to increase the creation and expansion of infant business ventures by at least 1 000 a year.

At a news conference in Johannesburg yesterday, Dr Ben Vosloo, managing director for the SBDC, outlined revised programmes to increase the number of aid schemes to encourage the launch of more mini-business operations, especially black enterprises.

The latest loan scheme will revolve around an extension of the special small business start-up fund that was established in 1986.

There will be far more flexibility in the timetable of repayments and in the pattern of the low interest charges.

He said he saw the new programme as a vital bridge in helping new small business ventures to cross from the informal sector to the formal sector and thus into the economic mainstream.

Business ⁽³⁰⁾

THE Small Business Development Corporation last year lent R57-million to more than 1300 entrepreneurs, mainly blacks. *SCM 4/2/88*

SBDC's managing director, Dr Ben Vosloo, said the enterprises had created more than 10000 jobs.

He was addressing a Press conference at which the SBDC launched the expanded Small Business Start-Up Fund and the "Mini Business Start-Up Kit".

Nafcoc for black Africa

JOHANNESBURG — Nafcoc is to take businessmen into black Africa this year on tours designed to pave the way for post-apartheid South Africa's trade links with the rest of Africa.

Nafcoc's PRO, Mr Gab

Mokgoko, said the black business organisation would negotiate entry into these countries through its contacts in the international Chamber of Commerce where Third World countries, including many African countries, were strongly represented on the world body.

"Black businessmen must be exposed to challenges and opportunities in Africa and they will establish contacts with their counterparts. Since a lot of business is taking place between South Africa and black Africa, blacks want a share in open trade," Mr Mokgoko said. -- Sapa

Businessmen in new effort for peace in Maritzburg violence

SPAC
30
3/2/88

By Craig Kotze, Crime Reporter

As Maritzburg's township conflict enters its bloodiest phase, urgent attempts are being made by commerce, industry and civic leaders to resolve the deepening crisis which is affecting economic activity in the region.

Fighting between the United Democratic Front and Inkatha has left 24 dead since the start of last weekend, bringing the death toll to more than 400 since the violence began last year.

Maritzburg's mayor, Mr Mark Cornell and leading businessmen met senior police officers yesterday and expressed fears that increasing violence in the region was affecting production.

The Minister of Law and Order, Mr Adriaan Vlok, has vowed to stop the violence.

Police reinforcements have been sent to the area.

Mr Cornell said he would fly to Cape Town for the opening of Parliament on Friday and would try to discuss the situation with Mr Vlok.

He said: "The situation in Maritzburg has now reached a point where it can best be described as a war. Something has to be done quickly to cool it down and bring about peace between the warring factions."

Mr Cornell said he had been given conflicting assurances about police deployment in the region.

'Senseless'

"I have been told that there are enough policemen — and I have also been told there are not enough and some feel that police should be on every bus."

Mr Vlok said yesterday that he was determined to halt the "senseless violence and killings" in the region and announced that a team of investigators, under one of his senior brigadiers, had been sent to investigate.

Clashes in the Ashdown area on Monday resulted in a massive stayaway as workers apparently did not feel their families and homes were safe from attack. Schools also remained closed.

Reports from the area said the latest violence began at the weekend with clashes in the UDF-dominated Ashdown area.

Mr S Davidson, president of the Chamber of Industries, said some workers were staying away.

He said that another bus strike, which could be caused by the death of another driver, could hit production again.

"People are not seeing that the township violence is being punished. They would like to see swifter prosecutions."

Low poll an indictment of House of Delegates — TIC

The low poll yesterday in the Eastern Transvaal House of Delegates by-election was a massive vote of no confidence in the House, Mr I Momoniat, secretary of the Transvaal Indian Congress (TIC), said.

Mr Momoniat said the percentage poll was 20 per cent less than that registered in 1984.

"It is clear that the Indian community rejects the House of Delegates because it is a powerless body designed to enforce apartheid."

"The House of Delegates has failed to fulfil most of its promises made in 1984.

"The low poll was registered in spite of the state of emergency which made the congress's campaign for a stayaway from the polls difficult.

"The Transvaal Indian Congress sees the poor response as a fantastic victory for the congress," Mr Momoniat said. — Sapa.

Furnfair (30) earnings up

SA Finance Staff 2/2/88

Furniture and appliance retailing chain Furniture Fair (Furnfair) has reported 150 percent higher earnings per share for the half-year to December 1987, compared with the same period in 1986.

EPS were 25c and exceeded the previous year's total of 18.3c by 37 percent on a 25 percent higher issued share capital. A 5c interim (2.5c) has been declared. Cover has been increased from four times to 5.2 times to fund growth.

Turnover climbed 134 percent in the six months. Net income was R14.3 million.

Small but new? SBDC launches start-up fund

30

By HILARY JOFFE

The Small Business Development Corporation is renewing its efforts to assist new enterprises, after making emergency funds for ailing businesses a greater priority last year.

The SBDC this week launched its expanded "Small Business Start-Up Fund", which makes available R3,5-million a month for new businesses. The Start-Up fund, first launched in 1986, has provided loans worth R57-million to 1 347 small enterprises, creating 10 873 job opportunities.

At its peak it was offering over R3-million a month in loans but this declined last year. With the number of insolvencies falling and the number of new companies increasing, the SBDC now plans to use more of its cash flow to stimulate new businesses, according to managing director Ben Vosloo.

The Start-Up fund is aimed at fairly "sophisticated", small businesses — those falling between the informal sector and big business — which in Vosloo's view are South Africa's most active job creators. Informal sector operations, he said, tended to provide an income base for only one or two people.

Of the total labour force, Vosloo estimates, about four million are employed by government and big business, and another four million by medium and small businesses in the formal sector.

Assuming the official unemployment figure of 1,5 million, he estimates jobs in the informal sector — a category which includes, hawkers, backyard repairers and prostitutes — at 3,5 million.

The SBDC provides loans of up to R5 000 to these "very small" business people through its mini-loan scheme.

The expanded Start-Up Fund will provide loans of up to R300 000 for a maximum period of 10 years. Capital repayments may be delayed for businesses which have initial cash flow problems, and the interest rate for the initial period may be as low as 10 percent.

The business has to be viable and applicants have to put in at least 10 percent of the capital themselves. In allocating loans, the SBDC will place a high premium on job creation, Vosloo said. The new version of the Fund will be more flexible than the old, in terms of the moratorium period on loans, the repayment period and who qualifies for loans.

There have been criticisms that the SBDC serves mainly businesses which are already established.

University of the Witwatersrand researcher Maria da Silva concluded in a thesis last year that the SBDC was more geared towards helping already established and prospering businesses than to promoting new enterprise development. The SBDC is now clearly trying to expand its base.

●The SBDC also launched a "Mini-Business Start-Up Kit" by Theo Rudman, a booklet intended to aid the Small Business Start-Up Fund.

*5-11/2/88
w/m*

D/D 5/2/88

Boost for small ⁽²⁰⁾ business funding

JOHANNESBURG -- The Small Business Development Association (SBDC) is to expand its Small Business Start-up Fund by putting up R3,5 million a month to make it more accessible to potential entrepreneurs.

The managing director, Mr Ben Vosloo, said: "Since the inception of this fund in 1986, financial assistance has already been offered to 1 347 small enterprises to the value of R57 million, creating 10 873 job opportunities at an average of R5 200.

"In view of the success attained in terms of this programme and the ever growing need for assistance with 'start-ups', the SBDC has decided to make the existing fund more accessible to potential entrepreneurs."

The maximum loan under the scheme will be R300 000 and will be available to businesses being established for the first time by a sole proprietor, partnership, close corporation or company.

Some of the requirements are that at least 50 per cent of the business is owned by new entrants to business, the business is a viable one, the applicant can raise at least 10 per cent of the capital needed and can offer reasonable security for the amount lent by the SBDC, and that the proposed new business creates a significant number of jobs.

To help prospective entrepreneurs, the SBDC has also published a booklet: The Mini-Business Start-up Kit.

More is spent, but not on food

5-11/2/88
CONSUMERS are spending more, but they are buying durable goods rather than more or better food. *W/W* and on furniture and appliances by 26 percent.

And spending by black consumers has been a significant factor fueling the upswing in the economy. *30*

Food purchases grew by 15.7 percent in the year to December — no more than the inflation rate. But spending on clothing was up by 22 percent, on footwear by 20 percent

Retail chain stores whose target market is black consumers increased their sales by far more than the "universal chains", according to Integrated Business Information Systems data. Spending on clothing, footwear, furniture and appliances rose by 39.6 percent in the "black chains" compared with 27 percent in the universal chains.

HILTON NOWITZ

Home is the range

Hilton Nowitz would be hard put to tell you whether it's more fun to be with his wife and four children at a family hideout at the coast, roughing it in the Kruger Park, or running a R300m turnover retail and wholesale group.

The 43-year-old chief executive of the newly formed Homemakers group — which will focus on the fast expanding market for goods and services used in and around the home — started a family while still completing his CA. Today he's still essentially a family man. "Right now, I'm reliving my own B Comm university days as my 19-year-old daughter starts her studies," he quips.

But behind the homey claims lurks a talent for figures and a fine corporate strategist with 13 years experience in retail management.

He now holds the reins of Homemakers Holdings, which pools the resources of four JSE listed companies — World Furnishers, Bradlows, Fabric Library and Housewares — and the unlisted textile operations of the W & A group (trading as Selwyn Nicman, Lee Fabrics and OFS James), Sembel-It, Harry Coll and Multi-Pine Products.

Documentation about the eight-company deal — which was created through the entrepreneurial talents of W & A's Brian Joffe, FS Industries' Jeff Liebesman and Houseware's Melvyn Gutkin among others — was posted to shareholders this month.

Nowitz has shied away from public attention in his years of behind-the-scenes financial planning and strategic involvement in diverse businesses — because, he points out, most successes in business come through being part of a good team. The only time he boasts is when talking about his success at golf (he has a handicap of seven).

But his career speaks for itself. After completing his CA at 24, he became CE of Meddent Administrators, which he nurtured into a thriving medical aid operation serving large companies.

Nine years later, as chairman of Meddent, he negotiated and clinched a merger with the blue chip Priceforbes Federale group and followed that with a further strategic acquisition that took membership of the combined medical aid organisation up to 85 000.

He is still the deputy chairman of Priceforbes's medical division, Medicaid Administrators, which is one of the country's largest medical aid groups, handling premiums in

excess of R200m a year.

While developing Meddent on behalf of the Gutkin family, he also assisted in the management of Riviera Foods, a direct selling food distributor headed by Gutkin (now deputy chairman of Homemakers and executive chairman of Housewares).

In 1975 Nowitz became joint MD of Riviera with Gutkin, and five years later the business was bought by a food industry conglomerate.

Subsequently the Riviera management team — including Steve Smidt (now national sales director of Housewares) and Mike Bergheim (administration director of Housewares) — applied their expertise in direct selling and mail order to launch Housewares.

Nowitz, as deputy chairman, did not attract much attention, but his was the financial brain that complemented Gutkin's drive and skills in marketing and trading.

Initially they only sold crockery, cutlery and glassware, but as the business boomed new divisions were launched in quick succession and Housewares became one of the most successful of the 1986 crop of new JSE listings. From 1982 (the first full year of operating) to December 1987, earnings per share have grown at an average compounded rate of 104%.

Last year, again without moving into the spotlight, Nowitz guided Fincord Stationers through a series of mergers and acquisitions to its listing on the DCM as a stationery manufacturer and distributor.

He also nursed Sembel-It through the depression in the furniture industry that eliminated many of the other cupboard and kitchen unit companies. He subsequently repositioned it to market home improvement products — Melamine kitchen units and cupboards — in three ways: pack form for home assembly by the family, ready assembled for retail sale, or fully installed in the

home.

These moves — plus the employment of design consultants who market Sembel-It products to families in their homes — lead to a 70% surge in sales last year. This year, a newly formed contracts division to serve home builders, is forecast to contribute to a further sharp rise in business.

But now his attention will be focused on Homemakers, which as a holding company will mastermind strategic planning and coordinate the autonomous operating companies.

Each company will retain its existing, successful management team and continue to focus on its clearly defined market niche. Nowitz says it is one of his responsibilities to see that all the companies gain from the internal synergies and financial muscle of being part of the big Homemakers group.

While his role includes finding good acquisitions, negotiating mergers and studying the strengths and weaknesses of competitors, Nowitz's main priority is to implement the host of plans that have already been drawn up to grow Homemakers' subsidiaries organically.

"The companies in the group supplement one another perfectly. For example, the textile side can make exclusive ranges which the mail order and direct selling arms can market.

"We already have more than 300 000 families on our group's books (customers of Bradlows, World and Housewares) who have good credit ratings with a known payments pattern to whom we can cross-market our increased product range.

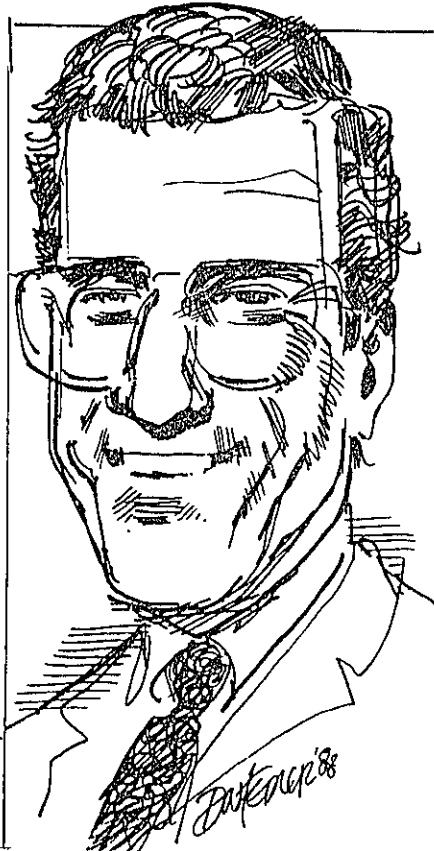
"World provides Housewares, which to date has largely served white customers, with nationwide entrance to the booming black market. Selected World and Score Furnishers shops will carry a speciality range of kitchen units and cupboards made by Multi-Pine," he says.

The enthusiastic strategist has obviously done his homework: "The market for home products and furnishings is vast, and growing in real terms.

"Official figures (from Central Statistical Services) show that retail sales of home accessories and furnishings totalled R4,7bn in 1986. Urbanisation continues inexorably and home ownership (3,2m new houses are needed by the year 2000) is increasing at such speed that this figure must grow substantially in the next decade.

"Industry analysts estimate that for every R1 000 the average family spends on buying its own home, it spends another R250 on home accessories and furnishing. So families occupying these new homes can be expected to spend some R3bn a year on average to equip their homes in addition to the existing R4,7bn-a-year expenditure in the accessories market.

"The mission of Homemakers is to serve this market, to provide families throughout the land with the goods and services that turn a house into a home, and offer them access to the necessary finance with which to do it." ■





Innovative options available for new car buyers

Never before have prospective car-buyers been faced with such an array of alternatives when it comes to financing a new or second-hand vehicle.

Faced with declining sales in recent years motor-car manufacturers and banks have come up with various innovative financial packages. Matters to be considered first though, include interest rates, the type of financing to be used as well as tax implications.

For some it would be advisable to consult a tax consultant before making a final decision. The following options are presently available:

LEASE — This is a no-deposit op-

tion and is normally only open to people using their cars in the process of earning an income. Monthly repayments are deductible from gross earnings, wholly or partly.

At the end of the lease the lessee has the option of surrendering the vehicle to the financing company or purchasing the vehicle at very favourable terms.

General Sales Tax (GST) is levied on the lease and should the lessee decide to purchase the vehicle at the end of the lease-period he has to pay GST again, equivalent to the market value of the vehicle.

HIRE PURCHASE — Most in-

dividuals still prefer this method of financing. At present a deposit of 10 percent is required, repayable over 42 months.

GST is payable up-front and forms part of the total price to be financed. The vehicle remains the possession of the financing company until the last payment has been made.

In some instances finance costs can be claimed for income tax purposes in the year in which they were incurred.

FULL-MAINTENANCE LEASING — Ownership is not transferred to the hirer and stays the property of the financing com-

pany.

The rental period is normally three years or a certain maximum distance covered, whichever comes first.

As the name of this sort of contract implies, the hirer is not responsible for any maintenance costs apart from fuel, oil and tyres. This way is particularly suited for people or businesses who need a fairly accurate projection of their fixed running costs.

Because costs are not linked to interest rates, it is possible to budget fairly accurately for the duration of the contract. GST is payable on a monthly basis.

The payments are normally deductible for income tax purposes.

The hirer has the option of purchasing the vehicle on conclusion of the contract at a predetermined price.

RENTALS — This form of financing was devised to enable people to have the use of a new motor vehicle without actually owning it.

No deposit is required and the contract normally runs for 36 months after which it is returned to the motor dealer. GST is payable on the monthly rentals.

If the vehicle is used to earn income, all or some of it can be deducted for income tax purposes.

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White man's home is now his factory

By Michael Chester

8/2/88

Slav (M)

White families, battling to cope with inflation and high tax bills, are earning R148 million a month running businesses from home.

Research has shown that almost 300 000 families — about one in every five white households — now runs such a business.

They have joined at least 1.5 million people running similar businesses in the black community.

The phenomenal growth of mini, home-business operations in the white as well as black communities has been tracked by the Self-Employment Institute, launched to encourage the expansion of the unrecorded informal sector of the economy.

Mr Theo Rudman, executive director, estimates that the total supplementary earnings of white families with home businesses is now running at not less than R148 million a month.

The operations — invisible to official economic statistics — include housewives baking cakes and bottling jam for sale to shops, dressmaking, running newspaper rounds or selling knitted goods at fleamarkets, to moonlighting assignments by architects, accountants, carpenters, plumbers and electricians.

R500 A MONTH

Average extra incomes are about R500 a month.

There had been an impression that such activities had been confined to urban black townships, says Mr Rudman. "However, our research shows an incredible expansion into all communities.

"Nor are the home businesses confined to the lower-income groups. Among whites, relatively affluent families account for a high percentage — largely motivated by determination to defend their living standards against inflation.

"Black families, on the other hand, are often forced to start home businesses by dire necessity — especially if the breadwinner is officially unemployed.

"Thankfully, the Government has finally ordered the dismantling of some of the ludicrous regulations that have hampered the development of home industries. But there is still a long way to go before there is full official recognition of the crucial role being played by the informal sector," he says.

8/2/88

COMPANIES

30

Garlicks sales, profits soar

By TOM HOOD,
Business Editor

A 20 percent rise in sales helped Garlicks to boost its after-tax profit by almost 25 percent to R2,4-million in the half-year to December 31.

Earnings rose to 80,1 a share from 63,9c a year ago.

However, the interim dividend is being kept at 18c, although the directors believe the final payout will be increased and total dividends will exceed the 44c paid last year.

Turnover grew by more than R10-million to R63-million and operating profit of R5,3-million, up 30 percent, is as much as the total profit for the full 1987 year.

Chairman Mr John Garlick says the directors' forecast of a minimum profit improvement of 30 percent for the year to June 30 is likely to be exceeded.

Supalek Holdings reports a turnover of R2-million for the six months ended Decem-

ber 31 — almost as much as for its previous financial year.

Though no dividend was forecast before October 1988, a maiden dividend of 1,5c a share is being paid.

Mr Cyril Cohen, managing director, is confident the prospectus forecast of R2,3-million after-tax profit for the full year will be exceeded.

Sales so far are 56 percent ahead, he says.

Watch and clock importer Anbecco, which was listed last April, reports that earnings jumped by 274 percent to R2,6-million for 1987 from R690 000 in 1986.

Earnings a share were 20,1c compared with 7,5c in 1986 and the forecast of 17,5c.

The final payout of 5,5c makes a total of 7c.

Malbak subsidiary Protea International and Van Reenen and Nicholls have joined forces to form Protea VRN Steel, a major new merchant operating from the Reef.

Protea VRN will initially

specialise in all qualities of steel plate before branching into other areas of the steel industry.

Protea VRN will start off with an investment of R10-million and expects to obtain a significant stake of the steel plate market within a short time.

Mercedes Datakor has acquired a shareholding in the Dimension Data group and the two companies say they expect to capture the major share of the R100-million data communications market this year to make them the dominant data communications systems suppliers.

Dimension Data forecast in its prospectus that turnover would reach a record R17-million in the year to December 1987, with net income rising from R1,2-million to R2-million.

United Spinners, the country's largest worsted yarn spinning mill, is paying a maiden dividend of 4c after earnings more than trebled in the six

months to December 31.

The Port Elizabeth company earned R4,1-million after tax on a turnover that rose 18 percent or R45,3-million to R28,2-million.

Unispin more than doubled its net operating profit from R1,7-million to R4,8-million.

No tax was paid because of tax losses brought forward from previous years.

The bulk of Unispin's sales and profits occur in the second half of the financial year which includes the winter months.

Chairman Mr Robert Wachberger says there was real growth in turnover where market gains were achieved.

The effect on sales of the Patons and Baldwins acquisition will only be felt in the coming six months.

The big profit improvement came from greater operating efficiencies as a result of new equipment coming on stream and continuing increases in productivity, he added.

Buy Sell Yield

ECONOMY

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Anbeeco ^{ster}
9/12/88
posts huge ⁽³⁰⁾
earnings rise ⁽²¹²⁾

Finance Staff

Anbeeco, the sole importer and distributor of Seiko, Pulsar and Lorus watches and clocks, reports attributable earnings of R2,582 million in the year to December 1987 (R690 000 in 1986) — a rise of 274%.

Earnings per share were 20,1c (7,5c in 1986).

A dividend of 5,5c a share has been declared, making, with the interim, a total of 7c a share. This gives dividend cover of 2,87 times, compared with the prospectus forecast of 2,5 times.

At a current share price of 135c, Anbeeco is on a P/E ratio of 6,7. The dividend yield is 5,2%.

Chairman and MD Mr Tony Brookstone says the group had "a very good trading year and profit growth has been exceptional".

The group received a further boost from the acquisition of Supalek Holdings from July 1 1987.

Rise in sales of new vehicles

NEW-VEHICLE sales in January were 25 284, 21,8% higher than in January 1987 and 1% up on December sales, National Association of Automobile Manufacturers (Naamsa) figures show.

New-car sales totalled 16 517, compared with 14 059 in January 1987 and 15 967 last December.

Sales of commercial vehicles rose to 8 767, compared with the same month last year, but dipped slightly from the 9 076 commercial vehicles sold in December.

Toyota remained top seller in both categories, the figures show,

The company sold 4 446 new cars in January, followed by Samcor with 3 347, Volkswagen 2 839, Mercedes Benz 1 766, Nissan 1 674, BMW 1 241 and Delta Motor 1 192.

Toyota commercial vehicle sales totalled 3 398, followed by Samcor on 1 906, Nissan 1 588, Delta Motor 1 196, Volkswagen 419 and Mercedes Benz 185.

— Reuter.

(30) B. (200) 9/2/88

Spotlight on impact of new economic package

50
21/09/88

TOP ASSOCOM-GOVT TALKS

A HIGH-POWERED, nine-man Assocom delegation is to hold a top-level meeting with Finance Minister Barend du Plessis on Friday.

Led by Assocom CE Raymond Parsons, the delegation will have discussions on the impact of President P W Botha's economic reform plan announced last Friday.

Parsons said yesterday the meeting was "the usual pre-Budget meeting" but that the implementation of government's eco-

MICK COLLINS

conomic package would be high on the agenda.

"Coming so soon after the President's announcements, the meeting enables us to address some of the issues."

He said subjects tabled for discussion included the economic and business outlook for 1988 and 1989.

"Also under the spotlight will be the proposed shape of the Budget and monetary and inter-

est rate policy over the coming year."

Included in the Assocom team will be Ben van Rensburg, who, on behalf of Assocom, recently completed an overseas study on value added tax (VAT).

It was Van Rensburg's detailed report and proposals that enabled organised commerce and industry successfully to oppose the CBT system proposed by the Margo Commission.

Meanwhile, Sapa reports Du Plessis as saying the proposed

VAT system would be far more effective than the present system of GST.

He said the new tax would be collected in stages and this would curb price increases. Government believed the tax burden on the individual was too heavy and so every attempt would be made to ease this burden.

Less tax meant that state expenditure would have to be kept within limits. This would demand sacrifices and certain services would have to be reconsidered.

COSATU warned yesterday

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Comments on Gold

Reef City 'deplored'

Star 9/2/88

By Duncan Guy

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The Gold Reef City Traders' Association have issued a statement deploring "unauthorised remarks" by a salaried manager of an independent store who spoke to The Star last week following an announcement that Johannesburg Gold Reef City Company was to be restructured.

Chairman Mr Glenn Schoeman and vice-chairman Mr Bernard Lasarow issued a statement last night in which they said the statement by Mr Michael Burke that "bad publicity" and "bad management" had caused a lull in business was "unjustified and un-called for".

He said Mr Burke subsequently lost his job.

"Our members are now raring to go under the proposed new arrangement which will have great advantages for everyone, including all participants and visitors to Gold Reef City.

"We have confidence in the management and Gold Reef City has consistently had excellent and favourable publicity."



LEADING SPECIAL INDUSTRIAL CARE

D/D 9/2/88

Car dealers may benefit from VAT

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PORT ELIZABETH — Used car dealers will probably benefit from the replacement of General Sales Tax by Value Added Tax (VAT).

Although tax will still be paid, the lower rate will mean a better break for the buyer. This is the tentative conclusion of the Executive Director of the Motor Industries Federation, Mr Jannie van Huyssteen.

"But it would depend on the way the government implemented it," he said.

"If we went the UK route, the tax burden borne by the buyer would certainly be less.

"In the UK, if a dealer purchases a used car for

say, £10 000, and sells it for £12 000, VAT is paid only on the difference — that is, on the value added."

Under the present GST system, tax is not only paid on the total selling price, but is levied every time the vehicle changes hands. It is estimated that this varies between four and six times during its lifetime.

As an example, a top-of-the-line executive model costing around R60 000 will probably be sold every two years.

Given the high inflation rate, the sale price of a car in this category is unlikely to ever dip below the purchase price. At today's rate of

12 per cent, this would therefore mean GST of R7 200 paid at least four times — R28 800 in all.

Dealers say this tax is fiscally vague and bears absolutely no relation to the value of the vehicle.

The Receiver of Revenue, Mr Joe Kapp, admits that the whole GST issue "is a sore point with most buyers".

Curiously, it is felt that should VAT prove more favourable than GST, there might actually be a slowdown in used car sales in the interim period.

As for private sales between individuals, the consensus is that tax evasion will continue. — DDC

New-name Assocom 'True Reflection'

Mc 7-15 10/2/88 30

JOHANNESBURG.—The Association of Chambers of Commerce of SA (Assocom) has been renamed the Association of Chambers of Commerce and Industry of SA, the association's president, Alec Rogoff, announced at a press conference yesterday.

The association is the largest employer organization in the country. Rogoff said Assocom's name was no longer a true reflection of the nature and character of the organization and its constituent chambers.

"Formal ratification of this decision will be effected at a general meeting in May, when attention will also be given to the implications of any possible change to the acronym 'Assocom'," he said.

"The association believes that its

decision will help to eliminate possible confusion about its role and that of other employer bodies, especially as some 40 of its affiliated chambers, countrywide, are already designated as chambers of commerce and industry."

"The latest development, here, has been the formation of the Witwatersrand Chamber of Commerce and Industries. Further, at least 30% of Assocom's total membership is drawn from industry."

Rogoff said the proposed action "also confirms the desire of Assocom to promote further rationalization and co-ordination of effort on behalf of the private sector."

"Assocom's initiatives at effecting a merger with the Federated Chamber

of Industries (FCI) have regrettably thus far not met with success and it is unlikely that a formal amalgamation will take place in the near future."

Rogoff said the re-named association would continue to co-operate with sister organizations on matters of mutual interest.

"Concurrent with the change in name, Assocom is creating new structures within its organization to address to an even greater extent the needs of all its members, both large and small.

"In particular, the spheres of industrial standards, and water and energy affairs will be the focus of new committees within the association.

"In taking these steps the association also wishes to ensure that it is

properly geared to participate fully in the consultation process with the authorities at all levels.

"This has become particularly significant in the light of the State President's recent reaffirmation of his desire to work closely with the private sector on the implementation of SA's long-term economic strategy and policies.

"All these decisions have also been taken in the hope that they will facilitate rationalization of effort within the business community and eliminate unnecessary duplication of services wherever possible.

"We hope it will make a positive impact on the perceptions of the business sector regarding the role of Assocom in policy-making in SA." —Sapa

MMG increases

8/21/10/2/88
income by 56%

30 Finance Staff

DCM-listed Market Motor Group (MMG), whose interests include the Cape's largest Toyota dealership, boosted net pre-tax income by 56 percent to R3,1 million after a 32 percent increase in turnover to R69,4 million for the six months to December.

Earnings attributable to shareholders was R1,95 million (R1,61 million). MMG has declared an interim dividend of 2,1c, exceeding the forecast of 1,9c.

Chairman Barney Sank says a more profitable trading policy and tighter control of overheads helped to increase margins, with operating income up from 3,7 percent on turnover to 4,4 percent.

Mr Sank is optimistic that the forecast pre-tax earnings of R5,2 million for the full year will be exceeded.

"All MMG's divisions operated exceptionally well, and we expect similar earnings for the second part of the year. With no debt and a strong balance sheet, MMG will not be affected by increases in prime interest rates," he says.

Mr Sank believes the buoyant conditions in the motor trade will continue throughout 1988.

MMG is one of the largest motor organisations in the Western Cape, covering a wide range of motor-related undertakings. Apart from the Cape's largest Toyota dealership, it has one of the largest used-car operations and is also involved in repair, service and parts supply.

"Next month, the company will open what will probably be the largest used car facility in the Western Cape. Situated at Newmarket Street, Cape Town, where MMG first opened its doors, the facility will offer customers on one site a comprehensive range of economy, luxury passenger and commercial vehicles.

"We believe that this concept will reduce overheads, increase turnover and improve profitability," he says.

75 percent of the country's w

Star 10/2/88 (30)
January
car sales

higher than
December (21)

Car makers had reason to smile when January vehicle sales figures were released yesterday.

January sales are traditionally lower than December's but last month's tally of 16 517 was 3,4 percent up on December 1987 and a healthy 17,5 percent higher than January last year.

This was even more encouraging in the light of ongoing stock shortages which were aggravated for some makers by Christmas shut-downs.

VW SA's marketing director Mr Clive Warrilow said: "We started 1988 with zero yard stock, and our dealers had the lowest stock levels that I can remember."

Although the light-commercial tally of 7 908 was 5 percent down on December, it was 13,2 percent higher than in the same month last year.

Combined sales of medium and heavy commercials were up on both the previous month (by 13,9 percent) and the year-ago month (7,4 percent).

Naamsa director Mr Nico Vermeulen described sales as "firmly entrenched in a steady upward trend" and predicted an overall growth of between eight and 12 percent in 1988. However he sounded a cautionary note over stock shortages, and exchange rate variations that could push up vehicle prices.

After losing market share in 1987, Toyota bounced back in January with 4 446 passenger-car sales — 26,9 percent of the market — and 3 153 light-commercial sales (39,8 percent). Its Corolla range (2 990 sold) also reasserted its position at the head of the models' top 10 ahead of VW's Golf/Jetta/Fox line-up.

Samcor was a comfortable second in car sales (3 347 and 20,3 percent) while VW slipped to third on 2 839 sales and 17,1 percent.

Riot victim dies

Wooltru profits up 35%

Call Times 11/2/88
30



Keith Allorto has been appointed to the board of Hillsdale Trust, the property management company within the HCI group.

Investment Editor

A LIVELY Christmas period helped to boost Wooltru's turnover to R860m in the half-year to December 31, 1987, and pre-tax profits show a healthy 35% increase to R53m (R39m).

The acquisition of Makro in January 1987 distorts comparisons, but excluding Makro, turnover at R570m was 27% higher than the R448m in the corresponding period of 1986.

The after-tax profit was R27m (R20m) giving earnings of 77c a share — 37% up on the 56c a share earnings of 1986.

A dividend of 35c — 8c higher than the previous year — has been declared.

Chairman David Susman says that the company is still in the process of re-instating a more traditional cover, and dividend cover for the whole-year

will be about 2,1 times. The group's retail companies all showed meaningful increases in turnover in the six months — Woolworths increased sales by 27%; Truworths by 24%; Topics by 22%.

Susman says all trading companies except Makro reported improved profit performances.

Makro's turnover rose by 17%, but in spite of this, its contribution to group profits in the present financial year is expected to be modest. Susman says present action should improve its profitability and reinforce confidence in its future.

Susman expects trading to remain buoyant in the second half of the year. Should customer confidence remain at its present high level, profit growth for the year will at least match the 35% achieved in the first half.

Wooltru increases interim dividend

Star 11/2/88
Finance Staff

Wooltru has reported 35 percent higher profits in its half-year to December and chairman Mr David Susman predicts at least the same for the full year, if consumer confidence remains high.

Turnover of the group, boosted by a lively Christmas, jumped to R860 million (R448 million in first half of 1986-1987), but the 92 percent increase is not comparable because of the acquisition of Makro on January 1 1987. Excluding Makro, turnover was 27 percent higher at R570 million.

Taxed profits were R27 million (R20 million) and earnings per share were 77c (56,1c). A 30 percent higher dividend of 35c (27c) has been declared.

Wooltru says sales gains by the group's retail companies were 27 percent for Woolworths, 24 percent for Truworths and 22 percent for Topics.

All trading companies except Makro reported improved profit performances. Although Makro's turnover rose by 17 percent, its contribution to group profits in this financial year is expected to be modest, says Mr Susman. However, he says present actions to improve profitability reinforce confidence in its future.

Mr Susman expects that trading will remain buoyant in the second half, and that the 35 percent profit growth will be at least maintained.

Star 11/2/88

JSE beckons, say experts (30)

By Sven Forssman

The time to start buying again on the JSE may be close, Mr Louis Geldenhuys, chief economist at George Huysamer and Partners, said yesterday.

He told a seminar, organised by the Bramson Chapter of Johannesburg Women's Ort, at Jewish Guild: "If one looks back at the performance of the JSE over time, we could be getting near buying time.

"Last year the market was overheated and shares were overvalued, but the values are looking much better now."

Mr Geldenhuys said while it was essential for an investor to have some liquidity, he did not feel fixed interest rates were an attractive method of long-term investing.

"Investing in the stock market

has historically proved a more profitable method of long-term hedging than has fixed interest rates."

From a long-term investment point of view, he recommended shares in the following areas: mining houses, life insurers, beverages and tobacco, small food outlets, clothing and textiles, chemicals and pharmaceuticals.

However, he warned that the international economy, with low economic growth and low inflation rates, did not favour gold in the short term.

Max Pollak & Freemantle stockbroker Mr David Shapiro was also confident that the time to buy was just around the corner.

"The stock market fall last year was dramatic. People were hurt and it is going to take some time for sentiment to change. The in-

vestors are out of intensive care, but they need some time to recuperate," Mr Shapiro said.

"People must set their long-term goals and act accordingly. The market is not for those who want to play around, but for the long-term investor it is a good time to start looking around."

"And people who rely on a steady flow of income must start looking at the market."

Mr Shapiro added that the short-term view for gold was negative.

In his address, JSE president Mr Tony Norton said there was no need for investors to stay away from the market unless "they want to get rich in six months".

"There are no quick fixes in the investment market, but there is potential for real growth for long-term investors," Mr Norton said.

Barnetts in ³⁰ good form

Star 12/2/88
By Finance Staff

Reflecting the benefits of the recent upturn in consumer spending on non-durables, household furniture retailers, Barnetts Group, reported a vastly improved taxed income of R1,4 million in the six months to December.

Reporting for the first time since its listing on the JSE in November last year, this represents an increase of 44,5 percent on the comparable half-year's figure of R989 000.

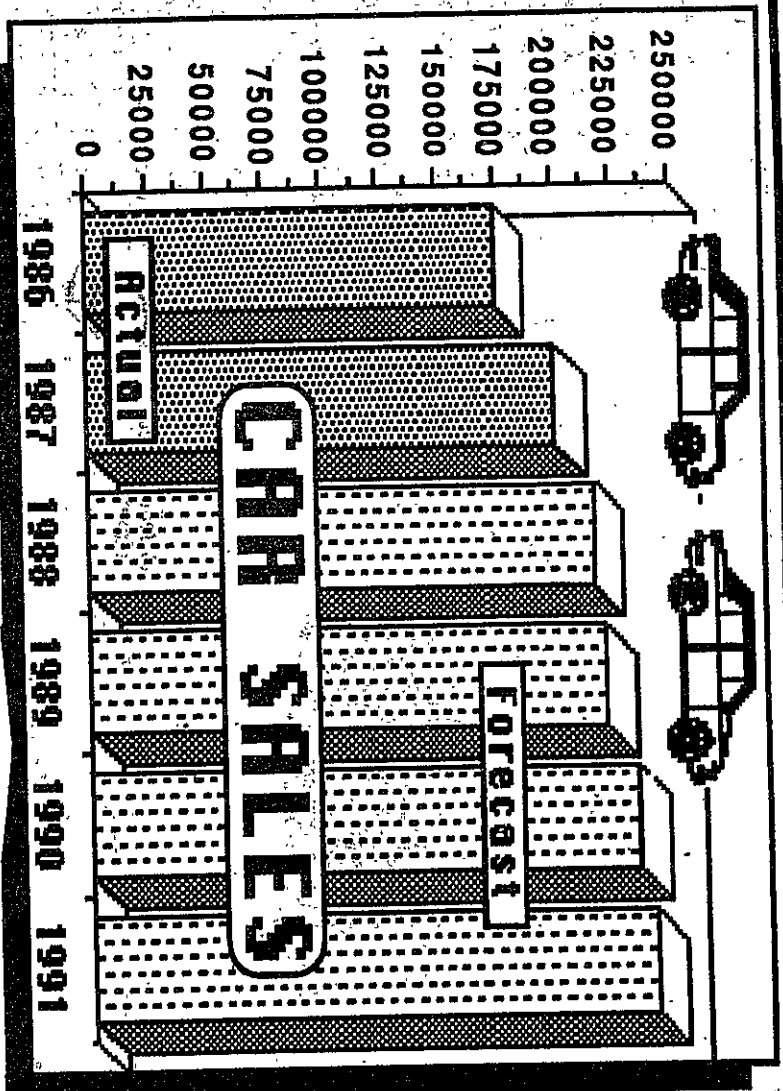
Turnover was R18,4 million, a 42,4 percent increase. An interim dividend of 2c per share on earnings of 11c was declared.

These results are well on target for meeting the forecast results for the full year, the directors say.

Motor industry predicts rise in new vehicle sales

Star 12/2/88

30



By Michael Chester

The motor industry today forecast more vroom-vroom behind sales of new cars over the next 12 months as the economic outlook improves.

The National Association of Automobile Manufacturers of South Africa (Naamsa) made upward readjustments of predictions of future sales in all categories of vehicles.

Mr Nico Vermeulen, executive director, released the results of a survey showing that the big assembly plants reported that annual sales of new cars, which dropped to their lowest in a decade at below 174,500 in 1986, revved up to top 200 000 last year.

Production tracks are now

preparing for sales of at least 216 500 cars in 1988 climbing steadily to 241 000 in 1991 — still almost 20 percent below the peak reached in the 1981 gold boom but more than 38 percent higher than in the sales slump of four years ago.

The latest survey also predicts:

- Light commercial vehicle sales will increase from 96 346 last year to 106 500 this year and on to 118 500 in 1991.
 - Sales of medium-size commercials should rise from 4 738 to 5 300 and on to 6 250.
 - Heavy truck sales should trundle up from 7 242 to 8 500 this year and on up to 9 900.
- Naamsa notes that all sec-

tors of the motor industry, widely regarded as one of the most reliable of economic indicators, now envisage an upward curve in sales patterns.

The industry's total labour force, 32 737 at the latest count, is 12.2 percent higher than a year ago — and a modest expansion seems to be in the pipeline.

The only possible brakes on sales performance are stock shortages of vehicles, particularly in the truck and bus sector, and more pressures on price increases due to the depreciation of the rand exchange-rate against the currencies of West Germany and Japan, now the main sources of imported components.

Business Report



CCI president urges Assocom to think again

THE president of the Cape Chamber of Industries, Mike Getz, has seriously questioned the ability of Assocom to speak on behalf of industry, especially industry in the Western Cape, and has called on Assocom to think again as regards its designation as the body to speak for both commerce and industry. In a written statement, Getz says it is important

that there is clarity as to who speaks for whom in the business world. "Confusion has been introduced and compounded by Assocom's decision to claim that it speaks for a significant industrial constituency

and to so designate itself." He acknowledges that the Chambers of Commerce can and do address issue of common interest, but when it comes to problems at national level or those which affect differently the interests of the commercial and industrial community, industrialists in the Western Cape turn to the CCI.

"The claim of Assocom that 30% of its affiliates include membership of the industrial sector must be viewed against the following background: "The most recent government survey of economic activity in this region, indicates that the largest single sector of employment in both greater Cape Town and

the Western Cape is industry which employs 24% of the total working population. "Commerce, including catering and accommodation services, employs 15% of the economically active." Engineering is the largest sector by establishment, while apparel and textiles are the largest employers in the Western Cape. Almost 60% of CCI members belong to these sectors. The Cape engineers and the clothing manufacturers are not only the two largest local employer organizations of industry, but are also significant regional groupings within their own national federations. "CCI is, therefore, exposed to industry and its viewpoint not only corporately and by sector at Western Cape level, but at national level too. This reinforces in an important way the relations between chamber and individual members on matters of industrial concern. Certainly without an involvement in the industrial employer groupings at national level it is difficult to see how the Chamber of Commerce movement can hope to represent its industrialist members at anything above the third level of government. "In seriously advancing itself as a voice of industry, Assocom must incur the costs of an appropriate infrastructure, which already exists elsewhere. "This a wasteful and expensive duplication of effort. It has added confusion and divisiveness to the SA business scene. Assocom should think again."

Participation Bonds
14,50%
Net per annum
Interest paid monthly in advance
Maximum Security
Guaranteed floor rate
Owen Wiggins Trust

Registered Financial Institution
(Exempted in terms of the unit
trusts control act, 1981)
J.L. FRANCK

Wolfsberg

JSE activities

High-cost savings?

The refusal of Pick 'n Pay (P 'n P) and Edgars to take part in a national anti-shoplifting campaign has forced Assocom back to the drawing board to decide whether such campaigns are effective.

It is conducting an inquiry to identify products shoplifters prefer, examine whether prosecutions are a deterrent and if controls are effective.

Shoplifting cost SA R800m in 1987 — R200m in the Christmas period alone — according to some estimates. Retailers accept that shoplifters are responsible for a quarter to a third of all stock shrinkage.

Assocom, which estimates stock shrinkage accounts for 2,5% of retail sales, formed a sub-committee late last year, which included representatives of large retail chains, to identify ways of countering the problem. It chose an advertising and poster campaign warning the public of the consequences of shoplifting.

P 'n P director Peter Dove says his group pulled out when it estimated the campaign — funded by levies based on turnovers — could cost R2m. Edgars' legal consultant, Clive Morkel, says the company rejected Assocom's proposal because "results would not have been commensurate with costs."

It is not the first time campaigns of this kind have run into problems. A similar one a few years ago led to complaints that it suggested the real offence was not shoplifting, but getting caught.

Some chains still believe no campaign can succeed unless retailers are united. Checkers MD Clive Weil says shrinkage cost Checkers R30m last year, of which staff was responsible for 70%.

"It's inflationary. The cost has to be recovered by adding a percentage to the cost of merchandise. It's increasing and will cost ourselves, P 'n P and the OK R100m this year. That's just the value of the merchandise stolen. To that must be added the cost of security," says Weil.

He adds: "There are certain Checkers stores where everyone, from management to sweepers, is involved in what I call institutional shrinkage. We have stores I would close overnight if we didn't have continuous trading clauses in our leases. Tons of merchandise disappear every day."

All for show

Show and exhibition organisers say they've never had it so good. The Rand Show, to be held in Johannesburg from March 3 to April 14, is turning away would-be exhibitors.

For the first time since it moved from Milner Park to the National Exhibition Centre south of the city, every square metre of space has been let. Nearly 700 exhibitors have signed up for the 42 000 m² of covered space and 40 000 m² outdoors.

Two new exhibitors, Argentina and Uruguay, have taken space in the international hall with regulars Chile, Taiwan, Italy, West Germany, Madeira, Greece, Bolivia and Peru.

Aviation Africa '88, to be held at Rand Airport from March 23 to March 26, is also making a welcome comeback. With 35 exhibitors, it is about a third bigger than it was two years ago. Organisers say it will be southern Africa's biggest aviation exhibition in over a decade.

The event has attracted several new foreign exhibitors. According to Cor Beek, executive director of the Commercial Aviation Association of Southern Africa, local companies will also show their manufacturing capability.

Meanwhile another show, which organisers claim could attract 500 000 visitors, has been planned for Johannesburg at the end of October. The Greater Soweto Chamber of Commerce (GSCC) has unveiled plans for the Great Soweto Show, to be held at the National Exhibition Centre.

"We would have liked to have held the exhibition in Soweto, but there are no adequate facilities. The cost of constructing such a centre, which would satisfy our exhibitors in terms of security and visibility, is beyond our means," says GSCC President Makana Tshabalala.

Pep Joubert, marketing manager of Trade Fairs and Promotions, says there is a resurgence of interest in trade fairs this year. "We have already exceeded the total turnover budgeted for 1987 and have written up about 75% of the turnover budgeted for 1989."

In Europe, up to 25% of advertising budgets is spent on exhibitions and 12% in the US. In SA, the figure is about 5%. ■

12/2/88
FM

Shortages linger

Vehicle manufacturers are patting themselves on the back with one hand, wiping away tears with the other.

January's vehicle sales figures — up nearly 25% on January 1987 — make good reading, but they could have been so much better. Companies are still counting the cost of last year's under-estimation of the market's strength.

Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), says stock shortages are continuing to hinder sales. The problem was apparent last year. Christmas factory shutdowns have made it worse and waiting lists for many models now stretch into the middle of 1988.

Volkswagen has suffered more than most. Car market leader for much of 1987, its January sales trailed Toyota and Samcor. Spokesman Ronnie Kruger says the company started the year with no vehicle stocks and it will take until May before production catches up with demand.

Had all manufacturers had plentiful stock, it's anybody's guess what January's sales would have been like. Even so, car sales, at 16 517, were up 17,5% on January 1987, light commercials (7 908) up 34%, medium commercials (328) up 15% and trucks and buses (531) up 3%. Total new vehicle sales were 25 284, compared with last year's 20 758.

However, manufacturers caution the industry not to expect the same level of improvement for the rest of the year. January's figures were good, but the predictions are still that market growth this year will be steady and gradual, rather than spectacular. Vermeulen and Naamsa stand by earlier predictions that the market will grow between 8% and 10% on 1987.

The industry may not be able to handle higher growth in the short term. With component lead times of six months and more, it needs steady growth in order to plan. A volatile market could turn temporary stock shortages into a long-term problem — and that is something neither manufacturer nor consumer needs. ■

Jazz lifts net profit 69%

Jazz Stores achieved a 69 percent increase in net profit in the six months to December, the interim report shows. Net attributable income was R2.5 million (R1.5 million in the same period of 1986).

Earnings per share were 7c (5.3c). The group has declared an interim dividend of 2c per share (1.5c).

The group acquired supermarket and general dealer Frasers on last July and the directors say the 169 percent increase in turnover to R167.8 million was mainly attributable to this acquisition, which brought 100 outlets into the group to make a total of 152. — Sapa.

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Star
2/2/88

It's full house at Joshua Morkels

By Julie Walker

JOSHUA Doore and Morkels have both produced fine results, reaffirming growth in the furniture industry.

Joshua Doore increased its earnings by 74,2% to 5,4c a share in the six months to December 1987 — only a fraction less than in the whole of 1987.

Managing director David Sussman says rationalisation, computerisation and consolidation improved efficiency.

"We have doubled our debtors' book since April last year and reduced borrowings by R3-million to R10-million."

Two stores will be opened. Mr Sussman says Joshua Doore will embark on a "unique" marketing scheme, which will ensure continued growth of the group.

Maiden

A year ago, Morkels expected to earn 12,7c a share for the year to March 1988.

In the nine months to December 1987, it earned 14,7c — 16% ahead of forecast in only three-quarters of the time.

The shares were issued at 95c in March last year when Federale Volksbeleggings reduced its stake from 100% to 75% and listed the company. The current price is 70c.

Chairman Neville Organ says shareholders can expect a higher maiden dividend than the 5,5c forecast in the prospectus.

The group is attracting 2 000 new clients a month. The hire-purchase book exceeds R100-million.

Part of the Morkels group is the 12-store Totalsports chain, which has been only breaking even. Television advertising and tighter management have contributed to soaring turnover, R1-million in December and R1,5-million in January.

Morkels expects this chain to contribute to the bottom line.

Complaints as car shortage continues

STOCK shortages, caused partly by the December shutdown, caused slack car sales in January.

Sales were only 3.4% above a traditionally slow December. Motor-makers blamed the Christmas closure of manufacturers and component companies for the modest beginning to the year.

Had it not been for the better performance by luxury manufacturers BMW and Mercedes-Benz, as well as Mazda, figures would have been lower than in December. The BMW figure, however, came off a weak December base.

By Don Robertson

The public, however, is becoming impatient with continued claims of stock shortages, first reported last June. It was said then that because of long lead times for delivery of imported components from source countries, the shortages would last for up to six months.

But manufacturers are still complaining of shortages.

Both Nissan and Delta, the only manufacturers to report declines in sales last month, blame their loss of market share on shortages.

Nissan marketing director Stephanus Loubser says: "The industry experienced a

shortfall in units delivered to dealers during the latter part of 1987. The result is that there was a large backlog of orders to deliver in January.

"Over and above the pent-up demand there has been a continued and encouraging demand for new vehicles and we see the total market gaining 10% for 1988."

Car sales in January numbered 16 517 compared with 15 967 in December, but in a market which is expected to rise by up to 10% this year, they were well ahead of the 14 059 in January last year.

Light commercial vehicle (LCV) sales were down on the December figure at 7 908 in January compared with 8 322, but were also well

ahead of the 5 899 in January 1987.

A factor in the LCV figures was an increase in sales of Land Rover, which in January was bought out by the management team. Deliveries from the UK are, however, a problem. Nine of the new Range Rovers priced between R136 000 and R145 000 have been ordered.

Medium commercials were barely changed at 328 sales in January compared with 329 in December. Heavy truck and bus sales reflected expectations of an improving economy with a sharp rise to 531 from 425 in December.

The Toyota Corolla was the largest car seller with 2 990 units, followed by the Golf/Jetta range (2 554), the Mazda 323 (1 071), the Kadett/Monza (1 069) and the Laser (1 047).

Largest car and LCV seller was Toyota with 4 446 and 3 153 units respectively. The Samcor Ford, Mazda range was next with 3 347 and Volkswagen with 2 839.

14/2/88
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517

CAP6 final 15/2/88 (30)

Rusfurn earnings up 67%

Own Correspondent

JOHANNESBURG. — The Rusfurn Group has firmly established its class among the recently listed furniture chains by achieving a 67% increase in earnings for the six months to end-December.

Much of the rise — to 18,4c a share (from a pro-forma figure of 11,4c for the comparable period in 1986) — can be attributed to the purchase of Dion and the furniture interests of the multi-million-rand Frasers chain.

An interim dividend of 2,5c a share has been declared, giving a conservative cover of 7,4 times. The directors say this is approximately one-third of the expected full-year dividend, suggesting a

total payout of 7,5c a share.

Turnover increased by 21% in the period under review, although operating profit rose by a more impressive 43% from R27,4m to R39,1m.

CE Geoff Austin says while turnover may appear to be lagging behind the increases recorded by competitors, Rusfurn's objective is to manage growth in turnover with a correspondingly higher growth in profits.

"We appear to have beaten most competitors in earnings growth for December 1987 and expect earnings to increase to about 74% for the year."

Austin says the gross debtors' book now exceeds R450m and stressed the importance of increasing collection rates and op-

timising the funding base.

"As a result of close attention to asset management, gearing improved from 0,82:1 at June 1987 to 0,45:1 six months later."

Because of the cyclical nature of the trade, borrowings are, however, expected to increase in the second six months of the year.

Having cleaned up the group since its listing, Austin says Rusfurn is now in a position to look for acquisitions. Although he would not comment on speculation that the group is stalking Morkels, he did concede that the speculation "is justified".

Although Frasers contributed to earnings in the six-month period, full benefits from the Frasers/Wanda merger are still to flow through.

15/2/88 (30) Star

Joshua Doore improves earnings

Furniture retail chain Joshua Doore achieved a 74 percent improvement in net earnings in the six months to December, compared with the 1986 half-year.

Earnings per share

were 5,4c (3,1c).

The company has declared an unchanged interim dividend of 1c per share.

Income before tax was R7,6 million (R4,3 million) on a 33 percent

higher turnover of R82 million.

Managing director David Sussman says improved economic circumstances in South Africa played a major role in the results. — Sapa.

Beares lifts interim dividend to 5c

Star 16/2/88
Furniture retailing group Beares increased net profit by 88 percent in the six months to December, compared with the 1986 half-year.

The interim report shows net income for the period of R9,7 million, against R5,2 million previously, equivalent to earnings per share of 41,8c (22,2c).

As a result of the improved profits, the company has declared an interim dividend of 5c (2c).

The directors say the increase in

consumer demand was most marked in the last three months of 1987.

"With the Government taking steps to ensure continued growth in the economy, we expect that customer demand will be maintained and that the present trend of improved profits will continue," they say.

In the period under review, turnover was up 23 percent to R296 million, while pre-tax income increased 95 percent to R19,7 million (R10,1 million). — Sapa.

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Morkels' turnover up 34 pc ^{14/10/89}

Reflecting the continued upturn in consumer expenditure, especially among durable goods, furniture group Morkels increased turnover for the first nine months of its current financial year by 34 percent, to R115,27 million.

This is almost identical to the figure achieved in the previous financial year. Taxed profit for the period rose by 195 percent to R5,87 million and is 79 percent ahead of the R3,28 million achieved in the previous year.

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11/8

Curnow seeking main board listing

Stew 16/2/88
By Teigue Payne

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Having reported higher-than-forecast earnings in the year to December, Curnow has applied for a transfer of its listing from the DCM to the Retailers and Wholesalers sector.

Income attributable to ordinary shareholders was R1,25 million, equivalent to 6,4c a share (5,1c forecast in the prospectus last April). A dividend of 3c (2c forecast) has been recommended.

For a listing on the main board, a company must have pretax profits of over R1 million. Curnow's is R2,4 million.

Chairman Mr Brian Joffe says four companies acquired last year have strengthened Curnow's position as the largest supplier of automotive finished products.

Curnow is still hungry for acquisitions, he says. However, the acquisitions were in Curnow's normal business area and he is now looking to expanding Curnow's horizons in associated fields. Curnow has the major share of the R60 million-a-year market for automotive paints supplied to the refinish market. Of its share capital, 72 percent is held equally by EW Tarry, a member of the W&A group, and AECL.

16/7/88
Metro lifts earnings 89%

Following its recent deals with Frasers and Jazz, the Metro group increased its EPS by 31.5 percent to 16,3c in the 26-week period to end-December. Attributable earnings rose 89 percent to R10,6 million, while the effective number of shares in issue was 64,9 million (45 million).

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Chamber to host symposium on tourism industry

D/D 16/2/88 (30)

Daily Dispatch Reporter
EAST LONDON — The Chamber of Commerce will host a symposium next week to emphasise the importance of the tourist industry for the future of East London.

The vice-president of the East London Chamber of Commerce, Mr Errol Spring, said the theme, Tourism — East London's Untapped Wealth, had been chosen because the chamber believed that tourism held the greatest potential for economic development in the city.

Mr Spring said the symposium would aim to convince businessmen that tourism should be fully exploited.

He said ways in which this could be put into practice would also be discussed.

"I urge all businessmen with a stake in East

London to attend for the sake of their businesses and the future of the city," he said.

The symposium, to be held on February 23, will be chaired by a former mayor of East London, Mrs Elsabe Kemp.

Mrs Kemp is presently a member of the President's Council.

The managing director of a leisure and accommodation development company, Mr Kevin Garratt, will open the symposium.

He will address the symposium on potential and current East London developments.

The next speaker will be the chairman of a Johannesburg advertising agency and a committee member of the Advertising Standards Authority, Mr Brian Hopkins.

Mr Hopkins will address the symposium on



MR SPRING

the challenge of marketing and the expansion of East London's holiday season.

The chief researcher for the Institute for Planning Research at the University of Port Elizabeth, Dr Ernie Heath, will deliver a speech on the importance of a strategic planning approach in the regional development of tourism.

The proposed development of East London's beachfront and the lessons to be learnt from Durban's successful tourist industry will be discussed by an architect, Mr Revel Fox.

The manager of Sator's Western Cape division, Mr Colin van Zyl, will outline the plans of the South African Tourism Board's to promote tourism in the Border.

The director of the Greater East London Publicity Association, Mr Ted Walsh, will suggest ways in which businessmen can get involved in the promotion of tourism.

The symposium will close with a question session and a panel discussion.

R2,5 million allotted to Stockenstrom area

Daily Dispatch Reporter

EAST LONDON — The Stockenstrom area in the Kat River valley has been allocated R2,5 million by the South African Government for the continuation of services in the region.

The government was approached for funds in October last year for afforestation and citrus development projects in the area.

The deputy chancellor in the office of the Ciskei Presidency, Mr Gary Godden, said the Ciskei Government wanted to create an orderly settlement in the area expropriated from white and coloured farmers.

He said the money would be used for the continuation of services such as education, water, health maintenance and law enforcement.

"The South African Government has been providing services to the community all along and needs to continue to do this even though the white sector has moved out," Mr Godden said.

The South African Minister of Education and Development Aid, Dr Gerrit Viljoen, had undertaken the financial responsibility of rehabilitating the Ciskei citizens left behind.

The Stockenstrom area, which has recently been incorporated into Ciskei, comprises 24 000 hectares of the over-all 80 000 hectare area. The remaining area was incorporated three years ago.

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P/D 17/2/88

Cashbuild profits

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grow

JOHANNESBURG — Tradegro's building materials subsidiary Cashbuild increased attributable earnings by 5 per cent to R1.2 million in the six months to December, compared with the 1986 half-year, the interim report shows.

However the directors point out that the acquisition of Buy 'n Build as part of the Tradegro acquisition of Frasers impacted adversely as far the results were con-

cerned. If Buy 'n Build's results had not been consolidated with Cashbuild's, attributable earnings would have been up to R1.8-million, or 56 per cent better than the comparable period.

The actual results reflect earnings a share of 5,7 cents (5,8 cents), the decline being due to an increased share issue.

Turnover increased 60 per cent to R97,4 million.

Managing director Gerald Haumant says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas. As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he said. — Sapa

30 (circled) P/000 17/2/88

Supermarkets' VAT concern

KAY TURVEY

SUPERMARKET chains have expressed concern that the inclusion of foodstuffs in VAT will fuel inflation, hitting lower income groups hardest.

OK Bazaars financial director Barry Jack said, while he welcomed VAT as widening the tax net and reducing evasion, it was set to hurt lower-income consumers.

He said VAT would drive the average cost of purchases up and impact harder on lower-income groups, who spent a greater proportion of their income on foodstuffs at present exempt from GST.

Although government was considering food stamps to assist the poor, Jack said this was still uncertain.

Pick 'n Pay CE Raymond Ackerman said the strongest recommendation should be made to exclude foodstuffs from VAT to counter inflation. As the tax base was being broadened, food should be excluded, as tax could be made up on other goods.

Basic commodities

The British or European example — where many foods were exempt from VAT — should be followed, Ackerman said. He stressed this was particularly important in SA, with its large Third World element and where inflation was significantly higher than in the Western world.

Ackerman said as the essence of the President's opening of Parliament speech was to tackle inflation, the first step should be the elimination of cartels and monopolies which controlled basic commodities and prevent consumers benefiting from free-and-fair competition.

Everyone was euphoric at the announcement that Eskom was to be privatised, yet deregulation should begin with cartels that could be done away with at the stroke of a pen.

Decision to retain independence

30 B/day
17/2/88

FCI rejects Assocom's merger plan

THE Federated Chamber of Industries yesterday rejected Assocom's overtures for a merger of the two employer bodies.

FCI president Hugo Snyckers said a full meeting of the board of management had unanimously re-affirmed its belief that the interests of industrialists would continue to be best served by maintaining the FCI as a separate and independent body.

The FCI move follows closely on the heels of Assocom's announcement last week that it was to change its name to the Association of Chambers of Commerce and Industry.

Late last night Assocom CE Raymond Parsons declined to comment on the FCI statement.

The FCI said its board meeting was attended by representatives of all regional chambers and the national associations affiliated to the FCI.

Among the reasons given for the FCI to continue as an independent body, was that the manufacturing sector was the largest single contributor to the economy, being twice that of commerce and equal to mining and agriculture combined.

Snyckers said the FCI already represented the employers of some 60%

MICK COLLINS

of the 1.2-million employees in the manufacturing sector.

"The FCI, after its restructuring and move from Pretoria to Johannesburg, is in a sound and improving financial position.

"The need to avoid duplication of effort among organised industry, commerce and other bodies is, as previously announced, fully accepted, as is the need to contain membership costs, save the time of busy executives and, wherever possible, have one spokesman on all matters of common concern."

He said that could best be achieved through the medium of the existing committee of presidents of AHI, Assocom, FCI and SAAU, which could be expanded to other bodies and could also rationalise and co-ordinate secretariat and sub-committee activities.

Snyckers said: "The recently established Transvaal branch, replacing the expelled Transvaal Chamber of Industries, is showing by its rapid growth that many manufacturers do not want a joint body with commerce."

D/D 17/2/88

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A bullish trend for the Beares

30

JOHANNESBURG — Beares has again demonstrated that it is not simply turnover that counts but how the bottom line profits are achieved with a stunning improvement of 95% in pre-tax income on the back of a 23% increase in turnover in the half-year to December 31.

The interim dividend has been lifted to 5 cents from earnings a share of 41,8 cents and in contrast with the 1986 interim of 2 cents from eps of 22,2 cents. Eps rose by 88%.

The directors are optimistic about prospects:

"The past six months has seen an increase in consumer demand, particularly during the last three months of 1987. With the government taking steps to ensure continued growth in the economy, we anticipate that customer demand will be maintained, and the present trend of improved profits will continue."

Figures for January are up on January 1987.

Turnover for this furniture and discount store operation at R296m was up on the 1986 half-year figure of R240m and approaching the full year figure, to

June 1987, of R427m.

Interest at R6,3m (R7,4m) was down on 1986 but with rates rising this improvement may not be sustainable; the full year interest bill was R13,9m.

Pre-tax income was 95% up on 1986 and stood at R19,7m (R10,1m) and R18m for the year to June 1987.

Heavy provisions for tax, both current and deferred, have slashed this total to net income of R9,725m which is fractionally lower than the full year figure of R9,773m and contrasts with the R5,1m at December 1986. — DDC

FCI rejects Assocom, wants to go it alone

A FULL meeting of the board of management of the S A Federated Chamber of Industries (FCI) yesterday unanimously re-affirmed its belief that the interests of industrialists will continue to be best served by maintaining the FCI as a separate and independent body.

The meeting was attended by representatives of all regional chambers and the national associations affiliated to the FCI.

Independent body

The FCI's belief in the need for a strong independent body to represent the manufacturing sector is based on the following:

- The manufacturing sector is the largest single contributor to the national economy being twice that of commerce, and equal to mining and agriculture combined.

- The FCI already represents the employers of some 60% of the 1,2m employees in the manufacturing sector, and its recently established Transvaal branch, replacing the expelled Transvaal Chamber of Industries, is showing by its rapid growth that many manufacturers do not want a joint body with commerce.

- The FCI, following its restructuring and transfer from Pretoria to Johannesburg is in a very sound and improving financial position.

The need to avoid duplication of effort among organized industry, commerce and other bodies is, as previously announced, fully accepted, as is the need to contain membership costs, save the time of busy executives, and wherever possible have one spokesman on all matters of common concern.

This, in the FCI's view, can best be achieved through the medium of the existing committee of presidents of AHI, Assocom, FCI, and SAAU, which could be expanded to include other similar bodies and could also rationalize and co-ordinate secretariat and

sub-committee activities.

The view expressed by Assocom that the "rooinekke" should "get their act together" is totally rejected by the FCI which is proud of the fact that its membership is extremely widespread, non-racial, from all language groups and includes both large and small undertakings.

The FCI announced that group financial director of Barlow Rand, E M Groeneweg, has become the first president of the FCI's Transvaal branch.

The president of the FCI, H Snyckers, yesterday confirmed the FCI's support for the state president's economic initiatives aimed at reducing inflation and the share of government expenditure in the national economy.

The FCI and its regional chambers will urge members to exercise the maximum possible restraint in both salary and price increases within the overall need to maintain business viability.

It was pleased to note that no wage freeze or maximum allowable percentage increase was applied to the private sector and that the collective bargaining process can still apply.

Private sector

This will facilitate productivity improvement and industrial stability.

The private sector has done much to improve efficiency and productivity in the recession of the last few years.

These efforts will continue to help offset the effects of rising input costs and looming shortages of certain skilled and professional employees.

Raymond Parsons, executive director of Assocom, declined to comment on the FCI statement. — Sapa

- On Friday, Mike Getz, president of the Cape Chamber of Industries issued a similar rejection of Assocom as spokesman for both trade and commerce saying that "Assocom should think again".

BUSINESS

**Giddy's net
bigger slice
of R150m**

D/D 18/2/88

30

22

11

by Matthew Moonieya
business editor

after Montana had found
itself in "distress".

EAST LONDON — Furniture group Giddy's has bought four more stores from Cape Town-based Montana's in a bid to increase its share of the lucrative R150 million a year Eastern Cape market.

He said that by purchasing the book debt, Giddy's higher purchase base increased from 21 500 to 30 000 and enabled them to expand their market base at the lower end.

The stores — in East London, King William's Town, Queenstown and Port Elizabeth — have been closed and their stock transferred to existing Giddy's branches.

Furniture Fairs owners, Jeff and Ivan Hammerschlag, who bought the Montana chain from the liquidators last year, said the sale was in line with restructuring the Montana chain and in line with their company policy of concentrating their trade in the Western Cape.

More than 50 people have lost their jobs following the takeover of the Montana Furnishers outlets, but public relations and marketing manager of the Giddy's Group, Mrs P. Channon, said the staff had been asked to submit applications to the Giddy's outlets. They would try to absorb them.

With the exception of the Free State outlet, the remaining eight Montana stores are all located in the Western Cape. Montana will remain as a separate competing chain.

Montana's assets were purchased at a book value of between R6,5 million and R7 million and was described by Giddy's managing director, Mr Rocky Ridgeway, as having been bought at a "considerable discount".

Mr Ivan Hammerschlag said the sale had created substantial working capital which enabled them to expand further in their home territory. R300 000 would be spent on refurbishing the remaining Montana stores which would now implement a new corporate image. When the outlets have been placed on a profitable basis, they would be sold to Furniture Fair.

Furniture Fair moved onto the main board of the Johannesburg Stock Exchange last year, a year after its listing on the DCM.



MRS Constance Nkosi — private sector must work to improve standards in South Africa.

Black business issues challenge

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18/2/88
Structure

BLACK business must challenge economic, political and social issues in order to become a constructive force in the South African society, SA Perm manageress, Mrs Constance Nkosi, said yesterday.

Mrs Nkosi, who was recently honoured by the Black Management Forum with the "Excellence in Achievement" Award for 1987, said it was important that business tried to ensure that a better and

improved social conditions existed from the labour force.

She was addressing many Vaal Triangle business people at a seminar whose theme was "Planning Your Investments" and held at a Sebokeng night club.

Mrs Nkosi said in most Third World countries it was the government that provided houses, schools, roads and other important services.

However, she said, it was common knowledge that in South Africa State spending was biased.

She said: "It has therefore become imperative that private enterprise assists in augmenting the services to ensure that living conditions are brought up to standard."

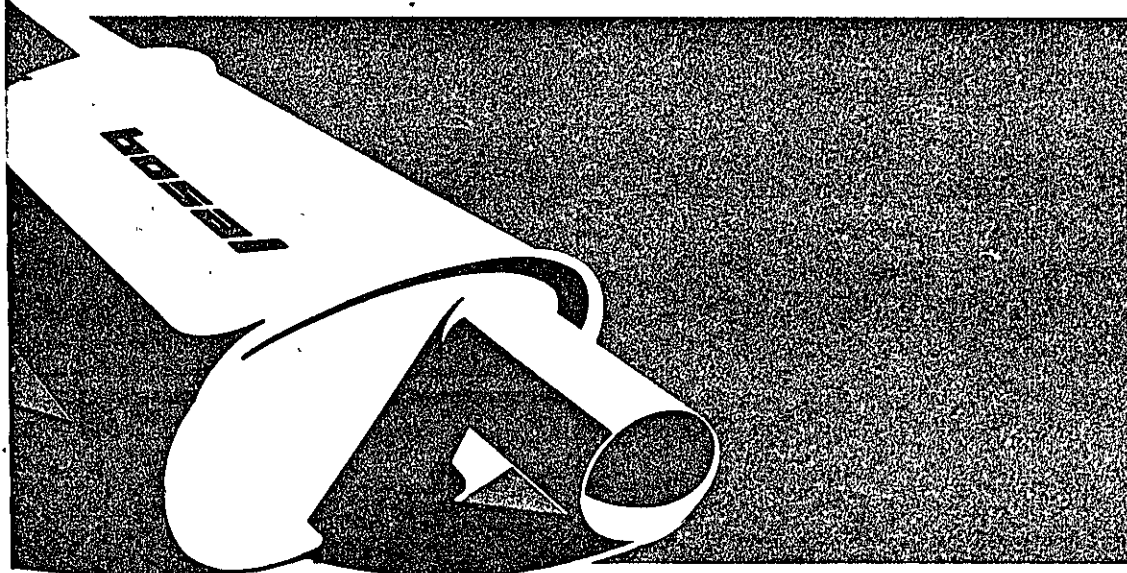
More companies were helping their employees by providing homes and paying the education of their children, she said.

Mrs Nkosi said the Perm was involved in several social responsibilities. These included offering loans to individuals for housing, schooling, health, recreation and even to small business.

Black business people who lacked expertise were also being trained by the company.

The company was also looking at fighting apartheid laws which affect the running of business in South Africa.

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Hives of activity 14/2 88

The Small Business Development Corporation (SBDC) has expanded its "hive of industries" scheme with the acquisition of a R3m, 12 000 m² factory and office complex at Wadeville on the East Rand.

"This is another big step since we began recycling old buildings for use by small business two years ago. It illustrates how the small business sector can put wasting assets back into productive use," says SBDC GM James Scott.

He says SA cannot afford the decay of its industrial areas, as has been experienced in parts of Britain and the US "rustbelt." The proliferation of small businesses could be a major contributor to economic stability and growth in South African industry, he adds.

SBDC PR spokesman Johan Naudé says the centre is the first of its kind on the East Rand. "By converting the old Reunert factory, which stood empty for three years, into cubicle-sized mini-factories, the skills of unemployed people can be productively and profitably employed. We anticipate eventually accommodating 200 small businesses, providing jobs for around 600 people by the end of the year."

Similar projects already exist at Pennyville on the West Rand, Blackheath in Cape Town, Korsten in Port Elizabeth, Hamilton in Bloemfontein and Phoenix in Durban. In Bloemfontein, the SBDC recently also purchased the "Old Market," which now provides accommodation for a number of small shops. East London's old Lock Street jail will open its doors in March after it has been modified to accommodate small industries and speciality shops.

"At the new Wadeville centre, provision will be made to accommodate highly-skilled artisans. Specialist engineering equipment will be available in the communal toolroom for use by various trades. Portions of the building will lend itself to use by hi-tech and electronics specialists," says Scott.

The balance of the complex will accommodate welders, carpenters, clothing manufacturers, upholsterers and virtually anybody who can prove he has a practical skill with which to generate business. "It is also our intention that these centres become deregulated islands with no restriction on economic activities. In all, some 40 applications have already been lodged with government to deregulate our industrial parks for small businesses. This should create the right climate for business development, economic growth and job creation," says Naudé.

Japanese may curb supplies

8/day
19/2/88 (30)

Car imports threatened by new move

THE possibility of a Japanese limit on trade with SA went a step further yesterday with a threat by Nissan and Toyota to curb exports following government pressure.

The move would hit the import of complete knock-down kits (CKDs), which were Japan's top export item to SA last year and accounted for 40% of all goods imported from that country. The CKDs comprise top-of-the-line models for both car manufacturers locally.

The threat, which caused a flurry of activity in SA car manufacturing circles, follows a dispute between the Ministry of International Trade and Industry (MITI) and the Foreign Ministry over measures applied to Japanese firms to get them to restrict their SA business.

The Foreign Ministry is known to be unhappy about Japan's position as SA's top trading partner and is worried by US charges that Japanese firms are filling the gap as American companies pull out of SA.

A Nissan SA spokesman said: "It's something we are witnessing worldwide — started by the US trade ban — and it's not only motor vehicles which are involved. But we are not too concerned at this point."

"What is important is that we look at the way in which any restrictions are applied. As we have not heard directly from Japan, I feel at this stage it is too early to comment."

MICK COLLINS

A Toyota SA official said the company had not been told of any limitation on imports but was trying to "get through" to Tokyo for clarification.

"We haven't been notified by the Toyota Motor Corporation in Japan of any impending changes. If there are any we will issue a media statement as soon as we establish the official policy on exports."

Earlier yesterday, Reuters reported a Japanese Toyota official as saying: "Toyota will act prudently in exporting to SA."

But, the spokesman said, it was impossible to say whether exports would be kept at or below last year's level.

Nissan Motor Corporation was said to be also considering limiting exports of CKDs, a company spokesman said.

Tokyo became SA's top trading partner in 1986 and in 1987 trade reached R8,5bn — up 19% on 1986.

Last month, the Foreign Ministry called on Federation of Economic Organisation members to act with caution in view of the expanding trade between the two countries.

MITI argued that existing sanctions, including a ban on some computer exports and an import ban on iron and steel, were sufficient.

The ministry recently asked members of the Japan Automobile Manufacturers

● To Page 2 →

Car imports threatened by Japanese move

Association (JAMA) to limit exports, which accounted for a hefty chunk of Japan's total sales to Pretoria, the Toyota spokesman said.

A MITI official said there had been no change in the ministry's basic position and said there had been no specific requests to the association or its members.

But, he said, ministry officials had

informally suggested that all exporters give serious thought to the issue.

Japanese car makers exported 206 130 vehicles, nearly 20% more than in 1986. Toyota and Nissan alone exported 134 700 kits last year.

● From Page 1 ←

8/day
19/2/88

9/10 19/2/88
Delta plans to up sales by 26pc (30)

PORT ELIZABETH — Plans to push up Delta vehicle sales this year by 26,7 per cent on last year when sales were up 24 per cent on the previous year, were disclosed in Port Elizabeth yesterday by the chairman and chief executive, Mr Keith Butler-Wheelhouse.

Addressing a civic breakfast to commemorate Delta's first birthday he said the company was aiming at a vehicle market of 38 000 units this year against 30 149 units last year.

Delta sales of new cars last year were 21 per cent up on 1986 levels compared with an industry improvement of

15 per cent. Its total vehicle sales increase of 24 per cent last year comfortably outstripped the industry improvement of 17 per cent.

"I am glad to report that with the exception of April we made an operating profit every month of 1987 and, by turning our inventory faster, released sufficient working capital so that we have no borrowings and enjoy substantial interest income from our cash reserves," Mr Butler-Wheelhouse said.

He said the breakeven point for Delta was 24 000 units which was achieved in 1986. — DDC

19/2/88 (30) PM

"This is another big step since we began recycling old buildings for use by small business two years ago. It illustrates how the small business sector can put wasting assets back into productive use," says SBDC GM James Scott.

He says SA cannot afford the decay of its industrial areas, as has been experienced in parts of Britain and the US "rustbelt." The proliferation of small businesses could be a major contributor to economic stability and growth in South African industry, he adds.

SBDC PR spokesman Johan Naudé says the centre is the first of its kind on the East Rand. "By converting the old Reunert factory, which stood empty for three years, into cubicle-sized mini-factories, the skills of unemployed people can be productively and profitably employed. We anticipate eventually accommodating 200 small businesses, providing jobs for around 600 people by the end of the year."

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MAGNIFICENT METRO

Six months to	Dec 27	Jan 27	Dec 28
	'86	'87	'87
Turnover (Rm)	769,8	856,3	1 325,6
Pre-tax profit (Rm) ...	11,0	20,8	23,9
Attributable earnings (Rm)	5,6	10,4	10,6
Earnings (c)	12,4	23,1	16,3
Dividends (c)	6,0	11,0	7,5

Graph

32% increase in EPS to 16,3c takes it a long way towards achieving financial director Alan Sack's November forecast that EPS would be around 45c for the year — a rise of 27%.

Turnover leapt by 72%, pushing the total from R769,8m to R1,3bn and attributable income climbed by 89%, but shares in issue also leapt 45m to 65m and this resulted in the lower rate of increase in EPS.

Metro itself continues to provide most of the profits, contributing about 70%, while Frasers accounted for 17% and Jazz 13%. Growth in the original Metro group was in the region of 25% and, as Sack estimates that internal inflation was around 14%, sales volumes rose, with additional growth coming from the two new Trade Centres and the refurbished stores.

"Market share has improved. We think that this could be a movement away from the independent wholesaler. Our assessment so far is that the upturn is more publicised than real," he says. The group has experienced more competition and margins, other than Frasers', have been under pressure.

The results, however, show an improvement in margins due to consolidation of the higher-margin Frasers figures. The Frasers acquisition should bring further benefits in the second half as Metro only began running Frasers this year, though it was officially part of the group from July 1.

Metro expects benefits will flow to Frasers from its ability to negotiate suppliers contracts, which generally run for the calendar year and Sack also sees Metro being able to assist through its cash management, particularly of creditors. Metro management does not want to become involved in the day-to-day running of the Jazz stores, though, as these are in competition with some of Metro's customers.

The benefit of the cost synergy of one head office will only be enjoyed in the second six months. There is thus every reason to expect a greater improvement in the second half. Sack, for his part, says that the company will be pushed to achieve the target of 45c, but on the information so far, it could exceed this figure. The market, too, seems to be expecting more, as the forward dividend yield, if cover is maintained at 2,2, would be 3,4% on the current price of 580c.

Pat Keegan

METRO

Added muscle

It was to be expected that Metro would show good results at the interim (26 weeks to December 26), as the period includes profits from its Frasers and Jazz acquisitions. The

30

8/day 22/2/88

NO PROGRESS ON PAY

NEITHER Pick 'n Pay nor the Commercial, Catering and Allied Workers' Union has made any significant revision to its wage proposals for 1988 in seven days of meetings in the last month.

The outcome of these negotiations is seen as an important precedent for wage increases in the retail sector generally.

Pick 'n Pay's Frans van der Walt said on Friday the only change the union had made was to drop demands for a fourth week's annual

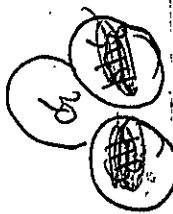
ALAN FINE

leave, provided management agreed to an additional monthly day off — the equivalent of 12 days a year.

Pick 'n Pay has offered an across-the-board monthly increase of R100 in response to union demands for R366. Other proposals for improvements in working conditions are also on the table.

Further negotiations are scheduled for today.

Assocom and Buthelezi to explore ways of reducing violence



Fresh bid for Natal peace

ASSOCOM is to meet KwaZulu Chief Minister Gatsha Buthelezi in Ulundi this week to consider the Maritzburg unrest situation. Also to be discussed will be job creation for the social upliftment of the residents of Maritzburg's townships which, it was felt, would also have a positive effect in reducing violence.

In a statement released after a visit to the affected areas, Assocom said there appeared to be agreement from both UDF/Cosatu and Inkatha that all the groups wished to see violence de-escalate.

The fact-finding mission was led by Assocom president Alec Rogoff and included CE Raymond Parsons and the chairman of the Assocom execu-

MICK COLLINS

Discussions were held with senior representatives of the UDF/Cosatu, Inkatha, the South African Police, and the local chamber.

A short visit was also made to certain of the affected areas around Maritzburg. The Assocom delegation, which

visited the area at the request of the Pietermaritzburg Chamber of Commerce said:

"Assocom is supportive of the positive role which the local chamber of commerce has played in attempting to promote discussion between the main interest groups concerned. We will continue to assist the chamber in these efforts."

It said both the UDF/Cosatu and

Inkatha groups believed that the release of certain recent UDF detainees would aid talks to reduce violence.

"Both UDF/Cosatu and Inkatha support the local chamber's role as an honest broker to help resolve differences of opinion and to de-escalate violence.

"Assocom believes that talks to reduce violence must be continued at

the highest level, as the association views the matter as of the greatest concern to business."

It said it would be addressing the possibility of further steps to encourage this dialogue.

"The association greatly regrets the number of deaths and injuries which have occurred during the unrest and violence in Maritzburg."

D 18 27/2/88

T. W Beckett up 4 per cent (30)

JOHANNESBURG — Tea and coffee distributors, T W Beckett and Company, has posted a modest four per cent increase in net profits in the six months to December, compared with the same period of 1986.

The interim report shows net earnings of R4,9-million (R4,7-million), equivalent to earnings a share of 82c (79c).

Turnover was up two per cent to R100,2-million, while operating profit was down five per cent on the comparable period from R10,8-million to R10,3-million.

The directors comment that more stable retail prices — lower prices in the case of coffee — resulted in increased demand for tea, coffee and rooibos.

“The company strengthened further or maintained its share in all its markets and consequently reflected sales volume growth. Turnover did not reflect this improved volume growth as the cost of imported tea on world markets was virtually static and that of coffee lower.

“In these circumstances the company did well to increase profit before taxation by four per cent.”

They state that no significant change in raw material costs is expected.

“In this event the directors expect that trading results for the second half of the year will be similar to those already recorded.” — Sapa

30 Germiston 23/2/88

SHOPPING CENTRE FOR KATLEHONG

A R10 million shopping complex is being built in Katlehong, Germiston.

At a sod-turning ceremony on Friday, the mayor of Katlehong, Mr Aaron Hlahane, said that the complex would be built in two phases. The first is scheduled to be completed in October this year.

He said the first phase would cost R5 million.

Mr Hlahane said it was hoped work on the second phase would start in February 1989.

The centre will consist of — among other things — a supermarket, 40 shops, filling station, bar and a building society agency.

The centre is the brainchild of Mr Dickson Mdluli, managing director of Letsoho Developers.

First

The Katlehong businessman is backed by Mobil and a private financier, Quntum.

Mr Hlahane said: "This is the first development of its kind in the township and marks the beginning of a central business district in Katlehong."

There will be a taxi rank and a bus depot next to the centre, he said.

Mr Mdluli said the project would create about 400 jobs.

Handwritten initials

- (a) No official records are kept of companies or business organizations which are conducting experiments on animals.
- (b) (i) Training in respect of medical and veterinary professions;
- (ii) research in connection with the diagnosis and treatment of sicknesses in the medical and veterinary world;
- (iii) diagnostic tests in respect of disease conditions in man and animals; and
- (iv) testing of substances for use by man, animals and plants.

(2) No, but various State departments and organizations concerned with experiments on animals are at the moment preparing a code of ethics for the humane treatment of animals used in research, training, diagnosis and testing of substances in the Republic. Before this code is finalized, it will be discussed with all interested parties with a view to the implementation thereof.

Mr D J DALLING: Mr Speaker arising out of the hon the Minister's reply, may I ask him whether this code of ethics will be enforceable at law or simply serve as a general guide?

The MINISTER: Mr Speaker, that depends on the view taken by the particular committee which will be dealing with this matter and on their recommendations.

Mr D J DALLING: Mr Speaker, further arising out of the hon the Minister's reply, may I ask him whether he does not think, in the light of some of the events that took place late last year involving experimentation on animals, that the time has come in South Africa to introduce legislation to control such experimentation very strictly?

The MINISTER: Mr Speaker, I feel that other hon members may not be *au fait* with the aspects referred to by the hon member for Sandton, and I therefore recommend that he place his further queries in this regard on the Question Paper.

Experiments on animals

*7. Mr D J DALLING asked the Minister of Justice:

HOUSE OF ASSEMBLY

Whether, in the course of administering the provisions of the Animals Protection Act, No 71 of 1962, his Department took or initiated any action in 1987 in regard to experiments on animals; if not, why not; if so, what action?

The MINISTER OF JUSTICE:

The Animals Protection Act, 1962 (Act 71 of 1962), is aimed at the prevention of cruelty to animals in general. The scope of the Act is so wide that almost any act of cruelty to an animal — also in the course of experimentation — is punishable upon a successful prosecution in a court of law. Anyone who is of the opinion that any experiment conducted on an animal amounts to a punishable act of cruelty to that animal, can therefore report the matter for investigation to the charge office of any police station. The civil law can in appropriate cases also be employed to prevent cruelty to animals either in general or in cases of experimentation on animals. In this regard I can draw the hon member's attention to the recent civil case in which the SPCA and the University of the Witwatersrand were involved.

The Act, however, contains no specific provision for the control or regulation of experiments on animals. Therefore, various State departments and organizations concerned with experiments on animals are at the moment preparing a code of ethics for the humane treatment of animals used in research, training, diagnosis and testing of substances in the Republic. Before this code is finalized, it will be discussed with all interested parties with a view to the implementation thereof.

Cape Peninsula: additional land for Blacks

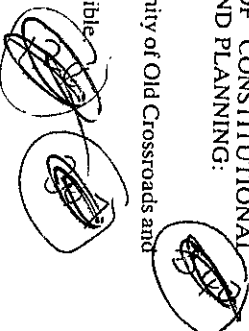
*8. Mr J J WALSH asked the Minister of Constitutional Development and Planning:

Whether it is intended to proclaim for Black residential purposes any additional land in the Cape Peninsula outside the existing Black areas; if not, why not; if so, (a) what areas are being considered and (b) when is it anticipated that such proclamations will be issued?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

Yes.

- (a) Land in the vicinity of Old Crossroads and Nyanga.
- (b) As soon as possible.



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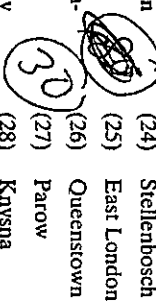
Group Areas Board: investigations into open trading areas

*9. Mr J J WALSH asked the Minister of Constitutional Development and Planning:

- (a) How many (i) investigations were held by the Group Areas Board into the proclamation of open trading areas in 1987 and (ii) open trading areas had been proclaimed in the Republic as at the latest specified date for which information is available and (b) where is each such area situated?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING [Reply laid upon the Table with leave of House].

- (a) (i) 31.
 - (ii) 60 to 19 February 1988.
 - (b) Where areas are situated
- | | |
|--------------------------|---------------------|
| (1) Johannesburg | (37) Port Elizabeth |
| (2) Durban | (38) Worcester |
| (3) Estcourt | (39) Grabouw |
| (4) Howick | (40) Vredenburg |
| (5) Cape Town | (41) Montagu |
| (6) Delmas | (42) Pietersburg |
| (7) Potchefstroom | (43) Nigel |
| (8) Witbank | (44) Still Bay |
| (9) Volksrust | (45) Glencoe |
| (10) Colenso | (46) Pinetown |
| (11) Port Shepstone (2) | (47) Springs |
| (12) George | (48) Vanderbijlpark |
| (13) Strand | (49) Welkom |
| (14) Hermannus | (50) Benoni |
| (15) Vryburg | (51) Carnarvon |
| (16) King William's Town | (52) Kempton Park |
| (17) Ottery (Cape) | (53) Acasia |
| (18) Pieterberg Bay | (54) Kulis River |
| (19) Kimberley | (55) Moortreesburg |
| (20) Swellendam | (56) Durbanville |
| (21) Paarl | (57) Moon River |
| (22) Malmesbury | (58) Randburg |
| (23) Pietermaritzburg | (59) Prieska |
| | (60) Roodepoort |



IRS and NPI in project to aid retail industry

730
B/dew 2/27/88

THE INSTITUTE of Retail Studies (IRS) and the National Productivity Institute (NPI) are cooperating on a project which aims at improving research and education in areas of interest to the retail industry.

The project will involve a productivity index monitoring of the retail industry and the indices will help senior management to measure their performance relative to the industry in which they compete, to other industries and internationally, NPI spokesman Mike Brown says.

"The more productive use of all resources can make a major contribution to profitability in the retail trade," says Brown.

"The barriers to such improvements include the absence of measurement of how we currently use those resources and

VIVIAN HARTNETT

how we can improve on the status quo," he says.

Productivity measures will include: the Locmark and the Primer Index and measurements such as sales per linear metre, profit per square metre and sales per person employed.

Participating members will be asked to supply the NPI with monthly turnover and transaction figures which will then be checked and passed on to the IRS for analysis and reporting.

Mike Broom, director of the IRS, says this is a special field in which the IRS is uniquely placed to make major contributions to improved retailing efficiency and to research into retail issues.

Further information on the project is available from Mike Brown, NPI (012) 341-1470.

(30) *Journalist* (1988)

Some people are quite happy to acquiesce in it and yet others are positively acquiescent. Others are happy to just go along with it, and not to say anything, not to stick their necks out.

I'm not saying who's right and who's wrong. I've always felt out of step with the regiment. I've been viewed as the lunatic left of the business establishment.

Q: On the other hand, trade unionists, more radical black activists would regard you as part of the overall apartheid scheme.

BLOOM. That's right. As far as a lot of the black liberation movements — in particular the union movement — are concerned I'm identified with the capitalist class and therefore on the other side of the fence.

That's natural. I certainly don't resent that in any way. Certainly in our policy in this group, we try very hard to work out some sort of *modus vivendi* with the unions, we've got to learn to live with each other.

We're probably 85 percent to 90 percent unionised at this point, and that's something I welcome.

Yes, we're going to have our punch-ups in wage disputes or work conditions or something like that, but that's a good, healthy negotiating process which I don't shy away from.

Suspicion

In my discussions with union leaders — and there have been few, too few — because there is suspicion and mistrust and one thing or another, and I am identified with the capitalist class — I try to point out that there is a difference between exploitative capital on the one hand and free enterprise on the other, and I am very firmly in favour of free enterprise. I think that's the system that works.

Q: A lot of major employers as well as government fear the increasing political role

The road ahead - by Tony Bloom



TONY Bloom ... leaving SA.

Tony Bloom, chief executive of Premier Milling, speaks out on why he is leaving for a new life in Britain. This is the second and last extract from a wide-ranging interview with Ameen Akhalwaya.

and political power of the unions. Do you see, because of the government's action against organised political groups, whether the trade union movement itself wouldn't become the major political factor in the SA political situation?

BLOOM. That's very likely to happen because if you close off every other avenue for political expression and leave only one, then you must expect all the political aspirations to be channelled through it.

There is a very real danger of that happening — if it hasn't happened already.

Q: How do you see the economic situation developing in the next, say, 10 to 15 years?

BLOOM. I'd need a crystal ball! I don't know

about 10 to 15 years, it's hard to look two or three years ahead.

There is no doubt the economy is in better shape than it was two years ago. Let's start from that point.

There seems to be a resurgence of consumer spending, companies are doing better despite the fall of the stock market and so on, there is more of an air of business confidence around, a certain amount of new investment taking place in South African companies. Those are positive points.

The ones to worry about of course are inflation — a major worry — and the fact that there is no foreign capital coming in to develop the whole infrastructure of business and create the jobs that are necessary to absorb all the work-seekers who will come on to the market place

Reasonable

But overall in the short term I think we can probably look to reasonable economic conditions.

Q: Is that linked to the political situation, the unrest situation in the country?

BLOOM: The question of foreign participation certainly is. That's entirely tied up with the whole perception of South Africa and its political policies in the eyes of the Western World. And until those

policies change — and change significantly and fundamentally and not incrementally — that's not going to alter the reluctance of foreigners to invest in South Africa in a meaningful scale.

They will creep back in slowly, but really meaningful investment I think will wait until then.

Q: What do you think the Government should be doing in terms of fundamental changes to be able to attract more capital, to change the disinvestment campaign?

BLOOM: There is only one answer — you have to scrap statutory discrimination, take it off our statute books in every vestige.

Polecat

You might have to announce a timetable, a very short timetable but a precise one. But until we take statutorily entrenched discrimination out of our laws, we're going to be regarded as the polecat of the world.

Q: Do you think the Government is ready to do so?

BLOOM: No.
Q: Why not?
BLOOM: I don't know the answer to that, but P W Botha made it clear in the last elections that there are certain non-negotiable issues.

Segregated schooling is non-negotiable except for incremental relaxations as far as private schools are concerned, but basically segregated schooling is going to remain.

Segregated residential areas are going to remain. There will again be incremental bits and pieces with the Group Areas Act, but fundamentally the Act will remain on our statute

books.

Political rights for blacks are not going to be given except in structures which are not part of the mainstream. You most certainly are not going to have blacks in the overall parliament.

The Population Registration Act is going to remain. Those are the cornerstones, the pillars of apartheid.

If you take the State President at his word — and I think you should — those are not going to be abolished, in the near future anyway.

Q: Would that not support the theories of those who believe in violent overthrow of the Government, or of those who believe in non-violent change who would support economic sanctions and disinvestment as a form of pressuring the Government to change?

BLOOM: On the question of violence as a political option — I understand what drives people to violence, I don't condone it.

Scales

Frankly I don't think it's going to achieve anything in the South African context because the scales are so unevenly weighted.

The Government is so powerful militarily, security apparatus, police etc. You may well have sporadic acts of violence but basically the Government is very firmly in control of the situation.

So I don't think political rights are going to be won by violence for a very long time.

On the other question, I don't want to be against everything and not for anything, but I'm totally against disinvestment and sanctions, basically because I believe that the way to break apartheid is by economic advancement.

Because there are such inequities in the South African situation, the way to break them down is to open up the economy to everybody and to really break down in practice, in the work place, what legislation seeks to entrench in theory.

I think that's going to spill over into the broader social fabric.

NEW YORK — South Africa's upwardly mobile blacks — "buppies" — are spearheading a "peaceful but dramatic revolution" in the country, says the American magazine *Time*.

In a two-page report from Johannesburg this week the magazine says blacks, headed by an "elite", some of whom can boast "his and hers Mercedes, live in black servants and jacuzzis", are beginning to flex their muscles as earners and consumers.

Even before the lifting of residence and property restrictions, says *Time*, blacks were beginning to enjoy better wages, job opportunities and employment benefits.

Expanded credit to township homeowners and developers, totalling some R60 million a month, has helped

Blacks are now using their clout

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Jansen
24/2/88

SAPA

catapult large numbers of blacks from low-income to middle-income and even luxury houses.

Today's black business class contributes generously to anti-apartheid organisations, says *Time*, "and many militants now accept it as the protagonist in a new form of confrontation with whites that is taking place in the boardroom."

Far from serving as quislings for the white establishment, says the magazine, the new black elite is emerging in its

own right as a powerful arm of the "liberation struggle."

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pldwy 26/2/88

ASSOCOM, FCI call for swift end to restrictions

IN A joint statement yesterday, Assocom and the FCI said while they were unable to evaluate the security factor inherent in Wednesday's restrictions on organisations and individuals, they regretted that circumstances had led government to impose them.

Apart from the possible international repercussions, we are deeply concerned about the likely impact the restrictions placed on Cosatu will have on the collective bargaining process," the statement said.

It added these processes had served an invaluable purpose in providing for the discussion of contentious issues, leading to compromise agreements.

"We hope these measures and the state of emergency can be brought to a speedy conclusion. We urge all concerned to do all in their power to solve the political problems which have given rise to the present situation," it concluded.

The statement followed a meeting between the president of Assocom, the FCI, the AHI and the Chamber of Mines. The chamber

HELENA PATTEN

issued a statement on the issue on Wednesday, while the AHI said it did not wish to comment.


In a statement on behalf of Anglo American, chairman Gavin Relly said the corporation was concerned that government should not interfere with the proper industrial relations activities of Cosatu or any part of the trade union movement.

Relly hoped government, through these regulations or any future actions, would not inhibit the peaceful, though robust, exercise of trade union rights.

He said the restrictions on Cosatu and 17 other organisations were sops/away from the rule of law to which government had indicated it was committed.

D10 27/88 (30)

Tradegro up by 59pc



JOHANNESBURG — Retailing group, Tradegro, which among other things completed rationalisation of the Frasers operations during the six months to December, achieved a 59 per cent improvement in net profits during this period.

The interim report shows attributable profits for the period amounted to R26,9-million, compared with R16,8-million for the 1986 half-year, equivalent to earnings per share of 14,45c (9,11c).

The directors state that the marked increase in profits was achieved through the Frasers rationalisation as well as improved trading by existing companies.

Pre-tax profit increases of the various subsidiaries, compared with the half-year to December 1986, are: Checkers from R1,2-million to R3-million, Department Stores (Stuttaford/Greatermans) from R1,8-million to R3,6-million, Jazz from R2,3-million to R5,3-million, Cashbuild R2,6-million to R3,2-mil-

lion, Metro R11-million to R18,6-million and Rusfurn from R15,6-million to R32,9-million.

The directors say the full benefit of the Frasers rationalisation would be felt during the financial year ending June 1989.

The chief executive, Mr Mervyn King, of Tradegro commented: "With Checkers and Metro having their better six months in the latter half of the financial year and the positive effects of the rationalisation of the Frasers operations being felt to an increasing extent, I am confident that the results should continue to improve."

Coreprop is the only division which recorded losses during the period under review.

Tradegro's turnover increased by 38 per cent during the period under review to R2,1-billion, while operating profit was up 89 per cent to R86,6-million (R45,8-million).

No interim dividend has been declared. — Sapa

Tradegro going ahead after the nightmare

28/2/88 ST 30

NEW-LOOK Tradegro is still soaring.

Before spectacular half-year figures to December for the group had been digested on Friday, highly motivated chief executive Mervyn King was spelling out more plans to streamline the organisation and add to its market penetration.

Mr King, one of the Business Times' Businessmen of the Year, is confident that Tradegro has emerged from its nightmare and will continue to improve.

Exception

On the back of a 59% increase in attributable profit in the first half to R26,8-million the enlarged group is looking for R40-million to R50-million for the year, well above the previous year's R30,2-million.

All the group's divisions trading divisions reported increased sales and pre-tax profits in the half-year. The exception was property-owning arm Coreprop, where the loss fell from R4,1-million in the same time the previous year to R4-million.

But Mr King points out that the R120-million raised through the refinancing deal with Trust Bank came to the company only in December and had no benefit in the six months. He is confident Coreprop will break even by the end of the current year.

Mr King says all short-term borrowings have been repaid and some long-term mortgages have been settled.

Negotiations are going on to merge with a property administration company which would improve the portfolio and add to Coreprop management skills.

By Ian Smith

All this means that a listing, which could not have been considered for some years, might come much sooner.

Another new move for the group is the sale of the John Orr's branch at Sandton City to up-market clothing retailer Boymans, which has acquired the John Orr name. Tradegro's remaining John Orr stores will change their names by next year.

The sale will hold up the listing of the Stuttaford-Greetermans group, which has six stores trading in Johannesburg, Cape Town Durban and Martizburg, while the new arrangements bed down.

The division improved its pre-tax profit in the half-year from R1,8-million to R3,6-million on sales which more than doubled to R39,8-million.

Unlike others in the retail sector, Mr King believes the department store still has a major place in the market place.

Staff stake

A few years ago the department store was believed to be on its way out.

"But with the proper focus on a particular department — and nine times out of 10 it is fashion — and a profit-and-loss analysis to pick out the losers we see growth for our department stores."

Tradegro is to go ahead with the listing of the Smart Centre chain of upmarket outfitters for blacks.

The chain of 150 shops, which came into Tradegro through the Fraser acquisition, had sales of R45,8-million in the six months and pre-tax profits of about R6-million.

Mr King says: "It has been suggested that the Smart listing should be delayed because of the market crash, but the intention is not to raise capital and are we are going ahead."

The company lends itself to listing, and this would give the staff a stake in the operation.

Even Checkers, where returns on huge turnover have caused concern, is looking better.

Turnover increased from R989 604 to R1,1-billion and the pre-tax profit moved rose R1,2-million to R3-million. Mr King believes his supermarket chain's fight is with Raymond Ackerman's Pick 'n Pay.

"OK Bazaars is not a supermarket — it is a discount retail department store."

Long way to go

Checkers is taking the battle to P'n P's front door with the construction of a Warehouse near Mr Ackerman's prime site at Brackenfell in the Cape.

The Warehouse chain, which directly challenges the Hypermartets, is in the early stage of its development and few benefits have yet been seen.

"It is taking time to complete the turnaround, but it will be completed," says Mr King.

For the group as a whole he expects more benefits to flow from the rationalisation of Frasers operations, which was completed in the last six months.

"The full benefits of this acquisition will only be realised during the next financial year as the Tradegro divisions only effectively gained management control from January 1."

There's a long way to go before the market rerates Tradegro, but Mr King believes he is on the right track.

Texaco squares up to 'T Bone'

TEXACO is continuing with its restructuring plan in the face of a potential assault from another raider, Texas oilman T Boone Pickens.

Chairman James Kinnear confirms that Texaco hopes to sell its two

By Lauren Chambliss

Arabians are nearing the final stages of a \$1-billion deal sent Texaco's stock up. The two refineries are designed to

suitor interested in all or part of Texaco, however.

Mr "T Bone" has told Texaco that he is seeking clearance from Government regulators to buy up to a 15% stake in the company. Texaco has been

DESPITE relatively lower inflation rate figures in the past few months, SA's double figure inflation is unacceptably high, and the impoverishment of the consumer continues.

Salaries are not keeping pace with the rapidly-rising cost of living, and unemployment statistics are reaching disconcerting proportions.

Food inflation is still one of the biggest culprits and needs to be addressed urgently in view of its major contribution to the erosion of living standards.

Consumers still sceptical

JAN CRONJE/director, SA Consumer Council

The recent (slight) drop in the inflation rate to 14.2%, as measured by the Consumer Price Index, is heartening to a degree, but consumers are understandably sceptical and do not see

any improvements in their budget balance sheet at the end of the month. The moderate improvement in the economy and the recommendations of the Margo Commission have, how-

ever, stimulated consumer confidence. People are aware that methods of tax avoidance can be employed in the business sector which are not available to the average salary earner. Margo's recommendations have created the hope that a broader tax base will be established. Many consumers have already ac-

cepted that a wider business tax, separate taxation for married couples and a lower sales tax rate will be instituted. They believe the business sector now has "no way out" but to contribute its rightful share to the tax kitty. The recently-announced Value Added Tax (VAT) will have to be

promoted extremely well to win the confidence of consumers. Unlike GST, where the consumer could clearly see how much tax he was paying, VAT lurks somewhere behind the scenes - ever present and ever potent. The praiseworthy attempt by the State President to combat inflation and oil the gears of free enterprise can succeed only if all parties - consumers, business sector and government - join in a co-ordinated effort. Consumers are sceptical because of repeated reports in the media of intended price hikes. A monitoring action of some sort, whereby price and salary increases are kept in check, might be necessary. If consumer confidence is lost, the whole exercise could add up to nil - to the detriment of the entire economy. A heartening development recently is that the importance of the consumer's voice is being more widely accepted. In discussions with representatives of government, private sector, organised agriculture and the media, it is becoming clear that the consumer's role is at last being recognised for what it is - absolutely vital. He is, after all, the most important link in the economic chain of a free market system. Consumer representatives are increasingly being consulted and invited to contribute where decisions are long last it is dawned on decision-makers and businessmen that the consumer's consent is a most valuable commodity.

Rolls-Royce sales are gliding upward

Business Day Reporter

THE improvement in motor vehicle sales — one of the leading economic indicators — shows that SA is firmly back on the track of prosperity.

Sales of the ultimate in motoring — Rolls-Royce cars — have bounced back from a zero projection base for 1988 to over R5m for the year.

At least 11 of the world's most expensive cars are allocated to the local market over the next 10 months, with 50% of the vehicles pre-sold.

Commenting on the improvement in sales, Rolls-Royce area manager for

Africa Mike Hill said: "Positive signs of interest in Rolls-Royce showed from October last year and the forecast five units for 1988 has just been extended to 11 units.

"With export duty at 100%, plus 12% GST, the average retail price is between R450 000 and R480 000."

There are about 620 Rolls-Royce and Bentley cars in SA currently, and around eight Corniches.

Local market trends reflect the rise in international sales, which show a 7% increase in sales of Rolls-Royce and Bentley cars during 1987 (about 2 850 units), compared with a sales of 2 784 units in 1986. The US was the company's largest market, up 5% in 1987 (1 208 cars sold compared with 1 155 the previous year).

Volume growth was achieved in every market, with a significant rise of 27% year on year in sales to the Pacific area. Japan registered a 52% annual increase in sales, to 82 cars.

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Monday 29/1/88

Autoquip in top gear

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Star 1/3/58

By Ann Crotty

Autoquip, a wholesaler and retailer of automotive accessories and replacement parts, has turned in excellent results for its first public reporting period with earnings up 68 percent to 4.2c a share in the six months to end-December.

The earnings improvement was achieved on a turnover increase of 52 percent from R6.6 million to R10.1 million. In line with the intention stated in the prospectus to declare a maiden dividend at the end of financial 1988 no dividend has been declared.

Autoquip, which got a main board listing late last October, was one of the casualties of the October crash. The share came to the market at 75c but due to the collapse of the market, slumped to around 40c and has yet to recover.

The latest figures confirm the bullish outlook that management stressed in the

prospectus. Aggressive marketing and improved stock levels helped to boost turnover. And a significant improvement in operating margins and a substantial reduction in finance charges contributed to a 115 percent improvement in taxed profits.

This is in line with management's pre-listing statements that the proceeds from the listing would be used to finance a more competitive variety of stock and at the same time allow the group to take advantage of trade discounts. This strategy, combined with tight asset management and the use of overseas suppliers who held prices at more attractive levels than local suppliers — boosted turnover.

With the second six months traditionally stronger, the group looks well on the way to surpassing its prospectus forecast of earnings for financial 1988 of 7.9c a share.

Longmile ³⁰ ahead of ¹⁸² forecast ¹⁸⁴

By Ann Crotty

The Longmile Group, which was listed on the main board of the JSE last November, has reported earnings of 12c a share for the six months to end-December and looks well on the way to beating its prospectus forecast of 41 percent growth in earnings for the full financial year to end-June.

The company is due to pay a maiden dividend of 4.6c a share after the end of financial 1988.

Turnover is not quantified for the six months but it is indexed and shows a 37 percent advance on the previous interim period. This compares very favourably with the 23 percent turnover growth for the full year that was forecast in the prospectus. Operating income was up 40 percent at just over R20 million, while the interest bill was up marginally to R2.4 million. Attributable profit rose 53 percent to R6.1 million.

Longmile, which came to the market just weeks after the October crash, is an industrial conglomerate which combines the manufacture and distribution of clothing, vehicle silencers, fasteners and the retreading of vehicle tyres in its activities.

Its issue price of 230c put the share on an historic price/earnings ratio of 13.5 times. Apart from the collapse in the market there was some concern that the wide spread of its activities would lead to some investor resistance.

However the large size of the company, and therefore of the issue, attracted good institutional support.

Since last November's issue it has reached a low of 175c and is currently trading at 190c which puts it on a forecast price/earnings rating of 12.6 times and an historic of around 11 times.

Management envisages no difficulty in achieving the performance level forecast in the prospectus.



By Winnie Graham

The differences between white and black South Africans need not necessarily negate development but, on the contrary, could stimulate it, says Mr Siza Khampepe, a small business consultant.

Writing in the latest issue of *Black Enterprise*, a magazine for Southern Africa's entrepreneurs and innovators, he says blacks must be more involved in the planning of the future economy "in real and not symbolic terms".

"The education, training and adaptation of children and employees to the realities and opportunities of a future non-racial society, should be our priority.

"It is estimated that by the year 1990, blacks will make up 75 percent of the economically active population of South Africa and whites 18.4 percent," he writes. "Does this mean whites must bicker about blacks and legitimate rights instead of mobilising the process of economic growth by black managers and black businesses?"

"It is time we became battle weary of our ego trips. Consultation between black and white must take place. Let us eliminate the destructive conflict which has created a vicious spiral between conviction and lack of legitimacy."

He writes that whites have held the power so long that they have come to believe they are always right. Communication has to be perceived positively.

"We need to communicate by considering the circumstances in which we live, create common ground, adopt the right attitude and create trust by extending our knowledge of each other."

He quotes a story of how the ordinary Russian perceives television.

'The race factor (30) need not stop our progress'

Star 2/1/88

If, for instance, the programme is about the potato and its nutritional benefits, the Russian feels uncomfortable.

To him the message is not about the goodness of potatoes, but that there is going to be a scarcity of other food, particularly bread.

"Sounds strange, yet this is what most black South Africans think of TV. It is viewed as a medium that to a great degree is expert in disseminating lies, creating illusions about the status quo and raising false expectations."

Mr Khampepe says that in 1988 business has to act positively to abolish apartheid and create a new, non-racial society. In order to do so, business must have its own agenda for planning, communication, training and education.

Black managers comprise hardly 5 percent of overall management. Blacks create hardly 1 percent of the gross domestic product. The outcome of this disparity is in conflict with the legitimate needs and demands of the majority.

"There can be more similarities between South Africans," he adds.

● *Starbridge was launched to help close the gap between the races. If you have ideas on how to build bridges or improve communications, write to Starbridge, Box 1014, Johannesburg 2000.*

TRADERS OPPOSE ^{scarellan} NEW ^{2/2/88} PROJECT ³⁰

A PRETORIA Supreme Court judge yesterday issued an interim order restraining a Pretoria company from carrying out a project which is intended to replace an old Atteridgeville shopping complex with a new one.

The order was issued by Mr Justice van Niekerk following an urgent application by three Atteridgeville traders against Direct Atteridgeville Enterprises (Pty) Ltd, Atteridgeville Town Council and a shop owner, Mrs Moba Tshabalala, respectively.

The traders are Mr Percy Sehloho, Mrs Rosalyn Lulu Mareka and Mrs Elizabeth Dammie. The local council was cited as owners of the site on which the developments are taking place and Mrs Tshabalala as a person "who might have a substantial interest in the outcome of the application," because her business was also on the premises.

According to the court order, the application will be heard on March 22 to give counsel for the respondents time to prepare affidavits.

The company in question has been ordered not to:

- Carry out or proceed with, or conduct any land excavations involving any excavating machinery or demolishing of any buildings, building construction works, land or building development.

Corporation hunt for most improved small business

2/10 3/3/88
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JOHANNESBURG — The Small Business Development Corporation (SBDC) launched a competition yesterday to find the most improved business in the small business category.

The SBDC said that since the Carlton conference, much had been said about small business and much had been achieved through the efforts of the SBDC and other organisations in small business development.

"It seems ironical, however, that efforts in development are countered by a high rate of business failures: 1 809 liquidations in South Africa in 1987, an average of 139 per month."

"SBDC's experience to date has shown that lack of good management is the single biggest cause of failure. According to Dun and Bradstreet Inc (N.Y) approximately 55 per cent of new small businesses fail within the first five years the major underlying causes of failure being incompetence (46,9 per cent), business inexperience (18,1 per cent) and lack of managerial experience (15,3 per cent). In Australia too an analysis of the causes

of business bankruptcies administered by official receivers reveals that lack of business ability, acumen training or experience was the major cause of failure (29,6).

"The aim of this competition is primarily to motivate small businesses throughout South Africa to improve their businesses. What is unique about this competition is that it has an immediate development objective, it is aimed at complimenting existing development efforts and making a contribution towards keeping businesses in business."

The competition is aimed at the emerging small business and linked to a drive to improve business efficiency and productivity which is also in the national interest.

The programme will be for the benefit, not only of SBDC clients, but small business in general. By virtue of the competition an incentive is provided for small businesses to improve their performance.

It is significant that this competition is not aimed merely at determining the turnover of a business. Rather, it is

the degree of success in terms of improvement or development effected over the period of five months, that is of paramount importance.

An amount of R7 500 as well as a Sarlam Floating Trophy will be awarded to the overall winner. Two sponsored air tickets and accommodation all to the value of R10 000 from Associated Tour Operations for a trip overseas are also included in the first prize package.

Sector winners will each receive prize money to the value of R2 500 each to attend a business course or to effect particular improvements of their choice. A special prize of R2 500 sponsored by the SBDC will be awarded to the mentor or consultant who has been most effective in lending assistance to a small business.

Final judging and the announcement of the winners will be during the "Small Business Week" in October. Entry forms will be available through "Entrepreneur" the small business magazine, SBDC offices and sector sponsors. All small businesses of any type or size are encouraged to participate. — DDC

Business 'should erode apartheid' (30)

Star 3/3/88 by Mike Siluma

Businessmen had a greater chance of helping reform by concentrating on gradually eroding apartheid rather than adopting a confrontationist strategy, the executive director of the SA Institute of Race Relations, Mr John Kane-Berman, said in Johannesburg yesterday.

Addressing a conference on corporate social responsibility, Mr Kane-Berman suggested that business leaders follow a strategy of "less protest by business and much more exploitation of the leverage which it has".

The clampdown on extra-parliamentary opposition last week showed the weakness of a confrontationist approach, he warned.

Pointing out that reform in South Africa "is not a crusade initiated by the Government but a process of adaptation to changes that are occurring despite (State) policies". Mr Kane-Berman cited education,

migrant labour, influx control and the Group Areas Act as areas providing scope for business initiative.

Instead of the private sector providing more schools for black pupils, business could build non-racial ones.

The integration of teacher training facilities could be brought about by exchanging greater financial support for such training in exchange for greater business representation on autonomous college councils.

In the workplace, said Mr Kane-Berman, employers could work with unions on ways of ending the migrant labour system.

He said there were three ways in which business could exert influence — through moral pressure, pioneering micro-action on the ground and creative macro initiatives, with the management-employees co-operation in eliminating the migrant labour system being an example of micro action.

clone season and every
will be made to recover it.

Pick 'n Pay talks stalled

Star Labour Reporter 3/3/88

Wage talks between the Commercial, Catering and Allied Workers' Union (Ccawusa) and Pick 'n Pay — potentially affecting 13 500 of the retail chain's employees — have run into dispute.

A Ccawusa statement yesterday said the talks, which started about six weeks ago, stalled at a point where the union was demanding an across-the-board increase of R204 a month against the company's R120 offer.

At the start of the negotiations Ccawusa had demanded a monthly rise of R366, which would set the minimum wage at R856. Pick 'n Pay opened with a R100-a-month offer.

Ccawusa is also demanding a week's extra leave for workers with three years' service.

DIP 3/2 .88

Supermarket, union in pay, leave dispute

Daily Dispatch
Reporter

EAST LONDON — A dispute has been declared after 12 days of negotiations between Pick 'n Pay and the Commercial Catering and Allied Workers' Union of South Africa.

A spokesman for the supermarket chain said the union and the company had failed to reach agreement over wage increases and annual leave.

The union's position on wage increases is a demand for an increase of R1,05 for hourly paid staff, R47,22 for weekly paid staff and R204,59 for salaried staff.

The company had indicated it was prepared to grant increases of 62c per hour, R27,69 a week and R120 a month.

In addition, the union is demanding three weeks leave during the first three years of service and four weeks thereafter, compared to the company's offer of three weeks during the first four years and four weeks thereafter.

The parties have agreed to one week additional service leave at the 10th year and two weeks at the 15th, 20th and 25th years.

A dispute meeting will take place on Thursday, March 10.

South African 4/3/68

'UNITE AGAINST APARTHEID'

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BLACKS must fight for inclusion in the decision-making machinery of South Africa the managing director of Coordinating Marketing, Mr. Renel Khoza, has said.

Addressing about 800 businessmen at a business seminar in Johannesburg this week, Mr. Khoza said it is important for blacks to unite against apartheid. The seminar was organised by Business

Challenge. Speakers included the director of BC, Mr. Phil Khumalo, Mr. Kaizer Motlana, the managing director of Iwisa Kaizer Chiefs, and singer Mr Siphiso Mabuse. Its theme was "The Challenge of Uniting for Black Economic Empowerment."

Mr. Khoza said: "The greater challenge facing blacks is to wage an economic war for

inclusion in the main stream of the economy. Our struggle should be a revolution to get in. However, we must be united, if we are to be successful in this economic revolution."

He said white South African businessmen "bantustanised" into breeding and developing black managers who managed only fellow blacks and salesmen who served blacks.

He said white South African businessmen "bantustanised" into breeding and developing black managers who managed only fellow blacks and salesmen who served blacks.

Mr. Mabuse said black musicians have been left out of the business community. They contributed to the economic main stream of the country, and as such should not be left out in the cold.

30 4/3/88 AM.

These are some of the more important developments predicted by Klaus Böhme, Nixdorf's international marketing director for retail systems.

In SA, to visit the local subsidiary, Böhme says the increased power and usefulness of computers, together with the decreasing cost of computing, has led to a situation where technology is ahead of the available human skills. This factor may be particularly relevant in SA, where management has been heard to concede that skilled staff generally work in retailing as a situation of last resort.



Böhme

He notes that it has become important to retailers to be able to meet regional needs, and consequently decisions such as pricing must be delegated by head offices to branches or regions that are in touch with local requirements. This in turn supports the trend to linking computer systems in national and even international networks.

Böhme supports his prediction on delegation with research which indicates that while, in 1983, 55% of retailers used centralised management techniques, 64% of retailers will apply decentralised management by 1993.

His third prediction is probably the most significant and concerns the ever-increasing value of information as such. If, by using computer systems, with their concomitant speed, retail data at store level of almost every sort can be made available to suppliers, then marketing strategies can be altered and honed in ways not previously possible.

For instance, data gets added value if it can be collated and sold by way of market research organisations. Another way it acquires more value is for retailers to be able to do bulk buying deals with suppliers. This is not a new development, but the speed with which such data can be assembled gives added impetus to this situation. Also, the proliferation of plastic cards in all areas of the economy gives retailers new and useful opportunities to collect data on merchandise movements. If every use of every card can be correlated on a macro level, undreamed-of marketing strategies will open up.

The manual electric cash register is rapidly becoming a point of sale (POS) terminal. In fact the PC is being turned into a combined POS terminal and screen — the Edgars group is already well on its way in this regard. A variety of retail management

RETAILING

Changes ahead

The trend towards computerisation in the retail sector is likely to lead to a demand for better qualified store management, greater delegation of pricing decisions and the accumulation of data on consumer buying trends leading to a revolution in marketing strategies.

functions can be built into a PC, such as delivery information (remote delivery of goods is a well established feature in Europe), sales support, credit management and training.

Montgomery Ward, the huge US store group, claims it is able to train totally inexperienced people to become competent cashiers in six hours using a PC and screen — previously it took some five to six days.

Self-scanning is a fast-growing trend. The customer passes the goods over the scanner and afterwards the teller handles the payment. The theory here is that this gives store personnel the opportunity to "police" the customer, thereby minimising stock loss.

Nixdorf is examining the problem of software, which is becoming a problem because it has to be rewritten so often to meet regional and specialist needs. The company is con-

templating the introduction of a standardised and presumably very flexible software system which can be used group-wide.

Electronic funds transfer (EFT), is likely to remain in a state of limbo while such problems as security of the customer's personal information and interfaces between banks and stores are thrashed out. Böhme predicts that widespread acceptance of "smart" cards (cards with a tiny built-in computer and programmable memory) "is light years away."

Mechanised selling and promotion, on the other hand, is likely to catch on, with malls "peopled" with interactive terminals. Goods and services can be bought at customers' leisure, particularly in such areas as airport lounges, where, for example, a traveller will be able to hire a car at his airport of destination while waiting to board his flight.

TRADEGRO

Lagged effects

If second-half figures are in line with management's expectations, Tradegro's results for the year to end-June 1988 should be better than the interim figures suggest. Steady improvement in profitability has continued, much in line with earlier forecasts from CE Mervyn King. After steps taken over the past two years, including acquisition and restructuring of Frasers, Rusfurn became the biggest profit earner during the six months.

Rusfurn made pre-tax profit of R32,9m compared with the year-ago R15,6m and a loss of R6,2m in the year to end-June 1986. On these figures Checkers remains a laggard. It is one of the two largest of Tradegro's divisions — Metro now has a slightly larger turnover — yet Checkers make pre-tax profit of only R3m on turnover of R1,16bn. This is a lot better than the year-ago profit of R1,2m and the June 1986 loss of R41,3m, but the returns remain poor.

However, King points out the real picture is clouded by seasonal factors and accounting policies. For durables chain Rusfurn, sales are far stronger in the first half, which includes November and December, so Rusfurn is expecting slower earnings growth in the current half. Checkers, on the other hand, normally has its best period in the second half, largely because this is when the so-called "confidentials" are received from suppliers. These are essentially payments which manufacturers make to the supermarkets for displaying their goods.

Another factor that weakened Checkers' profit was that several new Warehouses — these are seen as the chain's answers to Pick 'n Pay's Hypermarkets — were opened. Management is adopting a conservative accounting policy of immediately writing off opening costs in full. This would have shaved several million rands off reported income.

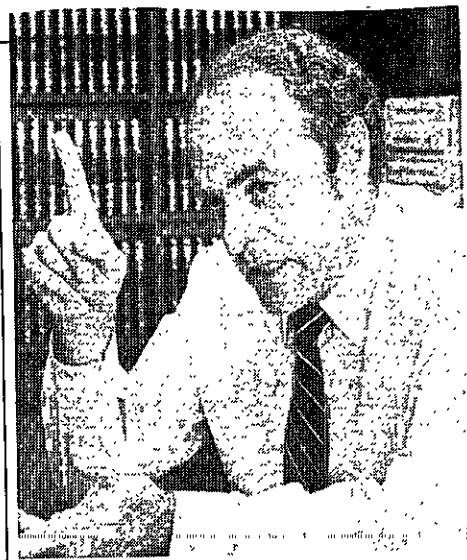
King says Checkers now has six Warehouses and the intention is to push the number up to 13, which is seen as the maximum that would be viable. The write-offs would continue but their negative effect on income should shrink as profits rise and contributions are received from the Warehouses. King says virtually all of the Checkers stores

are now making positive contributions, and no further disposals or closures should be needed, although some could still be moved elsewhere in the group. This would not involve Jazz, which is digesting the acquisitions of the past two years.

Management is now focusing on the property arm, Coreprop, the only division still unprofitable. Tradegro's entire property portfolio of R156m of owned property and R350m of headlease property is controlled by Coreprop. The company is being recapitalised through a private placing of variable rate — at 70% of prime — redeemable prefs with a consortium of financiers and institutions. The recapitalisation should enable Coreprop to break even this year.

In addition, King says talks are being held on a proposed merger with another property company, and if a deal is struck the enlarged company could be listed this year. It could also result in Tradegro becoming a minority shareholder in the company, and its debt being moved off the group balance sheet. Most of Tradegro's borrowings, which by end-December had fallen to R229m (R264m), reducing debt:equity to about 0,50 from about 0,80 are in Rusfurn and Coreprop. The Coreprop deal should further reduce gearing.

The 150-store Smart Centre clothing chain acquired last year as part of Frasers is also to be listed this year. King says the purpose is not to raise funds but to expose the



Tradegro's King ... seasonal upturn

company to public scrutiny and to give management an equity stake. Smart Centre has proved to be one of the more profitable operations in the group, producing pre-tax income of R6m on turnover of R45,9m.

Also, last week the Sandton City branch of John Orr was sold to Boymans as Tradegro already owns the Stuttafords store in that shopping centre. Names of the remaining John Orr branches in Maritzburg and Durban will be changed over the next year, and Tradegro's department store chain is now expected to be listed next year.

Benefits should be derived for some time from the acquisition of Frasers. Most of the costs are now through the system, but management only became involved operationally from January.

But Checkers remains the key to Tradegro's recovery. King says market share has been maintained, and very tight controls are being kept on costs. He has ambitious targets for the chain's profits over the next two years. This essentially involves recovery to the levels of the early Eighties. Investor confidence in Tradegro should continue to improve if the year-end figures show progress in this direction.

Andrew McNulty

Star 5/13/88
Duros gets
major stake
in Samatco

CAPE TOWN ³⁰ Hard on the heels of their Tollgate Holdings deal, the investment group Duros has announced the acquisition of 30 percent of the total issued share capital of portfolio managers Samatco.

Duros, which has rocketed into prominence since being taken over by a number of energetic young corporate finance executives in the middle of last year, was formerly associated with the furniture trade. In its new guise, it offers a full range of corporate financial services.

Duros believes that the association with Samatco, with clients' funds in excess of R100 million under its control, will further broaden the Duros base in the corporate and related services field.

The deal is for R900,000 cash, with a further option for Duros to acquire an additional 21 percent.

Duros director Murray Louw will join the board of Samatco, whose current MD and founder, Geoff Reich, will continue as CE.

Samatco's which formerly operated predominantly on the Reef and Natal, has recently launched a Cape operation, under the managing directorship of Eddie Barlow, former Western Province cricket captain and Springbok vice-captain. — Sapa.

Pensions: anger and confusion is growing

Star
24/3/88

By Janine Simon

There is growing anger and confusion over social pensions, as welfare representatives hit at the Budget's failure to give a general pension increase and the chaos caused by eight departments setting pension payments.

In the Budget, Minister of Finance Mr Barend du Plessis said South Afri-

ca's 990 000 social pensioners would receive a once-off R60 bonus in October, costing R110 million.

Criticism of this was sharp but offset by hopes that the three relevant Own Affairs departments and the Department of Constitutional Development and Planning, which oversees the four

provincial administrations in charge of black welfare services, would announce an additional increment.

But the House of Representatives has been the only one to act, with Minister Chris April announcing a R12-a-month increase from July, coupled with a R5 monthly payment of the bonus.

It is not clear whether this House has the funds to back its promise, but the statement has apparently thrown other welfare administrations into a flurry.

White pensioners under the House of Assembly are not expected to get an increase, but a statement from the House of Delegates is expected tomorrow, and at least one provincial official has said his department would take note of steps taken by others.

Private welfare sources have indicated that, given the Government's stated intention to iron out pension disparities, various departments will not be seen to be acting out of line.

They have stated the once-off R60 payment as inadequate.

AWB leader will react sharply to Vlok warning

Star
24/3/88

Afrikaner Weerstandsbeweging leader Mr Eugene TerreBlanche will "react sharply" to the latest threats from Law and Order Minister Mr Adriaan Vlok, a spokesman for the movement said yesterday.

Mr TerreBlanche will reply publicly on Friday night when he addresses an AWB rally in Randfontein.

The National Party and the Conservative Party are locked in a by-election struggle in Randfontein.

Mr Vlok warned on Tuesday that action would be taken against the AWB and the Blanke Bevrydingsbeweging unless they stopped actions of incitement and intimidation.

Mr Vlok told the House of Delegates that the two movements blatantly and recklessly beat the drums of racial hatred and, among other things, had declared that South Africa was no place for moderates.

Appealing for restraint, Mr Vlok said: "Stop your dangerous incitement of emotions and intimidatory actions before it is too late."

The AWB is hoping to draw 4 000 people to the H F Verwoerd Stadium.

(Report by R M Challenor, 47 Sauer Street, Johannesburg.)

Yellowband

lit
ital

Waltons poised for a take-over

CAPE TOWN — Waltons is again on the takeover trail — this time for a long-established company with a R120 million a year turnover.

The stationery group disclosed yesterday it is "involved in negotiations" and that the market price of its shares and those of the holding company Walhold may be affected if the negotiations succeed.

Frank Robarts, chief executive, said he could not disclose the name of the company while negotiations were continuing, but its products were linked to Waltons' own.

If the deal went ahead, it would be a major acquisition and financed through the company's own resources.

Trading in the current

TOM HOOD

year has been going "exceptionally well," he added. "It will be our tenth year on the stock exchange and a record year with all our associated companies out-performing budgets."

The Cape company has been active in takeovers — usually financed by its own cash resources — in the last few years and estimates it now has more than 50 percent of the stationery market. Its capital base and earnings have soared more than fivefold in the past six years.

A major coup seven months ago was the acquisition of a strategic stake in Lithosaver, a hi-tech printing company to safeguard supplies for the high-growth field of computer stationery.

Meeting people's needs is good business

TRANSVAAL METRO, CITY PRESS, March 6, 1987

PAGE 7

SUCCESS by SERVICE

BY KHUME KANGALA

THE road to success in business is a rough one, but the secret is not to give up.

Black businessmen should not be interested in profits at the expense of their communities, but should seek success through serving the needs of the communities, according to Joe Tuba, owner of the Tuba Confectionary and Bakery, due to open in Thembisa soon.

Fifty-year-old Tuba, who also runs a Kentucky Fried Chicken outlet in the area, had a long, hard struggle to become the successful businessman that he is today.

Born in Pietersburg, he came to Edenvale, Johannesburg, in 1957 when, according to him, there were only two factories in the town. For six years he worked for the Gough Cooper company, earning R15 a week, he said.

He later worked at a cafe and tenton. He privately sold his skill as a painter to supplement his income.

After only a month he left the cafe and worked for a bottle store, making deliveries to township she-beens.

As he put it, his service at the bottle store gave him enough experience to open a shebeen of his own, which he did after working at the bottle store for five years.

However, selling liquor caused him many problems, he said. He was often confronted by the authorities, who at one stage confiscated the truck he used, and never returned it.

But none of the problems or harassment drowned his deep love for business and his will to succeed, as he said. He insisted on fresh food at all times. His chicken outlet, which is regularly inspected, received good support from the community, he added.

Tuba said that at the beginning of his journey to success, he became known to most Thembisa residents as a general hawker, selling chickens, oranges and many other things from his van. "To get into business, you will have to struggle," he said.

He applied for a licence to open the fried chicken business in 1976, but the local administration board refused him a licence until 1983.

He said he had also applied for a licence in 1974 to start a similar business in Lebowa, but had no response to his request from the homeland government.

His main objective was that his service to the community should be of a high standard, he said, and that was why he insisted on fresh food at all times. His chicken outlet, which is regularly inspected, received good support from the community, he added.

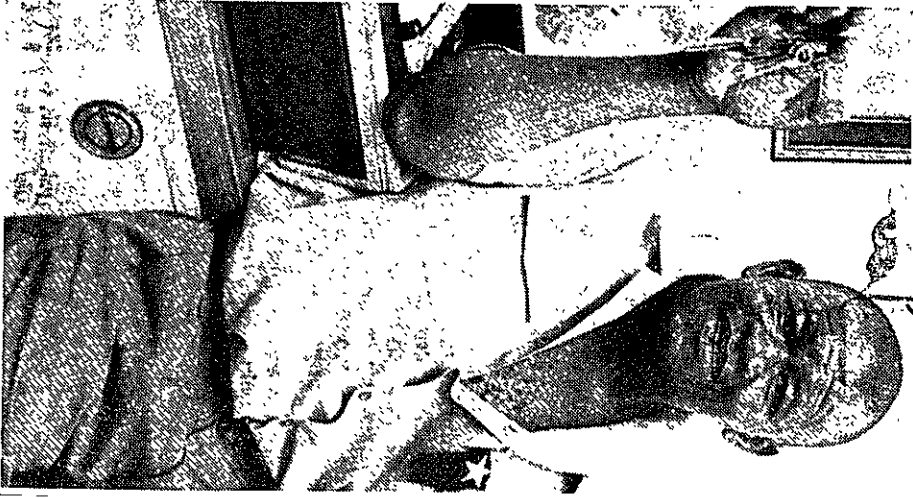
Tuba, who has been married twice and has four children - three sons and one daughter - two by the first marriage, is looking forward to the opening of his confectionery and bakery complex. The opening would be announced soon after consultation with members of his church, he said. He is a member of the Zion Christian Church.

he added.

According to Tuba, the Thembisa community had always been interested in good quality food but did not have a bakery for a long time. He added that although the business demanded a lot of money, the community had to be provided with the necessary service.

Black consumers were entitled to good and clean services equal to those provided for their counterparts in white areas.

Joe Tuba... persevered for success



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5/11/80

Bergers bashes profit forecast

By Ruth Golembo

BERGERS, the cash clothing chain listed on the JSE in April last year, beat its pre-listing forecast and lifted profits 97,8% to R2,6-million for the year to December 1987.

The increased profit came on a 30% surge in sales and exceeded the forecast by 23%.

The group has declared a dividend of 6,3c.

Financial director Mervyn Jacobson says the current year started exceptionally well for the group and sales are up by 45% on budget.

"The second half of the year is traditionally the busiest and contributes 75% to 80% of our sales. Sales have taken off and if the trend continues we will have an exceptional year."

New stores

In the past year the group moved three and opened 19 stores — including one in flood-ravaged Prieska in the Northern Cape.

Mr Jacobson says the shop opened its doors this week while competitors in the town closer to the river were closing in preparation for the rising water.

"None of the stores in the town suffered flood damage. Sales were brisk on opening day despite the threatening waters."



Mervyn Jacobson . . . moving in urban areas

None of the group's stores, mainly in outlying country areas, suffered flood damage although some had to close for a day or two.

The group has bold expansion plans. It aims to open between 25 to 30 stores and revamp 15 shops in the current year.

Mr Jacobson says the expansion will not strain capital resources because the cost of furniture and fittings

None of the group's stores, mainly in outlying country areas, suffered flood damage although some had to close for a day or two.

The group has bold expansion plans. It aims to open between 25 to 30 stores and revamp 15 shops in the current year.

Mr Jacobson says the expansion will not strain capital resources because the cost of furniture and fittings is small.

City drive

"The start-up cost is low in comparison with the income the shops generate. Most of them make profits from the day they open.

"The contribution from the new stores should be large."

By 1990 the group, which sells to the middle-income group, hopes to have about 200 stores. Mr Jacobson predicts turnover of about R100-million.

The group's success stems largely from its focus on rural areas where overheads, such as rents, are low.

Mr Jacobson says Bergers plans to bring its shops to the cities.

Its acquisition of Witbank up-market black menswear chain, Stewart & Wallet — the first in the group's 60-year history — will help expansion in urban markets.

The three-store Stewart & Wallet chain, bought in June last year, added 0,8c a share to earnings for the year.

The shops' lines include crocodile leather shoes which sell for about R1 000.

Mr Jacobson says the opportunities for expansion are unlimited. A shop is due to open in Lesotho in April and others will follow.

Although Bergers is a retail chain it has started a design and fabric buying division.

The in-house design team buys the material, but commissions outside factories to make up the goods.

"In this way we can control the manufacture and supply side more efficiently without having to carry the costs of factory overheads," says Mr Jacobson.

New-look Homemakers faces market test today

Star 7/3/88

30

By Ann Crotty

Homemakers celebrates its first day on the JSE with the release of results that should convince sceptics that in well managed groups the whole is certainly greater than the sum of the parts. Earnings per share of 14,9c for the 12 months to end-December puts management's earlier optimistic-looking forecast of 14c on the conservative side. A dividend of 3,5c a share has been declared from the six months to end-December earnings of 10,5c.

If the share price ends its inaugural day below 150c one must assume that either investors have not quite come to terms with the complicated details behind the group's formation or that the market's bearish sentiment blinds it to all good buying opportunities.

Last Friday was the last day that the four listed companies involved in the formation of Homemakers - Bradlows, World, Fabric Library (Fablibe) and Housewares - were seen on the JSE. Full acceptance of the offer to minorities in each company meant that those companies could be de-listed. The minorities were offered shares in Homemakers on the basis of:

- 19 Homemakers for 1 Bradlow;
- 5,4 Homemakers for 1 World;
- 1,9 Homemakers for 1 Housewares and;
- 1 Homemakers for 1 Fablibe.

On the basis of Friday's closing prices for the four shares, the offer puts an initial value on Homemakers of between 89c-95c. This suggests a price/earnings rating of between 6 times and 6,4 times. The average for the retail sector, where Homemakers is listed, is 15,6 times.

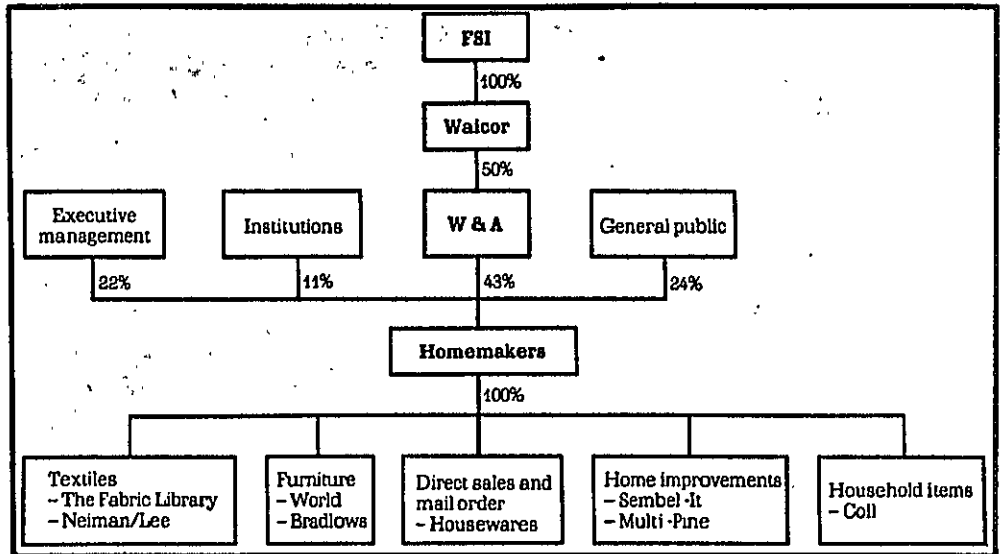
Comparisons

Because its interests are related to household goods some investors may be inclined to compare Homemakers rating with those in the furniture and household sector. Here the average price/earnings is 6,2 times.

At a price of around 100c the dividend yield of around 6 percent, on an annualised basis, looks way too generous for either the retail sector, where the average is 4,6 percent, or the furniture and household sector where the average is 4,3 percent.

If Homemakers does not move well above 100c it can be only because investors are still trying to assess the group.

Its appropriate rating is chiefly a function of earnings performance, management ability,



growth prospects, marketability of the shares, financial strength of the group and the net asset value. On all fronts, except NAV, Homemakers deserves a very good rating. The NAV of 62c a share may restrain the shares' climb.

The latest results include the pro-forma figures for the 12 months to end-December 1987 and also the audited figures for the 6 months to end-December 1987.

The latter cover the period since the group's inception on July 1. On the basis of historical information on the previously listed companies it seems reasonable to assume that, of the R181 million turnover and R26 million operating profit for the six months, World contributed about 33 percent of turnover and 27 percent of operating profit.

Bradlows contributed a further 33 percent of turnover and about 23 percent of operating profit.

So at the initial stages World and Bradlows are the dominant players in the group. But the other two listed companies, Fablibe and Housewares, and the four unlisted - Sembel-It, Coll, Multi-Pine and Neiman/Lee - are also crucial players with considerable scope for growth.

At Friday's price ahead of the deal World was on a PE rating of almost 9 times and a dividend yield of 4,1 percent. If the market is to give Homemakers the same sort of rating then its share price would be between 134c and 183c. Similarly, Bradlows PE rating on Friday was 9 times and its dividend yield was 1,1 percent which suggests a price of between 183c and an amazing 682c.

Of course allowance must be made for the fact that shares in

the retail sector tend to get a higher rating than those in the furniture and household sector.

But if the market gives the Homemakers group a lower rating than it gave its individual parts then it is making the statement that not only does it not perceive any synergistic benefits but that the constituent parts will not perform as strongly now that they are part of a large group.



MD Hilton Nowitz

The latest results should correct this belief. The transmuted listings statement shows a pro-forma combined profit history for the five years to end-December 1986. Over this period operating margins moved from 10,7 percent to 10 percent.

Management forecast that operating margins for the year to end-December 1987 would jump to 12,3 percent. The actual results are slightly better at 12,4 percent. And while seasonal factors makes it dangerous to compare a 6-month period with a 12-month one, the actual audited results for the 6 months to end-December 1987 show operating margins of 14 percent.

The improved margins reflect tighter asset management and to some extent the realisation of synergies. MD Hilton Nowitz contends that increasingly over time these synergies will provide a boost to profits over and above the natural development of the market places served.

A key success factor in the

structuring of the Homemakers organisation is that it combines the synergistic opportunities of a conglomerate with the entrepreneurial drive of an "owner-run" business because the key executives who developed the component parts all have major shareholdings in the group.

It is impossible to find fault with the strategy or its implementation.

The income performance is excellent and the balance sheet looks strong. Gearing is at a comfortable 31,9 percent so management's long-term target of keeping it within 60 percent means there is considerable scope to help finance a growth plan with borrowings.

A crucial aspect of the group's success will be the efficiency of the top management's overseeing function. How well the whole thing works as a unit will be a function of top management's input. Both Mr Nowitz and his chairman Brian Joffe are well aware of the importance of head office input. They envisage the role as one involving the search for strategic opportunities and the monitoring of what Mr Joffe terms the group's "vital signs" - such as cash flow, margins, stock levels - to ensure that none of these areas act as a barrier to realising the group's potential.

Homemakers has all the ingredients for a fast moving share in sound market conditions. If it does not move convincingly then a lot can be deduced about the strength of the bullish sentiment in the market and investors' feelings about economic growth prospects 12-plus months down the line.

CHECKERS CLOSE GAP

B (day) 7/3/84 BRONWYN ADAMS

(20)

CHECKERS WAREHOUSE closed the gap on the cheapest prices with Pick 'n Pay in February, according to the latest Consumer Council price survey completed in Pretoria and Johannesburg. The survey examined trolleys with 98 chosen products and covered 40 outlets representing seven major store groups. Fresh meat, vegetables and fruit were not included.

Checkers Warehouse products were the cheapest, costing R242,23. They were followed by Pick 'n Pay Hypermarkets (R243,13), Pick 'n Pay Supermarkets (R248,45), OK Hyperamas (R248,60), Checkers Supermarkets (R251,91), and OK Supermarkets (R254,52). Spar remained the most expensive (R267,57).

Checkers Warehouse was the only chain to drop its prices — by 0,8% — since January. Pick 'n Pay Hypermarkets had the smallest price increase (0,04%), while OK Hyperamas had the highest (1,5%).

Union Wine scores

9/16 TAXS
8/3/88

Earnings up for Picbel, Pichold

By LAWRENCE TOTHILL
Investment Editor

THE strong growth reported by Picapli last week is the main reason for the sharp advances in operating profit made by both Pichold and Picbel, but its tax hike also accounts for both of the top companies showing more modest bottom line improvements.

The top company, Picbel, reports turnover for the six months at December 1987 at R244m — 42% up on the previous R171m. Profit before interest and tax was R24m (R15,4m).

Interest paid and lease charges remain high at R7,4m (R7,3m), and tax (nearly all payable by subsidiary Picapli) was a whacking R7,3m against R500 000. Bottom line profits attributable to ordinary shareholders amounted to R4,8m against R4m, equal to earnings of 107,9c (90,7c) a share.

Picbel's main investment is its holding in Pichold and this company reflects a similar position with its profit before interest and tax sharply higher at R23,8m (R15,1m), but the bottom

line earnings are up more modestly at R7,6m (R6,4m). Earnings per share amount to 125c (110,8c).

Pichold says that as far as the full year is concerned, the management is optimistic that it will achieve earnings of 255c a share. Since the end of 1987 there has also been the creation of the financial service arm, SAGIN and the Cape Investment Bank.

The third Pickard company reporting results is Union Wine. In this case the saving of interest and lease charges helped in the improvement of profits at the bottom line to R573 000 (R466 000) equal to earnings of 4,6c (4,1c) a share.

Although turnover rose 19,6%, operating income slipped slightly to R3 544 000 from R3 555 000. The interest and lease charge is a heavy burden at R2 575 000, which is a little down from the previous R2 697 000 and help the bottom line profits. No tax was payable.

Union Wine says it has maintained its growth momentum and prospects for the rest of the year are promising and an increase in earnings per share is expected.

Brakes come off and car prices accelerate again

30 SPA
~~244~~
9/3/88

The car price rise roller-coaster slowed to a cruise in 1987, but now it looks as if the brakes are coming off again.

Driven by dwindling exchange rates, makers are playing safe by implementing a round of price increases — typically four to 4.5 percent — a month earlier than they would be due under the usual quarterly pattern.

Today's new car costs up to three times as much as its predecessor of five years ago.

"I don't think anyone is trying to be greedy," said VW marketing director Mr Clive Warrilow. "Earlier in the year we thought car prices would rise 12 percent this year, but the exchange rate is rapidly going against us."

Although imported content of cars is on average only 34 percent by mass, it is more than half by value.

Since early December the yen/rand cross-rate has slid from around 68 to fractionally under 60 — perilously close to its all-time low of 58. The drop against the Deutschmark, has been less sudden but is still cause for concern.

The unexpectedly rapid deterioration of the rand has wrong-footed the car makers. Toyota managing director Mr Colin Adcock said: "We did a budget on certain assumptions in November. Those assumptions were wrong by January."

Gentle stages

Although the time lag factor on imported parts means the price of finished cars isn't directly affected immediately, manufacturers are trying to phase in the inevitable increases in gentle stages.

"We're trying to avoid the terrible trap of 1986 when we kept saying it's going to get better and when it didn't, to save ourselves we had to do a 9.5 percent increase in one go.

"That stalled the market for three months."

Last year, car prices rose on average a little less than the 15 percent general rate of inflation — in the region of 10 to 12 percent on most smaller mass-market cars and typically 15 to 17 percent on more expensive models.

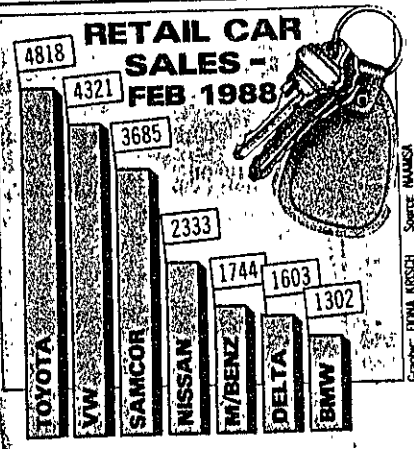
The worst pain in car buyers' pockets was felt in the previous two years, when cumulative rises were between 25 and 35 percent each year.

Comparing this month's post-increase prices of two cars with their equivalents of March 1983, today's cars are between two-and-a-half and three times more expensive than five years ago.

The price of the Toyota Corolla 1.6GL has risen from the R8 330 of 1983's rear-wheel drive car to R20 530 for its front-wheel drive equivalent today — a rise of 246 percent.

And if your company values you enough to provide you with a Mercedes 230E with air conditioning, today's W124 model will cost them R66 030 — almost exactly three times as much as the old-shape 230E's R21 898 in 1983.

Not forgetting, of course, that GST has grown from five percent in 1983 to 12 percent today ...



New car sales up 20%

IN A continued surge of consumer confidence, new car sales rose to 19 820 in February and new commercial vehicle sales to 10 987, up 20% and 25,3% respectively from January.

National Association of Automobile Manufacturers (Naamsa) figures show this was also well above February 1987 figures of 15 162 and 7 814 — up 30,7% and 40,6% respectively.

Overall, new vehicles sales rose 22% compared with January — 25 284 to 30 807 — adding support to economists' statements that business confidence is

30 MICK COLLINS 8/day 9/3/88

heading back to 1983 levels. Naamsa director Nico Vermeulen said the steady up trend during recent months had gained considerable momentum and February exceeded general industry expectations, particularly in new car and light commercial vehicle sales.

New car sales for the first two months of 1988 totalled 36 338 and commercial

● To Page 2 →

/STERLING

30 8/day 9/3/88

February new car sales up 20% to 19 820

vehicle sales 19 753, giving respective gains of 24,3% and 36,1% from a year ago.

Vermeulen said February's sharp increase was largely due to manufacturers' ability to satisfy a considerable backlog of orders which could not be met during December 1987 and January 1988.

← ● From Page 1

Toyota sold 4 818 passenger units (24,3% of the market), while Volkswagen came in second with 4 321 sales (21,8%). Samcor rated third place with sales of 3 685 cars (18,6%). Of the Samcor score, Ford sales of 2 131 units represented 10,8% of the market, MMI's 1 554 sales 7,8%.

BUSINESS

Vehicle sales up 22 per cent

JOHANNESBURG — New vehicles sales in South Africa have surged ahead with a 22 per cent increase overall being recorded in February, compared with January, while car sales are up 20 per cent on the previous month.

Figures released yesterday by the National Association of Automobile Manufacturers (Naamsa), show an increase from 25 284 vehicles sold in January to 30 807 units last month. Total sales for last month were 34 per cent better than the 22 976 vehicles sold in February 1987.

In passenger vehicles, the February total was 19 820 units, against 16 518 in January and 15 162 in February last year (31 per cent).

Overall leader Toyota sold a total of 8 783 vehicles last month, followed by Samcor with 6 097 units and Volkswagen with 5 052. In car sales, Toyota had a tally of 4 818 sales, VW sold 4 321 units and Samcor 3 685.

In light commercials, the sales of 9 767 units was 23.5 per cent ahead of January and 46 per cent better than February last year.

In light commercials Toyota sold 3 634 units, Samcor 2 227 and Nissan 1 838.

In medium commercials, sales at 504 units was 54 per cent better than January and 11 per cent higher than February 1987 and in heavy commercials sales amounted to 716 units, 35 per cent higher than January and six per cent higher than February last year.

The director of Naamsa, Mr Nico Vermeulen, said yesterday that the steady uptrend in new vehicle sales in recent months gained considerable further momentum in February. He described the improvement in new car and light commercial vehicle sales in particular as "quite exceptional".

The recovery in medium and heavy commercial vehicle sales had, however, been off an exceptionally low base.

"The sharp increase in new vehicle sales was largely due to the fact that manufacturers were able to satisfy a considerable backlog in orders which could not be met during December and January," he said.

Now that sales had returned to more normal levels, Naamsa did not envisage further dramatic increases from current sales figures in the short to medium term. — Sapa

The MINISTER OF HOUSING:

- (1) No.
- (a) Falls away.
 (b) Falls away.
 (c) Falls away.
 (d) Falls away.
 (e) (i) Falls away
 (ii) Falls away.
- (2) Falls away.
 (a) Falls away.
 (b) Falls away.
 (c) Falls away.

Lotus Park: housing units constructed with State funds

- Mr Y MOOLLA asked the Minister of Housing:
- (1) Whether his Department has subsidized and/or written off any amounts in respect of the capital cost of any housing units constructed with State funds at Lotus Park; if so, (a) why and (b) what was the average (i) original and (ii) amended selling price of these housing units.
- (2) whether he will make a statement on the matter?

The MINISTER OF HOUSING:

- (1) No
- (a) Falls away.
 (b) (i) Falls away
 (ii) Falls away
- (2) No.

For written reply:

Own Affairs:

Lenasia South: houses on residential sites by utility companies

1. Mr M RAJAB asked the Minister of Housing:
- (1) Whether, with reference to his reply to Question No 2 on 3 September 1987, any utility companies to which residential sites were allocated in Lenasia South for deve-

Howard

- lopment have not (a) commenced or (b) finished building houses on these sites; if so, (i) (aa) what are the names and (bb) who are the directors of these companies, (ii) how many such sites (aa) had been allocated to and (bb) remained to be developed by each of these companies as at the latest specified date for which information is available and (iii) at what price was the land sold to these companies;
- (2) how many houses (a) had been completed and (b) were being built by these companies on the above-mentioned sites as at the latest specified date for which information is available?

The MINISTER OF HOUSING:

- (1) (a) No
- (i) (aa) Falls away
 (bb) Falls away
- (ii) (aa) Falls away
 (bb) Falls away
- (iii) Falls away
- (b) Yes
- (i) (aa) Bazaria Housing Utility Company
 (bb) Mr Aboobaker Ismail
 Mr Dawood Ismail
 Mr Yunus Dawood Ismail
 Mr Yusuf Ebrahim Ismail
 Mr Abdul Kader Aboobaker
 Mr Abdool Kader Noor
 Mohamed Tarmahomed
 Mr Habib Ismail
 Mr Mahomed Farouk Ismail
 Mr Anthony Federick Erasmus (Ministerial Representative)
- (ii) (aa) 100
 (bb) 12
- As at 26 February 1988
- (iii) R18,00 per square metre
- (2) (a) 68
 (b) 20
- As at 26 February 1988.

Cato Manor: applications for residential sites

2. Mr M RAJAB asked the Minister of Housing:

- (a) How many applications for residential sites in Cato Manor have been received from displaced former (i) occupiers and (ii) owners of houses in Cato Manor, (b) (i) how many such applications have been granted and (ii) what are the names of the successful applicants and (c) in respect of what date is this information furnished?

The MINISTER OF HOUSING:

- (a) (i) 1 310
 (ii) 48
 (b) (i) 5
- (ii) (aa) Mr N Chetty
 (bb) Mr J Naidoo
 (cc) Mr M Singh
 (dd) Mr P Padayachee
 (ee) Mr M Naicker
- (c) 2 March 1988

Oriental Plaza, Johannesburg: agreed purchase price

3. Mr M RAJAB asked the Minister of Housing:

- (1) With reference to his reply to Question No 80 on 14 September 1987, (a) what amount of the agreed purchase price of R21,4 million for the Oriental Plaza in Johannesburg was in respect of (i) cost, (ii) interest, (iii) administrative charges and (iv) rentals received and (b) in respect of what date is this information furnished;
- (2) whether his Department has information on the tenants of this plaza; if not, why not; if so, how many of the present tenants are (a) original and (b) not original tenants?

The MINISTER OF HOUSING:

- (1) (a) (i) R25,1 million
 (ii) & (iii) R9,7 million
 (iv) R13,4 million
- (b) 2 March 1988
- (2) Yes
- (a) 271
 (b) 25

Howard

30

Shop workers go on strike

SAR
10/2/88

Workers at 10 Triangle
Furnishers stores are on
strike over a wage dis-
pute, says Mr Mike Tso-
tetsi of the Commercial,
Catering and Allied
Workers' Union of South
Africa (Ccawusa).

~~10/2/88~~
30

The managing director
of Triangle Furnishers,
Mr Tom Roux, said: "Not
all the workers are on
strike. We don't agree
with the list of stores
mentioned by the union."

Lilford case:

TH
a

B
C
F

30 B(1004)
10/31/88
PARLIAMENT

Many 'trust area' curbs scrapped

HOUSE OF ASSEMBLY — Government yesterday scrapped a large number of restrictions affecting black businessmen in trust areas and paved the way for full property rights in these areas.

The major deregulation drive will immediately affect more than a million people in the trust towns — areas bordering on self-governing homelands or slated for incorporation into these areas.

The new dispensation should soon benefit well over four-million black people as all six of the self-governing homelands were "already in the starting blocks" to implement similar relaxations in the regulations, says Education and Development Aid Minister Gerrit Viljoen.

Announcing the move yesterday, Viljoen said many of the regulations lifted were of "an excessively negative nature" and had a "very bad smell" in the black community.

Political Correspondent

Following the repeal of Proclamation R264 of 1968, traders in trust areas will be freed from restrictions on the number of businesses they may conduct within a particular area.

Traders will no longer be compelled to have their financial statements and records ready for inspection "by an authorised person at any time".

Traders outside trust areas will now also be allowed to conduct business in such an area.

New regulations in place of Proclamation R293 of 1962 will enable blacks in trust towns to obtain full property rights.

An important aspect of the new system is that the owner of land in an "open or set aside areas" can apply for his land to be declared an "informal area" and can himself award deeds of grant and leasehold rights.

BUSINESS

**El firm taken
over in ^{D/D 19/3/88}
~~1988~~ ³⁰
R417 000 deal**

by Matthew Moonieya
business editor

EAST LONDON — A major South African electrical wholesale company has bought an outlet here in a R417 000 cash deal.

Johannesburg-based Elcentre has bought Multitech, formerly Station Electrical, making it the company's 65th branch.

The financial director of the company, Mr Nathan Mowszowski, said yesterday they had confidence in the growth of East London and found the possible growth prospects in Ciskei exciting.

"We supply electrical contractors and government institutions and have had dealings in this area. It is a matter of coming closer to the clients and making the supply of electrical goods more easily accessible to the area," he said.

"Our other 64 branches are scattered throughout the country and we have a presence in Cape Town, George, Oudtshoorn as well as Port Elizabeth which comprised our Cape operations.

Mr Mowszowski said operations at the East London outlet would remain the same with Mr John Reynolds and Mr J. Pistorius running the branch.

"There will be no staff changes and we hope to expand soon which would obviously entail increasing our staff complement which is small at present.

"Basically we have bought a typical example of a small business rich in management but lacking the resources to expand at its true potential rate."

Cinema opens ³⁰

11/3/88
8:00 am

A DOBSONVILLE businessman has taken over the Thari Cinema, previously owned by Ster Kinakor, as manager-owner after obtaining a loan which enabled him to buy the complex.

The cinema now belongs to Mr Charles Mokatsane.

The cinema will open its doors to the public at 9 am tomorrow.



HOW TO BE YOUR OWN BOSS

THE Small Business Development Corporation is to hold a two-day workshop starting on Wednesday to train and motivate unemployed people to become self-employed. *Sowetan*
11/3/88

The workshop, called "Strategies for Survival", will be conducted by Ms Peggy Reid-Daly and will be held at the SBDC's Pennyville Industrial Park near New Canada.

Benefited

Ms Reid-Daly said the course was a sequel to the decision by the SBDC to help unemployed people to become self-employed, especially as the rate of unemployment was escalating.

She said several black entrepreneurs have benefited from courses conducted in the past and it was hoped that many would be motivated to start on their own.

Bookings for the workshop can be made by telephoning Ms Reid-Daly at (011) 648-8992 (all hours).

'Firing on all cylinders'

Foschini lifts earnings, div

CAT - Times 11/3/88 30

Clicks

shows growth

By AUDREY D'ANGELO
Financial Editor

By LAWRENCE TOTHILL
Investment Editor

FOSCHINI has turned in a really excellent set of results for the year to December 1987, with sharply higher earnings and dividend, or as chairman Stanley Lewis put it "the group fired on all cylinders".

The group probably did even better than shown since it has adopted the retail accounting calendar and the 1987 accounting year is 52 weeks or four days shorter than 1986.

This has become accepted practice and is employed by Wooltru and Edgars among others.

Turnover was up 23,3% at R407m in 1987 against R330m in 1986, and CE Hugh Mathew says this was not just inflation showing up since there was a substantial increase in the number of units sold.

Pre-tax profit has jumped by 42,8% to R65m from 1986's R45,5m, but perhaps more impressive is the margin on turnover.

The pre-tax (post-interest) margin is no less than 16% which is the highest in the history of the group and well up from the 13,8% margin achieved in 1986.

This improvement was due to improved productivity as reflected in the staff complement and the sales per employee.

In 1982 Foschini employed 5 505 people and in 1987 4 822.

Sales per employee last year was R84 300 against R41 600 in 1986.

The cost of the people, however, fell back from 121% of profits in 1982 to 103% of profits in 1987.

Tax at R32,7m has taken a much larger slice than the R20,9m in 1986,

but this was due to special one-off situations in 1986 when the tax was abnormally low.

Bottom line earnings are R32,3m (R24,6m) equal to earnings per share of 332,8c (253,6c).

The final dividend has been increased to 118c from 90,2c making a total distribution of 141,4c (107,7c) for the year. (The strange amounts of the dividends arise as a result of the share split — the company intends ignoring decimal points.)

If a slightly longer view is taken it is worth noting that in the past two years dividends have risen by a total of 75% from 81,2c to the present 141,4c a share.

Mathew says that the group has planned 1988 with cautious optimism, anticipating an extension of the success of 1987, but already he sees signs which cause concern not only as far as Foschini is concerned but the economy as a whole.

Aspects which might hold the company back include: the earlier than expected rise in interest rates; political uncertainty — he would like to see much greater direction being given; the rapid drop in the gold price; and the performance of the rand on foreign exchange markets. All these give cause for concern.

Lefic: In the case of the pyramid company, Lefic, everything is up by about 31% which is in line with the increase in the Foschini dividend.

After-tax income was R6,8m (R5,2m); total attributable earnings were R16,1m (R12,3m) giving attributable earnings per share of 168,7c (129c). The final dividend is 59,8c (46c) making a total distribution of 71,5c (54,75c) for the year.

CLICKS STORES lifted attributable profit for the six months to December by an impressive 27,3% to R6,1m (R4,7m) and the interim dividend is 25% higher at 10c (8c) a share.

Turnover was up by 22,71% to R146 7m (R119,5m) and operating profit before tax by 25,13% to R11,8m (R9,5m).

Earnings per share were 30,54c (23,91c).

MD Trevor Honneysett said these results, "which are considered to be most satisfactory", had been achieved in the face of fierce competition.

He said consumer demand remained strong and the group "maintained buoyant sales figures in January and February 1988, showing continued growth against the same period in 1987."

It was planned to open a further seven stores between July and December 1988.

Pyramid company Clikdin, which holds 50% of Clicks Stores, lifted net income to R980 000 (R766 000) and earnings to 4,90c (3,83c) a share.

The interim dividend is 4,80c a share.

VEHICLE SALES

Catching up

The good news for vehicle purchasers is that the long delivery lead times associated with stock shortages may soon be over.

February's huge increase in vehicle sales was undoubtedly the result of manufacturers meeting the backlog of orders that built up during December and January, when stock shortages were a recurrent problem.

FINANCIAL MAIL MARCH 11 1988

panies carry out their threat to limit vehicle supplies to SA, shortages could be back with a vengeance.

February car sales of 19 820 were 20% up on the previous month's 16 158 and 31% up on the 15 162 of February 1987. At 30 807, sales of all new vehicles rose 22% against January and 34% against February 1987.

Sales of light commercial vehicles — mainly bakkies and minibuses — rose a remarkable 46% from February 1987 to 9 767 last month. Medium commercials rose 11% over the same period and heavy trucks and buses by 5,6%.

No car-maker benefited more from February's resurgence than VW. Sales of its Golf/Jetta/Fox range rose from 2 554 in January to 3 954 last month, making it February's biggest seller. Delta and Nissan also enjoyed particularly strong gains but no one challenged Toyota's overall leadership in the car market, with sales of 4 818.

Motor industry spokesmen describe February's sales figures as "exceptional and beyond expectations." They don't anticipate further big gains this year, particularly in the car and light commercial vehicle sectors.

Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), which compiles the figures, expects sales to consolidate around February's levels over the next few months. "Naamsa does not envisage further dramatic increases from current sales figures in the short-to-medium term," he says.

Shortages still exist, but February's figures suggest the problem may be easing. If demand evens out this year — as industry officials predict — manufacturers expect their stock position to be favourable by mid-year.

Into this optimistic scenario they inject a note of caution, however. If Japanese com-

SUNPAK SHINES

Six months to	Feb 28 Aug 30 Feb 29		
	'87	'87	'88
Operating Inc (Rm)	2,4	4,4	4,0
Pre-tax profit (Rm)	2,3	4,3	3,9
Taxed profit (Rm)	1,4	2,7	2,7
Earnings (c)	3,4	6,7	8,7

definitely be an advantage if Gericke remains as the ideas man, as it was apparently he who saw the potential in Foamtek which was unrecognised by the Japanese developers.

If Sunpak just maintains its present growth rate on traditional products for the year, the share is on a forward p/e of 5. With Foamtek, its p/e is 3. Even in this market, that looks pretty cheap.

Pat Kenney

COAL

Still gloomy

Hands up all those who bought Trans-Natal at between 500c and 650c during the past six months as a recovery stock because they thought fundamentals for coal producers could not get much worse. Well, you were warned to leave the shares alone (FM September 11).

With the price now down around 400c following the worse-than-expected interim result and passed dividend, the share finally could be worth speculating in for recovery prospects. But, although there are a few glimmers of light in the outlook for South African coal exporters, the overall situation remains poor.

Let's start with the good news. The rand has fallen to about US48c from US50c, combined with a slight increase in dollar coal prices. This is providing some relief on squeezed coal revenues. More important, a compromise solution to the year-long wrangle between coal exporters and Sats over the Richards Bay railway line tariff could, at last, be close.

Transport Minister Eli Louw's announcement last week, that Sats would not increase its published general tariffs this year, does not necessarily apply to the Richards Bay line, which runs on a negotiated contract rate. However, coal industry sources hope that it will apply and that this year they will be required to pay only the direct, unavoidable Sats cost increases such as fuel.

Witbank Colliery chairman Allen Sealey, who is co-ordinating the coal exporters' negotiations with Sats, declines to comment on current negotiations other than to say they are continuing. "The industry is pleased with the attitude being taken by Sats management," he adds. A Sats spokesman would also only say that negotiations continue.

All the exporters except Shell had refused to pay rail rates imposed with effect from September 1 last year and continued to pay only the April 1 tariffs. Sealey tells me that, two weeks ago, dissenting exporters started paying the full September 1 rates and paid in the backlog of costs owing to Sats. But even

if Sats freezes the Richards Bay rates this year, the September 1 tariff of about R23/t from Witbank to Richards Bay is still far too high for nearly all the coal exporters.

Analysts Stephen Oke and Mike Algeo, of stockbroker Mathison & Hollidge, estimate that, with the September 1 rail tariffs, most exporters need about \$27/t fob Richards Bay for their coal just to break even. Current spot prices range from US\$23/t-\$25/t, depending on quality. Contract prices are normally higher, but the analysts point out that no contract prices have been set for 1988 delivery.

Each year, Italian power utility, Enel, is normally the first customer to settle and this, therefore, sets a benchmark contract price for the industry. This year, the utility is stalling on negotiations. The reason is that Enel received a directive from the Italian government, similar to that which Japanese consumers earlier got from Miti, aimed at finding ways of reducing offtake of South African coal. The analysts say the Enel action is not a good omen for prices and volumes in 1988.

Sealey confirms that local exporters have had three negotiating sessions with Enel and have yet to reach agreement. He is worried about possible drops in export volumes to Japan because of the Miti directive.

Official figures have not yet been released, but Richards Bay coal terminal (RBCT) exports were about 38 Mt for 1987, with Oke and Algeo putting actual 1987 shipments at 37,8 Mt compared with their estimate in May 1987 of 37,4 Mt. Sealey puts RBCT exports for 1988 at a maintained 38 Mt. Oke and Algeo's estimate is 37,5 Mt, but they say this tonnage could be lower if the exporters restrict volumes to 36 Mt to try to get prices up. They point out that RBCT coal sales to Japan dropped from 8,1 Mt in 1986 to 7,2 Mt in 1987 and assess sales to Japan at 7 Mt for 1988.

The analysts conclude that only marginal increases in dollar prices will be achieved and that despite the forecast weaker rand, the earnings profile for the export industry will decline further in 1988. However, much will depend on whether the industry succeeds in getting the September 1 tariff increase reduced or removed.

Brendan Ryan

CONSUMEX

Snoring loudly

According to Solly Krok, Consumex (formerly Amalgamated Industrial Investment Corp, or AIIC) was "a sleeping giant". Certainly the adjective is correct — the September interim results are still not out and Krok Group's financial director Bob Garnett confirms that Consumex, now in the food sector, hit substantial production difficulties.

EPS for the year to March could be as low as 10c, 5c short of the 15c forecast in last year's transmuted listing statement.

Evidence is building up that the Krok

SMALL BUSINESS

30 PM
11/2/88

New initiative

The Small Business Development Corporation (SBDC) is successfully promoting free enterprise through small business development (SBD).

But its latest initiative to rope in big business know-how and offer it free to aspiring entrepreneurs could well see SBD take off in SA. Black businessmen, in particular, are hungry for the knowledge that only comes from experience.

Fourteen private sector groups operating in the wholesale, retail, building, oil, chemical, fast food, printing, meat, financial, cos-



Small business ... helping him to succeed

metic and motor trades, have offered financial and practical assistance to small businessmen.

The groups — Allied, Boschendal Estates, Build-n-Save, Castrol, AECI (Duco), Fedics Foods, Haddons, Kanhym, Metro, Nedbank, Revlon, SA Breweries, Toyota and Volkskas — are also sponsoring a competition for the "most improved small business" in 15 different sectors.

Together with the SBDC, they have made R175 000 available for the initiative. "We would like this to become an annual exercise, and invite companies to offer us their sponsorship and expertise in assisting small businessmen," says SBDC spokesman Dawie Crous.

The first prize, a two-week tour to the Far East to obtain first-hand experience of small business in Taiwan, Hong Kong and Siam, should induce participants to improve their businesses in various ways over a period ending September 30 1988.

Each sector qualifying for the competition — building, taverns, hardware, service stations, taxis, panel beaters, fast food outlets, small printers, butcheries, supermarkets and cafés, small manufacturers, hairdressers, offsales, car dealers and small service industries — also offers a R2 500 first prize for the most improved small business entrant in their category.

The SBDC has printed 130 000 entry forms for the competition and will send one to each of its 8 000-odd clients. Metro Cash & Carry alone will disperse some 40 000 forms through its countrywide outlets.

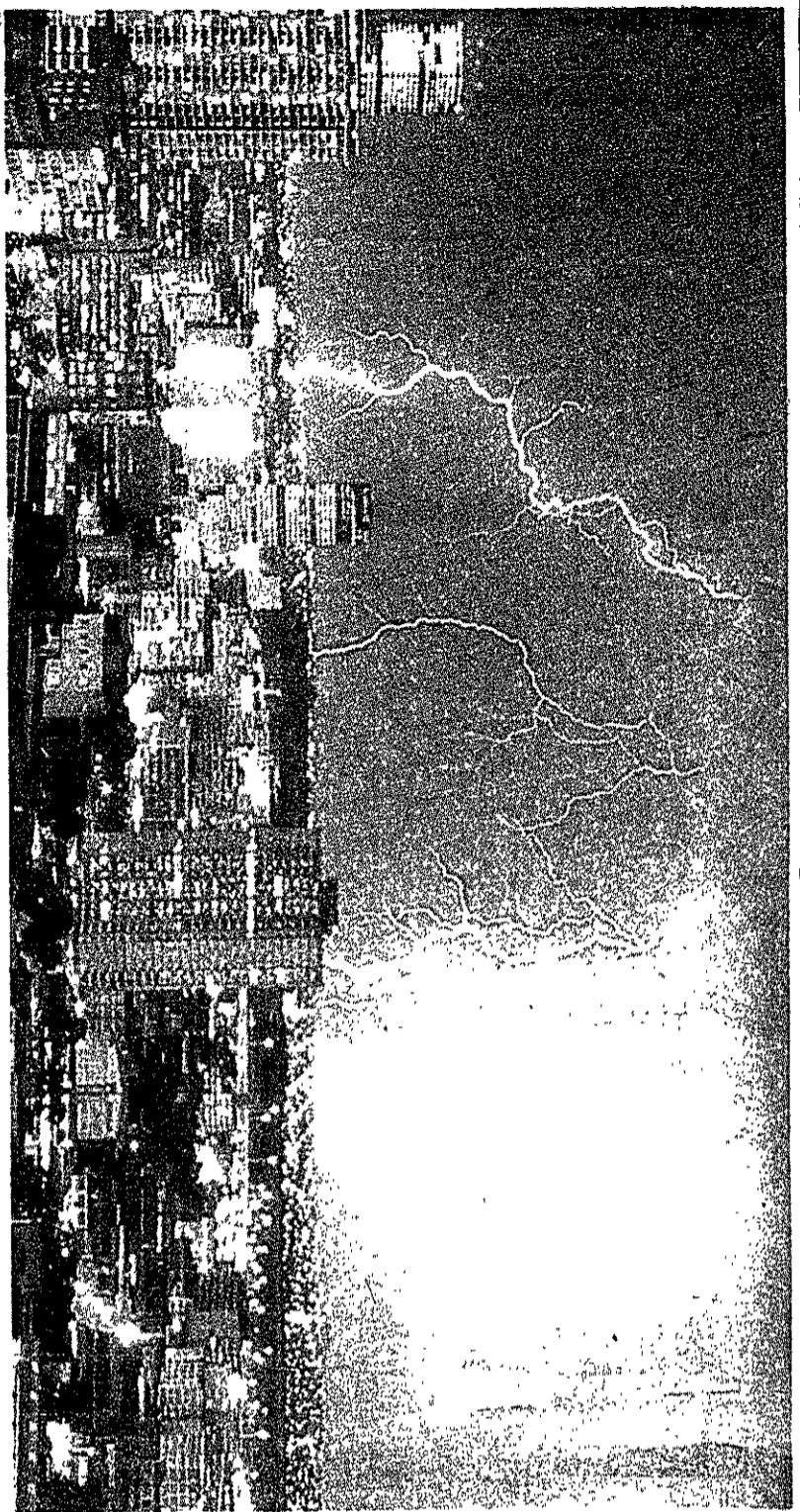
"A major advantage of this competition is that participants and any interested party can order a business kit explaining the pitfalls and opportunities in each sector at a cost of only R75. These were devised by our sponsors and are based on their experience, success and expertise," says SBDC GM (Development Services) Mike Smuts.

The major focus of the joint initiative is the improvement of existing businesses, rather than the creation of more new businesses. The reason is clear: according to Dun and

Bradstreet some 55% of all new small businesses fail within the first five years.

"This is the issue our competition wishes to address. What does it help if we foster new initiatives at an ever increasing rate, while offering limited solace or support to those already in operation?" asks SBDC MD Ben Vosloo.

11/3/88
177 (30)



Suddenly there's a lot of light in marketing's black hole. The launch of the Black Data Library yesterday has illuminated new figures on urban black product and media preferences.

SA marketing's 'black hole' has just been covered

Marketing's black hole is being bridged. Yesterday Marketing & Media Research and the Newspaper Marketing Bureau launched the Black Data Library, offering marketers the first authoritative figures on urban black consumers and their media preferences since 1985.

The BDL research was conducted in Soweto only, but plans are afoot to rapidly extend the exercise by including the Durban townships of Umhlanga and Kwa-Mashu.

This could happen in the next three months, said managing director of Marketing & Media Research Jos Kuiper.

The Soweto research, however, took two years to assemble as a new methodology had to be developed. BDL grew out of the established RDL (Retail Data Library) concept, pioneered by The Star then extended to other Argus and Caxton newspapers. RDL covers Asian, coloured and white markets. However, researchers found they could not simply graft RDL sampling techniques on to

LYNDEN WRIGHT

a township situation and get an accurate picture.

A succession of pilot studies was carried out to find a method that worked. They eventually used a modified street intercept method. This tends to focus on younger, more active members of the target group, said Win Gibbs, the research executive who spent longest on the project.

These results cannot be up-weighted to total population, but they give an accurate reflection of the black metro market.

The method has other advantages. It picks up the squatter and informal housing population — important to marketers, as status of accommodation in a township setting has less to do with disposable income levels and more to do with a pervasive, and chronic, housing shortage.

It also avoids the status overclaiming problems which in the past seem to have plagued canvassers seeking answers in a multiple-tenant household. Said Jos Kuiper: "Validation of these new

techniques of data collection was vital to us.

"Now we have a method that works, rapid expansion of the BDL to cover other areas is not a problem.

"The method overcomes problems connected with the socio-political climate in the townships, while coverage of the previously ignored informal housing population makes it more comprehensive."

She added: "The data helps fill a void. Marketers have become extremely concerned that they were working on stale black marketing data.

"The method we have developed will not only bring them up to date, it will keep them up to date. We are in a position to keep almost constant track of developments rather than use a one-off snapshot in time."

Yesterday's breakfast-time presentation of MMR's data took place at Sandton Holiday Inn. A second chance to check the numbers comes for Johannesburg-based marketers on March 24 — at the same venue. The presentation will be repeated for coastal advertisers on March 15 (Durban) and March 18 (Cape Town).

Sales and mood are on the up

CHRIS MOERDYK

Increasing consumer confidence has been sparked by a decision among South Africans to work within their situation, accept its reality and make the best of it.

Ian Shepherd, MD of Shepherd Advertising, said there was a new mood among South African consumers that followed years of tension and living in a sort of limbo.

"People have been watching and waiting. Hoping for an end to political problems. Hoping that the promised political reforms would put the country on a whole new track, prompt the removal of sanctions and make civil unrest a thing of the past.

"But people cannot live in limbo forever. South Africans have decided to work within their situation, accept its reality and make the best of it."

This, Mr Shepherd believed, was behind the new optimism apparent among consumers.

He said retail sales for the January first quarter were estimated to run well ahead of last year, continuing the pattern set during December when sales were 50 percent up for most retailers.

Surprising high performers were the more durable consumer goods — a sign that "recession-mindedness" was over and the time ripe to replace old appliances.

Shake off fear

"Sare goes for much bigger packages. People are buckling down but the will disinvestment, with inflation, but with the assurance that hard work and increased productivity is still paying results now."

Mr Shepherd said the challenge for advertising in 1988 would be to exploit the colorful personalities of South Africans of all races, "shaking off the fear" that this will offend some racial groups.

If we can meet this challenge, South African advertising will be a more colourful, more interesting and fun, amusing."



TAKING THE PLUNGE: Are South African consumers leaping out of limbo into a bottomless pit as they lash out on a spending boom?

US TV gets a chill at winter games

US television did as badly at the Calgary Winter Olympics as the country's athletes. ABC stands to lose more than \$75 million on its 16-day coverage.

Both ABC and NBC bid for the Calgary rights. The price, \$309 million, was three times more than ABC paid for the winter games in Yugoslavia in 1984 and \$9 million more than NBC paid for the more prestigious and longer Seoul summer games.

Alan Gottesman, an analyst who follows the networks for a Wall Street securities house, reckons NBC is already breaking even on its Seoul deal. He estimates it has sold 70 percent of the accompanying commercials.

For ABC, Calgary generated estimated revenues of \$360 million, with prime-time, 30-second advertising spots going for \$300 000. Its costs, however, are more than \$100 million.

For Seoul, with spots priced at \$330 000, NBC will receive \$550 million, but its costs will be only \$50 million higher.


LETTER

I read your articles on adverts and advertisers and recently had the opportunity to "test" one advertiser's claims. This advertiser is big in the car windscreen business and we are bombarded by their ads on how perfect they are "in every way". I found they fell down on most of their claims!

I had the windscreen of my Mercedes replaced by them as I was impressed by their claims. All went well until the first rains, when the windscreen leaked like a sieve. Fair enough, they repaired it quickly and without argument.

Next, my son's car was vandalised and the windscreen smashed. It is an imported Japanese sports car of which there are quite a number in the country. Remembering their ad where the company rep gets shiny when the customer repeats that he has an old model car, I contacted them. They did a computer search and came back to me to say they had located an untainted windscreen, but it would be more than R2 000, plus fitting.

I then saw a newspaper ad for a windscreen fitting company I had never heard of. On phoning, I was told I could come in immediately as they had a TINTED windscreen in stock and it would cost R390 fitted. These incidents prove the power of advertising but someone should be made to watch-dog claims. "Sick of misleading ads"

D/D 12/3/88 (30)
Foschini
flair 

JOHANNESBURG —Clothing retailer Foschini increased earnings by 31 per cent in the year to December, with dividends up by a similar amount.

The results show an increase in earnings a share to 332,6 cents, compared with 253,6 cents.

The company declared a final dividend of 118 cents a share (90,2 cents), bringing the total for the year to 141,4 cents (107,7 cents).

Turnover was up 23 per cent to R406,7-million and pre-tax profit rose 43 per cent to R65-million (R45,5-million).

Net income was R32,3-million.

Holding company Lewis Foschini Investment Company (Lefic) had earnings of 168,7 cents (129 cents) and declared a final dividend of 59,8 cents per share (46 cents), making a total of 71,5 cents (54,75 cents). — Sapa.

New-car sales top R8bn for first time

THE value of retail sales of new motor vehicles last year topped R8-billion, nearly 40% higher than in 1986.

The record income makes motors SA's third-largest industry. It expects a 10% increase in sales this year.

All motor manufacturers are now in the black.

Toyota, the only JSE-listed manufacturer, made a record profit of R83,6-million in 1987 compared with R20,5-million in the previous year.

Industry losses were estimated at R1-billion in 1985 and 1986.

Rand's plunge

A combination of higher prices and increased sales lifted turnover to more than R8-billion for the first time last year.

Figures calculated by Mercedes-Benz show total vehicle purchases at R8,113-billion in 1987 — 39,9% higher than the R5,8-billion in 1986. This compares with R3,251-billion in 1985 and R3,818-billion in 1984.

The increase reflects not only the average 12% rise in prices last year, but a 16% pick-up in 1987 sales to 309 150 units compared with 264 676.

By Don Robertson

However, the rand's plunge against the yen and mark could cause price increases and stymie further improvement.

Heading the value list was Toyota with sales of R2,049-billion. This was a 33,1% improvement on the previous year's R1,539-billion — even though the company shed market share in both car and light commercial vehicles.

Top spot

But Toyota retained its top position in cars and LCVs. Car sales brought in R1,084-billion compared with R851,1-million and LCVs R785,5-million compared with R560-million. It was second in truck sales of over 7 500kg at R118,4-million.

Second in car sales was Volkswagen with R894,5-million against R569,1-million. The company gained market share in cars from 17,4% to 19,9%.

Sales of mini-buses lifted VW to R215,5-million LCV sales from R144,4-million.

Benefiting from its higher prices, Mercedes-Benz recorded the third-highest turnover in cars at R801,5-million compared with R647,9-million. It lost market share largely because of a 10-week

strike late in the year.

Mercedes held No 1 spot in trucks of over 7 500kg and with 37,7% of the market sold units worth R369,3-million.

BMW was next in the cars sales stakes — R639,8-million compared with R412,3-million. Market share rose from 7,5% to 8%.

Ford chalked up car sales of R486,5-million compared with 352,6-million, and sister company MMI had sales of R332,8-million against R285,6-million. In the LCV market Ford sold units worth R210,8-million, and MMI R215,5-million.

New models

Nissan car sales were worth R458,8-million compared with R246,7-million and, because of the launch of the new Skyline and Sentra, it raised market share from 7,8% to 9,7%. It was second in the LCV market with sales of R380,8-million against R262,7-million. Truck sales were worth R101,9-million.

Celebrating its first year as an SA-owned company, Delta recorded sales of R362,7-million compared with the General Motors' R274,3-million in 1986. Market share moved from 8% to 8,4%. Delta claimed third spot in LCV sales at R230,1-million compared with the previous year's R149,4-million.

The balance of car sales was made up by TAK, which sold 67 Lancias worth R4,6-million.

Falling rand a car price threat

By Don Robertson

NEW-car sales soared to a 43-month peak in February, but the industry is worried that it will not be able to maintain the advance because of the sharp fall in the rand.

The rand, now at its lowest for many months, could mean a big rise in car prices — a factor which almost crippled the industry in 1986.

The effect of the 68% rise in prices in the two years from 1985 resulted in car sales tumbling to 174 453 in 1986 from 204 322 in the previous year.

The rand's fall against the yen and mark — the two source countries for most imported components — meant that the foreign content of a car reached 50% in value in spite of the weight requirement of only 34%.

Now with cross rate of the rand at 59,57 against the yen compared with 73,75 this time last year and the mark rate at 0,778 compared with 0,889, the industry fears that price rises this year could be higher than the 12% of 1987.

It had been predicted that increases this year would not be higher than inflation of about 16%.

Nico Vermuelen, director of the National Association of Automobile Manufacturers of SA (Naamsa), says that although sales have returned to more normal levels, "Naamsa does not envisage dramatic increases from current figures in the short to medium term".

The industry appears to have partly overcome the stock shortage problems which hindered the market since June last year. It is

expected that shortages will be wiped out by April.

New-car sales rose by 20% to 19 820 in February from 16 518 in January — the highest since July 1984. Light commercial vehicle (LCV) volumes rose by 23,5% to 9 767 from 7 907, medium commercials by 53,6% to 504 from 328 and heavy trucks and buses by 34,8% to 716 from 531.

Mercedes-Benz and Mazda in the Samcor group were the only manufacturers to record sales declines, but they were minimal. Largest increases were recorded by Nissan with a 39,2% rise in sales, mainly because of Sentra sales, and Delta which pushed up sales by 34,5% through better Monza/Kadett volumes.

Biggest seller was again Toyota with 4 818, but the company is being pressed by Volkswagen which notched up a record of 4 321. The VW Golf/Jetta range was the largest seller with 3 954, again beating the Toyota Corolla at 3 199.

Volkswagen's performance was the best since February 1981 and reflects the company's efforts to lift daily production to more than 300 from 175 a year ago.

Perhaps the most significant aspect of February vehicle sales was the sharp rise in LCV numbers. With sales of nearly 10 000, it lifted its figures for the first two months of the year by 40% to 17 674 compared with 12 582.

Milly's boosts profit, turnover

30
CARY TAVIS 14/3/08

By **AUDREY D'ANGELO**
Financial Editor

CAPE Town-based fast foods chain Millys reports substantially improved results for the six months to December, following the sale of the loss-making Sea Point Carousel.

After-tax profits have risen by 77,23% to R358 000 compared with R202 000 in the first half of the previous year. And turnover has risen by 69,5% to R4,3m.

But there will be no interim dividend. MD Michael Bruchhausen says the group intends to expand nationally and is currently negotiating for the acquisition of further manufacturing facilities. He hopes to make an announcement in the near future.

Bruchhausen says that in order to conserve

funds for acquisitions only one dividend will be paid annually, at the end of the financial year.

Millys lost R103 000 on the Carousel restaurant, sold in July to Juicy Lucy, and Bruchhausen admitted that it had been a mistake to diversify out of the core business of manufacturing and retailing food.

But the business has continued to expand since then, outgrowing its manufacturing premises in Maitland and moving to Retreat where production capacity was increased.

Bruchhausen says: "Our focus is now solely on our core business, which is growing very satisfactorily."

He says that although the additional manufac-



Michael Bruchhausen

turing facilities have made a contribution to results "a certain period of consolidation was necessary and it will be only during the second half that we will reap the full benefits".



□ MAKHUBELA ... "lot more a man can do than sitting back and sulking"

Two take a shine to back free enterprise

A SHINING example of defeat-turned-to-victory is shown by JSE shoe-cleaning duo Isaiah "Mr Nugget" Hlatshwayo and Derrick "Dr Nugget" Makhubela.

The likeable pair have emerged from being victims of the national job slump to becoming part of Johannesburg's financial scene — just shining shoes.

The men, first sponsored with polish and shoe-cleaning kit by the SBDC and Reckitt & Coleman, command so much popularity that even other companies have taken the cue and offered assistance.

With stockbrokers and executives from neighbouring companies among their clientele, the men have moved Insurers AA Life to come forward and supply cover from sun and rain in the form of beach umbrellas, and Kiwi Shoe Polish supplied them with shoe-shine kits, stands and polish.

Retrenched

Hlatshwayo had been working for a cartage company and Makhubela for a fried-chicken outlet when retrenchments forced the 27-year-old bachelors on to the street in 1986.

When the SBDC got to know of their plight, it offered them a R50 loan each and Reckitt & Coleman supplied shoe-cleaning kits, polish and stands.

AA Life assistant GM (marketing) Bruce Howard says the company ad-

mired the men's business drive. "It was a small gesture of appreciation, since we felt the men needed 'cover' of some sort," he says.

Kiwi production manager David Grey says his company has always been active in helping the informal sector. "We are doing it on a larger scale in Natal and we intend to do more now in the Transvaal," he says.

The two men have, in response to demand, spread their services to mending heels and supplying shoe laces.

Makhubela has tried his hand at making sandals, and says people have started placing orders for these.

The men, whose initial conflict with some JSE officials who wanted them off the JSE premises sparked a petition by about 300 stockbrokers demanding their reinstatement, are now well settled, making R50 to R60 a day from their trade.

"We have always taken care to keep the area we work in clean and everybody is happy with the service we are rendering," says Hlatshwayo.

Makhubela says their venture has turned his loss of a job into victory. "There is a lot more a man can do than sitting back and sulking because he has lost a job," he says.

The two men, both now 28, are single.

SBS
30
Blday
15/3/88

State to back Land Bank's co-op loans

8/10/44 (S3)88 (227)
HOUSE OF DELEGATES — The Co-operatives Amendment Bill, which provides for an R800m guarantee by the state to the Land Bank, as security for loans of co-operatives, was read yesterday for a second time.

Agriculture Minister Greyling Wentzel said the measure was a safety valve that had to be built into the co-operatives law.

It would affect 32 co-operatives in the summer grain areas.

In the past five to seven years, security on harvests was not appropriate because of climatic circumstances.

He said also there was no discrimination on the basis of colour in co-operatives.

Co-operatives could also contribute to rebuilding of farms damaged by recent floods.

(250) B/1600 15/3/88

Business has duty to involve blacks in free enterprise

HELLOISE TRUSWELL

Unshackle the economic energy of this country by fully applying the practices of a free-enterprise economy to everybody in the community. That will get us moving in the right direction. The solution to our problems lies in finding a better overall balance between political and economic liberation. One without the other is meaningless."

The prescriptive message is from Kurt von Schirnding, Director General of the South Africa Foundation (SAF). He was talking before the SAF's annual general meeting tomorrow. The exercise is to clarify where the SAF stands on fundamental issues, such as free enterprise and internal reform.

The SAF has suffered an identity crisis. Von Schirnding is determined to set the record straight. He states categorically that the SAF, founded 27 years ago, is an independent organisation of industrial businessmen financed entirely by private subscription from corporate and individual members. The 1987 budget was some R4m.

"The SAF is not government-funded nor is it a government front organisation. The SAF supports no political party. It identifies with no sectional interest beyond that of the free market," emphasises Von Schirnding.

All South Africans should be free to take part without restriction in a free enterprise-based system and enjoy the benefits of their participation, says the SAF statement of principles.

"This requires that the remaining statutory, social, economic and educational impediments which prevent this should be removed as speedily as possible."

However, the SAF is not, says Von Schirnding, a pressure group. "We are not in a confrontational mode with anybody. I have never believed that you get very far by throwing down the gauntlet."

SAF president Len Abrahamse underscores the view that nothing is achieved by being confrontational. However, he states that if the business community is to play a meaningful role in the achievement of SAF ideals, it will have to voice its views more effectively in its constructive efforts to influence govern-

ment with regard to the direction, emphasis and pace of reform.

Von Schirnding says: "We must not be seen as a body that is able to maintain an established international and local internal communications network."

"We represent the voice of the private sector and channel information abroad from our vantage point here. We can influence events because of our credibility."

Conversely, the SAF can channel back to the SA business community and government and the media how SA is perceived overseas.

"If those that influence and make policy in this country take note of what the outside world thinks, at least we will be in a position to structure our policies and strategies for the future on what is occurring in the rest of the world."

If the SAF were to adopt a confrontational stance and become a pressure group, I think we would destroy our credibility and our capacity to influence decision-makers. Some black businessmen, however, want the SAF to articulate black aspirations more strongly.

Sam Molebatsi, newly-appointed CE of the National African Federated Chamber of Commerce (Nafco) intends expanding Nafco's mission to encourage the economic liberation of the black population. Not surprisingly, he counters Von



□ VON SCHIRNDING... involved

Schirnding's statement.

"I don't believe anyone operating in the SA scenario as a whole can claim they are not a pressure group. Unless everybody addresses the issue of apartheid, then I don't see any hope for us."

"Nobody has the right to sit on the fence and say we are not this or that. It is like expecting the church not to have any say in the political system. While the country is on fire there is no way that you can say you are not a pressure group."

What black business wants, says Molebatsi, is the removal of obstacles which prevent them from developing businesses. He rejects the old saw that blacks do not support free enterprise.

"Look at the black business community," suggests Molebatsi. "The hawks, for example. What they are doing is prescribed by the free enterprise system. The only impediment to their progress is the law and petty bureaucracy."

"We don't have to stand up and prove we believe in free enterprise. We have done that. What we need is to have all restrictions removed to allow us to get on with our business."

If he adds, the SAF is to play a role it should redirect its efforts towards changing legislation in SA.

No amount of lobbying overseas is going to make blacks have respect for the free enterprise system as we know it in SA. If the SAF makes it possible for blacks to experience free enterprise, they will have achieved something.

Von Schirnding cautions against overestimating the capacity of the business community to influence events.

"Basically, the business community is there to create wealth. It has great social responsibilities which it accepts. Enormous educational new jobs have to be overcome and requires tremendous funding."

It is easy to deride what business is SA is doing. Sanctioners and disinvestment adherents are quick to say the SA business community is not as active in the social upliftment field as it ought to be.

"I think a great deal is being done for which business has not been given credit. In its overseas operations, the SAF is here to prove to our overseas constituencies what the business community in SA is achieving."

Von Schirnding hopes black businessmen will become increasingly involved in the SAF.

"Black executives I have spoken to are interested in what we are doing. At the moment, intimidation is a factor and I think they are a little hesitant to join."

He is optimistic, though, that when the overall process of reform has taken considerable strides forward this may change.

"If we get to the position which government hopes to achieve of negotiating with the legitimate leaders of the black community on a new structure for full participation in the political and social process, I think the point will have been reached where one could expect greater and fuller participation from the black community in an organisation such as this."

In the large scale, you will have to wait until that point has been reached. But there is no question that the ideals which we strive for are the ideals of the black business community as well.

"Therefore Molebatsi and the SAF seem to dovetail in their demands to have remaining obstacles to the application of the free enterprise ethic eliminated, even though he might not find it opportune to say so."

As Von Schirnding says: "I think you must leave out of consideration here the radicals who are not prepared at this point to participate in the discussion and negotiating process."

"They are not prepared to concede that the business community has a role to play in bringing about reform. They would undermine and denigrate the efforts which a foundation such as this is making."

It must be obvious to everybody, he concludes, "that the demands that are going to be made on entrepreneurs in this country by the end of the century are going to be such that you cannot rely only on the expertise of whites."

"It is the larger corporations in business who have played, and will continue to play, a leading role in the training and upliftment of blacks."

Satisfying the demand

for luxury cars

D/P/D 15/3/88

(30)

Mercedes-Benz of South Africa has taken a step towards satisfying the demand for special, luxury, imported cars to be purchased without rate of exchange fluctuation risks by establishing what they refer to as their "Silverline" dealers.

Mercedes-Benz franchised dealers in the larger metropolitan areas — about ten in all — are at present extending their showrooms or building new facilities for "Silverline" marketing. These showrooms will be used exclusively for displaying these cars and will be staffed by experienced personnel employed for the import sales.

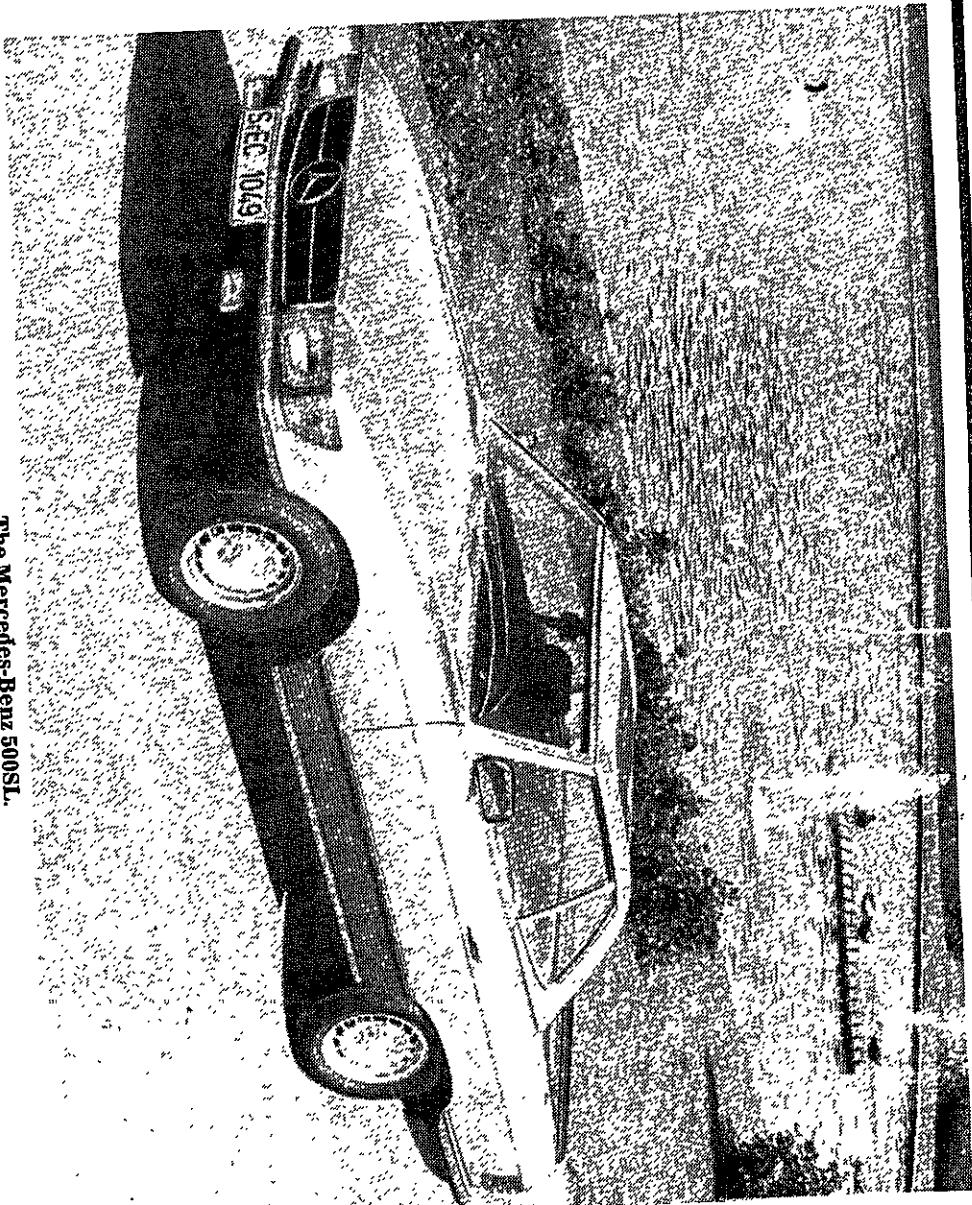
For those customers dealing through dealers in outlying areas the "Silverline" models will be

available on special order.

Extending the models available in South Africa the import range will include the Mercedes-Benz 300 CE sedan coupé, the 500 SL and the roadsters, limousine and the new Honda Prelude in automatic and manual versions.

The locally built 230 TTE stationwagon introduced last year and the 560 SEC coupé will be marketed alongside these special imports. All the cars will be offered with the highest levels of specifications, in keeping with the customer's requirements for this type of vehicle.

The rationale behind this move, according to Peter Cleary, MBSA's



The Mercedes-Benz 500SL.

board member for passenger car marketing, is simply: "We are offering what the market demands. Discerning Mercedes-Benz customers, of which there are many, are prepared to import one of these models anyway. Now they have the advantage

of paying the price originally quoted at the time of the order. They do not therefore face the risk of a sudden drop in the rate of exchange.

"And in the case of the Prelude, this is a desirable sports car with a customer base of more than 1500 people who

bought the previous model.

It is also a car much in demand by paraplegic customers because of its wide-two-door configuration.

"Furthermore all these customers can now enjoy the assurance of franchised dealer back-up and

parts stockholding." MBSA expects to sell in the region of 300 Preludes and between 100 and 120 Mercedes-Benz models annually. Orders for these cars have already been placed and the full range, all with right-hand drive, will be available this month.

Top seller reinforced

P/D 1-5-73/188

Delta Motor Corporation has reinforced its top-selling Monza model variant with a new luxury variant, the GLE.

The addition of the Monza GLE will enable Delta to take full advantage of an anticipated 15 per cent growth in the passenger car market this year.

Delta's director of ve-

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hicle sales and marketing, Mr. Willie van Wyk, said.

"The lower medium passenger car group, in which Delta is represented by both Monza and Kadette, grew from 55 per cent of total car sales in 1985, to around 63 per cent in 1987, and is expected to grow even more this year.

"The notch market, in particular, has shown more growth than other entrants in this group, and has been one of the main motivating factors in Delta's decision to expand the Monza range."

Mr Van Wyk said the Monza had been launched with fewer units than originally scheduled and this had adversely affected sales in the early part of last year.

Sales peaked in July with a 14.1 per cent share of the notch group of the market.

"This was higher than Delta had forecast. Mid-year sales, boosted by the Monza's excellent showing in the Total economy run, culminated in stock shortages through the balance of the year."

Mr Van Wyk said the introduction of the Monza GLE would play an important part in increasing Monza market share to around 12 per cent this year.

"The GLE has been slotted carefully between our midrange 1,8 GLX and the luxuriously appointed Monza flagship, the GLi, and had also been positioned to counter a competitor presence more effectively.

"The Monza GLE is aimed at the buyer who

requires a vehicle with plush interior trim, a striking exterior appearance, and many of the functional items on the GLi. The GLE meets these requirements, and combines them with the proven economy of the 1,8 naturally-aspirated

motor. "With these credentials, it is anticipated that the GLE will prove to be a worthy companion to the current Monza model line-up, and will be an attractive option for buyers in the executive fleet market."

D/D 15/3/88

Jag sales ³⁰ soar

British luxury car maker Jaguar saw sales leap to a new record last year despite worries about the future of the company's most important market, the United States, after the stock market collapse.

Total world sales of Jaguars and sister marque Daimler, climbed 14 per cent compared with the 1986 previous record, to 46,612.

Sales in the US were down by six per cent, to 22,919 but a Jaguar spokesman claims that this was due to shortages of the new XJ6 saloons earlier this year.

"Our American sales last month were the second highest ever for any month, at 2,848 and we have double the order bank we had last year," he added. "We also sold a record number of XJ-S coupes there in 1988."

The company is planning to introduce a night shift at its paint shop this year to ease a bottleneck on production. Although output in 1987 was 16 per cent up, at 48 020, it was still about a thousand cars below target this year. Jaguar is planning to build 56 000 cars, of which about 26 000 are destined for the US.

The success of the new saloon range

helped the company to sell the highest number of cars in the UK since 1978 at 11 102, a rise of 46 per cent.

There were also record sales in Canada, France and Spain while a 14 per cent rise in Japanese registrations took sales there above 500 for the first time, to 530. — DDC

01/12/3/88

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Volkswagen of South Africa has over the past three years staged the most remarkable recovery in the history of the world's motor industry, according to the international chairman of Volkswagen AG, Dr Carl Hahn.

When he officially opened the new Volkswagen museum in Uitenhage during a visit to VWSA, Dr Hahn said, "I cannot think of any other motor company in the world which has managed to double its market share in an extremely depressed and yet highly competitive market in just three years of dedication, innovation, application and hard work."

VWSA's market share moved from a low of 10 per cent in 1984 to 20 per cent in 1987.

This success has not come about by chance,

Remarkable recovery for motor industry

as numerous awards earned by the company during this period testify. The latest recognition is an international award presented to the company for the world's best implementation of the "Toward Excellence" programme.

The toward excellence programme is based upon the book In Search of Excellence, researched and written by Tom Peters

and Bob Waterman.

Some 800 companies worldwide are currently implementing the programme, and VWSA was given this prestigious international award for its measurable successes since the implementation of the programme.

One of the fruits of the toward excellence programme was a dramatic increase in the level of productivity at the Uitenhage plant.

This fact did not pass unnoticed by the National Productivity Institute, and VWSA duly became the recipient of the 1987 NPI award for outstanding achievements.

Some of the successes of Volkswagen South Africa are:

- The delivery quality of VW/Audi products has improved by 36 per cent;
- Customer complaints per vehicle have decreased by 41

per cent;

□ VWSA's share of the passenger car market has doubled;

□ VWSA's apprentices qualify on average 30 per cent faster than the industry norm as a result of concentrated training programmes;

□ Overheads have decreased by 39 per cent;

□ Inventory turns have increased by 114 per cent;

□ The production rate in the press shop has increased by 27 per cent, and the time taken to change dies has decreased by 66 per cent.

"All these improvements have enabled us to build better vehicles at reduced costs, demonstrated by the fact that our high quality vehicles are arguably the most competitively priced on the South African market," maintains managing director Peter Searle.

"We only pursue exceptional product

quality and customer service at all times, but are also continuously striving to develop a feeling of trust and respect for the individual among all VWSA employees.

"An example of the commitment to our people is the fact that the company was the only one in the industry which did not re-trench staff during the recessionary period experienced by the motor industry during the last three years," Mr Searle added.

"Progress to date has been exciting but we still have a long way to go in pursuit of our main objective of truly outstanding customer satisfaction."

Nevertheless, VWSA has emerged in 1987 as the strongest competitor for present market leaders (Toyota), and sales of VW/Audi passenger vehicles to date are 29 per cent up.

The company has shown sustained growth in almost all market sectors.

Back on the track of prosperity

PP 15/3/88
(30)
The improvement in motor vehicle sales — one of the leading economic indicators shows that SA is firmly back on the track of prosperity.

But sales of the ultimate in motoring — the Rolls-Royce — have bounced back from a zero projection base for 1988 to over R5m for the year.

At least 11 of the world's most expensive cars are allocated to the local market over the next ten months with 50 per cent of the vehicles pre-sold.

Commenting on the improvement in sales, Rolls-Royce area manager for Africa Mike Hill said: "Positive signs of interest in Rolls-Royce showed from October last year and the forecast five units for 1988 has just been extended to eleven units."

"With export duty at 100 per cent, plus 12 per cent GST, the average retail price is between R450 000 and R480 000."

There are about 620 Rolls-Royce and Bentley cars in SA currently and around eight Corniches.

Local market trends reflect the rise in international sales, which show a 7 per cent increase in sales of Rolls-Royce and Bentley cars during 1987 (about 2 850 units), compared with a sales of 2 784 units in 1986. The US was the company's largest market, up 5 per cent in 1987 (1 208 cars sold compared with 1 155 the previous year).

Volume growth was achieved in every market with a significant rise of 27 per cent year on year in sales to the Pacific area. Japan registered a 52 per cent annual increase in sales, to 82 cars.

Customers in the UK bought 842 cars in 1987, a 4 per cent increase over 1986 sales. Sales for January 1988 rose 16,5 per cent.

Europe saw an increase of 11 per cent in 1987 sales, with a total sales figure of 535 cars.

Latest in the Bentley range is the Bentley Mulsanne S, featuring a through centre console and revised fascia, veneered in straight grain walnut.

specially for the company on farms around St Louis in the US.

The interior of a Rolls-Royce takes some 260sq.ft of blemish-free leather, supplied by Connolly Brothers in London. Most of the hides going into Rolls Royce and Bentley cars come from Denmark.

"Widespread use of electric fences in that country and de-horning of cattle results in hides without score marks," said Hill.

Carpet for Rolls-Royce and Bentley cars is in 10 standard shades, made exclusively for the

company by Wilton, but special shades can be made as and when required for a particular vehicle.

In all, every modern Rolls-Royce and Bentley contains more than 80 000 components, assembled along a 13-stage line, over about 14-16 weeks (though the Corniche takes about six months to complete). During construction, each vehicle is accompanied by its own history book — this is signed by every craftsman who works on the car, together with records for tolerance measured.

Burr walnut veneer is selected for the Rolls-Royce interiors by company experts who visit Milan, Italy. Another rare wood, black walnut, used on Rolls-Royce Phantom and Corniche motor cars is grown



The Opel Monza GLE, a new entrant in the luxury light passenger sector of the market.

One thing on which all motor men in South Africa are in agreement is that the state of the market in 1988 will improve. By just how much the market will grow and to what extent each manufacturer will benefit from this growth remains a subject of individual prediction.

Nissan South Africa's thoughts on the market are that the passenger vehicle sales should grow by around 10 per cent for a year end total of 220 000 units.

Similar growth in the light commercial sector should see sales for the year rise to 110 000 units for a total of 330 000 passenger and light vehicles.

P/D 1513/88

Motor men predict 30 improvement

"The two main factors behind this projected growth are the availability of money at reasonable rates which makes it easier for the man in the street to purchase a new vehicle, and the large pool of old fleet and private vehicles that are at the end of their economic lives and in need of replacement," says Stephanus Loubser, marketing director of Nissan SA.

"A further factor that will influence sales during the early part of 1988 is the fact that there was an estimated shortage of between two and five per cent at the end of 1987," adds Loubser.

Loubser is also confident that improved

economic stability and growth in the economy will be an important factor. Selective stimulation of the economy is starting to take effect and growth resulting from this is expected to continue through until the end of 1988.

Price increases are harder to forecast but it is felt that as long as the rand holds its own against the yen and the D Mark then manufacturers should be able to contain price increases below the level of inflation.

So much for the market in general terms, but what of Nissan's position in this market?

"We believe that Nissan's slice of the cake

will be around 17 per cent of the total passenger and LCV market with the passenger sector achieving a 13,5 per cent market share and the LCV sector 24,5 per cent," says Loubser.

Aiding Nissan in its quest for a further four per cent of the passenger and light commercial vehicle markets will be a range of new models firmly in place in the market for the year, and a new one-ton LCV range due in the market place early in the second quarter of 1988.

The new one-ton bakkie will be an important factor, according to Loubser, as this market sector accounts for 50 per cent of all light commercial vehicles.

An improved stock position across the board and a motivated dealer network at full strength combines with a now mature marketing strategy, to round off Nissan's challenge.

30 SMM 16/3/88

'Economic constraints must be dropped'

Govt urged to let blacks compete

By Esmaré van der Merwe

All statutory constraints on blacks should be removed to ensure a strong economy which was essential for constitutional reform, Mr Len Abrahamse, president of the South Africa Foundation, said today.

Only through meaningful participation in competitive enterprise would blacks make a contribution to the economy and take their rightful place in the South African society.

Addressing the 28th annual meeting of the foundation, Mr Abrahamse said South Africa would be re-accepted by the Western world only if "whites are able to bring along a responsible cross-section of fellow black South Africans".

Competitive economy

However, black business had been preoccupied with the problem of coping with discriminatory and pervasive limitations. They could thus not participate in transforming the almost semi-socialist economic system into a competitive economy.

"The greater the degree of freedom and the less the level of Government control the greater the capacity to create wealth," he said.

"No economy can be free if the majority is not able to participate at every level and to enjoy the benefits of that participation. If we equivocate on this, then we undermine the possibility that economic growth provides the path to a more just society in South Africa," he said.

Some 80 percent of South Africans were prevented from freely competing in the economy. Apartheid had distorted the free enterprise system.

Many blacks associated apartheid with capitalism. However, apartheid was best cured by economic growth which was best promoted by the free enterprise system.

Mr Abrahamse welcomed the Government's new commitment to privatisation and deregulation.

The Government should cease to "pay lip-service to a market-orientated economy" and give it "energetic forthright impetus", he said.

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STRA 16/3/88

Appeal for area law changes

By James Clarke

Johannesburg's Central Business District Association (CBDA) has appealed to Government to make "a simple amendment" to the law and immediately allow all races to live in the city centre.

The CBDA, in its latest newsletter, says: "It must be acknowledged that half the CBD's resident population is not white."

The CBDA believes that while ethnic segregation — "by choice or by law" — might be possible

in the suburbs, it is not in the central areas where black and white already "converge to work, to shop and to be entertained".

On the eastern side of the city there are many obsolete offices, warehouses and factories in which black people are already living.

"Converting such buildings into apartments would be expensive, yet far cheaper than creating new townships far out of town."

The CBDA says that retaining unenforceable group areas restrictions simply encourages anti-social behaviour.

In flatland, landlords who cannot find white residents have the choice of either leaving their buildings empty or letting them to "disqualified" people who, because they are illegally and temporarily resident, tend to neglect and vandalise the buildings.

"With a legally resident population, laws against nuisance

and misbehaviour, by both landlord and tenant, can be applied objectively."

Mr Nigel Mandy, elected chairman of the CBDA for the 11th year in succession this week announced that the CBDA, the Witwatersrand Chambers of Commerce and Industry and the Institute of Civil Engineers were getting together "on the possibility of producing a supplementary private sector analysis" of the plan for a rapid rail system for Johannesburg.

D/D. 16/3/88

Chamber told of plan for thrust into Africa

EAST LONDON — White and black commercial organisations should together to do the ground work for a thrust into black Africa to tap the wide market available, the national co-ordinator and deputy executive director of the National African Chambers of Commerce (Nafcoc), Mr Gabriel Mokogoko, said here last night.

He told the 110th annual meeting of the East London Chamber of Commerce that whites needed blacks to get into this lucrative untapped market to increase the more than R2 billion exports from South Africa to black Africa.

Mr Mokogoko said his mission to the area was basically to see how the Ciskei Chamber of Commerce could be revived and how the East London chamber could offer assistance which could result in joint ventures.

"This area has a unique setting for black-

white co-operation and this is what we in Nafcoc desire. We want it at an institutional level because the political atmosphere was not right for individual black-white participation in business ventures," he said.

Mr Mokogoko said blacks were conscious of the fact that the free enterprise system did not work to their benefit.

**Reports by
Matthew
Moonieya
business editor**

"We are sad at the fact that black businessmen only contribute one per cent to the gross domestic product and that they only earn two per cent of the total earnings in the country. We are considering how blacks can become better involved in the economy."

Nafcoc was looking at black-white participation in depth and

there were clear examples where the economic cake was not being shared.

"Take a situation such as the raw fish industry. This is a R178 million a year industry and blacks consume 90 per cent of the fish. Blacks have never been told they must partake and share in this industry.

"The same thing happens in the R1,6 billion maize industry. We are the biggest consumers but nobody said it must be shared."

With the more than R2 billion trade with black Africa, Nafcoc was forced to tell the African countries that while they bought from South Africa, the blacks in the country did not feature in the economy.

"Nafcoc is working on a programme for a visit to black Africa where inroads will be made."

He said South Africa was being penalised because of blacks' non-participation in politics and the economy.

"We must move faster than the government. Out of possible liaison between the Ciskei Chamber of Commerce, the East London Chamber of Commerce and possibly a third body in the corridor, there could emerge a new opportunity for co-operation," he said and urged the chamber to play a role in rekindling life into the Ciskei Chamber.



At the East London Chamber of Commerce annual meeting last night were newly elected members of the executive council with guest speaker, Mr Gabriel Mokgoko, and the new president, Mr Errol Spring. From left: Mr G. Bassingthwaite, Mr K. Levey, Mr P. Hill, Mr Mokgoko, Mr Spring, Mr R. Bridger, Mr M. Williams and Mr E Tillman.

D/P 16/3/88
**Recovery not yet felt
 in EL says Spring** 30

EAST LONDON — Businessmen here were still punch drunk and perhaps a bit poorer after the recession, the newly elected president of the East London Chamber of Commerce, Mr Errol Spring, said.

"The effects of the recovery have not yet reached. East London properly and I predict the year ahead will not be easy," he said.

He said South Africa was going through a difficult period and that economic stability and development depended on the maintenance of law and order and a climate of peace.

"It must prevail to enable the entrepreneur to operate and contribute to the creation and wealth to enable us to live in the type of society which our birthright entitles us to.

"The chamber has structured itself to contribute to the economy."

Replying to the national co-ordinator of Nafcoc, Mr Gabriel Mokgoko, Mr Spring said blacks would have to be incorporated into the economy if the free enterprise system was to survive.

Earlier the outgoing president, Mr Nico Cloete, appealed to businessmen among all races to join hands and contribute to the solution of the country's economic problems.

"The East London Chamber of Commerce is colour blind and I believe there are too many separate commercial bodies which could have been talking with one voice.

"We are still divided by historic prejudices. We are still confusing economics with politics. While I realise there are cultural differences and different religious and language groups, I believe we can still come

together and work together.

"This has been proven locally where we have the CSI (Chamber of Commerce, Sakekamer and Chamber of Industries) which works for the common good of all.

Earlier in his presidential report, he said the delay in the upliftment of the region, although it was largely political, "can also be laid at our feet".

"Government can create the correct atmosphere but we must take the initiative. Too long have we sat back and concerned ourselves with our own affairs and ignored our social responsibilities

"How many of our members have encouraged equity participation in our businesses with potential shareholders of other races?

"Who has considered offering shares to deserving members of our senior black staff? Only when we can restore mutual trust can we make meaningful progress. It is imperative that we prove our bona fides to share with all members of our society."

Mr Cloete said the chamber had come to serve all sectors of the economy and urged "the non-traditional chamber sectors to consider joining our team".



The outgoing president of the East London Chamber of Commerce, Mr Nico Cloete (left) congratulates his successor, Mr Errol Spring, after his election last night.

Nico Cloete lauded

EAST LONDON: The East London Chamber of Commerce was fortunate to have had a young dynamic leader throughout the past three tumultuous years, the newly elected president, Mr

Errol Spring, said last night.

He was paying tribute to the outgoing president, Mr Nico Cloete.

Mr Spring said the past three years had witnessed tremendous change and the chamber had to change to meet the new challenges.

"Our members were under severe pressure. There was political unrest, consumer boycotts and a recession. Our members had to fight for survival.

"We were fortunate to have a leader such as Nico who took up the challenges and transformed us into an effective organisation."

New company tax to delay Checkers listing

18/3/88 (30) Star

By Ann Crotty

As the dust settles and economists and businessmen attempt to assess the implications of the Budget, it appears the list of casualties will include more than long-term life assurers, with Tradegro, in particular, coming close to the top of the list.

Tradegro chairman-to-be Mr Mervyn King says the introduction of minimum company tax (MCT) will delay the listing of Checkers for a couple of years, possibly until as late as 1995: "I could not advise a listing if Checkers was not going to pay dividends and it would now be inadvisable to pay dividends, given that Checkers has an assessed tax loss of around R100 million."

Checkers will not be the only casualty within Tradegro. The furniture subsidiary, Rusfurn, which makes the largest contribution to group profit, is also likely to be hit by MCT. Analysts say the implementation of MCT could reduce Rusfurn's taxed profit by R3 million this year.

The introduction of MCT represents a partial reversal of the Government's approach to corporate tax holidays. In his Budget speech, Finance Minister Mr Barend du Plessis referred to the Margo Commission reports



Mr Mervyn King

about "widespread criticism of those companies that, by making use of existing concessions and incentives, earn good profits and declare dividends, while in no way contributing to the fiscus". With this in mind, a limited minimum tax on companies is to be introduced.

Application of the MCT formula ensures that it will only affect companies currently enjoying a tax holiday. It is designed to af-

fect them to the extent that they pay out dividends. If, for some reason, a company is not paying normal tax, is making a profit and is paying dividends, it will in future be faced with a tax payment. This payment will be treated as an advance against the tax that will have to be paid when the company's tax holiday runs out.

If the company is paying no tax, but is paying dividends, its MCT bill will be equivalent to 25 percent of its total dividend payout. The company will avoid MCT if it does not pay dividends. However, as one analyst says, it may then be liable for undistributed profit tax.

The MCT is to be introduced in line with the Margo proposals. But, as a leading tax expert says, it is contrary to the commission's desire that tax reforms should be neutral: "It introduces tax planning into a company's dividend policy."

The chief complaint against MCT is that it penalises companies that have adhered to existing tax legislation and are not attempting artificially to create an assessed tax loss.

In addition, there is the possible adverse effect on new project creation. Malbak's Mr Grant Thomas says: "It introduces a new

factor into the equation which will to some extent discourage new projects."

Gencor chairman Mr Derek Keys believes the major impact of MCT will be on a cash flow: "We are being asked to make an interest-free loan to the Government." Referring to Sappi, which enjoys a very low tax rate, he says the move is unlikely to affect Sappi's dividend policy and will not be a policy determinant for Gencor's industrial interests.

However, in many companies the move is likely to have some effect on dividend policy. Furniture companies have enjoyed a tax holiday because of the nature of the flow of payments for their goods. Many make provision on the income statement for deferred tax, so MCT will affect their cash flow, but not their attributable earnings. For those companies that do not make provision, such as Rusfurn, MCT will not only hit cash flow, but also their attributable earnings figures.

Clear indications from Mr King are that MCT will have a major impact on dividend policy within Tradegro. And with the likelihood of reduced dividend flows from Rusfurn and Checkers, there must be a delay in the conversion of debentures.

Bidway
193/88
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[scribble]

Ccawusa, Pick 'n Pay wage talks near end

BRONWYN ADAMS

WAGE negotiations between the Commercial Catering and Allied Worker's Union and Pick 'n Pay are nearing an end, a union spokesman said yesterday. By late afternoon, Ccawusa had dropped its demand for an increase from R180 a month to R160. Management's

offer is an across-the-board rise of R122. The union said management's suggestion of an additional R5 a month rise is unacceptable. Talks continue today.

How to rake in profits

Sowetan 18/3/88

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THE Centre for Developing Business at Wits Business School has launched its retail development programmes for 1988.

Mr Lazarus Zim, a lecturer at the school, said the course is run annually and is aimed at helping retail managers to run their businesses more profitably.

"The retail business in this country is so competitive that more and more managers and business owners are

SOWETAN Reporters

called upon to perform under high levels of stress in order to ensure the survival of their businesses.

"In order to hold their own against competitors, retail managers have to be equipped with the skills and knowledge necessary to survive and grow in a changing retail environment," he said.

Forty-five retail managers and business owners have registered for this 15-week programme which is sponsored by National Beverage Services.

The programme is a practical course that focuses on the following aspects; managing people in a business, retail marketing, accounting and bookkeeping, the legal environment of business and business strategy.

D/D 18/3/88

Japanese pledge to SA on car sales

(30)

TOKYO — Japanese car sales to South Africa rose in the first two months of 1988, despite declared opposition by leading carmakers to "Pretoria's apartheid policies."

Spokesmen for Toyota and Nissan, Japan's two largest car manufacturers, said they had no concrete plans to restrict exports to South Africa despite calls for restraint by the foreign ministry.

Toyota's exports of cars to South Africa rose by 36 per cent in January and February compared with a year earlier, a Toyota spokesman said.

Nissan's exports also increased but the company had no exact figures yet, a company spokesman said.

But he said: "The increase in February was rather large."

"The foreign ministry has expressed embarrassment over Japan's status as South Africa's largest trading partner.

"The foreign ministry would like to see Japanese exports decrease. But so far we have had no clear call from the government to restrain exports. They have been rather vague," said the Nissan spokesman.

Nissan and Toyota cars accounted for about 40 per cent of the total South African car market last year, he added.

Toyota, Japan's largest vehicle exporter, shipped 88 341 vehicles to South Africa last year, the Toyota spokesman said.

"If we take sanctions against South Africa, there may be the possibility of reverse sanctions on us," Nissan's spokesman said. "And nobody knows whether such sanctions will lead to democracy in South Africa or not."

He said Nissan bought some raw metals from South Africa.

Neither company has direct investments in South Africa and their trade is conducted through South African-owned companies that employ black workers, according to the spokesmen.

Both spokesmen said they deplored apartheid.

"But if we pull out then somebody else will fill our shoes," said the Toyota spokesman. — Sapa-Rns

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Packing them in

Brooklyn in Pretoria has been chosen as the site of a new R40m shopping centre which is expected to fill "the void" between Sunny-side and Menlyn.

The new centre, on which construction has already started, will provide 17 000 m² of retail space on two levels. The anchor tenants will be Checkers (4 200 m²) and Dions (3 000 m²). The balance of the trading area will be divided into 80 line shops including specialised trades, personal services, banks and a post office.

The developers, Coreprop and Tomkor, are aiming at upmarket shoppers with the

emphasis on fashion and food.

Tomkor MD Alec Wapnick says a survey shows the area can support the proposed 17 000 m² centre, which should generate sales of around R60m a year. Indeed, say the developers, demand from prospective tenants is so great that a second phase which will include a cinema complex is on the drawing boards.

As it is, the centre represents an expansion of Tomkor's original plans. After acquiring

several residential properties — which had been rezoned for retail development — it found that demand called for a larger centre than first envisaged. If it used only its existing site, there would be no space for parking, so a joint venture with Coreprop — which owns the property across Bronkhorst Street — was agreed. Coreprop's site will provide covered parking for 460 cars, with links parking for an additional 410 cars, with links to both levels of the shopping complex.

Certainly, he can't be disappointed with current sales. In June last year, there were 228 stands left in Fourways Gardens, Sandton. There are now 62, of which 11 are reserved. The sale of 41 stands in the past month has realised R1,8m.

In Natal, sales at Gillitts this year have totalled R710 000, compared with R835 000 for the whole of last year. In the Cape, sales on the new phase of Marina da Gama this year total R686 000; sales at Protea Vallei have fetched R856 000 (R1,67m) and 80 stand sales at Mountain Green Meadows have brought in R2,02m.

Gardiner says the company has already started to develop stock to bring to the market in 1989. But he remains cautious on the market's momentum. So much so that an additional 1 000 single residential stands at Kyalami, Midrand, and 1 500 stands in Protea Vallei, will only be brought forward if the sales impetus holds.

Gencor Properties MD Piet Schoombie also maintains the market should be lively for the balance of 1988, but has doubts whether the activity will continue into 1989.

For one thing, he doesn't believe the market is operating on an 11-year cycle as some members of the industry claim. "The market has changed. I think the cycles have become shorter and the market is now really several markets, based on the various racial groups."

Gencor has certainly suffered from the vagaries of the market in the past. Last year,

it was counting itself lucky if it sold three stands a month at its Hurlingham township. However, things picked up this year and it sold 31 in January and 24 in February. Priced at around R45 000, there are 160 stands left out of a total of 500.

Until now, its Little Falls township in Roodepoort, which is being taken off the shelf, has also proved to be something of a problem. The township consists of 500 stands, ranging between 800 m² and 1 200 m² and selling for between R35 000 and R45 000.

Schoombie points out, however, that being forced to sit it out for three years has been costly. The company will be scraping to get a reasonable return. ■

Faith in ads 'may take a knock'

Star
19/3/88

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Consumer confidence in advertising could be "destroyed" if comparative ads were given any form of official sanction in South Africa.

According to the chairman of Headlines Advertising & Marketing, Roy Mortimer, there were too many opportunists in the marketing and advertising industries who would abuse the ground rules of effective comparative advertising to the extent that the credibility of all advertising could suffer in the eyes of the consumer.

Mr Mortimer is vice-chairman of the Advertising Standards Authority copy committee and a member of the Newspaper Press Union's advertising standards committee.

He said it was understandable that advertising agencies wanted to keep their clients happy and would do "almost anything in some instances" to maintain good relationships.

He added: "In the years I have been involved on these committees there have been innumerable cases where agencies have deliberately flaunted the codes because they knew the ads would appear only once or twice before being outlawed.

"This shows a total lack of re-

CHRIS MOERDYK

sponsibility and I believe if comparative advertising is officially sanctioned we will have this sort of irresponsible action increasing four-fold."

Mr Mortimer said the credibility of advertising in the consumer's mind in America "took a terrible knock" when they realised claims and counter-claims were being made about points which were of minor importance to them.

He recalled: "At an annual meeting of the American Association of Advertising Agencies a few years ago the AAAA's president, Leonard Matthews, said the ad industry in the US had been the victim of a terrible disservice when it was urged to come out and name names, show the other brand and let the fur fly in the presumed interest of a better-informed consumer.

"Len Matthews says as a result, the largest number of complaints handled by the regulatory body for the industry in America concern comparative advertisements.

"There is, he says, too much of a temptation to mislead."

MEDIA and MARKETING



SQUARING UP: Does comparative advertising really give the small guy a fighting chance against his bigger competitors — or will the consumer get hurt when the stones start flying?

Smart work 'is the answer to agency squeeze'

Spiralling costs, a chronic skills shortage — a likely scenario for the South African advertising industry in 1988.

What's to be done? Young & Rubicam CE David McKinstry believes the answer is greater productivity and how advertising people apply it to their situation.

He says: "Agencies can expect increased pressure on margins from clients looking to save on advertising costs, coupled with the parallel pressure of a shortage of top talent in South Africa, particularly in the creative area.

"That we may find some relief in a rising economy and a more stable political climate does not detract from the fact that we have to do everything possible to improve productivity.

"In our business, computers and mechanical aids are of limited help. Productivity comes down to personal contribution. It's not just a question of working harder; most of our people work incredibly hard anyway. It is a question of working smarter.

"Most of our clients face similar pressures. Their competitive environments continue to harden and there is also a shortage of good marketing people in this country, so working smarter is also in their interests.

"This means tighter first-time briefs, fewer and shorter meetings, fewer people at meetings and getting to the solution, whether strategic or creative, with less wheelspin."

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19/3/88

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Appliance sales up ^{30%} 5/11

SALES of large domestic appliances soared in the last quarter of 1987 to show 7.9% growth for the year.

Sales rose to 364 687 units from 337 972 in 1986. Sales in the fourth quarter increased by 26.7% on the same time in the previous year.

Richard Ferrer, chairman of the Domestic Appliance Manufacturers Association (Damsa), says: "We expect the trend to continue. We see an increase of about 10% in the first quarter over the same time in 1987."

Damsa statistics are compiled from figures supplied by Barlows, Hoover, Tek, Ocean and Univa.

29/3/88

30 B/day 22/3/88

BUSINESS

Companies urged to aim at individual

TOO MANY SA companies are still guided by marketing socialism — the practise of pandering to the imagined needs of the mass of consumers instead of using an approach more targeted towards the individual.

That is the view Brian Hopkins, chairman of advertising agency FCB Response.

Experience overseas suggests companies which retain a doctrinaire approach to marketing socialism do so at their peril.

"The mass market, when everyone had black telephones or white bathtubs, is dying," he says "as is customer loyalty".

Futurist writer Alvin Toffler, in his book *The Third Wave*, said that "mass marketing has split into ever multiplying, ever changing sets of mini-markets that demand a continually expanding range of options, models, types, sizes and colours."

For example, the US magazine *Farm Journal* is published in nearly 9 000 versions every month, each tailored to the specific needs of its subscribers by type of farm, climatic conditions and other criteria. Advertisements can even be tailored to include the name of the dealer nearest to the specific subscriber.

If all this means a headache for the product development boys, says Hopkins, it implies hell for marketers. "If a market the size of the US has to adjust to that

ROBERT GENTLE

reality, then one of SA's modest proportions will be shaken to its core."

The solution, he believes, lies in database marketing, relying on computers which keep information on existing and potential clients. Once the list has been made, methods like direct mail, sales calls or telephone canvassing techniques may be used to make a sale — or at least generate two-way communication with the prospect.

"Most marketers will agree that the challenge is not merely to create a customer, but to keep a customer at a profit," says Hopkins. "To do this you need increasingly to develop a relationship with a customer."

With the database in place, the marketer can press "as many buttons as it takes" to respond to various customer needs. Thus big spenders may be identified quickly, as might those customers who feel the "need to belong". Both these needs can be met by the creation of frequent customer or valued customer programmes.

The database may also reveal 60% of turnover is being generated by, say, 19% of the customer base. "You may suddenly question the fairness of spending 80% of your ad budget — financed by loyal, existing customers — to chase new customers who could turn out to be dogs," he says.

30 8/18/89 22/3/88

COMPANIES

Caution advised as Clicks, Score negotiate

EXCITING developments are expected to flow from negotiations being held between Hi-Score Holdings, Score Food, Clickin and Clicks Stores.

This was the view of Clicks chairman Jack Goldin when approached for comment yesterday after Rand Merchant Bank issued a statement advising shareholders to exercise caution in dealing in the shares of the companies. Rand Merchant Bank said negotiations are in progress which, if successfully concluded, may have an effect on

MERVYN HARRIS

the share prices.

"Negotiations are in an advanced stage and an announcement will be made in a few days," Goldin said.

Although Clicks has been seeking to move into new ventures, the announcement of the negotiations between Clicks and high growth-oriented grocery chain Score caught most analysts by surprise.

It was considered most likely that Clicks, which specialises in the distribution of toiletries and light electrical goods, would want to move into fields such as toys and stationery.

However, the men at the helm of the two groups — Jack Goldin of Clicks and Carlos dos Santos of Score — are known for their innovation and flair. Score is the larger of the two groups with a market capitalisation of R239m against Clicks R157m. Turnover comparisons could be misleading as, un-

like Clicks, Score is a high volume, low margin operation.

In the last financial year, Score reported pre-tax profits of R18,6m and Clicks R17,4m, but analysts expected the gap to widen this year as Score profits are expected to increase faster than Clicks.

Reacting to the announcement, Clicks shares closed 50c (6.5%) higher at 825c. Clickin firmed 10c to 380c. Score rose 20c to R16,50 but Hi-Score was unchanged at 850c.

Newcomers to Tollgate board named

Own Correspondent

CAPE TOWN — After the acquisition of a controlling shareholding in Tollgate Holdings by Duro, most of the non-executive directors of Tollgate are being replaced, but all the executive directors stay on to run the company as before.

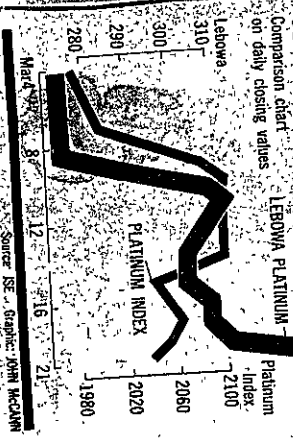
The directors who remain on the board are MD Johan Barnard, financial director Neil Blackshaw, chief executive of the Multimtech subsidiary John Boughey, MD City Tramways Nic Cronje, Julian Carney and Adrian Eksteen.

The non-executives leaving the board are Dawie Marais, Eric Grubb, Gerald Browne, Leon Flax and Charles Stride. The newcomers are Johan Claasen, Ron Sherrill, Mervyn Key, David McLaw, Murray Louw and G.L. Machintosh.

Commenting on the changes, MD Barnard says it is natural that a new controlling shareholder appoints nominees, but it is business as usual and all those who run the company continue to do so. "It was a condition of the acquisition by Duro that the management would continue as before."

Heavy trading in Leplat shares

LEBOWA PLATINUM vs PLATINUM INDEX



LEBOWA Platinum (Leplat) was the most heavily traded share on the JSE yesterday, with 295 876 shares changing hands in 130 deals — substantially higher than the three-month daily average of 58 005 shares.

The share — which was also the most heavily traded in terms of value — rose 7.9%, from Friday's close of 315c, to 340c.

Brokers could offer no clear reason for Leplat's strengthening, other than the suggestion that it represents a re-rating of the share in the light of the rise in the platinum sector index in recent weeks, sparked by firmer world platinum prices. Yesterday's trade followed a week of intense trading, in which Leplat was the

REINIE BOOVSEN

second most traded share on the JSE with 667 450 shares changing hands. The share has risen by 66% since its low of 225c on February 11, just over a month ago.

However, analysts pointed out that Leplat is normally a heavily traded share, with a lot of small investors. Leplat's strengthening defies yesterday's fall in the platinum index — comparing the two heavy-weights Rusplat and Implats — from 2 058 to 2 044, a drop of 14 points.

Meanwhile, the price of platinum broke through the \$500 level, rising to \$500,50 in London after Friday's close of \$496,00.

By Ann Crotry

Retail-sector analysts were hard-pressed to identify the possible nature of the deal between Score and Clicks that caused the managements of the two groups to issue a cautionary statement to shareholders yesterday.

Shareholders of Clicks and its holding company, Clickdin, and Score and its holding company, Hi-Score, were informed that negotiations were in progress which, if successfully concluded, could have an effect on share prices.

Score-Clicks deal puzzles analysts

Another deal between Clicks and another party, initially thought to have been Pick 'n Pay.

With management on each side understandably unwilling to comment, it was left to analysts to evolve a myriad of possible schemes.

These range from a tie-up between the retail interests of both parties to a link-up between Clicks' Diskom stores and the 36 Score retail outlets, with the most popular proposal being the creation of a joint venture

operation between the two groups.

The assets involved are, on the Score side: 17 Trador cash-and-carry wholesale outlets; 36 Score retail outlets, which deal in a limited assortment of food and allied products; 42 medium-sized supermarkets in the A&A chain; 22 Grand Bazaars supermarkets all of which combine to provide an annual turnover of around R1 billion.

On the Clicks side the assets

are: 75 Clicks stores, which retail toiletries, cosmetics, appliances and fancy goods; 16 Diskom stores with a combined annual turnover of around R300 million.

The four companies involved — Clicks, Clickdin, Score and Hi-Score — enjoy a very high rating on the JSE, with P/E ratios of 14.6 times, 29.5, 18.1, and 51.5 respectively.

This is due to the excellent management teams on both

sides, which have consistently succeeded in turning in results that are well ahead of those of their competitors.

In both instances, growth strategies are excellent, gearing is low and cash flows are strong.

The market is concerned that whatever evolves should not be at the expense of either party's winning formula.

This means that there should be as little change as possible to management strategy and personnel.

Clicks and Score to merge?

cap t mts 22/3/88
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By AUDREY D'ANGELO
Financial Editor

CAPE TOWN-based Clicks Stores and the rapidly expanding Score group seem almost certain to merge. Negotiations are at an advanced stage and an announcement is expected this week.

Their share prices have already started to rise following an announcement by Rand Merchant Bank yesterday that negotiations were in progress. The price of Score shares was up 20c by midday yesterday. Clicks was up 5c and Clikdin by 10c.

Neither side would comment

on the negotiations at this stage but Clicks executive chairman, Jack Goldin, asked if he intended to retire, said: "I shall still be around for some time yet."

Both Clicks and the Score group are expanding and both turned in impressive results throughout the recession.

Clicks, which recently reported a 27,3% rise in attributable profit to R6,1m for the six months to December, has 68 stores and plans to open another seven between July and December this year.

The group includes 16 Discom stores, which are specifi-

cally targeted at the black consumer market.

Score, which ended its financial year on February 28, has not yet announced its results but turnover is expected to pass the R1-bn mark.

It owns 36 Score retail stores, 22 Grand supermarkets and 17 Trador cash and carry wholesale stores.

Its interim results showed a 61% rise in earnings to 37,4c a share.

The Score group first entered the Western Cape market nearly three years ago when it opened a Trador outlet in the city. Soon afterwards it

bought the ailing Grand Bazaars chain and turned it round.

It is known for its dynamic management, headed by MD Carlos dos Santos, a former senior executive of Metro Cash and Carry.

Jack Goldin was the founder of Pick 'n Pay. He sold the fledgling chain to Raymond Ackerman, intending to retire.

But, celebrating his retirement with a sea cruise, he grew bored and thought of starting a chain selling toiletries and gifts. Excited by his idea, he left the cruise early and returned to Cape Town to start Clicks.

Clicks and Score in merger talks

CAPE TOWN — A new retail giant with 160 stores and more than R800 million turnover is expected to be formed by a merger of Clicks Stores and Score Food Holdings, which also controls Grand Supermarkets.

Rumours were circulating last week about a deal involving Pick 'n Pay and the Cape-based Clicks chain, but the Score group has emerged as the likely suitor.

Rand Merchant Bank disclosed that "negotiations are in progress which, if successfully

concluded, may have an effect on share prices."

Shareholders of Clicks Stores, its holding company Clikdin, and of Score Food Holdings and Hi-Score Holdings were warned to exercise caution in their share dealings.

Jack Goldin, chairman and founder of Clicks, said if, as expected, a deal went through, it would be of great benefit to both groups of shareholders. Asked if he intended to retire he said he would still "be around for some time."

A spokesman for the Score group said another announcement would probably be made within the next few days.

The Clicks chain includes 68 Clicks stores and 16 Discom stores.

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But, celebrating his retirement with a sea cruise, he grew bored and thought of starting a chain selling toiletries and gifts. Excited by his idea, he left the cruise early and returned to Cape Town to start Clicks. — Sapa-DDC.

Pennypincher earnings rise 204%

Finance Staff

Bottom-line profits for the Cape-based building materials chain, Pennypinchers (Penpin), jumped 204 percent in the 1987 financial year on a 58 percent rise in turnover to R64,3 million.

Earnings per share, excluding a non-trading item of R966 435, soared by 121 percent to 9,62c in 1987. Net asset value per share improved from 10,28c in 1986 to

51,32c in 1987.

A final dividend of 2c has been declared, making a total for the year of 4c.

Chairman Mr Fasié Malherbe says continued growth also resulted in increased liquidity. A rights issue of 2,29 million shares at 115c a share "enabled expansion to continue with no financial pressures".

Pennypinchers Boards (Penboard), a Penpin subsidiary list-

ed on the DCM last year, contributed strongly to group performance. Penboard turnover jumped 126 percent to R17,5 million, with earnings per share of 6,08c, up from 2,44c in 1986.

On prospects for 1988, Mr Malherbe says: "The expansion initiated last year has laid the foundation for an increased turnover of more than R110 million, an increase of 72 percent".

CAPE TOWN **Hypermarket defies council**

— The Hypermarket at

Brackenfell is to defy a municipal order and open for business on Easter Saturday, April 2.

Manager Chris Gouws said because Easter Saturday was at the end of the month and no other municipality in the northern areas required shops to close, he was opening the Hypermarket.

Gouws said the Brackenfell Town Council had recently de-

livered notices to shopkeepers in the Hypermarket complex informing them of the council's closure order.

He said failure to comply carried penalties of a fine up to R200 or a year's imprisonment.

Gouws said Pick 'n Pay's action should not be seen as an attempt to confront the Brackenfell Town Council. — Sapa.

28/4/24

Assocom puts flood bill at R1bn

DAMAGE caused by the recent floods could cost SA more than R1bn, Assocom said yesterday.

Conservatively estimated, flood damage in the Free State, western Transvaal, northern Cape and Ladysmith was about R850m.

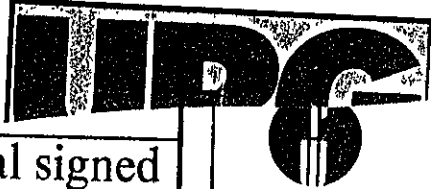
Most of the damage was not insured — an estimated R690m — while insured damage was about R160m. However, As-

Assocom stressed that the figures were "guesstimates" — made on the best data available to the association.

Government would probably have to increase the R300m set aside for flood relief, depending on a more precise assessment of the damage in the Free State and the northern Cape.

GRETA STEYN (188) (30)

POLICE have confronted a friend of the suspected bomber, Heinrich Grosskopf, who has been detained in connection with the implementation of security legislation in Cape Town. Jurie Moolman, 22, is a school teacher at Grosskopf.



deal signed

CAPE TOWN -- Operating income rose 189 per cent to R1,25 million and attributable income 150 per cent to R723 000 in the six months to end-December the interim results for the Fred Whitehead Group show yesterday.

Earnings a share of 7,6c are 85 per cent up on the 4,1c at the half-way stage in 1986.

Listed in November last year in the development capital sector of the JSE, the Cape-based group is confident of achieving the forecast weighted earnings a share of 15,7c for the year to end-June.

Turnover for the group, whose subsidiaries operate nationally in the finishing trades associated with the con-

110 243188
Whitehead
 group up
 189pc (30)

struction and civil engineering industries, showed a 103 per cent increase to R15,7 million (R7,7 million).

Flooring contractors, Kalley Flooring Pty, and its associates Eric Aitken Pty, as well as Fred Whitehead and Sons Pty, painting contractors in the Eastern Cape, and Dreamcoat Pty were acquired during the period, and made "a positive contribution to turnover and profits," according to comment with the results.

The executive chairman, Mr Mick Whitehead, says the acquisi-

tion of Dreamcoat, the second largest painting contractor in the Transvaal, marks the group's entry into the country's biggest painting contracting market.

He says the group's different divisions, which include painting contracting, flooring and waterproofing, as well as the manufacture and application of specialist coatings, are all operating satisfactorily.

"The group order book continues to show healthy growth against the background of continued demand in the building and construction sectors of the economy."

The former East London company, Bellgrove and Snell, is part of the group. — Sapa

DIP 28/3/88

Pennypinchers jump 204pc

30

EAST LONDON — Bottom line profits for the Cape-based building materials chain, Pennypinchers (Penpin), jumped 204 per cent last year.

According to the annual results for the year ending December 31, 1987 published yesterday, turnover increased by 58 per cent to R64,3 million.

Earnings a share, excluding a non-trading item of R966 435, soared by 121 per cent, from 4,35c in 1986 to 9,62c in 1987. Net asset value a share improved from 10,28c in 1986 to 51,32c in 1987.

A final dividend of 2c a share has been declared making a total dividend for the year of 4c a share.

The chairman, Mr Fasia Malherbe, said the group's continued growth also resulted in increased market share and liquidity.

One of the major events of the year was a rights issue of 2 288 100 new shares at R1,15 a share "which enabled expansion to continue with no financial pressures."

Pennypinchers Boards (Penboard), a Penpin subsidiary listed on the Development Capital Market last November was a star performer and contributed strongly to group performance.

Mr Malherbe attributed this to rapid stock turnover, a high-profile advertising campaign and concentration on personal service at store level.

The substantial improvement in profitability was due to increased buying power, he said.

Penboard has opened six new outlets since the beginning of this year and further expansion is expected to increase turnover to over R30 million.

OK BAZAARS management has offered employees a R56 across-the-board monthly wage increase, or an R80 a month increase achieved in two stages over the next seven months, OK personnel director Keith Hartshorne said yesterday.

20 01/04/88 21/3/88

Black organisations more militant

30
Bl...
25/3/88

Study shows race laws still curb business

Business Day Reporter

BLACK business remained restricted by racial legislation and municipal regulations towards the end of 1987, the SA Institute of Race Relations (SAIRR) latest Social and Economic Update said.

And continuing action against hawkers in Johannesburg suggested there was still a gap between stated government intentions and official practices which affected black business, it said.

Update said one apparent consequence of continuing restrictions on black business was the formation of organisations such as the African Council of Hawkers and Informal Businesses (ACHIB), the Black Poultry Association, the Johannesburg CBD Chamber of Commerce and the Sechaba/Sizwe Co-operative.

These new groups seemed to be more militant than more established black business organisations and had a greater willingness to use demonstrations and selective boycott tactics.

Update said statements from these organisations suggested their emergence was a reaction to what they saw as the indifference of white business and government and their emergence could consti-

tute a growing challenge to both.

But it appeared the removal of formal restrictions would not, on its own, ensure black business development.

The elimination of historical backlogs might require a bigger injection of government and private sector resources than either had been willing to give.

Another Update report said black passenger transport was one of government's most intractable policy problems during the fourth quarter of 1987.

But any solution had to recognise the problem could not be resolved until black commuters lived much closer to their workplaces.

The mounting subsidy burden and the continuing politicisation of passenger transport led government to continue with plans to deregulate transport and to transfer control and subsidy responsibility to RSCs.

It said attempts to resolve the black passenger transport problem by deregulation and transferring responsibility, would face resistance from influential interest groups.

□ □ □

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30 1/2 10/11 25/3/88

□ □ □

10 2573/88

Businessmen in SA naive about crisis (30) says Bishop Tutu (28)

CAPE TOWN. — The "naive" responses of businessmen to the crisis in South Africa were very depressing, the head of the Anglican Church in Southern Africa, Archbishop Desmond Tutu, said in an interview published yesterday.

He also said his "beef" against capitalism was that it encouraged the competitive spirit and heightened the laws of the jungle, by sending the weakest to the wall.

"That is contrary to how I understand the Gospel — the strongest person should show his strength in how he treats the weakest."

Archbishop Tutu stressed that he did want sanctions to be imposed, but said they were the last "non-violent strategy" to get the government to the negotiating table.

"It is remarkable that we can go on seeking to find non-violent strategies at a time when we are still victims of one of the most vicious and institutionalised, legalised violence that anyone could ever have thought of," he said.

When the rand dropped sharply after the action of an American bank, business people "suddenly started to think that the air around Lusaka was salubrious, so many of them went up that way (to talk to the African National Congress)".

Since the gold price increased "and the government appears to have things under control" businessmen had ceased to criticise government policy changes he told Leadership magazine.

"They are no longer speaking in sharp terms."

He had spoken to business people in both the English and Afrikaans communities and he came away from the meetings feeling very depressed.

"Their analysis of the South African situation was so conventionally white and really naive.

"They were shying away from the fact that it is political power which is at the nub of the crisis in this country." — Sapa



ARCHBISHOP TUTU

D/D 2573/88

Music boost (30)

CAPE TOWN — The Cape-based recorded music retail chain, Musica, announced plans yesterday to open six new outlets, which will bring the total to 26 outlets around the country.

Musicra raised R825 000 through a fully-subscribed private placing and intends to seek a listing on the Johannesburg Stock Exchange in the "foreseeable future".

Managing director Derek Goosen said six new stores would be opened this year — two each in Natal, the Transvaal and the Eastern Cape.

The existing two outlets in Cape Town's Golden Acre complex would also be expanded, he said. — Sapa

BUSINESS



At the East London Chamber of Commerce seminar on labour relations yesterday were from left: the technical director of the Daily Dispatch, Mr Len Beacom, Professor Dawie de Villiers, the president of the chamber, Mr Errol Spring, and Prof Piet Nel.

Union

targets

warned

by Matthew Moonieya
business editor
EAST LONDON — Small and medium-sized businesses, especially those in the non-metropolitan areas, should be braced for concerted trade union action.

That was the warning yesterday from two prominent labour relations academics, Professor Pieter Nel and Professor Dawie de Villiers, both of the University of South Africa.

They addressed an East London Chamber of Commerce seminar on labour relations.

Professor Nel, head of personnel and industrial relations at the university, said it was common knowledge that groupings such as the Congress of South African Trade Unions (Cosatu) had stated that their objective was to focus attention on the non-metropolitan areas.

Trade unions are making a concerted effort to operate in the areas outside the PWV, Durban-Pinetown, Port Elizabeth and Cape Town regions.

"The reason is that they believe the smaller businesses are not sufficiently equipped to deal with trade unions at the level of their counterparts in the metropolitan areas.

"Large businesses have gained their experience via formidable and lengthy interaction with trade unions over the last decade and are now operating at a level in which industrial relations managers are a good match for their trade union counterparts.

"Medium and small-sized businesses are therefore attractive targets for trade unions since they are understandably not as well

skilled and experienced as their larger counterparts. The trade unions hope to have little opposition to increase their membership as well as extensive benefits for their members from smaller businesses."

Small businesses should note these facts, especially those in the Eastern Cape, because the trade union trend had been to focus attention on large companies such as Volkswagen, Ford, Mercedes Benz and Wilson Rowntree. Issues which small businesses would face were ones such as wages, leave, safe working conditions and fair dismissals.

"Increased strikes and a more hardline approach can be expected," he said.

Prof De Villiers said small businessmen should acquaint themselves with their rights

and obligations under the Labour Relations Act as well as other labour legislation.

"Only thorough knowledge of the issues which impact on labour relations, such as trade union politics, grievances and disciplinary procedures, the substantive and procedural fairness of retrenchments and dismissals will ensure survival for small businessmen, in particular during the present economic upswing."

Both professors said their views were supported by numerous occurrences in practice.

They cited the Elleries lengthy strike by a Cosatu affiliate, CCAWUSA, last year in the Eastern Transvaal and said managers involved in such clashes stated that they felt a feeling of helplessness because of lack of expertise.

D/D 25/3/88

Handwritten notes and scribbles in the right margin, including a circled '20' and other illegible marks.

Score, Clicks merge to form retail giant

20/3/88 Star

ANN CROTTY

In a deal valued at around R57 million, Hi-Score, the Score holding company, is to take control of Klikdin, the holding company for the Clicks and Diskom retail chains. The merger will put Hi-Score in a strong position to compete with the big players in the retail industry such as Pick 'n Pay, Checkers and OK Bazaars.

Klikdin chairman, Mr Jack Goldin who holds 51 percent of Klikdin, has agreed to sell 63 percent of that stake (equivalent to 7,9 million shares) to Hi-Score at a value of R4,75 per share. Consideration will be effected by a cash payment equal to 75 percent of the total value and the allotment and issue of Hi-Score shares at R8,40 per share for the balance. A similar offer will be made to Klikdin minorities.

Mr Goldin, who will continue to act as the chairman of Clicks and will be a consultant to the enlarged group, has undertaken to sell additional shares to Hi-Score if minority acceptance is not sufficient to ensure that Hi-Score holds at least 51 percent of Klikdin.

A restructuring of the enlarged group is planned, which will see Hi-Score as the ultimate holding company with 51 to 63 percent of Klikdin. The latter, in turn, will hold 50 percent of Clicks and 60 percent of Score. All of the JSE listings will be maintained.

According to an official announcement, the transaction is expected to have a minimal effect on the earnings and net asset value of Hi-Score, but the syner-

gistic benefits are expected to be considerable and will be reflected in Hi-Score's 1989 financial results. The management and philosophy of both groups, which have proved to be excellent, will be maintained.

Market analysts were initially hard-pushed to identify any scope for synergy in the deal, but Mr Carlos dos Santos, MD of Hi-Score, had no trouble in listing the potential benefits, chief of which should be a wider spread in terms of both products and markets.

At Hi-Score, the emphasis in terms of product mix, is on food and allied goods. In terms of target market, the emphasis is on the lower end. In terms of geographic distribution, Hi-Score's outlets are concentrated in the Transvaal/Natal region.

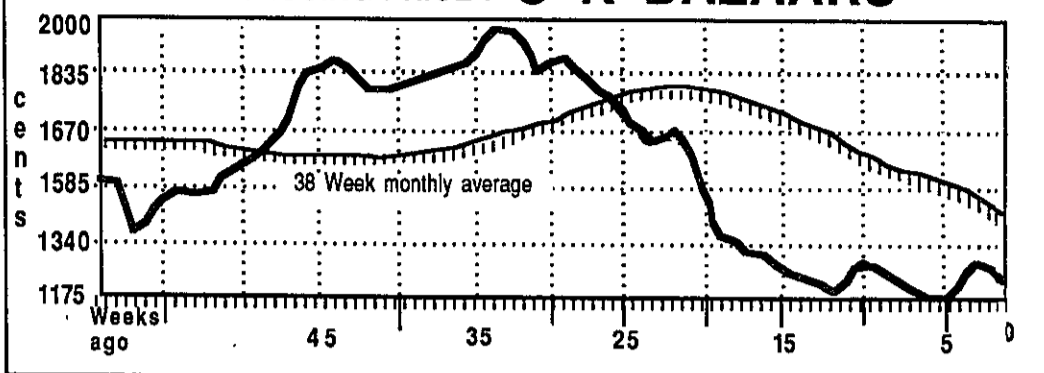
At Clicks, the emphasis is on retail toiletries, cosmetics, appliances and fancy goods. In addition, Clicks has 16 Diskom stores, which carry the same types of products, but target the black market. Most of the Clicks stores are situated in the Cape region.

There will be little, if any, duplication of activities, but Mr dos Santos is emphatic that there will be "a fair amount of scope for synergy in terms of financial discipline". In addition, although the two parties target different segments of the market "we deal with the same manufacturers and so will benefit from increased buying power". Mr dos Santos seemed particularly optimistic about the scope for expansion of the Diskom chain within shopping centres where Score is already established.

Top guns compared

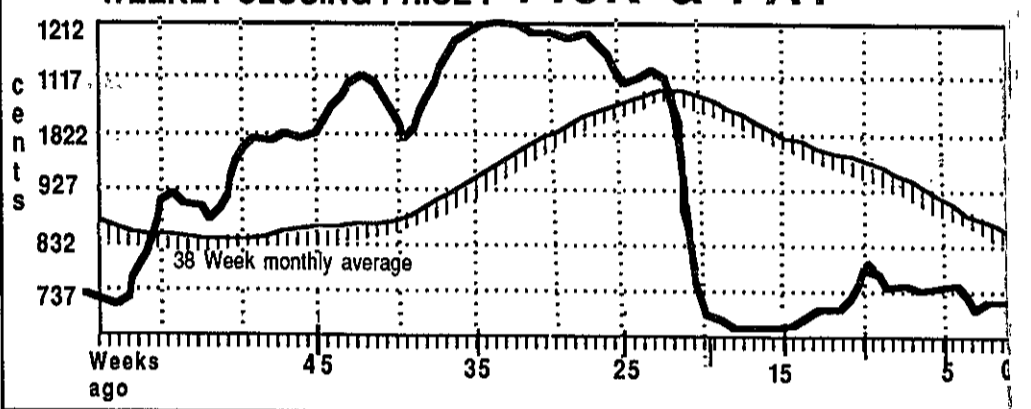
Jan 26/3/88

WEEKLY CLOSING PRICE : O K BAZAARS



According to the charts both share prices look set to appreciate, after having spent several weeks consolidating. Pick 'n Pay's share price has moved sideways for a few weeks longer, suggesting that it may go up further in the short/medium term. After that, once OK has improved the strength of its balance sheet and its productivity levels, its share price will have considerable upside, especially as it has a low current rating and is trading at a substantial discount to net asset value.

WEEKLY CLOSING PRICE : PICK & PAY



Pick 'n Pay is the largest retailer in South Africa, and OK Bazaars the second-largest. Both companies operate nationwide and derive most of their turnover from food sales.

There are, however, very great differences between the two. In the first instance, OK Bazaars relies more on the black market for support. Consequently, this chain probably sells less to each of a larger number of consumers. More transactions mean higher costs.

This may be one reason for the marked difference in the quality of the two balance sheets and of their historical performances. Comparison clearly indicates Pick 'n Pay the outright winner.

OK Bazaars is the country's biggest seller of housewares and the second-largest of food and furniture.

It has a significant market share in clothing, textiles and toys. The number of outlets has been increased from 20 in 1987 to about 208.

Financial Director Mr Barry Jack says "an average of about 6 stores will be opened or reopened each year".

Black shoppers represent about 66 percent of OK's business nationwide. South African Breweries owns nearly 70 percent of the company and individuals some 7 percent.

The public has a similar percentage stake in Pick 'n Pay. The parent company, Pick 'n Pay Holdings, has 52 percent of the equity — the Ackerman family owns 55 percent of the latter.

Business is conducted through 12 hypermarkets — 13 from next month — 87 supermarkets and superstores, and 13 garages.

The new Price Club wholesale business has grown to include 3 cash-and-carry outlets.

The recently opened Pantry Stores outlet in Camps Bay is "so far so good", according to managing director Mr Hugh Herman. He estimates that another 8 stores will be opened in South Africa.

This chain challenges the renowned Woolworths' food divi-

LYNNE PEACH

sion. Another new development concerns the opening of intermediate stores which are smaller than existing supermarkets.

Market capitalisation shows a marked difference in shareholders' "valuation" of each company. Pick 'n Pay's is R603 million or nearly four times OK's R154 million.

This is in spite of the former's net asset value being much lower — 812c per share, compared with 2 803 cents for OK.

The high rating awarded to Pick 'n Pay follows its aggressive growth history, partly due to its relative newness — 21 years old, compared with OK's 61 — but mostly due to its dynamic management team.

The same has ensured successful expansion into related business avenues and, at the same time, has kept watch over the quality of the financial statements.

The recessionary climate between 1982 and 1987 caused OK's earnings to deteriorate by about 17 percent per annum compounded. The operating margin steadily decreased from 5,7 to only 1,6 in 1987.

One reason is that furniture sales, which have a higher mark-up, declined from 21 percent of total turnover to just under 16 percent.

The food component increased from 55 percent to almost 63 percent, which was due to a decrease in real disposable income and to relatively high food inflation.

At the same time, Pick 'n Pay achieved an annual compound turnover growth rate of 12 percent. Its pre-interest margin declined less, from 3,6 to 2,5, while the food component of turnover has remained close to 70 percent.

The food inflation effect was largely overcome due to sales of clothing and other durables increasing as bigger stores were opened.

Pick 'n Pay also takes the lead in other financial comparisons. These include liquidi-

ty, return on equity, productivity per employee and dividend cover. In addition, its gearing is just over 7 percent, compared with OK's 48 percent.

OK's management, however, plan to "steadily improve its ratio over the next few years," according to Mr Jack.

Pick 'n Pay's interim results to the August 1987 showed a turnover increase of 23 percent, compared with the same period a year ago, while OK managed a lower 17 percent increase for the six months to September 1987.

However, the latter lifted its earnings by 23 percent, while Pick 'n Pay's growth was a lower 17 percent.

As regards the full year to February 1988, Pick 'n Pay's Mr Herman provides a preview of the results, saying that turnover has reached the R3 billion mark, which is at least 20 percent up on last year.

The figures for OK's year to March 1988 are not yet known. However, Mr Jack expects turnover to be close to R3 billion. In coming years, management plans to give special attention to improving stock turnover.

This should favourably impact upon borrowings, which will reduce relative interest expense. In addition, Mr Jack says OK plans to improve its operating margin over the next few years, "from 1,8 to more desirable levels of between 2 and 2,5."

This will be assisted by an increase in sales of clothing and, especially, furniture and appliances. Consequently, the food component of turnover is expected to fall from 63 percent to about 62 percent.

Both companies expect earnings to grow by roughly 20 percent in 1988.

Pick 'n Pay's share price is currently about 770c and its price/earnings ratio 14 (1987), compared with a slightly lower sector average of nearly 13. OK's share price is R12,50 and its P/E is 10. The estimated P/E ratios for 1988 are 11,5 for Pick 'n Pay and 8,5 for OK.

R30m block draws tenants

CAPE Town's R30-million Stuttards Town Square development has received 160 tenant applications before going to the market, according the developer, Equikor.

Director Ian Hirschson says: "The response has exceeded expectations, but it proves that there is a strong need for premises of this type in the city centre."

The complex, which occupies a block's length of the new St

George's Street mall and is opposite the soon to be completed NBS Waldorf development, is due to open in September.

The gross lettable retail area totals 5 200m² and the balance of the nine-floor building of 17 600m² has been converted for office space.

There is basement parking for 104 cars.

27/3/88
ST
(30)

D/D 29/3/88

Score nets Clicks in R50m deal

JOHANNESBURG — Score, the retail grocery chain, has joined the big boys of the retail market with the announcement of its acquisition of the controlling interest in Clicks for nearly R50m.

The deal, which establishes a group with a turnover of more than R1,3bn and projected pre-tax profits of R60m, puts the nine-year old Score firmly into battle with Pick 'n Pay, OK Bazaars and Checkers.

Score's holding company, Hi-Score, will acquire from Clicks executive chairman Jack Goldin 7 948 080 Clickdin shares, or 63 per cent of Clicks shareholding in Clickdin — Clicks' holding company.

Hi-Score will also make an offer to purchase 63 per cent of the

shareholdings of other Clickdin shareholders. Depending on the response to this offer, Goldin will sell a further proportion of his shares to ensure Hi-Score has at least a 51 per cent stake.

Clickdin shareholders are to be paid R4,75 a share, in the form of a cash payment equal to 75 per cent of the total amount due, and the balance by the issue of Hi-Score shares at R8,40 each.

Clickdin shares have been trading at 410c.

A joint announcement stressed the deal would have a minimal effect on earnings and net asset value for Hi-Score. But, it said, "the synergistic benefits of the transaction are expected to be considerable and will

be reflected in Hi-Score's 1989 financial results."

Score currently operates 128 outlets through various subsidiaries, while Clicks has 93 outlets.

Score managing director Mr Carlos dos Santos said in a statement: "It has always been our aim to create a far broader customer base, as well as extending our product range, which at present concentrates mainly on groceries.

"Clicks is the ideal company for us to realise this aim. The expanded group will enable us to exploit the potential growth, not only in the grocery market, but in the toiletries and general merchandise fields as well."

NEW YORK — International Business Machines Corporation (IBM), which sold off its South African subsidiary last year, said it opposed a shareholders proposal that it cease sales to its former subsidiary, now owned by South African employees.

As part of the sale of Information Services Management (Pty) Ltd, one of a series of divestitures by US corporations reacting to protests against South Africa's racial policies, IBM granted the firm exclusive rights to sell IBM goods and services in South Africa.

IBM said in a proxy statement to shareholders

IBM: sales will go on

ers that several church groups and stockholders had proposed that the world's biggest computer manufacturer end sales to ISM.

The proposal, to be voted on by shareholders at IBM's annual meeting on April 25, argues that IBM's products help to perpetuate apartheid.

"While not deliberately unfair, IBM's sales patterns fit and maintain the apartheid mo-

del of inequality and white supremacy."

The proposal calculates that ISM sells \$250 million worth of equipment per year.

IBM defended its relationship with ISM, arguing that ISM is committed to fair employment practices and noted that approximately a quarter of ISM's workforce is non-white.

IBM said it would

have been an "empty gesture" to sell the South African unit but deny the new owners the right to sell IBM products.

Last October ISM formed a joint venture with Barlow-Rand. The venture is now the controlling shareholder of ISM.

IBM also disclosed that the chairman, Mr John Akers, received \$1 291 000 in cash compensation and restricted stock in 1987 — up 11.1 per cent from the year before.

The increase nearly matches IBM's 11.7 per cent gain in per-share earnings for the year. — Sapa-RNS.

Clash over R2,4 m loan

Sowetan 28/11/88 (30)

SOWETO businessmen are fighting among themselves over a R2,4 million loan given to them by a leading bank to develop themselves in the townships.

First National Bank offered the money to the Soweto Trust Company, a brainchild of the Soweto Chamber of Commerce, in an attempt to start development projects by businessmen.

Sitco, whose co-ordinating manager is a popular member of the Soweto Chamber, Mr McDonald Temane, bought the Pepsi Cola plant last year.

An executive member of the chamber, Ms Bushy Mogoai, said many members were dissatisfied with the way Sitco was running its affairs, especially the grant that was given to start the company.

She claimed that explanations that Sitco

By JOSHUA RABOROKO

was a catalyst for other projects did not appease the chamber because it had turned out that "we are being used to fund the company".

Audited

Mr Temane said there was no need for members to be dissatisfied with the way Sitco was run. The company would present its audited statements during the next meeting of the chamber.

He would not comment further on the matter because "I do not want us to get involved in a mudslinging exercise, let us wait for the meeting next month — April 15.

Black vehicle buyers in the minority

OF THE total of 11 389 new cars registered in the Transvaal in February, 5 192 were registered to whites and 72 to blacks, with 5 992 not attributed to any particular race group.

Figures released at the weekend by the Central Statistical Service (CSS) showed that of a total of 3 608 new commercial vehicles registered for the month, 1 331 were registered to white owners, 35 to blacks and 2 212 were not attributed.

Vehicles in the non-attributable category are licensed by commercial interests.

B/day
MICK COLLINS *28/3/88*

The only category where black ownership approached that of whites was in the registration of mini-buses: Of a total of 885 — 351 went to white owners and 125 to blacks, with 381 not attributable.

The total number of new and used vehicles registered in the Transvaal during February 1988 showed an increase of 14,5% compared with February 1987.

Compared with the January regis-

tration of new vehicles — 19 433 — February's figures showed a decrease of 8,7%.

The CSS said new cars, buses, commercial vehicles and motor-cycles showed decreases of 10,2%, 23,5%, 8,3% and 15,6% respectively for the month.

Mini-buses and trailers showed increases of 10,2% and 5,1% for the month.

The trading revenue for February 1988 was 2,0% (seasonally adjusted) higher than that for February 1987.

Score buys R50m control of Clicks

SCORE, fast-moving retail grocery chain, has joined the big boys of the retail market with the weekend announcement of its acquisition of the controlling interest in Clicks for nearly R50m.

The deal, which establishes a group with a turnover of more than R1.3bn and projected pre-tax profits of R60m, puts nine-year old Score firmly into battle with Pick 'n Pay, OK Bazaars and Checkers.

Score's holding company, Hi-Score, will acquire from Clicks executive chairman Jack Goldin 7 948 080 Clikdin shares, or 63% of Goldin's shareholding in Clikdin - Clicks' holding company.

Hi-Score will also make an offer to purchase 63% shares of other Clikdin shareholders. Depending on the response, Goldin will sell more to ensure Hi-Score has at least a 51% stake.

Clikdin shareholders are to be paid R4,75 a share, in the form of a cash payment equal to 75% of the total amount due, and the balance by the issue

HELENA PATTEN 28/3/88

of Hi-Score shares at R8,40 each.

Clikdin shares currently trade at 410c.

A joint announcement stressed the deal would have a minimal effect on earnings and net asset value for Hi-Score. But it said "the synergistic benefits of the transaction are expected to be considerable and will be reflected in Hi-Score's 1989 financial results".

Score currently operates about 128 outlets through various subsidiaries, while Clicks has 93 outlets.

Score MD Carlos dos Santos said in a statement: "It has always been our aim to create a far broader customer base, as well as extend our product range, which at present concentrates mainly on groceries. Clicks is the ideal company for us to realise this aim. The expanded group will enable us to exploit the potential growth not only in the grocery market but in the toiletries and general merchandise fields as well."

BLACK TRADERS IN UPHILL STRUGGLE

Sowetan 28/3/88
BLACK business remained restricted by racial legislation and municipal regulations as 1987 drew to a close.

And continuing action against hawkers in Johannesburg suggested that there was still a gap between stated government intentions and official practices which affect black business.

These findings are highlighted in the latest *Social and Economic Update*, a regular review of social and economic conditions in South Africa, published by the South African Institute of Race Relations in Johannesburg.

Update says that one apparent consequence of continuing restrictions on black business is the formation of organisations such as the African Council of Hawkers and Informal Businesses (ACHIB), the Black Poultry Association, the Johannesburg CBD Chamber of Commerce and the SECHABA/SIZWE Co-Operative, which campaign for small traders rights.

"It may be significant that these new groups appear to be more militant than more established black business organisations and have stated a greater willingness to use tactics such as demonstrations and selective boycotts.

Statements by spokesmen for these organisations suggest that their emergence is a reaction to what they see as the hostility or indifference of white business and the Government; their

emergence may therefore constitute a growing challenge to the practices of both groups," *Update* says.

The quarter under review also provided further evidence that the removal of formal restrictions would not on its own ensure black business development.

Backlog

As in other areas surveyed, the elimination of historical backlogs might require a far bigger injection of government and private sector resources than either had thus far been willing to give.

Turning to specific constraints placed on black businesses, the publication points out that hundreds of hawkers



STREET trader . . . harassed by officialdom.

have been arrested in Johannesburg for allegedly trading without a licence or contravening regulations which require them to move at regular intervals throughout the day.

Unlike other business people hawkers must annually renew their licences which are obtained from local

authorities. According to a small business specialist, white local authorities often adopt a "paternalistic and prejudiced attitude to hawkers, a legacy of the past when they were considered a nuisance."

Update points out that industrial areas established since the passing of the Group Areas Act in

1950 are open to industrialists of a particular race only, usually whites. However, areas established before then are open to all races — one enterprise developer estimates that about 67% of industrial areas are thus open.

Despite this, however, black access to these areas is extremely limited in practice because prospective black industrialists do not know where the open areas are situated and can determine the precise areas only by consulting a surveyor's office.

The publication also reported on constraints on black businessmen imposed by what may appear to be an unlikely source — black local authorities.

BRONWYN ADAMS

PICK 'N PAY and the Commercial Catering and Allied Workers' Union of SA (Ccausa) agreed last night to an across-the-board wage increase of R140 a month effective from April 1.

The agreement concluded annual wage negotiations, union spokesman Johnson Mhlayivana said.

Labour observers predicted the settlement would raise union expectations and result in a year of tougher bargaining in the retail sector.

Other issues settled include management's acceptance that workers completing their fourth year of continuous service are entitled to four weeks' annu-

Pick 'n Pay ups workers' wages

al leave.

According to Andrew Levy consultant Pat Stone, negotiations started with a substantial offer of R100 by Pick 'n Pay. This was in line with the company's high public relations profile.

"Pick 'n Pay's settlement is a function of its business environment. The company has been boasting record turnover and high profits which have complemented its social image of community support and benevolence towards its workers."

39/3/88

D/D 30/3/88

Shoredits income soars to half year R2,4m (20)

JOHANNESBURG — Operating income for the half-year to end-December was up 33 per cent to R2,4 million compared with the R1,63 million forecast, Shoredits Holdings said in a statement.

Attributable income was R1,4 million, or 13,6 cents a share, compared with 25 cents a share forecast for the whole of the year to end-June 1988.

"This means that we have already earned 54 per cent of the income forecast for the year," says the chairman, Mr Andy Shoredits.

"Moreover, earnings in the second half of our financial year are usually better than those in the first since they are not affected by the industry's December holiday period.

"We are therefore confident that we will exceed the results forecast for the year," Mr Shoredits adds.

Shoredits says prices of residential and business properties are hardening, good quality office accommodation is hard to come by and vacant apartments are few.

"There can be no doubt that we are witnessing the start of one of the traditional cyclical upswings in the construction industry."

Since January there has been a hardening of between 10 and 30 per cent in construction tender prices in the various markets served by companies in the group, he says.

"It is obvious that the South African building industry, which was severely hit by the recession, is now fast running out of capacity. — Sapa.

JOHANNESBURG —
The acquisition of Port Elizabeth-based furniture retailing group Giddys by the R650 million a year group Rusfurn was for R3,17 million cash, Rusfurn announced in a statement.

The nine-store Giddys chain would give Rusfurn an important base from which to expand its operations in the Eastern and Western Cape, it said.

"It will also provide

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R3,17m for Giddys

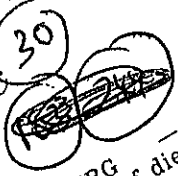
an entre into an important new market niche — that between the conventional furniture retailer and the discounter."

Management of Giddys would fall under Rusfurn's wholly-owned subsidiary Dions, with Dions' deputy managing director Jannie Els succeeding Alan Giddy as

chairman. Athol Beeforth, of Giddys, has been appointed managing director and the Giddys identity will be retained, the statement said.

The acquisition will have little impact on Rusfurn's earnings in the current financial year ending June. — Sapa.

2/1/88 30/3/88
**Diesel
retail
price
cut**



JOHANNESBURG
The retail price of diesel is to drop by between 5 and 6c a litre from Friday and will result in accumulated benefits to agriculture of R22 million a year and further savings for other industrial sectors.

Industry sources said yesterday the move had not been unexpected in the light of the announcement by the Minister of Finance, Mr Barend du Plessis, during his Budget speech.

Mr Du Plessis said then the equalisation fund levy would be increased by 1c a litre without a selling price adjustment to relieve the pressure on the fund by exchange rate and crude oil price fluctuations.

The Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said the diesel price cut would come about following a 5.5c/l cut in the wholesale price of pump diesel from Friday.

He said previous two-tiered rebates to agriculture had been consolidated and would now become an 18.9c/l rebate on the new wholesale price.

This net price would be the same as the previous production diesel prices, but would be an additional reduction of 8.9c/l on agricultural transport diesel, resulting in benefits to agriculture in the region of R22m a year.

The 18.9c/l reduction would apply equally to agriculture, forestry and the fishing industry, so that the last would also benefit to a small degree on transport costs.

Mining and construction industries would now get a rebate of 9.5c/l, which would effectively increase their price of diesel by 0.4c/l.

Users of stationary machinery would receive no refund. The prices of petrol, diesel and illuminating paraffin would be kept constant in the near future by the use of the equalisation fund.

See also page 15

31/3/89 Birthday boy Pick 'n Pay delivers the goods ^{Star} (20)

By Ann Crotty

For the year to February, Pick 'n Pay, which is celebrating its 21st birthday as a public company, has reported a 21.9 percent increase in earnings to 67.1c (55.1c) a share and has declared a dividend of 32.9c (27c).

Whatever the economic weather, it seems this group can be relied upon to turn in an earnings improvement of at least 20 percent, which is why it ranks as the bluest chip in the retail sector. Turnover was up 22.1

percent to just over R3 billion (R2.5 billion). Trading income was also up 22 percent to R55.3 million (R59.9 million), which means that trading margins held steady at 2.8 percent. After deducting R38.4 million (R32.5 million) for tax and R200 000 (R100 000) for outside shareholders' interest, attributable income showed an increase of 21.9 percent to R52.6 million.

The full year's performance was in line with that reported at the halfway stage when turnover was up 23 percent and earnings rose 20.3 percent to 93c a share. It was also in line with chairman Mr Raymond Ackerman's forecast at the beginning of financial 1988.

So it seems that yet again Mr Ackerman's group has silenced the sceptics who for a number of years have been wondering when the strong profit performance would falter. The point that continues to be made about Pick 'n Pay is that although its profit progress may look pedestrian at a

time when increases of 60 percent-plus are almost common, it is moving off a strong base and is far from being a recovery stock. For some investors this makes Pick 'n Pay even more attractive. Others worry about the sustainability of such a performance.

The major worry is that in the highly competitive retail sector there is increasing pressure on growth opportunities and operating margins and that Pick 'n Pay will soon fall victim to these pressures; it is perhaps in response to such fears that the latest results are accompanied by an account of the group's openings in financial 1988 and the planned openings for 1989. During the review year three supermarkets and one Pantry store were opened in Camps Bay, a second Price Club was opened, which went to City Deep; Brackenfell Hypermarket was completely refurbished and a number of supermarkets benefited from renovations. In financial 1989, six

supermarkets, one supermarket, one hypermarket and another Price Club will be opened.

So it seems that Mr Ackerman is confident the retail sector provides good growth opportunities. Analysts say that his strategy seems to emphasise the supermarket potential in smaller towns and that, in addition, he continues to look at the opportunities offered by the development of the electronic transfer of funds.

(30) 8/day 31/3/88

Private sector spends more

PRIVATE sector spending on capital goods notched up its first increase in real terms last year after declining steadily for five years.

Figures published in the latest Reserve Bank Quarterly Bulletin show fixed investment by private businesses increased by 3% in real terms in 1987. Real fixed investment by private manufacturing industry rose by 9% from 1986 to 1987, after its sharp drop of nearly 30% in 1986.

The private sector's real rise in spending on capital goods was not

GRETA STEYN

matched by the state, resulting in a decline of 1.5% in total fixed investment spending. However, the marginal decline in total spending is a sharp about-turn from the 17.5% plunge recorded in 1986.

While the real rise in manufacturing investment was the main engine for last year's increase in private sector capital outlays, manufacturing investment did not remain strong throughout the year — it tapered off in the last quarter, the bulletin notes, and no real in-

crease in manufacturing production capacity has been realised.

But fixed investment in other sectors showed a marked improvement in the last quarter of 1987 — with agriculture, mining, commerce and finance recording higher real spending on capital goods.

Aggregate real inventories increased slightly in 1987 as a whole, after beginning to recover in the second quarter of the year. Stock building by mining, manufacturing and wholesale and retail trade contributed to increases in real inventories in the fourth quarter.

THE rivalry between Assocom and the Federated Chamber of Industries (FCI) flared anew yesterday after speculation

that the Midland Chamber of Industries (MCI) was to relinquish its FCI membership and tie in with Assocom.

None of the chambers involved were prepared to comment, but reliable sources said Assocom and the MCI met on Monday to discuss the matter.

The loyalty-switch comes after Assocom's concerted drive to be more representative of industry and will be a blow to the FCI, which has resisted Assocom's overtures for a merger of members and interests. Earlier this week, the FCI opened a Transvaal branch to cater for industrialists in

Midland Chamber to link to Assocom

30 Bldg 31/3/88
MICK COLLINS

the Johannesburg region.

Chambers of commerce sources said yesterday the FCI was aware of the MCI's pro-Assocom move, which had been taken in the light of the latter's strong representation at government level.

The recently formed Witwatersrand Chamber of Commerce and Industry (WCCI), which is affiliated to Assocom, came about after a merger of interests between the Transvaal Chamber of Industries (TCI) and the Johannesburg Chamber of Commerce (JCC).

Pick 'n Pay sales hit record R3bn

CHRIS CAIRNCROSS

CAPE TOWN — Leading discounter Pick 'n Pay produced several performance achievements leading up to its 21st year, the most notable being a major R550m (22.1%) boost in sales to push total turnover to the magical R3bn level for the first time in its history — and, indeed, in SA retailing history.

In the financial year to the end of February, Pick 'n Pay also chalked up a 20.4% gain in pre-tax earnings, from R75.7m to R91.2m.

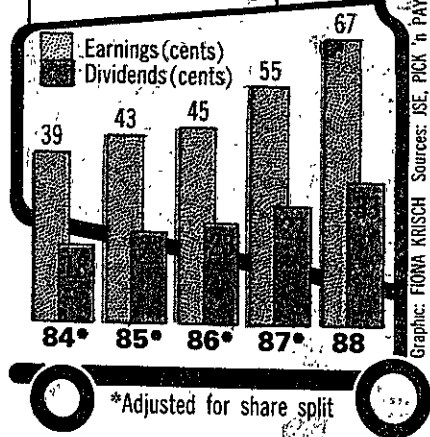
Net earnings climbed by 21.9% from R43.1m to R52.6m, making for a comparable 21.9% increase in earnings a share from 55.1c to 67.1c.

The total dividend pay-out has, in turn, been increased by 21.7% from 27c to 32.88c a share — with dividend cover still being maintained at 2.04.

Chairman and founder Raymond Ackerman, commenting on the results released today, said it was pure coincidence all these performance levels so closely mirrored Pick 'n Pay's majority.

CE Hugh Herman proudly noted that 1987's performance has continued to provide Pick 'n Pay with an unblemished track record: in each of the years since 1967, when it started life as a four-store business, the group has notched up

Pick 'n Pay Per share



steady growth in turnover, profits, earnings and dividends.

"We have never experienced a reversal, even during the bad years," Herman said.

He forecast that Pick 'n Pay was likely to do as well, if not better during 1988, indicating that 20% gains are probably well within sight.

Turnovers are rocketing all over the

● To Page 2

Pick 'n Pay achieves a record R3bn turnover

country. Sales were up above 30% this month and look like reflecting a similar margin of growth during April, Herman declared.

There is also going to be no slow-down in the discounter's store expansion programme. At least eight new openings are planned for the year, the biggest of them being a new hypermarket at Highgate to the west of Johannesburg, which is due to open its doors during April.

Pick 'n Pay finalised its wage negotiations this week which, according to Herman, amount to an annualised increase of 22% for the group's 23 000 odd employees. It is also going to mean a 17%-

18% increase in the group's total wage bill.

He stressed the size of the increases should not be read as a sign the group was now "flying in the face" of the appeal made to the private sector by President P W Botha in keeping wage increases in line with the civil service wage check.

"We are doing everything we can to keep prices down. But at the same time it is not reasonable and certainly not practical to do what was done with the civil service," Herman said.

● From Page 1

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31/3/88

Pick 'n Pay notches R3 billion turnover

by Matthew Moonieya
business editor

EAST LONDON — Pick 'n Pay turnover has reached over R3bn for the financial year — a possible record in South African retailing annals — the chairman, Mr Raymond Ackerman, has announced.

Delivering the chairman's report on the results of the company for the year ending February 1988, Mr Ackerman announced a pre-tax improvement of earnings amounting to R91 million. This represented a 20,4 per cent hike.

Turnover went up by R550 million or 22,1 per cent and the final dividend of 26 cents represents an increase of 21 per cent. Pikwik final is 12,68 cents.

"The dividends and earnings a share must be reviewed with an understanding that the company split its shares four ways, both in Pick 'n Pay and Pikwik just after the half year result," Mr Ackerman said.

He said the result coincided with the company's 21st anniversary after four stores were bought in 1967 from Mr

Jack Goldin, executive chairman of Clicks, which has now been taken over by Score.

Mr Ackerman said he was confident that the growth of the past year could be maintained and that there was a strong possibility that a profit increase of 20 per cent would be achieved.

He said the final stages of the wage negotiations with CCAWUSA were in progress and it looked hopeful that the company would reach a negotiated settlement of this important part of its affairs amicably.

Mr Ackerman welcomed the government's announcement on privatisation and deregulation because he said he felt that economic development in the private sector would be the cornerstone of the social, economic and political peace in the country.

"We have to fight disinvestment and sanctions from abroad strongly because unemployment will be an enemy of economic growth and the economic growth is at the cornerstone of our future development and happiness in South Africa," he said.



Mr Ackerman

This expansion was over and above three other openings this year in Mabopane, Pietersburg, and in Devland, near Soweto.

Dealing with the future expansion of the company, Mr Ackerman said five other supermarkets — in Pinetown, Port Elizabeth, Hatfield (Pretoria), Secunda and Mossel Bay — would be opened.

"Our 100th store, which will be our 13th hypermarket in the country, opens at Highgate in Johannesburg on April 11.

"The company actually operates a 14th hypermarket in Australia, but as mentioned in the last report, the company does not own any shares in this operation, but is merely providing management expertise."

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BUSINESS

Pick 'n Pay notches R3 billion turnover

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by Matthew Moonieya
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£3bn building the tallest

LONDON — A 244-meter tower with 49 floors will be Britain's tallest building in a vast new construction project in London's former docklands.

Construction will begin next month on the £3 billion commercial project that will transform London's skyline.

The tower will be the centre piece of the 28-hectare Canary Wharf project on the Isle of Dogs in east London. It will be 61 meters taller than London's present highest building, the National Westminster Bank Tower in the city financial district. — Sapa.Ap

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P&P notches record R3bn turnover

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31/3/88
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By **AUDREY D'ANGELO**
Financial Editor

ONCE again Pick'n Pay has turned in impressive results for the year to February 29 with profits well ahead of the inflation rate — and a turnover of more than R3 billion.

Announcing yesterday that the R3 billion mark had been passed, chairman Raymond Ackerman said: "I believe this is the first time this figure has been reached in retailing in SA. This really is a milestone."

Ackerman also pointed out the coincidence that, in its 21st year of existence, the company lifted turnover, earnings and total dividend by between 21% and 22%.

Trading income was R85,3m compared with R69,9m the previous year which, on a turnover of R3 037,6m, shows profit margins have not been allowed to rise with increasing demand and that the high earnings figure results from the volume of sales.

In spite of this and the fact that the company has agreed to an across the board increase of R140 a month for members of the Commercial Catering and Allied Workers Union (CCAWUSA) — R40 more than its original offer — the directors say they are confident of maintaining the rate of growth achieved last year.

The results show pre-tax profit rose by 20,4% to R91,2m (R75,7m) and after-

tax income to R52,8m (R43,2m).

Earnings were up 21,9% to 67,1c (55,1c) a share. The final dividend is 26c a share making a total of 38,2c (27c).

The directors point out that comparative earnings per share, dividend per share and shares in issue have been restated to reflect the four-way split in shares at the beginning of the second half.

Ackerman said yesterday that the 100th store, which will be the 13th hypermarket in this country, will open in Highgate, in the west of Johannesburg, in April.

So far three openings have already taken place this year. They are a supermarket in Mabopane, a superstore in Pietersburg and the third cash and carry Price Club at Devland near Soweto.

Five new supermarkets are due to open during the current financial year including one in Mossel Bay. The others are at Pinetown in Natal, Walmer in Port Elizabeth, Hatfield in Pretoria and Secunda.

Ackerman said the home improvements chain, Boardmans, has "swung into a good profit situation" and the butchery operation, Blue Ribbon, performed very well in a difficult year for the meat industry.

● Pyramid company Pick'n Pay Holdings (Pikwik) lifted earnings per share to 16,05c (13,34c) and the total dividend is 16,06c (13,34c) a share.

ROGER SMITH

THE MARITZBURG Chamber of Commerce is to continue its attempts to get the Maritzburg peace talks going, despite the restrictions on the UDF, local UDF leaders and Cosatu which have put an end to negotiations.

This follows a meeting at the weekend between chamber representatives and Law and Order Minister Adriaan Vlok, who placed restrictions on the organisations and on UDF president Archie Gumede and Natal Midlands chairman A S Chetty. UDF Natal Midlands secretaries Martin Wittenberg and Skumbuzo Ngwenya are still detained.

Bid for peace-talk plan continues

The chamber of commerce says the meeting was positive and the chamber will continue to talk to all parties concerned.

The on-going "war" between UDF and Inkatha supporters in the region has claimed about 400 lives so far. But it seems unlikely the peace negotiations will resume at an early stage.

Lawyers acting for UDF/Cosatu say the restriction orders are still being considered with a view to appealing against them or challenging them in court.

They agree it is unlikely an application to the minister will be made for lifting of the restrictions while any such action is under way.

Meanwhile, Law and Order spokesman Brigadier Leon Mallet has rejected criticism of the lack of progress made by police in their investigations of violent incidents in the region.

He says affidavits such as those filed in recent Supreme Court applications for restraining orders against Inkatha members do not mean police have all the evidence required for a charge to be

brought.

Furthermore, the intimidation factor is high and people are afraid to come forward and give evidence in court, he says.

Natal Attorney-General Mike Imber says there was "no delay" in bringing cases against alleged perpetrators of violence.

However, there is only one specific case related to the killings which is due to come to court soon, involving nine accused and 13 deceased, he says.

Lawyers acting for the UDF/Cosatu

in Maritzburg say township residents who have witnessed violence or were victims of it are increasingly scared to give their names for fear of retribution.

There have been several recent incidents involving attacks on people who supplied affidavits in support of applications for restraining orders on local Inkatha leaders.

In one incident, Johannes Bhekamata Nkomo, was stabbed to death and his wife and daughter seriously injured.

In another, a woman was left semi-paralysed and another seriously injured.

30 8/10/88 29/2/88

Buying a gun in South Africa is a piece of cake

2/21/88

Last year Britain was rocked when a "responsible and unremarkable member of a gun club" went on a shooting spree in the sleepy village of Hungerford, killing 15 people before turning a gun on himself.

These incidents highlight the international need for a tightening of gun controls.

According to Colonel Roy Jackson, an executive member of the National Firearms Training Association (Nafita), present legislation tends to license the gun rather than the user.

He said: "It's like registering the car and not the person who drives it."

South Africa's present lax handgun laws do little to alleviate the problem.

After the Hungerford massacre Britain announced a ban on all semi-automatic firearms. In Sweden, not only are handguns banned but there is a powerful movement to outlaw the carrying of knives. In Malaysia it is a capital offence to possess an unlicensed handgun. But, in the United States, it is a constitutional right to possess a handgun and, in South Africa, more than a million people are licensed to possess guns.

A city secretary, Miss Barbara Shaw, carries a gun in her handbag at all times.

"I often work late and walk home afterwards, so obviously I feel safer having a gun with

There are about two million licensed firearms in South Africa and between 500 and 600 South Africans apply for licences every day. The number of firearms stolen increased by 201 percent between 1985 and 1986. More than 10 000 deaths involving guns occur every year, of which an estimated 30 percent are children. PETER VAN DER MERWE, JANET HEARD and VERNON ZULU report.

me," she said. "I have had a couple of hours of training but I've never been in a position where I've had to use it so I can't say how I'd react in a contact situation."

In 1986, 135 000 new firearm licences were granted from 229 000 applications.

One of the easiest ways of getting a firearm is by simply filling out a mail order form and applying for a licence. According to Mr Dave Clarke of Charbex, the only local manufacturer of firearms, the response has been "overwhelming".

"I think in these times of unrest and violence, any man in the street has the right to de-

from whom — whether you receive training at a qualified school or not."

Carrying R950, a Star reporter was able to obtain a firearm within 10 minutes at a prominent city dealer recently.

"If you want personal protection, what you need is a heavy calibre firearm like a 0.45," confided the assistant. "When a man attacks you with a panga, a smaller weapon won't always stop him. A forty-five will blow him away."

"These 'toy' guns which ladies carry around in their handbags are best used for killing mosquitoes, they simply lack the stopping power needed in a contact situation."

A Johannesburg woman, who does not want to be named, said she went to a shooting range to learn how to handle a firearm because her husband was a professional and had seven firearms in the house.

"I thought it would be dumb to stay in a house with firearms and not have any knowledge of how to use them, even though they are all kept locked up in a safe," she said.

"We never leave firearms around the house. We keep one firearm loaded in the safe in case we have to use it in self-defence."

She said all applicants for firearm licences should be required to go through a test before receiving a firearm.

Firearm laws to be stricter

The authorities have shown belated signs of clamping down on the misuse of guns.

At the end of 1987 an amendment to the Arms and Ammunition Act restricted gun ownership to 12 per person.

But this does not necessarily solve the problem of misuse of guns.

Colonel Roy Jackson of Nafita said: "Someone who owns 12 firearms will usually be a professional and have training in firearm handling, whereas a person with one gun may have no training and may use the weapon negligently."

A draft amendment has been introduced this year. If passed, it will be compulsory for the prospective gun-owner to prove competency by undergoing some form of test.

Gun-owners will also have to have a safe for the storage of their weapons.

It will be a criminal offence if a person licensed to possess a firearm loses it and it will be almost impossible for that person to be issued with a firearm licence again.

Drink to me only

Drink is an emotive subject. In SA it has historically been bound up with such controversial issues as concessions, near-monopolies, whether it should or should not be sold to blacks, how many outlets there should be and so on. Gradually, reason has crept in. The sale of liquor is now far more liberal than it was in the Fifties. Anyone over the age of 18 may buy it; shebeens can be licensed; grocers can get licences to sell wine; and the "black book" in which the names of those who misused drink was inscribed — and to whom none was supposed to be sold — no longer exists.

Those progressive steps were not taken without vociferous opposition from SA's *Pro bono publicos*, who predicted it would all lead to chaos and unbridled moral decay. It didn't. Instead, because it was more freely available, liquor lost much of its mystique, liquor runners were put out of business and in the townships there was a dramatic drop in the sale of illegal and often poisonous or lethal homebrews.

If those steps didn't create alcohol-induced chaos, why then should the sale of liquor at retail level still be regulated? Why is it still only licensed retailers who may sell it? In the light of past experience, there is no valid reason why it should not be stocked on grocers' shelves or be available wherever food is sold, even in cafés and fast food outlets.

It is easy to understand why liquor store owners want their interests protected. There are about 2 500 of them and their cash flow is R3bn/year.

The official attitude, outlined by a spokesman for the Liquor Licensing Board (LLB), is that the public's interest must be considered "because it (liquor) is a potentially dangerous commodity." He adds that there are no hard and fast rules, but before it grants a licence the LLB insists that applicants have suitable premises, that the licence will serve the interests of the public and the applicant be someone of integrity.

Every application is considered "on merit." The board may grant a licence in an area where there are several liquor stores because it feels another store would be in the public interest — and, equally, refuse one in an area where there isn't one, because this may create problems for people who live nearby.

Interested parties have the right to object to the granting of licences. The police still use that right when they feel a licence wouldn't be in the public interest; but, interestingly enough, the professional objectors who 15-20 years ago objected to applications on principle now rarely attend LLB sittings.

It is virtually impossible to support the argument that complete deregulation will lead to a significant increase in the sale and consumption of liquor. Liquor is already freely available in SA. There are an estimat-

Making money from the sale of liquor is hedged about with generations of taboos and restrictions. But greater availability should make for greater competition — not greater consumption. To treat drink as a social evil is to miss the point.

ed 55 600 retail outlets in SA, so every 22nd shop is a liquor store. Deregulation would allow more to share in the profits of the sale of liquor and be seen as an embrace of those free-market principles to which the government claims it adheres.

Government cannot really have any sustainable objections. It will still be able to gather its taxes on the sale of liquor and it will save money if there are no regulations, because it won't have any to police and the LLB could be disbanded. It needs to be remembered that when alcohol affects criminal acts — such as drunk-driving — it is the social actions of human beings which come under scrutiny, not — or not directly — their abuse of a socially-sanctioned drug.

But what of SA's mounting alcoholism problems — the cost now put by Sanca at R1,21bn a year in lost production, accidents, violence, treatment and drink-related social effects? SA has a conservatively estimated 350 000 alcoholics — and every one problem drinker will affect, on average, at least 16 people around him — spouse, children, employer and so on. The answer is that wider availability of alcohol is essentially irrelevant to this; alcoholism, recognised by the World Health Organisation as a disease, affects some 6-10 of every 100 people who drink at all. The percentage varies from country to country, but is significantly steady enough to indicate a problem whose causes can only be marginally affected by making the addictive substance more costly, more controlled or even unavailable. Alcoholics will find drink on a glacier if they need it.

The moralists who argue that liquor must be controlled for the sake of the children are also on shaky ground. Despite the regulations, there are children who drink, some of whom are already apprentice alcoholics — which is to say, they fall within the range of those who become alcoholics anyway. There is little to prevent them from drinking.

Despite that, the rate of alcoholism among SA's teenagers and pre-teenagers is not mas-

sive and certainly no worse than in some Scandinavian countries where the sale of alcohol is a rigidly controlled government monopoly which has made it so ridiculously expensive that many operate illegal stills.

The western European experience shows that if what our authorities regard as decadent is freely available and openly displayed it does not corrupt the morals of a nation. Virtually every pedestrian mall has a porn stall. Millions of children pass them daily, but that hasn't created sexually maladjusted nations. The children have grown used to them and hardly notice.

In Australia, they learnt the hard way that by trying to reduce the sale of liquor artificially, it develops a rarity value and getting drunk nightly becomes a status symbol. They tried to control its sale in bars by allowing

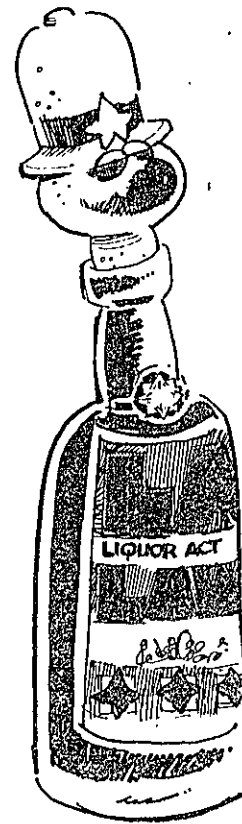
them to stay open until 18h15 but insisting that no drinks be sold after 18h00. The last 15 minutes became known as the six o'clock beerswill, because many felt obliged to demonstrate their manliness by downing as many beers as they could before being thrown out. When the laws were relaxed in the Sixties, the beerswill became history and the number of fatal road accidents dropped.

And we all know what happened during Prohibition in the US.

What of the producers? Both Meyer Kahn, MD of SA Breweries (SAB), and Gys Steyn, MD of Cape Wine and Distillers (CWD), have "no comment" on the subject. But it's reasonable to suppose that they couldn't give a hoot one way or the other. SA Breweries, with about 99% of the beer market, is selling just about all the beer it makes and if Cape Wine and Distillers, which controls about 80% of the wine and spirit market, cannot increase sales it is probably because the market

cannot absorb more, mango-flavoured wines and the like notwithstanding.

The Co-ordinating Consumer Council — which "wants as much competition as possible" — is certainly in favour of complete deregulation, with the reservation that it "be handled with caution, because the fat cats out there will create a worse monopoly than we have now." Mike Kovensky, chairman of Fedhasa, which represents SA's liquor stores, echoes this: "Big forces will corner the market and create a virtual monopoly, complete with price collusion." He argues that liquor "is different from other commodities and needs to be sold under con-



Handwritten signature or initials.

trolled conditions. It isn't a pound of butter or a can of beans."

Is there really force to this? The primary argument that alcohol is a commodity doesn't fall away. And if one is talking social evils, there are countervailing social benefits — jobs being one. Liquor stores are a preserve of the small businessman; they employ about 12 people each and are fiercely competitive. In addition, the present system gives work to a huge informal sector in black areas. There are shebeens, stokvels (clubs) and runners who supply them with their liquor. This is in effect deregulation, though the problem of producer pricing remains: "We do not have access to products at varying prices, but do have to cope with discriminatory discounts," Kovensky argues. "To promote sales of lines that are lagging wholesalers often offer them at discounted prices to one bottle store in an area. That store reduces prices, sales increase and, to stay in the hunt, the other liquor stores in the area have to reduce their prices, but get no discounts from the supplier."

Kovensky says, unlike supermarkets

which can call on several suppliers of similar commodities and negotiate prices, liquor stores can draw beer supplies only from SAB or South West Breweries which has 1% of the market. And it isn't possible to stock shelves without supplies from CWD which is owned by KWV, the Rembrandt Group and SAB; and, in turn, owns Stellenbosch Farmers' Wineries, the Oudemeester group and Henry Tayler & Ries.

He says that if they were all allowed to sell liquor, the big supermarket chains would corner the market. Initially that may force prices down — "but if they cannot get a deal on a line, they won't stock it. That won't benefit the consumer and without competition, they will force prices up."

But Pick 'n Pay MD Hugh Herman isn't even looking that far down the line. He says cornering the market and pushing up prices are far from his mind. His immediate concern is to be allowed to sell beer and to have "the rather silly regulation" that restricts a supermarket chain to 36 wine licences withdrawn.

"We have our 36. If we open up in a new

area that badly needs a wine licence, we have to sacrifice one of our existing licences. There is no reason why this regulation should still be in force. There is no evidence that any grocer has ever abused the privilege to sell wine."

Dawie de Villiers recommended that grocers be allowed to sell beer when he was minister of trade and tourism, but that was killed very quickly by powerful forces in the wine industry. Kovensky says many liquor stores will have to close down if selling liquor is opened to all. Café owners would, again, not have any particular specialised knowledge of their liquor range. But if bottle store keepers *do* have product knowledge, they don't exactly share it with their clients. And, for all the pride they display in the products they may just as well be selling baked beans or butter.

So why *not* sell bottled alcohol like baked beans or butter? This is one retail issue on which government could budge a little — except that emotions run high where drink is concerned. But rationality should be the watchword of the free market. ■

COMMERCE - GENERAL³³⁷

1988- APRIL - MAY.

IRG/SOCIOLOGY RESEARCH PROGRAM

Address: Dept of Sociology, University of the Witwatersrand, Jan Smuts Ave, JHB 2001

Phone:

(011) 716 1111

Project Leader:

Professor E. Webster

Membership/Constituency:

Research programme within the sociology department

Aims and Objectives:

To conduct research into health and safety as an industrial relations issue and work study as an industrial relations issue. To date research has concentrated on the organisation of work and safety in the South African gold mining industry

Current Research:

Research into industrial accidents, with a focus on mining accidents

Commissioned research:

Research into industrial health and safety and work study/productivity

Publications:

J. P. Leger
Towards Safer
Underground Gold
Mining
June 1985
R15

FM 11/4/88
30

Painful strike

Furniture and household appliance retailer Ellerrine had a rough ride in 1987. Beset by labour problems from last May until January, the company missed out on some of the market upturn and saw turnover declining in real terms. In view of the duration of the problems and the fact that the strike contin-

Continued on page 30

Membership:

1982
1983

Registered for
Industry in Ge

Industrial Co

Closed-shop ac

Affiliation:

Activities: *Retails household furniture and appliances.*

Control: *Malbak holds 60,2%.*

Chairman and managing director: *E Ellerrine.*

Capital structure: *6,9m ords of 50c each. Market capitalisation: R63,8m.*

Share market: *Price: 925c. Yields: 6,5% on dividend; 26,1% on earnings; PE ratio, 3,8; cover, 4,0. 12-month high, 2 000c; low, 925c. Trading volume last quarter, 127 000 shares.*

Financial: *Year to December 31.*

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ..	16,2	17,9	26,7	27,8
Long-term (Rm) ...	16,4	9,0	8,0	—
Debt:equity ratio	0,38	0,27	0,31	0,22
Shareholders' interest	0,40	0,41	0,41	0,44
Int & leasing cover .	2,6	2,5	3,0	2,9
Debt cover	1,05	0,74	0,70	0,85

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	20,6	11,4	11,6	10,6
Turnover (Rm)	232,0	242,0	298,0	322,4
Taxed profit (Rm)	12,7	12,4	15,8	16,6
Earnings (c)	184	180	229	241
Dividends (c)	40	45	57	60
Net worth (c)	1 237	1 450	1 621	1 806

ued through the Christmas period, though, performance was relatively strong. Obviously the results would have been very good indeed had there not been a strike.

Though turnover climbed 8,2% in total, most of this was due to the 34% increase in sales in neighbouring countries, while local sales rose only 2,9%. As a result, the company raised its bad debt provisions by only R4,2m, compared with R19,2m last year and debtors increased 4%, which amounted to 69% (71%) of sales.

Chairman and MD Eric Ellerrine says the provision for bad debts is still about 33% of the debtors' ledger and points out that Ellerrine's distributable reserves — R106m out of total shareholders' funds of R245m — are the highest of any retailer in the country. Ellerrine finances all its debtors internally through retained profits.

The lack of growth in the South African market also had an impact on tax rate. Foreign sales in lower-taxed countries accounted for 21% (17%) of total turnover, pulling the tax rate back from 42,5% to 38,6%. Though the group should continue to benefit from training and other allowances, Ellerrine expects the rate to even out at about 42%.

Although the strike meant that two months' wages were not paid, overheads increased and operating margins continued to



Ellerrine's Ellerrine... strike hit margins

fall from 11,4% in 1985 to 10,5% and 9,3% last year. Ellerrine says that an important reason for the margin decline was the strike. Overheads had to be paid, despite lack of turnover.

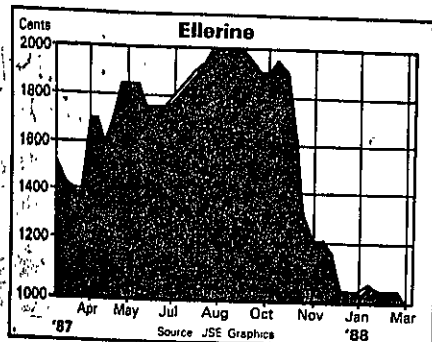
Although cash flow was lower R7m debt was repaid, reducing the debt:equity ratio further to 0,22 from the already low 0,31 of 1986. At the bottom line, the lower tax and finance charges resulted in an EPS rise of 5%.

With industrial action having such a profound impact on profits, investors must wonder how likely it is there will be a repetition this year. Ellerrine says that the union will only sign an agreement for one year and that all retail companies could have further labour problems but he emphasises there are no winners in any major industrial action.

There will be some impact on profits for the current year, as the strike lasted from December 8 until February 1, but the rise in black consumption expenditure should boost earnings. Ellerrine expects an increase in turnover of between 18% and 20% in value and 3%-5% in real terms. He also thinks that the trend of falling operating margins should end. The next reporting period will be eight months as the year-end is being changed to conform with new controlling shareholder, Malbak.

Questions about whether there will be more industrial action can be seen in the share price, which is at its 12-month low and 54% down on the year's high. At a dividend yield of 6,5%, the share is given a lower rating than the average for the furniture sector of 6% and it seems that investors will want to see that labour problems have been reduced.

Pat Kenny



SA ad industry needs IAA world view

Star 2/4/85

30

The IAA is the only worldwide, tripartite organisation of communications executives who work in advertising, marketing and the media.

It is a non-profit entity now celebrating its 50th year of existence and embraces more than 2 300 top-echelon communicators in 74 countries, organised into 40 chapters throughout the world, plus 73 corporate and 24 organisational members.

The aims of our South African chapter are to use the forum and extensive international information sources of the IAA to keep abreast of international advertising trends and worldwide advertising legislation.

The link also assists us to study educational developments and the world's changing ad-industry standards.

The IAA is the only advertising organisation in the world to be elected as a status member of the United Nations — and that is a foot in the door that few South

At a banquet in Johannesburg last week the South African chapter of the International Advertising Association launched an aggressive membership drive in an effort to restore the ailing organisation to its position as fifth largest IAA chapter in the world. Why is it so vital for local advertisers and advertising media to maintain this international link? President of the IAA in South Africa, Pax Moren (pictured right), explains.



International Advertising Association logo.



Africans within our industry can overlook.

Let me touch upon the quality of past and current achievements of IAA members within our South African chapter.

Our members drafted the initial code of the Advertising Standards Authority — which is a unique operation run by the advertising industry without government control but having government recognition and acceptance.

Elsewhere in the world, similar organisations are run by governments and not the industry itself.

Many of our IAA members have been awarded South Africa's highest industry recognition — the prestigious Protea Award.

Our members helped create the Loerie Award in conjunction with the Association of Marketers and annually serve on its committees.

Many of our members have achieved worldwide eminence, so gaining esteem for South Africa's

advertising and marketing industry.

Now we are to introduce a new advertising industry award scheme similar to the "Ethics" in the United States and which, for a change, will acknowledge substance and not design.

Such IAA awards will recognise successful advertising campaigns by performance and growth in the marketplace within a financial year.

There has been a great demand

for such a yardstick — and the IAA is the logical independent body to bring it into being. Its single over-riding purpose will be recognition of effective advertising that stimulates cash registers.

IAA members played a major role in the establishment of the South African Advertising Research Foundation — which runs AMPS, a multi-media and multi-product research programme financed in a way that is the envy of the rest of the world.

Our founder president Tommy Young created the Advertising Benevolent Fund in this country.

Our objective is also to interact with communications people from around the world, so building international bridges for the development of personal contacts.

We aim to create and maintain an international awareness among advertising people in South Africa, to take a leadership stance in South Africa with regard to international affairs as they relate to this country, to disseminate matters of international importance to the South African

market and to be a non-partisan clearing house on international matters for South African business interests.

Also, we encourage and support education in advertising. We have annually sponsored a Graduate in the Advertising Agents' Association training programme and will continue to do so.

Our members were responsible for achieving what I firmly believe to be a world first — creating a chair for marketing and advertising, so achieving new status for our industry via a recognised university degree.

And lastly, we plan to maintain an adequate representative IAA membership within South Africa.

Five years ago the South African chapter of the IAA was the fifth largest in the world, but the demise of founder president Tommy Young, allied to the rands' fall against the US dollar, resulted in membership falling to only 57.

It is vitally important for us to quickly return to our previous status as a major chapter.

Boom time for land sales

2/10/88 30
FRANK JEANS

It's a boom time in land sales for Anglo American Properties (Amaprop), with values hitting the R17,3 million mark for the first quarter of this year — more than half the total for all of 1987.

Amaprop's estates development director, Mr Peter Gardiner, says demand for the group's well-located property schemes has strengthened considerably. "The January-March sales are further evidence of the rapidly recovering property market," he says.

A star performer of the Amaprop portfolio is Springfield industrial park, near Durban with R5,6 million sales during the quarter.

Residential sales account for R11,2 million, with the top seller, Santorini, the upmarket sectional title development at Chaka's Rock, on the North Coast. Nineteen villas, with a total value of R4,5 million, were sold in the January-March period.

Sales have also been strong at Fourways Gardens in Sandton, where 66 stands, with a combined value of R2,9 million have been signed up.

"Amaprop will be marketing an extensive range of properties in and around the major centres this year," says Mr Gardiner.

● More property news in Property Guide.

Shopkeeper with the 'Goldin' touch

Star 2/1/88 (30)

TOM HOOD

The "21-year itch" is gripping Mr Jack Goldin, the shopkeeper with the golden touch.

He's about to start his third chain of retail shops, almost 21 years after starting Clicks — and hopefully make his fourth fortune.

Fortune No 1 came after he built up Pick 'n Pay from scratch to a chain of five supermarkets and sold out to Raymond Ackerman for R250 000 in 1968 when a rand was a rand.

This, he thought, was enough to live comfortably for the rest of his days. But he could not escape the habit of hard work and a challenge, so he used the cash to open the first Clicks store with the unicorn emblem, specialising in toiletries and cosmetics, gifts and household requirements.

Fortune No 2 came in 1979 when Clicks shares were listed on the JSE and his original R250 000 investment was suddenly worth about R5,5 million on paper, to say nothing of more than R1 million of dividends received in the intervening years.

Fortune No 3 — almost R38 million — will come along on June 30 from the sale of a controlling stake in the much-expanded Clicks empire, now employing about 2 000 people in its shops..

But that's not the end of the story. He is hanging on to shares worth millions.

Fortune No 4 could come from a new specialist chain of shops. He's already decided on a name. But for the moment, this and the type of merchandise is staying secret until after June 30, when he vacates the throne at Clicks and has time to throw his full effort into the venture.

Taking things easier

Over the years he has turned away several takeover bids for Clicks but this time he succumbed to the one he couldn't refuse.

And for two reasons.

First, he says: "I turn 63 next month and I would like to take things a little easier."

Second, he wanted the shops to stay in good hands — and the buyers, Score Food Holdings, has the young, dynamic team he believes is needed.

After all, Jack wants to safeguard his investment in Clicks. And he will stay on the board and act as consultant to the Clicks management for three years.

"I remain a very big investor and if I didn't have confidence in the Score management I would not have agreed to the deal."

Hopefully, leaving Clicks will also mean cutting down the 12 to 15 hours a day that he puts in.

"Business is my hobby and I don't intend to retire and do nothing," he says Goldin.

He plans to open his own office in the city to start his third venture, something that does not clash with the restraint clause in the Clicks agreement.

"I didn't break my word with Raymond Ackerman when I sold Pick 'n Pay



Jack Goldin — he doesn't intend to retire and do nothing.

to him and I don't intend to break it here. But I would like to work at a slower pace."

The success of Clicks he attributes to the efforts of the management team built up and their long service. "People who stayed with us have gone far."

In his first year on the JSE, Jack was proud to report sales of R39 million and net profit of just under R2 million.

This grew in nine years to R227 million of sales and almost R9 million net profit.

Sounds easy if you say it quickly, but you need a winning formula and the determination to make it work. Jack went into the right market but, he says, remained a shopkeeper, never a retailer operating from an ivory tower.

"You have to get the feel of the shops. To be a good retailer you must be an all-rounder and be prepared to muck in," is his philosophy.

He was born in Poland and came to South Africa as a child. His first job after wartime military service was selling toiletries as a rep.

Then his earnings and cash wedding gifts were ploughed into a small grocery store, Suburban Provisions, in Cape Town's southern suburbs.

He had to rise at 5am to collect bread from a baker, delivering it hot to customer before breakfast.

His first innovation was to undercut the two main food chains, OK Bazaars and Woolworths, selling tea at tuppence below cost to attract customers.

He was one of the country's first retailers to introduce house brands and self-service. He believed customers who collected their own provisions and paid cash were getting less than those enjoying deliveries and accounts.

The slogan "You pay less at Clicks" reflects the group's major strength — its buying skills — and the heavy involvement of Mr Goldin in the buying operation by spending half the year shopping in the world market places for new merchandise.

3/3/88

OFS extends trading hours

30
8/day

BLOEMFONTEIN — The Free State has fallen into line with other provinces by extending the hours in which shops may be open.

In the past, trading hours were restricted to between 6am and 7.30pm, but under an amendment to the Shop Hours Ordinance of 1952 shops may now open at any time between 5am and 11.30pm, except on Sundays, Good Friday, Ascension Day and Christmas Day.

However, local authorities still retain a measure of control in that they may promulgate regulations to restrict trading hours in certain circumstances.

An example would be where extended shopping hours caused a disturbance to nearby residents.

The extension to the shopping hours is the culmination of many years of representations and investigations as to the pros and cons of lengthened hours. — Sapa.

Ross-Thompson

Motor manufacturers battle to keep up

D10 514/88
South Africa's motor industry is battling to keep pace with strong upsurge in vehicle demand, following five years of low sales volumes.

An industry-wide shortage of supply of new vehicles is likely to be sharply reflected in March sales' figures from Naamsa, the National Association of Automobile Manufacturers, due out any day now.

Spelling this out in a statement, the Toyota group says that although the rush to the dealers' showrooms from both the private consumer and company fleet owners can't compare with the heydays of the early 80s, it is still way above the depressed years of 1986 and 1987 — and far better than industry leaders thought it was going to be.

That's the problem, says the statement.

"Right now, manufacturers are having a hard time meeting demand, and it's a feature of the industry countrywide. It's also a problem that looks like being around for a while yet until industry has fully geared up to match the needs of an expanding market.

"I don't see a significant improvement in the medium term," says Brand Pretorius of Toyota.

"Orders for passenger vehicles from our dealer chain for April total 7 239 — 125 per cent

more than this time last year when the order books totalled 3 222 units. (30)

"Orders for light commercial vehicles for April total 8 484, 88 per cent above last April's modest figure of 4 479 vehicles.

"To make matters worse, there are fewer production days in April and May. All these public holidays mean fewer production days. That doesn't help. An average month has 22 to 23 production days. April will have only 20 production days and May only 19.

"Take Toyota's average production of 400 vehicles a day and the loss in vehicle production amounts to at least 2 500 units.

"With the memories of the 86-87 slump in vehicle sales still sharp, industry leaders admit that it's an ironic situation. The industry is trying hard to meet the stepped-up consumer demand but cannot.

"You cannot just turn on production like a tap," he says. "After the kind of depression we've experienced in the last few years, it takes several months to get the pipeline of imported components back on stream. It also takes time to gear up local component suppliers who themselves may have laid off staff. But all manufacturers are certainly doing all they can to meet demand and some component com-

panies are working 24 hour shifts".

"When manufacturers were preparing their market demand estimates for 1988 they were looking at a GDP growth of about three per cent which would be reflected in a 10 to 12 per cent increase in vehicle sales this year.

"We thought we were being bullish when we made those calculations — but we underestimated the extent of the positive over-reaction following the sales slumps," says Mr Pretorius.

"The facts are that in the first two months of this year total vehicles sales are up 28 per cent on January-February of 1987. The light commercial vehicle market is up a huge 40,5 per cent."

Industry-watchers attribute the dramatic turn-around in the motor industry's fortunes to two main factors:

- Vehicles are getting older and in need of replacement. Many previous-generation vehicles are racking up huge distances, and are getting inefficient and past their prime.

- Companies are making good profits and are in a position to re-equip their fleets.

Mr Pretorius concluded that vehicle sales at present, are not so much a function of demand, but rather a reflection of the manufacturers' ability to supply.

After a record breaking year

Foschini forecasts higher growth

CME Times
7/4/88
30

By LAWRENCE TOTHILL
Investment Editor

AFTER a record breaking year, Foschini's chairman Stanley Lewis is forecasting an even better year to come with further "material" growth forecast.

Writing in the annual report he says that while the stockmarket crashes throughout the world in October 1987 have not yet been fully felt, and the world is in a period of low economic growth, "current trade indicators in our industry as a whole, and our group in particular, are that consumer demand remains vigorous. As a result we may expect a good 1988 and we have planned accordingly.

"The results of trading in the first few months have justified this view and, subject to unforeseen circumstances, we look forward to further material growth in the current year."

He says that each company in the group has developed a structure of its own and each has exploited market opportunities more and more effectively, with greater productivity and improved market penetration.

He adds that notably Markhams, the menswear chain, and Pages, which deals principally with the black community, have each developed a very successful retailing formula and are, now, well positioned to pursue market share aggressively.

Lewis welcomes the privatization

moves announced by government, since the growth in the influence of the public sector and the bureaucracy has proved to be extremely costly.

He notes that the official statements made have been far from clear and says there is considerable conjecture as to where the funds would come from to give effect to a significant degree of privatization.

New trust

Lewis has announced the establishment by Foschini of a trust which will be known as "The Stanley Lewis Foundation".

The objective of this trust will be to support and encourage appropriate educational and charitable causes.

An initial amount of R1,5m is being allocated to the trust.

As already announced in the preliminary profit statement the year to December 1987 saw turnover of R407m (R330m); and income after tax of R323m (R246m).

The return on shareholders' funds has jumped sharply to 54,8% which, except for 1981, is the highest it has been in recent years. The return on total assets is a very healthy 24,1% — the best in at least 10 years.

At its last traded price of 3 500c Foschini gives an historical earnings yield of 9,5% and a dividend yield of 4%. The pyramid company, Lefic, traded last week at 1 785c to give a similar earnings and dividend yield.

Metals

**VW best
since ^{DP} 1988
1981** (30)

JOHANNESBURG — Volkswagen of South Africa (VWSA) has recorded its best monthly wholesale vehicle sales figure since 1981.

Last month VWSA wholesaled 6,161 units — the highest number of vehicles delivered to dealers since July 1981's 6,577. The highest monthly sales ever recorded by VWSA was 6,807 in August 1980.

VWSA has also recorded its best first quarter wholesale sales in six years, with year-to-date (first quarter) figures 54 per cent up on the same period last year.

VWSA expects March vehicle sales for the whole industry to top 20,000 units. The company is confident of achieving a passenger market share of more than 20 per cent — "well in line with objectives".

— Sapa

East London electricity blackout..

Traders count their losses

D/D 7/4/88

30

EAST LONDON — Traders in the city were counting their losses yesterday in the wake of a five-hour electricity blackout that forced the closure of several stores on Tuesday.

The city electrical engineer, Mr Harden Beck, said the major equipment failure that caused the supply interruption had been isolated, and power had been switched from faulty to sound equipment.

Electrical engineering staff began work on permanent repairs yesterday.

Although the period the city was without power was not long enough to cause major problems due to defrosting fridges and spoilt perishable goods, most shops who make use of electronic tills, could not process customers'

purchases during prime trading hours.

The manager of a supermarket in the city estimated losses to his store at almost R50 000, due to the forced closure from 11 am to 4 pm, when premises were plunged into darkness.

He said trade could not continue during a blackout as it was difficult to prevent shoplifting in the gloom of emergency lights.

"Tuesday was especially busy after the long weekend and I know we lost a lot of business to opposition stores who had back-up power supplies," he said.

The owner of a butchery in Quigney was too busy trying to catch up on orders to speak to the Daily Dispatch shortly after power was restored to the area.

He said through an employee that he had lost "thousands of rands" in incomplete meat orders, although his freezers would keep meat frozen for 24 hours after a power cut and no supplies had been spoiled. — DDR

Nightmare time

30
For the Federated Chamber of Industries (FCI), the nightmare of losing another of its regional chambers to Assocom remains just that — a nightmare.

The reality may come later, but contrary to reports last week, the Port Elizabeth-based Midland Chamber of Industries (MCI) insists it has not made up its mind on changing sides.

FCI president Hugo Snyckers doubts the MCI will join Assocom, despite the organisation's keen wooing of industry. As part of its campaign to attract industrialists, Assocom this year changed its name from the Association of Chambers of Commerce to the Association of Chambers of Commerce and Industry. It is part of an effort to denude the FCI, which has repulsed attempts by Assocom to force it into a shotgun wedding.

Says Snyckers: "The final decision will be in the members' hands and the MCI is very representative of industrialists in the region, with a more than 90% coverage."

Comparing it to the Transvaal Chamber of Industries (TCI), now part of the Witwatersrand Chamber of Commerce and Industries (WCCI), he says: "The TCI was broke and wasn't representative of the industrialists on the Reef, otherwise we would never have got the support we have for our new Johannesburg branch."

MCI president Peter Morum says no thought has been given to merging with the Assocom-affiliated PE Chamber of Commerce. Further, he denies the organisation has been involved in MCI's discussion with Assocom.

He says the MCI is "only concerned as to how best industry's views can be co-ordinated at national level." At its annual meeting on March 21, the MCI executive committee held "informal discussions" with Assocom CE Raymond Parsons.

Whatever the claims and counter-claims, the fact that the MCI has met Parsons is proof enough that members have at least a passing interest in an accommodation with Assocom.

There's no doubt that such a defection — if it occurs — would do enormous harm to the FCI which still provides an important service to industry. But if it helps bring closer the day when organised commerce and industry can speak with one voice, is that necessarily such a bad thing? ■

my
R/18

Celebrating

36
8/14/88

Pick 'n Pay chairman Raymond Ackerman is justly proud of his group's performance in its 21st year. In the year to end-February, it has done more than maintain its record of increasing earnings every year: it has succeeded in sustaining the higher growth rate attained in 1987 and in being the first South African retailer to achieve sales of more than R3bn.

The group went through a period of lower earnings growth during the recession and was downgraded by the market as a result, with analysts saying that it had reached maturity and would continue to grow at a slower rate in future. But Ackerman has proved them wrong with EPS of 67,1c, and suggests that "on a very conservative basis, we can expect to achieve R6bn turnover in four years' time."

He expects to achieve this without acquisitions. Ackerman says that four groups have been offered to Pick 'n Pay in the past four months, including Clicks, but that he is not interested as the group has always grown organically and he has his work cut out achieving his growth target.

The group currently consists of three major divisions and Ackerman expects to raise the number to six. Emphasis will be placed on spreading more garages and bakeries, and double the usual number of stores are being opened this year.

Ackerman also sees improvement in present operations. Pick 'n Pay operates on the basis of 22 regions; of these, he says, three or four are making an inadequate contribution.

PICK 'N PAY'S PROGRESS

Year to February 29	1986	1987
Turnover (Rm)	2 488	3 038
Pre-tax profit (Rm)	75,7	91,2
Attributable earnings (Rm)	43,1	52,6
Earnings (c)	55,1	67,1
Dividends (c)	27,0	32,9

FINANCIAL MAIL APRIL 8 1988

Thus there is additional potential growth in this area.

But in SA the obvious growth point is the black market and the group's increasing emphasis on this sector can be seen from the areas where stores were opened recently. Last year it opened up in Mabopane, Mmbatho, Maritzburg, Pietersburg and at Devland, near Soweto. There are also stores in Bisho and Mitchell's Plain. This year another store will be opened near Soweto, in the Highgate shopping complex.

Ackerman admits that Pick 'n Pay is on a learning curve in this market, as there are some differences in the buying patterns of the different race groups. The stores are managed by both blacks and whites, but Ackerman points out that 45% of management in the whole group is black, coloured and Indian.

Ackerman says he is pleased with the wage settlement negotiated with Ccawusa. It falls within the amount Pick 'n Pay budgeted for and the union is satisfied. The cost should be R24m this year and, on this basis, Ackerman expects margins to be maintained despite the retail war between Checkers and OK. He suggests the expected organic growth in the textile and hardware divisions could improve margins by 0,2% or 0,3% over time, but does not think the current operating margin of 2,8% will rise to 3,6% again. "On a 3% margin, we have ammunition to fight price wars and also pay our capital expenditure," he says.

This year the store opening and refurbishment costs will be substantial, but Pick 'n Pay has the cash. Its cash resources rose from R42m to R80m last year. Part of this was due to higher turnover — Pick 'n Pay always makes maximum use of creditor finance — but there was also strong concentration on stock control. Stock was considered a bit high in June and by year-end stock turn had been improved from 11,9 in February 1987 to 13,1.

The share price remained unchanged at

R8 the day after the results were announced, putting it on a 4,1% historic dividend yield. To a market punch-drunk with earnings increases exceeding 100%, a rise of 22% may seem pedestrian. But, doubling turnover in four years, as Ackerman expects to do, is no small feat, especially for a company this size, so the share still looks like a good long-term investment.

Pat Kenney

FINANCIAL MAIL

CLAREMONT

All abuzz

Things are on the move in Cape Town's busy southern retail suburb, Claremont.

Firstly, the city planning department has come up with a new scheme to help alleviate traffic congestion.

It intends to construct a relief road alongside the railway line, together with parking for around 2 000 cars, four public "entertainment" squares and a new suburban railway station and bus terminus.

New commercial developments should also provide additional off-street parking, under Sanlam's R46m retail and office complex on the corner of Protea and Dreyer streets and under the new Woolworths development on the site of the old Henshilwood store at the corner of Warwick and Main

streets.

Market talk is that a site between Roscommon and Stegman streets, and between OK Bazaars and Grand Bazaars, has been earmarked for a Checkers supermarket development. This could also provide additional parking.

Meanwhile, Divaris Real Estate have been given a mandate to sell the old Woolworths store on the opposite corner from the new one.

The price has been set at R10m.

Divaris handled the initial negotiations between Woolworths and Henshilwood, relocating existing tenants before demolition of the Henshilwood building could start.

One of these was First National Bank, for which Divaris found accommodation by arranging that a nearby owner extend his premises.

Woolworths believes the area is growing in importance as a retail centre — especially as the Sanlam development and Norwich Union development on Vineyard Road will swell the office population.

As evidence of this, it says, rentals of between R50/m² and R60/m² for line shops in its new development are being seen as quite acceptable. ■

D/D 8/4/88

R20 million annual nest egg ³⁰

JOHANNESBURG — Nothing seems to get in the way of South Africans splashing out on spending sprees as is demonstrated by their outlay on Easter eggs — estimated at R20m annually.

Retail chains report excellent sales this year and are heaving a sigh of relief that buyers correctly estimated demand and that stocks are virtually depleted.

While South African chocolate eaters liberally interpret Easter to mean January to April, they are quite strict about calling a halt to this particular indulgence as soon as Easter is over.

Peter Dove, a director of Pick 'n Pay says sales "stop dead" after Easter and overstocked retailers can't persuade the most ardent chocolate lover to purchase their wares.

Barry Rebeck, joint managing director of Beacon Sweets & Chocolates finds it "very heartening" that shelves have been stripped

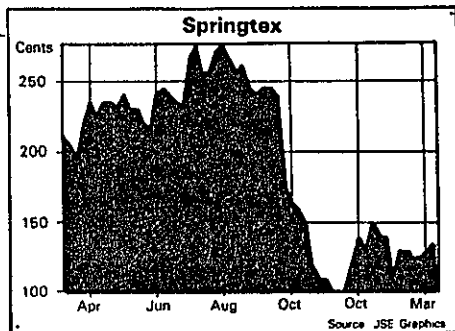
bare. "No-one eats Easter eggs after Easter," he says, adding that Beacon's sales have been good.

Some lucky kids ate their way through elaborately decorated Easter eggs worth R120 — Nick Petousis owner of Riental Confectionary said he sold six large Easter bunnies at this price.

But those with lesser means could choose a more ordinary egg in a price range between R1,25 to R25.

Mervyn Kraitzick, marketing controller for OK Bazaars says "lots and lots" of Easter eggs in about 50 different varieties were sold. The value of sales was about 22% higher than last year, he added.

Dove estimates an eight per cent growth in volume in Pick 'n Pay sales and says that of the total Easter egg market of R20m, the large chains sell 75 per cent, of which Pick 'n Pay claims about 40 per cent (R6m-R8m).



fact that management does not have control and institutions hold more than 26% of shares could make it a takeover target. Potential buyers may be particularly attracted by the fact that it is a well-managed company with a significant interest in the black market.

The 57% rise in EPS to 21c last year was achieved despite shares in issue almost doubling to 15,3m. The company's ability to penetrate markets is shown by the strong 120% growth in turnover.

Last year Springtex expanded by acquisition as well as organic growth, taking over a well-established mail order firm, Charles Velkes, and the Transvaal and Natal interests of Table Charm. The acquisitions followed shortly after the company established its own mail order division. Table Charm's purchase should have a significant impact on earnings and should improve cash flow as it is a strictly cash operation.

In December, Springtex also started a joint venture with Avroy Shlain Cosmetics to manufacture and market a range of skin care products for the black market. The logic behind the arrangement was that Avroy-Shlain is one of the country's leading cosmetic manufacturers, using direct selling techniques, while Springtex has in-depth experience in selling to the black market.

"Springtex is conservatively run and its main asset is its people," says chairman Michael Teixeira. "David Bruce, who is executive director responsible for finance and administration in divisions which sell on credit, and I are both qualified CAs, which should explain our conservative approach." Direct selling implies a low cost structure as

it requires no shops, and this, together with acceptable profit margins, probably explains the excellent return on equity of 31% for each of the past two years. Return on capital was also high last year, at 19,3%.

Teixeira sees direct selling as a growth industry. "It offers considerable benefits including convenience, value for money and a wide selection of goods. Our market base has broadened through the mail order division launch and the proportion of cash and COD sales to credit is now more in balance," he says. "Bad and doubtful debt provisions are more than adequate in all divisions."

Debt has climbed sharply from R1,9m to R6,3m, but the debt:equity ratio is still acceptable at 0,61, and the company earned enough net interest to cover its leasing charges and interest paid completely. Cash flow was strong, having risen from R1,3m to R4,5m.

Benefits should flow to the company from its connection with Avroy Shlain and increasing market penetration — with no additional shares issued to dilute the bottom line impact — could allow EPS to grow at the same pace as last year. On a 6% dividend yield, the share is rated below the average for the retail sector of 4,6%. *Louis Venter*

SPRINGTEX

New ventures

Activities: Markets a variety of products on a direct selling, direct response advertising and mail order basis.

Control: Various financial institutions have more than 26%.

Chairman: M J Teixeira.

Capital structure: 15,3m ords of no par value. Market capitalisation: R20,7m.

Share market: Price: 135c. Yields: 5,6% on dividend; 15,6% on earnings; PE ratio, 6,4; cover, 2,8. 12-month high, 275c; low, 100c. Trading volume last quarter, 697 000 shares.

Financial: Year to December 31.

	'86	'87
Debt:		
Short-term (Rm)	1,8	6,2
Long-term (Rm)	0,08	0,06
Debt:equity ratio	0,28	0,61
Shareholders' interest	0,51	0,35
Debt cover	0,71	0,71
Performance:		
Return on cap (%)	13,1	19,3
Turnover (Rm)	165	363
Pre-int profit (Rm)	1,7	5,7
Pre-int margin (%)	n/a	n/a
Taxed profit (Rm)	1,3	3,2
Earnings (c)	13,4	21,0
Dividends (c)	—	7,5
Net worth (c)	43,2	66,9

Springtex — a direct selling company, originally involved in the marketing of household textiles, crockery and glassware — has performed well in the past year. However, the

8/9/87
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LO - LIGHT COTTON TEXTILE MANUFACTURING INDUSTRY, CERTAIN AREAS.

AREA A: Harrismith, Mool River, East London, King William's Town, Klip River, and Bronkhorstspuit.

AREA B: Standerton and Umzinto.

AREA C: Durban, Pinetown, Pietermaritzburg, Camperdown, Inanda, Benoni, Johannesburg, Randfontein, Pretoria, Port Elizabeth, and Uitenhage.

AREA D: The Cape and Goodwood.

Pick'n Pay embarks on biggest expansion scheme yet

Ackerman to spend R58-m on new stores

CAPE TOWN — Pick'n Pay is expected to double turnover to R6 billion within four years, says the retail giant's chief executive, Raymond Ackerman.

And that's a conservative estimate based on current projections, he said in an interview this week.

Can you imagine five rugby pitches the size of Newlands? That is roughly the amount of trading area that Pick'n Pay intends adding to its stores this year, its 21st in business.

The group's countrywide stores already have a combined shopping area equal to more than 45 pitches.

At least R58 million will be spent on establishing new stores and renovating others in the current year — a record amount for any one year.

The bulk of this will go on seven new supermarkets, one Price Club wholesale outlet and a hypermarket that is as large as six supermarkets.

"This is one of the biggest expansion programmes we have ever had," says Mr Ackerman. "It is a sign of our confidence in the future."

He said Pick'n Pay was against expanding by taking over other companies — "we were offered five or six chains in the last six months and we turned them all down. Our directors are fairly well occupied with this company and we don't want to take over other people's businesses.

"We believe our strength lies in keeping this business to ourselves. We are not controlled by banks, big insurance companies or building societies like most other groups."

"We are trying to ensure our strength for the future by this expansion policy. Takeovers are not on our menu."

Since the year-end on February 29, Pick'n Pay has opened a supermarket at Mabopane and a much larger superstore at Pietersburg.

TOM HOOD

Five other supermarkets will open at Mossel Bay, Walmer in Port Elizabeth (replacement for an old store), Secunda, Pinetown in Natal and Hatfield in Pretoria.

The group's 13th hyper — and also its 100th store — will open this month at Highgate, west of Johannesburg.

A third Price Club wholesale outlet was opened a few weeks ago at Devland near Soweto.

Among a number of renovations of older stores, the company's Steeldale hypermarket in Johannesburg's southern suburbs is to be expanded.

"We are not trying to be the biggest in terms of stores but we are the first retailers to achieve more than R3 billion in turnover, says Mr Ackerman."

Starting up

When the chain started, it had a R3 million turnover and profits of R170 000. As an indication of growth, Pick'n Pay recently sent a R32 million cheque to the Receiver of Revenue to pay one month's sales tax it collected from customers.

Today, the Boksburg hypermarket alone has sales of more than R200 million a year while group profits hit R91 million before tax for the 12 months ending February 29.

Even after this year's huge developments, Mr Ackerman foresees Pick'n Pay "has a lot of growing to do" in the years ahead, especially from smaller stores in country areas.

"There is a lot of virgin territory to be explored. But we do not go in for marginal stores — each one we open must be a winner."

Growth is also planned for the Boardmans hardware chain and convenience stores like Camps Bay's, which is to be expanded country-wide.

These are not major contributors for the moment but they are expected to be within a few years

and specifically over a decade.

Pick'n Pay originally chipped in 50 percent for a management buy-out of Boardmans (originally Sam Newmans). But Pick'n Pay has taken it over completely and this year "it swung strongly into the black".

Mr Ackerman added: "We are investigating whether we should expand or even float it because Boardmans is such a different kind of business. We have not decided yet. We are currently looking at a couple of sites for expansion."

The Blue Ribbon meat company is now a significant contributor to profits, providing 10 percent of food sales.

Sales of textiles and hardware have grown dramatically, while bakery and fresh produce sections were growing strongly.

Produce's share of food sales increased from 5 to 8 percent over the past few years.

Textiles and hardware sections in stores are also to be expanded.

"We are become major players in the hardware game. We already sell more than 50 percent of the country's microwave ovens and well sell more than 45 percent of all the bicycles sold in South Africa."

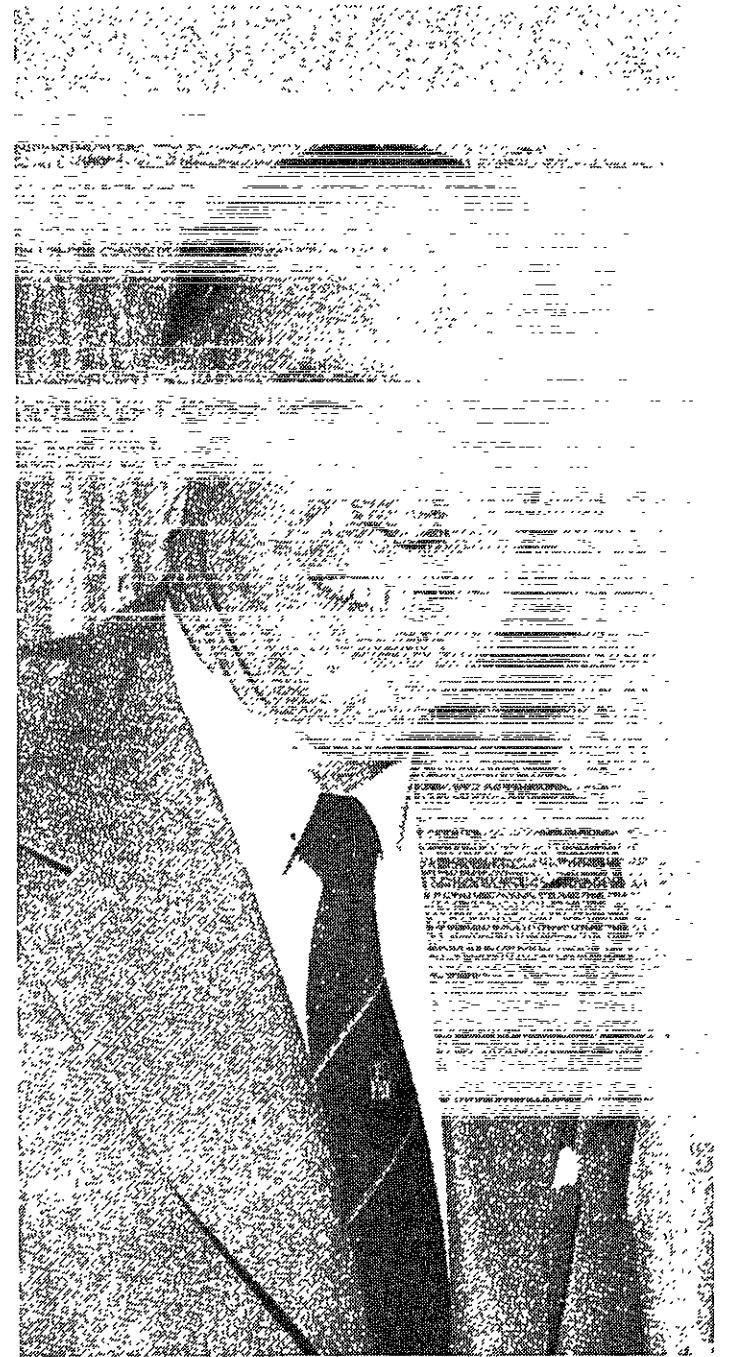
After its success as a largely food retail chain, Pick'n Pay's next aim is to be a much more diversified retail group.

The group's 12 garages are also to be increased. "We are developing that business as a major company. It is already making a tidy profit and we believe we can put a lot more effort into garages."

The Price Club chain of small wholesalers supplying small retailers are all in the Transvaal.

"We have plans to open many more but we are marking time until we get the new concept right."

"This type of business is vastly different from the retail business. We are dealing essentially with the small trader and accepting cheques for large amounts. The



Raymond Ackerman — helping the small retailer.

learning curve is longer than we expected."

The business is growing because suppliers would rather deliver to one major cash-and-carry outlet than to many little stores because of the cost of petrol and the risks of getting lorries into certain areas.

"We are acting as buyers for the small trader and we are thinking of giving them lectures on retailing and being a help for the small retailer."

The aim is to consolidate in the Transvaal and after 10 stores have been opened "we will go round the country," said Mr Ackerman. "But we don't want to jump around until we have the formula right."

Another source of revenue is Pick'n Pay's property portfolio,

which now has a market value of over R200 million.

Basic company policy is to lease sites for its stores. However, in earlier years, before it established its blue chip status, it had to buy sites.

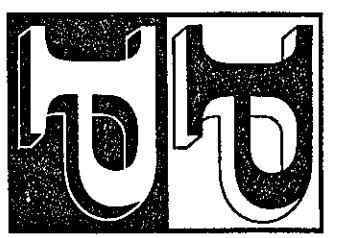
"Nobody would lend us money when we opened the Boksburg hypermarket in 1975 so we had to buy the site ourselves," added Mr Ackerman.

"Now we invest in some sites and property as we have sufficient cash flow."

Today, however, banks and other moneylenders would probably form a long queue if Pick'n Pay indicated it needed to borrow cash — something unlikely to happen because its cash stockpile amounted to almost R79 million at the year-end, up by 90 percent from R42 million a year ago.

PICK 'N PAY heads for R6-bn turnover

CAF
W/News
9/4/88
30



By TOM HOOD, Business Editor
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And that's a conservative estimate based on current projections, he said in an interview this week.

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Retailers who hope they have seen the last of Jack Goldin now that he has sold his controlling interest in Clicks Stores to Score Foods could be in for a big surprise.

The man who also started Pick 'n Pay before selling the fledgling grocery store chain to Raymond Ackerman has no intention of retiring.

"I will honour my restraint of trade agreement, but I have a few ideas and am looking to start a third venture," he said.

Goldin confesses to liking work — "life is boring if you have nothing to do."

It was boredom which brought him out of retirement at the age of 41 — 20 years ago — after pocketing R500 000 from selling his portion of Pick 'n Pay. Then, with funds totalling more than R1m, he founded Clicks.

Goldin will receive R38m for 63% of his shareholding in Clicks — Clicks' holding company. He still owns a 22% minority stake in Clicks and we will remain non-executive chairman for three years. Although he is bound of trade agreement, he has the right to do other work.

Whatever he decides

DID 9/4/88

Jack may click again ⁽³⁰⁾

to do, one thing is certain — it will be something unusual. Innovation has been the key to his extraordinary success.

Goldin, who came from Poland at the age of five, got a job in a shoe factory for a year after World War 11, in which he served in the SAAF. Then he travelled round the country for a couple of years, selling pots and pans.

In 1948, he opened his first business — a small grocery store in Claremont, Cape Town — and his entrepreneurial flair quickly made itself felt.

Goldin was at the store at five am to buy bread so that he could deliver it warm and fresh to his customers for breakfast. And he sold tea and coffee at lower prices than the department stores.

"I was always a few cents below cost to attract the public. We did very well, as in those days there was not much price-cutting."

His break came soon



Goldin... he got bored.

after he started his price-cutting campaign, when tea was rationed for two months.

The large quantities of beverages he had sold in a short period stood him in a good stead, as he was then able to obtain huge quotas of tea during the rationing.

Goldin initiated many other moves which were then unheard of in the retail trade, and his business went from strength to strength.

Competition in the form of Spar, which opened opposite his store, jolted him into changing course.

At the first Pick 'n Pay

cash-and-carry outlet he openly lured customers through low prices and he soon had four stores.

At this stage Ackerman made his appearance. He had just left Greatermans after a dispute and wanted to buy a share in Pick 'n Pay.

"Why buy a share? Buy the lot!", Goldin told him. Ackerman did.

When Goldin got tired of doing nothing and started Clicks a year later, people chided that he was stocking up with goods that everybody else was selling.

"But we made it different. We found an opening in the market and exploited it," said Goldin, who describes himself as a "hands on man." ("You know what is going on".)

When Clicks was listed on the JSE in June 1979, it had 24 stores in the Cape.

The group now has 93 stores countrywide, including a chain of 16 Diskom stores targeted at the lower income market, and is gearing for a 200-store chain that will lift the group into a league comparable with the giant US drug stores.

Goldin's moves over the next few years will be keenly watched in the retail industry.

10/4/88
Stimes

Foschini all dressed up ⁽³⁰⁾

CHAIN store clothing and jewellery retailer Foschini is riding the consumer spending wave.

It is one of the brightest stars in its sector, and group turnover rose by 23,3% to R406,7-million in the year to last December. Taxed income was R32,3-million, giving earnings a share of 332,6c — a 31,1% improvement on the previous year.

This follows the "excep-

Business Times Reporter

tional performance" in 1988 when earnings a share jumped by 50,6%, says executive chairman Stanley Lewis in his annual report.

There could be more good news down the line for shareholders. Trade indicators in the industry as a whole, and the group in particular, show that consumer demand is still vigorous. Mr Lewis expects a good 1988.

"The trading results in the first few months have justified this view and, subject to unforeseen circumstances, we look to further material growth in the current year."

With sound management throughout the 606-store group "each trading division has been able to exploit market opportunity more and more effectively," says Mr Lewis.

"They are now operating at a new level of performance with greater productivity and improved market penetration."

Shoe retailers hit out at tariff lift

By Don Robertson

A ROW is brewing between the National Shoe Retailers Association (NSRA) and the Footwear Manufacturers Association (FMA) over import duties.

The NSRA says increased interim import duties announced on November 13 have resulted in an increase in the price of shoes, especially "specialised" footwear.

The FMA, however, says import duty is needed to protect the industry.

The Board of Trade and Industry has indicated that it will investigate any industry seeking protection by scrutinising more closely wage increases, prices and labour and capital productivity.

Proof

The NSRA claims to have proof that the reliance on the SA manufacturer and the impact it has on the retailer and consumer have negative implications for all but the manufacturer.

The NSRA and importers have made representations to the Board of Trade and Industry (BTI) for the withdrawal of these additional duties. Before November, the duty on imported shoes was 30%, but in terms of the new formula, it has increased.

Ken Johnstone, chairman of the NSRA, says school shoes which would have retailed at R20,00 in November, now have to be sold for R49,99.

The effect has been most

noticeable in cheaper shoes, most of which are either not available from SA manufacturers or are in short supply.

Mr Johnstone says the shoe industry is worth about R1-billion a year, of which about 25% represents imported shoes.

He says that although the import of cheaper shoes has virtually stopped since the

new duties were introduced, activity in SA factories — most of which produce expensive shoes — has not increased.

Dennis Linde, executive director of the FMA, says that although duties were increased in some categories, the industry is in a worse position in some instances.

He says that in 1987, im-

ports increased by 80% over the previous year to R125-million.

"Because of this, the upswing in the economy had no effect on the local industry, imports supplying most of the increased demand."

The BTI's report is expected in June or July. Mr Linde hopes that it will resolve the problem of long-term planning.

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SCORE/CLICKS

A marriage of quality

Score MD Carlos dos Santos must get top marks for what looks like a coup in taking over Clicks. He wanted to create a broader customer base and targeted the Clicks group as what he calls "the best managed company in the retail sector of the JSE." Though the acquisition appears simple on the surface, there is more to it than originally announced.

The deal is big: if all shareholders are to take up the offer, it will cost Hi-Score, Score's pyramid, a maximum of R44,89m in cash, as well as shares worth R15m. Combined turnover, taking latest accounts, amounts to R973m. Even after the JSE crash, investors remained favourably positive on both groups. However, while both shares are highly rated, Hi-Score currently stands on a p/e of 18,5 times against 15,7 for Clicks.

But seeing the announcement says the acquisition will have only a minimal effect on EPS and net worth per share, why did dos Santos go after Clicks? He sees some synergy, with the buying base and therefore bargaining power of the group expanding with regard to purchases as well as leasing of stores. Benefits are also expected for Score from Clicks' established importing arrangements.

The real attraction, however, seems to be the differences between the two groups rather than their similarities. Dos Santos wanted to move into the A and B income group markets and also into different types of products. "We are grocers," says dos Santos, "whereas Clicks sells toiletries and gifts to the more upper income market." He sees tremendous potential in Clicks' Discom chain, pointing out there are no Discom stores in the Transvaal.

Another incentive was the growth potential in Clicks itself. "Clicks' management is



Score's dos Santos ... sees even faster growth

young and we expect Clicks to grow a lot faster than in the past. Management will be kept separate — you don't change a winning team," he says.

Details of the initial deal are simple: the offer is for 63% of a Clickdin shareholder's holdings for a price of R4,75 per share, settlement being 75% cash and 25% in Hi-Score shares, valued at R8,40 per share. A holder of Clickdin could thus retain his shares or, if he accepted the offer, out of every 1 000 he would keep 370 shares and for the balance he would get R2 244 cash and 89 Hi-Score shares. At market prices of R4,30 for Clickdin and R8,50 for Hi-Score, it would pay to take the offer.

But there is more to it (see organogram). Dos Santos plans to inject Score into Clickdin in exchange for shares, raising the Hi-Score holding in Clickdin from the maximum 63% which could be obtained from the offer to about 84%. After additional shares are placed to raise cash, the holding will still be 70% or more. Though there are no plans for further takeovers at this stage, the high percentage held by Hi-Score leaves ample room for issuing shares for acquisitions.

Some Hi-Score shares will be placed to raise cash. Dos Santos wants to avoid resorting to bank finance if at all possible. He plans to use cash resources of the group plus funds from issue of Clickdin and Hi-Score shares to finance the deal. He is vague about the amount of cash in the group ("It changes

from day to day"), but at the end of February 1987 Hi-Score had R6m. However, at last balance sheet date Clicks had no debt and held R10m cash.

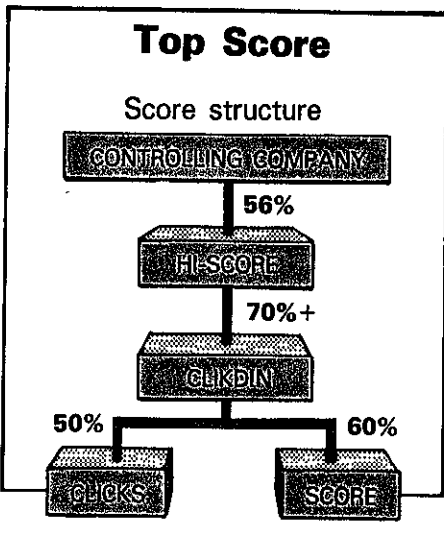
Even so, dos Santos concedes the group may be needing cash at the end of the exercise, and says a Hi-Score rights issue is a possibility. He is untroubled by the relatively low level of the market, as he suggests that "for us the market is fairly strong."

Neil Cochrane of Syfrets agrees Clickdin shareholders should take the offer and says: "Clicks shareholders have no reason for concern — the company will be more focused now and the new management (without executive chairman Jack Goldin, who remains in a non-executive capacity and as a consultant) will have to prove themselves."

So far the market is expressing some reservation: Clickdin's share price has fallen to 430c. Some may want to consider if control by Score could mean as much to an established and profitable group as it meant to Grand Bazaars, where Score turned the company around. But investors are showing confidence in Hi-Score, whose price is higher than that at which the deal was calculated. Notably, Clickdin has the advantage that it will control two high-growth companies and seems, at this stage, to be seen as the vehicle for further takeovers. Hi-Score has its earnings diluted by coming through Clickdin.

The group will be a large and powerful force in the retail sector, even though initially there will be little impact on EPS in view of the number of additional Hi-Score shares to be issued. Score is due to report for the year to February shortly and is expected to do well, with attributable profits really taking off next year. It will be a wise investor who stays for the ride.

Pat Kenney



There's still room in the hive for budding EL businessmen

D10 11/14/86

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Daily Dispatch Reporter
EAST LONDON — Business premises in the Small Business Development Corporation (SBDC)'s Lock Street business "hive" are still available to applicants, according to the SBDC's senior business adviser here, Mr Pieter Strümpher.

The SBDC is in the process of converting the old Lock Street jail into a hive of business premises to promote entrepreneurial spirit and create employment in the city.

Mr Strümpher said 28 hives were available to small businessmen, whose commercial interests ranged from manufacturing to retail and

service industries, once the R1.2 million alterations were complete.

The hives, which have been created by demolishing dividing walls in the cramped prison cell areas, now range in size from 26 to 110 square metres.

An example of a typical cell and most of the towering stone wall have been left to add to the character of the premises.

Mr Strümpher said SBDC loans were available to any applicant who had a viable business proposition and the will to make a success of the venture but lacked capital.

"We have already had enough applications to

fill the premises, but the more choice we have the more likely it will be that the various tenants will complement each other.

"It is vital in a hive such as this that the concerns are compatible and cover the whole spectrum of small businesses," he said.

Examples of the types of business that applicants hope to conduct at the hive include pottery manufacture; television, bicycle and watch repair; the manufacture and sale of fashion accessories; carpentry and a boutique.

Most of the eventual tenants will manufacture and sell their wares

on the premises, and the SBDC hopes to maintain public interest through the variety of goods on sale and the unique premises.

Mr Strümpher said funds were made available to the SBDC for distribution as loans to small businessmen by both the government and the private sector.

He said most of the loans for the Lock Street business hive project would come from the Small Business Start-up Fund.

The fund is used to provide finance, premises and advisory services to independent entrepreneurs who are unable to obtain finance on the open market.



The courtyard of the Lock Street prison which is being renovated to accommodate a "hive" of small businesses.

(30) 12/4/88

EXECUTIVE ASSOCIATION OF SA

(30)

WOMEN ARE TAKING THEIR PLACE WITH THE BEST OF THE REST

ONE achievement Exas can claim since its formation is that it pushed the rights of women in SA business. It has even had a lady president in SA, which was not surprising as the Exas concept originated in the US, a country many American men regard as a maternal society, and membership for women was adopted from inception in SA 30 years ago.

Still, it wasn't a woman who introduced the idea of forming a branch of Exas in SA. That came jointly from Colonel Reg Haswell and Eric Wakely-Smith who founded the local organisation on identical lines to the many US-based branches.

Initial response to what many regarded as a business "rotary" organisation was good, with membership forthcoming from all parts of the Reef.

From the start Exas here was firmly established and has retained reciprocity with all of the overseas branches.

That means local members can attend any of the meetings over there, something quite easily achievable considering there is one in every sizeable town and often several branches in the main centres.

Haswell became the first president, and Wakely-Smith the third after Sam Simonhoff. Wakely-Smith went on to provide a sterling service for many years and some of the founder members believe he probably did the most for Exas in those formative years.

ADMIRABLY

Along with Fred van Reenen, who is still fully active in Exas and was a recipient this year when the State President awarded him the Order of the Star of SA (Class D), and Lou Wiltman — the former MD of STC (now Altech) — he also did most of the recruiting.

It was only in 1981, however, that Sylvia Goldberg — a director of Benny Goldberg's liquor supermarket — became the first and only woman president of Exas. She filled the post admirably for the normal one-year period and is still a member.

Her husband, Benny, was a founder member. According to another founder member, Merton Freeman, luncheon meetings in the formative years were held in the old Village Main hotel and later on in the old Carlton hotel.

Freeman, who was chairman (more recently and popularly referred to as "president") in 1963, says Exas probably held the last function in the old Carlton and recalls that the hotel was almost stripped bare when that took place.

In those days Exas had a permanent president in the form of Sir Francis de Gubingard, a member of Field Marshall Montgomery's staff in the Western Desert during World War Two.

It was also at an early Exas dinner that late State President Dr Nico Diederichs attended his first public function as the fledgling Minister of Finance, and used that occasion to make his first policy speech.

While great emphasis was placed on attracting the heads of companies into joining the Exas movement, the local branch did introduce one difference, compared with its overseas sister organisations — its meetings have always been held monthly.

CONCERTED efforts aimed at upgrading membership and the functions organised by the Executive Association of Southern Africa (Exas) have produced encouraging results, says Exas president Ron Kaplan.

Kaplan, whose customary one year in office began in November last year, has opted for a theme of greater participation of top executives in the member company.

In addition, Exas board members are backing his suggestion that any new company coming into the Exas fold must be represented by at least one director among each company's four or less representatives who might qualify for admission.

BOOSTED

Kaplan, a chartered accountant by profession and MD of Access Technologies, says that while admission to Exas is structured along similar lines to Rotary and Lions clubs it's essential that members rank among the highest in both their field of business and on behalf of the company concerned.

But he notes that in more recent years membership had been boosted by companies mainly involved in selling their services and was therefore representative mostly of sales-oriented managers.

"We believe it's time to not only balance membership more widely across the spectrum of SA business but to strive for greater involvement from upper management, including CEOs, MDs and directors. Our recent efforts in this direction show these aims are gradually being achieved."

Here, member companies not represented by top executives have been urged to offset this by ensuring that their CEOs or MDs are encouraged to attend at least two luncheon meetings a year.

Kaplan will also continue to support the theme pursued by one of his predecessors, Thy Steenkamp: that members continue to make efforts to gain greater insight into each other's business functions.

"Feedback suggests this move has been popular among members so far and has further stimulated business transactions between members," he says.

Steering Exas towards concentrating its recruitment efforts more on JSE-listed companies is

Upgrading a campaign a success

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Steering Exas towards concentrating its recruitment efforts more on JSE-listed companies is



KAPLAN

an aspect of Kaplan's objective of upgrading membership.

"With scores of new vacant slots created by identifying areas of business previously uncategorised, the chances of such companies coming into the fold already look good," he says.

APPROVAL

Another recent change has been to invite to address monthly meetings speakers whose input will be both business-related and interesting to those in attendance, who come from a wide business mix.

Such speakers — along with a continued sprinkling of political commentators — represent a switch from general personalities outside the business arena. But the change has met with approval in Exas circles, assures Kaplan.

Members representing smaller

and lesser-known companies have also been invited to provide short profiles on their companies on a more regular basis and as a matter of priority. Previous input in this regard came mainly from the bigger and better-known companies.

However, short talks from representatives of the larger companies carrying out services which may be new or unique, yet valuable to members, will continue to be in demand, he says.

Pursuance of all these objectives, in line with the Exas policy of injecting new blood at board level every year, has started to pay dividends, claims Kaplan.

"In response to our more recent efforts we have noted a marked increase in larger companies joining our ranks. Their presence has thus made membership more dynamic and vibrant," he says.

SEEKING OUTLETS

British consul (commercial) Martin Bourke says his trade mission's role in Exas has been "mainly supportive" — primarily to help Exas members who have experienced or are considering importing from or exporting to UK companies.

Bourke and three consulate colleagues, who represent numerous individual British companies and trade missions, are constantly seeking outlets for their exports. As a result mission representatives have established some good contacts through Exas, says Bourke.

"I would say our regular contacts with Exas and its members, while useful for UK trade promotion, are probably of mutual benefit," he says.

Hands across the sea

RIEF-BASED foreign trade missions say steady markets for their exports are not easy to find in SA, but those missions that have become honorary members of Exas have found this link helps to reduce the problem.

Although trade representatives from the Republic of China, Belgium, Britain, Zimbabwe, Bolivia, Australia, France, Israel, Italy, Japan, and Portugal have belonged to Exas for years, most have kept their contacts with Exas low key in line with the sensitive trade policies of their countries.

Yet most will concede there have been times when the Exas association has opened doors to some good examples of two-way trade, particularly those representatives who have attended monthly meetings quite regularly.

Belgium trade commissioner Andre Bastien notes that inquiries on behalf of companies based in Belgium are often referred directly to some Exas member company.

"With regard to Belgian exports Exas members have invariably responded positively and certainly in the past some most useful and steady business has been clinched as a result. Furthermore, we have made some good contacts in SA."

Belgian mission staff have also sought overseas markets for selected SA goods and will continue to do so wherever possible, he says.

A good example he cites is that of getting Belgians interested in purchasing wildlife paintings from Exas member Thy Steenkamp's new gallery. The potential appears to be good, he says.

In fact, Bastien reckons that as Exas comprises membership from a good spread of executives representing most business fields, the potential of increasing SA exports through them will remain strong.

Membership by mission representatives also provides them with many social advantages, he adds.

"What I have liked about Exas meetings has been they are not only very active but provide a pleasant break from the concrete jungle situation, the Turffontein Racing Club venue is a break from city crowds and noise, while facilities there are comfortable."

"It all works well for us," he says. Spokesmen from the other missions could not be reached for comment.

Members benefit from a top-class forum

STANNIC'S fleet market manager, Roy Hayward, has only been associated with Exas for a year, but he believes these links have already helped him as a marketing man.

"I am able to hear what other people think about marketing, and can pick up ideas as to their needs, which prove helpful in the marketing of all sorts of our products."

He says that's because most of the members are decision makers in their particular companies of the calibre that one would normally prefer to call on individually to discuss business matters.

Hayward, who represents the Stannic Fleet Management and Fleet Lease companies in the category of full maintenance leasing for motor vehicles, admits that he hasn't yet exploited all the opportunities to expand company business through Exas.

"The reason for this is that monthly presentations are booked up far in advance, but we will take the earliest opportunity to present our product using visual aids.

"This will soon be made at one of the monthly meetings. And I reckon we should get quite a number of people interested in Stannic's lease products after that," says Hayward.

While he sees Exas as serving the interests of virtually all types of SA-based businesses, he believes the way it operates would prove particularly beneficial to management of smaller companies.

He believes that many of these smaller companies have a reputation for shying away from membership of business associations and clubs.

"The opportunities of meeting executives from bigger companies and the large corporations are improved by belonging to Exas and this could be a foot in the door for executives from smaller companies to begin doing business with the bigger boys," he says.

A new member of Exas is Timbavati Interiors, whose proprietor, Irma van der Weele — a qualified architect — says her decision to join the organisation was influenced through Exas being another avenue leading to the promotion of her company's services.

"Contrary to many other bodies and clubs, Exas members are mainly top management and interaction at this level is directly with decision makers and therefore most effective."

HIGH LEVEL

Van der Weele says Exas meetings serve as an excellent business exchange, with interaction of views and experiences.

John Buchanan, director of Compaare Medical Aid, agrees and adds that he has met many people at monthly meetings where, incidentally, he regards the invited speakers as being of a high level.

"I've done quite a lot of business with Exas members without having actually approached them in the first instance. Instead they've moved first and contacted me," he says.

Andrey Meyerowitz, MD of Advance Seed Co, says his

business is not consumer-oriented, and receives little benefit in terms of the potential boosting of seed sales to fellow Exas members.

But being a purchasing company he has been able to negotiate good prices and discounts with members.

"We find we also benefit considerably from the business enlightenment side, which was our main reason for joining Exas," he says.

Chubb Holdings security services director Frank Sims notes that Exas meetings are not "closed shop" affairs, but afford him and fellow member Dirk Ackerman, chairman of the Chubb group, an outlet to entertain clients and for clients to participate in exchanges of views.

"That's provided such guests are not representing organisations in direct competition with an Exas member company."

"We find it particularly useful to take along people whose exposure to the business community is minimal. Here I'm referring to certain senior members of the SA Police and fire departments, people who often accompany us and benefit from the luncheons," says Sims.

Viv Gardler, marketing director of Vienna Jewellers, the only woman director on the Exas board, says that since she joined Exas four years ago her business has benefited. "Selling jewellery is also a matter of who you know, and I've made some good contacts at meetings."

She says being a woman committee member makes no difference among all the men. "I've experienced no form of sexual discrimination among members and business is business all the same."

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"YOU' FIT THE PATIO DOORS? AFTER WHAT YOU DID TO THE..."



Women find it tough at the top

FOR years the only woman member of Exas was Sylvia Goldberg, a director of Benny Goldberg's liquor super-market. And she was always aware of it.

"I remember at every meeting when someone got up to make an address, it was always 'lady and gentlemen... But that later changed to 'madam president' — for a year that is." She says more women began to join Exas from about 1978. Today, women executives make up about 18% of Exas company members.

But Goldberg was the first (and only) woman president of Exas, after being nominated vice-president for the year preceding her term of office, by the 1980 president, Terry Ostrowiak.

From the time she joined the organisation, about 28 years ago, Goldberg found membership stimulating and always took an active part, serving on the board of directors for several years.

Goldberg recalls attending an Exas meeting in Dallas, Texas, and noting the surprise among some members when it was revealed that she hailed from SA. "By God, she's white," many were heard to remark.

And while Goldberg says she was always well accepted by Exas members here, she gathered from reports that this would not have been the case for her sex at certain branches in the US.

"I remember one SA member reporting back after attending an Exas meeting in Las Vegas — he said he'd told the gathering over there that SA had a woman as its Exas president whereupon they started booing," she says.

Goldberg says she has found Exas a wonderful way of getting to know people, adding that it does not just serve a business function while it has provided many members, including herself and her husband, Benny, with easy *entre* to all sorts of different companies.

Past presidents provide camaraderie and ideas

THE formation of the Past Presidents' Group (PPG) of Exas two years ago by former president Kay Leppan is doing much to maintain the camaraderie built up among senior Exas members over the years, many of whom have retired from business life.

Seen as an informal extension of Exas, the PPG provides a forum for past presidents to revive close relationships on social and business levels outside Exas. The role of a former president is reversed to that of ordinary member a year after having served a year in the top position.

In terms of the Exas constitution, they may remain on the board for only one more year after having completed a term as president, which makes provision for new blood to filter into committees and up to main-board level.

However, while the PPG has no serious intentions outside of camaraderie and promoting the ideals of executives on an informal, lunch-club basis at this stage, Leppan foresees the possibility of the PPG making a greater contribution.

"It's still early days, but we are hoping the time will come when in some way



LEPPAN

leppan-club basis at this stage, Leppan foresees the possibility of the PPG making a greater contribution. "It's still early days, but we are hoping the time will come when in some way

we'll be able to offer Exas committees greater input and ideas on a more regular and formal basis some time in the future."

Leppan, who did the spade-work for the PPG, says former presidents let their feelings be known to Exas from time-to-time, but always on an informal and helpful note.

Thinking behind the formation of the PPG was also that a number of the younger past presidents had never met some of their older predecessors, who had either retired from business or had scattered far and wide.

"Although the PPG provides a means of getting together on a regular basis, so that we may continue to learn from each other's experience, we're also there to help each other if neces-

sary."

Leppan adds there have already been several occasions when PPG members have rallied to help a former colleague.

He says PPG luncheons are interesting and constructive. "It's been great fun to meet some of the older members who, as past and present top men in their fields of business, continue to enlighten one another on a great deal of current issues."

Leppan, who is MD of Mansfield & Leppan Panelbeaters at Wemmer Pan, says not only has his business benefited from its Exas affiliation, but it has continued to do so through his links with the PPG.

"Over the years our company has benefited from business emanating from Exas and now the PPG as well. Always when buying things we look through the Exas trade directory for a potential supplier of any of our needs and also look to Exas fleet owners for support," he says.

Henri de Villiers, chairman of the Standard Bank Investment Corporation, on business investments on July 20.

The Mayor of Johannesburg, Councillor von Blercke, to make an annual address on August 17.

Michael Coulson, deputy editor of the Financial Mail, to confirm availability at some later stage to speak on September 21.

Professor Jan Lombard, deputy-governor of the Reserve Bank, to confirm availability to speak on October 19.

Patrick Maynardt or Kate Turkington to confirm availability on November 9, the day of the Exas annual meeting.

TURF CLUB HAS JOINED

WHATSOEVER prompted the Turfclub-based Johannesburg Turf Club to join Exas 18 months ago, one might ask? The horse racing club's GM, John Alexander, said it was a simple business decision.

"We may be generally regarded as a sports organisation and venue but it's all big business — in more ways than one," he says.

Turfclub race course is the fixed venue where Exas holds its monthly meetings over lunch. And it's at these functions that the club's management make contact with people it hopes will help them utilise club facilities.

Alexander says he joined Exas because it is a good way of being introduced to a major component of the commercial and general business sectors on the Reef. It's a means of getting to know top and middle management.

And as the club has become more active in promoting its classy and extensive facilities for private and business functions, dinners and conferences it sees this as an opportunity to offer its services.

In addition, the Johannesburg Turf Club foresees the chance of additional spinoff in the form of sponsorship of some racing events at future meetings.

So far, reaction has been reasonably good with positive feedback and spinoff recorded in all areas of its involvement, he says.

This is not unexpected as racing provides wide and captured exposure of a company's products and services while Turfclub's catering and functions facilities are extremely competitive.

Alexander claims the club can offer better value for money than many hotels and clubs on the Reef.

"What's more, we can provide set menus or special menus on request."



VAN REENEN

More than just a luncheon club

EXECUTIVE ASSOCIATION OF SA

THE Executive Association of Southern Africa is not just a monthly luncheon club, says founder-member Fred van Reenen, who is still active in Exas.

"I've attended almost every meeting since inception and know it's foremost a business forum which can open doors in SA and abroad — opportunities that would not otherwise be available for trade," he says.

While belonging to Exas provides useful contacts among members on a "you scratch my back..." basis, there is no obligation to do so. "The understanding is still that all is fair in love and war" as business between members is ultimately based on merit," says Van Reenen.

Certainly, luncheon meetings are a break from the daily routine of business, but Van Reenen says such is the input that he always seeks advice on something brought up by managers in attendance.

In addition, regular contacts through luncheons and from Exas group visits to business operations and other places of interest help to breed good social camaraderie, he says.

"However, a considerable number of deals have stemmed from members being encouraged at meetings to give a brief account of what their companies do and can offer."

Van Reenen says throughout the years there have also been innumerable instances where members have been able to advise their fellows on services and products handled by companies offering its services.

Which are in no way connected with Exas. Still, spin-off has not been confined to member organisations, says Van Reenen, who is national chairman of the Sappers Association, essentially a welfare organisation comprising 2 600 members.

He cites the example of Exas companies doing business with the Sappers Association to their mutual benefit, such as that arising from the running of Sappers' old age homes throughout the country and including the recent construction of 14 houses at Uvongo in Natal.

"This has involved companies making available certain materials and supplies, but such business has only taken place as and when the services and prices were found to be right," he says.

Although Van Reenen has served on all of the Exas committees, he has never been in a position to agree to several requests to become the president of Exas. "Due to the nature of my business commitments and other outside functions, I would have been unable to give Exas the amount of time that the position required," he says.

What does Van Reenen think, in view of his 30 years' service in Exas, of the stance by new Exas president Ron Kaplan for current and new member companies to ensure greater participation from the highest level of management from those companies?

He agrees such upgrading of participation is in accordance with the standards and purpose of Exas. "The outcome would lead to an improvement in its usefulness to members," says Van Reenen.

And luncheon meetings were never intended simply to serve as a platform primarily for sales representatives wishing to punt their products and prices, he adds.

"Top management are, after all, the decision-makers and we need people of their rank and standard to contribute at meetings so that things will happen quicker and smoother."

Exas wants 'quality functions'

FEW businessmen have time to waste, that's why Ron Pennicott, chairman of the Exas functions committee, does his homework and spade-work before organising an Exas function or inviting a speaker to address members.

Pennicott, group secretary of PG Glass — an Exas member for 19 years — said the committee would rather organise fewer but better functions thus ensuring the quality of interest is maintained that way.

"Business executives in SA as elsewhere are inundated with functions, so when we hold one it's got to be worth their while to attend," he says.

The committee's policy is concentrated on organising luncheons and working closely with Exas co-ordinator Henry Willis and public relations consultant Stan Glucksmann in finding top-class speakers for monthly meetings.

"We've recently raised our sights as far as the calibre of speaker is concerned," Pennicott says. A list of scheduled speakers for monthly meetings this year reads:

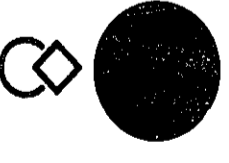
- Professor Robert Charlton, of the University of Witwatersrand, to address members on "academic freedom" on April 20.
- The office Goldstein on "job opportunities for the

(30)

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INTERNATIONAL FINANCE

World group buys \$10m maize for Zambia

LUSAKA — The World Food Programme (WFP) has bought 62,500 tons of maize from Zambia at an estimated \$10m to meet a shortfall in Zambia.

The consignment is expected to last two months. Since the maize is bought at different spots in Zambia, Zambian trucks were being paid a minimum of \$35 a km-ton to help them raise foreign exchange, Volhl said.

US shareholders go campaigning

CHICAGO — US corporations, in the 1988 round of annual meetings, face new moves to expand shareholder democracy, as activists, including church groups and pension funds, seek to mould policy on issues like SA and Ulster.

Base metal prices soar as demand hits record levels

LONDON — Base metal prices are soaring on world markets, buoyed by record demand as manufacturers find that last year's financial crash has not hit economic activity.

Rumours

Expensive nickel is chiefly the result of a tax dispute between producer Falconbridge and the government.

Australian unions free

Evelyn Davis of Washington, whose hectoring of chief executives has won her notoriety in top echelons of US business, says her ideas are gaining ground with new support from institutions. She says company compiled 15 years later.

LEISURE

JHB CINEMA GUIDE

- STER CITY 1 (1337-3033) Daily 9.45, 12.30, 5.30, 9, 10.15, 12.15, 2.30, 5.30, 9, 10.15, 12.15
- STER CITY 2 (Daily 9.45, 12.30, 5.30, 8, 10.15, 12.15, 2.30, 5.30, 8, 10.15, 12.15)
- STER CITY 3 (Daily 9.45, 12.30, 5.30, 8, 10.15, 12.15, 2.30, 5.30, 8, 10.15, 12.15)

TELEVISION PROGRAMMES

- Gam: Good Morning SA AFRIKAANS
- 3.30: Ut Ons Aarde
- 3.45: The Draw Man
- 4.00: Japanese Volkshorale
- 4.10: Wielle Wallie
- 4.30: Die Mensie van Chateaubault

INTERNATIONAL FLIGHTS

Table with columns for departure, arrival, flight type, and time. Destinations include Johannesburg, London, Amsterdam, Brussels, Frankfurt, Zurich, etc.

LOCAL FLIGHTS

Table with columns for departure, arrival, flight type, and time. Destinations include Mankato, Johannesburg, Cape Town, Port Elizabeth, Durban, etc.

BRIDGE

East dealer. Both sides vulnerable. He realises that with a little heart and two clubs.

B Jay and S Becker

makes no difference what East returns, because sooner or later ...

CHESS BY VICTOR STRUGO

Advice is outcome of interaction

GREATER interaction is taking place between Exas members with a view to providing advice on the services available by member companies and the business sectors in which they operate.

Director of EXAS Representing Liberty

Allan Pool - 331-1711. He and colleague Lindsay Middleton, who is vice-president of Exas, add that by the same token fellow members continually ask them for advice on financial planning and life assurance.

number of people from 10 to 500. That's something which few can do," he says.

to use his own methods of extracting maximum benefit out of Exas. Exchange of business cards is encouraged and members arrange to do business at their leisure.

or Francois Wolfardt on the horse-racing industry on June 15.

Written by LYNN CARLISLE

Getting their message across . . .

A SERVICE aimed at improving communication between Executive Association of Southern Africa (Exas) members and their potential customers will continue to be provided freely and regularly by Exas.

At the helm of this service is public relations consultant Stanley Glucksmann, who is one of the directors of Exas.

Glucksmann, who established SEGA Public Relations and is the consultancy's chairman, performs many PR functions for Exas. He believes companies must be made increasingly aware of the need for and best methods of communicating their services and products to gain maximum benefits.

In line with this approach, he helps to find the people responsible for business achievements — or others with interesting and topical views to relate — and gets them to address Exas members every month. He also helps ferrying out companies to join Exas ranks.

with many influential people but resulted in some of the guest speakers who were company executives joining Exas ranks," he says. Another communications service he handles is to help organise Exas member-visits to places and institutions of interest. All these functions fall within the ambit of public relations, he says. Advising members how to communicate with their markets through the media is a topic which has attracted growing attention.

PRIME FUNCTION

Asked to elucidate on what sort of media advice is made available at monthly meetings, Glucksmann notes several salient points. "For instance, it's important that before attempting to liaise with the Press our members must identify the prime function of a news release — what it should do for the product and the client, and what it should tell the readers."

He says members are told that a Press release should always have news value and the person compiling it must use judgment. "What may not be newsworthy to the editors of a national financial newspaper or magazine may be of considerable interest to a specialist trade publication and its readers." A product or service must be noted for its benefits, its technical innovations, production breakthrough — backed up with statistical proof — or its new-found users. "Nothing less will do," he says. Information given should relate to the product and the company of origin in terms of the company's long-term image — particularly those with a good track record in industrial developments, as this will almost certainly have an effect on its share price. From a reader point of view, the first consideration is that it should find the reader; then inspire the reader to action. And any Press release must be written in the style of the recipient publication. Glucksmann says the old adage "build a better mousetrap and the world will beat a pathway to your door" is no longer true. "The world must first be told of the better mousetrap — and effectively."

KEEPING COMMUNICATION GOING IS WHAT HENRY WILLIS'S JOB IS ALL ABOUT

WILLIS'S JOB IS ALL ABOUT

stricted as an average of 100 business people attend each luncheon. "Such talks are becoming increasingly important, particularly with new developments," he says. Moreover, Exas wants to be seen to be meaningfully active in every way and believes it's vital to constantly approach companies with a view to them openly divulging their basic activities. But there are some which find it difficult to divulge details, particularly bigger companies dealing with clients on a confidential basis.

And at appropriate times he invites buyers from the mining houses and big conglomerates to sit in or make some form of contribution at meetings.

Another regular and important link that Willis maintains is between members and the six locally based heads of foreign trade missions which are affiliated to Exas. These heads are in constant con-

Each month he induces a representative from an Exas member company to give a five-minute presentation of the company's activities and details of its products at the next luncheon. It is at the luncheon that any company representative can spend one minute giving information on his firm's latest activities. However, the numbers are re-

FOUNDED in 1957, the Executive Association of SA (Exas) is celebrating its 30th anniversary this year. Made up of a large number of companies representing almost every sphere of SA business endeavour, big and small, its serving members are executives whose individual and collective circles of contacts have opened otherwise closed doors to desired business over the years.

Exas co-ordinator Henry Willis explains that the organisation has one major objective — to promote business between its members. "Our motto: 'business is our business' highlights the point," he says.

In order to capture interests which exist between executives, Exas holds regular monthly luncheon meetings where members develop and enjoy a brand of fellowship conducive to the creation of additional and profitable business.

Exas is also part of a worldwide movement of similar associations in the US, UK, Canada, Australia and Zimbabwe. And it has close links with many trade missions, some of which are members of either Exas or its affiliates abroad.

Even though each organisation is autonomous, close co-operation and communication between the co-ordinators weld the network together. Willis says the organisation also obtains information and selects speakers for each monthly meeting from outside Exas circles, to talk mainly on business subjects as well as matters of topical interest.

"Thus, through our local meetings and close association with similar organisations abroad, we are able to provide ample opportunities for members to promote their products and services," he says.

The organisation also creates a business incentive amongst its members. Almost every year a mini-exhibition of products and services is held at selected venues. Members and their guests attend the exhibitions.

"In this way, further business outlets are discovered and made through personal introduction and visual appreciation from displays." Ample opportunity is also provided at each monthly meeting for any member to promote the products and services of the company he or she represents. In addition, Exas members are obliged to give any fellow member a private hearing in the event of some sort of business proposal being put forward.

Colleagues rallied behind Trident

BEING a member of Exas can benefit a fledgling company in many ways. A case in point is that of Trident Insurance Brokers, which was helped back on its feet when it fell on hard times shortly after it was launched.

Trident director Dave Burgess, an experienced and well qualified insurance man, had been handling some mega-sized company portfolios, such as Anglo American, for 17 years when he was with another major broking firm. But he then left to start his own business.

Five years ago he formed Trident, which soon afterwards became a member of Exas. Over the years and partly because of the prac-

Corporate Profile

Business Day

Still opening doors after 30 good years

It's a matter of principle in Exas that the motto "remember a member first" be applied by members. But, assures Willis, Exas does not require its members to patronise each other.

"It simply makes sense, arising from a membership selected carefully as dependable sources of supply, that inter-trading should become a natural course of buying habits and patterns."

Willis notes that Exas is not a political or fraternal order and doesn't pursue civic activities or make any public pronouncements. And although it is neither a social group nor a service club, it does make provision to help any

tical application of the association's motto of "remember a member first," his new company flourished. But two years ago he merged with another firm and this turned sour two months later, after Burgess had signed over Trident's clients to the new company. He says many of these clients wanted to revert to doing business with Burgess on the old terms.

So he saw fit to revert to the original Trident company. "Exas members rallied and assisted me and my business," says Burgess, "including some who offered me their cover business for the

member who falls on hard times. "In summary, I would say our members consider Exas as an extension of their businesses and therefore as a valuable asset," says Willis.

Exas is run by a board of directors which is headed by a chairman, who is popularly referred to among members as the president. In terms of the Exas constitution, "chairman" and "vice-chairman" shall be deemed to mean "president" and "vice-president" respectively should the directors decide to use the latter designation instead of the former.

first time." As a result, Trident has grown from an initial premium income of less than R100 000 to one now fast approaching R2m. Burgess says that almost 30% of the entire Exas membership have become clients of Trident, and confirms that much of his company's success has stemmed from its continued membership of that organisation. "And another thing about having Exas members as clients is that I have found that when they make a claim it is always a genuine one," he says.



WILLIS

cial matters along with the other directors. He also serves on any special functions ad hoc committees, such as the one which organises sports days when members play tennis, golf or bowls.

"But when there is no organised function to attend to I just see that things are generally kept ticking over and that everyone is informed what's happening," he says.

30 SMC 12/4/88

Black customers boost car rentals

By Maggie Rowley

CAPE TOWN — The motor industry is receiving a major boost from the accelerating car hire business flowing from an increase in tourism and a flood of black customers.

Revenue from car rentals in South Africa soared nearly 47 percent to R13 million in February against the same time last year and are now at levels not seen for five years.

Car hire firms have increased fleet sizes by an average of 32 percent over February last year.

And last week market leader Avis placed an order for 8 200 new vehicles totalling more than R193 million — the biggest single order in the history of South African motoring. Vehicles include 3 500 Volkswagens, 2 200 Nissans, 750 Toyotas and 650 Mercedes Benz and Honda cars.

A survey by the Bureau of Financial Analysis of 23 car hire firms controlling an aggregate of 11 477 passenger cars and constituting approximately 90 percent of all rental passenger cars found that 48,2 percent of passenger cars were in the Transvaal, 21,8 percent in the Western Cape, 14,5 percent in Natal, 10,2 percent in the Eastern Cape and 5,3 percent in the rest of the country.

Mr S Schoombie, senior researcher at the bureau said that after an adjustment for inflation, total revenue of the industry improved by 33,2 percent. Revenue increased in all regions, with the highest being in the Western Cape where a 62,2 percent increase was recorded.

Compared with February 1987, the index for the number of rental days increased by 45,1 percent which was considerably higher than the increase in fleet sizes.

The increase in hired car users was due to a boost in overseas tourism, the upturn in the economy with more businesses hiring vehicles, and an increase in black users, according to the leading car hire companies.

Mr Tony Langley, managing director of Avis, which boasts a 48 percent share of the hire car market, said the number

of blacks hiring motor vehicles had grown steadily in the past two years and now contributed about 20 percent of all rentals.

"The black market is growing daily and that is where much of our new business is coming from, both from private users and black businesses," he said.

Mr Langley said that Avis had improved total revenue by 55 percent in the past year and had increased market share.

Mr Mike Everett, group accountant for the third largest care hire company, Budget, said that overseas tourism had definitely picked up in the past year and had contributed to the improvement.

"The upswing in the economy has also had a big impact. The travel industry as a whole is a good barometer for the economic climate. We are the first to be hit by a downturn and among the first to recover when business picks up.

"After braving the bad years of 1984 and 1985 when business dropped off about 50 percent we are now seeing levels of business not seen since 1982 and 1983."

The past two months has seen the war between the car hire firms heated up with the introduction of a flat rate system in line with overseas countries.

Mr Langley warned that this flat rate system would dent car hire companies profits by as much as 20 percent this year and he believed they would be forced to review the situation before the year-end.

"While I think it is likely that the flat rate system is here to stay, I think it is only a matter of time before a differential system is introduced where by varying flat rates for different areas are introduced.

"The average distance travelled by car hire users differs from centre to centre. Where the average rate far exceeds the national flat rate, it is costing the car hire firms.

"With increased distances being covered by car users, cars will have to be replaced quicker, so our costs will go up. Therefore I do not see how we will avoid introducing the differential system," he said.

Car sales up ²⁰

JOHANNESBURG — The recovery in new vehicle sales had continued at an impressive rate, the director of the National Association of Automobile Manufacturers of South Africa (NAAMSA), Mr Nico Vermeulen, said yesterday following the release of the March figures.

All four sectors continued to benefit from strong consumer demand and business investment in March new car sales had advanced by 11,2 per cent to 22 032 units compared to the February new car sales of 19 820 units (January, 1988 new car sales 16 518 units).

The March sales were 28,4 per cent above January-March of last year. In sheer numbers, that amounted to an increase of almost 20 000 more vehicles.

During the quarter, 89 373 vehicles were sold, compared with 69 602 in January-March of last year.

Toyota led the total vehicle tally with sales of 8 532 units 25,6 per

cent of the market. Then came Samcor with 6 372 (19,1 per cent) — made up of Ford 3 555 (10,7) and MMI 1 542 (7).

The top 10 best-sellers in March were VW Golf/Jetta/Fox 4 209, Toyota Corolla 3 394, Opel Kadett/Monza 1 868, Nissan Langley/Sentra 1 792, Toyota Cressida 1 479, Ford Laser/meteor 1 320, Honda Ballade 1 178, Mazda 323 1 108, BMW 3-Series 1 103 and Nissan Skyline 1 061.

Toyota sold 3 308 vehicles into the light commercial market with 33,2 per cent of the total. Then came Samcor with 2 421 sales (24,3), Ford 1 218 (12,2) and MMI 1 203 (12,1) and Nissan 1 986 (19,9).

In the medium sector, Toyota sold 183 trucks (39,6 per cent of the market), followed by Samcor 123 (26,6); MMI 71 (15,4) and Ford 52 (11,3); and Delta 88 (19).

Mercedes-Benz led the heavy vehicle sector with its sales of 282 units representing 34,8 per cent of the market. Then came Nissan with 179 sales (22,1 per cent) and Toyota 145 (17,9). —Sapa

THE consumer confidence index among whites jumped 10 points during the first quarter of 1988 to reach 120 — one of the highest levels since 1980.

However, Stellenbosch-based Bureau for Economic Research (BER) director Ocklé Stuart said government's wage freeze on civil-service salaries was likely to impact on spending trends.

Commenting on the BER's latest analysis of consumer attitudes, Stuart said: "It is unlikely the powerful confidence being experienced will fade away, but the unavailability of additional disposable income must be taken into account.

Consumers are more confident

MICK COLLINS

"As a result, we can expect that more consumers are going to be willing to incur debt in the months ahead."

Stuart noted that in 1987 nominal disposable income increased by 19.3%, the

30 ~~13/4/88~~ 13/4/88 To Page 2 B/day

Consumer confidence index takes a jump

biggest annual increase since 1980. After-tax income for many consumers would probably decline in real terms in 1988.

He said: "However, there is a general expectation of a compensatory rise in public salaries to come next year, and this, with the fact that credit is still freely available, supports a swing to credit as a mode of consumer payment."

On a more sombre note, Stuart warned that prices were set to rise over a wide spectrum of goods in the next three months.

He was referring to another BER survey which polled wholesalers and retailers in industries ranging from textiles and food to electrical appliances and raw materials for agriculture.

Retail areas expected to experience the fastest price increases included furniture, household appliances, machinery and equipment.

Stuart said: "Respondents were almost unanimous in their expectation that prices would rise between April and June. The prices of building materials and hardware, in particular, are expected to rise fairly sharply."

There were also signs that non-consumer goods would show faster price increases than other sectors.

Sales had been lively across a wide spectrum of sectors in the first three months of the year.

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Starbridge counts up the business profits

Starbridge was launched six months ago as a vehicle of communication between the races. It is aimed at building bridges for blacks into business, for whites into African culture, for greater understanding through education and contact. How has it fared? Today Winnie Graham reviews Starbridge's progress in the field of business.

Black entrepreneurs who once faced almost insuperable odds starting their own business have taken giant strides in overcoming the many problems which so often beset new companies and are increasingly becoming a force to be reckoned with in the economy.

A number of important support systems are being provided by the community, some started by blacks themselves and others by a combination of white/black managerial talent.

The International Executive Service Corps (IESC), whose work was featured in The Star recently, was established last year to provide business expertise to small businessmen in the disadvantaged sector of the economy.

Retired business executives have been recruited and are willingly giving of their time and experience to help the



Board members of the International Executive Service Corps at their first meeting. Left to right are Mr Maurice Corne (managing director), Mr Martin Devine, formerly of Mitchell Cotts, Mr Desmond Long, former chairman of Fibre Glass SA, Mr Arie van der Zwan, general manager, human resources, Southern Life Association, Mr Ian Fraser, former MD Yarrow Africa, and Mr Gaby Magomola, chief executive officer of the African Bank and chairman of the board.

many new entrepreneurs run their businesses efficiently and profitably.

The managing director of IESC, Mr Maurice Corne, said many lasting friendships had been formed in this "labour of love".

"The reward for the retired executives is the satisfaction they feel when seeing their advice being followed successfully," he said.

IESC is registered a non-profit company.

The board decided to extend the recruiting drive for volunteer retired business executives throughout the country, asking anyone interested

in giving time to help the emerging generation of businessmen to contact Mr Corne at Box 391650, Bramley 2018, or telephone 011 786-9751 for further information.

Another organisation doing invaluable work is the Pretoria-based Get Ahead Foundation. It was the brainchild of Dr Nthato Motlana, chairman of the Soweto Civic Association who asked Mr Don MacRobert, a former president of the Pretoria Chamber of Commerce and chairman of the Lawyers for Human Rights to start a non-profit company to develop the communal

and business interests of blacks.

Today it has offices throughout the country, has created thousands of jobs and helped "very many" businesses get started.

Get Ahead has about R1 million in circulation. Most of this has come from overseas. It gives loans to men and women without capital but with feasible ideas for starting their own businesses. Most of the loans are for R300 or less — hawkers have to buy wares and tradesmen need tools.

The African Council of Hawkers and Informal Businesses (ACHIB) was

founded by Mr Lawrence Navundla in 1986 as an umbrella organisation to promote the interests of street vendors, hawkers and informal businesses in central business districts.

It has 13'000 members and helps black entrepreneurs obtain licences and premises and liaises with authorities to ease trading restrictions.

Starbridge was launched to help close the gap between the races. If you have ideas of how communication can be improved, write to Starbridge, Box 1014, Johannesburg 2000.

BUSINESS

CAPE TOWN — South Africa's confidence index jumped 10 points during the first quarter of 1988 to reach 120 — one of the highest levels since the beginning of this decade.

This figure emerged yesterday from the latest analysis of consumer attitudes nationwide completed by the Bureau for Economic Research at Stellenbosch University.

The director of the bureau, Dr Ockie Stuart, said in the survey that the Government's freeze on civil service salaries and wages was likely to impact on the way consumers exercised their buoyant new willingness to spend.

"It is unlikely that the powerful consumer confidence now being experienced will fade away, but the unavailability of additional disposable income must be taken into account.

"As a result, we can reasonably expect that more consumers are going to be willing to incur debt in the months ahead," Dr Stuart said.

After-tax income for

many consumers would probably decline in real terms in 1988, he said.

"However, there is a general expectation of a compensatory rise in public salaries to come next year, and this, together with the fact that credit is still freely available, supports a swing to credit as a mode of consumer payment.

Perhaps the most important finding of the BER's current survey was the fact that more than half of respondents said they felt now was the time to buy durable goods such as furniture. Dr Stuart said the latest results applied only to white consumer attitudes.

The workforce of South Africa's trade and commercial sectors has on aggregate expanded over the past three months. This was com-

piled from data supplied by 850 firms.

"The aggregate picture is one of expansion, indicating that employment is on an upward path at this time."

The motor industry was experiencing its best season in years.

The BER itself expected that the demand for cars could start tapering off toward mid-year.

As far as spare parts were concerned, Dr Stuart noted that 98 percent of dealers had reported satisfactory business conditions.

Some 87 percent of dealers in new vehicles had reported that new vehicle stocks were too low to meet demand, while a net 62 per cent of dealers registered a shortage of used vehicles.

"These shortages stem

from a variety of factors, from strikes to simple underestimation of demand," Dr Stuart said.

Overall, the latest results showed that business conditions in the motor industry had improved substantially over the past 12 months.

The survey warned that prices were set to rise over a wide spectrum of goods in the next three months.

Respondents were almost unanimous in their expectation that prices would rise between April and June.

Dr Stuart said: "The prices of building materials and hardware, in particular, are expected to rise fairly sharply."

There were also signs that non-consumer goods would show faster

price increases than other sectors.

Sales had been lively across a wide spectrum of sectors in the first three months of the year, Dr Stuart said.

As far as retail prices were concerned, the survey found that areas expected to experience the fastest price increases included furniture, household appliances, machinery and equipment — Sapa

Confidence index highest in decade

D D 13/4/88

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Clarity is sought on MTC

KAY TURVEY

ASSOCOM has urged government to make it clear the new minimum tax on companies (MTC) will be removed next year.

In a memorandum submitted to Finance Deputy Minister Org Marais yesterday, Assocom says it is essential for business confidence that the tax is officially stated to be limited to one year only.

The memorandum, which follows a senior Assocom delegation meeting with Marais on Monday, says it is necessary for government to adopt a flexible attitude when looking at the "fine-tuning" of the tax. Specific problems should be addressed before the tax is finalised.

Finance Minister Barend du Plessis recently responded to mounting criticism of MTC by saying it was a temporary measure required to raise R350m in the 1988/89 fiscal year.

Assocom is concerned that care should be taken to minimise the negative impact MTC could have on business confidence in the months ahead.

It is neither commercially nor fiscally sensible for transactions to be entered into without the law governing these transactions being certain.

Assocom says the tax payable retrospectively violates one of the chief canons of taxation that liability be certain and could be penal in nature.

MTC will tax companies which are not paying full tax but are still declaring dividends. It is payable in respect of the latest year of assessment ended on or before February 29, 1988.

Companies which declared dividends prior to the Budget speech could now be subject to cash-flow problems.

Assocom says any company which is required to borrow funds to pay the tax will not be entitled to deduct the cost of these borrowings.

Assocom does not support the discretionary power given to the Commissioner of Inland Revenue to ease hard-luck cases.

SBDC launches competition to aid, improve small business

DLD 13/4/88
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Daily Dispatch Reporter

EAST LONDON — The Small Business Development Corporation (SBDC) has launched a competition aimed at reducing the failure rate of small businesses in the country.

According to statistical research, some 55 per cent of all new small businesses fail within the first five years, and an "alarming average" of 139 liquidations a month was recorded in 1987.

The managing director of the SBDC, Dr Ben Vosloo, said he believed the main cause of "heavy casualties" among small businesses, was a lack of good management.

"Of what benefit is it to our economy if we foster new initiatives at an ever increasing rate, while offering limited support to those already in operation," he asked.

The competition, which is primarily aimed at encouraging entrepreneurs to improve their business efficiency and performance, has been sponsored by 14 large established businesses.

The small business spectrum has been divided into 15 sectors: small builders, taverns, hardware, taxis, panelbeaters, catering and fast food outlets, small printers, butcheries, supermarkets and cafes, small manufacturers, hairdressers, liquor stores, small professional practices and service industries, used car dealers and service stations.

The prize for the winner in each sector is R2 500, to be used to attend a business course, or to effect improvements to the business.

The overall winner will receive R7 500 in cash, as well as a floating trophy. The first prize package also includes a tour of the Far East for two, to obtain first-hand experience of small business in other parts of the world.

'WHITE BUSINESS MUST KEEP OUT'

Sowetan
14/4/88
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SOWETAN Reporter

THE Greater Soweto Chamber of Commerce may apply to the Supreme Court to restrain a white company from conducting business near black residential areas.

Addressing the chamber's general meeting in Jabutani yesterday, the chamber's president, Mr Makana Tshabalala, said they would also challenge the Soweto City Council for granting residential and business sites to white-owned companies.

Mr Tshabalala said the big corporations were establishing businesses near townships in an attempt to throttle small businessmen.

"This is economic violence against our people," he said.

Handouts

The meeting rejected black participation in business ventures undertaken by whites on township borders. "We do not want handouts from our big masters. We want to establish our own corporations and not be fronts," one speaker said.

Mr Tshabalala said: "Attempts to meet and discuss the problems with the city council and a member of the Transvaal Provincial Administration have drawn a blank."

He urged black businessmen to form their own corporation in order to kick whites out of the townships.

The chamber also discussed the relationship between the Soweto Investment Trust Company and First National Bank.

THE Soweto Chamber of Commerce resolved the question of control of its brainchild, the Soweto Investment Trust Corporation (Sitco) yesterday, and immediately set its sights on winning market share from white-owned stores.

A previous meeting ended in deadlock when chamber members questioned Sitco being an independent en-

Soweto resolves its Sitco quandary

30 14/4/88
THEO RAWANA

tity not answerable to the chamber as it had been established by the chamber as a catalyst for other projects.

Yesterday's meeting resolved that a committee under George Negota should, in conjunction with the chamber's lawyer, work out a formula to

make the relationship between the chamber, Sitco and funders First National Bank constitutional.

Sitco MD MacDonald Temane told the meeting the establishment of wholesalers who could compete with white establishments was one of the objects of a study undertaken by the company.

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14/3/88
B/d/lowy

Motorcycle industry and govt meet to discuss import duties

HELEN CHAPPEL

REPRESENTATIVES of the motorcycle industry have held a top level meeting with government to discuss import duties.

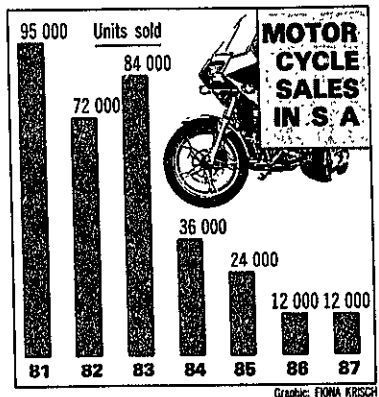
It is understood the meeting with Finance Minister Barend du Plessis was in response to the dramatic decline in market conditions.

A government spokesman yesterday confirmed the minister had met with industry representatives, but would not comment further.

Honda franchise dealer Simon Hendrikz said: "Sales have dropped from about 94 000 units in the boom period of 1981/82 to projected sales of about 12 000 for 1988."

However, Suzuki Motorcycle Mecca sales manager Rocky Rottcher said the 12 000 figure was an optimistic one.

Rottcher said: "The ad valorem tax has made a terrific increase in the end-price, pushing the price beyond the reach of the average



person.
"Apart from motorcycle transport and sport, the industry plays an important role in commerce through municipal use of motor-bikes and use by public bodies."

Bike SA publisher Simon Fourie said: "Because the industry is so small, it is unlikely government would miss the ad valorem duty

and yet the industry would have so much to gain from its removal.

"Motorcycles are not manufactured locally because of the small volume but the peripheral industry would be given a boost through a lowering of the duty, which would increase sales. Government has committed itself to supporting small business and peripherals supporting the motorcycle industry are just that."

Commenting on last year's request by the Board of Trade and Industry (BTI) for representations on removing the ad valorem duty, an industry source said: "The industry duly made representations, but in their wisdom the board decided against removing the duty."

"It seems government is not concerned whether the industry collapses or not."

BTI chairman Lawrence McCrystal said he was not aware of negotiations to lower import duties.

Car sales boom surprises the industry

15-2114/88

W/More

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By KIM CLOETE

MANUFACTURERS are struggling to meet demand and customers face long waiting lists as the motor industry booms.

Industry sales figures for the first quarter of this year were 28,4 percent up on the same period last year, with new car sales rising by over 11 percent between February and March, the National Association of Automobile Manufacturers of South Africa (Naamsa) said this week.

Buyers have come back with a vengeance, following a slump in demand going back to 1984. The order books are bulging, even though vehicle prices have risen faster than the average inflation rate.

Most manufacturers attributed the increase in sales to the performance of the economy as a whole.

But the demand for vehicles caught manufacturers unprepared and customers find they have to wait up to six months for a new car.

Conservative forecasts have resulted in drastic shortages of engines and gearboxes.

"Local manufacturers who have been the sole suppliers of these parts to the market, did not envisage the upturn in sales," says Naamsa director Nico Vermeulen.

The situation is intensified by the shortage of parts for heavy duty vehicles as well. "Supplier companies for these vehicles — ADE and Astas — are working flat-out but there is no way they can meet the demand," Toyota marketing director Brand Pretorius says.

"The shortage is further compound-

ed by the long supply pipeline of parts from overseas companies," says Samcor's public affairs manager, Ruben Els.

Between four and six months' notice was necessary to procure parts from overseas, Vermeulen says.

Although delighted with the number of cars leaving their showroom floors, some manufacturers this week described the demand as "unmanageable" and expressed concern about customers growing impatient with seemingly endless waiting lists.

"Vehicles fleets have become obsolete as companies haven't replaced them for some time — and with an added hold on the availability of new vehicles, company productivity is being affected, staff are complaining and there is a risk to company image," says Pretorius.

Toyota accounts for a huge 35 percent share of the fleet market, so demand is particularly great. Toyota customers have to wait anything from two weeks to six months depending on the model before they can drive a vehicle off the shop floor.

But BMW SA is unconcerned about long waiting lists for its cars. Buyers of the new BMW 7-series have to wait up to eight months for the car, but, says communications manager Michael Brandt, customers are not perturbed. What differentiated BMW from other companies, he says, was BMW's "personalised system" in which a car would only be built once ordered by the buyer. Consequently,

with the sales hike, the waiting list for BMWs is greater than for most cars produced by other manufacturers — with a four to six-month wait on the 5-series and three to four months on the 3-series.

Manufacturers are now finding it difficult to read the market and are concerned as to whether the improvement will continue unabated.

"Although some manufacturers stepped up production, they don't want to run the risk of over-producing vehicles," says Vermeulen.

Falling personal incomes and rising inflation from mid-1984 to the first quarter of 1987 effectively curbed private motor vehicle purchases. Companies, too, postponed repurchasing or replacing vehicles.

"The tables have turned though," says Vermeulen.

Rising interest rates are also fuelling the rush to replace vehicles.

But while millions of rands are being driven into the motor industry, the minimum wage of R4,50 for motor plant workers hasn't budged yet this year.

Wage negotiations between management and the National Union of Metal Workers of South Africa begin in May. And, says Numsa organiser Fred Sauls, workers are dissatisfied with their present wage package.

He says the issues of wages and sales are indirectly related, as the increase in sales affects the profitability of the company and influences the ability to pay. Wage demands and expectations will naturally increase, Sauls says.

Gather ye rosebuds

It can't last for ever, but the motor industry is making the most of the continued rise in new vehicle sales while it can.

Sales have been going up for months — to the extent that they rose by more than 28% in the first three months of this year, compared with January-March 1987. While no one suggests that the market will return to 1987 levels, analysts expect the recent month-by-month rise to end soon — possibly in April.

Thereafter, they expect sales to even out at current levels for the next few months. No one is brave enough to predict too far ahead.

March was another excellent month for the motor industry — although it should be remembered that sales are still below the levels of pre-recession days. Nevertheless, March new car sales were the highest since June 1984, light commercial sales were the best since the same month and combined

15/4/88

medium and heavy commercials were the highest since November 1985.

At 22 032 car sales were up by more than 30% on March 1987. Light commercials rose by over 25% to 9 977, medium commercials by 16% to 462 and heavies by 25% to 811.

March is traditionally a good month for the industry — two reasons being pre-emptive buying early in the month before the Budget and the fact that government departments do much of their buying around this time of year. Another factor last month was the high number of trading days — 27 out of 31 days in March.

April has already lost out, because of the Easter public holidays.

So although dealers are reporting daily sales at the same level as March, there are four fewer trading days than there were last month.

If 1988 follows the pattern of previous

years, the next peak months should be June and then October. But that is unlikely, because of continued stock shortages of most vehicles. A backlog of orders should ensure consistent market buoyancy, at least for the foreseeable future.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, which compiles industry sales figures, says orders for cars and commercial vehicles remain strong.

Toyota marketing director Brand Pretorius comments: "The figures are not a reflection of true demand. Because of stock shortages by manufacturers, it's a supply-driven situation."

Stellenbosch University's Bureau for Economic Research, in a report this week, says 87% of dealers report that stocks of new vehicles are too low to meet demand, while 62% of dealers are short of used vehicles. ■

CAPE TOWN — The government is prepared to take stern action against retailers who exploit customers by not passing on the reduction in the price of diesel.

The Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said yesterday that proof of the government's determination to maintain fuel price levels and where possible to reduce them, resulted in the 5.5 per cent cut.

With diesel's wholesale price reduced by 5.5 cents per litre (c/l), — or 7.2 per cent — at the coast and in the PWV area, and by up to 6c in some other areas, pump prices should have correspondingly been lowered throughout the country by 5c or 6c.

The wholesale price of diesel is now 64 c/l at the coast.

Mr Bartlett said that

Diesel price cut: ^{DID 15/4/85} govt ready to act ³⁰ against retailers

the new revised price tables were sent to all retailers by the Motor Industries' Federation (MIF) on March 30 and that the oil companies have been requested to assist resellers where there were uncertainties as to what reductions should be made.

However, feedback indicated that many retailers had not passed this reduction on to consumers, thus negating what Mr Bartlett called the government's well intended efforts.

"This unjustified increase of profits by certain retailers is seen in a serious light and although price control should preferably not be extended to the retail price of diesel, the government will not hesitate to take action in order to safeguard consumers."

He appealed to retailers to adjust their prices and to the private sector and to pass on the benefits of the cut to their customers, now that the cost of road transportation for

almost all goods had been lowered.

This also applied to bus passenger transport, where fuel prices represented a major cost component in the calculation of tariffs.

The private transport sector, he said, had a responsible role to fulfill in helping to combat inflation and the government hoped it could rely on this sector to fully cooperate.

But judging by the response from passenger transport operators,

there seems little chance that the reduction in the price of diesel fuel being passed on to consumers.

PE City Tramways' deputy general manager said that he had not yet received details of the reduction, but there was no indication that fares would be reduced.

Interkaap, which runs a regular passenger bus service between Port Elizabeth and Cape Town, will also not be lowering their fares.

Interkaap's Mr Johan Ferreira said that he had been reducing fares to meet competition from Sabs despite increases in the price of diesel fuel, which he had to absorb.

The managing director of Greyhound inter-city lines, Mr Jim Fryer, said that he would not be reducing fares.

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Lower diesel price must be passed on — minister

CAPE TOWN.— Stern action will be taken against petrol stations and other fuel retailers who fail to pass on the reductions in the wholesale price of diesel announced last month.

The warning, issued by the government yesterday, said that action would be taken to safeguard consumers from being exploited.

One of the steps envisaged could be the introduction of price control for diesel.

The warning to retailers was issued by the deputy Minister of

Economic Affairs and Technology, Mr George Bartlett.

He said it had been brought to his notice that many re-sellers of diesel have not passed on the price reductions.

With the wholesale price reduced by 5,5c/l, pump prices of diesel should have been lowered throughout the country by either 5c/l or 6c/l.

"This unjustified increase of profits by certain re-sellers is seen by government in a serious light."

The new revised

price tables were sent to all re-sellers by the Motor Industries' Federation (MIF) on March 30, and the oil companies have been requested to assist re-sellers where there were uncertainties concerning the reductions.

Repeating an earlier request to the private sector to pass on the benefits of the price cut to their customers, Mr Bartlett said this also applied to bus passenger transport, as diesel represented a large proportion of the cost in fare calculation.—
DDC

SBDC under fire from EL city councillor

D/D 15/4/88

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Daily Dispatch Reporter
EAST LONDON — The Small Business Development Corporation (SBDC) has come under fire from a local city councillor for wasting public and sponsor's money and "achieving nothing in the city".

A councillor for the Quigney ward, Mr Eric Whitaker, said the SBDC provided "protected employment for government lackeys" and paid them extravagant salaries.

The claims were rejected by the SBDC, with a spokesman saying the corporation had approved some R3 million in loans to small businesses in East London, all less than R100 000, in under a year.

Mr Whitaker said that, from his own experience, he believed the SBDC should be investigated as private sponsors and the public were entitled to know what was happening to their money.

He said he had applied for premises in the Lock Street business

hive recently and had been told that, because he employed 14 people, his concern was too big for the hive.

"Yet, another businessman I know who employs four people, applied for premises and was told that he was too small.

"The only positive thing to come out of the SBDC was the shoe shiners in Oxford Street and even they appear to have fallen through.

"I am sure it is not necessary to continue the farce of paying high salaries to officials who create opportunities that are bound to fail."

The Eastern Cape and Border regional manager of the SBDC, Mr Danny Mansell, said Mr Whitaker would "have to substantiate the things he says if he is to be taken seriously".

He said he regarded the SBDC as apolitical.

"We cannot afford to become involved in politics, although there are times when we have to approach the government to change laws that

are hampering the creation of small businesses.

"As for the claim of extravagant salaries, I can only say that we like to see our staff as professional people who are fairly compensated for the work they do."

Mr Mansell listed the R1.2 million Lock Street Jail project, the R1.7 million conversion of Sats property to an industrial park for small, medium and big businesses, and factory flats on the West Bank worth R2.5 million as proof that the SBDC was active in the city.

He said the office here had created both factory flats and a commercial project in Mdantsane, and was investigating the establishment of a shopping centre in Duncan Village to cater for existing or new small businesses.

"In the past 11 months we have approved over R3 million in loans for small businesses in the East London area, all of them under R100 000 each."

The SBDC took a big knock every year with bad debts, but had nevertheless made a profit every year since its inception.

On Mr Whitaker's personal experience in applying to the SBDC, Mr Mansell said: "The number of people employed by an applicant is irrelevant. However, the largest hive at the Lock Street jail is 110 square metres and that is a restriction on the size of a business. Nobody is too small for the SBDC. It might be that we would need to look at the viability of a business before allocating a hive, subject to a successful loan application."

The SBDC had helped create or maintain some 160 000 jobs through small business loans totalling R180m.

"Any applicant is welcome to discuss his problems with us. If I can do anything to help clear up any misconception for Mr Whitaker, I would be only too pleased to hear from him," Mr Mansell said.

New call to lift reins off the informal sector

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SM
15/4/88

By Michael Chester

There are now no fewer than 1,5 million home mini-business ventures in South Africa, earning more than R20 billion a year.

Most go unrecorded in official statistics and operate without trade licences.

The new estimates of the mushroom growth of the informal sector of the business world come from a nation-wide survey by the Self-Employment Institute (SEI).

Mr Theo Rudman, executive director of the SEI, argues that the success of operations proves the enormous potential role of the informal sector as a booster to economic growth — if the Government orders a halt to bureaucratic harassment of mini-businesses with out-moded rules and regulations.

Equally important, he believes, is Government recognition of the sector's role as a catalyst to close the economic gap between the rich-and-poor First World and Third World elements of South African society, with action to allow them equal opportunity to exercise their inter-dependent business initiatives.

Research by the SEI shows that no fewer than 300 000 white families are now running business bee-hives at their homes — and pulling in an annual R1 800 million.

Here, says Mr Rudman, the main motive is to pad out normal wages and salaries to protect standards of living from erosion by high taxation and inflation.

Typical off-the-record part-time operations by white families are activities such as evening freelance work by accountants and architects, moonlight services by plumbers and electricians and knitting and sewing by housewives who sell their products at neighbourhood weekend flea markets.

The number of black families running their own unofficial businesses — hawkers to backyard motor repair mechanics — is now estimated at no fewer than 1,2 million, with a combined annual turnover of a staggering R15 billion to R20 billion a year.

Here the main motivation is the sheer necessity to find alternatives to unemployment, or else bolster low wages or flex initiatives as business entrepreneurs to join the main economic mainstream.

The dimensions of unrecorded trade have been underscored by a recent phenomenal surge in the circulation of bank notes that first mystified the SA Reserve Bank — until it discovered the cause was the amount of cash flowing in and out of the informal sector, which is inclined to insist on cash rather than cheques or credit cards in its transactions.

"The scale of operations makes the mind boggle," says Mr Rudman. "And it is high time that South Africa gave its informal sector full recognition and encouragement as a new generator of economic growth — rather than throttle it with bureaucratic rules and regulations.

"So far in South Africa we have been trying to enforce First World standards on all business ventures, which has slammed the door on much of the Third World and forced it underground.

Yet, encouragement of the informal sector can provide the bridges to mobilise the full potential of the entire population.

"It has been estimated that South Africa would need to spend at least R4,5 billion a year inside the formal sector over the next decade and beyond to create all the new jobs needed to cope with the population explosion and the school-leavers expected to hit the labour market.

"We need to face the blunt fact that the cash will not be forthcoming.

"There has to be an entirely new and radical approach to the problem. And it is the informal sector that holds most of the solutions."

The SEI now plans to propose two specific channels of action by the Government:

- A far bigger allocation of funds to finance training programmes to teach basic job skills to unemployed workers, with much more emphasis on basic management methods to groom a new generation of self-employed entrepreneurs.

- The appointment of a special ombudsman, or commissioner, to monitor existing and any proposed new pieces of legislation to weed out unnecessary restrictions and ensure a fair deal for the informal sector.

Mr Rudman underlines the recent findings by the Institute of Futures Research, at Stellenbosch University, that while 7,7 million South Africans had full-time jobs at a 1985 count, no fewer than 4,3 million were entirely jobless or else only partially employed.

"We can no longer afford to ignore the opportunity to mobilise the vast proportion of our labour force that is in limbo and to crack an unemployment problem that threatens to grow into a crisis unless there is action.

"Britain and Taiwan are perfect examples of economies that have given relatively free rein to their informal sectors, with astonishing results. South Africa simply dare not leave itself trailing behind."

Cape Times 16/4/88

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Cape Times, Saturday,

Pick 'n Pay cheapest — Survey

Staff Reporter

A COUNTRYWIDE survey of 38 supermarkets and hypermarkets has shown that on March 18 this year a trolley of 98 products was cheaper on average at Pick 'n Pay than six other chain stores.

However, two of the chain store groups involved expressed reservations about the validity of such surveys, saying there were many variables which could affect the results.

Mr Wander Hoon, regional head of the South African Co-ordinating Consumer Council, said yesterday that seven store groups, both hyperstores

and supermarkets, were surveyed. The stores had co-operated but had not known what day the survey would be conducted or what products would be priced.

The survey included groceries, toiletries and cleaning goods but excluded meat and fresh fruit and vegetables.

The trolley's national average cost was (from cheapest) R240,66 — Pick 'n Pay hypermarkets; R240,73 — Checkers Warehouse; R246,17 — OK Bazaars Hyperama; R247,59 — Pick 'n Pay supermarkets; R253,68 — Checkers supermarkets; R255,62 — OK Bazaars supermarkets and R271,81 — Spar supermarkets.

zars supermarkets and R271,81 — Spar supermarkets.

In Cape Town, Checkers Warehouse was the cheapest of the hyperstores with the trolley costing R237,17. Pick 'n Pay Hypermarket cost R239,75 and OK Bazaars Hyperama cost R247,70. Supermarkets ranged from R243,85 at Pick 'n Pay and R250,50 at Checkers to R252,95 at OK Bazaars.

Mr Allan Fabig, an OK Bazaars director, said such surveys were misleading "nine times out of 10". The fact that no product names were disclosed meant people did not know if the most popular brands had been priced and a survey of packaged gro-

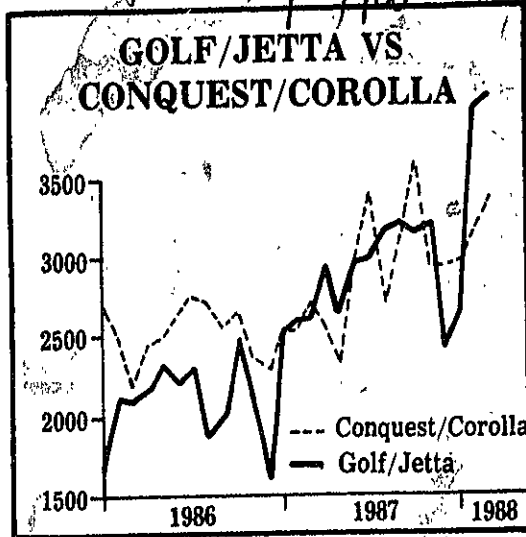
ceries did not reflect a market swing to fresh foods.

Mr Rain Harrisunker, Cape divisional director of Checkers, said a monthly survey could be misleading because of monthly specials offered by chains. "It would need to be looked at over the long term," he said.

Mr Allan Baxter, senior buyer for Pick 'n Pay in the Western Cape, said he was not averse to such surveys as long as they were carried out by looking at a large number of items.

"This increases the chances that the average reflects what most people will buy."

Spines 17/4/88



VW hard on the wheels of Toyota

By Don Robertson

THE race is on — Volkswagen is rapidly catching up on top motor seller Toyota.

Volkswagen car sales in March were 160 short of the market leader at 4 736 compared with Toyota's 4 896.

But since the beginning of last year, Volkswagen's Golf-Jetta range has outsold Toyota's Conquest-Corolla models on nine occasions.

In a traditionally good month, March sales of new cars moved up by 11.2% to 22 032 from 19 820 in February, confirming expectations that the figure for the 1988 will be about 10% higher than last year.

Commercials

Light commercial (LCV) sales were also better, rising by 2.1% from 9 767 in February to 9 977 in March.

Medium commercial sales were marginally lower at 462 — the February total was 504. The heavy commercial and bus sector was well up at 811 from 716 — an increase of 13.6%.

Running totals for the year are impressive, car sales up by 26.6% to 58 370 from 46 096, LCVs higher by 34.7% to 27 651 from 20 525, mediums by 13.9% to 1 294 from 1 136 and heavy truck sales 11.8% better at 2 058 compared with 1 841.

But in the important new-car market, VW continues to make headway. It intends to introduce a second shift soon.

VW has lifted production

by 54% since the beginning of last year. Production has increased from 187 vehicles a day to 300, depending on model mix.

Sales of the City Golf, Fox, Golf and Jetta are the best achieved for a single model range in the industry. Had stocks of Jetta been available sales would have been better.

Sales of VW LCVs were the best since June 1984 and were made up mainly of minibuses. In March, VW sold 160 ultra-luxury Caravelle minibuses to take a 50% share of the 10-seater market.

VW sales rose by 9.6% last month, but Toyota's sales were only 1.6% better.

Toyota, like all manufacturers, suffered from a shortage of stock.

With the exception of MMI which markets Mazda, all manufacturers showed car-sale improvements. BMW lifted sales by 20.1% to 1 564 with input from the 3 Series. Delta continued its growth with a rise in sales of 25.8% to 2 018 from 1 603. Mercedes-Benz was 21.3% better at 2 115 — up from 1 744.

Nissan also had a good month, the new Sentra and Skyline doing well. Sales were 2 856 compared with 2 333.

Ford sold 2 285 cars compared with 2 131, but Mazda, also in the Samcor stable, was barely changed at 1 542 compared with 1 554.

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on Robertson

FAST of acquisitions and growth in motor sales helped Vaaltrucar, the recently listed retail motor group, to lift turnover by 545% in the year to February. Attributable profit rose by 312%.

Both figures are above prospectus estimates of R18-million and R625 000 respectively.

The purchase of Ford dealer Eastvaal last September for R2-million in cash and the issue of 4.5-million Vaaltrucar shares and the opening of a fifth Delta dealership in Boksburg enabled the company to show earnings of 12c a share on the increased issued share capital and declare a total dividend of 3.8c.

Vaaltrucar forecast a dividend of 3.2c which it hoped would be covered twice. The results have allowed Vaaltrucar to pay the total dividend through an interim of 1.8c and a final of 2c covered a conservative 3.2 times.

It forecasts turnover of R100-million this year and earnings of 15c a share.

The company has retained earnings of R980 000, lifting cash in hand to R1.14-million — a large balance-sheet item considering that after the issue the company raised about R1-million.

In a separate deal, the company has bought for cash the properties held by Eastvaal in Ermelo, Secunda and Witbank for R2.55-million. The acquisition is not expected to have any effect on earnings or asset values.

Eastvaal contributed its

Vaaltrucar hits the high road

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forecast R600 000 to profits in the past year, the difference between Vaaltrucar's forecast R625 000 and the actual profit of R1.59-million coming from the better results of the company's Delta franchises.

Current liabilities are R7.6-million, made up mainly of floor planning systems. However, total assets, excluding premises taken over from Eastvaal, are worth R13.9-million. These are made up of R8.5-million in stock, of which R2.5-million is in spares. The company turns over R1.7-million in spares a month, offering the group a highly profitable stock performance.

About R3.4-million is in debtors, and R1.14-million in cash.

Vaaltrucar chairman Sarel Germishuizen says the group has an assessed tax loss of R1.2-million which should result in taxes being low for some time. The com-

pany has an operating profit of 4%, but hopes to improve to about 5%.

The group has a sound base, shareholders' funds totalling R6.2-million. Sales are expected to improve when Ford and Delta introduce new models later this year.

The tractor division is showing better results.

Vaaltrucar operates its nine branch operations on a fixed coverage surplus, meaning that either petrol sales in the case of garage operations or spare sales at retail branches are sufficient to cover overheads. New-car or used-car sales are cream on the top in terms of bottom-line profits.

The share is trading at 60c, offering a dividend yield of 15.7% and an earnings yield of 20%. Although the company has a net asset value of 37.4c a share, the shares appear to be underpriced.

SBDC starts competition

19/4/88 MICK COLLINS (2) below

IN A major drive to reduce the failure rate among small businesses, the Small Business Development Corporation (SBDC) has launched a R50 000 competition for the most improved enterprise.

"We believe that lack of good management causes heavy casualties among small businesses," said SBDC MD Ben Vosloo.

According to Information Trust Corporation, about 55% of all new small businesses fail within the first five years. In 1987 an alarming average of 139 liquidations a month was recorded, Vosloo said.

The winner in each sector will be awarded a R2 500 cash prize to attend a business course, or to effect improvements in his business.

The overall winner will receive R7 500 in cash, as well as a floating trophy from Sanlam.

Entrants are encouraged to use mentors and a cash prize of R2 500 will be awarded to the mentor who has been most effective.

Trolley for trolley Cape Town prices are 'rock bottom'

By SUE LUPTON
Staff Reporter

IF you want to shop cheaply come to Cape Town. That is the message from Peninsula supermarket chiefs following an announcement by the South African Consumer Council that Cape Town has the second cheapest supermarkets in the country.

The reason for Cape Town's rock-bottom price tags was that competition between supermarkets was stronger here than in other major cities, a supermarket executive said.

Mr Alan Baxter, Pick 'n Pay's senior buyer in the Western Cape, was commenting on the findings of a Consumer Council survey.

Ninety-eight products representing a wide variety of household requirements were priced in 58 stores in Cape Town, Pretoria, Johannesburg, Durban and Bloemfontein.

The Consumer Council divided the stores — belonging to seven chains — into two broad categories: hyper stores and supermarkets.

The findings were that the lowest supermarket prices were in Bloemfontein, followed by Cape Town.

According to national averages, Pick 'n Pay hypermarkets had the lowest prices in the hyper category, while Pick 'n Pay supermarkets also had the lowest prices.

Warehouse

In Cape Town lowest hyper prices were at the Checkers Warehouse. The lowest Cape Town supermarket prices were at Pick 'n Pay stores.

Mr Baxter said: "Cape Town is the most competitive area in the whole country, because there are so many chain stores here.

"In addition to the 'big three' — Checkers, OK Bazaars and Pick 'n Pay — we have Grand Supermarkets, Shoprite and smaller operations like Elite and Hyperette.

"So we have to ensure that we're on the ball and our prices are right."

Mr Baxter attributed Pick 'n

Pay's success to its decentralised system, with supermarkets run on a regional basis and authority delegated to regional managers responsible for profit in the region.

And the chain's hypermarket managers run each hypermarket as an independent unit, so the regional and hypermarket managers were "able to make decisions quickly, based on factors relevant in the area," said Mr Baxter.

In centralised companies all decisions had to go through a head office, which caused a delay. Often senior staff in Johannesburg did not pay attention to the local marketplace, he said.

Checkers and OK Bazaars management spokesmen could not be reached for comment.

The results of the survey in Cape Town based on a trolley of 98 products are:

Hyper stores: Checkers Warehouse R237,17, Pick 'n Pay Hypermarket, R239,75, OK Bazaars Hyperama, R247,70.

Supermarkets: Pick 'n Pay R243,85, Checkers R250,50, OK Bazaars R252,95.

The national averages were as follows: Hyper stores: Pick 'n Pay hypermarkets R240,66, Checkers warehouses R240,73, OK Bazaars hyperamas R248,17.

Supermarkets: Pick 'n Pay R247,59, Checkers R253,68, OK Bazaars R255,62 and Spar R271,81.

Bid to revive greening of city

Environment Reporter

AN INTERIM steering committee to relaunch the City Council's stricken Greening of the City programme has been formed by the Fairest Cape Association, the Wildlife Society

Let's hear your False Bay news

PASS on your news from False Bay towns and suburbs — from Simon's Town to Gordon's Bay, including Fish Hoek, Ocean View, Muizenberg, Strandfontein, Macassar and Strand — to The Ar-

30 *Alfred E. Wigg*

Red wine and headlines for R875 a bottle *30*

by Glyn Williams

CAPE TOWN — The cowboy analogy is main street at high noon for the showdown.

But at the 14th Nederburg wine auction at Paarl on Saturday it was five-thirty on a sunny autumn afternoon.

The last item for sale — a case of Lanzerac pinotage 1969 with a reserve of R260 — looked innocent enough but the combatants were prepared to shoot it out with rands, not guns.

After all, there was prestige at stake.

And so two commercial groups sent it up by leaps and bounds, not to mention R500 a time.

Eventually it was knocked down to Mr Sam Berk, chief executive of a liquor group, for a fabulous

R10 500, or R875 a bottle. It was the highest price paid for a single case at the auction, not counting charity items.

Worth it? Not in drinking terms, of course, but worth every penny of the resulting publicity.

The total result surpassed Nederburg's expectations of R1,8 million. The final tally was R1 955 482, or 30 per cent up on last year.

Like Topsy, the auction has grown from R237 000 at the first in 1975 to R891 725 in 1985

It topped the million in 1986 for the first time.

It looks like the second million in sales will be attained next year, or a doubling in three years.

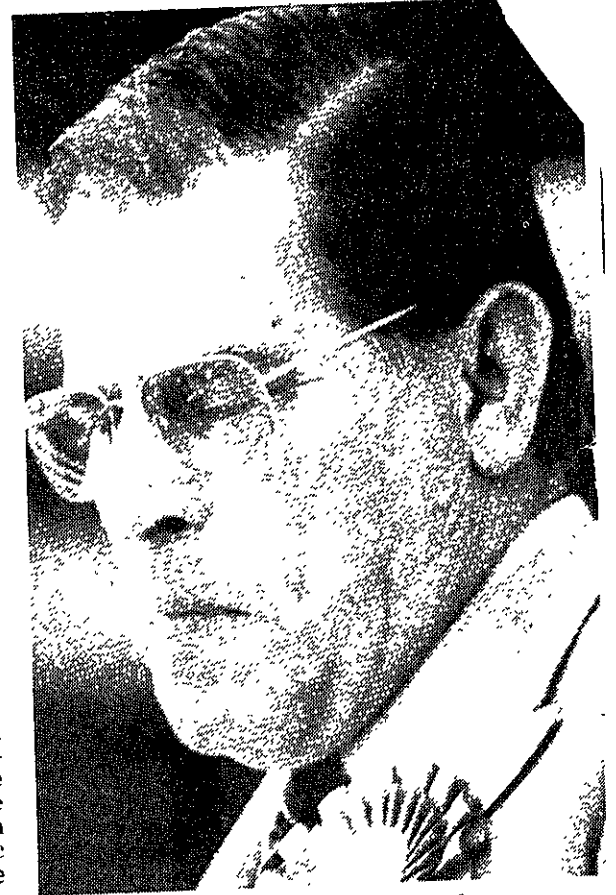
The reds brought in R1 259 941 and the whites R695 541. There

were 84 wines and 22 participants, with an offering of 10 216 cases, higher than usual but still well below the 12 400 cases on offer at the first auction.

Exports sank alarmingly to 2,14 per cent of total sales last year but brightened to more than nine per cent on Saturday, with Japan, Switzerland and the Republic of China being big buyers.

Sales to Eastern Cape buyers were still well down at 2,75 per cent of total.

The auction was opened by a French wine man, Mr Jean Hugel, in honour of the 300th anniversary of the Huguenot settlement in South Africa, with Gallic aplomb and with a more than usual touch of humour.



Mr Hugel . . . Gallic aplomb.

'Govt incensed over lack of restraint'

OWN CORRESPONDENT
19/4/88

JOHANNESBURG. — Government is becoming increasingly incensed that the private sector is not responding to the appeal made by President P W Botha to use restraint in establishing wage and price increases — in line with the "freezes" imposed on the public sector.

This much was indicated by Finance Minister Barend du Plessis in replying to the debate on his Budget in the House of Assembly yesterday.

Du Plessis observed critically that there were almost daily notices in the media of wage and price increases now being set in the private sector since President Botha announced his economic package.

Singling out retailers, Du Plessis warned that government would be provided with more muscle.

Consumers 'becoming progressively poorer'

By Caroline Mehliiss

South African consumers are becoming progressively poorer, says Mr Jan Cronje, director of the Consumer Council.

In his review in the council's annual report recently presented to Parliament, Mr Cronje says the lifestyle of consumers is being eroded by the unacceptably high double-figure inflation rate — especially for food — the lagging behind of salaries com-

pared to the inflation rate, and increasing unemployment.

Consumer confidence is being shaken by continual price increases, and some sort of monitoring action is needed to keep unnecessary increases in check as well as unnecessarily high salary increases in the private sector which could be fuelling inflation.

Mr Cronje says there are some encouraging signs for the consumer: the inflation

rate has dropped slightly in recent months, there has been a mild upswing in the economy, and the Margo Commission has given hope of possible relief from the taxman.

He says it is also pleasing to note that the importance of the consumer is being acknowledged in more and more areas. The consumers' role in the economy is being appreciated more fully, and consumers are being consulted, Mr Cronje says.

Houses on unstable ground cause more complaints

The Consumer Council's complaints department has handled more than 15 000 cases in the past year.

In its annual report, the council said the most common problem areas were the repair of domestic electrical appliances, used cars, home improvements and houses built on unstable ground.

There was a noticeable increase in the number of complaints received about houses being built on unstable ground. Each complaint represented hundreds others because unstable ground usually involved a whole area.

The matter has been referred to a parliamentary committee and the Municipal Executive Committee.

There was also a spate of complaints about sales clubs (verkoepklubs). They offer consumers a variety of goods at minimal prices provided the consumer recruits three other buyers. If he fails, he is obliged to buy the proffered goods at a much higher price.

These complaints have been referred to the police and the Business Practices Advisory Committee for investigation.

Variety of consumer issues were studied

The cost of raising a child and a study of consumer opinion about advertisements during television programmes were among the projects undertaken by the Consumer Council's research department in the last year.

The department collects and disseminates a wide variety of information on topics of general interest to consumers.

It processes a monthly consumer price index which is used by the business sector and others.

The department also monitors price increases, and investigates

reasons for any sharp, sudden increases.

It also provides consumers with advice and information about buying various items of household equipment.

Other research projects it has undertaken in the past year include monitoring television prices since June to see whether they have come down in line with the announced lowering in price, and a study to determine whether consumers make use of the meat and fresh produce market indicators given over the radio and in newspapers.

19/4/88

CMH boosts profit 48%

Buoyed by the nationwide surge in sales of new and used cars, Combined Motor Holdings (CMH) achieved a 48 percent increase in attributable profit in the year to February.

Chairman Maldwyn Zimmerman said yesterday: "I expect motor industry demand to remain buoyant in 1988, with total new vehicle sales increasing by 10 to 12 percent to approximately 340 000 units."

CMH boosted turnover by 50 percent to R222 million (1987: R148 million). Operating income before interest was R9,22 million (R6,71 million) — an increase of 38 percent. The cost of interest fell to R453 000 (R691 000), leaving

pre-tax profit at R8,77 million (R6,01 million). The tax bill was 47,4 percent higher at R4,29 million (R2,91 million).

After adjustment for attributable income from an associated company and payment of preference dividends, CMH's attributable income was R4,42 million (R3 million).

The results translate into earnings per share of 23,6c — against a forecast 19c and an actual 16,6c last year.

A final dividend of 5,4c per share has been declared. With the interim of 2,4c paid earlier, this makes 7,8c for the year, against a forecast 6,9c and 1,9c last year. The total dividend is covered three times. — Sapa.

20/4/88

(30)

Sapa

Concern over watchdog measures

(30) B/duy
20/4/88

Bill proposes wide powers over business

ALAN FINE

A NEW draft Bill now in limited circulation would give the Economic Affairs and Technology Minister the power to fix prices, dissolve businesses and declare various business practices unlawful.

The Control of Harmful Business Practices (HBP) Bill is designed to give substance to government's promise to give consumer organisations "teeth", and has drawn fire from large sections of organised business.

Businessmen contravening orders made in terms of the Bill would be liable to a R200 000 fine and/or five years imprisonment.

The FCI said the Bill appeared to go against government commitments on deregulation.

The Bill aims to establish a business practices committee empowered to investigate any harmful practice and make recommendations to the Economic Affairs and Technology Minister on various courses of action.

The Bill defines a harmful practice as any agreement, trading method, advertising, act or omission or situation arising out of the activities of any person or group which has injured or is likely to injure relations between businesses and consumers; unreasonably prejudices any consumer; or deceives any consumer.

It is proposed that the Bill replace the Trade Practices Act.

In terms of the Bill the Minister would be entitled, after a committee investigation and recommendation, to ask the Price Controller to fix a maximum price

for a commodity, or he may decree the price an individual seller may charge for a product. He may suspend any price increase or order the discontinuance of any alleged harmful practice while it is being investigated.

The Minister would be empowered to declare a harmful practice unlawful and require any person responsible for one to take whatever action the Minister deems necessary, including taking steps to dissolve a company or business.

People contravening any order in terms of the legislation would be guilty of an offence and liable to a fine of up to R200 000 and/or five years' imprisonment. A special court may be established to hear appeals against the Minister's decisions.

FCI director Steve Anderson said while the organisation may accept the need for a watchdog body to look after the interests of consumers it was not convinced the draft Bill was desirable or necessary.

He said the FCI had said in submissions that, in the light of stated government policy to reduce expenditure and deregulate the economy, this Bill would add to costs and its provisions were over-regulatory.

An Assocom spokesman said he was somewhat concerned at the intention of the proposed legislation.

One businessman said the definitions

● To Page 2 →

Bill proposes wide govt power over business

were so vague as to permit almost any normal commercial activity to be deemed harmful.

In contrast, though; AHI's Hennie Klerk said his organisation supported the general tenor of the Bill. However, the quality of the committee would be crucial and it should not comprise bureaucrats or big corporate names.

The committee would comprise four to six members with special knowledge

of consumer affairs, economics, business, law or public affairs, to be appointed by the Economic Affairs Minister, and one member nominated by the Minister of Finance.

The committee would be entitled to summons witnesses for questioning and order them to produce documents.

(30) B/duy ← ● From Page 1 20/4/88

CA/4 Times 21/4/88 (30) 277

P 'n P cuts qualifying time for share ownership

Own Correspondent

JOHANNESBURG. — Retail giant Pick 'n Pay is to reduce its employee qualifying factor for share ownership from 10 to five years, chairman Raymond Ackerman said yesterday.

Addressing the Estates Agents conference in Durban, he said this would bring share ownership within the reach of more than 60% of the company's workforce.

"For the past 20 years we have been offering shares to our people, not as an alternative to higher wages, but to make them feel part of the action.

"Although this scheme is open to all Pick 'n Pay employees, obviously it is on merit and workers cannot become shareholders from day one.

"They have to earn the right by proving themselves. When they have done this we make money available to them to buy shares, which they must pay back in due course."

Ackerman stressed that the acquisition of shares was voluntary.

"No one is forced to become a shareholder, but up to now employees across the board have been very enthusiastic."

He said his company believed in promotion on merit regardless of colour or creed.

"At this moment, 45% of our managers are black coloured or Indian, and we have found that it pays off.

"Our people know that our policy is promotion from within, and that anyone who takes the gap is eligible to climb the ladder. The sky is the limit for all our staff."

"These are the incentives which motivate the workforce. Cash incentives alone do not make one feel part of the action nor do they engender that team spirit which is so important to the true success of an organization."

He said given a growth rate of only 7% a year, SA's wealth could double within the next 10 years. Government had already announced a deregulation programme and had, at the same time, undertaken to cut down on bureaucracy.

"This must be a joint effort. Once government has made its move it is up to the private sector to grab the ball and run with it, and everyone will benefit."

Assocom is wary of new Bill

Confidence in business must not be affected

20 8/10/88
2/14/88

ASSOCOM has told the Department of Trade and Industry that, although it believed in the protection of the consumer, legislative steps to achieve that end should not be of such a nature as to damage business confidence.

In releasing details of its submissions on the draft Control of Harmful Business Practices Bill, Assocom said the proposed use of price control was contrary to official statements that had rejected price and wage control as instruments of policy.

The Bill ran counter to the whole philosophy of deregulation and commitment to market-related policies.

Assocom stressed the draft Bill was still in a formative stage.

ALAN FINE

It said if the proposed business practices committee was to enjoy the confidence of the business community, suitable representation for business on the committee was necessary.

It also regarded the proposed power of the Minister of Trade and Industry to summarily restrict or even close down a business as drastic.

In its rejection of the Bill, the FCI said it was not convinced the Bill or the wide powers given to the Minister were necessary, and asked whether its implementation would not be an unwarranted drain on national resources.

● See Comment, Page 6.

Co-operation

BLACKS must cooperate with one another if they hope to attain independence.

Delivering a keynote address at the two-day seminar of the Black Management Forum, Mr E Nyathi, who is also publisher of a monthly journal, *Southern Africa Focus*, said blacks would have to come up with a multifaceted effort to gain political and economic power.

He said: "Co-operation lies at the heart of our redemption. We should all engage in an exercise of self-discovery and learn to appreciate and have pride in ourselves and our African heritage."

Progress

The aim of the seminar, whose theme was "The new economic framework for South Africa", was to assist and encourage the development and advancement of the black community.

Mr Nyathi said whatever progress black managers have made in the past they still laboured under racial constraints. Their white bosses and colleagues still have limited faith in them.

Sowetan 21/4/88
is vital

BMF indaba told

Black managers could still achieve something if they worked hard in co-operation with other black community organisations.

"One tragedy of apartheid's application is the poor self image that blacks have of them-

selves. Consequently we often fail to appreciate the good done by fellow blacks," he said.

He said there was a backlog in housing, education, business development which any equitable economic policy shall have to deal

with.

Both the Azanian People's Organisation and the United Democratic Front have an important role in the formation of future economic policies.

The seminar ended yesterday.

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Sowetan 21/4/85

Trade indaba 30

THE International Council for small business in Southern Africa will hold a two day conference at the World Trade Centre, Kempton Park, near Johannesburg, tomorrow and Saturday.

The conference, whose theme is "small business — a new direction for corporation in Southern Africa" — is to address various problems as well as share ideas among the business community.

The vice-president of the ICSB, Mr Johan van der Westhuizen, said

reasons for the conference in the region are:

- To assist in promotion of small business;
- To develop corporation among those interested across national and cultural borders;
- To combat small business isolation; and
- To establish an unbiased and action orientated organisation and satisfy the needs for a new small business forum as expressed by a large portion of the small business community.

Ready for battle

SA's biggest regional business chamber won't ease up on efforts to draw support from the Federated Chamber of Industries (FCI).

The election of former FCI vice-president Hennie Viljoen as president of the Assocom-affiliated Witwatersrand Chamber of Commerce and Industry (WCCI) is a message to the FCI that it faces an accelerated battle for membership in the Johannesburg region.

Viljoen was twice president of the Transvaal Chamber of Industries, which left the FCI fold last year to form the WCCI with the Johannesburg Chamber of Commerce. The choice of an industrialist as head of the WCCI is intended to silence suggestions the merger was effectively a JCC takeover and that industrial interests would be overlooked.

Viljoen (54) says: "We felt it would be very good for the movement if an industrialist should take over."

It also signals the start of a prolonged effort to draw more support in the area and the strong likelihood of a membership battle



**Viljoen ... finger
in every pie**

with the FCI's own fledgling Transvaal branch. Much of the rival chambers' emphasis in their first few months of existence has been on getting into battle-ready shape. Both recently held their first annual meetings and are now ready to put more effort into campaigning.

Viljoen's role could be pivotal. As a former FCI office-bearer, an industrialist, an Afrikaner and one-time senior public servant and government adviser, he has vast experience to draw on. Assocom and the WCCI hope his presence and contacts will help them achieve their goal — an accommodation with the FCI and perhaps even the Afrikaanse Handelsinstituut (AHI).

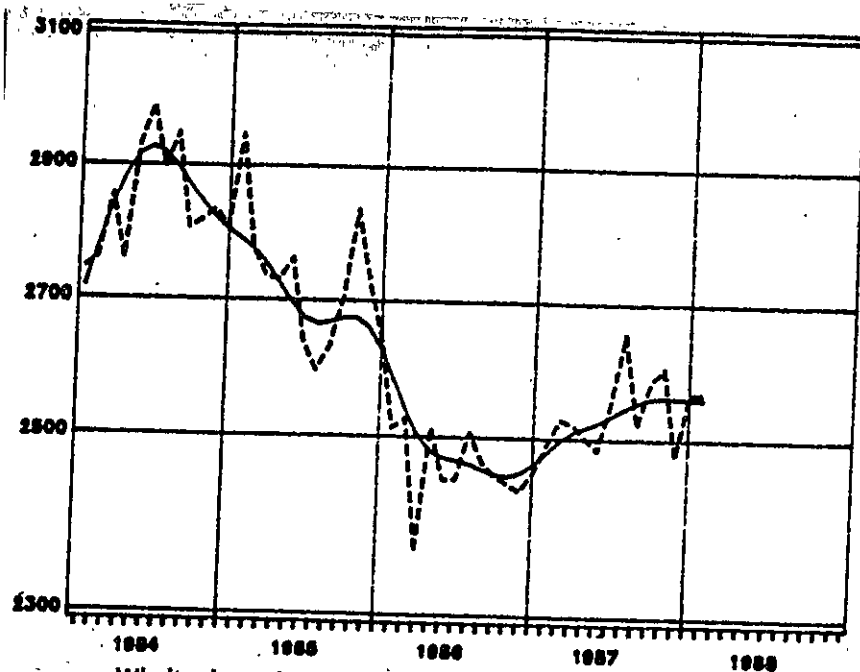
Some Assocom sources don't rule out the possibility he may become president of the national body before too long — if it helps the process.

First prize is the FCI. Viljoen, a director of National Beverage Services (formerly Coca-Cola), was an FCI office-bearer at the time an independent 1982 report found no obstacles to a merger between Assocom and the FCI.

"I still believe that is the road we should go. What we have done here (at the WCCI) is only the start. If you look at the AHI, its success proves you can combine the interests of commerce and industry."

The Midland Chamber of Industries in Port Elizabeth recently held informal talks with Assocom officials. If the WCCI can be seen to be successful, Viljoen hopes others will follow.

"I believe it's only a matter of time before there's a merger between Assocom and the FCI," he says. ■



Wholesale trade sales at constant 1980 prices (Rmillions)

Wholesale trade figures up

The total value of wholesale trade sales, excluding diamonds, for January showed a 0,1 percent increase, compared with figures for last December.

However, the year-on-year figure showed an increase of 13,9 percent.

At constant 1980 prices, wholesale trade sales declined by a seasonally adjusted 0,2 percent compared with December.

The largest decreases occurred in furniture and household requisites (-

14,8 percent), while clothing and footwear sales soared by 18,9 percent.

The monthly decrease, however, was off a very high base in the previous month as wholesale sales have been one of the major beneficiaries of the economic recovery.

Economists say that the upward trend in sales was also evidence of the staggering growth in the informal sector of the economy, with small black retailers burgeoning into major customers of wholesale groups.

Disa trebles interim profit

The Cape-based Disa group has reported that profits for the six months to February increased by over 200 percent to just over R1 million.

Turnover increased by 108 percent to R2,4 million from R776 000 for the same period in 1987.

Managing director Theo Stergianos is optimistic about results for the full

year to August.

He says that housing demand is firm and that the group has become involved in the development of two multi-million-rand Cape shopping centres.

He expects that earnings for the financial year should comfortably exceed the 8,7c a share forecast at the time of last year's listing. — Sapa.

Boardprop to seek R49-m in private placing

By Sven Forssman

Property group Boardprop, which has a portfolio valued at about R50 million, is to seek a private placing of its shares on the JSE later this year.

Operating executive Simon Rosholt said yesterday the offer for subscription would be by way of a private placing of 9,86 million linked units of 500c each.

Capital will consist of ordinary shares of 5c and debentures of 495c each, which may only be traded on the JSE as a linked unit.

The private placing opens today and closes on May 13. The expected listing date is June 13.

The total number of units in issue after the offer will be 10 735 803.

The amount of cash to be raised is R49,3 million, which will cover purchase of property and shares in property-owning companies of R37,4 million, discharge of bonds of R6,8 million, costs of listing of R800 000 and capital for future acquisitions of R4,2 million.

With reference to the company's debt situation, Mr Rosholt said: "The company's decision to limit its borrowing powers to five percent of the aggregate gross book value of its property and assets will protect investors from the risk of high gearing."

Boardprop's portfolio comprises eleven properties, of which 50 percent are commercial, 25 percent industrial and 25 percent retail. Ten of the properties are situated in the Witwatersrand and are fully let.

"Growth potential has been carefully assessed. It is expected that there will be substantial growth in income in the next few years," Mr Rosholt said.

He said that Boardprop intended to acquire further properties for its portfolio, either for cash or by issuing linked units to vendors.

R10 2314188

More from Powtech

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JOHANNESBURG — Although Power Technologies turnover remained almost static at R600m for the year to February 29, profit showed a significant increase.

Attributable income was R18m (R12m) while earnings a share rose from 10 cents to 13,5 cents. Before tax profit jumped from R31m to R41 m.

A dividend of 4,6 cents(3,8) has been declared for the year.

In a statement the group states: "The confidence with which the group implemented its strategies resulted in significant improvement with all major operating companies recording greater efficiencies and higher profits.

"In its last annual report Powtech stated it intended to consolidate its financial strength and provide additional resources for new growth opportunities. The financial results for the year to February 29 show significant progress towards those objectives."

Asea showed a market improvement in profitability in spite of a decline in sales and good progress was made with new products and import replacement. Abedare Cable produced "pleasing results" while Willard Batteries showed improved profits.

SPH confident of beating forecast

Star 22/1/88

Sage Property Holdings Limited (SPH), listed in December last year, is confident that the forecast at the time of its pre-listing statement — that net earnings would increase to R6,0 million this year — can be viewed as “a minimum target”.

This is emphasised by the directors in their review accompanying the 1987 annual report. They say it reflects the sustained improvement in general economic conditions, the recovery in the property, homebuilding and construction industries, and the determination of management.

At the time of the SPH pre-listing statement in November, they forecast that attributable earnings for 1987 would be not less than R5,0 million. In the event, the figure for the year was R5,35 million — 7 per cent above the forecast minimum.

SPH manages assets of approximately R1 billion, covering the accommoda-

tion industry in a broad sense, from property investment and management to construction and land development.

With the additional capital raised following the listing, SPH says it has enhanced its financial strength and is strongly placed to pursue expansion, acquisitions and new development in both the property and construction divisions, and to continue rationalisation.

The directors note that the property industry outlook has become “increasingly positive” in recent months. In both prime industrial and commercial areas, rental levels began increasing last year and the trend should continue, say the directors.

“Retail rentals, substantially a function of consumer spending patterns and retail turnovers, have benefited from the early stages of the economic recovery and this trend is expected to continue.— Sapa.

TASKS THAT FACE BLACK MANAGERS

Sowetan 19/4/88

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BLACK managers had a major role to play in liberating the oppressed masses, guests at the official launching of the Vaal branch of the Black Management Forum were told at the weekend.

The managing director of Co-ordinated Marketing, Mr Renel Khoza, said black managers were faced with many challenges as well as having to fight against apartheid.

He said managers should develop tough minds and stop being

By JOSHUA RABOROKO

propagandists of lies as espoused by their white counterparts. Apartheid was an enemy that must be fought and not be defended, he said.

He said: "As blacks we need to participate fully in the corporate world and not take crumbs

from the stable. To achieve this we need to seek alternatives and form strategies".

He encouraged managers to get involved in preparing a national agenda for liberation of blacks against oppression. Managers should also fight against capitalism, he added.

South African
20/4/88
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Black traders urged to unite

BLACK businessmen have been called upon to unite and prepare themselves for a programme of action in order to achieve economic liberation in South Africa.

The Public Relations Officer of Nafcoc, Mr Gabriel Mokgoko, said black traders were deprived of opportunities to grow economically because they were oppressed and exploited by many restrictive laws.

He was addressing delegates at a general meeting of the East Rand African Associated Chamber of Commerce and Industry held at Jan Smuts Holiday Inn.

Meeting

The meeting was also addressed by the executive directors of the Black Consumer Union Mr Elridge Mathebula, president of African Council of Hawkers and Informal Business, Mr Lawrence Mavundla, and many delegates from the East Rand.

Mr Mokgoko said black traders should take action in fighting for their rights. They must not allow other people to trade in the township because their (blacks) businesses will be crippled.

He called on the Government to repeal the Group Areas, and other repressive Acts so that blacks might trade freely and contribute to the main stream of the country's economy.

"We want economic liberation and to achieve this we must unite," he said, adding, "our biggest salvation is to target our buying power".

Shoemakers hit out at imports

24/4/85

STimes

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By Don Robertson

MANUFACTURERS have hit back at the retail trade which has asked the Government for a reduction in import duties on shoes.

Not only has the Footwear Manufacturers Association (FMA) challenged the retailers, but individual manufacturers claim that if imports continue to increase they may go out of business.

Business Times reported on April 10 that the National Shoe Retailers Association (NSRA) had asked the Board of Trade and Industry for a withdrawal of the higher import duties which came into effect last November. The higher duties affect lower-priced shoes in particular.

Employment

Manufacturers say that the rise in imports late last year to more than 40% of total sales placed the industry in jeopardy.

Stewart Dodo, group managing director of Edworks, says imports should be kept to 10% of total sales if employment in the SA industry is to be maintained.

Mr Dodo believes his views are balanced. His company is involved in the manufacture of shoes, wholesaling and retailing.

Last December, the manufacturing industry employed 29 000 people, but the figure fell to 27 800 in February 1988. Employment in associated industries, such as tanning, would double these figures.

Rising imports, say manufacturers, are largely responsible for the decline in employment.

In 1985, imports were worth R82,8-million, rising to R86,7-million in the following year. However, imports soared to R135,5-million in 1987.

Higher imports are also hitting SA's growing export market by upsetting profitability. Last year exports were worth more than R10-million.

Mr Dodo says that in the last few months of 1987, imports soared and in January this year — the latest available figures — they doubled compared with the same month in the previous year.

This was in spite of the increase in

duties from an average formula of 30% before November.

Mr Dodo also disputes the claim by Ken Johnstone, chairman of the NSRA, that the price of shoes has increased because of higher import duties. As an example, Mr Johnstone said the price of a pair of school shoes had increased from R29 in November to about R50 today.

Mr Dodo says school shoes can be bought for between R25 and R27 a pair.

Capex threat

The higher imports have also harmed SA production. In January, production was down 21% in spite of the improvement in the economy.

Since the beginning of the year, Edworks has discussed the industry's problems with the Board of Trade and Industry and with the deputy Minister of Economic Affairs and Technology, Theo Alant.

In these discussions, Mr Dodo said that if import duties remained at the present level, his company would have to review its capital expenditure programme.

Contrast with previous months

Civil engineering contracts drop

30
15/4/88

MICK COLLINS

CIVIL engineering contracts awarded for the first quarter of 1988 totalled R552m, but March contracts came in at only R87m — down sharply in contrast with the previous two months.

In spite of the high January/February figures — at R145m and R320m respectively — the March figure compared well with the same period last year, the SA Federation of Civil Engineering Contractors (Safcec) said at the weekend.

Safcec said most of the figures recorded for the first quarter reflected contracts that closed in 1987, and therefore did not reflect tender activity in 1988.

“The numbers of tenders recorded is fairly high, although not for large amounts, the largest being a bridge over the Gamtoos River at R7,2m.

“There appears to be a reasonable work load at present, which is coupled with more realistic tenders for work such as road building and township services.”

However, Safcec said the mood of cautious optimism was tempered with uncertainty on the medium-term outlook for the economy and, in particular, the outlook for capital expenditure by the public and private sectors on civil engineering projects.

The results were in line with Safcec's earlier predictions, which said that after

last year's increase in new contracts, the industry entered the year with order books better filled than at any time in the previous few years.

The total value of work to be undertaken on all existing contracts was about R2,3bn at the beginning of the year, and on the strength of contracts still to be awarded, awards in the first quarter were expected to be satisfactory.

“Coupled with a slight improvement in the previously extremely low prices for new work, contractors currently view business conditions with some confidence.

“Despite this turnaround after five years of continued decline, it must be appreciated that the industry's overall activity is still at a low level and there is also a dire need for a general return to profitability to ensure that the industry will again be able to operate on a viable basis.”

An earlier survey conducted by Safcec among the industry's public sector clients indicated a rise in expenditure on civil engineering contract work during the present financial year of 14%.

This percentage, when adjusted for the expected rate of inflation, at best only represented a small increase in the volume of work.

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Contrast with previous months

30 B/day 25/4/88

Black influx boosts Hillbrow business

BIG department stores Checkers and OK Bazaars are doing "remarkably well" in Hillbrow as a result of the influx of blacks in contravention of the Group Areas Act.

Both of these stores have extended hours of business due to high demand. The OK's Hillbrow branch has also started doing business for half days on Sundays.

Checkers Group Deputy MD, Serge Martenegro said their Hillbrow store was doing "very well."

"Although our Hillbrow store is small it is however the busiest in terms of the number of customers. In fact it is one of a few stores that are doing well."

"Apart from the fact that it is reasonably well run and that prices are competitively low, more importantly the large concentration of different population groups, especially

SIPHO NGCOCO

blacks, has been a positive factor in making it so successful."

Martenegro said other Checkers stores would be equally successful if the Group Areas Act was scrapped.

"It is the question of numbers and the spending power that blacks have which is as a result of the narrowing

of the salary gaps. Blacks are now better paid than they have been in the past."

"Consumers from different population groups combined, make a formidable consumer force," he said.

A spokesperson for OK Bazaars also admitted the inflow of blacks into Hillbrow was another factor that has made their store in the sub-

urb "one of the most successful OK branches within the country."

"Our Hillbrow store is doing remarkably well, obviously due to the infiltration of large numbers of other population groups, especially blacks."

"Blacks have gained momentum in terms of spending power because of the bridging of the salary gap between blacks and whites which is due largely to the ever increasing bargaining by trade unions."

CAP & Times (31)
26/4/88

Cap

1 600 Checkers workers face axe

Staff Reporter

ABOUT 1 600 Checkers workers face being axed from their jobs following a company admission that it was achieving "unsatisfactory profit margins".

This was announced in a statement released at the weekend by the Commercial, Catering and Allied Workers' Union of SA (Ccawusa). The union said the company was considering the retrenchment of the workers.

Thousands of employees had signed petitions protesting against the proposed retrenchments, the union said.

Ccawusa said it had tabled a package proposal that would ensure job security for all Checkers workers.

In response, the company stated that it was prepared to withdraw the retrenchment programme if it received concrete proposals that the union would take "measurable action" in the areas of shrinkage, customer service, unconstitutional work stoppages and staff transfers.

The union said it was considering the company's proposals, and all Checkers shop stewards would meet to discuss the proposals on April 27.

Whisky price increases condemned says magazine

D1D 26/4/88
Daily Dispatch Reporter

EAST LONDON — Retailers and liquor industry spokesmen have condemned recent whisky price increases, according to a liquor trade magazine.

The May edition of Liquor Store Monthly quoted retailers as saying consumers would be badly affected and the whisky trade would suffer.

They apparently blamed suppliers in the United Kingdom and South Africa for the sharp increases, noting that whisky had risen by about R30 a case since

the end of last year.

A marketing director of Stellenbosch Farmers' Winery, Mr Dick Coleshaw, attributed the price increase to lagging profit margins, currency adjustments and an attempt to penalise imported products in favour of local products.

Mr Coleshaw denied allegations that the increase was a result of cartel-type control among whisky importers.

The chairman of E. W. Sedgwick and Co. and spokesman for the Cape Wine and Spirits Insti-

tute, Mr Christopher Sedgwick, said the whisky price went up at wholesale rate yesterday and the increase was related to the exchange rate and customs duty.

He said he did not think the public were interested as they knew the prices of all imported goods were increasing and said he did not want to get involved in price speculation.

The director of the Cape Wine and Spirits Institute, Mr Riaan Kruger, was overseas and could not be contacted for comment.

D10 26/11/88 (30)

Foundation plans more house sales

JOHANNESBURG — The Urban Foundation yesterday announced a programme that envisages the sale of 12 900 developed sites and 8 800 houses, principally for lower income communities.

The chairman of the foundation, Mr. Jan Steyn, said the residential development and construction division, that would run the programme, was funded by loans at conventional market rates.

It was estimated the activities would result

in R350 million being drawn from private sector institutions to fund long term home loan finance and associated development in the year ahead.

He also said the UF and communities would explore the feasibility of establishing more community resource centres to "focus on a wide range of needs identified by communities in areas such as, for example, advice concerning housing options, job training opportunities, access to finance and other resources."

THEO RAWANA

CONTINUING restrictions on black business has resulted in the formation of groups more militant than the more established organisations, says SA Institute of Race Relations's Social and Economic Update.

It cites the African Council of Hawkers and Informal Business, the Black Poultry Association, the Johannesburg CBD Chamber of Commerce and the Sechaba/Sizwe Co-operative as examples.

Black business turns to militancy

30 B/low 22/4/88

"It may be significant that these new groups appear more militant than established black business organisations and have stated a greater willingness to use tactics such as demonstrations and selective boycotts." "Statements by these organisations suggest that their emergence is a reaction to what they see as the hostility or indifference of white busi-

ness and government.

"Their emergence may, therefore, constitute a growing challenge to the practice of both groups."

The publication points out that hundreds of hawkers have been arrested in Johannesburg for allegedly trading without a licence or contravening regulations which require them to move at regular intervals

throughout the day.

"Unlike other business people, hawkers must renew licences — which are obtained from local authorities — annually.

"According to a small-business specialist, white local authorities often adopt a paternalistic and prejudiced attitude to hawkers."

COMMERCIAL PRESS

Call made for

BUSINESS

R102m unit trust boost

JOHANNESBURG — Tempted by lower unit prices, investors in the country's 25 unit trusts went on a mini-spreed in the quarter to end-March, sinking R190,4 million into unit purchases against R88,7 million in repurchases.

This produced a net inflow of R101,7 million — “a significant inflow after the biggest stock market decline in history,” according to the chairman of the Association of Unit trusts, Mr Roy McAlpine.

The association's latest figures show that at end-March the 25 funds managed assets worth R3 484 million, an increase on both the December figure (R3 469,3 million) and that for end-March a year ago (R3 270,2 million).

Again, the bulk of these assets (R2 322,3 million) are invested in the nine general equity funds which had some 77 per cent of their money in equities versus 22 per cent in liquid assets.

The six general equity

D10 23/4/88
funds which have been operating for five years showed an average annual appreciation (capital plus income) of almost 19 per cent, comfortably ahead of the 14,9 per cent inflation rate for the period, the figures show.

However, because of the share market's recent weakness, the same six funds showed an average decline of eight per cent for the 12 months to end-March.

Reacting to comment that the fund managers have committed too much to cash, Mr McAlpine says: “Fund managers have taken prud-

ent steps to boost their liquidity levels and, in most cases, have not sold shares. In the uncertain market conditions we face, liquid assets are one sure way for funds to protect the value of their shareholders' capital while earning an attractive return...

“I believe that we as an industry have taken the correct action and, once the nervousness in international markets has cleared, the unit trusts with their increased liquidity will be in an extremely powerful position to take advantage of market opportunities.” —Sapa.

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Franchising boosts Romens profits

*Cape 10/15
29/4/88* (30)

Financial Editor

THE success of its new franchise operation helped Romens Holdings, the Cape-based men's outfitters, to achieve a net after-tax profit of R743 000 in the 12 months to February.

This is 127% higher than the after-tax profit of R328 000 the previous year. But the directors say a comparison would be inappropriate because the company has existed in its present form only since March 1987.

The results reported yesterday were interim figures because the year-end has been changed to June 30 and annual figures will be reported soon.

An interim dividend of 1,25c a share has been paid and a final of 1,75c is expected to be declared in August.

The interim report shows a total turnover of R7m, of which R5,8m came from the retail operation.

The wholesale turnover was R974 000 and the export turnover R284 000.

The company was listed last year in the development capital market (DCM) sector of the Johannesburg Stock Exchange. Before the listing it

consisted of two retail outlets and a wholesale operation supplying some other outfitters as well as its own stores.

Now it has six franchised operations in the Western Cape and Namibia and the directors say "substantial growth through the granting of further franchises can be expected".

Gross profit in the year to February was R2,8m compared with R2,3m the previous year.

Total income, after R185 000 derived from franchising and other sources, came to R3m. After expenditure of R1,8m and taxation of R390 000, earnings a share were 5,5c.

The directors say the growth of the franchising operation exceeded expectations, leading to a significant improvement in wholesale operations, and an improvement in the sales mix boosted profits.

Export allowances helped to cut the tax bill.

Now they are looking at ways of increasing retail turnover, including the acquisition of larger trading premises.

Wednesday, April 27, 1988

Business Report

Drop Inn profits boast 58% boost

CM Times 27/4/88
30

By LAWRENCE TOTHILL
Investment Editor

THE highlight of the Drop Inn results which are published today is the turnaround in the fortunes of its Transvaal acquisition, Benny Goldberg's, which turned in a pre-tax profit of R1,2m in its eight months under Drop Inn control, compared with a loss of R203 000 for the previous year.

Chairman Sam Berk, points out that this reflects an annualized return of 27% on the R6,6m purchase price. He attributes the im-

provement to the introduction of the Drop Inn management and its marketing skills.

The overall audited results of the group for the year show turnover at R86m — up 88% on the previous year's R45,7m; pre-tax profit at R5m is up 146% on the previous R2m, the after-tax profit is up 147% at R2,6m (R1m).

Earnings per share increased from 4,22c (based on the 25m share in issue) to 5,97c based on a weighted average of 43,7m shares in issue.

This is Drop Inn's first year on the JSE, and ignoring the Benny

Goldberg influence, the results of the group subsidiaries, including several property and trading companies acquired on March 1, 1987, reflect a very satisfactory increase of 71% in turnover and 58% in pre-tax profits.

In line with the forecast in the prospectus a maiden dividend of 2,6c a share has been declared.

As far as the future is concerned the directors say that provided there is no adverse change in the economy, the trading results for the six months to August 1988 will continue to reflect sustained growth.

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He said Sankorp appeared high-handed in remarks to Messina's management and that minority shareholders might question them.

A Sankorp spokesman is not available for comment.

A rampant Sechold doubles its earnings

Stk. 27/4/88 (30)

By Ann Crotty

Sechold, which has enjoyed one of the highest ratings in the financial sector of the JSE since its listing last year, almost doubled attributable income in the year to March.

Net income, after providing for tax and internal reserve transfers, was up 98 percent to R8,1 million from R4 million. On an earnings-per-share basis, the improvement was 72 percent to 35,2c from 20,4c.

A final dividend of 9,5c has been proposed which, combined with the interim of 8,5c, brings the total for the year to 18c. The dividend is two times covered by earnings, which is reasonably conservative, given that management has already transferred funds to internal reserves.

Shareholders can opt for a capitalisation share, instead of the final dividend, and are being offered two new shares for every 100 shares held in place of the dividend.

Group total assets increased by

almost 40 percent to R497 million from R356 million. At the end of financial 1988, shareholder funds of R22,6 million accounted for 4,5 percent of total assets. At end of the previous financial year, shareholder funds were just R7,9 million — equivalent to 2,2 percent of total assets. The sharp increase in shareholder funds was a result of the listing.

The results vindicate the market's view of Sechold as one of the top performers in the financial sector. It is a view likely to be sustained if the group continues to show the growth and development it has achieved since going public.

Last month, Sechold said it was going to set up an asset management company aimed at the pension fund industry and individuals. This was followed a few weeks later by an announcement that Sechold was involved in negotiations with Interbank which, if successful, could lead to it taking a stake in Interbank.

Video Lab turns in solid profit performance 30

By Frank Jeans
Video Lab, the video facility house in the CNA Gallo group, has turned in good figures for the year to March, according to its first profit statement since listing on the JSE last October.

The company has posted a taxed profit of R1.7 million — 59 percent

up on the previous year. In line with the forecast, an ordinary dividend of 1.5c a share has been declared.

In a constantly growing market, VL's turnover jumped 30 percent from R8.4 million to R11 million and there is an even brighter picture ahead as it ties up a substantial forward order book.

Director Doug Band, looking at prospects, says: "Geographic expansion into other major centres is currently well advanced, together with further expansion into the computer graphics market."

"The combination of these factors should ensure the achievement of real earnings growth for the coming financial year."

Another positive indicator is the increasing awareness of videos in the fields of corporate imagery and industrial and commercial training. Another bull point is the fact that M-Net television is aiming to reach its initial target 150 000 subscribers by the end of the second year of transmission at the end of September.

The latest M-Net national subscription total released this week is 117 416 — an increase of nearly 68 000 since last

October when the service celebrated its first birthday.

This growth must eventually result in M-Net having to look at the manufacture of its own films, with resultant increasing business for sophisticated finishing companies such as Video Lab.

Drop-Inn deserves a market re-rating

By Ann Crotty.

Despite a somewhat traumatic start to life as a listed company, the Cape-based Drop-Inn group has managed to turn in strong results for the 12 months to February, which should encourage a re-rating by the market.

Turnover was up 88 percent to R86 million and a sharp increase in operating margins from 4,3 percent to 5,7 percent boosted this to a 151 percent improvement at the pre-tax level — equivalent to pre-tax income of R4,9 million (R1,9 million). Earnings per share, on a substantial increase in shares, were up 41 percent to 5,97c from 4,22c.

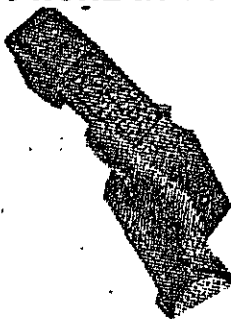
The directors say the financial 1988 figures include eight months of trading results from Benny Goldberg's, as well as the full year's results of several property and trading subsidiaries acquired in March 1987.

If the results of these acquisitions had been included in the 1987 figures, the pre-tax profits for the current year would reflect an increase of 58 percent on an increase in turnover of 71 percent, with properties having some effect on margins.

A breakdown of the almost R5 million pre-tax income shows that Benny Goldberg's accounted for R1,2 million, with the remainder of the group contributing R3,8 million.

The contribution from Benny Goldberg's represents a major turnaround. In the comparative eight months under Premier Group's management, Benny Goldberg's had shown a loss of R203 000.

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Mr Beeforth

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New MD for Giddy's

DID
27/4/88

EAST LONDON — Athol Beeforth, 41, has been appointed managing director of Giddy's — the Cape-based furniture and appliance chain — now a wholly-owned subsidiary of Dion Stores and part of the Rusfurn group of companies.

Mr. Beeforth, B.Comm, CA, (Wits), joined Giddy's head office in Port Elizabeth as administrative manager in 1972 and was appointed company secretary in 1974.

He joined the board as an alternative director in 1979 and was appointed a full director in 1982.

In 1979 he pioneered Giddy's marketing division, and as marketing director, five stores were opened under his guidance in George, Bellville, Paarl, King William's Town and Wynberg.

Mr and Mrs Beeforth will return to Port Elizabeth from Cape Town where they have been living for the past 18 months.

D.L.D. 2-11-88

Storeco's earnings up 61%

(30)

JOHANNESBURG — In its new guise as the speciality store company limited, the former John Orr Holdings has turned in sparkling results.

With its focus on specialty retailing — the Milady's ladieswear fashion chain and the Hub promotional store chain — Storeco's pre-tax profits are 75 per cent ahead of last year.

Earnings a share are 61% higher and the annual dividend has been lifted 52% to 35c a share.

Storeco's results for the 12 months to February 29 confirm management's wisdom in selling off the John Orr department stores and concentrating its efforts on specialty retailing.

Yesterday's results show that the turnover of the continuing operations amounted to R100,3-million which was 35,6 per cent ahead of the previous year's figure of R73,95-million. Total turnover was R117,8-million (1987: R102,4 million), a figure which included the discontinued operations.

Pre-tax income rose an impressive 75 per cent, from R5,3-million to R9,3 million. And although tax and associated charges climbed from R2,3-million to R4,5-million, net income before extraordinary items was 60,1 per cent higher than the previous year, at R4,8 million (1987: R2,97-million). Again it was Storeco's specialty retail opera-

tions which made the running.

The sale of the department stores earned Storeco a R2,4-million capital profit and the sale of certain properties added a further R753 000, giving an extraordinary profit of R3,15-million. This boosts profit attributable to shareholders to R7,9-million. In the previous year the group made an extraordinary profit of R12,3-million from the sale of property and its property unit trust investments.

Earnings on a per share basis amount to 82,8 cents a share (1987: 50,7 cents) on the continuing operations and 7,4 cents a share (1987: 5,3 cents) from the discontinued operations. This gives total earnings of 90,2 cents a share, 61 per cent ahead of the 1987 figure of 56 cents.

Storeco has declared a final dividend of 22 cents a share, which, with the interim of 13 cents a share, gives a total of 35 cents for the year compared with the 1987 total of 23 cents a share.

Discussing the results, joint managing director, Mr Stewart Cohen, said that the cash inflow of R14,7-million resulting from the sale of the department stores division and the properties helped reduce the group's debt-equity ratio from 114 per cent at February 1987 to 52 per cent at the year end and that the group's balance sheet was strong. — DDC

A rampant Sechold doubles its earnings

Stc 27/4/88 (30)

By Ann Crotty

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Source: ASSOCOM Graphic: JOHN McCANN

27/4/88

Assocom warns on the upswing

bl/boy

GRETA STEYN

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THE risk of the economy overheating has become a reality as the upswing gets into its stride, Assocom says.

Commenting on the economy when it released its Business Confidence Index (BCI) yesterday, Assocom said "the boom" was stronger than many observers had expected. Business confidence was consequently at a high level, with the index moving up to 99.3 in April after rising to 98.3 in March.

The BCI was at its highest level since October 1987, when the stock market crash dented rising confidence. Virtually all economic indicators suggested there was considerable momentum in the economy at the moment.

Warning

But Assocom sounded a warning note: "The apparent elimination of the surplus on the current account of the balance of payments in the first couple of months of 1988 is a warning signal that 'overheating' of the economy may soon be a reality.

"There is not much leeway due to balance of payments constraints."

Though business confidence was largely intact, uncertainty had arisen about, among others, government's calls for restraint on wage increases.

"This includes the remarks made by the State President on April 21 regarding the private sector response to the call for price and wage restraint."

Other factors which could damage business confidence were rising interest rates and the increase in the corporate tax burden announced in the Budget.

Though business activity was expected to level off later this year, business optimism did not need to be dampened if the economy was kept on an even keel.

Pep Stores div payout up 20 percent

MC645
28/4/88

30 ~~12/1/88~~

FACED with a major expansion programme and the end of its tax holiday, Pep Stores is cautiously raising its final dividend by 5c to 29,5c a share.

Total payout for the year to February 29 is up 20 percent to 48c (40c).

Managing director Basil Weyers says the group plans to open "at least" 24 Pep and 20 Ackermans outlets this year.

The group opened 66 new outlets during the year, creating jobs for 200 people. This brings the total number of stores in the Pep/Ackermans chain to 655. The group also has nine factories.

The board cautioned at the interim stage that the erosion of assessed losses would result in an increase in the group's tax rate and opted for a conservative dividend policy as a result.

The Cape-based retailing chain boosted turnover by 28 percent to R648-million and operating profit by 32 percent to R70,3-million.

Net profit jumped by 44 percent to R58,8-million, which translates into earnings of 128,9c a share (89,4c).

Expanding market penetration

Pep Stores posts 44% higher profits

CNC Tmp

78/4/88

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~~78/4/88~~

By AUDREY D'ANGELO
Financial Editor

PEP STORES — the huge Cape-based retailing and manufacturing group — has lifted attributable profits for the year to February by an impressive 44% to R58,9m (R40,8m). Earnings have risen to 128,9c (89,4c) a share.

Turnover rose by 28% to R648,5m (R507,5m) and operating profit by 32% to R70,3m (R53m) — indicating a widening of margins.

The interest bill was 54% lower at R2,3m (R4,9m) but the tax bill was 50% higher at R9m (R6m).

Because the erosion of assessed tax losses will mean an increase in the group's tax rate over the next three years, the directors have adopted a conservative dividend policy. The final dividend of 29,5c brings the total for the year to 48c (40c) covered 2,7 times.

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year. This

brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 655 with nine manufacturing units under its control.

The directors say the expansion was achieved in spite of serious problems in procuring adequate supplies of textiles, and has created an additional 200 jobs.

Pep Stores MD Basil Weyers said yesterday that the rapid expansion would be continued in the current financial year.

"While we expect to maintain the growth pattern experienced by the existing business in the past financial year we are also planning to open at least 24 Pep Stores and 20 Ackermans outlets, thus increasing our market penetration further.

"Clearly the country's increasing population and rising standards of living, particularly among the lower-income groups, present us with excellent growth prospects for many years to come."

Increase in

PO Box 623
Marshalltown

81-5 (20)
Rabie to
be Burad
holding
company?
28/4/88

Rabie Investments is to become the listed holding company of Burad Securities in terms of a proposal sent to Burad shareholders.

Directors of Burad, which has computed tax losses of R5,7 million, are advising acceptance of the proposal from Rabie, a property developer involved in projects to build and market 5 500 homes in the Transvaal, Natal and Western Cape. Many are joint ventures with Murray & Roberts.

Rabie's earnings for the year to June are forecast at R5,03 million, equivalent to 31,7c a share based on an issue of 15 891 993. No tax has been applied to the forecast because of Burad's computed tax losses.

With aggregate pretax profits of R5 million warranted for the year to June, Rabie is forecasting a dividend of not less than 12,7c a share. Rabie intends to cover dividends at least twice.

The Rabie proposal involves Burad shareholders receiving one new listed Rabie ordinary share in exchange for every 10 existing Burad ordinary shares. Sapa.

De Beers to increase price of rough diamonds 13,5%

Star 28/4/85

30

By Sven Lünsche

28/4

The latest increase in the price of rough diamonds is likely to be absorbed immediately by the market and impact positively on De Beers results for the 1988 financial year.

The Central Selling Organisation (CSO), the London-based marketing arm of De Beers, said yesterday it would raise the price of rough diamonds by an average 13,5 percent on May 3.

De Beers, which controls more than 80 percent of the world diamond market, said the increase was across the board and reflected rising demand on the world market.

The last increase was in October 1987 when the price of rough diamonds went up by an average 10 percent.

The CSO holds 10 sales (sights) each year and the February sight is understood to have been a record, reflecting the soaring diamond for gems in Europe, the US and particularly Japan.

Brokers have estimated sales to

soar by about ten percent to \$3,4 billion, but it now seems that this figure could reach about \$3,6 billion — an increase of over 16 percent.

The expected decline of the rand could push the rand value of sales to about R7,8 billion this year.

The subsequent rise in the diamond account, which fell last year, could then go some way towards offsetting the twin impact of rises in De Beers mine operating costs and the increase in the cost of lower-grade diamonds bought in from other producers.

Says Bert de Klerk, analyst with PLJ van Rensburg: "De Beers know their markets well enough and their pricing policy is usually very conservative, so that the latest increase should be absorbed quite quickly by the markets."

It therefore seems safe to assume that excluding the share of retained profits of associates, earnings could rise by at least 15 percent to about 324c per share this year.

Prime office space rentals rise by 29%

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28/4/88
Finance Staff

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Confirming the tremendous upswing in demand for property, gross rentals for prime office space in major metropolitan areas rose by as much as 29 percent in the year since February 1987, a survey by Old Mutual Properties (OMP) shows.

Net rentals for industrial space rose by as much as 55 percent, according to the survey which monitored major buildings in Johannesburg, Pretoria, Sandton, Durban and Cape Town.

OMP's Ian Watt says the upward move in rentals, fuelled by strong take-up of space, is still gaining momentum.

"Even more dramatic rises can be expected in the coming months," he says. "The size of the take-up can be gauged from our own lettings in the first quarter of 1988 — a total of 58 000 sqm — and we have a further 25 000 sqm under firm negotiation."

OMP's survey shows gross rentals for prime offices in Johannesburg's CBD moved 24 percent from R15,81 sqm in February 1987 to R19,66 sqm in February 1988. Sandton prime space attracted a 25 percent increase — from R16,06 sqm to R20,06 sqm. In Cape Town the increase was 29 percent — from R11,85 sqm to R15,30 sqm. Durban's rise was 12 percent (R13,23 sqm to R14,81 sqm) and Pretoria's was 15 percent (R14,90 sqm to R17,06 sqm).

"The lower growth in Durban and Pretoria reflects a greater amount of space still available in these cities," says Mr Watt. "This is borne out by vacancy figures from the Property Owners' Association — about 12,8 percent for grade A buildings in Pretoria and Durban in January."

Pep Stores boosts earnings by 44 percent

(30)
Star 281 4188

Pep Stores boosted turnover by 28 percent to R648,5 million and operating profit by 32 percent to R70,3 million for the year to February.

Interest paid decreased by 54 percent to R2,3 million, while the tax bill rose by 50 percent to R9 million.

After adding income of R1 million from associated com-

panies and allowing R1,1 million for dividends on the preference shares, the group chalked up attributable profits of R58,9 million, an increase of 44 percent on the R40,8 million achieved last year.

Earnings were 128,9c per share on the 45,6 million shares in issue, compared with the 89,4c earned last year.

A final dividend of 29,5c has been declared, bringing the total for the year to 48c (40c).

The group's balance sheet has strengthened, with gearing improving from 18 percent to 6 percent.

The group's preliminary profit announcement discloses that, despite serious problems in the procurement of textiles, the

group opened 66 new outlets during the year.

In so doing, it created an additional 200 new jobs.

This brings the total number of stores in the group, which includes the Pep Stores and Ackermans chains as well as associated companies, to 655, with nine manufacturing units under its control.

Big spenders lift OK profits 32%

30 B/day 29/4/88

CHERILYN IRETON

OK BAZAARS' commendable rise in profits for the year to end March underline the upturn in consumer spending during that period.

An increase in demand for big ticket items filtered through to attributable profits, which at R19,9m are 31,8% higher than the R15,1m earned in the 1987 financial year.

This translates into earnings of 162c a share (1987: 123c), from which a total dividend of 89c a share — including a final of 65c (52c) — has been declared. The dividend represents a distribution of 55% of earnings, against 59% in 1987, and reflects the move towards the targeted payout of 50%.

Commenting on the results MD Gordon Hood said a reasonable improvement in the economy fed through into the retail sector and more particularly into big ticket business. Together with the increase in HP demand, this resulted in particularly good sales in the first and fourth quarters.

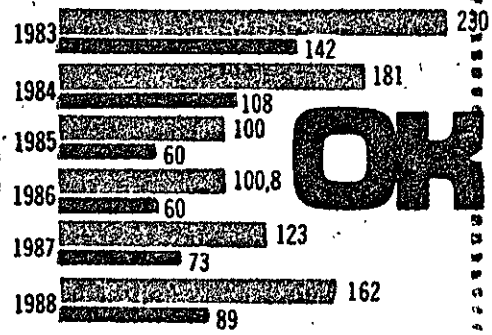
In all, sales rose 20,8% to R2,9bn from R2,4bn. But for the first time OK has provided a turnover figure, which increased 21,2% to R3,1bn. Turnover re-

OK Bazaars

Earnings and dividends

Cents per Ordinary Share

█ Earnings █ Dividend



Source: OK BAZAARS · Graphic: JOHN McCANN

fects all items that have gone through OK's tills, including such items as meat sales from its leased butcheries and finance charges.

Pre-tax profit, as a percentage of sales, improved from 1,2% to 1,4%.

The results are more or less in line with market expectations, although some analysts believed greater progress would be made towards strengthening the balance sheet, and particularly the

● To Page 2 ➡

OK Bazaars profits highlight spending upturn

gearing ratio, which rose marginally to 0,49 from 0,48.

Hood said the foundations had been laid to improve this in the current year. "We have taken very positive steps to implement our plan which should pull our interest bill down and improve our borrowing situation."

At the year end interest-bearing debt had risen from R171,3m to R180,1m.

Based on yesterday's closing price of R12, OK now stands on a price:earnings

ratio of 7,4 times, highlighting its poor rating against stocks such as Edgars, Jazz, Pepstores, Pick 'n Pay and Wooltru.

The share yields 13,5% on earnings and 7,4% on dividend compared with the retailers and wholesalers sector's average return of 8,1% on earnings and 3,3% on dividend.

CR TO

29/4/88 ◀ ● From Page 1

30 B/day

Ackerman sees no end to demand for supermarkets

Supermarketing is a dynamic concept that must progress and adapt to changing consumer needs, Mr Ackerman says.

In South Africa, where there is a huge surge in black consumer spending and a population shift to the urban areas following the changes to the influx control law, supermarket development is far from reaching saturation point.

Consumers are not only demanding more supermarkets, they are demanding different types of supermarkets.

There is, and always will be, a strong demand for large supermarkets and hypermarkets where the range is large and the prices low. These are usually situated in the suburbs, away from the central business districts and, because prices are competitive, consumers do not mind travelling in their cars to reach them.

There is, however, a growing re-emergence of the convenience store — a modernised version of the "shop on the corner",

This year, Pick 'n Pay celebrates its 21st birthday, and also opens its 100th store at Highgate on the West Rand. Other supermarket developments are mushrooming around the country. CAROLINE MEHLISS asked Pick 'n Pay's chairman, Mr Raymond Ackerman, whether supermarket development was reaching saturation point.

from which consumers bought their groceries 30 years ago.

With more and more working women, there is a strong demand for conveniently situated supermarkets that are open after normal working hours and that sell a lot of easy-to-prepare or already-prepared foods.

These stores, where convenience is primary and price secondary, also cater to the needs of the growing number of "careless eaters". These are usually young people who do not have traditional sit-down family meals, but who snack a lot, like simple, quick cooking, and eat a lot of convenience foods.

Another type of supermarket for which there is a growing demand in South Africa today is the "cash and carry" store. This is

a wholesale supermarket, acting as a middleman between suppliers and traders not large enough to buy directly from suppliers. Goods are bought in bulk and paid for in cash.

Black traders, especially, are growing customers of this type of store as more suppliers become reluctant to enter black areas because of unrest problems.

Far from thinking about market saturation, supermarket developers are preparing for the computer buying age, which should be a real force in South Africa by the end of the century, Mr Ackerman says.

In the next few years, South Africa will follow America's lead of modern marketing using modern technology, and introduce shopping from home by computer buying.

By Martin Challenor

Blacks to flex 'buy muscle'

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Black consumers would soon want to know how companies they supported furthered black advancement, Mr Gaby Magomola, chief executive of the African Bank, said last night.

Addressing a meeting of the UCT Graduate School of Business Association, Johannesburg Chapter, Mr Magomola said black consumers were becoming stronger and were beginning to recognise their power.

This awareness would result in more well articulated demands, he said.

"They are going to address issues such as how many blacks the companies have in their management echelons; how many blacks they have in their boardroom; how many black companies they have running their franchises; how many black small businesses are sub-contracted."

For black consumers there was a shift in thinking away from purely political objectives to the critical role of the economy. Economic power was part of a broader agenda for change.

"The orchestration of black

consumer muscle is imminent. As leaders of the business community it is important that we start to pre-empt such action before disruption in our economy is brought about.

"The black consumer movement could become a major destabiliser of business. This will not affect those businesses that are perceived by black consumers to be progressive."

Black consumers, Mr Magomola said, accounted for more than 65 percent of liquor industry sales, 77 percent in the sugar industry and 67,8 percent in the red meat industry.

Black people contributed almost 24 percent to the R60 billion pension industry and the same percentage to the R36 billion life assurance industry.

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Moving up

Activities: Distributes automotive paints, thinners and allied refinish products.

Control: E W Tarry and AECl jointly control 76%.

Chairman: B Joffe.

Capital structure: 21,6m ords of no par value. Market capitalisation: R12,9m.

Share market: Price: 60c. Yields: 5,0% on dividend; 10,7% on earnings; PE ratio, 9,4; cover, 2,1. 12-month high, 160c; low, 40c. Trading volume last quarter, 370 000 shares.

Financial: Year to December 31.

	'86	'87
Debt:		
Short-term (Rm)	—	—
Long-term (Rm)	1,2	—
Debt:equity ratio	2,01	n/a
Shareholders' interest	0,17	0,39
Int & leasing cover	5,02	15,76
Debt cover	0,47	n/a

	'86	'87
Performance:		
Return on cap (%)	27,2	30,3
Turnover (Rm)	13,7	22,9
Pre-int profit (Rm)	0,9	2,4
Pre-int margin (%)	6,7	10,4
Taxed profit (Rm)	0,5	1,3
Earnings (c)	2,7	6,4
Dividends (c)	1,7	3,0
Net worth (c)	3,5	14,0

Curnow, listed last May, exceeded its prospectus forecast in calendar 1987 and is set to move from the DCM to the main board.

The group, controlled jointly by E W Tarry and AECl but managed by Tarry, is the largest distributor of the Duco brand of paints (manufactured by AECl). It also distributes allied products such as lacquer thinners, body fillers, abrasives, body shop tools and equipment. This places the company in an excellent position to take advantage of the trend to keep cars for longer and for more do-it-yourself repairs.

Curnow also made some acquisitions last year. The dealer network was expanded through purchase of Harveys Equipment Company (PE), Dave's Automotive Paints and R MacKenzie Paints.

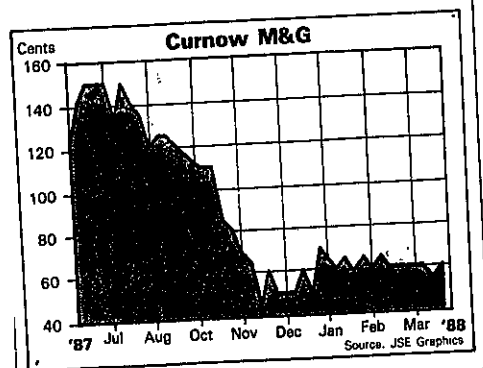
The combination of organic growth and expansion through acquisition pushed EPS up from 2,7c to 6,4c, against prospectus forecast of 4,7c. Operating margins soared from 6,7% to 10,4% — attributed by the group to asset management — so the earnings improvement was achieved on a turnover increase of only 68%. Stock rose sharp-

ly, but this, says chairman Brian Joffe, was due to large purchases just before year-end in anticipation of a price increase.

Joffe says Curnow plans to extend its product range and establish its outlets as "one-stop shopping" venues. "We are moving more into the car-care market," he comments.

Further acquisitions can be expected. With no borrowings and cash of R1,4m, Curnow is well-placed to buy more distributors, but Joffe expects growth will be mainly organic and due to good asset management. He does not expect the EPS increase to be as high as last year though.

Curnow is in a similar industry to Midas but has a much lower rating. It is currently on a 5% dividend yield against Midas' 2,6%. Perhaps the move to the main board will improve the market's perception. Pat Kenney



Silence isn't golden

Has anyone seen the Competition Board (CB)? Once a vocal frontrunner in attempts to police business and encourage competition, it has become conspicuous by its silence.

The board, which framed legislation outlawing cartels and business collusion, appears to have gone to ground since former chairman Stef Naude left to become director-general of Trade and Industry.

Acting chairman Hennie Bekker says the CB is carrying on business as usual. It continues to investigate and advise government on deregulation, competition and economic concentration, but there are signs some of its work is in danger of being overtaken, or that new legislation will make it redundant.

The draft Control of Harmful Business Practices Bill (see *Leaders*) threatens, by its very vagueness, to hijack some of the provisions of the CB-initiated Maintenance and Promotion of Competition Act of May 1986.

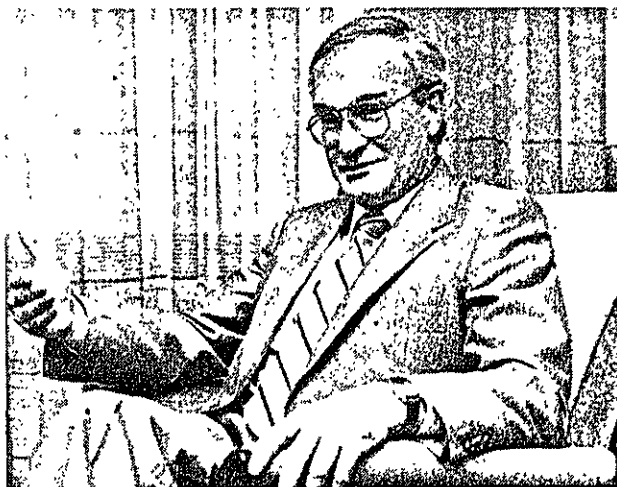
The board is responsible for policing the prohibition of price maintenance and collusion, as well as collusion on conditions of sale, market sharing and tendering.

The draft Business Practices Bill allows for immediate action against any business or profession guilty of "injuring relations" or "unreasonably prejudicing" consumers. Such a loose definition can encompass matters which the CB polices under the Competition Act. Law breakers under the new Bill can be jailed for five years and fined R200 000, and companies may be dissolved.

No one has ever been prosecuted under the Competition Act. Although former chairman Naude claimed prosecutions were imminent, none have taken place. Acting chairman Bekker says complaints have been passed on to the SAP Commercial Branch. But the police maintain they have received nothing and no investigations are under way.

Pick 'n Pay chairman Raymond Ackerman says price fixing won't end until senior businessmen are hauled before the courts. "But the CB can't be expected to do its job as long as blatant forms of price fixing — in petrol, TV sets, liquor and bread — still have government blessing." Assoccom economist Bill Lacey says: "The marketplace needs to be policed if it's going to be run effectively."

One problem is that cartels and price fixing have reappeared under a new guise. In the case of certain professions, statutory tar-



Stef Naude ... no successor in sight

iffs have been replaced by a "recommended" scale, which, in practice, amounts to the same thing. And in industries with only a handful of producers, price fixing reappears as "spontaneous price following."

Another problem has been that the Competition Act was followed immediately by dozens of exemptions. The draft Business Practices Bill threatens immediate action but two years after the Competition Act, the CB is still investigating exemption applications.

The last major investigation, into the cement cartel, should be decided soon. Bekker says the CB hopes for a decision in August — but it may have to defer it again.

A more immediate problem is the question of a permanent chairman. Bekker says the "suddenness" of Naude's elevation left little time to appoint a successor, but it's six months now since the announcement of his promotion and two since he actually left.

The longer the delay in appointing a successor, the more questions will be raised over the CB's future. The delay has already raised questions over whether anyone wants the job or whether the CB will have to settle for second-best. ■

MANGANESE

PE or(e) Saldanha?

The Cabinet is to decide this week whether to reverse an earlier ruling and allow manganese ore mined in the northern Cape to be exported through Saldanha Bay.

An earlier ruling declared that all manganese ore mined in the region should be shipped through Port Elizabeth.

This has cost SA dearly. International

steelmakers insist that their shipments of iron ore and manganese ore should be carried in the same bulk carrier, of at least 250 000 t.

But Port Elizabeth can handle ships of no more than 60 000 t. While it can handle parcels of high-grade ore, it is uneconomic to use it for huge cargoes of low-grade ore — so foreign steelmakers have tended to buy their iron ore in Brazil and manganese ore in Gabon or Australia.

Saldanha Bay is ideal for this type of business. It is linked by a railway line completed in 1977 to Sishen, where Iscor can supply the steelmakers' iron ore and is as close as Port Elizabeth to the northern Cape manganese mines.

The harbour, reputed to be the best natural harbour on the coast of Africa, has a water depth of 23 m next to the ore quay and regularly handles vessels of 250 000 t and bigger.

SA Harbours desperately wants Saldanha Bay — which is being used to about 50% of its design capacity of 1,8 Mt a month — to be used for manganese exports. But it also wants to maintain some level of traffic through Port Elizabeth, so has specified that only low-grade manganese ore may be shipped through Saldanha — and then only

TAIWAN AGREEMENT

SA should thank heaven for small mercies. At a time of international sanctions, she can still count on a fruitful relationship with Taiwan.

In the ninth session of the forum for this co-operation — the Economic and Technical Co-operation Conference — which ended on Monday, Economic Affairs and Technology Minister Danie Steyn and his Taiwanese counterpart T H Lee signed a number of agreements.

The most important was a plan to exchange agricultural technicians and study the different methods of agricultural production used in the two countries. They also agreed to co-operate on developing the jewellery industry. Trade, fisheries, mining and the inevitable plea for further Taiwanese investment in SA were also on the agenda.

In the 13 years since SA concluded a most-favoured-nation agreement with Taiwan, there have been numerous bilateral agreements in areas as diverse as medicine, air transport and mining research.

subsequent marketing of platinum.

num," says Buchan.

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OK Bazaar lifts profits by 31,8%

From CHERILYN IRETON

JOHANNESBURG. — OK Bazaars' commendable rise in profits for the year to end March underline the upturn in consumer spending.

An increase in demand for big ticket items, filtered through to attributable profits, which at R19,9m (1987: R15,1m) are 31,8% higher than those earned in the 1987 financial year.

This translates into earnings of 162c a share (123c), from which a total dividend of 89c a share has been declared. The dividend represents a distribution of 55% of earnings, against 59% in 1987, and reflects the move towards the targeted payout of 50%.

Commenting on the results, MD Gordon Hood said a reasonable improvement in the economy fed through into the retail sector and more particularly in to big ticket business.

Together with the increase in hire-purchase demand, this resulted in particularly good sales in the first and fourth quarters.

In all sales rose 20,8% to R2,9bn from R2,4bn. But for the first time OK has provided a turnover figure which increased 21,2% to R3,1bn. Turnover

reflects all items that have gone through OK's tills, including such items as meat sales from its leased butcheries and finance charges.

The results are more or less in line with market expectations, although some analysts believed greater progress would be made towards strengthening the balance sheet, and particularly the gearing ratio which rose marginally to 0,49 from 0,48 at the 1987 year-end.

Hood says the foundations have been laid to improve this in the current year.

"We have taken very positive steps to implement our plan which should pull our interest bill down and improve our borrowing situation."

At the year-end interest bearing debt had risen from R171,3m to R180,1m.

Based on yesterday's closing price of R12,00, OK now stands on a price:earnings ratio of 7,4 times.

The share yields 13,5% on earnings and 7,4% on dividend compared to the retailers and wholesalers sector which offers an average return of 8,1% on earnings and 3,3% on dividend.

Week to boost small business

South Africa's first Small Business Week will be held at the end of October and will culminate in the "Most Improved Small Business" competition prizegiving.

Mr. Mike Smuts, development services general manager of the Small Business Development Corporation (SBDC) said the week will be from October 31 to November 6.

The planning of the week was still in the initial stages but the highlight will definitely be the prizegiving gala dinner of the "Most Improved Small Business Competition," he said.

Mr. Smuts said the week's objectives were to promote the cause of small business, mobilise its self-help industry, encourage it to improve its methods and management skills, further small business as a career and reduce the small business failure rate.

Activities for the week will include the "Most Improved Small Business" competition, new publications to assist small entrepreneurs, workshops, seminars, conferences and exhibitions.

The competition is backed by 15 big businesses and its entry deadline has been postponed until May 30 because of the wide interest shown.

First prize for the overall winner is R7 500 in cash and a tour of the Far East for two while the winners of the 15 sectors of small business receive R2 500.

For more information about the competition, contact the SBDC.

OK Bazaars boosts earnings 32%

Star 29/9/88

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By Regue Payne

OK Bazaars, which claims once again to be South Africa's largest retailer with turnover of R3,12 billion, has posted a 32 percent increase in attributable profits for the year to March.

Sales were 20,8 percent higher at R2,85 billion (R2,36 billion in the 1987 year).

OK posted the R3,12 billion turnover figure in response to Pick'n-Pay's claim to be the biggest retailer with a turnover of R3,03 billion.

Turnover included interest on credit sales (which Pick'n Pay does not have) and turnover from leased operations, mainly butcheries.

Pre-tax profit was 38,2 percent higher at R40,23 million (R29,1 million). Attributable earnings were R19,8 million (R15 million) and earnings per share were 31,7 percent higher at 162c (123c).

The final dividend of 65c (52c) is 25 percent higher. The total of 89c (73c) is 21,9 percent higher.

This represents a 55 percent distribution, moving towards the group's declared intention of stepping down to 50 percent.

Important changes in the balance sheet related to stocks.

Short-term interest-bearing debt increased 18,4 percent, lower than the rate of sales increase.

Managing director Gordon Hood says the stock-turn position, although better, was still not what OK would like. But with much work already done on this, the group is "moving towards a situation where it will improve meaningfully this year".

The expected hardening in interest rates is an additional incentive to improve the stock-turn rate. A 47 percent increase in current

interest-free liabilities to R420 million (R285 million) reflects a big improvement in the creditor-to-stock ratio.

Net worth per share was two percent higher at R28,63 (R28,03).

Reasons for OK's improvement, says Mr Hood, were the moderately better economy, a good increase in higher-margin furniture and appliance sales and concomitant higher credit demand and improved stock turn.

He says that barring unforeseen events, there is no reason why OK should not repeat last year's growth this year.

Mr Hood is particularly concerned with improving the mix of sales towards the higher-margin durables. While food sales are essential to OK, grocery margins at about eight percent are the lowest in the Western

World and there is no prospect of improvement.

A leading retail analyst said OK's results were at the top end of analysts' expectations. OK's results always had to be viewed against its slump since 1982 when attributable profit was R32,9 million, he said.

OK was now growing well off a low base, although its returns on investment and margins were still poor.

The share was poorly rated because of a history of disappointments, he said. However, its attractions were its price at less than half the net asset value, unique in the retail sector, and its favourable P/E ratio.

He expected the share to move ahead strongly if the market was confident OK could repeat its past year's growth.

Malbak makes Abercom offer ^{DD 30/4/88} (30)

JOHANNESBURG — Abercom 30,5 Malbak shares for every 100 Malbak is offering minority shareholders in Abercoms held.

This follows the Malbak acquisition in January of 56,8 percent of

Abercom from its then controlling shareholders.

The acquisition and the offer to Abercom minorities are conditional on Abercom shareholders approving the sale of the Davidson Fan group of companies.

The offer, which opens on Friday, May 27, will be open to all Abercom shareholders (other than Sanlam and San-korp) registered by June 17, the closing date of the offer.

With Malbak's acquisition of control of Abercom, it was announced that Abercom had sold its Davidson Fan group to Howden Group Plc.

Abercom shareholders will meet on May 25 to approve the sale of Davidson and sanction resolutions dealing with changes in Abercom's share capital. Sapa.

Homemakers promises to do still better

Homemakers is set to build on last year's record earnings of R24,9 million by boosting earnings and dividends faster than the rate of inflation, shareholders have been promised.

Chairman Brian Joffe says in the annual report: "The economy is currently experiencing a significant upturn in consumer spending. The outlook for Homemakers in financial 1988 is extremely positive."

The 161 retail stores in the group operate more than 300 000 active credit accounts, says the annual report.

Homemakers was formed last year by pooling the resources of Fabric Library, Selwyn Neiman and OFS James in textiles, Housewares in direct sales and mail orders, and World and Bradlows in furniture retailing.

Sales rose by 29,8 percent to R300 million in the year to December to R300,1 million, lifting distributable income 58,7 percent to R24,9 million and earnings by 58,5 percent to 14,9c a share. Dividend for the six months to December was 3,5c.

— Sapa.

TOWNSHIP shop-owners have come out against what they claim is unfair competition from supermarket chains.

They also face increased competition from 150 000 hawkers.

African Council of Hawkers and Informal Businesses (Achi) president Laurence Mavunla says his organisation has difficulty in receiving licences from black authorities.

Shop-owners protest

By Robyn Chalmers

"Many of the town councillors have interests in township stores and protect them by not granting licences," says Publicity secretary Vicki Sussens says Achib's deregulation committee negotiates with town councillors for

better conditions, but efforts are often thwarted.

Most township store owners belong to the National African Federated Chamber of Commerce and Industries (Natfoc) and treasurer Sydney Kutumela defends their position.

Stifled

"Hawkers and shop-owners should not be fighting, but working together to achieve a more balanced competitive field with the large white-owned stores.

"Black business has been stifled for a long time. Because we were late starters, we are far behind white businesses."

Mr. Kutumela estimates

that township shops take about 10% of black spending money because of the constraints placed on them.

"We have small stores, limited goods and are far from manufacturers. We also have a captive market as opposed to their open-ended market," he says.

Better prices, good merchandising and improving the facilities and size of stores are a few ways Mr. Kutumela sees for increasing business.

Another problem is the mushrooming of white-owned stores on the borders of townships, and black shops acting as fronts for white businesses.

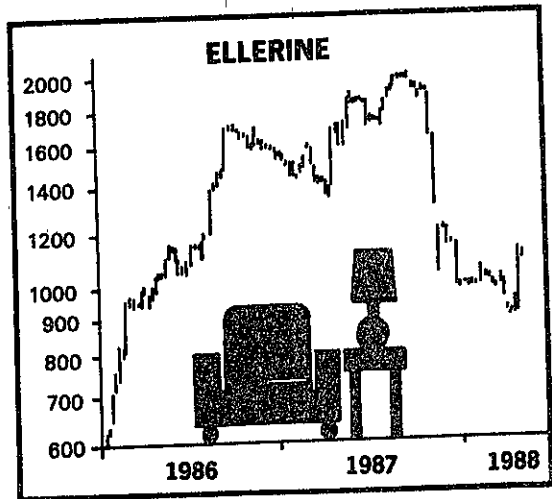
The Greater Soweto Chamber of Commerce and Indus-

tries (GSSCI) has set up a committee to investigate this and has formed a community chest to plough some money back into the community.

Committee leader Snowy Mashigo says: "A major townshop wholesaler has been found guilty of acting as a front for a white-owned business, and township traders are being encouraged to buy stock elsewhere."

Ellerine — good value for all

115180
Stines
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ELLERINE Holdings, still managed by its founders, should continue to be one of the JSE's soundest performers.

Eric Ellerine established the main-street retailer — aimed primarily at the black consumer — 38 years ago. The controlling interest was sold to Tedalex in 1976.

"It wanted to diversify, and bought a stake in our business as an investment," says Mr Ellerine.

Tedalex continues to be one of Ellerine's major suppliers although the group buys from all the major manufacturers of furniture and appliances. But Tedalex no longer owns it — both companies are to be consolidated

into parent Malbak. Malbak owns 60% of the equity.

The furniture sector has been underrated for a long time on the JSE because the retail furniture sector is regarded as highly competitive, yielding lower margins. It is not glamorous.

CAREFUL

But even in the sector Ellerine rates a forward PE of only 4.4 against a sector average of 5.3. Its dividend yield beats the average at 5.7%. The dividend has always been four times covered by earnings — "this is why the company is so solid", says Mr Ellerine.

The company did not have the best of years in 1987. Earnings a share grew by only 5% to 241c. The major

reason was a dispute which resulted in a long strike and a loss of turnover.

Almost half of the 8 000 work force belongs to a trade union, but Mr Ellerine says both sides learned there were no winners in the dispute. Wage negotiations will return yearly, but he does not believe a strike will recur.

"Things returned to normality quickly," says Mr Ellerine. He says black shoppers are much more discerning than they were five years ago.

"The quality of merchandise demanded is far superior than it used to be."

Ellerine is careful not to overcommit the customer. "We take care about credit control and the incidence of bad debts is low."

The group comprises eight trading names — there are 126 Ellerines stores, 63 Town Talk, 39 Royal, 25 Rhein Gold and 20 Oxford stores among the 290 total.

"We have grown organically — we have stuck to our knitting for 38 years," says Mr Ellerine.

"We have not made an acquisition in the past 15 years."

Ellerine prefers to open its own stores. It spends R8-million a year on advertising in black media.

Other major retailers have begun to channel their efforts into selling to blacks, but Mr Ellerine does not quake at the prospect of competition. "We maintain our slice of a

fast-growing cake."

He expects "fair" growth in earnings in the current year.

The yearend has been moved from December to August to coincide with Malbak's, and the reporting period will probably be for eight months.

The group is one of the least geared on the JSE and pays tax of 38%. But one of the most remarkable features about Ellerine is that the shares at 1 050c are trading at a 40% discount to net asset value of more than R18 a share.

TRAINING

Mr Ellerine adds that huge sums of money are spent on training, and many of the store managers are black.

There are only 6.9-million shares in issue; the Ellerine founders retained 16%, institutions own 15% and the public 10%. The shares are not highly tradeable, but occasional parcels of stock come onto the market — an average of 36 000 shares a month change hands.

Some stockbrokers are reluctant to recommend the share purely on the grounds that it is not easily traded, but this is no reason to deter the individual investor.

The market seems blind to the good value on offer today on the JSE, but it should be remembered that nobody rings a bell when the market hits the bottom.

By Ruth Golembó

RETAILING giants reporting this week underlined the resurgence in consumer spending.

OK Bazaars lifted its turnover by 21% to R3,1-billion, and sales grew at a similar rate to R2,85-million in the year to March. Sales increased by 24% in the second half.

Tight cost controls resulted in profit before tax rising by 38%, and attributable earnings by 31,7% to 162c a share. The shares were trading at 1 200c before the results were announced, giving a PE of 7,4.

The dividend was raised to 89c, yielding an attractive 7,4%.

The OK is "mildly optimistic" about growth of the SA economy in 1988. Growth in the retail sector will depend "on the measure of social and industrial stability which can be achieved".

Rich in cash

A new-look Pepkor has turned debts of R140-million into a cash holding of R100-million.

It has only star performers Pep Stores, Ackermans and its manufacturing units and Shoprite with its Hyperette sister company left in its stable.

Pep Stores, 87% held by Pepkor and which accounts for 90% of Pepkor's profits, and 78%-held Shoprite, produced spectacular results for the year to February. Pep Stores lifted earnings by 44% to R59-million.

Shoprite's earnings soared by 86% to R5,1-million.

A 58% drop in the interest bill and the house-cleaning operation have put Pepkor back in the pound seats with profits of nearly R40-million.

Earnings were up 544% from the previous year's R7,2-million. Finance charges dropped from R41-

million to R17-million.

In spite of the increased number of shares in issue after the life-saving rights issue in July last year, earnings a share rose by 331% from 85,9c to 369,9c.

Property

Chairman Christo Wiese says: "At the half-way stage the turnaround in the group's fortunes was evident — attributable profits were R12,6-million."

At the interim he expected a final dividend of between 50 and 60c, but the result was a total of 130c.

The group is deciding on what to do with its R100-million cash.

Mr Wiese says: "We raised R52-million from the rights issue, R40-million from listing Pep Stores and Shoprite and R70-million from the sale of House of Monatic, Budget Footwear and Rich Rags to Lenco."

"Added to this came retained profits of about R30-million and the R20-million refunding of the group's property portfolio which it now holds on long-term lease-back."

Why then the need for the rights issue?

"This was a back-up plan in case we could not find a buyer for the businesses we planned to sell."

"We spelt out our goals for Pepkor and we did not want to be caught short of meeting our objectives."

"We still have R14,3-million debt, including the amount repayable outside preference share capital, but compared with the perma-

nent capital of R176,7-million it is negligible.

"We have put together a group of consultants along with Pepkor's management to work out a plan for growth."

"We were caught without a plan for Pepkor because the cleaning up and selling off of the businesses happened faster and more successfully than we expected."

"One thing is sure — we will for the moment stick to retailing and our own manufacturing and certainly not repeat the mistakes of the past."

Bottom line

The group stumbled when it bought troubled IL Back in 1981. This company, producing brands such as Carducci, Yves St Laurent, Embassy and Consulate has been renamed House of Monatic.

Mr Wiese says: "Pep Stores clothing manufacturing arm is the second-largest in SA."

"We thought we could easily take on another clothing manufacturing business — this was nothing new to us."

"With Pep Stores profits of R22-million, Monatic's R2-million losses seemed small."

"But Monatic turned out to be a cash consumer. It needed lots of capital. We over-borrowed, then interest rates took off and to save the bottom line we went off-shore on the best advice."

"Then the rand collapsed and things became a fiasco. But we have lived through it and learnt a good lesson."

"Pepkor is firm on the solid foundation of Pep Stores and Shoprite."

There are now 655 Pep

Tinkling tills as OK and Pep pull in customers

Stores, including 73 Ackermans and nine manufacturing units.

Nearly 30 Ackermans outlets were opened in the past year.

Shoprite has grown by a compound average of 25% a year and has 36 stores. Hyperette, started four years ago, has 11 outlets.

Stines (30) 1/5788

All expectations exceeded . . .

Pepkor share earnings up 331%

CMC Tinkles
2/5/88
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THE sweeping changes made by the retail investment holding company Pepkor have had spectacular results, the company said in a statement yesterday.

The group's audited results published today, reveal net profits of R39,2m for the financial year to February 29, 1988, compared to the R7,2m of the previous 12 months.

Operating profit is up from R55,8m to R71,8m.

In spite of the number of shares in issue rising from 8,4m to a weighted average of 10,6m as a result of the rights issue held in July of last year, earnings per share rocketed from 85,9c to 369,9c, an increase of 331%.

While the turnaround in the group's fortunes was already evident at the half-way stage — with the group chalking up attributable profits of R12,6m — the performance of the second half — which saw attributable profits of R26,6m — has exceeded all expectations.

At the interim, chairman Christo Wiese anticipated a final dividend of between 50c and 60c a share: in fact, the group has declared a final of 93c, bringing the total for the year to 130c.

The balance sheet has also been transformed beyond recognition.

Debt including repayable outside preference share capital has plummeted from R139,2m to a mere R14,3m against permanent capital of R176,7m and, in addition, the group has R100m in cash on hand.

The debt:equity ratio now stands at 6,3% against last year's 134,8%.

Although the sale of the non-core business resulted in group turnover increasing only marginally, from R876,7m to R939,2m, the businesses retained by Pepkor increased their sales by a hefty 29%.

The reduction in debt naturally had a substantial positive impact on the bottom line with finance charges dropping by 58% from R40,6m to R17,2m.

Two principal factors contributed to the outstanding turnaround: the group's new focus as an unencumbered, cash-rich investment holding company and the outstanding performance of its two main subsidiaries.

Last week, Pep stores — 87% owned by Pepkor — reported a 44% increase in earnings.

Shoprite — Pepkor's 79%-owned food retailing outlet also published its results last week, posting an 86% rise in earnings to R5,1m.

Wiese said: "An aspect of the business which has caused me particular pleasure is the fact that while other retailers and textile manufacturers are reported as intending to lay-off substantial numbers of staff, we, as a group, succeeded in creating an additional 800 new jobs in the year."

"Indeed, our planned growth for the current financial year should again enable us to take on several hundred new employees." — Sapa

Pepkor turns in sparkling performance

Finance Staff

Changes to the structure of management and within the group as a whole have helped Pepkor to boost net profits from R7,2 million to R39,2 million for the financial year to end-February, 1988.

Operating profit was up 29 percent to R71,8 million. The number of shares in issue rising from 8,4 million to a weighted average of 10,6 million following on the rights issue in July last year, earnings per share rocketed from 85,9c to 369,9c, an increase of 331 percent.

The turnaround in the group's fortunes was mainly evident in the second half of the financial year with first half attributable profits of R12,6 million being followed by R26,6 million in the second six months.

The group has declared a final of 93c, bringing the total for the year to 130c.

The balance sheet has also been transformed. Debt, including repayable outside preference share capital, has plummeted from R139,2 million to a mere R14,3 million against permanent capital of R176,7 million and, in addi-

tion, the group has R100 million in cash on hand. Gearing now stands at 6,3 percent against last year's 134,8 percent.

According to chairman Christo Wiese, Pepkor raised these funds through retained profits, improved asset management, the sale of Pep stores shares to meet the JSE's spread requirements, the rights issue and the sale of House of Monatic, Budget Footwear and Rich Rags, to Lenco.

Although the sale of the non-core business resulted in group turnover increasing only marginally, from R876,7 million to R939,2 million, the businesses retained by Pepkor increased sales by a hefty 29 percent.

Two principal factors contributed to the outstanding turnaround, according to Mr Wiese: "The group's new focus as an unencumbered, cash-rich investment holding company and the outstanding performance of its two main subsidiaries."

Last week, Pep Stores — 87 percent owned by Pepkor — reported a 44 percent increase in earnings, thus outperforming all reported annual results for major South African clothing retailers.

Shoprite, Pepkor's 79 percent owned food retailing outlet also published its results last week. Like sister company Pep Stores, it has also far exceeded the performance of its quoted competitors, posting an 86 percent rise in earnings to R5,1 million.

Chain store to pass on ^{Stav} 2/5/88 egg price cut

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Staff Reporter ~~Stav~~

A major Transvaal egg producer is to reduce the price of eggs by eight cents a dozen from today — and at least one supermarket chain is to pass on the reduction to consumers.

The chain cut its wholesale price after the egg producer responded to the Government's appeal to the private sector to contain inflation.

Golden Lay Farms' price adjustment follows a similar announcement by the Maize Board and the National Marketing Board which reduced the wholesale price of yellow maize by six percent.

Spar supermarkets' spokesman Mr Mike Dobson said he hoped egg producers would keep the price reduction permanently so the benefits could continue to be passed on to consumers.

Consumer Council director Mr Jan Cronje said: "The yellow maize price cut will, however, be of no use if it is not carried through to consumer goods."

"This product is an important component in agricultural feeds."

Furniture Fair sitting pretty

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CAPE TOWN - Cape-based Furniture Fair (Furnfair) increased turnover more than 100 percent to R4,4 million in the first three months of the year.

A company statement said yesterday the first quarter was traditionally the worst for the industry.

In the same period last year, group sales were R2,1 million.

"The quarter's strong performance adds significantly to Furnfair's results for the first nine months of the financial year. Sales to date stand at R18,6 million (R8,2 million for the first nine months in the previous year)," it said.

Prime movers behind the chain, brothers Ivan and Jeff Hammerschlag, appear to have successfully restructured Montays, now Montana, which they

rescued from provisional liquidation in January.

"Montana is now trading under a new image," said Furnfair managing director Ivan Hammerschlag.

"The company has been completely turned around and, on sales of R2 million in April, is now in profit.

"Originally, we estimated the chain would be placed on a profitable footing by July this year, at which time we would on-sell it into Furniture Fair.

"However, Montana's progress has been such that we are now considering an earlier injection into Furnfair. In effect, this means that Furnfair shareholders will derive the benefits of the new, enlarged group sooner than expected." — Sapa.

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This week of measures to curb credit demand, nally at 1482 from 1485. Sapa-AP

D/10 3/5/88 (30)
Pep Stores profits up 44 pc

CAPE TOWN — Pep Stores has lifted attributable profits for the year to February by an impressive 44 per cent to R58,9 million (R40,8 m).

Earnings have risen to 128,9c (89,4c) a share.

Turnover rose by 28 per cent to R648,5 m (R507,5m) and operating profit by 32 per cent to R70,3 m (R53 m) — indicating a widening of margins.

The interest bill was 54 per cent lower at R2,3 m (R4,9 m) but the tax bill was 50 per cent higher at R9 m (R6 m).

Because the erosion of assessed tax losses will mean an increase in the group's tax rate over the next three years the directors have adopted a conservative dividend policy.

The final dividend of 29,5c brings the total for the year to 48c (40c) covered 2,7 times.

Part of the growth in profit and turnover has come from the opening of 66 new outlets during the year.

This brings the number of stores in the group, which includes the Pep Stores and Ackermans chains, to 655

with nine manufacturing units under its control.

"While we expect to maintain the growth pattern experienced by the existing business during the past financial year we are also planning to open at least 24 Pep Stores and 20 Ackermans outlets," the managing director said.

"Clearly the country's increasing population and rising standards of living, particularly among the lower-income groups, present us with excellent growth prospects for many years to come," he added. — DDC

D/10 3/5/88
Altron going international

JOHANNESBURG — Allied Electronics Corporation (Altron) is set to go international in the next three years, with plans to set up a network of hi-tech companies abroad.

The chairman of the group, which has assets of more than R1 billion, Mr Bill Venter, said the decision to increase its involvement abroad was in the belief that the group had grown to the point where it could effectively compete with the multi-nationals.

He stressed the group's strong South African identity however, saying, "the drive will be from here, the technology will be from here and much of the product-sourcing will be from here."

"We're now ready to become an international player, and although our interests abroad will not dominate our South African activities, there are compelling reasons to have a presence overseas. We live in difficult times and smart companies take steps to maintain their technology

base."

Venter's announcement coincided with the release of the group's end-of year results, which showed Altron continuing to perform well in the year to end February 29, 1988.

Attributable income was up 29,7% to R58m, or 324,2c a share, on a turnover of R1,56bn — 25,9% ahead of last year's figure.

The board has declared a dividend of 98c a share (81c in 1987) putting dividend cover at 3,3 times.

Homemakers on acquisition trail

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By Ann Crotty

Homemakers is targeting acquisitions that will expand the group's activities in the distribution of products and services used in and around the home.

In the group's first annual report chairman Brian Joffe says that many such opportunities are available and that management has already been approached by several leading retailers. "But we will only make acquisitions to suit our strategic direction".

It is the group's policy to create and maintain a balanced mix of business, earnings and financial risk: "This applies to our exposure

to cash-absorbing and cash-generating businesses, different sectors of the retail and wholesale industries, their financing requirements and quality of earnings."

It is group policy to maintain a relatively low gearing by industry standards. At end-December it was 31.8 percent which is comfortably within the target set in the transmuted listing statement of 31.8 percent.

Mr Joffe refers to government policy of placing greater emphasis on socio-economic needs and allocating more resources toward housing and education: "This development is also taking place in the private sector. It is a trend which could revolutionise our society by substantially broadening the stakeholders in our future."

He adds that: "It will result in consumers requiring a vast array of goods and services to convert their house into a home. Our mission is to meet these aspirations by providing convenience and service through a network of autonomous business units, each focused on its own particular skills base."

In the chief executive's report Hilton Nowitz stresses that an important criterion in the group's strategic approach is the mix between furniture and non-furniture earnings: "In the twelve months to end-December 1987, earnings of the furniture division contributed 56 percent of total group attributable earnings." This was equivalent to almost R14 million. The textiles and direct sales and mail order divisions contributed almost R11 million. "Thus, nearly half our earnings are derived from businesses that are largely non-cyclical and have demonstrated an ability over the past five years to grow strongly, even in times of recession."

Black bakery doing well

LEBOWA Bakeries (Lebaka), the first wholly black-owned company to be listed on the Johannesburg Stock Exchange, has exceeded earnings a share, forecast by 31 percent in its first year since listing.

Lebaka operates eight bakeries in the Northern Transvaal.

In its audited preliminary report for the year ended March 31, published on Sunday, the company declares earnings a share of 11,1 cents (12,2 cents in the previous year) compared with 8,2 cents forecast in the prospectus.

A final dividend of 2,75 cents has been declared, making the total for the year 4,5 cents (3,5 cents). The prospectus forecast was 3,3 cents.

In line with the prospectus the dividend is covered 2,5 times.

"Our next income increased from R2,44-million in the previous financial year to R2,68-million, but income per share declined slightly since there were 5 million more shares in issue than last year," managing director, Mr Jim McKenna said in Pietersburg yesterday.

He said the benefits of Lebaka's 52 percent interest in Northern Bakery Consortium (Norbaka) would only become apparent in the current financial year. Norbaka was established earlier this year by Lebaka, Premier Food Industries and Suid-Afrikaanse Sentrale Ko-Operatiewe Graanmaatskappy (Sasko).

"The full impact of our new Bochum bakery, commissioned in September last year, will also be felt in the current financial year," he said.

Lebaka's turnover increased by 22 percent from R32 million to R39 million and operating income by 23 percent from R5 million to R6,2 million.

Tax was 26 percent more at R3,1-million (R2,4-million).

Net asset value share went up by 15 percent from 52 cents to 60 cents.

"Baking is a capital-intensive industry," Mr McKenna said.

"Capital expenditure over the past year totalled R4,6-million, while R5,1-million has been budgeted to refurbish plant and to replace delivery vehicles in the current financial year.

"We will, however, continue with our aggressive cost control policy which played a major role in improving our performance," he said — Sapa.

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CNA-Gallo increases earnings 74 percent

By Ann Crotty

An outstanding second-half performance from CNA helped boost turnover at the CNA-Gallo group by 22 percent to R429,8 million from R352,6 million in the 12 months to March.

A sharp increase in group operating margins and a surge in liquidity helped translate this into a 74 percent surge in earnings to 73,6c (42,2c) a share. A final dividend of 23c (14c) a share has been declared, bringing the total for the year to 29c (18c).

While the entertainment division, which deals with the production and distribution of music and video tapes, was the star performer at the half-way stage, the second six months saw the retail division (CNA) enjoying strong benefits from the Christmas and back-to-school periods.

MD Doug Band says the retail division was the outstanding performer at both the profit and turnover levels, adding "The Gallo Entertainment Division, including the recently listed Video Lab Holdings, together with support and associate companies, all showed strong profit growth."

On the 22 percent increase in turnover, operating income was up 55 percent to R36,9 million (R23,8 million), reflecting the surge in margins from 6,7 percent to 8,6 percent. The improvement in margins was due to better capacity utilisation in group manufactur-

ing interests and to tight management of mark-downs and shrinkage.

The improvement in margins was achieved despite the decision to increase substantially expenditures in the marketing and sales areas and the extra costs associated with expanded late-hour trading at CNA.

The tighter asset management boosted trading cash flows and this, combined with the surplus of R5 million from the sale of properties, raised liquidity and allowed the group to cut back its interest bill to R181 000 (R2,4 million).

Taxed profit showed a 69 percent increase to R20,6 million (R12,2 million). Added to this was a R4 million contribution from associated companies, which was 79 percent up from the previous year's R2,2 million.

The balance sheet shows the excellent position the group currently enjoys and indicates that it is poised for organic or acquisitive expansion.

Tighter asset management is reflected in the inventory level, which is up only 15,7 percent. And the massive improvement in liquidity can be seen in the surge in loans to the group's holding company from R2,6 million to R28,8 million. In addition, cash holdings are up to R6,2 million (R4,5 million) and medium- and long-term borrowings are down to R4,6 million (R6,5 million).

Anglovaal commits itself to a future for all

By Frank Jeans
The powerful Anglovaal group remains committed to a future shared by all — a pledge given by its chairman, Mr Basil Hersov when he spoke at a lunch in Johannesburg yesterday of the South African-German Chamber of Commerce and Industry.

"We are a South African business involved in seeking to adjust to that kind of future and we are doing it through our attitudes to trade unions on one hand and the development of small business on the other.

"We have injected R1 million into the advancement of the 'small man' — an arm's length operation where he benefits from our assistance without us being charitable."

FAMILY GROUP

Tracing the history of Anglovaal which now has a R5 billion a year turnover, with 80 000 employees spread over an empire, with pillars such as mining, construction, electronics and industrial as Gribaker and Irvin & Johnson in the group, Mr Hersov said:

"We have always been a family company and have attracted companies which have need help."

"However, we have never acquired companies on paper so as to strip them."

PHILOSOPHY

"Rather we have made acquisitions and we have built upon these together."

The Anglovaal chairman also said that it was his group's philosophy to "decentralise and delegate responsibility" where necessary, we do not tell other people how to run their businesses and certainly avoid dictating to anyone," he said.

'Exploitation' led to Bill

CAPE TOWN — Considerable evidence of unacceptable exploitation by business of the consumer, and particularly the less privileged black consumer, had underscored the need to introduce protective legislation in the form of the much-criticised Harmful Business Practices Bill now being circulated for comment, Trade and Industry director-general Stef Naude said yesterday.

Describing the private sector response to the Bill to date as being somewhat shrill, Naude said the draft legislation should not be seen as an ominous sign of government's intentions to bash

CHRIS CAIRNCROSS

business.

He told the Federated Chamber of Industries (FCI) executive council meeting the Bill contained sufficient safeguards to ensure that the powers it would vest in government to close down miscreant businesses could not be abused.

He also stressed the Bill was a first draft, aimed at soliciting comment, and

● To Page 2

'Unacceptable' consumer exploitation led to Bill

had already been substantially revised since it was initially circulated on a selective basis.

Naude said legislation of this kind was necessary because all existing legal protection provided by common and statutory law to the consumer had proved to be inadequate and ineffective.

Referring to recent private-sector reaction to the draft legislation, Naude observed that some businessmen seemed to be less concerned by the need for consumer law and believed incorrectly in many instances that market forces were sufficient to protect consumers by the elimination of the firm

that abuses its position.

He said experience thus far was less reassuring and there was evidence of unacceptable exploitation of particularly those whose bargaining powers were almost non-existent.

□ Disinvestment had reduced the level of competition in SA to the disadvantage of consumers, the Minister of the Budget and Works in the House of Assembly, Kent Durr, said yesterday.

He told the FCI unfettered competition reduced the need for consumer protection.

● From Page 1

50 Bldg
4/5/88

Decentralisation a 'waste' of resources

Govt policy comes in for more flak

CAPE TOWN — Government's industrial decentralisation programme has once again come in for flak, being described by a Federated Chamber of Industries (FCI) study as an indefensible waste of economic resources which had done little to encourage development.

The study's findings were outlined at the FCI's executive council meeting yesterday by Professor P Haasbroek, economic consultant to the FCI, who headed the investigation.

Haasbroek criticised the logic involved in implementing the decentralisation programme and said there were few positive factors on the credit side of the decentralisation policy.

He recorded that decentralisation incentives handed out since the latest scheme was introduced in 1982 amounted to R1,6bn.

Research had shown the decentralisation programme had done little to

CHRIS CAIRCROSS

create extra employment opportunities. In the main, it had led rather to a relocation of industries.

It had also led to serious doubts about the permanence of the industrial base established in those decentralised areas and on their ability to sustain existing employment opportunities.

Haasbroek said what was more important was that the decentralisation policy was producing an allocation of resources which was inimical to economic growth and the expansion of employment opportunities in the country as a whole.

The track record suggested that jobs created in the decentralised areas were, in fact, merely a transfer of jobs from the metropolitan areas. And, because of the much higher cost of a job in the decentralised areas, the policy represented a higher cost with no significant benefit to the community.

FCI warns on reforms

UNLESS government presses ahead with structural reforms, any reduction in the inflation rate would be short-lived, the Federated Chamber of Industries (FCI) warned at an executive council meeting yesterday.

The FCI has given careful consideration to the State President's recent criticism of the private sector's response to his February appeal for restraint in salary, wage and price increases.

"The FCI repeats its full support for the State President's initiatives

MICK COLLINS

to reduce inflation and government expenditure."

FCI members had agreed to continue to do everything possible to contain those cost increases over which they had direct control and to keep price rises below the present level of inflation. But no general limits could be set.

The FCI said it would be discussing the matter in greater detail with government representatives in the near future.

Amrel feels the benefit of buoyant trade conditions

By Ann Crotty

The upswing in consumer spending, low interest rates and strict asset management enabled Amalgamated Retail (Amrel), SAB's speciality retail group, to report a 50 percent increase in earnings to 231c (154c) a share for the 12 months to March.

A final dividend of 52c (40c) has been declared, bringing the total for the year to 77c — an increase of 51 percent on the previous year's 51c.

Turnover was up to R694 million, representing a 19 percent increase on the previous year's R584 million, which has been adjusted for the sale of Uniewinkels. An improvement in operating margins from 4,5 percent to 5,2 percent boosted this to a 36 percent surge in pre-tax income to R36,5 million from R26,8 million.

Taxed income was up 44 percent to R18,4 million (R12,8 million). This was helped by a more than doubling to R2,8 million (R1,2 million) in income from associated companies and unconsolidated foreign companies to show attributable earnings up 51 percent at R21 million.

Management says the furniture divi-

sion remained the major contributor to earnings, but that the furniture operations serving the lower-income sector were disappointing. The footwear/apparel division showed the benefits of a rationalisation programme and made a contribution to profit. The service division showed significant growth in attributable earnings.

The stronger margins reflect management's efforts to improve the utilisation of group resources through disciplined asset management. This, combined with the restructuring of the group's financing company, the limited asset growth and improved creditor funding led to a reduction in gearing from 69 percent to 27 percent.

Looking to the year ahead the directors say: "Buoyant economic conditions in the consumer markets are expected to moderate somewhat in the months ahead. These will be particularly influenced by any measures the authorities take to curb credit demand, as well as by rising interest rates." A satisfactory increase in earnings is expected if the socio-political environment remains relatively stable.

Mashold increases turnover

Mast Holdings more than doubled profit attributable to ordinary shareholders for the financial year ended February — recording a 118 percent increase on the previous year.

In 1987 Mast achieved a profit for the year of R288 000 which increased to R629 000, 18% ahead of the prospectus forecast.

Earnings per share were also ahead of forecast and 89 percent up on the previous year's figures.

Executive chairman Stephen Dallamore says: "Earnings per share rose from 2,8c in the previous financial year to 5,3c on a weighted average basis. Mast has declared a dividend of 2,4c which is the figure forecast in our prospectus. "Turnover was increased by 52 percent to R4,685 million and operating profits rose by 64 percent R1,142 million." — Sapa.

VENTURES

Pick 'n Pay to boost staff shares scheme

By MARTIN WELLS, Business Staff

PICK 'N PAY is to increase its staff shareholders scheme three-fold this year.

Company chairman Mr Raymond Ackerman said today shares were to be offered to floor and assistant managers. The 10-year employment qualification for shares may be reduced to five years.

This would increase the number of shareholders from 2 500 to 12 000. Pick 'n Pay employs about 23 000 people.

● In an address to a Textile Institute meeting in Cape Town last night, Mr Ackerman called on businessmen to learn further to negotiate with unions.

Over 90 percent of work stoppages were because of relatively minor incidents and could be avoided if they were dealt with sensitively in the first instance, he said.

"Pick 'n Pay has had strikes, but we are in a better position now. We have been learning to negotiate staff grievances properly," he said.

Mr Ackerman, whose address was entitled "Industries' Responsibility to the Necessary Changes in our Society", said it was crucial for businessmen to be confident now as the economy was going to get rid of discrimination.

If the Government meant what it said — by deregulating, by decreasing taxes, by bringing the Angolan crisis to an end — then businessmen could go ahead and "take up the cudgel of progress".

Another broking firm to merge

Finance Staff

Star 15/1/88
An announcement concerning the merging of the interests of stock-broking firms Frankel, Kruger and Vinderine with that of Menel, Jack Hyman and Rosenberg is expected soon.

After several days of rumour seeping through the market place Mr Gerald Rosenberg confirmed yesterday that his company will be absorbed by Frankel, Kruger and Vinderine. Negotiations will most probably be completed later today, he said.

According to Mr Rosenberg the proposed merger made sound

business sense as there were "obvious synergies between ourselves and Frankel, Kruger and Vinderine". He declined to comment on suggestions that several analysts and dealers had to be laid off in recent weeks.

Mr Rosenberg also declined to comment on questions linking the merger with the sharp drop in turnover on the JSE in recent months.

Turnover has dropped to dangerously low levels for many brokers, often well below what is considered the cut-off limit of R35 million a day for profits to be

made.

Mr Sydney Frankel, senior partner at Frankel, Kruger and Vinderine, also confirmed that negotiations were taking place but declined to elaborate any further, saying the final deal still has to be signed.

Diagonal Street observers link the proposed merger to personality clashes within Menel, Jack Hyman and Rosenberg.

At least one senior partner will not be joining the enlarged firm. It is also not known yet whether the merged firm will contain any names of the existing firm.

Afcol improves final payout

Finance Staff

The boom in durable spending on furniture has substantially benefited the results of the country's leading furniture manufacturer, SAB subsidiary Associated Furniture (Afcol).

In the year to end-March, Afcol increased its earnings by 44 percent to 114,8c a share while the total dividend was raised by 45 percent to 72,5c.

Attributable profits rose 47 percent to R35 million on an increase in operating profit by 66 percent to R43,1 million.

The increase would have been greater but for a R11,3 million rise in the tax bill to R17,97 million, which more than offset a drop in interest paid from R8,8 million to R6,2 million.

The balance sheet has been strengthened with the debt-equity ratio down to 0,28 (0,42), while net worth is up from 678c to 793c a share.

The directors say the strong 31 percent growth in turnover to R510,2 million has been maintained despite setbacks caused by

work stoppages.

"Effective utilisation of productive resources continued and this, together with the lower interest burden and the 30 percent increase in equity-accounted earnings, produced the good earnings.

"The rate of growth in private consumption expenditure is expected to slacken somewhat in the coming year as a result of rising interest rates and likely action by the authorities to dampen credit demand.

"Provided this does not result in serious setbacks, attributable earnings are expected to show further improvement, but at a lower rate than that achieved in the past year."

20 pc increase in deposits likely to depress car sales

~~SAB~~ By Inga Molzen and Tim Cohen ~~SAB~~ 5/5/88

The Government announcement yesterday that rental agreements will fall within the ambit of the Credit Agreements Act will cause a drop of at least 20 percent in the sale of private passenger vehicles, motor industry experts said last night.

The 20 percent increase in minimum deposits required on all hire purchase contracts will also depress the entire car sales market, they said.

The Minister of Finance, Mr. Barendse du Plessis during debate on his budget vote yesterday said that the Usury Act and the Credit Agreements Act would be amended to cover rental agreements with periods of more than three months, effective from May 9.

The maximum limit on transactions subject to the Usury Act would be increased from R70 000 to R500 000 and the Credit Agreements Act from R100 000 to R500 000, he said.

The increase in the minimum deposits means if a 20 percent deposit was required, this would now be increased by 20 percent to 24 percent.

The deposit now required on a car worth R20 000 will therefore increase from R4 000 to R4 800.

Mr. Brand Pretorius, corporate marketing director for Toyota said last night the increase would definitely dampen the market but that the implications would be more psychological than real.

The macro-economic reasons for the increases —

tightening the money supply and decreasing imports were understandable, he said.

He said the proposed amendment to the legislation would have a definite negative impact on the sale of private passenger cars. But, he added that the industry was underpinned by fleet sales which would not be affected by the amendment.

He said a significant portion of cars sold to the private sector had in the recent past been sold in terms of private rental agreements "introduced a few months ago by some financial institutions".

The inclusion of rental agreements within the Credit Agreements Act would now bring these transactions to an end, he said.

Tafelberg lifts profit

30 Finance Staff
Tafelberg Furniture Stores yesterday reported a sharp rise in taxed profits of 97 percent to R648 082 (R329 412) for the ten months to February.

A final dividend of 1,6c has been declared, bringing the total for the year to 2,6c.

The profit improvement was 8 percent higher than the prospectus forecast made before listing in April last year.

Turnover of the Cape-based chain rose 39 percent from R13,9 million for the corresponding 10 months in 1987 to R19,311 million. Operating profit virtually doubled to R1,262 million (R658 824). Earnings per share of 5,2c were ahead of forecast.

84-51565

Amaprop earnings rise 15²⁰%

Anglo American Properties (Amaprop) has reported a 15 percent growth in earnings in the year to March to R19,885 million, or 46.3c per share, compared with R17,345 million, or 40.4c per share, for the previous year.

A dividend of 30c per share (1987: 29c), covered 1.5 times by earnings, has been declared.

As a result of this increase in dividend, the loan stock interest payment has been increased from 58c per loan unit to 60c per unit.

Full details of the past year's activities will be released with the annual report on May 19.

New surge in office and retail rents forecast

rents forecast

By Frank Jeans
 Although office and retail rents have risen by up to 30 percent from a low base, they are only now reaching 1983 levels in nominal terms and as the upsurge continues this year and next, rents will hit the R25 to R30 sq m mark to support new development.

This is the prediction of the JH Isaacs group in its latest overview of the property market.

And on the back of increased building activity in all sectors of the market, JHI has little doubt that dramatic increases in building costs are on the way.

"Escalations over the past four years have been considerably below the inflation rate and the expected increase of about 23 percent in building costs this year will therefore reflect a measure of catching up," says the company.

Aggravating the cost situation is the fact that contractors are moving away from marginal costing and are restoring margins — a trend which is being compounded by rises in prices of products and pressure on labour costs due to industrial action and a skills shortage.

The effect of all this will be to push rents so as to make developments viable.

"Following the low point in the economy during 1986 and subsequent upturn, conditions in real estate started to improve only in the latter part of last year," says JHI.

"Prices and rents had declined from the 1983 peak in both nominal and real terms and thus the upturn is off a very low base."

Referring to the October stock exchange crash, the group believes this has focused greater attention on property as a more secure medium of investment.

Yields on prime office and retail properties have declined from 11 percent in 1986 to about 9.25 percent while yields on top industrial leasebacks are now in the 10.75 percent range compared to 12 percent at the peak.

"Low vacancy levels for offices in Cape Town and Durban could generate some speculative development this year," says JHI.

"In Johannesburg, however, investors are likely to be more cautious having regard to availability of space in buildings previously tenanted by the major banks and which become vacant as they move to new headquarters."

The group has no doubt that speculative development will be undertaken only by investors with great financial strength and who can afford to take a view through a period of rising interest rates and a "somewhat clouded international economic outlook" which could impact unfavourably locally.

It concludes, however, that trends in real estate look more positive than they have been for some time and subject to unforeseen political and economic upheavals, investors can look forward to a rewarding and active year.

Caution needed

"To avoid the pitfalls of the past, there has to be a disciplined approach to new property investments in the present booming market."

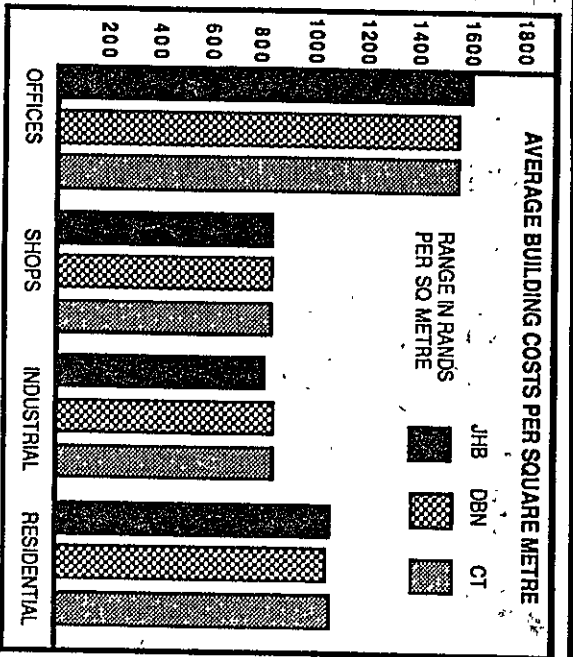
This is the view of Mr JG Johnson, of the Southern Life Association, who believes that while property affords people the desire to generate a return and create wealth, unless there is some circumspection, many investors can be left with burnt fingers.

Speaking at the Institute of Life and Pension Advisers convention in Johannesburg recently, Mr Johnson said: "We still require a disciplined approach to new property investments which presupposes a prudent prognosis of future demand rather than a cavalier approach to development prospects."

Referring to the October crash, he has no doubt that this, contrary to belief, did not herald a new property boom.

"The property market is dependant on the real domestic economy and we know that the South African economy moved into its recovery phase, albeit slowly, during the second half of 1986.

"Since the property cycle usually lags the economy by six to 12 months, the first signs of a recovery in property were clear during the first half of 1987."



The graph by quantity surveyers Walters and Simpson indicates the current average costs of various types of buildings. These costs may be influenced by a number of factors — structural requirements, standard of finish, floor to ceiling heights, piling, lighting and air-conditioning. The figures are based on gross building areas and are applicable to the main metropolitan areas but do not include roadways and parking, fencing and boundary walls, the cost of land, finance charges, etc.



IBA

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 GROSS SALES

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Akal name stays after Midas deal

Own Correspondent

DURBAN — After three generations, the Durban-based Akal family has relinquished equity control of its wholesaling and retailing business.

Akal has been sold to Midas subsidiary Genuine Parts for R15,47 million to be paid for in cash and shares.

However, the Akal family will retain its trading name and remain under the same management. There will be no staff cut-backs.

Director Patrick Akal said in an interview earlier this week that his family had decided to sell because a conflict of interests had emerged following the deal last year in which Midas bought 25 percent of the Akal equity.

Mr Akal said as part of that agreement Akal was to have helped to introduce fishing and cycling operations into Midas outlets countrywide.

In practice, however, Akal had found that this conflicted with some of its own business.

Although Akal is strongest in the Durban area, where it also has sole right to operate Midas outlets, its fishing tackle and cycle sales are worth about R2 million a year in the Transvaal.

Some of this business would have been affected by the plan to extend these lines into Midas outlets.

Overall, the Akal turnover in these items exceeds R10 million a year and it is hoped this can be stepped up to R15 million in the current financial year.

Mr Akal said in a way it was

30
STV 6/5/88
said to relinquish equity control, but that the deal made a lot of sense.

The Akal family is taking an eight percent stake in Midas, whose major shareholder, with around 30 percent, is the McCarthy Group.

The purchase price comprises R13,57 million to be paid immediately, made up of R8,57 million in cash and R5 million in Midas shares.

The balance of R1,9 million is to be paid against the delivery of profit warranties for the year to February 1989.

Mr Akal said the Akal staff of 230 would benefit from the deal because they would now be offered a good pension scheme.

The Akal property company Parawa, with assets of around R20 million, is not involved in the deal.

Mr Akal said it would now be able to deal with Midas and other tenants on an "arm's-length basis".

Midas chief executive Mr G von Loeper said the Akals wholesaling operation would continue to operate as a member of the National Automobile Parts Association (Napa) and would be treated on an arm's-length basis by Midas.

The Akal group has had an annual compound earnings growth of 51 percent over the past five years.

Had the deal (effective from March 1) been in effect for in the Midas last full financial year, its earnings per share would have risen from 61.2c to 73.1c.

Car industry recovery threatened

A dramatic drop in new car sales is expected as a result of Wednesday's announcement that rental agreements will fall under the Credit Agreements Act and the Usury Act.

Rental agreements, which have obviated the necessity for deposits and greatly reduced GST on the acquisition of vehicles, have been growing more than 1 000 percent a year and have increased car sales by at least 20 percent by making them more affordable.

The 20 percent increase in minimum deposits required on all hire-purchase contracts will also hit sales, motor industry spokesmen say.

Corporate marketing director for Toyota, Mr Brand Pretorius, says the proposed amendment will definitely hurt sales of pri-

vate cars. He adds, however, that the industry is underpinned by fleet sales, which will not be affected.

Toyota feels sales of commercials and vehicles for fleets may be slightly affected by the psychological impact of the new measures.

But Mr Pretorius says many fleet-buyers have held off for so long they have little option but to replace vehicles.

Wesbank and Stannic, which together finance more car purchases than any other financing institutions, are not sure fleets sales will escape the worst of the cold wind.

Stannic senior general manager, Mr Ron Newman, says his company is currently seeking clarification from the Registrar of Financial Institutions.

As things stand, he says, it is

unclear whether the maximum limits on transactions subject to the Usury Act and Credit Agreement Act, which have been lifted from R70 000 to R500 000 and from R100 000 to R500 000 respectively, are to be applied on an individual or cumulative basis.

If the cumulative basis applies, fleet-vehicle purchases could be hit, along with private purchases.

A Wesbank spokesman says his company's chief executive, Mr Peter Thompson, is seeking clarification on such issues.

He says, however, there seems little doubt that deposits of at least 12 percent will have to be paid if the rental route is chosen. Previously, the notional deposit stood at 10 percent, but in many cases deposits were waived altogether. — Sapa.

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OK BAZAARS

Climbing again

AD

OK Bazaars MD Gordon Hood must be pleased to be able to report an EPS climb of 31,7% to 162c after last year, when the group suffered from a long strike.

An important factor was improved margins, which, Hood says, increased (pre-tax margin from 1,2% to 1,4%) due to changed sales mix. "Generally, expense controls are better across the board, including operational expenses, shrinkage and recoveries," he comments. Furniture and appliance sales rose sharply, while food sales fell slightly. The food price war had an impact, but big ticket item sales brought additional revenue in hire purchase finance.

As mentioned at the interim, upper and middle income bracket customers benefited most from the upturn. Hyperamas, accounting for 20% of sales, concentrated on this population section and did better than traditional OKs.

This year, OK is publishing total turnover actually registered in the tills, as Hood considers this figure, which now exceeds R3,1bn, is more comparable with those produced by some of the group's competitors. Turnover now includes butchery sales and finance charges.

Hood sees areas for improvement, especially in stock-turn. "It is better, but nowhere near good enough," he says. Borrowings were boosted to fund larger stock levels. The group had wanted to reduce debt but the figure rose 5% from R171m to R180m, pushing debt:equity up from 0,48 to 0,49.

Of course, it is difficult to assess the effect

on the results of the recovery from the strike. It contributed to improved margins, as in the 1988 year sales rose against fixed costs which had been largely maintained, with the exception of wages, which were not paid during the strike. The group did not report particularly bad results in the 1987 year, when earnings advanced by a respectable 22%, but the latest period was one of strong consumer growth.

Hood says he is moderately optimistic about the current year. Another Hyperama is due to open and six new OKs and stores have been refurbished at West Street in Durban, Wynberg Cape and Pietersburg. The group is also working extended hours; 50 stores countrywide are open on Saturday afternoons and about 30 on Sundays.

OK'S BILLIONS

Year to March 31	1986	1987
Turnover (bn)	2,6	3,2
Pre-tax profit (Rm)	29,1	40,2
Attributable earnings (Rm)	15,1	19,9
Earnings (c)	123,0	162,0
Dividends (c)	89,0	73,0

Hood is emphatic that there is no immediate plan to move into black areas. "We have always sited our stores in positions accessible to customers using public transport and the group is the biggest by far in the homelands," he points out. "We shall be happy to go into the black areas, but only when we are really welcome."

There is still an overhang in market sentiment from the strike and it is known that OK is currently negotiating a wage settlement again. Though the share, at R12,50, is above the low of R11,50 reached in early April, the dividend yield even on the latest results is 7,1%, well above the 4,6% average for the retailers and wholesalers sector. Pat Kenney

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Curbs: car sale slump predicted

JOHANNESBURG — A dramatic drop in new car sales is expected as a result of the announcement that rental agreements will now fall under the Credit Agreements Act and the Usury Act.

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A Wesbank spokesman said his company's chief executive, Mr Peter Thompson, was in Pretoria seeking clarification on such issues.

He notes, however, that there seems little doubt that deposits of at least 12 per cent will now have to be paid if

the rental route is chosen. Previously the notional deposit stood at 10 per cent but in many cases deposits were waived altogether.

This change results from the 20 per cent increase in minimum deposits required.

Thus if 10 per cent was previously the minimum, this will now rise to 12 per cent, 20 per cent will become 24 per cent, and so on.

He notes that the increased interest rate on HP and rental repayments will also dampen buyers' enthusiasm.

On one matter there is general agreement. If Pretoria intends that rental arrangements should now fall in line with instalment sales, the recent recovery in new car sales to private buyers will be stopped in its tracks, and there could even be a fall-off in sales.

AAA raises adspend estimate to R1,279-m

THE Association of Advertising Agencies has upped its original estimate for total above-the-line adspend for 1988.

Its original figure was R1 245 million; the new figure is R1 279 million.

Actual total adspend for 1987, as reflected in Market Research Africa's Adindex data, was R1 034 million, 23,8 percent below the AAA's revised forecast for 1988.

The AAA says its "somewhat bullish outlook" follows a continued upward trend of spending since the last quarter of 1987.

MALCOLM FOTHERGILL

It adds: "Even if the mini-boom does cool down later in the year, forward marketing plans would have been committed and marketers would want to hold their competitive ground."

Although electronic media are gradually drawing more money from the market at the expense of print, the print media are still expected to command 52,3 percent or R669 million of the total adspend in 1988, says the AAA.

Its figures show that advertising spending on television and radio is expected to grow considerably faster than the average adspend growth of 23,8 percent.

Television is expected to show the highest growth, with 33,4 percent, while radio advertising is forecast to grow by 25 percent.

Adspend in the Press is expected to grow by 17,5 percent and in magazines by 21,1 percent.

Outdoor media are expected to attract 16,7 percent more advertising and cinema another 9 percent.

Shares 'essential' in any investment plan

Any long-term investment portfolio should contain shares, whether a private portfolio of direct share holdings or unit trust investments or an institutional portfolio that underlies a financial product, such as a life assurance policy, delegates to the Institute of Life and Pension Advisers heard this week.

Mr Walter Scheffler, Sanlam's general manager, investments, said shares had proved an excellent hedge against inflation.

He added: "Equity investments have a long record of superior returns when compared to other investment channels, as well as to inflation. The only investment that gets close to equities in the long-term is properties."

The average annual return on equities for the 10 years to December 1987 was 30 percent, for 20 years 16 percent and for 25 years 17 percent.

Against these figures, long-term fixed interest was nine, six and five percent; and short-term fixed interest 11, seven and seven percent. Inflation was 14, 11 and 10 percent respectively.

Despite the fact fixed interest investments compared poorly with inflation, Mr Scheffler said they still had a role in a balanced investment portfolio.

Return on investment in the JSE All Share Index for each year from 1972 to 1987 varied between 97 percent in 1976 and minus four percent in 1987. With gold shares, the variation was wider — from

115.9 percent in 1979 to minus 15 percent in 1981.

Mr Scheffler said: "The volatility of the All Share Index is reduced as it represents a well-diversified portfolio — individual shares have shown much greater volatility."

"Timing is all-important when buying or selling shares. The October crash brought this point home forcefully."

"The volatility inherent in equity investment means it should

be regarded as a long-term affair."

Several advantages made unit trusts an attractive investment medium.

The investor immediately got a broad spread of investments which would be difficult to achieve unless he had substantial funds; the portfolio was managed by professionals daily; and there were no administrative hassles.

Mr Scheffler said the October crash shattered the illusion that

the JSE could be isolated from international stock markets.

He added: "We are experiencing a bear market that will last for some time. The fact that share prices came down sharply in such a short period and into value territory, raises the possibility that this bear market might be of below average duration and also that we are perhaps more likely to see prices moving sideways than downwards."

Women flex their money muscle in insurance sector

Singling out women as the topic for this column may be perilous in these liberated times, but the growing role they play in all facets of the economy is (hopefully) sufficient reason.

Until fairly recently, insurance companies tended to neglect women as a specific market — in other words, they may well have treated women as second-class citizens in terms of the services and plans offered.

Today such an attitude would, rightly, cause an outcry. Yet only one generation ago relatively few women drove cars, were involved in business or had life assurance.

Now the trend is towards equal opportunity. Women play an increasing role in the economy.

Growing career paths are open to women.

With all this economic progress,

Michael Belling
manager (marketing communications) Sage Life

the financial contribution of women to the home has become a major factor in monetary terms. In addition, she still remains a wife and mother.

Insurance companies have recognised the growing momentum towards self-realisation and self-expression on the part of women and can play an important part in maintaining their independence and security.

The needs of women today include equipping themselves for a career. One of the unfortunate reasons for this is the extremely high divorce rate in South Africa. There should be provision against loss of earning power through retirement or due to dis-

ablement caused by illness or accident.

A housewife who does not also work outside the home is a major element in the family economy — her loss would entail major expenditure in providing for home help and care for young children.

In essence, the woman today has similar life assurance needs to the man and can derive the same benefits for herself, her family and her business. Income-tax and financial planning considerations apply equally to both sexes. Life assurance can fill a need in the case of housewives who are not wage earners.

Several companies have recognised the importance of the female market by producing specially named plans for women. Others offer the same product without the "feminist" label.

Drop-Inn

rises higher with Kotze

By DEREK TOMMEY

DROP-INN is an outstanding Cape Town success story. It is South Africa's biggest independently-owned bottle store group and, while it might not match the major liquor chains groups in size, it is the most profitable bottle store group in the country.

The group is certainly making money. It had a turnover last year of R86-million and an operating profit of just under R5-million.

And these profits will continue to rise, according to managing director Johan Kotze.

"They are still extremely good — almost frighteningly so. In March and April they were up about 20 percent on last year and ahead of the inflation rate."

Demand for liquor has risen strongly. Beer, brandy and vodka are selling well, as is unfortified wine. Black people were also buying more wine, said Mr Kotze.

Mr Kotze is not expecting this upsurge to continue at its present level. But he believes

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DROP-INN

Mr Johan Kotze . . . found his niche in growing company.

the year will still be a highly profitable one.

He listed three factors for the group's success: hard work, innovative marketing and a "hands-on" approach.

The independents had an advantage over the producer-owned stores as they sold only what the public wanted. Drop-Inn, on the other hand, tried to find products which the opposition could not buy. "Being a Cape-based company we are comfortable with wine. One of our direc-

tors, Jacques Kempen, is one of the country's most knowledgeable persons on wine. We carry the biggest range of wines of all the groups," he said.

As part of its marketing campaign the group also advertised heavily. This year its advertising budget for the Cape and the Transvaal would be in the region of R1-million, probably bigger than any other bottle store group. The Berk family started the business 90 years ago

when they opened a hotel in Lansdowne Road.

Mr Joey Berk and his brother Sam, who is now executive chairman, laid the foundation for the group's success, said Mr Kotze.

The group's growth began 17 years ago when it bought the Diep River bottle store. It next bought a bottle store in Bellville. Further expansion followed and today it owns 18 liquor outlets in the Cape and one in the Transvaal.

"We've always financed ourselves. We've never been a company with big borrowings. We own our properties. We are cash-flush as is to be expected in a cash business," said Mr Kotze.

Last June the group moved into the Transvaal with the purchase of the loss-making Benny Goldberg's bottle store for R6.6-million. This has been a most profitable move. Benny Goldberg, after making a loss of R203 000 in the 12 months to February last year, made a profit of R1.2-million in the eight months after the takeover.

Further expansion in the Transvaal is under consideration. "We are not a company which just sits and does nothing," added Mr Kotze. Today the group estimates that it has about 30 percent of the white market for liquor and about 15 percent of the total liquor market.

Mr Kotze, a B Comm graduate from UCT, joined the Drop-Inn group 17 years ago as an accountant.

"I found my niche here," said the 43-year-old executive.

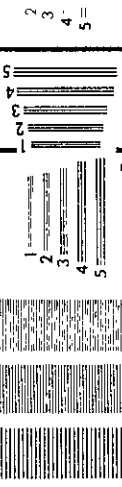
Married with four sons, he still has time for sport and plays cricket, tennis and squash.

He believes the demand for liquor and particularly for wine will remain strong.

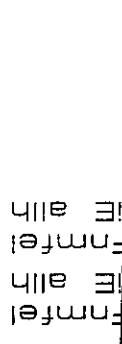
"Everyone can afford a drink with their meals or their braai," he said. "Wine drinking is part of our culture. More people will drink it as they become more affluent."

PHOTOGRAPH BY PHILIP WELLS

HORIZONTAL REFERENCE LINE 10'



HORIZONTAL REFERENCE LINE 10'



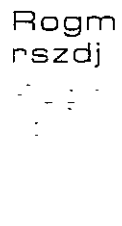
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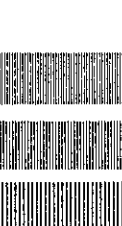
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Saambou declares its first dividend

Finance Staff

Saambou Holdings Limited performed well in the first six months since its incorporation as a public company and has declared its first ordinary dividend of 5,5 cents per share. The chairman and group MD, Mr. HA Sloet, says if this figure is projected over a year it constitutes a dividend yield of 11 percent on the issue price of Saambou shares.

Mr. Sloet pointed out that the net income, according to the consolidated income statement, attributable to the holders of the 85 million Saambou shares amounts to R17,032 million. A profit of R16,2 million was projected in the pre-listing statement during November 1987. The consolidated income statement indicates earnings of 20c per share for the year ended March 31. The net asset value per share, taking fixed properties at book value, is now 215 cents. The total group assets of Saambou Holdings Limited increased by 14,4 per cent to R2 589,7 million over the past year.

Arthur Kaplan sparkles ^{SK} 9/15/88

Arthur Kaplan Jewellery Holdings, the jewellery chain listed on the JSE in October last year, has turned in sparkling results for its February year end.

After tax income jumped from R598 000 to R1,33 million, an increase of 124 percent, while income before taxation rose by 80 percent from R1,46 million to R2,63 million. Net profit of R1,31 million exceeded the forecast figure in the listing prospectus by 21,2 percent.

Chairman of the group, Mr Arthur Kaplan, says that this year's net income was boosted by a surplus in foreign currency as opposed to last year's results when foreign exchange losses amounted to R135 000.

Earnings per share of 9,1 cents were achieved, an increase of 78 percent over last year's 5,1 cents, beating the forecast figure of 7,5c by 21 percent.

The directors have declared a divi-

dend of 1,75 cents a share for the five month period from October last year through to February this year. This translates to a dividend for the full year of 4,2 cents and a dividend cover of 2,2 times.

Mr Kaplan says that the growth achieved during the year was almost entirely from stores that existed at the time of the listing. Three new stores were opened after the listing, at the Carlton Centre, Johannesburg, the Jacaranda shopping centre and at Mabopane.

"These new stores are trading extremely well and we expect them to make significant contributions to group profitability in the forthcoming year.

"We intend using the R1,08 million retained income for further expansion during the course of the year.

Elcentre triples sales

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Finance Staff
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Elcentre Corporation yesterday reported a remarkable surge in its attributable earnings for the year to end-February and hinted at a separate listing of its major divisions.

Earnings a share based on a weighted average rose from 22c to 58,6c, after sales trebled to R331 million. Turnover would have risen to R402 million had sales of recently acquired businesses been included.

The total dividend has been raised by 88 percent to 23c a share.

Results include those of Atlas Cables, Keens, Litecor and Orez, all of which were acquired during the year, but do not include those of the Cape firms of Springbok Elec-

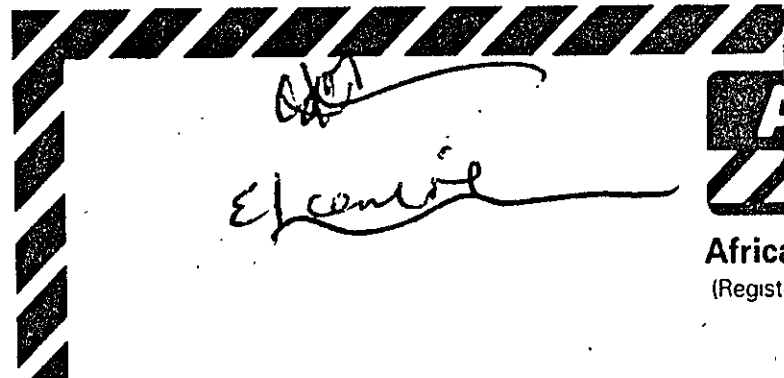
tric Group and Multitech, both purchased subsequent to the year end.

Commenting on the performance, executive director Nathan Mowszowski said it was mainly due to strong organic growth, successful acquisitions and improvements in productivity.

Mr Mowszowski said a further increase in operating income was expected in the current financial year. He also indicated a group restructuring to enable the respective divisions to establish their own identities "with a view to future listings on the JSE."

Elgro, which owns 55 percent of Elcentre, announced earnings per share for the year of 28,9c and a final dividend of 6c making a total of 10,75c for the year.

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Pick 'n Pay forced out of Australia

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KAY TURVEY

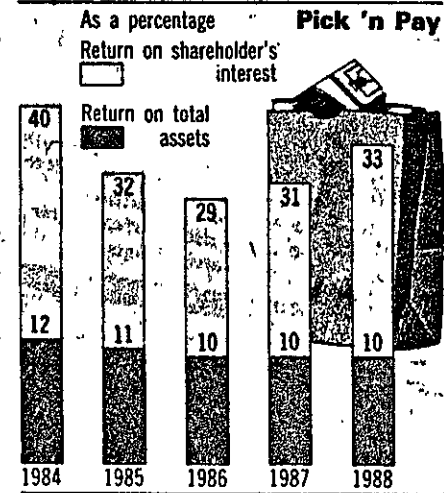
ANTI-APARTHEID action has finally forced Pick 'n Pay to cut its losses and sell off its Australian hypermarket venture.

This is revealed in the group's annual report which shows Pick 'n Pay has disposed of its investment in The Hypermarket Trust, Australia, to its Australian partner. Payment has not yet been received but the investment has been written off at a loss of R5.5m.

MD Hugh Herman says payment will be effected according to the future profitability of the store. "As the amount and the date for payment cannot be determined now, our investment has been written off accumulated profits as an extraordinary item."

However, the sale of Pick 'n Pay's 20% interest in Hilbok properties for R4.9m almost offset the Australian loss, resulting in a net debit of R608 000 for the year to end February.

Last year, Pick 'n Pay said it had been unable to make any advance in Australia due to the attitude of trade unions and the government over SA's political



Source: PICK 'N PAY Graphic: JOHN McCANN

policies.

At that point, the company still believed Pick-n-Pay-style trading was viable in Australia.

Herman said yesterday it was still

● To Page 2 →

Pick 'n Pay forced to sell Australian holding

hoping to recover its "substantial" Australian investment made during the past three years.

Herman says, in the report, the marked improvement in the economy and general consumer confidence is particularly timeous for the group in view of its aggressive 21st anniversary promotion and vigorous store-opening schedule.

Sales figures from the start of this financial year are 34% up on the same period last year largely due to the promotional activity.

30 ← ● From Page 1 B/day
19/5/88

After soundly beating the 20% profit growth forecast last year, the group is looking to improve profits well in excess of 20% over last year's level.

The new PriceClub cash 'n carry venture into the black market is expected to become profitable this year.

The financial accounts show an improved return on shareholders' interest from 31% to 33%, whereas return on total assets has been maintained at 10% since 1986.

Afrox continues to trade strongly

By Ann Crotty
Afrox continues on its strong performance path with a 26 percent increase in turnover and a 41 percent surge in trading profit in the six months to March.

On a turnover increase to R268 million Afrox managed to boost trading profit by 41 percent to R54,5 million. A reduction in profit from associated companies was more than

compensated for by a sharp drop in interest payments, from R2 million to R1,4 million, leaving pre-tax profit showing a 42 percent advance to R53,5 million. But a 59 percent hike in the tax bill held the improvement at the taxed profit level at 29 percent taking it to R27,5 million.

Some R6,9 million was deducted from the taxed profit figure, reflecting the

practice of charging additional depreciation on revalued assets to eliminate the effects of inflation. After this deduction, attributable profit showed an increase of 25 percent to R20 million, equivalent to 67c a share. A dividend of 30c has been declared, up 25 percent from the previous 24c.

The improved operating margins, up from 18 percent to 20 percent, was at-

tributed to greater market penetration, the development of new applications and a continued tightening of controls on costs.

Chairman and managing director Peter Joubert says: "Our smaller businesses are making an increasing contribution to overall business mix which is changing to a higher percentage of specialised applications."

STW 10/5/88

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Star 10/15788

Nafcoc in educational venture

A good example of how business enterprise can benefit the educational process is seen in a venture put together by the National African Federated Chambers of Commerce (Nafcoc) at Soshanguve, north east of Pretoria.

30 (30) As part of its programme for the advancement of black business, Nafcoc, under the leadership of Dr Sam Motsuenyane, is establishing a Management and Leadership Development Centre near its head office.

While the creation of the centre was financially

viable, there arose the problem of funding it on an on-going basis and covering teachers' salaries, visiting lecturers' fees and computer operations.

In discussions with Johannesburg architectural group, The Basil Powell Partnership, which has been involved in African property developments, it was decided to launch a shopping centre nearby, which would generate support money for the centre.

"Often regulations and doors were bumped or slightly bent to allow 'normal' commercial development to take place," says

Mr Basil Powell.

"Development processes are difficult in black areas and institutional finance which is so much a part of development in white sectors, is difficult to get."

Syrets provided first-bond finance for the shopping centre and Mr Powell believes this group's "enthusiasm and far-sightedness will lead to many more relationships with black business organisations".

Dr Motsuenyane and Mr Powell visited many major companies, institutions and organisations to secure donations but, ac-

ording to the latter "there have been many fine words, but only the Chairman's Fund of Anglo African and the South African-German Chamber of Commerce have provided wholehearted support in terms of money".

Blacks themselves, are understood to have given generously and enabled Nafcoc to proceed with its business college for 120 students.

The shopping centre, which is well advanced and will be handed over by the contractors, Grinaker Building this September, is already more than 80 percent full.

Witness: [Name]

30 B/day 10/5/88

FCI notes quieter labour relations scene

THE FCI executive council meeting in Cape Town last week noted that the industrial relations scene had been quieter this year, but said there was some concern this might be a 'calm before the storm'. It said yesterday the drop in strikes and stoppages might be due to increased employment, reduced inflation, greater township calm and signs of trade union members taking a stand against intimidation.

ALAN FINE

However, FCI manpower chairman Bokkie Botha said there was an uneasy feeling among many employers that they were not aware of what might be happening beneath the surface.

The FCI said there was "enormous concern" over the public holidays issue "which continues to po-

larise work forces around the country".

Botha said the question of Workers' Day had created a great deal of dissatisfaction and confusion.

The FCI said there were signs that trade unions were starting to concentrate on non-substantive issues like housing, discipline, and health and safety. But employer attitudes to industrial action were hardening in many areas.

R1m worth of plots selling at playground of wealthy every month — marina MD

D/D 10/8/88 (30)

Daily Dispatch Reporter

EAST LONDON — One million rands' worth of plots were being sold at the Royal Alfred Marina in Port Alfred every month, the marina's managing director, Mr Justine de Wet Steyn, said yesterday.

Mr De Wet Steyn said there was a "high demand for stands at the marina from people in King William's Town and East London".

"As far as I am concerned there is not one self respecting millionaire in King William's Town or East London who has not bought a plot at the marina, and we are getting sales inquiries from people in Natal.

"Fifty per cent of the Marina is complete and development is on schedule. People can start building in July as planned," he said.

"Once the Great Fish River Casino is complete, this area will be a playground for the wealthy.

"The average age group of buyers is 30 to 40 years, and this alone will add a new dimension to this area."

Mr De Wet Steyn was speaking at the launch of the Royal Alfred Sand Cat, which is a channel dredger built on site and worth R50 000.

He said the dredger would be used to excavate the small craft harbour initially but would be used in other areas if necessary.

"The nature of the terrain in the area of the small craft harbour precludes the use of conventional earth-moving equipment and hence the reason for the dredger."

The dredger is 13 metres long and 5 metres wide.

It weighs 13 tons and has a 25 cm gravel pump which can lift 1 000 cubic metres of water and solids, with a 60 per cent water run-off leaving 40 per cent solids an hour.

"It took three and half months to develop and build, and was built professionally. It is powered by two engines with a 250 horse power main engine, and a donkey engine that drives the suction pump.

"The dredger goes into operation immediately," Mr De Wet Steyn said.

Pick 'n Pay quits Aussie venture

JOHANNESBURG

Anti-apartheid action has forced Pick 'n Pay to cut its losses and sell off its Australian hypermarket venture, but the group has yet to receive payment for selling its share in The Hypermarket Trust to its Australian partner.

The investment has been written off at a loss of R5,5 million.

Pick 'n Pay's managing director, Mr Hugh Herman, says in his annual review that payment will be effected

according to the future profitability of the store.

"As the amount and the date for payment cannot be determined now our investment has been written off accumulated profits as an extraordinary item."

Last year Pick 'n Pay said that it had been unable to make any advance in Australia owing to the attitude of both the trade union movement and the government there to the political policies in South Africa. — DDC

ARGUS 20/5/88 30

Aussie pullout costs Pick 'n Pay R5,5-m

By TOM HOOD, Business Editor
 THE pullout from Australia cost Pick 'n Pay R5,5-m the annual report discloses today. This amount was written off in the past financial year.

Managing director Hugh Herman says in his annual review that the Melbourne venture was not able to grow due to the anti-South African policy adopted by the government and trade unions there.

"In the circumstances, we were obliged to dispose of our interests to our Australian partner.

"Payment will be effected according to the future profitability of the store. As the amount and the date for payment cannot be determined now, our investment has been written off."

The write-off, however, is offset by R4,9-million received from selling Pick 'n Pays 20 percent

stake in the company owning the Boksburg Hypermarket.

The annual report says: "With a limit to expansion in South Africa, an opportunity to employ the magic hypermarket formula was discovered."

The first store in Brisbane opened successfully in November 1984.

"Reluctantly the company has now been forced to sell its interest to the Australian partner as significant profitability cannot be achieved."

The Group's pre-tax profit jumped to R91,2-million from R75,5-million but it was able to reduce its tax liability by allowances, exempt income and over-provisions to R38,4-million (R32,5-million in 1986)

Pick 'n Pay also handed over R240-million in GST.

Powerful promotions of the company's 21st anniversary are drawing all customers and sales since February are running 34 percent ahead of a year ago, says Mr Herman.

Both he and the chairman, Mr Raymond Ackerman, say they are confident this trend will continue and that profits will be in excess of 20 percent over last year's.

The annual report says the group's scanning system has taken longer to implement than expected and all stores will operate a scanning system by 1991.

The system not only speeds transactions at the check-out but they are cost saving to the company.

Experience overseas indicated increases of more than one percent in profit margins, added Mr Herman.

Prospects brighter for Pick 'n Pay Ackerman

CAPT - 10/15/88 -30

By LAWRENCE TOTHILL
Investment Editor

PICK 'N PAY's prospects for the year ahead are brighter than they have been for some years, says chairman Raymond Ackerman in the company's annual report.

He confidently forecasts growth in profits of an even greater percentage than achieved last year.

Since the earnings per share as well as the dividend increased by about 22% in the past year, shareholders might expect earnings per share in the current year to rise from 67c to perhaps 83c, while the dividend might rise from around 33c to 40c.

Pick 'n Pay is celebrating its 21st anniversary this year and it has proved to be one of the best stocks as far as growth in earnings and dividend are concerned throughout its period on the JSE.

Spelling out the policy of the company, Ackerman says, it "is to keep to what we know best and to expand our business by organic growth".

This growth is spelt out in the number of new stores which will be opened in the current year as well as those which will be refurbished.

While saying that the company's mission is consumerism and simply interpreting the needs of customers, Ackerman recognizes trade unions and the need for collective bargaining in respect of wage increases and working conditions.

"Although we have not been immune to problems in the workplace, the strenuous efforts we have made over the past few years have been worthwhile and we have recently concluded our wage negotiations for the coming year on a basis satisfactory to both parties," said Ackerman.

Statistics provided in the report show that Pick 'n Pay's total trading area is 276 173 m² and the company has 24 072 employees — a formidable task-force.

More important than the pure statistics is their interpretation.

For example the group's turnover which was R5 953 per m² in 1981 rose to R8 950 per m² in 1985 and to R11 164 per m² in 1988.

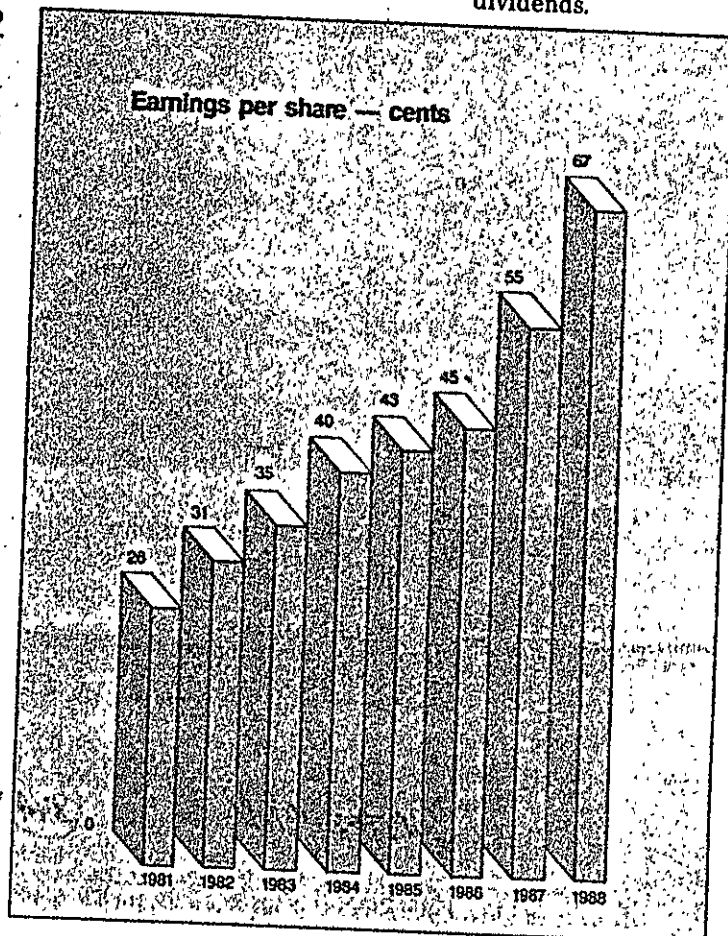


Raymond Ackerman

Profit per employee gives the picture that in 1981 each employee produced a profit of R2 784 for the company. This rose to R3 872 in 1985, took a hiccup down to R3 690 in 1986, but in 1988 jumped up to R4 652.

A breakdown of the wealth created by Pick 'n Pay (R637m), shows that the State took the largest portion in various taxes at R337m and employees were the next most important, being paid R225m.

By contrast shareholders received a more modest R26m by way of dividends.



The reliable performance of Pick 'n Pay over the years is clearly shown in this graph of the company's earnings per share over the period 1981 to 1988.

Business Report

Edgars exceeds expectations with 50% rise in profits

JOHANNESBURG. — Edgars Stores exceeded expectations in the 12 months to end-March with a 50% rise in earnings to 141,7c a share from 94,7c in the previous financial year.

This has allowed the final dividend to be lifted to 37,5c (29,2c), raising the total by 34%, to 53,5c (40c).

Cover has been widened to 2,6 times — according to a statement on the results, “in anticipation of the dilution which will occur on the conversion of the automatically convertible debentures to ordinary shares.”

Pre-tax profit climbed from R77,7m to R117,7m on 27% higher turnover of R1,2bn (R929,7m).

Attributable income rose from R40,8m to R61m and net asset value was up more than 20% from 409,8c a share to 499c.

CE Vic Hammond, says in yesterday's statement that by concentrating in the areas it knows best, maximizing resources and tightening its focus on specific categories, the group was able to assist its two main chains (Edgars and Sales House) to increase market share in the year.

The statement says that, besides the opening of new stores and upgrading of existing outlets, a major development has been the move into speciality stores “a trend that has gained

wide acceptance overseas ...”

Turning to the balance sheet, Hammond points out that with negligible gearing and tight cash management there was considerable scope for expansion.

He notes that: “While acquisition opportunities were limited, there was still enormous scope for organic expansion.

“The opening later this year of the largest store in the group to date, the 17 000m² Edgars outlet in Pretoria, is expected to be followed by extra sales of more than R100m in its first year.”

A major challenge remains the financing of the debtors book as turnover increases.

In the year under review working capital requirements rose by more than R300m and an increase of another 20% is expected in the current year.

On the manufacturing side, Hammond says: “It is pleasing to see the Celrose textile operation beginning to establish itself as a solid supplier to third party buyers — both here and overseas — as well as to group companies.

“It is already testing the possibility of a significant expansion in production which will have a minimal impact on fixed cost overheads.” — Sapa

Mercedes, Honda car prices are up

Prices of Mercedes-Benz and Honda cars are up this week by an average of 3.8 and 3.3 percent respectively.

The only models unaffected are Mercedes' diesel sedans and the R205 000 560SEC coupe.

However, this is not the first salvo in a new round of vehicle price increases, but rather the last shots from the previous round.

Mercedes' last general increase was on January 25 and it opted out of the

routine industry increases at the beginning of March. ~~30~~ ~~1988~~

According to the usual quarterly pattern, the next round of industry-wide increases would be due at the beginning of June, but industry sources indicate that VW will lead off in the last week of this month with an increase of around 4 percent. ~~Star~~ 11/5/88

Most other makers will probably follow suit in the first week of June.

By Ann Crotty
 Edgars' excellent performance for the 12 months to March beat most analysts' expectations, with earnings per share up 50 percent to 141,7c and the dividend up 34 percent to 53,5c a share.

The performance will reinforce the market's perception of Edgars as one of the star performers in the retail sector and the excellent outlook for the company in the current financial year will ensure that it retains its above-average rating.

Aggressive merchandising helped to boost sales by 27 percent to R1,2 billion (R929,7 million), which represented real growth of about 7 percent and beat the growth in the CFTA market (clothing, footwear, household textiles and accessories) by about 3 percent.

Performance at the operating profit level showed the benefits of improved asset management as the group chalked up a 45 percent increase to R130,8 million (R90,2 million).

This reflected operating margins of 11,1 percent, up from the previous year's 9,7 percent, but slightly down on the 11,4 percent achieved at the interim stage.

However, seasonal factors, including the discounting of merchandise in the January/February sales, invalidate comparison between the two six-month periods.

The outlook for continued improvement in operating margins considerably enhanced by the group's commitment to the development of exciting electronic-based management information systems. Based on a more precise measurement and identification of stock, the system

Edgars does it in style for shareholders

Star 11/5788 (30)

Edgars is currently developing should lead to much more efficient stock control and, in turn, to increased sales and better stock-turns.

Interest payments provided another fillip to bottom-line performance, with the bill up only 5 percent to R13,1 million (R12,5 million). This was achieved despite the growth in the debtors' book that accompanies any increase in turnover. Financial director Kevin Brewer says the increased use of supplier credit helped in this area.

Pre-tax profit was up 51 percent to R117,7 million (R77,7 million). With the tax rate unchanged, the post-tax improvement was up 51 percent to R59,3 million (R39,2 million).

Dividend payment

Earnings were up 50 percent to R61 million (R40,8 million).

The increase in the dividend payment was slightly lower than the market had expected. But this appears to have been due to the fact that analysts did not take into account chief executive Vic Hammond's earlier warning that dividend cover would be increased again in anticipation of the conversion of the debentures.

By gradually increasing cover from the group's traditional level of two times, Mr Hammond is aiming

to avoid the bump in dividend payments that would otherwise immediately follow the conversion of the debentures. At this stage it looks as though the debentures will be converted, at the latest, in financial 1990. After their conversion the group will resume its more generous cover policy.

Although there will not be a bump in dividend payments, there will be a bump in performance in earnings per share in the first year of conversion.

The balance sheet at year-end shows a switch in the loan structure, with long-term loans down to R23,2 million from R43,4 million and short-term loans up to R14,9 million from R3,4 million. The switch reflects the utilisation of SAB borrowings on a short-term basis, which is slightly cheaper than utilising the long-term borrowing facilities.

Gearing is down to an-almost-too-low 14 percent from an already low 21 percent. But Mr Brewer says exceptionally low gearing is influenced by the treatment of convertible debentures as permanent capital and by the use of supplier credit. In addition, he says it will move up in September after payments to the Receiver.

Longer-term, management sees gearing moving back to the 50 percent benchmark it has set itself.

Adcock
 acquires
 Sterling
 for R52-m

By Ann Crotty

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Car industry confident credit squeeze won't hurt too much

By Stan Kennedy

The curbs put on the economy by the government last week will not have a major effect on the vehicle manufacturing industry in the short term, says Mr. Nic Vermeulen, director, National Association of Automobile Manufacturers of SA (NAAMSA).

"Demand is so strong and there are substantial orders on hand. The restraints will have a dampening effect but there will not be a vicious downturn in the industry and employment levels are not likely to be affected. There will be only a modest decline in the sale of vehicles."

He says the private rental agreement system between dealers and individuals, which was so popular, has been stopped in its tracks. It was an attractive proposition for individuals, who did not have to pay general sales tax up front. The GST was included in the monthly rental.

"This form of sale was gaining great momentum as financial institutions had found a way around the legislation governing credit extension. Government has now closed the loophole, making it a hire purchase transaction and removing the incentive for this kind of sale," Mr. Vermeulen says.

On the subject of an increase in vehicle prices reported on Monday by Toyota, Mr. Vermeulen says this is nothing out of the ordinary. It is normal for manufacturers to adjust prices every quarter, particularly if the rand rate of exchange is having a deleterious effect.

Increases vary from company to company, depending on the trend set by the market leaders, he says, and it is common practice for others to follow suit.

Volkswagen is looking at the last week of this month to raise prices. No date has been fixed but the increase is expected to be about four percent, says Mr. Nick

Kruger, general manager, public affairs.

The government controls on rental agreements are not expected to affect the company in the medium term as about 70 percent of these kind of sales are made to fleet-owners. They could, however, makes their presence felt in the longer term as they work through the economy.

"While national sales in April were down 14,6 percent on March, I believe this is more a seasonal fluctuation. On top of that, March was extraordinarily high and we are still 24 percent up on the first four months of the year compared with the same period last year."

"As to a fall-off in demand, we will have to wait and evaluate the trend. Our first reaction is that the restrictions on private rentals is a warning to arrest the demand for credit rather than an attempt to stop this kind of sale," Mr. Kruger says.

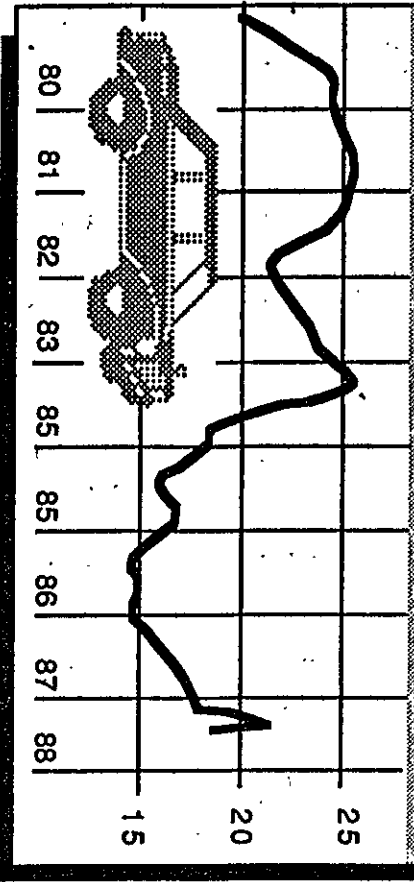
Mr. Spencer Sterling, group managing director, Sarncor, says: "It is difficult to quantify the effect of the government's restraints on credit.

"It is inevitable there will be some reduction of private buyers and a return to the ratio of what sales used to be — 70 percent fleet-owners and 30 percent private individuals. Under the rental agreement the ratio was 60 percent fleet-owners and 40 percent private buyers.

"There were massive vehicle price increases in 1984, 1985 and 1986 but last year the industry was able to constrain increases to about 12 percent.

"This year we hoped for a fairly stable rand against the yen but this is down from 72 yen to 55 yen. This is a substantial drop and we are looking for a total increase for the year of 18 to 20 percent," Mr. Spence said.

NEW CAR SALES



The four 'lost' holidays

By Sven Lünsche
Car sales in April took a steep dive of almost 15 percent over March, but were still 15,8 percent up on the figures for April last year.

The decline of 14,6 percent was due largely to four "lost" holidays during the month, according to Naamsa.

The fewer selling days saw total sales down to 18 822 compared with 22 032 in March.

However the improved sales on the year ago figures is a clear indication that the market is still on an upward surge. For the first four

months of this year, sales at 77 192 were 23,8 percent up on the same period in 1987.

Sales of light commercial vehicles declined by 13 percent and those of heavy vehicles by five percent.

Apart from the holidays, other factors influencing the market were stock shortages, now being sharply felt by virtually all manufacturers, said Toyota vice-chairman Bert Wessels.

"Despite the slight seasonal decline, the industry as a whole is still unable to meet the demand for vehicles", added

Peter Searle, MD of Volkswagen (SA).

The vehicle market, regarded as the most accurate barometer of the state of the economy, still faces further buffeting, however, and Mr. Wessels said that the continued weakening of the rand against the yen, the Deutsche mark and the US dollar could also affect sales and prices.

Toyota was the top seller for the month, selling 4 343 vehicles, closely followed by Volkswagen with 4 288. Toyota also led the total industry sales league with 8 113 units.

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Assocom seeks clarity from Alant on Bill

11/5/88
B/day

AN Assocom delegation yesterday met Economic Affairs and Technology Deputy Minister Theo Alant to clarify government's intentions on the Control of Harmful Business Practices Bill.

An Assocom source said last night the meeting was a result of concern over the Bill which appeared to contradict government's stated intentions on deregulation.

Witwatersrand Chamber of Commerce and Industry (WCCI) president Hennie Viljoen said the WCCI and Assocom had both had confidential insight into the draft legislation.

Viljoen said if implemented in its present form, the Bill would severely curtail the freedom of the economy.

"I believe the current Trade Practices Act, the Competition Board and other mechanisms afford adequate protection for the consumer. The new Bill, if implemented without changes, will place every business under threat and could harm consumer interests in the long term."

The chamber, he said, had always held that a free market economy was

MICK COLLINS

the most effective means of protecting the long-term interests of the consumer and not the fixing and controlling of prices.

"I appeal to the government not to rush the Bill through Parliament. It must allow sufficient time for all parties to comment."

In his maiden council speech earlier this week, Viljoen addressed the controversial issue of the eradication of duplication of effort by representative bodies.

"The WCCI has the mechanism in place to further develop and to address issues of particular concern to industry. We have made it clear the WCCI has never claimed to be in a position to speak with one voice on behalf of business.

"However, the real issue is the creation of one structure with concomitant savings for the business community."

Viljoen also announced the appointment of Nigel Mandy as special consultant on regional affairs.

30 8/10/88 11/5/88

Call for boost to business ethics

A CALL for more attention to be given to the subject of business ethics, particularly in business schools and universities, was made by SA Breweries financial director Selwyn MacFarlane in Johannesburg last night.

Speaking at the Wits University faculty of commerce graduation ceremony, MacFarlane referred to the growth in popularity of the subject in the USA and said that, with the complexities of SA society and the pervasiveness of discriminatory tendencies, action in this area was even more essential here.

ROGER SMITH

In the long run, ethical behaviour is good business and is grossly undervalued as a business asset, he said. Unfortunately, people tend to overestimate the costs of being ethical and to underestimate the costs of unethical practices. He said the responsibility for set-

ting up a business's system of values rested with its executive management. The key questions to be answered in setting goals were whether the objectives were decided in a participative manner and whether they were realistic. He said profit was not the legitimate purpose of business, but "the

proper reward for producing a product and service of the right quality at the right price, receivable by those who have risked their capital resource to make it happen". He also attacked profiteering as an abuse of the free enterprise system. One overwhelming reason for optimism in the future of SA was the existence of a capitalist system, he said.

DIS 11/5788

Earnings up 50%³⁰ at Edgars

JOHANNESBURG —Edgars Stores exceeded expectations in the 12 months to end-March with a 50 per cent rise in earnings to 141,7 cents a share from 94,7 cents in the previous financial year.

This has allowed the final dividend to be lifted to 37,5 cents (29,2 cents), making a total up 34 per cent to 53,5 cents (40 cents).

Cover has been widened to 2,6 times — according to a statement on the results “in anticipation of the dilution which will occur on the conversion of the automatically convertible debentures to ordinary shares...”

Pre-tax profit climbed from R77,7 million to R117,7 million on turnover up 27 per cent to R1,2 billion (R929,7 million).

Attributable income rose from R40,8 million to R61 million and net asset value was up more than 20 per cent from 409,8 cents a share to 499 cents.

The chief executive, Mr Vic Hammond, said yesterday that by concentrating in the areas it knows best, maximising resources and tightening its focus on specific categories, the group was able to assist its two main chains (Edgars and Sales House) to increase market share during the year.

DIS 11/5788

14,6% dip in April car sales³⁰

JOHANNESBURG — New car sales in April declined by 14,6 per cent over the March figure, according to the motor manufacturers body, Naamsa.

Total April sales were 18 822 compared to 22 032 in March.

However, while the April figures have shown their regular seasonal decline, the figures were 15,8 per cent up on the same month last year.

April sales alone were nearly 16 per cent higher than those recorded in April last year.

Sales of light commercial vehicles declined by 13 per cent and those of heavy vehicles by 5 per cent.

Total new vehicles sales were down by 13 per cent.

However, the January to April figure was over 24 per cent up on the figure for the same period last year.

Toyota was the top seller for the month, moving 4 343 vehicles, closely followed by Volkswagen with 4 288.

Toyota also led the total industry sales league with 8 113 followed by Volkswagen again with 5 076.

April is generally regarded as a quiet month because of the number of public holidays. — Sapa

11/5/88

Merger benefit says Russell ³⁰

EAST LONDON — Investors would have access to the best research in the country following the merger of broking firm, Menell, Jack Hyman and Rosenberg, a director of the firm, Mr Andy Russell, said here.

The merger with Frankel Kruger would

bring major benefits, he said. He denied falling stock exchange turnover had led to the takeover.

He was reacting to newspaper reports which said more mergers involving stockbrokers, and lay-offs, were expected because of declining turnover.

"Negotiations have been going on for a long time because one of our directors, Mr Gerald Rosenberg, intends retiring," he said. "We have had many offers but the deal with Frankel Kruger suited us best."

"It does not mean it will add 10 per cent to our size as reported. It will in fact add 30 per cent and our clients will lock into the best research in the country."

Mr Russell said no jobs were in jeopardy at Menell offices here or in the Durban and Cape Town offices.

Bergers ³⁰ sales up ^{star} 45 percent ^{12/988}

Bergers retail clothing chain is continuing to enjoy sales at substantially higher levels than in the corresponding period last year.

"Sales for the first four months of the year are 45 percent ahead of last year and we are looking forward to a good first-half performance," Howard Mauerberger, Bergers Group chairman, told the AGM in Cape Town yesterday.

"The measures being taken to cool down the economy will take some time to filter through to our sector. I am still confident that the higher level of sales, together with our expansion programme, should lead to improved earnings this year."

Bergers had attributable income of R2,6 million from turnover of R44,9 million for the year to last December.

Mr Mauerberger said plans to expand the chain to 182 outlets this year were well advanced and that some of the 25 stores to be opened in 1988 were already trading.

There was also "exciting potential" for new store trading specifically in the middle upper income group of the black menswear market. — Sapa.

Furnfair ³⁰ makes offer to Montays ²² minorities

ST 13/5/88
Cape Town brothers Ivan and Jeff Hammerschlag, prime movers behind the Furniture Fair (Furnfair) chain, are offering minorities 10c per share for their holdings in JSE-suspended Montays.

The offer is being made through Furniture Fair's, unlisted holding company, Furniture Fair Group Holdings (Furngro). It follows a similar offer for the controlling interest and is conditional on the offer of compromise proposed by Furngro between Montays and its creditors being approved by creditors and shareholders and sanctioned by the Supreme Court.

A circular setting out details will be posted to shareholders on May 30 and a general meeting held on June 21.

Montays shares, which were trading at 65c, were suspended on the JSE last November, the day after the furniture chain's principle operating subsidiaries were placed under provisional liquidation. Three weeks later, an order provisionally liquidating Montays was granted.

Montays' assets and subsidiaries were acquired earlier this year by the Hammerschlags in terms of a sale-of-assets agreement ratified by the Master of the Supreme Court.

Essentially, Montays is now a shell.

The brothers have already turned Montays' former subsidiaries around. Now trading as Montana, the stores chalked up sales of R2 million in the month of April alone and it is the intention of the Hammerschlags to inject them into Furniture Fair in the near future.

Ivan Hammerschlag, MD of Furnfair, says that plans for the Montays shell have yet to be finalised.

"If successful in our compromise offer, we would plan to locate a suitable acquisition for Montays and then apply for a re-instatement of its listing," he says.

"On the other hand, it has always been our intention to list Furngro — Furniture Fair's holding company — and the Montays shell could be considered for this purpose." — Sapa.

BERGERS

30
13/5/88
FM

Black success

Activities: Investment holding company with subsidiaries in retailing of clothing.

Control: Directors hold 69%.

Chairman: H V Mauerberger.

Capital structure: 20,2m ords of 1c each.
Market capitalisation: R22,2m.

Share market: Price: 110c. Yields: 5,7% on dividend; 11,7% on earnings; PE ratio, 8,5; cover, 2,1. 12-month high, 250c; low, 100c. Trading volume last quarter, 141 000 shares.

Financial: Year to 31 December.

'87

Debt:	
Short-term (Rm)	0,8
Long-term (Rm)	0,2
Shareholders' interest	0,31
Int & leasing cover	2,2

Performance:

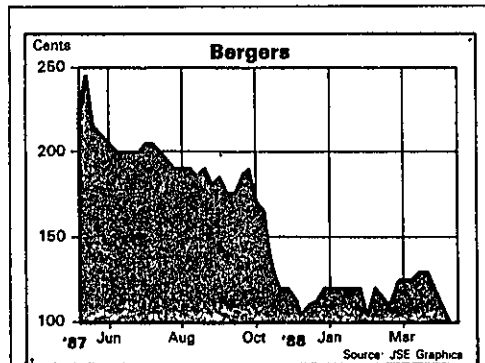
'87

Return on cap (%)	18,6
Turnover (Rm)	45
Pre-int profit (Rm)	4,2
Pre-int margin (%)	9,4
Taxed profit (Rm)	2,6
Earnings (c)	12,9
Dividends (c)	6,25
Net worth (c)	34,3

Bergers is another company which surpassed prospectus forecast. Successful in the black market, it has carved a place providing quality merchandise at keen prices to lower to middle income black groups.

The company had R4,2m cash before listing and increased this to R6,6m by year-end, despite opening 19 new stores and relocating three. New stores give an annual pre-tax return of 50% and are profitable almost from the first day, says financial director Mervyn Jacobson. This year Bergers plans to add another 25 stores to the existing 157 and to revamp 15 existing stores.

Growth last year was boosted by the acquisition of Stewart and Wallett, specialising in menswear for middle and upper income



blacks. The cash pile makes further acquisitions a probability, but management sees no reason to buy goodwill when the company can create it.

The p/e of 8,5 seems low for a company which almost doubled its EPS from a high base.

Louis Venter

Still Down Under

Pick 'n Pay (P 'n P) hasn't thrown in the towel in Australia. It might have been forced to dispose of its hypermarket investment Down Under, but MD Hugh Herman believes there is still a chance that it could expand in other directions.

He flies to Australia on Friday to review the retail market and look at opportunities.

Although P 'n P is no longer a shareholder in The Hypermarket Trust, which built the hyper currently operating in Brisbane, it

FM
13/5/88

continues to provide the management expertise for the project.

The trust was set up by joint shareholders P 'n P and the Australian Liberman family, which owns a conglomerate with interests in fields as diverse as cinemas, motor car franchises, property and textile factories.

Says P 'n P's Raymond Ackerman: "We had, and still have, a wonderful relationship with the Liberians. When our position in Australia became untenable because of trade union and anti-apartheid activity, we entered into lengthy negotiations with the family and sold them our shares in August last year.

"But they continued to employ us to run the operation, with the understanding that we would be paid out of future profits.

"We decided to be honest in our annual report here and write off the investment, but there is still a distinct chance that we can get it back — plus more in the future."

The Brisbane hyper has a current turnover of about A\$80m a year, says Ackerman, and has a South African GM as well as "one or two other of our (P 'n P's) people," employed.

The original plan was to build first three and then 10 hypers around Australia, with the second and third in Sydney and Melbourne. "Those plans had to be shelved last year, but there is a chance they could go ahead now — although at a lesser pace.

"Herman is going to check on the operation of the Brisbane hyper, and to see if it is possible to proceed with expansion. We are obviously keen, because it would help get

back the money we sank into the project.
"All is not lost in Australia. We're still in with a chance," Ackerman says. ■

Sponsors pouring cash into sports

Star 14/5/88

150 30

BUSINESSES of all sizes and in all sectors of the economy are pumping money into sports sponsorships with the enthusiasm of musclemen pumping iron before a big competition.

New sponsorship deals an-

MALCOLM FOTHERGILL

nounced in just two months this year — February and March — add up to more than R7,5 million, according to a list compiled by Zane Wilson of Sports International.

The biggest winner is soccer,

which takes R3 066 000, or nearly half the total.

The amounts being invested by businesses in sport range from the Mickey Mouse — R3 000 for the Germiston Country Club Saturday Morning League, by the Allied Building Society — to the gargantuan — R900 000 for the OK soccer league, for instance.

Hardly a sport is not represented.

Lifesaving gets R305 000 over three years from South African Breweries.

Inflatable dinghy racing gets R5 000 from Natal Earthworks for an off-shore event at Salt Rock.

And softball gets R6 000 from Kelvinator.

Whole gamut

The list of sponsors runs the whole gamut from household names to neighbourhood operations.

It includes Lexington, Gilbeys, Mobil, BMW, the Allied Building Society, Toyota, Standard Bank and Foschini among the big names, and Ladysmith Automotive Parts & Accessories, Draper Excavator Hire Co and the Bloemfontein Municipality as the rather more surprising names.

Good news for local authors

Star 14/5/78
Veteran newspaperman and suburban newspaper publisher William Greenberg is setting up a wholly South African-owned corporation to publish local authors in paperback.

He is seeking nine investors to join him in a closed corporation to take advantage of what he believes is a huge gap in the 1 million books a year paperback fiction market, which is supplied almost exclusively from overseas.

Market research has shown that all South African book sellers, from the largest distributors to retail book shops, supermarkets and department stores, support the idea of South African fiction aimed at a mass readership, provided the

retail price is kept low, he says.

South African authors of popular fiction are getting a raw deal from publishers, says Mr Greenberg. "Publishers tend to concentrate on local English novels which might be candidates for the CNA literary award, the Booker Prize and so on.

"This category of book does not necessarily appeal to the average reader."

Apart from previously unpublished manuscripts, Mr Greenberg plans to publish translations of best-selling Afrikaans novels and to acquire the South African paperback rights to best-selling novels by South African authors published overseas.

Films could provide a valuable spin-off, he believes.

30

BUSINESS

Suspended share offer

D10 14/15/84

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2

CAPE TOWN — Cape Town brothers, Ivan and Jeff Hammerschlag, prime movers behind the highly successful Furniture Fair chain, are offering minorities 10c a share for their holdings in JSE-suspended Montays Ltd.

The offer is being made through Furniture Fair's unlisted holding company, Furniture Fair Group Holdings Limited.

It follows a similar offer for the controlling interest and is conditional on the offer of com-

promise proposed by Furngro between Montays and its creditors being approved by creditors and shareholders and sanctioned by the Supreme Court.

Montays shares, which were trading at 65c were suspended on the JSE on November 19 last year, the day after the furniture chain's principle operating subsidiaries were placed under provisional liquidation.

Three weeks later, an order provisionally liquidating Montays itself was granted.

Montays' assets and subsidiaries were acquired earlier this year by the Hammerschlags in terms of a sale of assets agreement which was ratified by the master of the Supreme Court. Essentially, Montays is now simply a shell.

The brothers have already been successful in turning Montays' former subsidiaries around. Now trading as Montana, the stores chalked up sales of R2 million during the April.

— Sapa

Black spending boosts economy

By DEREK TOMMEY

BLACK spending is giving the economy a major and unexpected shot in the arm. Retailers report that sales in black shopping areas throughout the country are soaring, sending the economy into its biggest growth phase for many years.

Official figures showing just how fast the economy is growing are not available. But Mr. Laurie Korsten, executive chairman of Corbank, estimates that some of sectors benefiting from this spending could be growing by as much as 18 percent in real terms.

Officially, the economy is expected to grow by only about three percent this year.

Black spending has concentrated particularly on clothing and liquor, though there now appears to have been an increase in spending on food.

The Cape Town-based Bergens cash clothing chain, which caters mainly for middle and upper income blacks in its 187 stores, reported this week that sales since January were

45 percent ahead of last year.

Sales at one store were 87 percent higher, according to the company's chairman, Mr. Howard Mauerberger.

He also expects this high level of sales to continue. He did not think that the recent credit measures would have much impact on the buying habits of his black customers.

SA Breweries, which is targeting its sales efforts on the "mass market", has also experienced a strong increase in sales recently.

In the six months ended March it sales were 25 percent above those of last year.

As inflation was running at around 13 percent, SABS' sales in real terms during the period were up about 10 percent, giving substance to Mr. Korsten's claim.

Mr. Meyer Kahn, managing director of SA Breweries, is reasonably optimistic that the strong buying trend will continue. He announced this week that the group, which includes OK Bazaars, Edgars, Amrel and Arco, was to spend R1.2-billion on expansion. About 60

percent of this money would go on increasing beer production.

Another firm to experience sharp increase in sales, particularly to the black market, is Drop-Inn, the biggest independent bottle store group in the country. Sales recently had been "trailing highly", according to the manager director, Mr. Johan Kotze.

Pick 'n Pay, which does not sell specifically to the black market but has a large black clientele, is also finding consumer spending strong.

The company's sales in recent months were 30 percent up on last year, according to the group's financial director, Mr. Chris Hurst.

Mr. Wolfgang Thomas, deputy general manager of the Small Business Development Corporation in Cape Town, said he was not surprised by the increase in black spending power. The informal sector was highly significant and spending there was much higher than people realised.

Higher wages

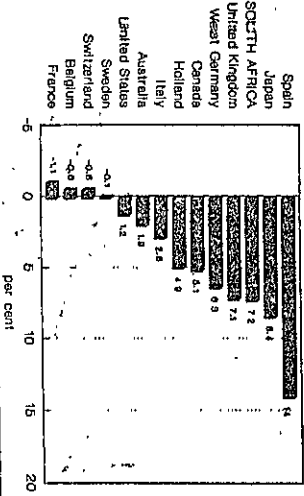
He said the upsurge in black spending stemmed from the upturn in the economy which began about the middle of last year. Many firms did not take on additional staff at first, but this had changed. Firms were employing more people and paying higher wages and this money was filtering through to the retail sector.

Mr. Thomas, formerly professor of economics at the University of the Western Cape, believed the upsurge in clothing sales was the result of sales having been postponed in the past two years owing to a lack of spending money.

He doubted whether the high level of sales would be maintained once demand was fully met.

Retail sales volume

Change on last year



W/C/K/S 14/5/88 30 (18)

BUSINESS

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Tractor sales

JOHANNESBURG
April tractor sales of 421 units were only slightly down on March's 451 units moved.

This was in line with seasonal variations expected by the industry.

Sales for the year to date, however, show an improvement are 22% up on the same period last year at 1764. April sales were 40% up on the figures for April 1987. — Sapa

Susman resumes reins at Wooltru

By David Carte

ON the day that a rampant Edgars announced a 50% earnings increase this week, Wooltru, its arch-rival in clothing, announced changes at the helm.

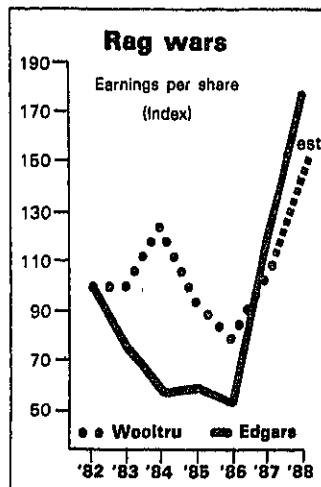
David Susman has taken back the executive reins of Wooltru from the man to whom he handed them over — Tony Williamson — and Colin Hall has moved in as non-executive deputy chairman.

The explanation from Wooltru is that Tony Williamson has professionalised a company whose strength has always been its trading, but whose systems needed overhauling.

Modern stores

Mr Williamson has overseen the opening of bigger, more modern stores, the installation of computer systems, strategic planning, budgetary controls, capital spending and feasibility planning.

Colleagues report that Mr Williamson has done a great job. He becomes a non-executive director



with his head held high.

Now Mr Susman is restoring the product and marketing flair for which he made Wooltru famous.

While Pick 'n Pay sells on price, Edgars moves fashion on credit and John Orrs and Stuttafords are one-stop up-market shops, Woolworths has long sold on goods. It does not advertise.

Strategy was once to put high-quality clothing staples on show and

let the customers come in occasionally — pre-school or change of seasons — for a big shopping order.

Now strategy is to get shoppers into Woolworths more frequently. The high-quality food shops stress freshness with a view to getting shoppers in every two or three days instead of once a month.

Gradually the realisation has been planted that if you do not buy the clothing item today, it may not be there tomorrow — fashion has arrived in Woolworths.

Dearer money

The object is to get millions of feet into the stores — if enough of them walk past a jersey or a pair of jeans, someone will buy them, and it will not be necessary to advertise it or pull down the price.

Mr Hall has no intention of taking an executive role now or in the future. The former SA Breweries director is on the boards of Safren, Tiger Oats, McCarthy, Anglo-Alpha, Otis, Kudu Granite, Quality Tyres, Grincor, Sinclair Holdings and GBS.

He says a non-executive director merely gets on the nerves of executives if he devotes too much time to a



Colin Hall . . . non-executive deputy chairman

company. The secret is in having top-quality executives and Mr Hall has every confidence in the directors at Woolworths, Truworths and Makro chains.

Results due soon are expected to reflect glowingly on Mr Williamson, although as the graph shows, the performance of a one-time blue-chip has been a bit lack-lustre in the past six years.

The graph shows that Edgars plunged deeper during the recession than Wooltru, but has subsequently soared higher.

Analysts believe Wooltru has something of an advantage on Edgars now that interest rates are rising because most of Wooltru's sales are for cash. Edgar's trades mainly on credit.

Focus on role of business ^{16/5/88}

By Inga Molzer ²⁰

The role of business in a post-apartheid South Africa is the focus of an all-day conference being organised for Sunday, May 22 by the Five Freedoms Forum (FFF).

"The FFF hopes that the initiative to encourage people from all spheres of business to consider the challenges of the future will not end when the conference closes," says the chairman of the FFF's business and economy group, Mr Alex Anderson.

COMMITMENT

The conference, "Preparing business for the future", will be held at Sandton's Indaba conference centre from 9 am to 6 pm.

Mr Anderson says: "The conference is part of the organisation's ongoing commitment to create an environment conducive to economic growth in a non-racial, democratic South Africa."

The business community should be informed about what is "really happening in South Africa", he encouraged "to explore the inter-relationship between business and politics and to protest against racism and the infringement of human rights in business practice", he adds.

A variety of workshops on business and education, equalising opportunity in the workplace, labour and management, and combating discrimi-

nation have been planned.

RESPONSIBILITY

Keynote speakers include:

● Johannesburg Consolidated Investments executive Mr Murray Hofmeyr, who will be speaking on "The chief executive's responsibility at senior management levels".

● University of the Witwatersrand senior lecturer in economics Mr Fuad Casim, on "Redistribution and growth dilemmas".

● Business consultants Mr Albert Koopman on "Redefining the role of business and justice in the workplace" and Mr Christo Nel on "Reconstructing interdependence through business".

Furniture sales are 'likely to drop'

By Caroline Mehliss

Furniture sales are likely to drop and consumers may opt for cheaper goods as a result of the recently announced credit restrictions.

Mr Frans Jordaan, executive director of the Furniture Traders' Association of SA, says the increase of minimum deposits to 12 percent of the cash price will affect sales volume negatively, but furniture dealers are prepared to accept this in support of the Government's wish to cool off the economy.

"In a further effort to assist the Government to solve its problems as soon as possible, the association has requested its members to negotiate slightly bigger deposits and shorter repayment periods with the consumer who can afford to do so."

Mr Jordaan says there is a distinct possibility that purchasers may opt for cheaper alternatives to save costs.

He said this does not necessarily mean that consumers will have to buy inferior quality goods.

He also feels the new regulations will not affect credit-granting policies in any way, nor should there be any significant effect on the number of repossessions.

"What is of major concern to the furniture trade, however, is the Government announcement that the present GST debtor's allowance will be phased out between July 1988 and March 1989.

"This will have a detrimental effect on cash flow, as an amount of R160 million is involved in respect of our members. We hope to discuss the matter with the authorities soon", he said.

Moswane proves he can deliver the goods

AN UNDYING zeal to succeed has seen Norman Moswane rise from a welder in the metal industry to a 50% shareholder in an R18 000-a-month engineering company.

Moswane went into partnership with Ramsey Engineering — a local subsidiary of US company Ramsey Technology — to form Rampro, an engineering company that manufactures heavy duty belt scales for the process industry.

The company, which operates from subsidised SBDC premises in Pennyville, on the Main Reef Road, was founded out of a need for Moswane to widen the scope of his business activities from the present Prompsteel and for Ramsey Engineering to find a supplier that could consistently meet its stringent accuracy requirements.

Ramsey manufactures a comprehensive range of process control equipment. It concentrates on design and assembly, leaving the initial welding and frame construction to sub-contractors.

A Ramsey statement says that before striking a partnership with Moswane, the company had to rely on suppliers "who were neither interested nor capable of delivering to its quality specifications".

Objective

Ramsey director Piet van Rooeyn says: "We were experiencing continual production hold-ups and late deliveries and were desperately searching for a supplier who could produce to our quality specifications consistently."

The Urban Foundation introduced Moswane to Ramsey and the company invested R32 000 in setting up Rampro. "Our objective was twofold: besides wanting a reliable supplier, we felt this was an ideal opportunity of making a meaningful contribution to the nurturing of black entrepreneurship," says Van Rooyen.

Rampro, with a current turnover of R18 000-a-month, has five years to repay its loan, Van Rooyen says. He says Moswane should ultimately be able to buy out Ramsey's 50% share.

It took three months for Rampro to reach a satisfactory production target in conveyor belt scales — a rate of

THEO RAWANA



□ MOSWANE ... aims to expand

two scales a week after an initial one every 1,5 weeks.

Ramsey is backing Moswane at this year's Matchmaker exhibition at Nasrec, and it believes the exposure will give Moswane new contacts and additional business.

Moswane began a three-year course at Mamelodi Technical Institution in 1963, where he received a broad engineering training in general mechanics, fitting and welding.

He then worked for a number of engineering concerns before joining a company that produced welding machines. After 10 years he reached a position of welding supervisor.

Parting with that company, he approached the SBDC for a loan and advice and was able to found Prompsteel, producing burglar bars and window frames from premises in Orlando West Industrial Park.

"We have no intention of hanging on to Rampro. The company has the necessary steel fabrication skills and we would like to see it use them to develop new markets," Van Rooyen says. Besides providing finance, Ramsey is also handling all Rampro's administration work while it is teaching Moswane the basics of bookkeeping.

Moswane is operating with four able hands at his 200m² workshop and is confident that with the exposure he will get at the Matchmaker exhibition he will be able to expand and take on extra staff.

Morkels pays maiden 8c 30

Morkels has announced that after tax profits for the year to March 31 reached R7,54 million and is to pay a maiden dividend of 8c a share.

Working on the basis that the revised capital implemented in January last year had been in effect for the entire 1987 financial year, this was an

increase on last year's R2,57 million of over 200 percent. *Star 1/15/88*

Sales rose from R115 million to R156 million, an increase of 36 percent.

Interest on loans was reduced from R4,15 million to R2,14 million while gearing fell from 67 percent to 55 percent. — Sapa.

R131-m in SBDC loans ³⁰

PARLIAMENT — A total of 6 596 loans totalling R131 million was granted to entrepreneurs by the Small Business Development Corporation last year, according to the 1987 report of the Department of Trade and Industry, tabled in Parliament yesterday.

The report said that during the same period 2 143 small builders were financed with a total of R42.8 million for housing in neglected areas at an average cost of R1 500 per job. Sapa: 1778108



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Motor trade profit figure shows rise

The net profit of the motor trade in 1987 showed an improvement of 126 percent over that of the previous year, says Central Statistical Services. *Stw 13/5/88*

It said in Pretoria yesterday income tax paid in 1987 increased by 88,2 percent, compared with 1986.

The total capital expenditure on new assets was slightly less (-13,5 percent) in 1987 than in 1986 due to a decrease in the amount spent on new non-residential buildings, while that spent on equipment and vehicles in 1987 was respectively 23,5 percent and 6,9 percent higher, compared with 1986.

The National Association of Automobile Manufacturers of SA (Naamsa) said the motor trade figures should be seen in perspective because 1986 had been the weakest the industry had known for a number of years

Executive director Nico Vermuelen said the increase had been from an extremely low base and that although 1987 was a definite improvement for the industry as a whole, it still was only at those levels seen in 1981 in money terms. And in volume terms, it was probably lower, he said.

He expected some improvement in the current year, although not as great as 1987 because the base was larger and consumer expenditure was expected to decline later this year. — Sapa.

One-stop property service for investors

Finance Staff

30
A new real estate marketing company, The Property Consultancy, was launched today with the aim of providing a one-stop service to property investors. Star 18/5/88

The company will operate in the Witwatersrand area, but has immediate plans to expand to Cape Town, Durban and Pretoria, through acquisitions of local estate agents.

Chairman Owen Firth said the company would operate across the entire spectrum of the property investment market, but focus initially on the residential and commercial sectors.

According to Mr Firth — a UK businessman who will provide substantial financial backing for the venture — the organisation will offer services beyond the traditional functions of a real estate office, including specially designed packages to provide for mortgage bonds and insurance, home improvements and developments.

"There is a growing demand from property investors, both buyers and sellers, for one package, which offers the complete range of services," Mr Firth said.

To provide this service, The Property Consultancy has formed close

associations with Sandton Property Investments, and a newly established communications and project management group, Verster, Viljoen and Associates.

The whole concept of a one-stop service is centred around modern computer facilities which allow for full graphic animation and up-to-the-minute video reports of all the properties on sale.

Comments Mr Firth: "The whole idea is to combine South African service excellence with modern European scanning systems, which are sure to set new standards in real estate marketing."

NESS

Redgwood cashes in⁽³⁰⁾ on toys,^{Stev} ^{19/5/88} babywear

Finance Staff

Toy and babywear chain Redgwood, a 51 percent subsidiary of Waltons, boosted annual turnover by 81 percent to R54,7 million and net income by 83 percent to R3,74 million in the year to February.

In its first year since listing on the JSE, the Durban-based group's earnings per share rose from 3,3c to 6,1c. A dividend of 2,4c has been declared.

MD Bernard Akal said yesterday the merging of babywear and toys into single stores, coupled with a number of acquisitions, had contributed significantly to the rise in profits.

Mr Akal said results were especially pleasing because integration of the babywear and toy stores had only been partially completed. Babywear sales, which pick up in winter, were augmenting the summer season peak in toys, he said.

Redgwood divides its turnover roughly 2 to 1 between retailing and manufacturing.

Deale & Huth puts on sprint with 79% increase in earnings

30 Star 19/5/88

Malcolm Fothergill
DCM-listed bicycle manufacturer, wholesaler and retailer, Deale & Huth, has reported a 49 percent increase in turnover in the year to February, along with a 79 percent rise in attributable earnings, 41 percent above forecast.

It has declared a maiden dividend of 2c a share.

Attributable income was R450 000. Up 79 percent were earnings per share to 4,9c. Interest and finance charges paid remained static at R23 000. Group audited results show operating income up 67 percent to R803 000.

Chairman Basil Cohen says immediate prospects are promising, thanks to an ever-growing market. Growth in 1989 he expects to be more than satisfactory.

"However, this doesn't mean there are easy pickings in the bicycle business," he warns.

"The retail sector has become highly

competitive and there's competition from the supermarket and furniture chains, which account for large numbers of bicycles sold.

"Although we operate in the more specialised sector of the market, which doesn't conflict with the mass market served by the chains, our sector is not as big as it might appear to outsiders."

Among changes introduced over the year was a restructuring into decentralised operating divisions, including a new retail outlet in Sandton.

Various agencies acquired included Shimano, the world's largest maker of components, for whom Deale & Huth is now the sole distributor in South Africa.

Another development likely to influence the bottom line is the installation of a sophisticated computer system, begun in the second half of last year, and which should be fully operational in 1989.

Liquor ³⁰ indaba ^{Sowetan 19/1/88}

UKHAMBA Liquor Traders Association, Transvaal region, is to focus on black retailers at its two-day conference scheduled for Sun City. It starts on Sunday.

About 500 bottle-store owners and licensed traders are expected to attend the conference whose theme is "the position of the inexperienced retailer in a hostile environment."

Speakers

The association's consultant, Mr George Thabe, yesterday said speakers at the conference would explore areas such as liquor regulations and supplies, management and the bureaucracy which small traders met in their business.

Speakers will include marketing expert, Mr Reuel Khoza; human resources manager of Emsa, Mr Owen Damoyi; and liquor expert, Mr Michael Fridjohn.

POLITICAL unrest and sanctions continue to frustrate the efforts of policy makers and of the business community to return SA to a growth trend in line with its real potential, Assocom said yesterday.

In a statement issued after a two-day mid-year meeting of its executive council, the association said there were now more uncertainties about the medium-term outlook for the economy than was apparent a few months ago.

Economic and political variables, both internal and external, now posed

Politics hampering growth — Assocom

MICK COLLINS and HELOISE HENNING

questions as to whether economic growth would be sustained in 1989.

Assocom CE Raymond Parsons said time was needed for the economy to cool

● To Page 2 →

Politics hindering growth, says Assocom

down following the De Kock-Du Plessis restraint package, together with the tighter fiscal measures proposed in the March Budget.

He said the shrinkage of the surplus of the current account on the balance of payments from last year's R6bn to an expected R1bn was a clear sign that the economy was overheating.

Referring to the impact of sanctions on the balance of payments, Parsons said the meeting had discussed the problem in detail but "could not put all its cards on the table at this point".

"We don't believe further sanctions will serve any good purpose. We have stated in the past reform must be speeded up but by negotiation rather than confrontation."

"The outlook for exports looks rela-

tively unexciting, while imports are increasing. However, the combined impact of foreign debt obligations, sanctions, the absence of IMF assistance and a lack of capital inflows has created a severe balance of payments constraint."

These severe restraints on the growth of the balance of payments had placed a ceiling on GDP growth of 3% under current circumstances.

"As a result, Assocom expects economic activity to level off in the second half of this year. It has therefore lowered its growth forecast from 3% real growth to 2%-to-2.5% for the year."

● See Pages 3, and 4

New firm will foster black business

By Dawn Barkhuizen ³⁰ in Johannesburg yesterday. ^{STW}

The formation of a non-profit-making close corporation to foster relations between big business and black entrepreneurs was announced by US ambassador to South Africa Edward Perkins

The formation of Matchmaker Services was announced in Mr Perkins' opening address to the three-day Matchmaker Exhibition at Nasrec, Crown Mines.

^{STW 1915738}
The IBM Projects Fund has already pledged a large sum towards start-up capital for the new venture.

The aim of the new company, headed by commercial and industrial leaders, will be to bring black vendors into contact with large companies, open credit lines, and provide legal advice and marketing assistance, Mr Zuko Tofile, trade assistant to the US Foreign Commercial Service, told The Star.

An interim steering committee has been established, with representation from the Soweto and Witwatersrand chambers of commerce, Anglovaal and major corporations, he said.

KID 1975 188 (62) (30)

US in bid to persuade firms to buy from black suppliers

JOHANNESBURG — A senior United States official is in South Africa to persuade American firms here to buy from black suppliers, underlining the US Administration's commitment to trade links despite pressure in congress for intensified sanctions.

The Deputy Assistant Secretary of State, Mr William Robertson, attended the start of a trade exhibition here, set up by the local American Chamber of Commerce and bodies linking white and black businesses, US diplomats said yesterday.

The Matchmaker exhibition is part of a programme set up in 1985 under the Reagan Administration's approach of using business contacts to bring about a reform of South Africa's apartheid system. This strategy includes encouraging a black business class.

Legislation now proposed by Democratic politicians in congress envi-

sages an almost total severing of commercial ties as a means to end apartheid.

Mr Robertson, an aide to the Assistant Secretary of State for Africa, Dr Chester Crocker, said US firms understood the value of working with black businesses "but we have to agree that the policies you set are not always implemented at the working level".

Mr Robertson, who was due to end his three-day visit yesterday, said companies should set targets for buying from blacks.

"The employee charged with that responsibility must understand that salary increases, bonuses and promotions will depend on his measurable success in achieving your targets," Mr Robertson had told executives on Tuesday before the opening.

About 145 US companies have quit South Africa since the start of 1986 and around 155 remain. — Sapa-RNS

1915766

SA Druggists profit R32m

EAST LONDON — Attributable profit of R32 million has been reported by South African Druggists for the year to March 1988, the group's first year of operations since being re-listed on the Johannesburg Stock Exchange.

This represents an increase of 28 per cent on the previous year and is R1,1 million above the prospectus forecast.

Earnings a share at 22,7c also exceeded the prospectus forecast of 21,9c. The company will pay a final dividend of 4,75c a share, bringing the total dividend for the year to 8c.

Turnover increased by R108 million to R675 million, a rise of 19 per cent, and operating income was up 23,2 per cent to R64 million.

Total assets rose by 16 per cent to R257 million with the group's finance ratio remaining above 50 per cent at 55 per cent and the gearing ratio falling to 13, per cent from 22 per cent.

The group's managing director, Mr Tony Karis, said interest paid dropped materially to R3,3 million because of good asset management, lower interest rates and the conversion of some loans into share capital.

The group spent R13,6 million on capital expenditure during the year, primarily on the Lennon facility at Port Elizabeth, which is today the biggest pharmaceutical manufacturing plant in the southern hemisphere, and on the LPA third-party distribution centre in Heriotdale, Johannesburg.

He said SA Druggists had continued its strategy of changing its portfolio balance with a heavier bias towards manufacturing and marketing its own products as opposed to the wholesaling of other companies' products.

As a result, about 60 per cent of the group's operating profits were generated by the manufacturing and marketing companies, compared with 45 per cent only three years ago.

Mr Karis is bullish about the group's future prospects. With our core business firmly established, our entry into the field of medical diagnostics and investment in long term biotechnology, SA Druggists begins the new financial year with a strong base for sound, sustainable growth.

"We can look forward to a further increase in earnings for the year to March 1988."

SA Druggists is a member of the Federale Volksbeleggings Group.

30

Companies should buy from black vendors

By Dawn Barkhuizen

The United States deputy assistant secretary of State, Mr William Robertson, has called on the established business community to play a greater role in boosting black entrepreneurs in South Africa.

Speaking at a preview of the 1988 Matchmaker exhibition at Nasrec this week, he urged business leaders to buy from qualified black vendors.

This would obviously be of benefit to big companies which had an obvious interest in widening their span of suppliers, he said.

About 120 exhibitors are displaying in over 30 categories at the Transvaal Matchmaker exhibition, which opened yesterday.

The show, which is aimed at stimulating business activity between corporate buyers and the emergent black business sector, will run until Saturday.

It has grown from a 40-stand event three years ago to a well supported show with a wide range of exhibits including arts and crafts and carpentry.

Apart from exhibitors who are sellers there are stands manned by larger corporations displaying the type of goods that smaller businesses could supply. These include oil companies, manufacturers and financial institutions.

The event was attended and addressed yesterday by the United States Ambassador to South Africa, Mr Edward J Perkins.

337 30

Canadian help for blacks

By JOSHUA RABOROKO

AN association, aimed at helping black business play a key role in the economy, has been formed in Johannesburg.

The Canadian Association for Black Business in South Africa would be able to identify potential export markets for blacks, its chairman, Mr Dennys Roquand, said yesterday. *Sowetan 17/5/88*

The association comprises Canadian companies doing business in South Africa, the Get Ahead Foundation, the National African Federated Chamber of Commerce, the Wits University Centre for Developing Business, and black consultants.

Key role

Mr Roquand said: "We also want to establish concrete, lasting relationships with black businesses by developing them into competent suppliers and sub-contractors to our more than 80-member companies."

"In addition, we hope to have some of our member companies appointing blacks as distributors of some of their consumer products."

He believed that peace in a future South Africa would depend to a considerable extent on black people's ability to play a key role in the country's economy.

Amaprop reverses earnings decline

Star 20/5/88

By Sven Lünsche

30

Office rent levels could rise by 20 to 25 percent over the next 18 months, says Anglo American Properties (Amaprop) managing director Gerald Leissner.

This comes on top of increases of between 25 and 30 percent over the last year and could boost Amaprop's earnings significantly in the current financial year, he says.

Presenting the group's annual report yesterday, Mr Leissner forecasts that rises in rent levels, which had been unsatisfactory over the previous few years, should more than offset sharply rising running costs. He adds, however, that rents could well decline again towards the beginning of 1990.

Reflecting the recovery in the property sector over the last six months, Amaprop increased its profits by 15 percent in the year to end-March, after two years of declining earnings.

At the end of last financial year Amaprop's retail portfolio was 98,3 percent let and its office portfolio 94,2 percent let, while a

steady increase in the level of demand in all residential and industrial estates had been experienced since mid-1987, Mr Leissner comments.

Sales for the year ended 149 percent up while the provision for unrealised profits from land sales, mainly in the townships, has been increased from R4,5 million to R6,7 million.

Mr Leissner expects a further good contribution to profits in the current financial year from the township business, while the Carlton Hotel is forecast to contribute R1,4 million operating profits before rentals.

The Carlton reported a substantial turnaround to operating profits of R400 000 last year, and an estimated rise in occupancy levels from 44 percent to 53 percent in the current financial year could well see this forecast figure realised.

Comments Mr Leissner: "If the township business and the Carlton can improve their contributions to profits, an earnings increase of 15 percent for Amaprop should easily be achieved in the current year."

CAPE RETAIL

Bright blue

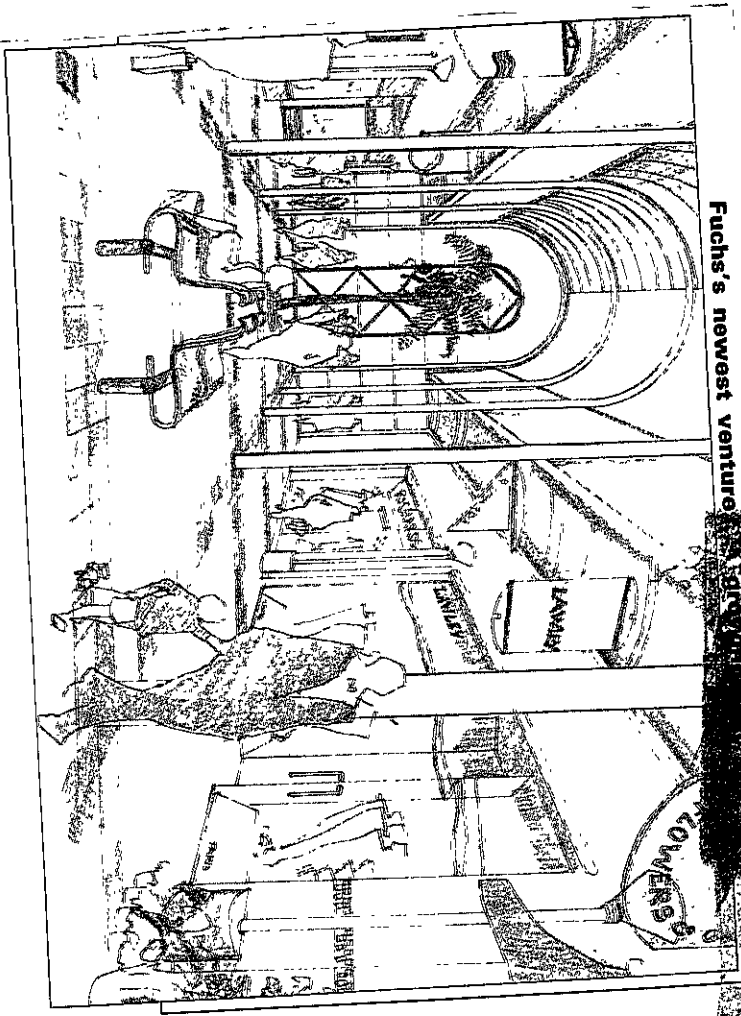
32 / 20/88
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The Blue Route regional shopping centre in Tokai is to undergo a R30m expansion and upgrade which will make it the third largest centre in the Cape and the seventh biggest in the country.

The trading area is to be increased from 28 000 m² to 50 000 m², with a total of 65 shops, and the centre is to be renamed Blue Route Mall.

The site area is to be increased to 111 000 m² through the addition of an adjoining farm, purchased by entrepreneur Harry Fuchs who, with Ovbel subsidiary Ovlund, last year bought a 70% interest in Blue Route from Cayzer Irvine (Property January 22).

Investment in the centre and the additional land will total around R55m. Says Fuchs: "The centre will be a major retail centre."



Fuchs's newest venture

To build a new centre of the size we have in mind would cost between R80m and R100m at today's prices. Blue Route is also the only major zoned shopping centre in the southern peninsula, in the middle of a large, fast-growing residential area with easy access from major arterial roads."

He says local ratepayers' associations are keen on the project, which was approved in principle by the Cape Town City Council this week.

New anchor tenants signed for the mall are OK Bazars, which plans a 14 500 m² Hyperama, and Woolworths, which will have a trading area of 3 500 m² including a supermarket.

Negotiations are far advanced with Interleisure, which plans restaurants and six new cinemas in an area somewhat starved of both. Other potential tenants include Clicks and Truworths.

Existing anchor tenants Checkers and Western Province Hardware will retain their trading areas while Edgars is considering a substantial enlargement of its store. Undercover parking is being provided and access improved by the relocation of the BP service station on the site.

Ovcon is to begin the alterations next month and the centre should be ready for re-launch by Easter 1989.

Meanwhile Mick Dicky, of Faber Holland B & B, has just sold three properties opposite the Link shopping centre in Claremont

to Pro Gro Properties, which plans to spend R30m developing the consolidated site as a shopping centre with a national supermarket as the anchor tenant. The total price paid for the stands was in excess of R3m.

Protests lodged at Pretoria hearing

30 ~~20~~ ELSABÉ WESSELS ^{8/day} 20/5/88

INDIAN businessmen told a Group Areas Board hearing in Pretoria yesterday the city was more conservative than platteland towns which had already opened their CBDs to all races.

The businessmen were giving evidence at a hearing based on a Pretoria City Council proposal to open peripheral trading areas — including the "Asiatic trading area" — to all races.

The proposal for four free trading areas on the CBD's periphery was dismissed outright.

"What Pretoria is offering is not a share of peak business and peak land values but an inferior remnant based on ideological self interest," House of Delegates ministerial representative Perry Chetty said.

The businessmen said there were more nominee owners in the CBD than business owners.

Presenting Pretoria's case, lawyer Johan van Deventer underlined the city council's "wide discretion" in applying the amended Group Areas Act. The "discretion" was for the application of the amended Act to be implemented only in certain areas.

SA will not cu

CAPE TOWN — SA would not withhold supplies of strategic minerals

PEP Stores

Peninsula

lifts profits

by 61% ²⁰

PEP Stores Peninsula, a separate company in the Pepkor group in which coloured people are controlling shareholders, lifted operating profit by 61% to R3,5m in the past financial year.

Earnings rose by 120% to 215,7c a share and the final dividend is 60% higher, at

Complex will 'ruin traders'

21/5/88
Financial Editor (30)

A MULTI-MILLION rand shopping and housing development and sports complex, which businessman Charles van Schoor hopes to carry out on Athlone Golf Course, would bring ruin to small shopkeepers in Athlone and Gatesville, the Western Cape Traders Association say.

The association represents shopkeepers throughout the townships. Its general secretary, Kassiem Allie, said that many of those whose business would be affected by a large supermarket and ancillary shops on the golf course had suffered by being forced to move from District Six.

C. Times
They had already lost business to the Ottery hypermarket and many had been forced, as a result of this, to dismiss employees and run their shops alone or with the help of their wives.

Allie said he did not think it would help them to move to any of the planned new shops. Many had bought the shops they already occupied.

'Under one roof'

"And it is our experience that small shops in a centre where there is a hypermarket do not do well. People buy all they need under one roof, they do not go into neighbouring shops.

"Some of our members tried moving into shops in the Ottery hyper-

market centre and found they could not survive."

Allie said it was impossible for small shopkeepers to match all the prices charged by a large supermarket, with its superior buying power. But small shops offered longer shopping hours and credit.

Van Schoor has offered to buy for R3m.

He said that when plans for his development were announced, it would provide badly needed sports facilities and up-market housing, and would upgrade the area.

He said the shopping facilities would be provided first and profits would help finance the provision of sports facilities.

Economy gets a shot of black power

SVEN LUNSCHIE

30

MS Triana Duma spends virtually 14 hours a day selling knitted jerseys and traditional beadwork on the pavements of Hillbrow's busy Pretoria Street.

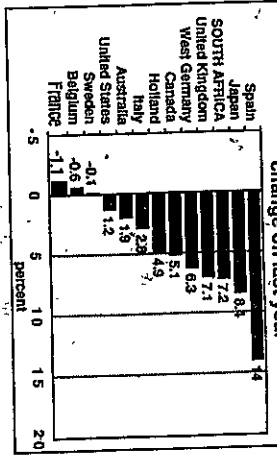
The 51-year-old mother of three is just one of the many thousand hawkers who sell their home-made goods in South Africa's major CBDs, with more or less tacit approval from the authorities.

Most of the hawkers now have licences and the almost daily harassment by the police, which was evident two to three years ago, has decreased considerably, says Ms Duma.

"My jerseys sell well and I can now afford to live in a little room in a Hillbrow flat," she says proudly.

The scene on Pretoria Street repeats itself at an ever increasing rate throughout the country. One needs only to look at the streets around Ellis Park before an important soccer match — a marketplace of hundreds of hawkers suddenly springs up to cater for the

RETAIL SALES VOLUME Change on last year



food and beverage needs of the fans.

The total income of these hawkers, grouped together by economists in the informal sector, is impossible to assess, but recent estimates by officials put the number of people working in this sector at about one million.

Their contribution to economic growth is not listed statistically, but economists agree that it is largely black spending that is giving the economy a major and unexpected shot in the arm.

There are some pointers to this spending boom. Retailers report that sales in black shopping areas throughout the country are soaring, sending

the economy into its biggest growth phase for many years. Shebeen sales are now estimated at more than R1 billion a year.

An international comparison of retail spending increases last year shows South Africa placed at No 3 spot which, economists say, would have been impossible given the prudent spending habits of whites alone (see graph).

Mr Laurie Korsten, executive chairman of merchant bank Corbank, estimates that some of sectors benefiting from this spending could be growing by as much as 10 percent in real terms, although officially, the economy is expected to grow by only 3 percent at the most this year.

Black spending has concentrated particularly on clothing and liquor, though there now appears to have been an increase in spending on food.

The Cape Town-based Bergers cash-clothing chain, which caters mainly for middle and upper-income blacks in its 157 stores, reported this week that sales since January were 45 percent ahead of last year.

Chairman Mr Howard Maunderberger expects this trend to continue, despite the recent restrictions on hire-pur-

chase buying by the financial authorities.

SA Breweries, which is concentrating its sales efforts on the "mass market", also experienced a strong increase in sales recently. As inflation was running at around 15 percent, SAB's sales in real terms during the period were up about 10 percent.

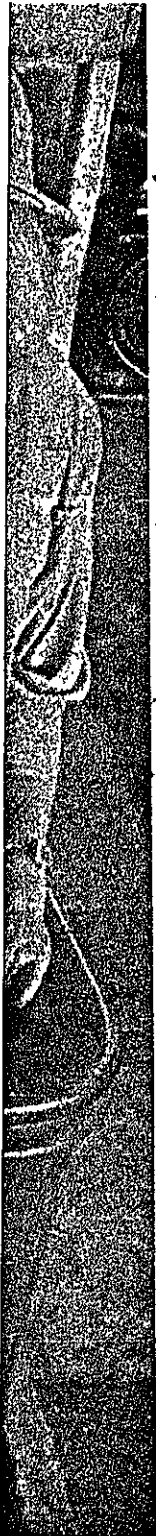
Drop-Inn, the biggest independent bottle store group in the country and owners of the Benny Goldberg bottle store near the Alexandra township, said recently sales had been "frighting highly".

Mr Wolfgang Thomas, deputy general manager of the Small Business Development Corporation in Cape Town, said he was not surprised by the increase in black spending power. The informal sector was highly significant and spending there was much higher than people realised.

He said the upsurge in black spending stemmed from the upturn in the economy which began about the middle of last year. Many firms did not take on additional staff at first, but this had changed. Firms were employing more people and paying higher wages and this money was filtering through to the retail sector.

1988

WBS



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Businessmen discuss their role after apartheid

By Adele Baleta

More than 80 business people met in Fourways, Johannesburg yesterday to discuss how they could contribute to developing a new role for business in a post-apartheid South Africa.

Top businessmen, including Sentrachem's managing director, Mr Johan van der Walt, and Mr Murray Hofmeyer, chief executive of Johannesburg Consolidated Investments, addressed the Five Freedoms Forum conference and took part in workshops.

The main message that came across was that business could help end apartheid by taking positive action in the workplace.

Business consultant Mr Chris Nel said it was important, especially in business, to develop common values and visions towards which all South Africans could strive.

SEEKING WAYS

Proposals were made that support be given to the "creative minority" who were seeking ways to prepare South African business for a post-apartheid future, and that the Forum act as a mediator between business and education.

Participants in the labour management workshop suggested that strikes be seen in terms of real differences between management and labour and not as a result of intimidation.

Professor Eddie Webster of Wits University's sociology department proposed that blacks be involved in the implementation and design of any programme which would remove discrimination in the workplace.

Another proposal was that the financial press be urged to establish a column for alternative views.

● See Page 4.

New outlets help boost Milstan earnings 164%

Star 23/5/88 (30)

In the year in which it came to the JSE lists, Milstan has lifted earnings a share by 124 percent from 6,6 cents to 14,76 cents — some 40 percent ahead of the prospectus forecast.

The company was listed in June last year and in the 12 months to end-February the increase in profit, at 164 per cent both before and after tax, far outstripped the 60 percent rise in turnover as margins spread dramatically.

After tax profit rose to R3,5 million (R1,3 million) on pre-tax profit up to R7,0 million (R2,7 million).

Turnover rose from R44,1 million to R70,6 million.

The maiden dividend is 4 cents, some 25 percent above the prospectus forecast. It represents an annualised dividend of approximately 5 cents a share.

The Group's surplus cash position of approximately R10 million and efficient working capital management ensured that no interest costs were incurred during the year.

In addition, the financial structure looks sound and with ample cash resources the group seems set fair for further growth — both organically and by acquisition.

Group NAV at end-February was 52 cents, a discount of some 50 percent on Milstan's present market price of 100 cents — well below the norm for the

retail sector.

The opening of eight new outlets since the listing has lifted the total to 23. A statement on the results says: "The incorporation of these outlets produced immediate benefits and it is estimated that some 3 cents of Milstan's 1988 earnings were obtained from this source.

The anticipated benefits from the merger of Stans and Miltons in March last year have had a "direct and considerable impact" on Milstan's profitability, according to the report.

The directors are extremely positive about prospects for 1989. They say this is the first full financial year in which all 23 stores plus the two service divisions will have been operating for 12 months.

"In addition, the considerable growth potential of the recently announced acquisition of photographic and electronic product retailer, Radio Mannie assures the Group of substantial growth.

Although listed in the retail sector, the major portion of Milstan's achieved and projected profits are derived from high technology electronic goods.

Based on the EPS figure of 14,76 cents and present share price of 100 cents, Milstan is trading on a historic P/E ratio of 6,8, well below the sector average of 13,6. — Sapa.

Gundlefinger sold to Uniserv for R4,4-m

ster 2315708
Uniserv has acquired Gundlefinger and Son (Pty) in a R4,4 million cash and share deal.

This is Uniserv's second takeover this month. The R22 million purchase of associate company WTC/Burlington was announced three weeks ago.

Uniserv is paying R567 000 in cash and 2,335 million of its ordinary shares to the Gundlefinger family. If the deal had been effective last year, it would have increased Uniserv's earnings per share by 6 percent from the reported 13,8c to 14,6c for the year to end February 1988. The net asset value per share would have risen by a similar proportion, from 35c to 37c.

The acquired company's chairman Andrew Gundlefinger is to join the Uniserv board. The private company's travel and ships agency operations will continue to be run under the Gundlefinger banner. Its clearing and forwarding business, which accounts for around three quarters of Gundlefinger's operation will compliment Uniserv's existing interests in this sector.— Sapa.

Harmful practices Bill 'vastly improved'

CAPE TOWN — A "vastly improved" version of the controversial Harmful Business Practices Bill, intended to boost consumer protection, has been tabled in Parliament.

Business reaction to the new Bill was cautiously positive, although concern was stressed at some of its aspects.

Assocom's Ken Warren said the Bill was a "vast improvement" on the previous draft, which attracted a vociferous

reaction from business and the media after its selective distribution.

"There do appear to be a number of safeguards built into the legislation to ensure that legitimate business operations will not be unfairly treated," Warren said.

But there was still some concern over the composition of the proposed Busi-

ness Practices Committee, which would be given powers to investigate harmful business practices and report its findings and recommendations to the Minister and Parliament.

The Bill proposes that this committee consist of no more than six members, appointed for their special knowledge of

● To Page 2



Harmful practices Bill 'improvement'

consumer affairs, economics, law, industry or commerce.

Warren said the intention was not to have a large, unwieldy committee. But it was felt the strength of this committee could be enlarged, with greater emphasis on obtaining practising or "ex-practising" businessmen as members.

He said Assocom, and no doubt the other private-sector organisations, would in due course make representations to the Parliamentary Standing Committee on Trade and Industry.

From a memorandum attached to the Bill it is apparent the various milk culture schemes had caused the authorities to carry out an intensive review of SA's trade practices legislation and the protection afforded to consumers.

It is intended the Bill will supersede the Trade Practices Act of 1976.

The Trade Practices Advisory Committee, on which various interest groups are currently represented, will be replaced by the committee of experts, the proposed Business Practices Committee.

The Business Practices Committee

may on its own initiative or on the directions of the Minister investigate any harmful business practice and any price, price increase, reduction of discount or method of fixing prices.

After such an investigation the Minister may declare the business practice unlawful and require any party to any agreement to cease or refrain from continuing with that agreement.

In the case of an investigation of a business practice set up for the purpose of being harmful, the Minister may, where he considers it to be in the public interest, either declare that practice unlawful or regulate the practice by notice in the Government Gazette. In this case there is no right of appeal.

The legislation contains stiff penalties for those found guilty of operating what is deemed to be a harmful business practice, detrimental to consumers' interests. Provision is made for fines ranging from R20 000 (or two years' imprisonment) to R200 000 (or five years' imprisonment).

● From Page 1



(30) 8/Day

Business concepts must change — JCI chief

STY 23/5/88
The traditional concept of communication as a process of decisions passed down to workers needed to be revised, Johannesburg Consolidated Investments chief executive Mr Murray Hofmeyr said yesterday.

He was speaking at the Five Freedoms Forum business conference in Sandton on "The chief executive's responsibility at senior management levels".

"Let us be prepared to look at new ideas and to consider other points of view — for example in the debate on (whether to have) private enterprise or a socialist-type or mixed economy."

The polarisation between racial groups had to be overcome and benefits fairly negotiated, he said. A proper appraisal of the worth and potential of each individual

was needed.

Mr Hofmeyr outlined the success of "indaba projects" introduced on the mines.

Workers pointed out inadequacies in the existing system, and how to solve problems — for example by pointing out badly designed machinery.

If business was earnest about promoting change in its own affairs, it must base its relationship with

workers on proper negotiation, he said.

Business leaders had to speak out every time there was an erosion of freedom. There was a perception that businessmen were soft on apartheid and the Government.

Businessmen needed to confirm their acceptance of a non-racial, democratic South Africa, Mr Hofmeyr said.

BOOSTING JOBS

(30)
Sanet
24/5/86

Small business complex opens

THE Small Business Development Corporation will give jobs to more than 200 people at its new 12 000 square metre factory and office complex in Sheffield Road, Wadeville on the East Rand.

By JOSHUA RABOROKO

The general manager of the SBDC's central region, Mr James Scott, said yesterday in a major drive to boost small business on the East Rand, they had acquired the new factory and close to 20 manufacturers had already been accommodated.

He said as many as 200 smaller units would be constructed, creating an entrepreneurship centre or "hive of industries".

The SBDC had already developed 12 similar centres throughout the country, and at the Pennyville Centre on

the West Rand 170 entrepreneurs were operating from "cluster workshops".

Mr Scott said that the East Rand had in particular been hit by rationalisation within large manufacturing firms during the past two years. The participation of small business could contribute to economic growth and stability in the area.

Premises are available in the centre for welders, carpenters, clothing manufacturers, upholsterers, and printers," Mr Scott said.

Anybody who can prove he has a practical skill which can be applied to generate business, can qualify for tenancy. Work cubicles are available on a monthly basis at very reasonable rentals.

The SBDC's full spectrum of support services such as advice, loan finances, formal training and marketing assistance would be available to tenants at the Wadeville complex.

"The entrepreneurship centre concept has since the establishment of the first centre in 1985 proven that it has a vital role to play in bridging the gap between informal and formal business by facilitating entry and minimising legal formalities for the young business," Mr Scott said.

Public money misspent, says Schwarz

30 ~~27/20~~ ~~27/20~~

Business favours a new look at decentralisation

PRETORIA — Organised commerce and industry strongly supports a revision of the costly decentralisation policy.

And PFP Finance spokesman Harry Schwarz said huge sums of taxpayers' money had been misspent on efforts to decentralise industries over the past decade.

Assocom economist Bill Lacey said Assocom had agreed at its last conference that the policy should be reviewed in terms of cost-benefit criteria.

The establishment of viable job-creating businesses, regardless of geographic location, should be en-

GERALD REILLY

couraged.

Lacey said Assocom's view was that if there were to be a policy change, affected businesses should be given time to adjust.

FCI executive director Steve Anderson said changes in decentralisation, regional development and growth-point policies were needed.

In fact, he said, the FCI had set an in-house meeting for next week at which the issue would be discussed.

Afterwards, representation would probably be made to the Development Bank and the Planning Department.

Schwarz said industries had been created which had little hope of becoming viable.

Many were still leaning on the crutch provided by costly incentives and subsidies.

The problem was that government refused to face the reality that decentralisation had to be based on sound economic principles unrelated to ideological or political considerations.

"There's no point in shoring up industries with state aid at great cost to taxpayers when they can never stand on their own feet," Schwarz said.

At the weekend, the Development Bank's Stef Coetzee said decentralisation had achieved only limited success.

Too many growth points had been created which spread scarce capital too thinly to try to serve too many people.

He said government was revising the policy.

BEST SURVIVOR

20
Sowetan 29/5/88

THE Small Business Development Corporation has launched the "Most Improved Small Business" competition in an attempt to reduce the failure rate among South Africa's small businesses.

SBDC managing director Dr Ben Vosloo said that they believed that lack of good management caused casualties among small businesses.

According to consultants, some 55 percent of all new small businesses fail within the first five years. And 1987 recorded an alarming average of 139 liquidations a month.

Mr Vosloo said: "Of what benefit is it to our economy if we foster new initiatives on an ever increasing rate, while offering limited solace or support to those already in operation."

The competition will

Bid to cut failure rate in small business

be decided in 15 sectors, covering the total small business spectrum including small builders, taverns, hardware, service stations, taxis, panelbeaters, catering,

small printers, butcheries, supermarkets, small manufacturers, hairdressers, liquor stores and used car dealers.

The winner of each sector will receive a R2 500 cash prize to attend a business course or to effect improvements to his business.

The overall winner will receive R7 500 in cash as well as a floating trophy from Sanlam. The first prize package also

includes a tour of the Far East for two, to obtain first hand experience of small business in that part of the world.

Entrepreneurs who are serious about improving

their businesses can obtain an entry form from their local SBDC officer at Wellington Road, Parktown, 2193 or phone the information office at (011) 643-7351.

WILL GET BIG PRIZE

1245 25/5/88

Directors offer R38-million for Garlick shares

30

By TOM HOOD
Business Editor

TWO directors are making a R38-million takeover bid for the century-old Cape-based Garlick store business.

Mr Jack Garlick, deputy-chairman and managing director, and Mr HNP Boyce, marketing manager and Western Cape regional manager, are seeking control of the chain, which boasts a turnover of R100-million.

They are offering about R36-million to buy all the ordinary shares — including those of the Garlick family — at R12 a share in cash.

They are also proposing to redeem the company's R5-million of preference shares.

The offer pushed up Garlicks shares to a record R12 today on the Johannesburg Stock Exchange, from R6,75 on Monday when trading was temporarily suspended for two days.

Rumours of a deal on Monday sent up the shares from R5,60 to R6,75.

The offer is a whopping 78 percent premium on the pre-suspension price and exceeds the peak of R8,50 just before the market crash last October.

The Garlick family owns

more than 60 percent of the shares and about 450 individuals hold the balance.

Mr Garlick said today it would be business as usual under the Garlicks banner if the deal was implemented.

The offer was attractive and he expected some of the family to liquidate their holdings.

New control would improve the company's performance, he said, and allow a share-issue to the staff.

"It is our intention to give key executives a slice of the action, which is currently not possible because the shares are so tightly held."

SECURITY

The new arrangement would also give security of employment to the staff.

The controlling shareholders have agreed to accept the offer and a new company, Newco, is to be formed to control the business, with Garlick Ltd and its holding company, Garlick Consolidated, being de-listed from the JSE.

The directors making the offer say they have arranged finances to pay for it and the company's ongoing capital requirements.

CBD office space under pressure

Office space in CBD areas around the country is coming under pressure in the wake of the uplift in the economy, says Mr Ian Watt, regional manager, Witwatersrand, Old Mutual Properties.

The upturn is bringing an increase in prime office rents and real problems for organisations seeking better quality and larger premises.

"Many organisations have already missed opportunities of consolidating their operations into more convenient locations and configurations at competitive rentals.

"Most landlords report a decline in vacancies and, with rent on the up, the market is again turning in favour of the landlord."

However, he cautions that some tenants could well find themselves paying premium rents for space that far from satisfies their needs.

Alternatively, they may be well-advised to negotiate their existing space with their landlords well ahead of renewal time.

A company bursting at the seams has to consider whether it is worthwhile to move to another area to complete consoli-



Mr Ian Watt

dation or have its operations split and move to nearby buildings.

If a company felt it required more space, it could well find that by replanning the existing layout, it could reduce its requirements and occupy less space and save on the rent.

A company should also look into the cost of providing parking and consider whether a

move to another building with better access to public transport would achieve any savings.

"Long-term planning is essential," says Mr Watt. "While upgrading a company's image by moving to better quality premises might be affordable in present market conditions, what about future needs?"

"As the space market moves into an undersupply situation, rents will increase. Unless a company is able to negotiate long-term rent agreements, it could be forced to move again in three to five years, as rents escalate beyond what it can effectively pay."

He advises companies to establish the cost of moving, including hidden costs such as new furniture and equipment to suit the image of the new premises, or a new PABX to cope with an increased number of lines.

"Firms considering decentralised suburban locations should count the cost of providing minibus services to ferry staff to and from work and to shopping facilities or doctors, when needed.

"They should also recognise the cost of productivity loss while staff are away on such trips."

Special offer made to flat-buyers

A dozen lucky buyers of one-bedroomed flats in Yeoville will be handed a bonus by Incity Real Estate when they take over the remaining flats in the 30-apartment block.

Incity and Rand Consolidated Property Holdings have renovated the New Orleans block on the corner of Bedford Road and Raleigh Street in a R1.6 million project. They guarantee a mortgage rate of 13.5 percent until September 1989 on the sale of the remaining 12 flats.

For sale are 10 one-bedroomed flats and two smaller

Star 25/5/88 (30) (30)
units which have been given special renovation, including ceramic tile floors. Average price is R39 000.

Incity chief executive Mr Marc Wainer says that with the recent increase in mortgage rates, people are understandably nervous and uncertain what to expect.

"We want to take the sting of uncertainty out of bond rate increases so we will subsidise any difference between the building society rates and 13.5 percent. Irrespective of how high interest rates go in the next 18

months, we will meet the difference in cost until September next year."

He says buyers will have a budgetary cushion with sufficient time during the subsidy period for their incomes to improve through wage increases so that when they emerge from the "rates shelter" they will better prepared.

He says: "Depending on the size of the deposit, buyers will be acquiring relatively large apartments at a purchase price that is half the replacement cost if the flats were built today."

Total market for goods is shifting to black population

By Roy Cokayne

Blacks will make up 80 percent of the population by the year 2000 and whites only 12 percent because the natural growth rate of whites, coloureds and Asians is dropping while that of blacks remains relatively high.

The probable implication of this and other demographic factors is that the total market will move numerically more and more towards blacks, said Professor Hentie Boshoff of the Institute for Future Studies at the University of Potchefstroom.

In an opening address to the sectoral commerce congress of the Afrikaanse Handelsinstituut entitled "The Merchant In The Year 2000", Professor Boshoff said the age profile of whites and to a lesser extent coloureds and Asians was tending towards an inverted pyramid — a phenomenon that was not occurring among blacks.

The average age of whites was tending towards middle-age while blacks had a young profile, he said. In addition, whites, coloureds and Asians were already basically urbanised while urbanisation among blacks would increase from its current 30 percent to 70 percent in the year 2000.

Besides the total market shifting towards the black community, the youth market was also shifting increasingly that way.

Turning to labour, Professor Boshoff said whites' share of the active labour market would diminish in favour of other races. White youths would make a poor addition to the labour market but stronger additions would be made by middle-aged whites. The opposite would be true among blacks, he said.

There would be an unmanageable increase in schooled blacks while the

poor training level of black teachers would be a retarding factor for the quality of workers. There would also be a growing inability of the economy to accommodate all job seekers in the formal sector, he said.

Economically, growth would taper off in the 1980s while the redistribution of wealth would be delayed.

The export market would become more high technology, capital intensive and sophisticated while the local market would increasingly be inwardly industrialised and focused on basic demand and lower level technology.

Professor Boshoff said the probable implications of these economic factors were that basic demand for items such as food, clothes, furniture and housing would increase above average in the local market.

Politically, Professor Boshoff said increasing separation and polarisation would take place among socio-political groups, which meant politics would play an increasing role in settlement and sales while value systems would play a greater role in the composition of sales.

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(30)

Giving help to business

Secretaries 2575788

THE newly formed National African Business Development Organisation, aimed at providing assistance to small business on the East Rand, will hold its general meeting at the Carlton Hotel on Sunday at noon.

NABDO's chief executive Mr Bongani Cibi yesterday said the conference would discuss various aspects pertaining to black business,

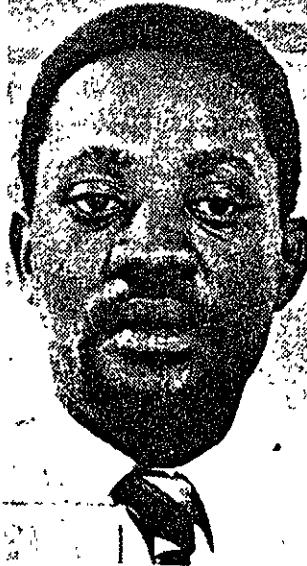
including stimulating and developing business skills.

He said: "The quality of life in the East Rand can be improved in convenient locations. Fortunately, there are technically qualified people who can provide essential services to the community, but are stifled by lack of capital or business premises."

It was along these lines that NABDO was formed: to give assistance to small business to create jobs; maintain a free enterprise economy; provide healthy competition in the market place and encourage "grass-roots" development.

The organisation would negotiate loans with financial institutions, direct financial loans and advise members.

For more information contact Mr Cibi at 915-2211 or Ms Lorinda at 915-2168.



Mr BONGANI Cibi ...
NABDO's chief executive.



QUAL
PERSON

Sandton CBD changes

TERRY MEYER

THE FINAL tender documents for the redevelopment of the Sandton CBD are to be advertised next week after last-minute changes to the original plans. At its meeting this week, Sandton council approved the final tender documents which could see the development of a R250m "heart" to the town.

Scrapped from the original plans will be a huge "decking over" of 5th Street, the road which separates the Rapp & Maister-owned Sandton City from the project, immediately to its north. The deck was to have been used for a massive above-ground parking lot to service the new-look city centre.

In place of this, council has now decided that the new developers will be required to build a double-decker bridge lined with shops to connect the two levels of Sandton City with the city centre across 5th Street.

Some 1 000m² of shops will be created on each side of the double-decker skywalk and will be developed and let by the winning tenderer.

The much-needed parking will now be

moved and incorporated into the new scheme. Council will now require that it be constructed under the proposed new town square.

No final decision, however, has been made on where the proposed bus terminus will be located, as council has had a change of heart since mini-taxes have almost taken over from buses as transport for blacks. It is likely that this will be built under 5th Street.

Sandton director of special urban planning projects Barry Bristow points out that only the 23 parties that pre-tendered for the project will be able to put in their final offers for the development of the scheme. However, the market believes it is unlikely that there will be more than six serious tenderers for the major part of the scheme.

Bristow is still optimistic that construction will get underway by October this year.

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Shield Trading still growing

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Finance Staff

Shield Trading Corporation's first set of results after its listing in July were in line with its forecast, that is net income up 100,8 percent to R2,526 million and earnings up 72,7 percent to 7,6c per share for the year to end-February.

A dividend of 3c has been declared, while the company's compound growth rate over five years was 69,8 percent.

These figures were achieved purely through organic growth, say the directors, adding that the

company's strength comes from the buying power it generates by supplying independent wholesalers throughout the country.

It also acts as an umbrella organisation for independent retailers where, apart from buying on their behalf, it becomes closely involved in the management of these businesses.

The company is at present highly liquid, which when added to management's continuing interest in viable mergers or takeovers, should add growth on current earnings.

Shield has grown to the extent that it now services some 350 outlets. Of these, some 150 are wholesaling operations which in turn supply some 22 000 retailers. The 350 outlets have a combined turnover of R1,8 billion.

Chairman and MD Theo Muller emphasises that Shield's accounting policies are conservative, so his forecast for 1989 of turnover rising from R340 million last year to over R440 million and pre-tax income increasing from R5,11 million to R7 million should be viewed in this light.

Advertising switch 'could have hit Reeva growth

By Bruce Anderson

Counsel for two of Miss Reeva Forman's companies yesterday asked an expert witness in the Rand Supreme Court whether there was "any horse in the race", besides an allegedly defamatory article in *Style* magazine, which could have caused a sharp drop in the growth of the two Reeva companies.

The question came during the cross-examination of Professor Cedric Robinson by Mr Michael Kuper, SC.

ECONOMIC DOWNTURN

Professor Robinson, an associate professor of Wits University's Graduate School of Business, had earlier been called by the defendants in the case before Mr Justice D J Curlewis in which two of Miss Forman's companies, Reeva Forman (Pty) Ltd and Reeva Success Dynamics, are claiming more than R3 million in damages for an allegedly defamatory article published in *Style* in 1985.

The defendants in the case include the editor, publishers, printers and distributors of *Style*.

In his examination-in-chief, led by Mr Willie Oshry, QC, Professor Robinson told the court that retail sales in all categories of consumer goods went down during a downturn in the economy in 1985/86.

He said the downturn was short but very sharp and was brought about by a tightening of monetary policy by the Government in response to what the Government regarded as an overheat-

ed economy in 1983/84.

Mr Kuper began his cross-examination by asking Professor Robinson: "Exactly what are you an expert on?"

Professor Robinson told the court he was an associate professor of business policy, a "capstone" course at the Graduate School of Business.

Mr Justice Curlewis asked the professor what a "capstone" course was and Professor Robinson said it was a term that had been introduced by Harvard University.

QUALIFICATIONS

"That still doesn't make it acceptable to me," replied the judge.

Professor Robinson then explained that the course was one that integrated the various aspects which had to be considered in running a business.

After Mr Kuper had asked Professor Robinson a number of questions on his formal qualifications in the fields of statistics and economics, the court heard that the witness had completed a course in statistics at undergraduate level and a one-year postgraduate course in economics.

Professor Robinson said the only other "horses in the race" which could have caused a sharp turnaround in the growth of the two Reeva companies were a recession in 1985 and a change in the companies' advertising mix in the same year. He said a recession would have had a "gradual impact" on the two companies.

The hearing continues.

Garlick proposals puzzle shareholders

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STV 26/5/88

By Teigue Payne

Affil

Perio

Investors were puzzled yesterday by the reasons for the proposed takeover by two directors of Garlick and its holding company, Garcon. Garlick shares rose 500c to close at R13, which was R1 higher than the offer to be made to minorities, indicating the proposal could be resisted.

An analyst said the premium on the offer price indicated that some shareholders wanted others to vote against the offer or that they expected the two directors, Mr Jack Garlick and Mr H N Boyce (the consortium), would raise their offer in reaction to opposition.

The R12 offer to ordinary shareholders is a healthy 78 per cent premium on the share's price on May 18, the day before the cautionary announcement, and compares with a net asset value per share quoted as R11,07.

Opposition to the deal centres on the fact that this net asset value figure is on the basis of land and buildings at historical cost. Although Garlicks reportedly leases most of its buildings, the century-old Cape-based company owns a number of old buildings.

Opponents of the deal reportedly say the current value of these buildings would be a multiple of their historic cost and

would vastly increase the net asset value.

The opponents are also apparently questioning the reasons given by the directors for the proposals. The cost to the directors to buy out all ordinary and preference shareholders would be R38 million and the proposals would result the delisting of both Garlicks and Garcon.

In yesterday's announcement of the proposals, reasons given were that they would "facilitate executive decision-making which should improve the performance of Garlick and the security of employment for its staff and permit the consortium to involve a wider spectrum of key executives to participate directly in the future performance of Garlick".

Mr Issy Goldberg, chairman of the Shareholders Association of South Africa, said he had not had time to consider the proposals and did not suggest that shareholders should oppose them, but he viewed the reasons for them "with a certain amount of scepticism".

He said the consortium was paying a huge sum for management independence, which was unlikely to have been a problem in the past, and for an executive share scheme, which could easily

have been arranged by the company in its present form.

According to McGregor's *Who Owns Whom*, at the end of last year the Garlick family held more than 50 percent of Garcon and Garcon and members of the family held about 65 percent of Garlick.

Yesterday's announcement said Garcon had indicated its intention to vote for the scheme and that a majority of the directors of Garlick had recommended that Garlick ordinary shareholders do likewise.

Mr Goldberg said as the offer to Garlick ordinary shareholders was by way of a scheme of arrangement in terms of Section 311 of the Companies Act, it would go ahead if 75 percent of the votes at the shareholders meeting were in favour. As it could be assumed that the Garlick family would vote for the proposals and that their shares would all be represented at the meeting, the 25 percent of shares represented needed to block them would have to be gathered from the 35 percent of minorities — a difficult task.

Thereafter, the deal could only be blocked if the Supreme Court refused to ratify it.

Mr Jack Garlick, Garlick managing director, was not available for comment.

Contrav is travelling comfortably

Newly listed Columbia subsidiary Concorde Travel Holdings (Contrav) has posted impressive results for the financial period to end March 1988.

The group reported a 157 per cent increase in attributable earnings to an annualised R1,34 million in 1988. This figure was also 28,9 percent ahead of Contrav's forecast according to its prospectus published in October 1987.

Earnings per share also displayed a significant improvement, increasing by 65 percent to 8,4c.

According to Chief Executive Allan Lunz "Contrav's successful amalgamation of Peltours, Columbia Travel and Concorde Travel resulted in synergistic benefits for the merged entity."

The Group has cash resources of some R3,9 million and a liquidity ratio of 1,95:1. Contrav has declared a dividend of 2c for the nine months to March 31.

Contrav is presently trading at 45c per share which translates to an historic PE ratio of only 5,4 times compared to the present sector average of 13,6 times.

COLD water was yesterday poured on the motion introduced at the Afrikaanse Handelsinstituut congress (AHI) urging government to introduce selective import curbs.

The motion was not passed by the congress, which is meeting in Pretoria until today, but "referred to the executive (dagbestuur) as a matter of urgency", which effectively means the motion was given "to be read this day six months" treatment.

The motion says the curbs should be introduced on "unnecessary" imported consumer goods for a period of three years to protect the balance of payments and growth in the economy. It

AHI holds back on import curbs

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HELOISE HENNING

was proposed by the Pretoria Chamber and introduced by Santam economist Tom Moodie.

Speaking against the motion, Rand Merchant Bank economist Rudolf Gouws of the Johannesburg chamber said the net value of curbs was detrimental to the SA economy.

● To Page 2 →

AHI sidesteps motion on import curbs

Gouws sided with Finance Minister Barend du Plessis who said earlier this week that mere talk of import curbs would accelerate importers to avoid future curbs. Du Plessis said curbs deviated from government policy.

Gouws told the congress import curbs would be treating the economic crisis symptomatically.

Moodie argued curbs on imported consumer goods were exact but Gouws replied it was impossible to quantify the effects that curbs would have on the economy.

Government last year earned R2,2bn on import duties, of which half came from consumer goods. Were this source

← ● From Page 1
of income to be stopped, the spiral of higher taxes, higher interest rates, and higher inflation would follow and lead to a drop in living standards.

Curbs would cut international competition with local products and create an artificial scarcity. Expensive local substitutes would be attributed to capital expenditure and every rand saved on foreign goods would be spent locally with resultant price inflation.

Next contenders for curbs would be crying for price controls, said Gouws.

● See Page 5

Ramaphosa: Forget ^{shaw} the future, tackle ^{27/5/88} apartheid monster now ³⁰

Tackle the "monster of apartheid" today instead of constantly worrying about a "vision for the future", Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers, told a conference of 150 business leaders in Johannesburg yesterday.

He had been asked to speak on "My vision for tomorrow" by the Human Resources Contact Group at a two-day conference which ended yesterday.

Mr Ramaphosa said he was unable to talk on his assigned topic because he could not separate himself from the millions of dispossessed, disenfranchised South Africans whose vision for the future society was enshrined in the Freedom Charter.

"I have no personal vision of a tomorrow. Both myself and others do not have a today. We need to deal with the reality of the situation now. We need to eradicate the monster of apartheid which has devoured our people.

"The regime has destroyed the economy and laid waste education, health and welfare services. Townships are filled with homeless and despairing people. Hardship for both young and old in the rural areas has been intensified and over 5 million people are unemployed," he said.

Bosses hunting for solutions had introduced share-ownership schemes. But these kinds

By Adele Baleta

of solutions "smack of blackmail", he said.

Replying to questions about what business could do now, Mr Ramaphosa said the Labour Relations Amendment Bill was a starting point.

"Business has participated in drafting the Bill. During recognition negotiations we heard management talking about the possibility of restricting strikes and suing unions for loss of production."

These "possibilities" were ensured in the amendment Bill and many companies were waiting in anticipation for the Bill to be passed so they could begin dealing more "constructively" with the unions, he said.

Mr Ramaphosa pointed out that union proposals to get the Government to pass a Bill embodying the concerns of both labour and management had been rejected.

The vision Mr Ramaphosa said he would like to put forward was that of a future, non-racial democracy as set out in the Freedom Charter.

Niemandt new AHI president

By Roy Cockayne

The new president of the Afrikaanse Handelsinstituut is Mr Dries Niemandt, executive director and deputy chairman of the Pretoria-based Rentmeester Group and a former mayor of Kempton Park.

Besides being on the board of Rentbel, Metkor, Volkas Property Trust, President Versekerings Maatskappy, Wolnit and Senior Motors he is also the current Transvaal Rugby Union vice-president.

Mr Attie du Plessis, general manager in charge of investments at Sankorp in Johannesburg — the property investment arm of Sanlam — was elected vice chairman at the closing session of the annual congress yesterday.

Gencor executive director finance Mr Tom de Beer — formerly AHI chairman — is the new vice-president while former vice-chairman Mr Gerrie Steenkamp is the new chairman.

In addition, current executive director Mr Donald Masson is to be replaced later in the year by Dr Martin van der Berg of Interbank Discount House Ltd.

THE ECONOMY

30

Buying surges - while prices last

FURNITURE and appliance sales have surged since the final quarter of last year but with interest rates rising and the rand falling, retailers are wondering how long the trend will continue.

OK Bazars' director for Furniture and Appliances, Arthur Solomon, attributes the increase — predominantly in the appliance side of the industry which enjoys a greater turnover than the furniture trade — to "pent-up demand" among customers who have been cashing in while prices have remained relatively stable.

He says, "People are more inclined to replace appliances than repair them these days."

Television set sales have risen most dramatically, a result of the government's reduction of the ad valorem duty on television sets in May last year, which cut selling prices by about R200, Solomon said.

But times are changing as the value of the rand continues to drop and imports become more expensive.

"Until now the market has been pretty consistent, with not many price increases, but we are expecting increases within the next month or

The furniture and appliance industries experience a mini-boom as customers choose to buy new rather than fix the old.
KIM CLOETE reports

two," Solomon says. Most appliances are imported from Germany, Japan, Taiwan and Korea as is much of the furniture industry's raw material. Most timbers other than pine are imported.

Upmarket furniture companies have been hard-hit as well, although director of Bakos Brothers, Don Bakos, says no matter what the price tag, his company still attracts wealthy customers. However, he describes the prices of furniture and ornaments he saw on a recent buying spree in Italy as "breathtakingly expensive" when converted into South African rands. It's not clear exactly when prices will move from their relatively comfortable position. Mark Saunders,

Sales up a quarter, but not jobs

FURNITURE retail sales in the first 11 months of 1987 were 24 percent up in money terms on 1986 but employment rose by only 1,8 percent.

Growth rates averaged 14 percent for the first quarter of last year, accelerating to 23 percent in the second quarter and 30 percent in the third, according to the report of the Federation of Furniture Manufacturers.

Average monthly sales for the first 11 months of 1987 were R294-million, compared with R236-million in 1986.

In contrast to the high sales figures only 2,3 percent of 700 jobs were created between December 1986 and December 1987, bringing the total number

of people employed in the furniture sector to 31 200.

This was higher than the average for the manufacturing sector as a whole which recorded an increase of 0,8 percent in employment in 1987.

But furniture production declined by 5,6 percent in January to November 1987 compared with the same period in 1986 — a trend attributed by the Federation of Furniture Manufacturers, to lack of demand.

Wages rose 13,7 percent in 1987, below the inflation rate of 16 percent. Last year's pay increase was lower than the 22,8 percent in 1986 but higher than 1985's seven percent.

sales manager of AEG — which imports all its stock — laundry, dishwashing and cooking equipment from Germany — says the poor exchange rate always takes time to feed through to the economy.

Furniture retailers are also concerned about the government's recent move to increase the deposit to be paid on goods from 10 percent to 12 percent.

"Ultimately the decision may have been necessary for government, but we did not welcome the move," Saunders said. With the new hire purchase rate only just over two weeks old, retailers said it was too early to ascertain its effect on the industry.

Director of the Federation of Furniture Manufacturers of South Africa, Dr WJ Smith, reflects on the industry with a view to employment: "The impact of negative growth in the industry reduced employment opportunities in the industry substantially during the recessionary period. And although the situation is slowly moving towards more positive levels, with the cumulative growth in sales amounting to 1,4 percent for 1987, the industry has a long way to go before it can be considered to be recovered."

"Employment in the Transvaal, Western Cape and Natal increased from 21 465 at March 31 1986 to 25 940 by December last year ... but a major improvement will have to occur before the industry returns to 1984 employment levels of 28 950 for the three regions."

where the booked

ANBEECO (30)

Broader base

Activities: Importing, distribution, marketing and servicing of watches, clocks and audio equipment.

Control: Directors hold 64,7%.

Chairman and managing director: A N Brookstone.

Capital structure: 12m ords of 1c each.

Market capitalisation: R10,8m.

Share market: Price: 90c. Yields: 7,8% on dividend; 22,3% on earnings; PE ratio, 4,5; cover, 2,9. 12-month high, 325c; low, 90c.

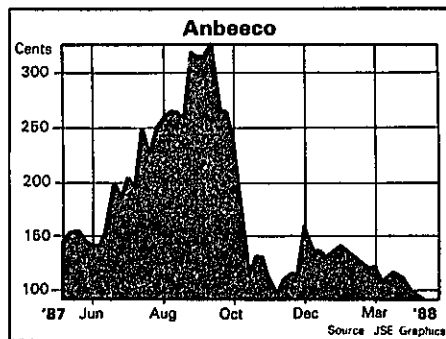
Trading volume last quarter, 175 000 shares.

Financial: Year to 31 December.

	'87
Debt:	
Short-term (Rm)	1,9
Long-term (Rm)	0,2
Debt:equity ratio	0,21
Shareholders' interest	0,58
Int & leasing cover	6,52
Debt cover	1,65
Performance:	
	'87
Return on cap (%)	26,9
Turnover (Rm)	52,4
Pre-int profit (Rm)	6,6
Pre-int margin (%)	13,8
Taxed profit (Rm)	3,4
Earnings (c)	20,1
Dividends (c)	7
Net worth (c)	53,9

One of the objectives of Anbeeco's listing in March last year was to expand its operating base. A step in this direction came with the acquisition of Supalek at mid-year.

FINANCIAL MAIL MAY 27 1988



When listed, it was the first company on the JSE to specialise in distribution of watches and jewellery. Supalek Holdings, which imports, distributes and services the Kenwood and Cortina ranges of audio equipment, opened diverse sectors of the market to the group.

The acquisition added 7,34c a share to the 12,76c earned by Anbeeco, which was 37,3% more than anticipated. The Anbeeco EPS of 12,78c were based on a weighted average of 12 847 769 shares in issue during the year. The acquisition had the effect of diluting Anbeeco's contribution from 14,26c per share to 12,76c, because of the additional 2,7m shares issued for the deal. Total EPS for the year was 20,1c against the prospectus forecast of 8,6c. The balance sheet is strong, even though stocks and debtors are traditionally high at year-end.

When listed, the share benefited from the vogue for shares listed in the electronics sector, and traded up to 325c, more than four times the issue price of 75c. Columbia, which took up some of the shares at the private placing held at the listing of Supalek, subsequently acquired 20% of the shares at 70c.

Chairman Anthony Brookstone says the group is trading strongly, and thinks the new measures by government to cool economic growth should not impact on the company, as

it does not sell on credit. He is targeting expansion "in the areas of personal adornment and home entertainment via electronic means."

At 90c, the share is being given a pedestrian rating. The price is a lot more realistic than during last year, but could be unduly conservative. However, it remains substantially above net worth.

Louis Venter

BCI levels off at 99,3 pts

By Sven Lünsche

St-N 27/5/88

30

Business confidence remains at recent high levels, but there are tentative signs it may be on a new plateau, writes Assocom.

Commenting on figures, which show that the Business Confidence Index for May paused at 99,3 points, Assocom says business mood is still positive, but a note of uncertainty has emerged about the medium-term economic outlook.

In the light of the balance of payments constraints and taking into account the recent economic "policy package" introduced by the financial and mon-

etary authorities, Assocom expects economic activity to level off in the second half of 1988. It adds, however, that the measures must be given more time to demonstrate whether they have stabilised or cooled down the economy.

The organisation has lowered its growth forecast of three percent to 2,5 percent this year, as it appears unlikely that growth rates of 2,8 percent will be achieved in the last three quarters of the year which, given a GDP rise of 3,5 percent in the first quarter, would average annual growth at three percent.

BLACK businessmen in the Southern Transvaal are to discuss problems facing them at a two-day conference next Wednesday.

The conference, whose theme is "black leadership": a commitment towards economic upliftment", is in preparation for national talks to be held by the mother-body, the National African Federated Chamber of Commerce

Nafcoc to hold indaba

(Nafcoc) at Sun City in August.

The president of the Southern Transvaal African Chamber of Commerce, Mr K J Hlongwane, said black businessmen were often hamstrung by various

laws which prevented them from contributing effectively towards the country's economic upliftment. He blamed apartheid for this.

"We need to define our roles in the economic,

social and political arena and this we can only achieve if we align ourselves with other organisations in their fight against apartheid," he said.

Various speakers, including Nafcoc president, Dr Sam Motsuenyane, legal advisor, Mr Jabu Sibiyi, community and trade union leaders will address the conference.

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Sowetan 27/5/86

Celebrating 21 years of records

RECORD sales and profits have been recorded by Pick 'n Pay this year — for the 20th consecutive year since the group was listed on the JSE. E.



Turnover has increased by 222.1 percent to R3,037-billion, in spite of the increasing competitiveness within SA's retailing industry.

More fitting results for the company's 21st anniversary year — as well as the milestone reached with the opening of its 100th store — would be difficult to find. Much can be attributed to increased efficiencies within all spheres of the group's operating areas, and these are increasingly being augmented by computerisation.

New decision support systems — such as that of Direct Pricing Profitability — are continuously being studied and employed, giving the group more of an edge over its competition.

Niche marketing is also taking the company into new fields of operations, and while this is carried out through organic growth rather than

through mergers and acquisitions, the former method is seen as more suitable because of the important education which it gives to key management and staff.

The success rates of Camps Bay Pantry store and Durban Food Emporium have proved the viability of tapping new niche markets, and growth in this area is expected to continue.

There is continual demand for speciality stores which service a particular segment of the population while simultaneously offering traditional purchases at competitive prices.

The diversification into serving other retailers through the Price Club Cash 'n Carry stores has proved worthwhile, with the third store opening this month. This operation has taken the company into new spheres of operation and spread its total market penetration.

While the supermarket industry in South Africa is regarded as being fairly mature, the group believes there are several new openings available which will ensure on-going growth and profitability.

The Price Club stores are one example, as they

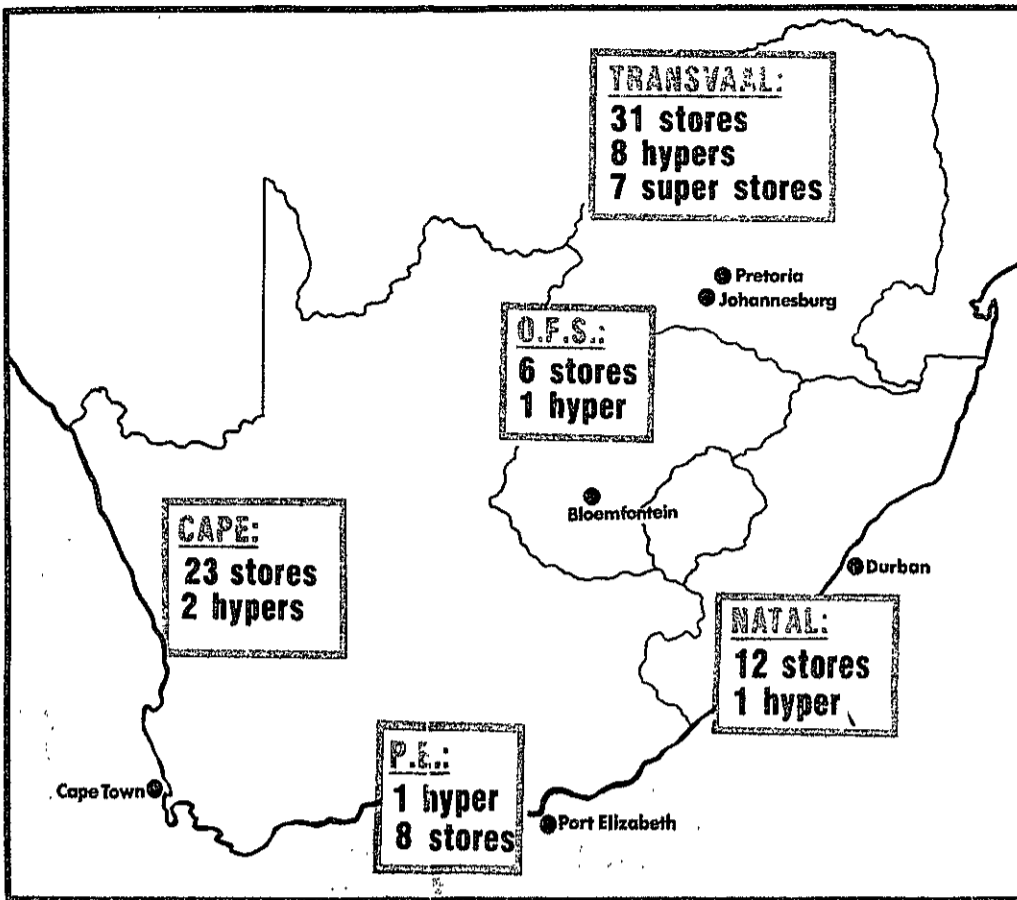
service a large sector of the black community, while new outlets which may reach the fast-growing black market are continuously being sought. Also, speciality convenience stores, along the Pantry line, will offer the group more scope to attract a larger black clientele.

The group also has plans to further develop its perishable food business and the hardware and clothing divisions of its Hypermarkets and Superstores, because these goods comprise the high gross margin areas of its business.

MANY FACTORS

Their on-going growth will allow Pick 'n Pay to increase overall margins while retaining its competitive pricing structure. Keen pricing is seen as one of many factors which will ensure continual growth other factors, such as convenience, service and range of goods, are viewed with equal importance.

Ultimately, the company's efficiency structures which are augmented to a great degree through its decentralised operating policy — will ensure that continual growth is achieved.



Born into retailing



IT could be said that Raymond Ackerman was born into retailing on March 10, 1931, because his father, Gus, had opened Ackerman's — SA's retailing chain — in Cape Town in 1920.

Educated at Diocesan College (Bishops), Ackerman graduated from UCT with a B Comm degree and went straight into retailing.

He married Wendy and they have four children, one of whom, Gareth, is GM of Pick 'n Pay's supermarket in Steeldale.

After parting ways with Checkers in 1966, Ackerman bought a Cape Town-based group of four small supermarkets called "Pick 'n Pay", which had a turnover of R3-million in 1967. Today, the group has grown into SA's major food retailer with 85 supermarkets and superstores, 13 hypermarkets, two Price Club outlets (cash and carry warehouses), doing R3-billion turnover.

Ackerman is known to be a hard worker, both in business and in his outside commitments. He believes in being confident both in self and country, and participates in the changing SA scene — "I must not just be a taker and then sit back," he says.

In spite of many commitments, he still finds time to read about 25 books a year, play golf and some golf (now and then) and watch sport television.

His list of achievements is long and includes having received many business awards.

In 1965, he was one of the first Jaycees "Outstanding Young South Africans", in 1968, the Financial Gazette nominated him Businessman of the Year, in 1970, he was made Marketing Man of the Year by the Institute of Marketing Management and that year the Sunday Times elected him one of the Top Businessmen of the Year. In 1982 the Financial Mail selected him as Man of the Year. In 1984 the Cape Times nominated him Businessman of the Year. Then in 1985 the Humanitarian Award while that year he also received the Wits Business School Award for Management Excellence.

Rhodes University conferred on him an Honor

Staff members total more than 300 years service



Suburban Provision store started trading way back in 1948 — 40 years ago to be exact. Some of the people who worked at Suburban store are still with Pick 'n Pay today. They are Philip Monco who works at the Kenilworth store, Willie Simani who is at the warehouse and Stanley Nongogo, manager of Plumstead store.

The total number of years' service of the staff in the photo is an incredible 368 years, Willie Simani being the longest serving staff member with 35 years service and Philip Monco with 31 years.



The first Pick 'n Pay in Brooklyn.

The trend is now for fresh foods

KEEPING pace with the times, Pick 'n Pay stores are moving more and more into convenience foods. With the national retail chain store grocery market estimated at upwards of R7-billion a year — Pick 'n Pay's share put at R2.5-billion — the game of predicting consumer patterns carries high stakes.

"Consumer demand," said food division director Peter Dove, "is like a changing sea." Still, in the ebb and flow of personal preference he does perceive a definite pattern.

"The trend is heavily towards fresh foods and towards prepared foods that are ready to heat or ready to eat."

Not so many years ago the red meat counter was the big draw to a store. Now the lines getting "feet through the door" are still edibles. But they're more likely to be fresh produce and bakery

items, fish and chicken, and dairy and delicatessen products.

Last year paying customers made 108-million visits to Pick 'n Pay stores. Once inside, they brought 1.3-billion different products in a vast array of groceries, edible and non-edible.

The customer-attracting fresh foods bring in only 26 percent of cash at the tills. Heaviest expenditure is still on pre-packed groceries, dairy products and frozen foods.

Pick 'n Pay, said Dove, intends improving its position as a mass retailer offering the best value and prices. In the group's stores — they number 100 with the opening of the Highgate hypermarket in Industria — emphasis will be on edible and non-edible groceries.

It's an established formula for success, food

and other groceries consistently account for 95 percent of supermarket turnover. Even at the hypers the figure is close to 75 percent.

But the microwave era, radiating into more and more homes, is reflecting a dramatic change in attitudes.

"Research," notes Dove, "indicates we're moving fast towards a time when most people will not want to prepare food at home. But when they do, they will not want to cook for more than a few minutes and they will not want to clean up afterwards."

"They will want to buy food in a container that they can throw away."

Pick 'n Pay is not content with the "vast chunk" of the microwave foods market it already holds. It is expanding its range of ready-to-heat products

In another step to underscore convenience, quality and service, it is positioning its delicatessens more prominently — and plans to treat shoppers to more foods that are ready to eat.

"Through our delis we intend getting a bigger share of the take-out market," he said.

The group, in response to consumer demand for healthier foods, will emphasise nutrition as well as taste in its takeaways.

It is also working "strongly" with suppliers of canned, packaged and frozen foods to eliminate colourants and other artificial ingredients wherever possible.

"I have no doubt," said Dove, "that there's going to be a stronger and stronger consumer lobby against artificial additives. It's already happening in the US and elsewhere."

Social causes' budget increased

IN LINE with Pick 'n Pay's firm belief that community involvement is its lifeblood, the company has increased its annual social responsibility budget to R2.5-million.

The company will continue to provide substantial indirect contributions with a variety of services towards this cause.

June Andrews, Pick 'n Pay's director of consumer affairs and public relations, who handles much of the corporate social responsibility budget, said social involvement is aimed at as many consumers and organisations as possible.

"It's not just cash hand-outs that are involved in building up relationships for our indirect contributions through staff, including management at all levels, will be considerable."

Cash donations to as wide a variety of causes as possible do, however, represent the main thrust backed by Pick 'n Pay. Advice and efforts towards boosting cash contributions

Money does, however, play a big part. Pick 'n Pay has increased this from R6 000 in 1969 to R2.5-million.

Andrews, who notes that the company has increased its social responsibility programme budget from R6 000 in 1969 to R2.5-million, said this is no way to gauge the company's contribution. Similarly, her sole re-

sponsibility is not that of bean-counting but very much a hands-on role — investigating all sorts of possible situations around the country, giving advice, getting completely involved.

"It's also my job to try to make the money we give away make much more money and to teach people fund raising techniques and skills."

She claims it is common for any sum given by Pick 'n Pay to a needy organisation to be boosted tenfold when backed by extra effort and some imaginative ideas. These include P'nP aid with publicity, providing and raffling prizes and printing supportive material.

The social responsibility effort would not be effective without a total commitment to the cause from Pick 'n Pay's central, regional and branch management, she adds. That has never wavered, right from CE Ray Ackerman down.

In addition, joint ventures that have involved teaming up with outside organisations have added further impetus to social upliftment.

On the financial side, Andrews notes that a variety of people within the company handle pieces of the social responsibility

budget. CEO Ray Ackerman has his own "1111" scheme and general managers have a small allocation to use freely. They tell managers we've pledged



our money and assistance."

Pick 'n Pay tries to let store managers be involved in the community they serve and be the focal figure, going out to hand over donations so they are seen to come from a particular store.

Social responsibility assistance given meets widely varying needs, however. Some of the money Andrews distributes relates directly to her main mission of making consumers more aware. But the company has even gone so far as to help a young man meet a deadline to complete his pilot's licence.

Contributions are, however, somehow always confined to the area of Pick 'n Pay service.

"That means we don't get involved with any organisation which is politically inclined or give money for research or airy fairy things. Nei-

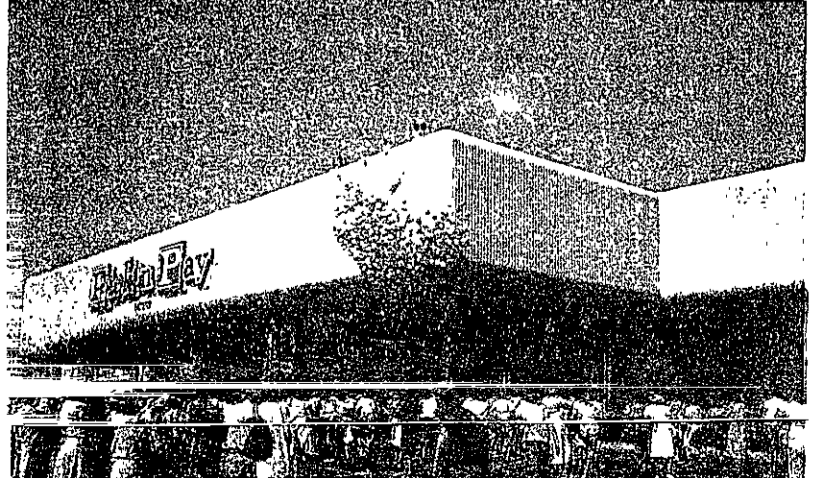
ther do we sponsor sport or send money out of the country."

The corporate budget also excludes assistance for housing — that's catered for separately — but does include sponsorships and pledges for various areas of education, including the universities and technicians.

"A large one is our annual contribution of about R150 000 to the Urban Foundation movement. Since 1978 we have given about R1.5-million to this cause.

A recent example combining corporate with branch input is a national project aimed at raising R50 000 to buy a bigger aircraft for the Red Cross. Here Andrews will donate a prize and use stores as publicity point.

"The store staff contribution is made by them selling tickets for this project."



Customers rush to a Pick 'n Pay Hypermarket.



ary Doctor of Law degree in 1986, and his most recent achievement, received from Rotary International in July last year, was the Paul Harris Fellowship Award.

Ackerman and Pick 'n Pay are inseparable. From 1973 to 1988, Pick 'n Pay has featured among the Sunday Times Top 100 Companies.

In 1983, Pick 'n Pay was also one of the "Magnificent 7", a select group of only seven companies that had been in the Top 100 for seven consecutive years.

Pick 'n Pay was presented with an international award by the Food Marketing Institute of America in 1984 for its "social and corporate responsibility and elected to the FMI's "Hall of Fame". The group has also received a Business Day Business Achievement Award.



Industrial marketing *Star 28/5/84* *30* 'poor relation' in SA

In the battle to protect and develop a company's most important asset — its customer base — industrial marketing and advertising are the poor relations of the South African advertising industry.

This is the view of Peter Rostron, head of Communications Strategies, the newly-formed business communications division of Sales Performance Strategies.

This Johannesburg-based group offers consultancy services in the sales management field to the South African industrial sector.

Mr Rostron, who has been associated with the South African advertising industry for more than 25 years, was a pioneer of direct marketing in the country.

He says industrial marketing and advertising receive the least professional attention — both from clients and agencies.

Mr Rostron adds: "Executive control of industrial companies in South Africa is traditionally placed in the hands of highly qualified professionals such as chartered accountants or engineers who are often lacking in marketing expertise.

"Because of their professional or technical backgrounds, these executives tend to regard asset management in traditional terms, often ignoring the fact that the customer base remains the single most important asset a company will ever have."

He says effective communication between a company, its staff and customers is a critical aspect for continuing profitability. He adds: "The key to a successful relationship between a company and its customers is effective communication and, for most industrial companies, coal-face communication should be done through providing the sales force with fully-integrated marketing support."

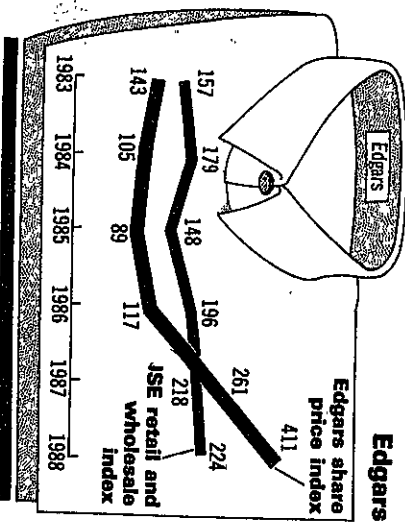
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B/day 31/5/88

COMPANIES

Edgars cautious after govt credit curbs



Source: EDGARS Graphic: JOHN MACKINW

THE surge in consumer spending and the growing demand for credit will be tempered by the recent monetary adjustments, Edgars's chairman Meyer Kahn says in the latest annual review.

The group has budgeted for a national real growth in consumption expenditure of 3% for the year ahead.

However, MD Vic Hammond says within the continuing volatility of the socio-economic environment some caution is necessary.

He says the upward pressure on interest rates and the degree to which inflation in the clothing and footwear sector exceeds the national consumer price index are areas of concern.

KAY TURVEY

National sales of clothing, footwear and household textiles and accessories (CFIA) grew by 23% last year, but as clothing and footwear inflation averaged about 20%, real growth was held at 3%.

Hammond says real growth is anticipated in the current year with plans to improve profits and extend market share, which grew 0,7% to 14,5% last year.

The balance sheet is strong with borrowings down from R46,8m to R38,1m, showing interest bearing debt less cash to shareholders funds at 16% (19%).

Hammond says this is artificially low and will increase as investment in stock, debtors and fixed assets grow in the year ahead.

The current ratio at 1,7:1 has slipped from 1987's 2,1:1 largely as a result of lower cash holdings, down from R9,1m to R4,6m, and greater creditor financing with accounts payable up 33% to R286,5m (R214,3m).

Return on ordinary shareholders funds has improved from 24,8% to 31,2%.

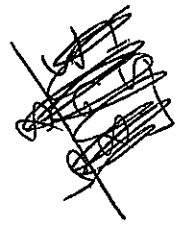
Edgar's leading position in the retail market is reflected in its strong market rating. At 1 650c the counter trades on a PE of 11,6 times, ahead of the 10,5 times sector average.

COMMERCE — GENERAL

1988

~~JUNE — JULY/AUG/SEPT~~

JUNE — SEPT,



Traders protest 30

A HIGH-POWERED delegation of Vaal Triangle businessmen has protested to the Small Business Development Corporation against alleged threats to evict rent defaulters and harassment of businessmen at industrial parks in Sebokeng township.

The irate businessmen presented a list of grievances to the SBDC's managing director, Dr Ben Vosloo.

The SBDC's general manager, Mr James Scott, said they would discuss the grievances with the delegation at a meeting to be held in Vanderbijlpark on June 7.

Their grievances include:

- Alleged threats by officials to evict them from industrial parks;
- Alleged delays and reluctance to process their loan applications;
- Deplorable conditions at industrial parks;
- Unbecoming behaviour of officials at the Vanderbijlpark training centre; and

- Alleged discriminatory policies of the SBDC.

A businessman, Mr Joseph Rampai, said officials of the SBDC treated them "shabbily" whenever they applied for loans. They have also been threatened with eviction from the parks for alleged failure to pay rent.

Steady growth in Interboard sales volumes

Star 1/6/88 (30)

Finance Staff

Improved sales volumes by its furniture business saw Interboard increase both turnover and net income by 79 percent for the 12 months to end-February.

Turnover improved from R53,2 million to R95,4 million while net income was up from R8 million to R14,3 million.

Earnings a share before extraordinary items rose 32 percent to 9,98c (7,57c) and the final dividend is 3c (4c) to give a total for the year of 6c (4c). Earnings after extraordinary items were up somewhat less at 10,03c (8,74c).

Shareholders interest rose from R55,4 million to R132,9 million. Expressed as net asset value a share the rise is 100 percent from 43,5c to 87c — valuing assets at historical cost.

The directors indicate that the group is expecting continued growth in the coming year from increased volumes in the furniture and audio equipment division, increased capacity and a broader

range of products in the particle board division and the introduction of new manufacturing divisions.

The building materials manufacturing division, Buildcor, was listed separately on the main board of the JSE in November last year and Interboard holds 80 percent of the shares.

During the year, the flatboard interests were expanded by the acquisition of Interboard Swaziland which provided Interboard with a 60 percent increase in its particle board manufacturing capacity.

The directors note that some of the major manufacturing units have been operating for less than 12 months and contributed "minimal returns" to the year's results.

"Nevertheless, income expressed as a percentage of turnover remained at 15 percent which must augur well for next year."

Since the year end, the directors report that Interboard has formed a new division, Fasterec, which manufactures components for the home and pre-fabricated housing industries.

By Ann Crotty

After turning in an exceptional performance in financial 1988, Edgars' management team would be justified in feeling a little smug. The annual report provides even more justification because it confirms the strength of the group's current position.

But it is unlikely that Vic Hammond's management team would risk the luxury of even a brief bout of smugness. Edgars operates in a dynamic environment requiring dynamic management and what was successful in 1988 may not be successful in 1989. As Mr Hammond says in his chief executive's report: "Responsiveness to constant market changes makes its own demands on management style and, by definition, rigid, autocratic and centralised direction is inappropriate."

But at this juncture it looks as though the group is well placed to enjoy solid earnings performance for the next few years. Management appears to have every avenue covered: the strategy is well defined; the different target markets are clearly identified; the balance sheet looks exceptionally strong and the top layer of management has worked together as a team for a number of years.

Some analysts have queried the appropriateness of a strategy that seems obsessed with merchandising and suggest that this approach is tactical and ignores strategic issues such as possible changes in consumer purchasing habits. Mr Hammond responds by stressing that consumers are merchandise driven and when the merchandise is right the consumers will always be there.

In his report he says: "Our results this year are the best in

Simple and solid strategy working well for Edgars

the group's history and mirror the strength of our basic tenet — to bring lifestyle retailing to mass markets through clear segmentation and customer focus. Not a new strategy, it has proved to be simple, solid and successful." As Mr Hammond sees it, the key success factor is getting the right merchandise into the shops. If this is wrong, then no amount of good management will produce results.

In the group's two major divisions, Edgars and Sales House, management has been spot-on with its choice of merchandise and has followed this through with all the "aggressive, focused and sustained" tactics necessary to ensure excellent sales levels and strong earnings performance.

Up-to-date fashion

According to Mr Hammond: "The Edgars chain, the country's foremost specialty retailer, provides up-to-date fashion on convenient credit terms to match the lifestyles of the upper- and middle-income groups.

"Sales House markets, with the use of extended credit, classical merchandise with an emphasis on quality, styling and brand names to the large majority of South Africans with moderate but reliable incomes."

The one area of weakness is

the Jet chain. This has suffered because it has lacked a clear focus, with both management and consumers apparently uncertain of what market segment is being targeted. Last year the division was slimmed down and given a clearer definition of its target market and results are beginning to show a credible turnaround.

Looking to the balance sheet, the only concern the group appears to have is that gearing is too low. At year-end, gearing was 14 percent, compared with the previous year's 21 percent. But, as Mr Hammond points out, "this is artificially low and will increase in the coming year as our investment in stocks, debtors and particularly fixed assets grows".

The cherry on the top of all of this is the group's commitment to computerisation of stocks. The sophisticated system currently being developed will provide management with a better handle on the type of goods in demand at each store.

The information will be available on a timeous basis and so will reduce significantly the risk of stock-outs as well as ensuring that unnecessary stocks are not being carried. This will not only help boost sales, but will ensure continued improvement in margins.

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Wooltru
Star 21/6/86
names 430
for new
operation

By Tom Hood

CAPE TOWN — Four more directors have been appointed to the new Wooltru operation, The Speciality Group.

Mr Arnold Slosberg, MD of Topics, joins the board of Truworths as an executive director with responsibility for merchandising and management information systems.

Mr Roy Lishman, becomes a director of Truworths, responsible for finance and administration. He was previously manager of finance and administration.

Mr Barry Todd, becomes a director of Truworths responsible for merchandise.

Mr Michael Mark takes over as MD of Topics. He was previously with another retail chain.

Chief executive is Mr Eddie Parfett, who continues as MD of Truworths, with Mr Colin Hall as non-executive chairman.

The new group comprises Truworths, Topics, Espirit, Chez Brigitte and Mans Shop. It is to operate side by side with Woolworths and Makro.

It would be concerned with strategic planning and examine opportunities for acquisitions, Mr Parfett said yesterday.

HANNESBURG 788-1330

RUGERRAND Spot cash
Deliveries
CHANGE After hours
DSEBANK service

30

Confidence poser

Well, it didn't take long for newly listed M E Stores to fall flat on its face. Profits collapsed and as a result the company failed to match the R470 000 after-tax level forecast made in the prospectus ahead of last July's listing. Earnings were less than half of the prospectus forecast. And, as the share price continues to plummet, it is plain that the market has little confidence in the company's ability to stage an early recovery.

What went wrong? According to chairman Daryl de Bruyn, South Africans felt more secure and bought less guns and ammunition. They also failed to buy as much camping gear as expected. That's ironic —

fm 2/9/88

Activities: Retailing outdoor and leisure equipment.

Control: The directors control 40% of the equity.

Chairman: D-P de Bruyn; **managing director:** M D B Goldman.

Capital structure: 7,56m ords of no par value. Market capitalisation: R1,1m.

Share market: Price: 15c. Yields: 8,3% on dividend; 20,7% on earnings; PE ratio, 4,8; cover, 2,5. 12-month high, 75c; low, 15c. Trading volume last quarter, 540 000 shares.

Financial: Year to April '88

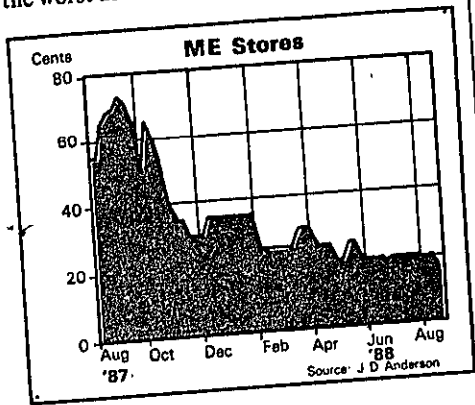
	'87	'88
Debt:		
Short-term (R000)	23	53
Long-term (R000)	461	nil
Debt: equity ratio	0,8	nil
Shareholders' interest	0,3	0,6
Int & leasing cover	n/a	n/a
Debt cover	0,9	4,9
	'87	'88

	'87	'88
Performance:		
Return on cap (%)	18,4	4,9
Turnover (Rm)	5,98	9,90
Pre-int profit (Rm)	0,36	0,19
Pre-int margin (%)	6,0	1,9
Taxed profit (Rm)	0,40	0,13
Earnings (c)	n/a	3,1
Dividends (c)	n/a	1,25
Net worth (c)	n/a	30

normally improved confidence spills over into increased purchases of consumer goods. The annual report does not say whether the turnover spillage took place at M E's original outlets or at the Camp & Climb stores bought shortly before the stock market listing.

Slack demand led to narrower options, and there is no indication from De Bruyn of when the situation is expected to improve. The annual report contains no comment on future prospects, but presumably the directors are concerned that leisure goods will be among the worst affected by rising interest rates and

Immediate prospects do not seem bright and the shares are unlikely to improve soon on fundamentals alone.
Jim Jones



tighter credit curbs that are reducing household discretionary income. Subjectively, one might assume that the outdoor types who are M E's customers will respond to tighter budgets by patching up ageing equipment rather than splashing out on new.

For the present, management is likely to remain happy to sit on the company's comparatively large cash pile — interest income tends to flatter the profit figures. And, judging by the improved stock turn last year, inventories are being pared to reflect trading conditions.

HOUSE OF ASSEMBLY

Indicates translated version.

For written reply:

General Affairs:

Emergency regulations: ex-detainees

87. Mr J VAN ECK asked the Minister of Law and Order:

Whether any persons who had been detained in terms of emergency regulations and were subsequently released from detention during 1987 were served with special orders restricting their activities and freedom of movement; if so, (a) how many in each police district in the Cape Province, (b)(i) what was the nature of these restrictions and (ii) how many ex-detainees fell into each category and (c) in respect of what specified period is this information furnished?

The MINISTER OF LAW AND ORDER:

On their release, there are persons to whom certain conditions are prescribed and with which they have to comply. This information is not furnished, because it is not in the interest of the persons concerned and also not in the interests of security and the public.

(a) to (c) Fall away.

South African Police Force: firearms

118. Mr S S VAN DER MERWE asked the Minister of Law and Order:

(a) How many (i) pistols, (ii) revolvers and (iii) rifles issued to members of the South African Police Force were reported (aa) lost and (bb) stolen during the latest specified 12-month period for which information is available and (b) how many of these (i) pistols, (ii) revolvers and (iii) rifles had been recovered as at the latest specified date for which information is available?

The MINISTER OF LAW AND ORDER:

(a) and (b).

It is correct that arms which have been issued to members of the Force, are from time to time reported as stolen or lost. However, I wish to emphasise that up until now, the majority of

Hawman

regory of dependants and (c) how were these grants assessed?

The MINISTER OF LAW AND ORDER:

(a) to (c).

I refer the honourable member to my press statement of 11 November 1987, a copy of which is attached. From the Comprehensive motivation contained therein, it is clear that —

- no legislation exists in terms of which a person can be detained or prosecuted purely on the grounds of political considerations; and
- no "political prisoners" are being detained in South Africa.

The required information can, therefore, not be furnished.

Group Areas Act: offences

255. Mr S S VAN DER MERWE asked the Minister of Law and Order:

(a) How many complaints regarding offences in terms of the Group Areas Act were investigated by the South African Police in the Western Cape Division during the latest specified period of 12 months for which information is available and (b) what was the outcome of these investigations in each case?

The MINISTER OF LAW AND ORDER:

(a) 238 cases for the period 1 February 1987 until 31 January 1988.

(b) 11 complainants were false:

In 60 complaints the cases were withdrawn after the Attorneys-General had declined to institute prosecution:

83 cases are at present with the Attorneys-General for his decision:

In one case the alleged accused could not be traced:

83 cases are still being investigated.

Political detainees/prisoners: assistance to dependants

532. Mr C J DERBY-LEWIS asked the Minister of Law and Order:

(a) What total amount was spent on assistance granted to dependants of political detainees and prisoners in each of the latest specified five financial years for which figures are available, (b) what amount was granted to each specified ca-

regory of dependants and (c) how were these grants assessed?

The MINISTER OF LAW AND ORDER:

(a) to (c).

I refer the honourable member to my press statement of 11 November 1987, a copy of which is attached. From the Comprehensive motivation contained therein, it is clear that —

- no legislation exists in terms of which a person can be detained or prosecuted purely on the grounds of political considerations; and
- no "political prisoners" are being detained in South Africa.

The required information can, therefore, not be furnished.

Group Areas Act: offences of estate/letting agents

863. Mr S S VAN DER MERWE asked the Minister of Law and Order:

Whether, during the latest specified five-year period for which information is available, any action was taken by the South African Police against (a) estate and (b) letting agents in connection with any alleged offences under the Group Areas Act No 36 of 1966; if so, (i) what form did this action take and (ii) how many (aa) estate and (bb) letting agents were affected by such action?

The MINISTER OF LAW AND ORDER:

(a) and (b) Yes, after complaints in this regard had been lodged with the Police...

(i)

In all the instances case dockets were opened and investigated. On completion of the investigation, the case dockets were referred to the relevant Attorneys-General for their decision.

(ii) (aa) 20.

(bb) 39.

SAP: recording of offences

892. Mr C J DERBY-LEWIS asked the Minister of Law and Order:

Whether the South African Police record of offences according to (a) suburbs, (b) towns or cities, (c) municipalities and/or (d) regions; if not, what procedure is followed in this regard?

The MINISTER OF LAW AND ORDER:

(a) to (d).

No. The Republic is divided into 826 police station areas which do not necessarily correspond with suburban, city, town, municipal and/or regional borders. A police station area may, therefore, include more than one suburb, town, municipality or region. In the same way, one city or municipal area may include more than one police station.

Each police station compiles a monthly statistical report of all crimes reported in that police station area. These reports are processed at the Head Office of the South African Police to form one central crime report for the entire country.

Members of SAP frequenting shebeens

996. Mr C J DERBY-LEWIS asked the Minister of Law and Order:

(1) Whether he has received any complaints and/or reports to the effect that certain members of the South African Police Force are frequenting shebeens; if so, (2) whether he intends taking steps against such members; if not, why not; if so, what steps?

The MINISTER OF LAW AND ORDER:

(1) and (2).

It may be so that from time to time complaints are received about members of the Force who visit shebeens. However, investigation has proved that in most of those instances members who were executing their duty in a clandestine manner, were involved.

However, when it is ascertained that a member of the Force visits shebeens with the intention of obtaining liquor for his own use, or to drink there, suitable departmental steps are taken against that member.

Small Business Development Corporation in Western Cape

999. Mr S C JACOBS asked the Minister of Economic Affairs and Technology:

(1) (a) Who is the head of the Small Business Development Corporation (SBDC) in the Western Cape and (b) when was he appointed to this post;

(2) (a) What total amount was channelled to

Howard

Huwana

the SBDC by the State in the 1987-88 financial year, (b) what total amount was lent and (ii) written off as irrecoverable debt by the SBDC in the whole of the country in that financial year and (c) what percentage of the total amount lent by the SBDC in that financial year was lent to members of the White, Black, Asian and Coloured population groups, respectively?

THE MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

- (1) (a) Mr M J Pentz.
 (b) When the SBDC was established in 1981.
 (2) (a) R29,042 million.
 (b) (i) R114,064 million.
 (ii) R31,440 million.

Note: The amount of R31,440 million also represents bad debts with regard to loans granted in previous years. Since the SBDC's formation in 1981 until 31 March 1988 a total amount of R401,183 million was lent throughout the country. During the same period R48,020 million was written off as irrecoverable debt of which R3,675 million was since recovered. The net total accordingly amounts to R44,345 million which represents 9,6 per cent of the total loans granted.

- (c) The SBDC grants loans to meritorious small business enterprises irrespective of the population group of the entrepreneur. It is, therefore, not the policy of the SBDC to furnish particulars of its clients on the basis of race.

Companies close corporations registered 1043. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

How many (a) companies and (b) close corporations had been registered in the Republic as at the first day of each year from 1980 up to and including 1983?

THE MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

Owing to factors such as an unknown number

of dormant companies, particulars of the total number of companies which were incorporated and in operation on a specific date are not readily available. The number of companies and close corporations which were incorporated during each of the relevant years, is furnished below.

(a) Companies

Year	New com-panies incor-porated	Close Cor-porations converted into companies	Total number of companies
1980	11 819	—	11 819
1981	12 587	—	12 587
1982	11 912	—	11 912
1983	14 100	—	14 100
1984	11 601	—	11 601
1985	5 836	12	5 848
1986	5 188	47	5 235
1987	6 395	278	6 673

Note: The Close Corporations Act, 1984 (Act 69 of 1984) came into operation on 1 January 1985.

The decrease in the number of new companies incorporated since 1985 compared with the preceding years is mainly due to the coming into operation of the Close Corporations Act, 1984.

Companies/close corporations liquidated 1019. Mr C J DERBY-LEWIS asked the Minister of Justice:

How many (a) companies and (b) close corporations were liquidated in (i) each year from 1980 up to and including 1987 and (ii) 1988 as at the latest specified date for which figures are available?

THE MINISTER OF JUSTICE:

- (a) (i) I refer the Honourable Member to my replies to Written Questions Nos 104 of 1982, 302 of 1983, 514 of 1984,

Huwana

170 of 1985, 611 of 1986, 98 of 1987 and 476 of 1988.

- (ii) 918 compulsory liquidations as on 29 April 1988.

(b) (i) The Close Corporations Act, 1984 (Act 69 of 1984) came into operation on 1 January 1985 and the information is, therefore, only available as from 1985:
 1985 — 21
 1986 — 116
 1987 — 228

- (ii) 108 as on 29 April 1988.

Umgeni Valley area/Riverview Trading Store: faction fighting/unrest

1020. Mr R M BURROWS asked the Minister of Law and Order:

- (1) Whether there have been any reported cases of faction fighting and/or unrest in the (a) Umgeni Valley area below Waterfall in Natal, and (b) vicinity of the River-view Trading Store, since 1 January 1988; if so, (i)/(a) which groups were involved in, (bb) what was the outcome of, and (cc) what weapons were used in, each of these incidents and (ii) in respect of what dates is this information furnished;
- (2) whether any persons were killed or injured during the course of these incidents; if so, how many were (a) killed and (b) injured in each case;
- (3) whether any property was destroyed or damaged as a result of these incidents; if so, (a) what property, and (b) to what extent, in each case;
- (4) whether any arrests have been made as a result of these incidents; if not, why not; if so, how many in each case?

THE MINISTER OF LAW AND ORDER:

- (1) Yes.

- (a) 4 cases.
 (b) 9 cases.

(i) (aa) Factions of the UDF and Inkatha.
 (bb) various cases were reported, *inter alia*:
 Murder 7 cases

Attempted murder 4 cases
 Arson 2 cases
 Some of these cases are at present being investigated, while several arrests have been made in certain cases. These persons are presently awaiting trial.

(cc) Mainly petrolbombs, sharp instruments such as knives and assegais, as well as homemade firearms.

- (2) (a) and (b) Eight persons were killed and twenty-four persons were injured.
 (ii) 1 January until 30 April 1988.

- (a) and (b) 6 houses were totally destroyed.
 (4) 34 persons were arrested on various charges and are presently awaiting trial.

Botshabelo: persons detained

1060. Mr P G SOAL asked the Minister of Law and Order:

Whether any persons were detained in Botshabelo between (a) 6 and 16 December 1987 and (b) 20 and 30 March 1988, if so, (i) how many on each specified day and (ii) why, in each case?

THE MINISTER OF LAW AND ORDER:

- (a) and (b).

A number of persons were detained in Botshabelo each day between 6 and 16 December 1987 and also between 20 and 30 March 1988 on various charges, *inter alia*:

- Theft
- Stock-theft
- Arson
- Housebreaking with the intent to steal and theft
- Possession of suspected stolen property
- Robbery
- Illegal possession of ammunition
- Child abuse
- Trading in uncut diamonds

Blacks must unite

BLACK political organisations must unite in the fight against apartheid, delegates at a business conference held in Johannesburg were told yesterday.

This was said by Dr Sam Motsuenyane when opening the annual general meeting of the Southern Transvaal African Chamber of Commerce (Soutacoc).

Dr Motsuenyane is the president of the National African Federated Chamber of Commerce.

The conference theme is: "Black Leadership: A Commitment Towards Economic Upliftment" and is attended by more than 200 delegates.

Sowetan 2/6/88

(20)

The Wiese way of making money for investors

CAPE TOWN — About 800 coloured shareholders invested R200 000 — or R250 each — in a new retail chain 14 years ago. This is now worth between R7 million and R8 million — or over R8 750 each, according to Christo Wiese, chairman of Pepkor.

This year the company — Pepstore Peninsula — would see pre-tax profits in the region of R3 million.

"Their investment of R200 000 is now equal to R7 million or R8 million today," he said.

Mr Wiese was addressing a seminar on retail development held by the South African Property Owners' Association in Cape Town.

He told the seminar that within the next 20 years, 65 percent of the black population would be

MAGGIE ROWLEY (30)

urbanised as opposed to 45 percent now.

This meant that 17 million additional black people would have to be accommodated in urban centres at the rate of 2 230 a day or 72 000 a month.

"In Cape Town alone in the past two years since the lifting of influx control, 250 000 people have flocked to the area.

"This rapid black urbanisation is unstoppable and it presents all

of us with major challenges and opportunities," he said.

Mr Wiese said that it was normal for white entrepreneurs to have fears of a political backlash when moving into black areas.

"However, we have to have the courage of convictions. We won't achieve anything in South Africa without taking risks. We have very little choice. One just has to know there are enough people out there supporting you and wanting to do business with you and you

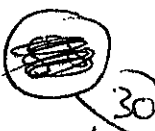
just have to take the risk," he said.

He said Pepkor was in the process of launching a company with a majority of black shareholders, in accordance with Group Areas Act regulations, with the view to opening up stores in black areas. The company would be called Pep Reel.

"We are in the process of actively soliciting black shareholders. I believe this is the recipe for the South Africa of the future," he said.

ster 3/6/85

Big money turning to office development



By Frank Jeans
Financial institutions might well be turning more to office development and away from major retail projects — an area which they fear is in the process of being overtraded.

At least one property economist believes that cash-rich insurance companies and pension funds are wary of investing in non-blue chip shares on the stock exchange.

"There is little doubt that the big groups think the bear run on the JSE has still a long way to go," says Mr Neville Berkowitz, chairman of the The Property Economist organisation.

"To some extent they appear to be steering clear of property unit trusts and loan stock companies as is seen by

recent rights issues in this sector".

The three property options open to major finance houses are offices, retail and industrial.

It is argued, however, that shopping centres and the retail market generally is over supplied, with the result that there is greater hesitancy in institutional decision making, particularly in centres which are substantially unlet.

SHORTAGES

Mr Berkowitz says the industrial market is seeing shortages of good quality buildings in high-demand areas.

"However, as a number of industrial deals are in the R1 million range this excludes many of the larger investment companies such as Old

Mutual, Sanlam and Liberty along with the mines pension funds — the big players in the league.

"The institutions," he says, "are favouring office development as they feel more comfortable with this known investment vehicle," he says.

Mr Berkowitz again warns about "spec" building in the present economic climate which has not been helped by the trend of rising interest rates.

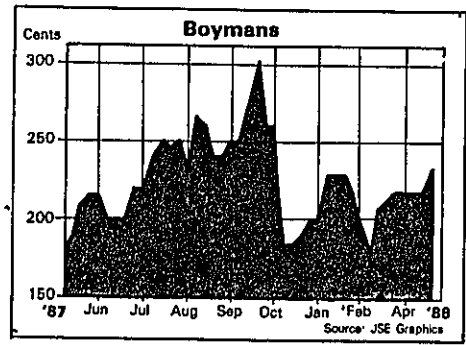
Indeed, as caution has to be taken, better opportunities for the present would appear to lie in redevelopment of well-located existing property.

Rising building costs, of course, remain the bogey in both markets but these can be controlled to some extent in any re-vamp project.

FM 3/6/88

John Orr's and Uniewinkels. Uniewinkels was acquired for 36% of the enlarged Boymans group, placing a value of R12,7m on the transaction. This added family clothing and school uniforms to the product range, sold through the John Scott chain. The group operates 60 stores in the Transvaal and Natal and three in the Free State.

Chairman Eric Ellerine says improved consumer confidence, strict control of overheads and a relatively low rate of taxation



BOYMANS

High gearing

Activities: Investment holding company with subsidiaries in family retail clothing.

Control: Directors hold 44%.

Chairman: E Ellerine; joint managing directors: A Brodtkin, H Regenbaum.

Capital structure: 10,8m ords of 50c each and 100 000 6% cumulative preference shares of R2 each. Market capitalisation: R24m.

Share market: Price: 225c. Yields: 4,4% on dividend; 15,8% on earnings; PE ratio, 6,3; cover, 3,6. 12-month high, 310c; low, 180c. Trading volume last quarter, 31 000 shares.

Financial: Year to December 31.

	'85	'86	'87
Debt:			
Short-term (Rm)	4,3	4,2	5,7
Long-term (Rm)	3,5	2,9	13,3
Debt:equity ratio	0,93	0,76	0,82
Shareholders' interest	0,33	0,31	0,31
Int & leasing cover	1,22	1,46	1,50
Debt cover	0,19	0,31	0,27

Performance:

	'85	'86	'87
Return on cap (%)	7,0	9,8	9,1
Turnover (Rm)	41,3	47,9	91,7
Pre-int profit (Rm)	1,8	2,9	6,5
Pre-int margin (%)	4,3	6,1	7,1
Taxed profit (Rm)	0,8	1,4	3,5
Earnings (c)	10,5	20,1	35,5
Dividends (c)	3,5	7,0	10
Net worth (c)	118	131	203

Low tax and interest rates helped Boymans to almost double EPS, even though issued shares increased by 57% to 10,8m. The up-market men's outfitting group has actively been acquiring matching businesses and last year bought the Uniewinkels group. The full benefit should be felt this year.

Boymans' store chains now include Levisons, Deans, Woolfsons, John Scott, Cyrils,

boosted attributable profit. However, total debt has increased from R7m to almost R19m, partly because of recent takeovers. In the current year, cash flow is expected to enable reduction of debt, ensuring that the interest bill will not increase, despite higher rates. Interest payable was R2m, amounting to 29% of operating profit. Management is budgeting for an average interest rate of 18%.

Year-end debt:equity was high at 0,82 but cash flow more than doubled and this year is seen as a period of consolidation and rationalisation with no acquisitions planned.

With effect from March 1 1988, the John Orr's Sandton store was acquired and names of various Uniewinkels stores will be changed to John Orr's. Uniewinkels contributed to profits for only nine months and full benefits have yet to be seen.

Ellerine says that provided the economic upswing continues, profits should again grow. This would be achieved even though the tax rate is expected to rise to about 48% (23%). So far this year, the group is growing well above budget, which was for a growth rate 3% above inflation. Financial director Don Elliot thinks government's measures to curb economic growth will have little effect on the current year's performance.

Louis Venter

Optimism returns to Boumat

By Ann Crotty

At the beginning of financial 1988 Boumat management were very bullish about group prospects but at the half-way stage it turned cautious and revised downward its expectations for the full year's turnover, margins and earnings. As things turned out Boumat has managed to turn in figures that are even ahead of the initial optimistic forecast.

A 21 percent increase in sales to R617 million (R508 million) was weaker than the original forecast of 24 percent. But the impact further down the line was more than made up for by a sharp improvement in operating margins from 4,1 percent to 6 percent. At the beginning of the year management had set a margin target of 5,8 percent.

The improved margin produced a 76 percent advance in operating profit from R21 million to R36,9 million. Interest payments were down slightly to R7,1 million (R7,4 million). Despite an increase in the tax rate from 46 percent to almost 50 percent, the group managed to more than double taxed profit from R7,3 million to R14,9 million.

Earnings were up 114 percent to 75,2c a share.

Since its introduction in 1985 an increasing number of shareholders has elected to take up Boumat's bonus share offer and in line with its dividend and bonus share policies, shareholders registered at the close of business on June 24 will be offered one bonus share for every 20 held. Those shareholders who do not make the election will receive a dividend of 14,5c a share.

Looking to the current financial year, executive chairman Irvine Brittan feels that prospects are closely tied to the fortunes of the non-white housing market and given the desire of non-whites to own their own homes, is expecting the market to show real growth.

Unidev expected to take over Milly's management

Star 4/16/88

ANN CROTTY

When Milly's reappears on the DCM it is likely to be under a new management team which will be appointed by investment banking group Unidev.

Milly's was suspended on Wednesday with the astonishing announcement that the interim results for the six-months to end-December may have been incorrectly reported, that an independent firm of auditors had been appointed and a full announcement would be made as soon as possible.

At this stage it looks as though the suspension will be lifted within the next two weeks.

It appears that Unidev, which currently holds 30 percent of Milly's, instigated the move to have the share suspended following an investigation of the interim performance by a Unidev-appointed team of auditors.

Last January, at which time Unidev held 20 percent of the company and the Bruchhausen family held in the region of 50 percent, the controlling family approached Unidev with a request for an injection of funds into

Milly's.

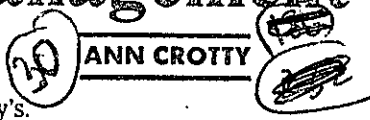
Unidev agreed in exchange for an additional 10 percent of the shares from the Bruchhausen family, on condition that they would be able to put in their own financial team. The team was headed by former Grand Bazaars financial controller Scott Wilson, who is currently Milly's acting MD in place of Michael Bruchhausen.

It was as a result of this team's investigations that anomalies were discovered in the interim figures and when the directors were informed they immediately requested a suspension of the share while an independent team of auditors checked the suspect figures.

The results of this independent investigation is expected to be known within two weeks and sources at Unidev have indicated that if Unidev is to remain on as a major shareholder it will then have control of management and will be in a position to implement its own plans for Milly's.

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Star 4/6/88



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Get personal and keep customers

Stev 4/6/88

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Earlier this year an international survey by experts showed that South African business came "disgracefully low down the ladder" in terms of customer service and satisfaction. Levels of customer service were worse than in any other westernised country.

Retail itself didn't exactly come up smelling of roses and a surprisingly high 91 percent of the South African consumers questioned said they refused pointblank to return to shops where they had received bad service.

We at Dion were shocked, but did not have the audacity to think ourselves immune from anti-feelings among some customers.

What came out of the survey — conducted by 66 inspectors in 20 countries — was that the best marketing tool any organisation has is its staff.

Twenty years ago, personalised customer service existed on a wide scale,

Article contributed by Hymie Sibul, the managing director of Dion Stores.

from corner grocers through to larger retail stores, usually family concerns.

Today this is the exception. With the advent of supermarkets and hyper-stores, personalised service has given way to cash-and-carry, and price has become the all-important factor.

Obviously, with retailers concentrating primarily on turnover/price, customer service training has taken a backseat, resulting in a sad state of affairs all

round.

Yet, why should customer service in South Africa fare so much worse than in other sophisticated countries with supermarket chains and hyper-stores?

What has obviously happened overseas — with the exception of France, which also fared extremely badly in the survey — is that retail management has recognised that price is not the only factor determining where the consumer shops.

The survey showed that customers worldwide are demanding service and attention, and retailers and companies which realise this and provide it by in-stilling in their staff a

commitment to the customer, will be the winners. The better the service we offer customers and clients, the more they will do business with us.

Those firms which offer improved personal customer service will have the competitive edge in 1988 and beyond.

Marketing to customers starts with making everyone in the organisation want to put the customer first.

The survey showed that South African organisations spend less on this type of training per employee than any other Western country — with the exception of France. If one looks at success-

ful retailers worldwide, a significant contribution to success is the fact that they make all their staff feel, and be, winners.

Sadly, too often management concentrates on strategies for survival today which result in neglecting the employee commitment essential for success tomorrow.

Employee commitment ultimately decides if an enterprise wins through or takes a beating.

I believe retail is headed for an era of service to the customer, where successful retailers have the edge not just in price, but because of their personalised customer service.

Laylow purchase approved

Saturday 16/88

Finance Staff

30

Dashaus Investment Holdings' shareholders have approved the purchase of discount clothing retailer Laylow for an effective R4 million.

Chief executive Fred Ginsbery said at a meeting last week the Laylow acquisition offered the group enormous expansion potential, with results from the new division continuing to perform in excess of budget.

He said the purchase was in line with group policy of identifying strategic niches in the retail sector where growth opportunities existed.

Plans are advanced for the transfer of the company's listing from the DCM to the main board of the JSE. Subsequent to the year-end the group opened its second Furniture Hyper at the Highgate complex and plans are under way for a third store in Pretoria.

Mining interests check Anglovaal

Star 7/6/88
By Ann Crotty

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Although Anglovaal's industrial interests put in a strong performance during the 12 months to end-June, a weak performance from its mining interests held back group performance to an estimated 7 percent profit increase.

The group's estimated profit — after tax, minority interests and preference dividends, but before extraordinary items, marginally increased from R133 million to R141,8 million. The final dividend has been increased by 10 percent to 430c (390c) a share which brings the total for the year to 650c, which is 11 percent up on the previous year's 585c. Dividend cover is down slightly to 5,1 (5,3) times.

Commenting on the estimated results, deputy chairman Clive Menell notes: "The year's growth in earnings was very much less than the annual growth figures over the last few years. For example, the annual average increase over the past three years is more than 30 percent compounded."

The group's industrial interests appear to have gone a long way to propping up the overall results. As Mr Menell points out: "At the half-way stage, Anglovaal Industries had reported a 69 percent increase in earnings and, although the second half will probably not match this, it should nevertheless produce a very creditable performance. Certainly the more buoyant economy and lower interest

payments assisted performance but sound, efficient management made a significant contribution to the results."

Performance from the group's mining investments was adversely affected by rising costs and a relatively static gold price. And, as expected, it was further weakened by the reduction in dividends from Prieska Copper Mines and Associated Managese Mines. Also holding back this year's profits was the estimated R10 million increase in exploration, research and development costs.

Holding company

Anglovaal's holding company, Anglovaal Holdings — whose main source of revenue is dividend income from its investments in Anglovaal — increased its final dividend 10 percent to 43c (39c) a share, resulting in total dividends for the year of 64,5c (58c). The company's estimated taxed profit rose by 11 percent to R5,9 million (R5,3 million).

Although income at Middle Western, the mining exploration, finance and investment company was weaker, the total dividend for the year was maintained at 160c a share.

Zandpan, whose main investment is the Hartebeestfontein gold mine, lifted its final dividend to 15c (13,5c) a share, resulting in 25,6c (23,5c) for the year, while its estimated consolidated profit for the year was up 9 percent to R33,2 million.

Woolworths MD Stakol in shock resignation

Finance Staff

The Wooltru group suffered its second sudden resignation at senior level in recent weeks when the managing director of subsidiary Woolworths Mr Michael Stakol resigned yesterday.

Wooltru lost the services of its chief executive Mr Tony Williamson just a few weeks ago. At that stage it seemed that management wanted to change the group's strategic emphasis from the development of systems to one in which marketing took promi-

30

nence. Mr Williamson, who is seen as a systems man, is believed to have been behind the acquisition of Truworths in the early eighties. An acquisition which many analysts felt dampened group performance for several years.

Mr David Susman, who had built up the group with his strong marketing flair and had remained Mr Williamson's reign as CEO, resumed executive control of Wooltru on Mr Williamson's departure.

The reasons given for Mr Stakol's resignation, which is effective immediately, were irreconcilable differences with the Wooltru board.

Market speculation is that Mr Stakol's resignation may have been on the cards following the removal of Mr Williamson from the top slot in the holding company. Mr Stakol, who was trained at Marks & Spencer in the UK, was appointed MD in early 1984 and was the youngest MD at Woolworths.

The feeling now is that Mr Sydney Muller, who in the early Eighties looked as though he was in the running for the position as MD of Woolworths, may be more receptive to any change in corporate strategy that follows Mr Susman's resumption of executive control.

Sources at Wooltru last night were tight-lipped about Mr Stakol's resignation saying only that they "had heard rumours in recent weeks", but were not prepared to elaborate.

Neither Mr Stakol nor the chief executive of Wooltru Mr David Susman were available for comment last night.

Mr Stakol (41) has been with Woolworths since 1971 and was appointed managing director of the R800 million-a-year turnover Woolworths in 1983.

The role of chief executive of Woolworths will for the time being be filled by Mr Sydney Muller (38), who was appointed to his present position as deputy managing director last year.

Teljoy posts 101% rise in taxed profit

Steve Slobin 30
Finance Staff

Teljoy has posted a 101 percent increase in net taxed income to R13,88 million after boosting turnover by 18 percent to R68,32 million in the year to March.

A final dividend of 7,5c has been declared, bringing the total to 11c — 22 percent better than forecast before listing on the JSE in June last year.

The group, formed through the merger of TV and VCR renters, Teljoy, Visionhire and Film Fun, had earnings per share of 25c. This was 81 percent better than the 13,8c from the combined pro forma figures of Teljoy, Visionhire and Film Fun last year.

Operating income was 32 percent better at R21,92 million, while the interest bill was down 44 percent to R2,22 million, leaving net pre-tax income 56 percent better at R19,7 million.

SUCCESSFUL

Executive chairman Theo Rutstein says the successful first year of trading resulted from the expansion of the group's base, from cost savings following the rapid integration of trading operations after the merger and through faster-than-expected growth in the earnings of Film Fun. He says there was a significant reduction in borrowings

"The group continues to generate a strong net positive cash flow, which will allow a further reduction in gearing in the current year and ensure that adequate funds are available to meet all capital requirements from internal resources."

Mr Rutstein says the group's development, through a focus on key income-producing areas, is proceeding satisfactorily.

Wooltru's (30)
Star 8/6/88
management
changes (W)

Finance Staff

The Wooltru group suffered its second sudden resignation at senior level in recent months when Michael Stakol, managing director of subsidiary, Woolworths, resigned yesterday.

In January this year Tony Williamson (50), chief executive, Wooltru, announced his early retirement from the company, but was persuaded to stay on until the end of July.

He will remain a director on the Wooltru board.

His responsibilities as chief executive were taken over by chairman David Susman.

Speaking from Cape Town yesterday morning, Mr Williamson denied any link between his departure and the resignation of Mr Stakol, saying it would be "grossly irresponsible".

"There was a major difference of opinion between Mr Stakol and the rest of the board concerning a major issue. Mr Stakol felt that this amounted to the board losing confidence in his abilities and he offered his resignation which was accepted," Mr Williamson said.

The reasons given for Mr Stakol's resignation, which is effective immediately, were irreconcilable differences with the board.

Fast-growing Pepkor ^{Star 7/16/88} has R100-m cash pile 30

By Maggie Rowley

Investment Holding company Pepkor is sitting on a cash pile of R100 million, chairman Christo Wiese discloses in the group's annual report.

In a dramatic turnaround this year, the group, which derives its income primarily through its investments in Pep Stores and Shoprite, saw net profit climb from R7 million to R39 million while operating profit was up R16 million at R72 million.

In spite of the number of shares in issue rising from 8,4 million to a weighted average of 10,6 million as a result of a rights issue in July last year, earnings a share increased by 331 percent to 370c enabling the company to resume dividends with a total payout for the year of 130c.

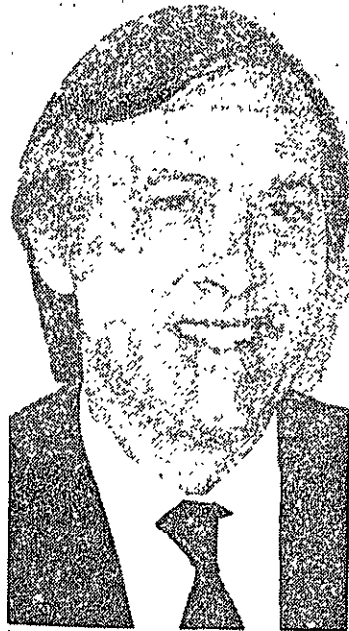
The most dramatic evidence of the group's turnaround can be seen in its gearing. The group has reduced its borrowings from R140 million at the end of last financial year to a mere R14 million and in addition has about R100 million in cash at its disposal, Mr Wiese said.

These funds were raised through retained profits, improved asset management, the sale of Pep Stores shares to meet the JSE's spread requirements, the rights issue which raised R53 million, and the sale of non-core businesses.

Budget Footwear, Rich Rags and the House of Monatic were sold to Lenco Holdings for R46 million. In addition, the group disposed of Knitwear Industries, Titan Textile Industries and Cravateur.

The debt/equity ratio now stands at 6 percent against 135 percent last year.

Mr Wiese said that although the sale of the non-core businesses resulted in group turnover increasing only marginally from R877 million to R939 million, the



Christo Wiese — "severe trouble with exports".

group's retained businesses increased their sales by a creditable 29 percent.

He said that Pep Stores, which opened 66 new outlets during the year bringing the total number of its stores to 620, had by no means reached its saturation point and it had excellent growth potential due to accelerating urbanisation and improving living standards among the lower income groups.

Arnold Louw, group managing director, said that in order to broaden its market spread, Pep Stores was forming a public company controlled by shareholders from the black community with a view to opening outlets in black residential areas.

Mr Wiese said the 35-outlet Shoprite had continued to gain market penetration and the move from the traditional trading areas of the Western Cape had proved more successful than anticipated, indicating

enormous growth prospects in untapped territories.

"Indeed, immediate growth will come from outside the Cape with three stores planned to open in the Free State this year, one more in the Transvaal and another in the North Western Cape," Mr Wiese said.

He said a strategic planning committee had been assembled from head office management and supplemented with the skills of external specialists to develop a strategy to ensure the company's future growth within its existing mission.

Mr Louw said new targets set by the group included a debt/equity ratio of 50 percent or below and a return on capital employed of at least 30 percent under prevailing conditions.

Discussing exports Mr Wiese said that following the imposition of sanctions last year, the group had run into severe difficulties in the US where they had been supplying a chain of clothing outlets with products from the House of Monatic.

"During the course of this year, the situation was further exacerbated by an embargo on the import of textile goods into the US and our disposal of the House of Monatic.

"As the chain was dependent on South African merchandise and also in its infancy within the American market, it could clearly not survive under the changed circumstances and had to be liquidated. However, the losses incurred were adequately provided for," he said.

Mr Wiese said the group's residual export programme was under review. The Board of Trade was currently investigating new export incentive systems for the clothing and textile industry and, depending on the outcome, they would decide whether or not to pursue the programme.

Bullion a useful stabiliser in portfolios ^{Star 7/16/88}

LONDON — A leading British economist says gold has an important role as a post-crash portfolio asset.

Writing in the May issue of Gold Update, published by the World Gold Council, Jeffrey Mizrahi, Director of Economics and Global Strategy at SBCI Savory Milln, says: "Fund manag-

ers world-wide are becoming increasingly aware that sustainable economic and financial trends are a thing of the past and that gold bullion is a useful 'stabiliser' in portfolios in the prevailing turbulence.

"Also, there is a growing realisation that modest holdings of gold often help to reduce portfo-

lio volatility and increase portfolio returns."

Mr Mizrahi says that in the next few years the degree of predictability of financial markets is likely to remain low, market volatility is set to remain high and the global financial fabric will probably remain exceedingly accident-prone.

WOOLTRU

9/9/88 (30) FY

Spending effects

Like many other heavyweight industrial groups that have recently reported good profit figures, retail and wholesale group Wooltru's share price showed little reaction to the announcement of a 52% increase in EPS. By Tuesday it had gained only 50c from R15 before release of the figures.

The bottom-line result for Wooltru's year to end-June was easily towards the upper end of those currently being produced by large industrials. The figures for the latest year were boosted by the full inclusion of wholesale arm Makro, which was included for only six months in the 1987 year, with the result that sales rose by 51% to R1 667,6m. On a comparable basis the increase in sales was 23%.

Chairman David Susman says he attributes the performance both to buoyant consumer spending and to benefits that have been flowing through in the form of improved efficiencies and revenues following the substantial capital investment spent during the Eighties.

"With hindsight, trading during the year to June was a shopkeeper's dream," he says. "The state of the market and improved consumer confidence were very important factors in our figures."

However, he believes that capital investment of R250m and restructuring of the group over the past five years have also had significant effects on revenues and costs. Each of the major trading companies — Woolworths, Truworths, Topics and Makro

9/9/88 (30) FY

WOOLTRU RISES

Year to June 30	1987	1988
Sales (Rm)	1 103,3	1 667,6
Pre-tax income (Rm)	84,2	121,7
Attributable income (Rm)	40,3	61,3
Earnings (c)	117,9	178,9
Dividends (c)	60	80

— believes that it has increased market share, he says, and the group's overall penetration is thought to have grown by at least one percentage point.

Susman says that annual capital spending will remain at recent levels for some time, and benefits should continue. Part of this will be focused on Makro, which was acquired with the intention that it should become Wooltru's channel "into the Third World." Susman notes that some 95% of the food that Makro sells is consumed by blacks.

The wholesale chain currently operates six large-volume outlets. During the next 12 months, management will develop a plan for the long-term strategic growth and development of Makro which, Susman says, could cover a number of options, including openings of additional large outlets or various mini-stores. For the present, Makro has been successfully absorbed into the group, with a new MD appointed and some cross-fertilisation through secondments of senior staff.

Last year's performance meant that gearing was brought down by year-end to 30%, after reaching the highest-ever level of 54% the previous year. With the dividend increased by 33%, cover was lifted to what the board considers a comfortable level of 2,2, after previously dropping to 1,6 times.

Prospects for the current year will be influenced by consumer spending and to some extent by the rand and import duties. Recent indicators suggest that consumer confidence is waning somewhat, and anticipatory buying during past months of imported brown goods in particular has absorbed considerable consumer spending power.

Food accounts for about 30% of Woolworths' turnover, but the imported component of this is only about 7%-8%. Susman says the margins on imported foods have always been considerably smaller than on local foods, but the imported products have

an important effect as a stimulus to local manufacturers, who have enlarged their product ranges as a result. The new import duties will probably restrain the group's ability to import foods.

"The important thing is a narrowing of choice," says Susman. "Woolworths operates on a quality differential, Truworths on a fashion differential and Makro on a price and service differential. There is bound to be a period of adjustment." Overall, however, he expects that sales will remain good in the period up to Christmas, with the effects of the various curbs on spending being felt in the new year.

Andrew McNulty



Wooltru's Susman ... a shopkeeper's dream

AHI to study business split

THE Afrikaanse Handelsinstituut was investigating the proposed establishment of an organised body for conservative Afrikaaner businessmen, AHI president Dries Niemandt said yesterday.

This follows publicity given to *sakekringe* (business circles) established last week in Potchefstroom, Welkom and Hennenman.

Niemandt said he had become aware of conservative breakaways from the AHI only through Press reports. He regretted politics had become an issue among businessmen.

Spokesmen for the circles said the

30/5/88
9/6/88
HELOISE HENNING

Afrikaans Press had incorrectly reported the *sakekringe* had been formed under the auspices of the CP.

Hennenman Sakekring chairman Ferdie Nel said there was at this stage no co-ordination between the *sakekringe*.

He had only read in the Press that others like his had been established. However, he expected further announcements about a co-ordinating body would be made after a congress to be held in Verwoerdburg on Friday.

30

Striking stodgy markets

Activities: Distributor of groceries and other consumer goods, both wholesale and retail.

Control: Score Discount Food Holdings owns control. At year-end the directors directly or indirectly held 31%.

Chairman: D Tabatznik; managing director: C S Dos Santos.

Capital structure: 14,6m ords of no par value. Market capitalisation: R215m.

Share market: Price: R14,75. Yields: 2,5% on dividend; 6,8% on earnings; PE ratio, 14,8; cover, 2,7. 12-month high, R23,50; low, 1 400. Trading volume last quarter, 92 000 shares.

Financial: Year to February 27.

	'85	'86	'87*	'88*
Debt:				
Short-term (Rm) ..	—	—	—	—
Long-term (Rm) ...	—	2,5	4,6	7,1
Debt:equity ratio	0,05	0,18	0,13	0,21
Shareholders' interest	0,19	0,15	0,34	0,33
Int & leasing cover .	2,4	2,6	2,3	2,3
Debt cover	—	3,1	3,2	2,8

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	12,5	12,5	12,1	14,7
Turnover (Rm)	246	420	745	923
Pre-int profit (Rm) ...	6,0	11,8	20,7	28,8
Pre-int margin (%) ..	2,3	2,8	2,8	3,1
Taxed profit (Rm)	3,0	5,9	10,8	15,4
Earnings (c)	21,9	43,5	75	100
Dividends (c)	8,0	16,0	27,5	37
Net worth (c)	67,4	102,4	269,5	319,8

*net of cash

The stock market does not appear to have reacted with enthusiasm to Hi-Score's takeover of Clicks. Since the deal was announced in late March (FM April 1), the shares involved — Hi-Score, Score Food, Klikdin and Clicks — have generally underperformed the retail and wholesale sector index.

The reasons for this are unclear, and the shares have recently shown some recovery. Some investors may have been concerned about the premium being paid, as well as the outlay of cash. The deal could mean a higher gearing for the group in future.

What may have added to concerns, and possibly casts further light on the motivation for the deal, is that year-end figures show the growth rate in Score's turnover slowed



Score's Dos Santos ... facing fierce competition

sharply last year. The 24% increase compares with 71% and 78% respectively in 1986 and 1987, and until last year the slowest rate of growth was 44%, achieved in 1985. Much of the decline appeared to come in the second half.

MD Carlos dos Santos says there were three reasons for the slower sales growth: because of building delays a number of new store openings which had been scheduled for earlier in the year only happened towards the end of the period; certain A & A stores were closed; and the grocery market "went backwards." The first two should not recur, but the market has remained weak.

Chairman David Tabatznik says there was severe competition in certain of Score's markets. He says there was "little growth in the food industry as inflation hit the pockets of all in the country, but especially the lower income groups. This caused almost savage competition in the industry, as the food chains fought for market share."

Performance ratios were not severely affected. Tabatznik points out that the group "coped well in this climate due to innovative and aggressive marketing, and the special attention that was paid to margins, as well as internal controls and savings."

Indeed, ability to maintain or improve efficiencies has long been basic to Score's success. Despite the slower sales growth, pre-interest margins widened (see table), and other key ratios again improved. Sales/m² rose from R5 621 to R6 216 and sales per employees from R148,4 to R180,2; both these ratios have increased consistently over the past five years. In Trador — Score's cash

and carry arm — 15 of its 19 stores now have computerised point-of-sale and stock control systems, with two more scheduled for this year.

But sales volumes can be critical for a retail and wholesale operation. Efficiency improvements did not prevent the annual growth in attributable income falling from the previous 81% to 38,5%, again the slowest pace Score has produced.

In terms of the acquisition agreement, Hi-Score acquires 7 948 080 Klikdin shares from the group's chairman, Jack Goldin, for R4,75c a share. Klikdin currently stands at 370c. An aspect which analysts see as positive is that no merger is intended. Score Food Holdings will be reversed into Klikdin, with Hi-Score selling its entire holding in Score to Klikdin. Thus, Klikdin will become the holding company of Score, controlling 60% of Score's issued capital while retaining its 50% of Clicks. Goldin is to remain a consultant.

At year-end Score's long-term liabilities had risen from R4,6m to R7,1m, while short-term borrowings had climbed from R11,6m to R21,1; this was matched by bank balances and cash of R21,1m (R11,6m). Interest last year absorbed 12,4% (8,2%) of trading income.

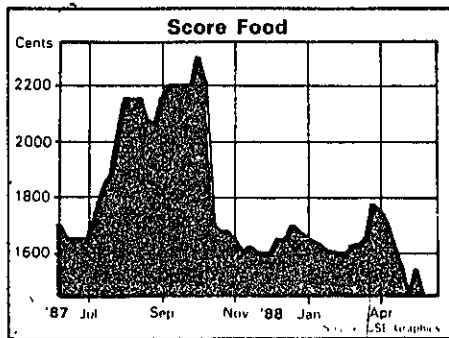
When the Clicks deal was announced, Dos Santos explained that it would enable the group to move into the A and B income markets, and into different types of products. Both Score and Clicks have sizeable expansion programmes: Clicks opened eight new stores last year and was targeting another 12 for 1988. Score is planning four new Trador stores, eight new Score outlets and four Grand supermarkets.

In any event, in view of the proposed structure the direct impact of Clicks will be on Hi-Score. Payment for the stake will consist of a cash outlay for 75% of the total price, with the rest settled by issue of Hi-Score shares at R8,40c. At the time of the deal Hi-Score's price was R8,50, but has dropped to 750c.

Offer documents are being posted this week. Meanwhile, at least one analyst, who specialises in consumer stocks, says he has no reservations about the Score group shares. Instead, he sees the recent price weakness as a buying opportunity. For his part, Tabatznik is guarded. "I expect a reasonably good year ahead, but am cautious about claims that the economy is in an upward phase," he says. "There is little evidence in the food sector to support this claim."

Reservations about the grocery market may overshadow the share in the short term, but it could well be premature to downgrade the group.

Andrew McNulty



12/16/88 S21

State may act on small business restrictions

30

By Robyn Chalmers

A GROUP of 34 big players in the small business world have put forward an innovative proposal to the Government for a Small Business Proposal Act.

Called the Sunnyside Group, participants which include SBC, First National Bank, Achib, Sabta, Shell SA, Assocom, and the Urban Foundation put their proposal to the Government in February.

They have had a response from the Government and a steering committee of the group met recently to discuss it.

One of the most important items in the proposal is the creation of the post of a small business commissioner to promote small business.

The proposal states: "His office should have the right to identify restrictive legislation and be able to ask the Government and local authorities to show why small enterprises should not be exempt from them."

"The commissioner and his assistants ought to be given the right to hold public hearings at which existing and proposed laws are reviewed for their adverse effect on small enterprises."

Laws

The proposed act also includes a definition of small enterprise as one which employs no more than 20 people, has an annual turnover not exceeding R250 000 and employs capital not exceeding R100 000.

Another major point put forward is the reviewing of all existing legislation over a three-year period, whereby each department involved reduces unnecessary or restrictive laws.

Job creation manager Ian Hetherington is a member of the group, and says the proposal came out of a number of factors — the high unemployment rate, the excessive regulation of business and the inadequacy of current reforms.

"Unemployment is at crisis level which is both a cause and a consequence of low economic growth. Nei-

ther the State nor formal large businesses can provide a solution.

"Business is highly over-regulated which affects smaller enterprises more than larger. The result is a growing disrespect for the law with more and more people moving into the informal

sector," says Mr Hetherington.

In SA, piecemeal amendment of laws is being effected to bring relief to small enterprises, but Mr Hetherington says this is too haphazard, superficial and slow.

"Although the White Paper on Privatisation and Deregulation was a good declaration, we are not happy about its implementation," he says.

'Right' way for business ³⁰

12/6/88
CONSERVATIVE Afrikaners have formed a committee to investigate the creation of business-interest groups on a local and national level.

HELOISE HENNING 6/10/88

The committee consists of representatives from the Oranje Werkers, Volkswag, the CP, HNP, SA Buro vir Rasse Aangeleenthede (Sabra), the Afrikaner Onderwysers Vereniging, Transvaalse Landbou Unie, Afikanervroue Kenkrag and Vereniging Bybel en Volk.

At a meeting in Verwoerdburg's town hall last week, 150 delegates from across the country also voted for the committee to look into establishing institutions for

the development of Afrikaners, such as an Afrikaner development bank.

Businessmen who had established Sakekringe as a break-away from the AHI addressed the meeting in a closed afternoon session. Sakekringe have been established in Potchefstroom, Welkom, Hennenman and south-western Cape towns such as Ceres.

The committee will also give priority to the Afrikaner and the economy during the 150-year celebration of the Great Trek to be held in October and prepare for a congress on the economy next year.

...nounced at a...
on October 3.

church to further discussion of the reso-

Controversial Bill set for smooth passage

CAPE TOWN — The new Harmful Business Practices Bill, given guarded approval by organised commerce when it was first tabled in Parliament two weeks ago, has come out of the joint parliamentary committee on trade and industry virtually unchanged.

Only minor changes have been introduced to the draft legislation and, in terms of the parliamentary programme, the Bill is set to be debated on for the first time in the three Houses later this

week.

Sources said the Bill — giving consumers substantial protection from exploitation from "unacceptable practices" employed by "unscrupulous" business concerns — was also destined to have a smooth passage through the various parliamentary stages.

It was, therefore, likely to be translated into law before the end of the year. When the Bill was initially circulated

in draft form to selected audiences in the private sector earlier this year it raised a storm of protest, which were subsequently muted after government's intentions were more fully explained by Trade and Industry director-general Stef Naude at a series of orchestrated meetings.

Most of the changes effected since then seem to have largely appeased the earlier misgivings expressed by the private sector.

CHRIS CAIRNCROSS (30)

KEY MARKET MOVEMENTS — JUNE 12 to JUNE 13 REUTERS

Gold		JSE		Previous		Latest		Johannesburg Stock Exchange			
NY close \$/oz	LON PM \$/oz	LON PM R/oz	Krugger rand	\$/R Comm	\$/R Fin	Ffurt close DM/\$	LON close £/R	3 months BA	All Gold BD Index	BD Indust Index	JSE Ov'II Index
466,75	457,60	1022,87	1185	2,2398	2,9600	1,7207	4,0626	12,15	1066,5	1850,7	1736,0
								NO MOVE			
448,75	455,45	1020,11	1180	2,2353	2,9500	1,7182	4,0623	12,15	1063,8	1842,5	1725,0

Durables to ^{old way} report as well ⁵⁰

KAY TURVEY 13/6/88

DELIBERATIONS by the motor industry to stop reporting monthly vehicle sales, have spurred the durable sector to publish regular figures as a barometer of consumer spending.

Domestic Appliances Manufacturers Association SA (Damsa), representing Barlows, Tek, Univa, Hoover and Ocean, will now release monthly figures of sales to retailers.

Damsa chairman Richard Ferrer says durable sales will provide an accurate lead indicator.

Penetration by the furniture market is wider than the passenger-vehicle market.

Ferrer says: "In the past cars, furniture and appliances have tended to move together, but increasingly this divergence will become obvious because of the large degree of corporate motor purchases."

Fleet sales made up between 80% and 86% of motor purchases last year.

The latest available comparative figures show furniture, TVs and audio appliances accounted for 40% of total expenditure in 1986, whereas motor vehicles accounted for 31%.

Damsa will announce its latest figures this week.

● See Page 3

THE 1913 Land Act and the Group Areas Act (GAA) should be repealed if black people were to have access to capital, Small Business Development Corporation (SBDC) MD Ben Vosloo said.

He said at the weekend the laws on black property rights had ensured an inadequate provision of land for new development, while the traditional rural system of land tenure was not conducive to capital accumulation.

On the question of government action on the issue, Vosloo felt progress had been made, but he pointed to the impact of market forces which "in the long run will sort things out".

He felt government was intellectually and temperamentally ready to accept changes, but was being constrained by right-wing groups exploiting people's fears.

He compared the situation in SA with that in Zimbabwe, where group areas had been phased out. He said

Repeal of GAA, Land Act urged

ROGER SMITH

that whereas higher-income black people had moved into formerly "white" areas, most lower-income black people had remained in the townships.

Vosloo told the SA Congress of Chartered Accountants in Durban last week the most important impediment to black business development was the system of land tenure.

"No measure has caused more continued resentment among blacks, nor has done more to prevent blacks from gaining access to capital, than their denial of normal property rights in terms of the 1913 Land Act and subsequent legislation."

That black people were allowed to own property in urban areas was a step forward.

B/daw 13/6/88

CBD rents beginning to move slowly upwards

By Frank Jeans

While office rents in central Johannesburg are on the uptrend, there is still no sign of the start of a landlord's market.

Anglo American Property Services in its latest review, says rents have certainly moved off the 1986-87 bottom by as much as 25 percent.

"The stronger demand evident over the past few months and the excellent lettings achieved, especially in the upper end of the market, have still not, however, signalled the beginning of the landlord's market."

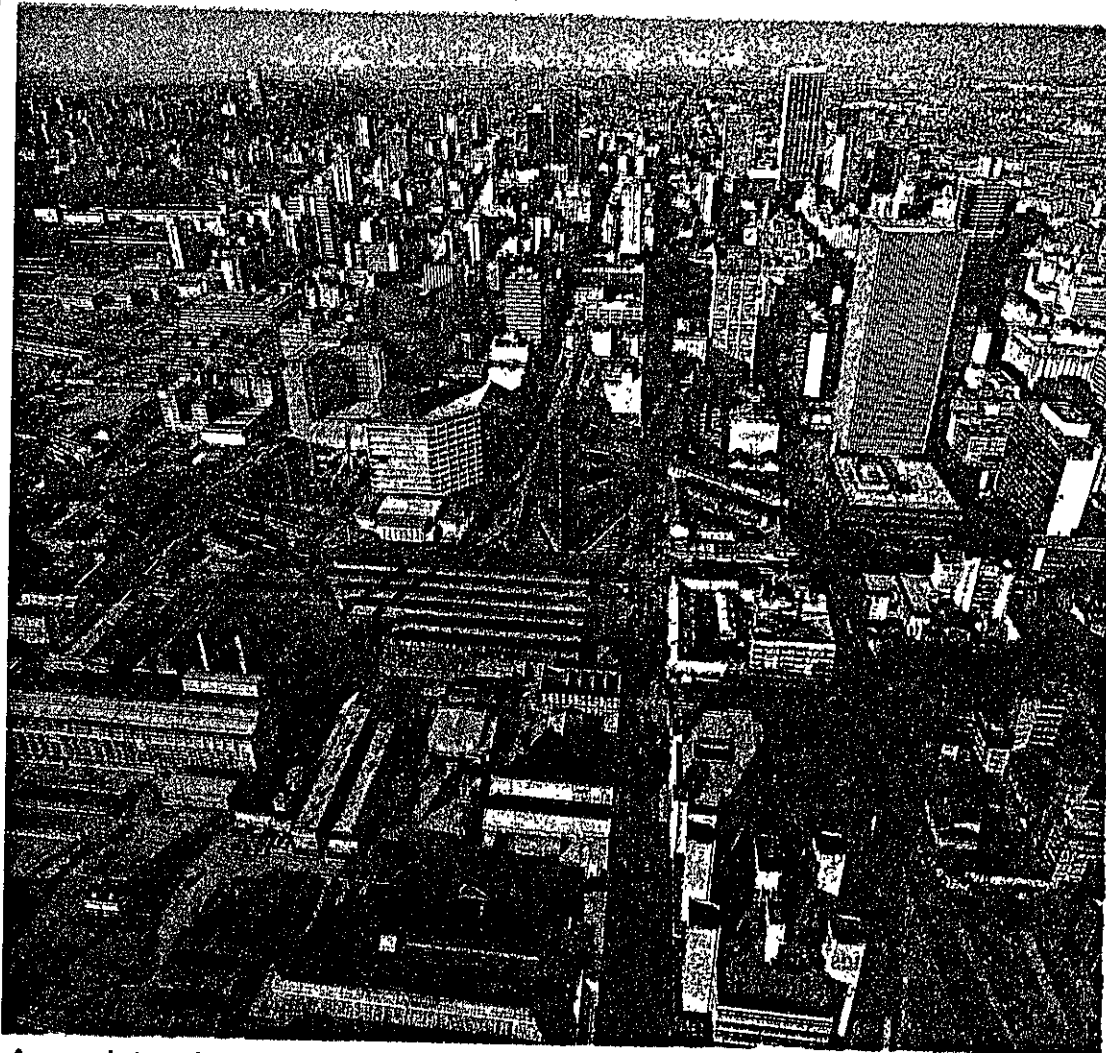
Major developments such as Liberty Life's Colosseum, Old Mutual's Inner Court and Anglo

American Properties' No 56 Von Wielligh and 32 Diagonal Street are focal points of attractive accommodation.

Sage's revamp of the North State block, OM's 1066 office tower and the big one in property assembly — First National's Bank City project — will also add significant new stock to the

market over the next five years. "The recent rise in interest rates, however, will not signal an end to this major office development phase," says Ampros.

"Vacancies will reduce as tenants take up more space but the competitive element in the market will keep rents at reasonable levels for at least the next year."



A general view of Johannesburg's city centre where new developments will ensure office rents stay at reasonable levels for at least the next year.

OM unit trust missed out on certain profit

By Sven Forssman

The Old Mutual Unit Trusts quarterly report of March 31 shows that 636 200 Metal Box shares in the Investors Fund were sold between December 31, 1987, and March 31 this year.

This was ahead of a deal which saw the UK-based Metal Box sell its 25 percent stake in Metal Box, South Africa, to Nampak, a Barlow Rand subsidiary, for R114 million.

The deal allowed Nampak to increase its shareholding in Metal Box from 54 to 85 percent, and saw the share price jump from about 675c to about 850c within a few weeks.

Why did Old Mutual sell out ahead of the deal, despite market rumours since the beginning of the year?

Says Mr Marco Celotti, Mining Fund portfolio manager: "In hindsight, you can say that it was an opportunity lost."

"But, you can't see that in isolation. We may have invested the money from the Metal Box shares in a share that performed better."

Mr Celotti says Old Mutual were not aware of the Nampak deal when they sold the shares and could not act on "rumours".

"We sold the shares purely on value considerations. We felt there were better opportunities elsewhere."

Mr Roland Chute, Investors' Fund portfolio manager, says Old Mutual were happy selling their Metal Box shares, despite the share price rising soon afterwards.

"We decided to take advantage of the lower prices in the mining sector, and we've got to take advantage of these opportunities when they arise," he said.

JSE dealers said a large portion of the Metal Box shares were bought up by Liberty Life.

WALL STREET BEAT

By Michael Menof in the US

doesn't clarify who the terrorists are and exactly who supports them.

The US economy is showing more spice with a dramatic increase in the first quarter's productivity.

More good news is that US consumer confidence is at its highest level for 18 years.

The key question is will the dollar fall even further? Treas-

ury Secretary James Baker has successfully managed one of the biggest devaluations of the dollar (40 percent against the yen, 48 percent against the Deutsche mark and 24 percent against the British pound) and improvement of the deficit remarkably well.

By steadying the dollar he has gained the confidence of the international markets and trust of most foreign leaders. The April

trade figures due for release this week will, for the first time, be seasonally adjusted.

The Dow Jones was up but failed to break through the October 1987 rally levels and gain a new high. Buying panic could create a busy week or two ahead but market psychology could turn on a dime.

Interest rates are set to rise along with inflation. The feeling is that capital preservation is crucial and with a choice of risk versus reward, the former is favoured.



● HEUNIS

New power mooted for homelands

Political Staff

PARLIAMENT — A Bill giving the self-governing homelands increased powers to use funds for approved projects outside their territories was tabled yesterday.

Constitutional Development and Planning Minister Chris Heunis said the one-clause National States Constitution Amendment Bill would give the self-governing territories "autonomy to the fullest extent".

Heunis said many of the government and economic activities of the territories were so wide-ranging it was impossible to limit them to the boundaries of the territories.

Transport, for example, ran across boundaries, while there might also be a desire to create outside facilities to market products.

It was also necessary to use funds outside the territories for ordinary government activities such as building, buying or maintaining offices or houses for urban representatives.

3/day
14/6/88

State's ruffled feathers delay SBDC financing

HOUSE OF REPRESENTATIVES — A better dispensation would be introduced for the Small Business Development Corporation (SBDC) when the state's financial feathers had been smoothed down, Finance Minister Barend du Plessis said yesterday.

In reply to second reading debate on the Appropriation Bill, he said this would be done in a way that would not mean increased demand on the taxpayer.

There was a limit to the state's ability to finance the SBDC, which functioned in a very high-risk environment.

Because it did not always have capital available at a low interest rate, it subsidised the rate, which at the moment was negative in real terms, or below the inflation rate.

The SBDC was the most spectacular action of its kind in Africa.

Du Plessis said the question of sanctions was taking on the dimensions that such a serious subject should have. Its short- and long-term deleterious effects were coming to the attention of the people of this country. — Sapa.

30
3/day
14/6/88

Rand-hedge stocks showing superiority

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5/15/88

By Sven Lünsche

As the rand exchange rate continues to slide against most major currencies, rand-hedge stocks are showing good value on the Johannesburg Stock Exchange.

A graph compiled by stockbrokers Simpson McKie shows that the share price index of a selection of exchange-rate-sensitive blue-chip counters rose by almost 37 percent from January to May this year, while the rand declined against the trade-weighted basket of foreign currencies by about ten percent over the same period.

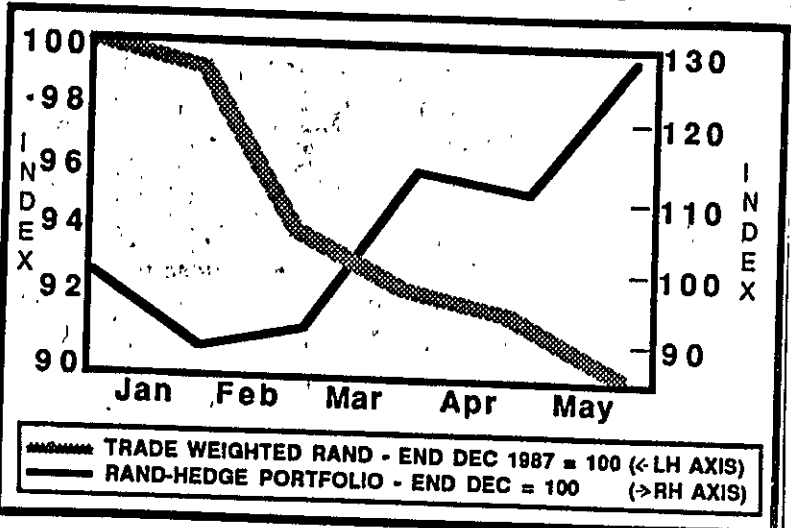
Trend to continue

And the trend is expected to continue. "We seem likely to remain in a phase where quality rand-hedge stocks should be well represented in share portfolios," says Simpson McKie.

So far this year, the all-share index has lost a further 7.4 percent, with gold shares some of the worst affected.

The all-gold index has dropped nearly 30 percent over the period, while mining financials have eased by about 11 percent.

In direct contrast, blue-chip rand-hedge shares have been doing extremely well.



Since December Remgro has appreciated by 48 percent, Sappi by 42 percent and Liberty Life by 35 percent.

Rembrandt has been particularly prominent over the past month, following its cautionary announcement in anticipation of a possible restructuring of its domestic and unquoted international interests, the brokers say.

"Also benefiting from favourable profit prospects and the weak rand have been Samancor, up 17

percent in May, and Rustenburg Platinum and De Beers, which both appreciated by about 16 percent."

All six shares mentioned above have been given equal weighting in the rand-hedge portfolio.

The indexed value of their share prices has been rising almost uninterrupted since the beginning of February, benefiting from a rise in earnings from their off-share investments as a result of the weakening rand.

INDICATORS & EFFECTORS
Mr. Keith Foster, managing director

Parts of Sandton open areas

GOVERNMENT has finally decided on Sandton City Council's 1985 request to allow trading by all races — but has permitted only parts of the city as free trading areas.

Sandton management committee chairman Ricky Valente has reacted angrily to the partial opening.

Disclosing the decision in Parliament yesterday, Constitutional Development and Planning Minister Chris Heunis said

CHRIS CAIRNCROSS
and ROGER SMITH

30
a proclamation declaring the Sandton CBD and other business areas free trading areas open to all would probably be published next month or in August.
Replying to Sandton MP Dave Dalling, Heunis said the delay in deciding on

● To Page 2 →

Parts of Sandton declared free for trade

the issue was the result of the council pressing for the entire municipality to be declared a free trading area.

Heunis said in view of government's policy to open only the CBDs and regional centres that served all race groups, Sandton's proposal was unacceptable.

As an alternative arrangement, his department had to investigate all the various business centres within the municipality to determine which areas, apart from the CBD, would qualify.

Particulars on the zoning of properties, development and number of busi-

69
← ● From Page 1
nesses at each centre also had to be obtained and personal inspections made.
Valente said it was "quite staggering to wait three or four years to get to the situation where we have been given a nonsense reply".

He described as "nonsense" Heunis's excuse for the delay. The council had made its request in two parts: firstly for the opening of the entire area; and secondly for the CBD to be opened. He said this need not have caused delay.

Rapid plan of action on new business Bill

CAPE TOWN — The Harmful Business Practices Bill, which would enable government to take quick and efficient action against individuals or firms that abused the economic system, would be put into operation as soon as possible, Economic Affairs and Technology Deputy Minister Théo Alant said yesterday.

He said in reply to second reading debate in the House of Assembly that First and Third World economies existed side by side in SA.

Where people had to make a choice in support of a political system, they had also effectively to choose an economic system. If people could be dangerously exploited under the present system, they would obviously not opt to retain it.

It was not correct, as some Press reports had stated, that the Bill gave the Minister the power to control wages and salaries.

Earlier Roger Hulley (PFP Constantia) said the Bill was landmark legislation in the protection of consumer interests in this country and was comparable to the best laws of its sort overseas. — Sapa.

Checkers looks at retrenching 1 500

ALAN FINE

8/10/16/6/8

A FAILURE by Checkers and the Commercial, Catering and Allied Workers' Union to reach a satisfactory settlement would leave management with no choice but to resuscitate plans for the retrenchment of 1 500 workers, Checkers human resources director Andy MacLaurin said yesterday.

Checkers declared a dispute with Ccawusa this week, saying it appeared differences could not be resolved without third-party mediation.

The union is demanding a R140 monthly across-the-board increase from July 1, while the company is offering R90 from October.

Earlier Ccawusa said Checkers had failed to explain why it could afford to embark on a major expansion programme while saying it was unable to improve on its wage offer.

MacLaurin said Checkers' profit levels were way below those of its major competitors.

(30)

Synergies show

As usual with Jeff Liebesman/Brian Joffe companies, this new one is presented in its first report — that for the six months to end-December — with panache and industry. The constituents are well-known to JSE followers: World Furnishers, still led by co-founder Reuben Swidler; Bradlows, led by Philip Jacobson; Michael Pellet of Fabric Libraries; and Melvyn Gutkin of

Handwritten: JM 17/6/88¹⁰⁷

Activities: Distributes and retails goods used in private homes.
Control: W&A has 43% and executive management 20% of the equity.
Chairman: Brian Joffe; managing director: Hilton Nowitz.
Capital structure: 167m ords of 1c. Market capitalisation: R150m.
Share market: Price: 90c. Yields: 3,9% on dividend*; 16,8% on earnings⁶; PE ratio, 6*; cover, 4,3. 12-month high, 210c; low, 70c. Trading volume last quarter, 750 000 shares.
Financial: Year to Decembrr 31.

Debt:	
Short-term (Rm)	0,25
Long-term (Rm)	32,59
Debt:equity ratio	0,31
Shareholders' interest	0,39
Int & leasing cover	0,94
Debt cover	0,67

Performance:	
Return on cap (%)	19,4*
Turnover (Rm)	180,6
Pre-int profit (Rm)	25,7
Pre-int margin (%)	14,2
Taxed profit (Rm)	17,7
Earnings (c)	14,9
Dividends (c)	3,5†
Net worth (c)	61,6

*Six months figures annualised
 †maiden dividend

Homewares. It is a star cast with a number of excellent supporting leads.

Present questions for investors relate not merely to the departure of former chairman Joffe, who has been replaced by Liebesman. The apparent fact to the outsider is that sticking companies together does not necessarily make more money. It seems a pity that synergies are not more clearly detailed in the report.

MD Hilton Nowitz tells me that opportunities "are enormous." He points out that the putting together of Fablibe and Selwyn Nieman means that these two control about 70% of their market; that these two are putting together lines for Bradlows, to which they had never previously sold; that the mail order and direct sales element, Homewares, has some 300 000 creditworthy customers who can now be approached by other group members; and that Semble-It, acquired after the past year-end, is starting to produce kitchen units for World.

Joffe's says the idea is that "the formation of Homemakers is one of the most innovative developments in the retail and wholesale industries for many years. The realisation of

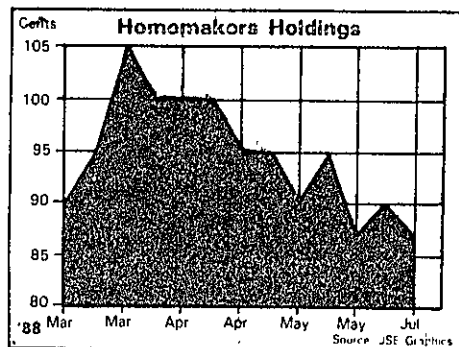


Homemakers' Liebesman ... seeking synergies

our mission will be an evolutionary development ... Already nearly half our earnings are derived from businesses that are largely non-cyclical and have demonstrated an ability over the past five years to grow strongly even in times of recession."

The last part of this statement needs qualifying. The pro forma five-year review of 12-month years to the same date as the report, which puts together the constituent companies, shows that, on the present share capital, Homemakers would have earned 4,1c in 1984, 2,4c in 1985, 9,4c in 1986, and 14,9c in 1987. That certainly doesn't look recession-proof, although it is reasonable in the circumstances.

The company has been doing extremely well in the six months to end-December, when it earned 10,5c of its 14,9c for the year. It will have done well in the six months to June. The major part of the business is in current debtors, at R218m, after writeoffs. But in the present share market, the share looks adequately valued at 90c. *David Ross*



Plaza-style shopping malls prove popular ^{Star 17/6/88} 30

By Frank Jeans

Two Oriental Plaza-style retail developments are on the way to the East and West Rand.

Central Krugersdorp is the focal point for the first which is due to open this September, while the other project will be in Benoni with opening date set for September, 1989.

Total cost of the projects by Rosebank development company, Shackman Bros is about R18 million.

Mr Kevin Murphy, of Shackman Bros, who is marketing the ventures, says: "About three years ago, we became aware of a phenomenon in the retail market.

"It was then in depression but much against the trend, the Oriental Plaza in Fordsburg was particularly active and business was booming.

"This prompted us to carry out market research and interesting points emerged."

The survey revealed that:

- The Fordsburg plaza was unique in attracting both black and white shoppers and this dual market was undoubtedly the main reason for its profitability;

- In terms of inflation, the plaza represented an opportunity for shoppers to bargain and therefore to counter rising prices;

- Because of the large number of shops in a relatively small area, it was virtually possible to get any retail item;

- A large number of shoppers at Fordsburg travel from the East and West Rand.

"We as developers, believed it was important that the unique character of the Fordsburg plaza be captured in the new projects," says Mr Murphy.

"Good architectural design work has enabled us to achieve this goal."

Both projects will have the financial backing of Stanbond.

The Krugersdorp complex will have about 84 shopping units and the Benoni project 197 units.

The rental is being pitched at R14 a sq m which is well below market levels.

The Krugersdorp operation is already almost fully let and letting is brisk at Benoni.

"A number of the Fordsburg plaza tenants are signing up for space in both developments," says Mr Murphy.

Hotel occupancies rising — Kahn ^{Star 17/6/88}

By Sven Lünsche

Average room occupancies in South African hotels increased by 11 percent over the previous year to reach 54 percent for the 11 months to end-February, writes Southern Sun chairman Meyer Kahn in the group's 1988 annual report.

"All star gradings reflected improved occupancies, with the three, four and five star sectors recording rises of 10, 17 and

11 percent respectively."

And he is confident that the improved trend will continue, despite expected pressures on operating costs by a high inflation rate. "The current rise in industry occupancies resulting from a more buoyant local economy and an increase in the number of foreign tourists, are cause for cautious optimism," he says.

Looking at the group's

financial position Mr Kahn says he expects further earnings growth in the current year on the back of an increase in group occupancies from 53 to 57 percent during the last financial year.

"The Johannesburg Sun also improved occupancy levels by 32 percent to about 50 percent, although it traded below levels of other hotels and depressed overall occupancies."

Furniture industry hit by credit squeeze

17/6/88 By Sven Lünsche

The increase in interest rates and the introduction of higher deposits by the government in May, to contain the soaring rate of credit financing, is already having a marked effect on the furniture and motor industry.

Last week the National Association of Automobile Manufacturer's attributed a slight decline in car sales from April to May partially on the credit squeeze by the authorities.

And yesterday the Furniture Traders Association (FTA) said some members had reported a sales growth in May of only 15 percent over the same month last year, "which means either a zero or negative growth in real terms," according to FTA executive director Frans Jordaan.

The FTA represents more than 90 percent of the country's furniture retailers.

"Feedback for June so far indicates a slight improvement but it is too early to quantify," said Mr Jordaan.

"When the curbs were first introduced they did not seem too severe, but they have had a definite impact. Even before the introduction of the new measures there was already a slight leveling off," he added.

He added, however, that most furniture retailers were still envisaging overall real growth of about five to six percent this year.

On the other hand Mr Jordaan said that labour problems and strikes in both the manufacturing and the retail sectors could inhibit growth.

"The current unfavourable exchange rate could also lead to price increases in imported products and components," he said.

Appliance sales improve 37%

Sales of major domestic appliances for the first quarter of 1988 were 37 percent higher over the figures for the same period last year says the Domestic Appliance Manufacturers Association.

Total sales were 105 444 compared with 74 286 last year. This excludes the sale of microwave ovens.

DAMSA chairman Richard Ferrer says strong growth in the sector began in October last year and continued until April, when sales were 10 percent down. *Star 17/6/88*

However, he pointed out that April sales were 34 percent better than April the previous year.

He expects sales to be stable for the rest of the year, which would result in an average growth rate in 1988 of 10 per cent.— Sapa.

29/6/88

(30)
B/day

Fall-off in ability to pay forecast

Consumers to up spending by 4,1% this year

CAPE TOWN — SA's total spending by private consumers would increase by 4,1% this year, but would go up only 2,3% in 1989, the Bureau for Economic Research at Stellenbosch University forecast.

Director Ockie Stuart said the ability and willingness of consumers to spend would dwindle.

"Most growth this year will take place in the durable goods sector," Stuart said.

"Next year growth will be evenly spread, but services will be slightly more in demand."

One of the fields that would be negatively affected was the sale of cars, which was expected to fall away fairly rapidly.

"This more sluggish demand will undoubtedly have a negative influence on the manufacturing industry unless manufacturers can switch to exports — and nowadays this is a risky operation," Stuart said.

SA manufacturers would have to plan for tighter financial markets, which meant they would face higher costs, and consumers whose financial situation was tightening.

The bureau also said SA employees would earn about 16% more in 1988 than they did last year.

However, the higher interest rates and rising inflation was expected to put a damper on the average South African's ability to spend between now and Christmas.

After-tax personal income would probably go up 16,5% this year.

"We estimate the country's inflation rate will average some 13% this year, which means that we're looking at an increase of about 3% in real disposable income," he said.

In spite of increased sales and production, SA manufacturing firms were maintaining the same number of employees.

This finding emerged from the bureau's latest in-depth study of more than 1 050 firms.

Stuart said a "disturbing" finding was the fact that fewer firms were expecting their employee volume to rise.

Sub-sectors envisaging a lower level of employment for the next three months, compared with the same period last year, were wood, non-metal, basic metal, machinery and plastics. — Sapa.

STP 21/6/88

Is the Government serious about deregulation?

South Africa has joined the global small business revolution. Small business now appears to account for nearly all new job creation, and a great deal of "unrecorded" economic growth. South African small business, as Dr Anton Rupert prophesied some years ago, has become big business.

The small business revolution in South Africa takes place against the background of the wave of deregulation, privatisation and pro-small business sentiment that is sweeping the world. This is the world's first truly global revolution.

Virtually all significant countries are now marketing to some extent. In the East and the West, in old and new countries, the First and the Third world, rich and poor, big and small — with few exceptions — small business is being decriminalised.

Even in black Africa the post-colonial dark age of "African Socialism" may be coming to an end. In Dakar, we "Dakarites" were treated to an example of this, the significance of which was unfortunately lost on most of the delegates. Wherever we went we saw the streets lined with small and informal businesses.

New policies

The government of Senegal arranged a special seminar on economic policy for both the ANC and the Idasa delegations which amounted to propaganda for their new free market policies. We heard that the economy was booming for the first time in many years thanks to small business deregulation, and the liquidation or privatisation of State corporations, land and housing.

Ten African countries recently sponsored a supplement to *The International Investor* in which they boasted, inter alia, about the new entrepreneurial opportunities in their countries. Some African countries, like Guinea, have undergone a rather dramatic but little known ideological somersault — invariably with the same beneficial results.

The corresponding developments in the communist bloc are no less fascinating. In most communist countries now small business is freer than it is in South Africa.

In some Central and South American countries the small business cause is taking on the appearance of a popular deregulatory movement

deregulation?

An exasperating lack of action is frustrating all other efforts to promote small business, writes Leon Louw, executive director of the Free Market Foundation.

not dissimilar to the Anti-Corn Law League in 18th century England. In Peru, Hernando de Soto's all time bestseller, *El Otro Sendero* (The Other Path), is concerned with the deregulation of small business and has developed a cult-like following. People go about the streets wearing T-shirts marked "I am an informal".

During the 80s virtually all new jobs in the US have been provided by small business. In the first half of this decade there was a net gain of 8 million new jobs; 10 million in the small business sector and 2 million in the big business sector.

Reports of this kind come in daily from all over the world. But what about South Africa? South Africa was one of the first countries to talk about small business deregulation, but has fallen dismally behind in terms of action — the notable exception being Government's support of the SBDC.

Exasperating

There has been an exasperating lack of fundamental deregulation, and this is frustrating all other efforts to promote small business. Since the early 70s Government spokesman have repeatedly promised that deregulation (and, more recently, privatisation) is imminent.

But their lack of performance has led to speculation that either the Government is not sincere or that it is impotent in the face of the obstacles presented by both private sector and bureaucratic vested interests.

These vested interests can be found in existing business, labour and the civil service, and any successful future policy regarding small business development will have to accommodate them.

As far back as 1985 the State President himself sounded exasperated when he said: "I am of the opinion that there are too many rules and regulations ... Even if I as State



Louw ... "don't impede the entrepreneurs".

President have to take power during the next session of Parliament so as to enable me to deregulate in the interests of the country, I will do so!"

The Temporary Removal of Restrictions Act seemed to be the first breakthrough. It gave the State President the power to suspend many laws, but to date only one small property in the Johannesburg suburb of Kew has been slightly deregulated. There has been some deregulation in other respects too.

On the face of it, it seems a lot, but doesn't amount to much against what must still be done.

So, apart from its direct assistance to such agencies as the SBDC, there is no hard evidence yet that Government really means business. However, there are some hopeful signs. This year may be a turning point.

There is speculation that there is draft legislation at the departmental stage regarding the genuine deregulation of business licensing and of taxis — slight relaxation of the taxi licensing laws and of enforcement of the remaining laws has led to an explosion in the industry.

Some of the homeland Governments are following Ciskei's examples of deregulation, and a few municipalities are seriously considering deregulating to the extent permitted within their limited powers.

Some, like Johannesburg, Durban and Cape Town, have already made a start. They have provided the first visible and truly welcome signs of progress with the emergence of village markets, decriminalised hawkers and hot dog carts.

In some areas zoning policies are being relaxed and "cottage industries" are returning. Now more and more people see that the sky does not fall on our heads when Big Brother bureaucrat is not watching over us.

Unfortunately, besides these hopeful signs there are also indications that the Government might be tempted to protect small businesses from failure through special programmes. This may be well-meaning but it is mistaken.

Avoid mistakes

It is as important for unsuccessful businesses to go to the wall as it is for successful ones to thrive and grow. Government should not make the same errors in this area as it has made for decades in agriculture.

There is also an unfortunate tendency to associate small business with black business, and black business in turn with a limited range of activities. Small business had nothing to do with skin colour and should be encouraged in all communities, and the time has come for black entrepreneurs to start thinking beyond trading, taxis and small industry to, for example, air transport, computers and property development.

The objective of small business is usually to become big, and if this is not constrained in any way, big business will be subjected to market forces which ensure that it can only retain its share by offering goods and services at competitive prices.

With sanctions already imposed on South Africa and the threat of more to come, it is important that Government gets out of the way of the entrepreneurs and allows them to use all the opportunities available to produce wealth and create jobs.

• This article was written for *Roots of Enterprise*, a Leadership publication.

Industrial property market picking up

Star 21/6/88

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Oversupply in the industrial property market is rapidly diminishing and according to figures from the South African Property Owners Association, there are an estimated 300 000 sq m of vacant space in the PWV area compared with almost 750 000 sq m a year ago.

Mr Anton Bieber, assistant regional property manager, Witwatersrand, of Old Mutual Properties, says: "The vacancy factor in our industrial portfolio on the PWV, which totals 500 000 sq m, has dropped to less than 7 percent.

"In the wake of the upturn we are still experiencing major demand for space of less than 1 000 sq m, although there remains significant call for accommodation of up to 2 000 sq m."

Lettings by OMP over the past year include 8 000 sq m at

the City Deep Industrial Park, which is now fully let; 5 000 sq m at the Isando Business Park (72 percent let) and 3 000 sq m at Hudaco Park, Elandsfontein.

A further 1 500 sq m at Isando is under firm negotiation.

Major lettings there have been to Eagle Freight, Barlow's Shipping and PG Windscreens.

"Rentals continue to rise as prime space comes under pressure," says Mr Bieber.

"Tenants are prepared to pay well for space provided they are supplied with premises that enable them to run their businesses effectively."

Rents at industrial parks have been negotiated at more than R6 a sq m net for large space, while in the much sought after Wynberg-Kramerville area, office space which is attached to warehousing is commanding about R14 a sq m net.

A R2,4 million contract for

services at the R200 million Route 24 Sanlam Industrial Park on the Jan Snuts Highway, has been awarded to President Prestige Roads.

Construction of roads and drainage and installation of sewerage and electricity, will be completed by January 1989 when factory building will then start.

Mr Paul Kruger, managing director of Bankorp Property Services and a director of the joint Sanlam and Bankorp scheme, says there are confirmed sales for a third of the 21 ha of the first phase of the three-stage project.

Phase two will begin when 70 percent of the first part is sold.

Prices for sites ranging from 2 000 sq m to 6 000 sq m are R90 a sq m for land with freeway frontage and from R70 to R80 a sq m for other stands.

Real spending up 18% — Bank

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GRETA STEYN

PRIVATE consumption spending on durables surged by 18% in real terms in the first quarter of this year from the same quarter in 1987 as the consumer-led upswing went into top gear.

At current prices, consumers' spending on durables advanced by 42%, according to statistics in the Reserve Bank Quarterly Bulletin.

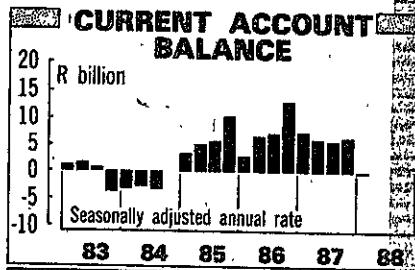
Total private consumption expenditure was 2,8% up in real terms on the first quarter of last year.

The message from the Bank is that consumption spending cannot be allowed to race ahead, putting pressure on the current account of the balance of payments.

Even if SA had recourse to foreign funds to finance a current account deficit, the surge in economic activity in the first quarter could not be allowed to continue unchecked.

The Bank said: "Even in the most favourable circumstances, a largely consumption-driven economic upswing cannot and should not be financed for any length of time by increasing the country's foreign indebtedness or by drawing down the gold and other foreign reserves.

"A situation of this nature, as in 1983-



Graphic: FIONA KRISCH Source: SA RESERVE BANK

84, would eventually call for a re-imposition of more restrictive monetary and fiscal policies. If such action were to be delayed or temporarily rendered ineffective, more drastic measures would be needed at a later stage."

Rapidly expanding domestic demand pushed the current account into a deficit of about R400m in the first quarter from a surplus of R6,1bn in the last quarter of 1987, at seasonally adjusted annual rates.

However, the Bank points out that before seasonal adjustment, there was still a surplus of R839m in the first quarter of 1988.

The squeeze on the current account was largely the result of a jump in the value of imports combined with a small decline in the value of exports.

INFORMAL SECTOR

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Scouting for talent

SA cannot underestimate the importance of the informal sector as a potential provider of jobs. One obstacle to the growth of this unrecorded economy is the difficulty in raising small sums of capital to get started. In an attempt to fill the gap, a credit guarantee scheme to provide financing to the informal business sector is to be launched.

Details of the Black Enterprises Trust (BET) project were released when the magazine *Black Enterprise* celebrated its first birthday recently.

BET is an independent trust which oversees the publishing and marketing of *Black Enterprise*. It now intends to embark on a number of other projects.

The creation of a credit guarantee fund is aimed at establishing "a central fund which will be used as collateral for viable, new businesses the trustees nominate," says BET trustee Sam Alexander.

Other development projects are aimed at linking small and big business in a number of schemes including a plan to join forces with the Urban Foundation (UF) to expand the foundation's directory of black business sup-

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pliers. The directory provides information for local big business and multinationals — many of which have adopted a policy of "buying black." The directory currently lists some 2 000 black businesses. The BET and UF hope to double the entries.

"The directory has been so successful in connecting individuals and businesses that this year the estimated trade between them will exceed R27m," notes Alexander.

The trust does not only see a role for itself in promoting the informal sector, to which it

pays tribute: "The fact that since 1981, 2,5m workseekers have entered the SA economy and somehow kept body and soul together, despite declining work opportunities in the formal sector, is a credit to the informal or unrecorded sector," says BET's Lazarus Zim.

In the long term, the trust advocates bringing untapped informal sector talent into the formal sector as a means of boosting the economy.

"The informal sector is a concrete indica-

tion that blacks not only want to work, but that they are so innovative and self-reliant that they create their own jobs," Zim says.

But it would be to the advantage of whites to embark on a programme of black economic empowerment in the formal sector, he suggests. "A black managerial class could alleviate the load of overextended white managers, spread the tax burden and create wealth which, in turn, would create a climate conducive to a shared future instead of fighting over a diminishing economic cake." ■

24/9/88
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SHOPRITE, Pepkor's supermarket and butcher retail subsidiary, plans to further expand its trading base and open five new stores this year.

In the latest annual review, MD Well-wood Basson says continued success in the black market is creating a receptive environment for opening additional stores in this sector.

Chairman Christo Wiese says the food retail industry is one of the most competitive but also one with extremely favourable future potential given the changing demographic profile in SA.

8/23/82 (30)
Shoprite to open new stores

KAY TURVEY

During the year under review, Shoprite expanded into the Transvaal market, opening a branch in Pietersburg. Trading results exceeded expectations and another shop is to be opened in the northern Transvaal soon.

The group's solid balance sheet with virtually no gearing shows it is well-positioned to pursue this expansion path. Interest bearing debt to shareholders funds is a mere 2%.

New boost for deregulation? 30

The small business and informal sectors could be given a strong boost, should government accept the recommendations of a deregulation lobby, known as the Sunnyside Group, to promulgate a new Small Enterprise Promotion Act.

Devised with the intention of speeding up the process of deregulation, the proposed Act will grant special monitoring powers to a small business commissioner, who will oversee deregulation and advise government on the necessity of amending — or scrapping — outdated laws that restrict entry into, or the effective running of a business.

"Government officials have expressed concern about the creation of yet another bureaucracy, but this is clearly not the intention. We want deregulation to gather momentum — so far, only the surface has been scratched," says Job Creation SA CE and member of the Sunnyside Group, Ian Hetherington.

With 4m-odd unemployed in SA and the number growing by 300 000 every year, neither the formal business sector nor government have the resources to stem the tide of joblessness. It is common cause, however, that by amending unnecessary and outdated legislation and the thousands of antiquated municipal and provincial by-laws, millions of additional jobs could be created in the informal sector at minimal cost to the taxpayer.

Novel suggestions in the proposed Act (a copy has been handed to government) include the following:

- All new legislation should be tested for its possible impact on small business and the legislator should publish an accompanying report analysing this impact. The draft Bill and impact analysis should be communicated to small business lobbies at least 180 days prior to promulgation;
- All departments and divisions administering legislation, including provincial and local authorities, should, within 180 days of commencement of the Act, submit proposals for a compulsory public review of the legislation

they administer. The onus will be on the administering authority to justify its application to small business. The review should be completed within three years;

The appointment of a small business commissioner, with assistants, to monitor central and local government laws, examine their impact on small enterprise and recommend improvements. The commissioner will report to the State President.

The Sunnyside Group is a voluntary association with representatives drawn from the National African Chambers of Commerce (Nafcoc), the African Council for Hawkers and Informal Business (Achib), the Get Ahead Foundation, Job Creation SA, the Small Business Development Corporation, the Law Review Project and various other bodies with a strong interest in deregulation.

The need for a monitoring body on deregulation was proposed by the SBDC to the President's Council as far back as 1985. The Office for Deregulation and Privatisation (now under Minister Dawie de Villiers) has been administering the process to date, but the lack of the department's ability to scythe through legal impediments has slowed down the momentum.

While deregulation remains a topical buzzword, implementation of the policy still has a long way to go. Even the State President's special powers to cut through red tape under the Temporary Removal of Restrictions on Economic Activities Act have only been used once — to deregulate activity in one building in Kew, Johannesburg.

The reason, says executive director of the Self-Employment Institute Theo Rudman, is that vested interests remain the most powerful lobby against deregulation. He points out that much legislation and many regulations exist "purely because it serves the interests of certain groups rather than the community as a whole."

He adds: "There will be squeals of complaint from people who are protected by the existing legislation. Everyone supports the

process of deregulation in principle until it affects him or her personally — and then the opposition tends to become loud and vociferous."

Many businessmen, therefore, have "mixed feelings" about the deregulation of laws that restrict entry of people into business, whether as manufacturers, distributors or in the service sector. But, while this type of reaction to increased competition is understandable, it is certainly not in SA's best interests — sociologically or economically.

"The greater the number of underprivileged people who enter private enterprise, the stronger the resistance to creeping socialism. Little capitalists, given the opportunities, can become big capitalists and therefore object lessons to others," says Rudman.

Big business thus has an interest in promoting deregulation. Not only does it create jobs at minimal cost to the taxpayer, but with more retailers local demand, particularly at the wholesale end, also increases — as happened in Taiwan and other Far Eastern "miracle" economies.

That this type of "inward industrialisation" is possible in SA is evidenced by the huge growth in black taxis and hawkers (*Business* June 17).

An added spinoff is that economic growth creates a politically stable and economically prosperous society. All these factors benefit "big business", which should actively support the growth of small and informal business.

"Indeed, the extent of the legislation hampering black business activity is such that one wonders how a black business sector was able to emerge at all. The fact that it has, serves to illustrate the potential, tenacity, courage and enthusiasm of our underprivileged people," says Rudman.

But further deregulation is still needed. Hopefully, the focus given to the subject by the Sunnyside Group's lobbying activities will give renewed momentum to what is an essential process. ■

Design firm opens SA office

SRV 25/6/84
Reversing the current disinvestment trend, the Toronto-based Watt Group, one of the world's leading strategic planning and design firms, has expanded its operations to Johannesburg.

The Watt Group specialises in strategic design services to consumer products companies and multi-store retailers.

Its international clients include: Nestle, Kraft, H J Heinz, Nabisco, Federated Department Stores, House of Fraser, IBM, and Philips Electronics.

Watt is best known in

South Africa for its repositioning of the Checkers Group in 1984-85.

That program included the design of new Checkers stores, revamp of existing stores, conversion of existing hypermarkets into the Checkers Warehouse format; and the upgrading of Yellowbrand private label packaging.

Said Michael Rubin, managing director of the South African office: "We now have a fully staffed graphic and industrial office in Johannesburg.

"Internationally, we are working on the leading edge of new retail

and packaging concepts and this expertise is also available to South African clients from our Toronto office."

Mr Rubin, who was chief operating officer of Watt's worldwide operations for seven years, is a Capetonian who returned to South Africa to oversee the Checkers project.

He added: "Watt has proved time and again that there are great opportunities to make impact on the consumer at point of sale.

"Manufacturers and retailers who miss this opportunity will increas-

ingly find their market share slipping as consumers are attracted to more aggressive competition."

The Watt Group has already begun strategic design work for a number of South African consumer goods manufacturers and retailers.

Said Mr Rubin: "With the continued brain drain from South Africa, it is often impossible for local companies to afford local talent, even if available.

"Watt affords imported expertise and the latest in world retail trends at affordable cost."

The video flighting now arriving

Real growth

Chairman Meyer Kahn says national sales of clothing, footwear and household textiles grew by a nominal 23% in calendar 1987 (though growth in volume terms was only 3%). So the group's overall 26,7% sales growth (7% in real terms) reflects a market share 0,7% up at 14,5%. Heavy investment in technology led to better management of merchandise assortments and inventories: marketing, merchandising and operating programmes were "well co-ordinated to take advantage of a more buoyant environment."

Floor space grew by 2% and 17 new stores were opened, 10 in the experimental Express chain which has been repositioned as a dis-counter of classical fashion goods.

Financial controls were tightened and borrowings fell by R8,7m, contributing to the

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Activities: Retail clothing, footwear and accessories through three national chains: Edgars (upper to middle income groups, credit, 165 stores); Sales House (lower income groups, credit, 100 stores) and Jet (lower income groups, cash, 78 stores). There are also three clothing factories, trading as Celrose.

Control: SA Breweries has a 60,6% stake, through Edcon.

Chairman: J M Kahn; managing director: V B Hammond.

Capital structure: 43,0m ords of 10c. Market capitalisation: R699m.

Share market: Price: R16,25. Yields: 3,3% on dividend; 8,7% on earnings; PE ratio, 11,4; cover, 2,6. 12-month high, R21; low, R11,50. Trading volume last quarter, 56 000 shares.

Financial: Year to March 26.

	'85*	'86*	'87*	'88
Debt:				
Short-term (Rm) ..	10,3	21,6	3,4	14,9
Long-term (Rm) ...	73,5	55,6	43,4	23,2
Debt:equity ratio	0,6	0,51	0,21	0,13
Shareholders' interest	0,39	0,39	0,45	0,45
Int & leasing cover	1,4	1,4	3,2†	4,5†
Debt cover	0,31	0,29	0,80	1,82

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	15,1	13,1	18,0	22,0
Turnover (Rm)	683	735	930	1178
Pre-int profit (Rm) ...	56,2	51,9	90,2	130,8
Pre-int margin (%) ..	8,2	7,0	9,7	11,1
Taxed profit (Rm)	19,8	18,2	39,2	59,3
Earnings (c)	47	43	95	142
Dividends (c)	25,75	22,5	40	53,5
Net worth (c)	334	354	410	499

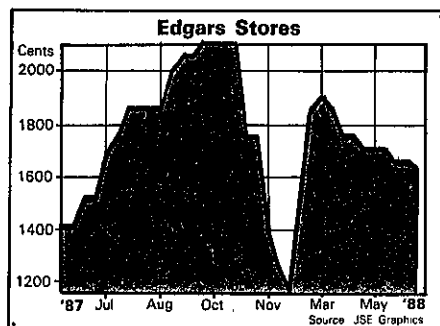
*Per share figures adjusted for 20-way split in 1987

†Including financial lease charges only

50% earnings rise — all the more creditable in that in the previous year earnings had more than doubled, though to some extent this only makes up for relatively slow sales and profit growth in 1984-1986.

Financial ratios generally improved, but the current asset ratio fell from 2,1 to 1,7. As with some other groups, this may be because the financing burden was shifted to suppliers: creditors rose by R72m to R287m, against an increase of only R24m to R193m, in stocks. However, cash flow is healthy.

Of the three main chains, Edgars itself contributed R96m of the total R131m pre-tax profit. Sales House's sales were 30% up (10% in real terms) and it has converted the pre-tax loss of two years ago into a R25m pre-tax profit. Jet lost marginal market share, but, nevertheless, boosted pre-tax profit by 21% — though by inference to, at most, R10m, which suggests its margins are by some way the lowest in the group.



DIVISIONAL SALES

(Rm)

	'86	'87	'88
Edgars	483	614	787
Sales House	116	145	189
Jet	140	174	201

Both Edgars and Sales House seem well set for continued growth. Jet, operating in the less buoyant cash market, has a more difficult time ahead. Its core objectives are to regain market share and restore margins, in search of which it has gone through major organisational restructuring and revamped marketing and merchandise programmes — including the classic ploy of changing its ad agency.

Overall, Kahn says recent "monetary adjustments" will temper the growth in consumption spending. But budgets reflect "cautious optimism and, provided consumer confidence remains at its current high level, the group expects a further real improvement in EPS."

Earlier in the Eighties, the share at best kept pace with and, for much of the time lagged behind, the JSE retail index. In the past two years, it has enjoyed a substantial positive re-rating. This process has now probably been completed, so share price performance may become more sedate again. Still, "real improvement" should mean earnings of at least 180c this year and dividends (with cover now at a sustainable long-term level) of at least 65c. That, in turn — despite the problems at Jet — should keep the rating from slipping back.

Michael Coulson

Free market 'also needs' protection

8/20/84 (30) 15/6/84

CAPE TOWN — Government was seeking powers to act against individuals who exploited the free-market system and to make regulations outlawing harmful business practices, Economic Affairs and Technology Deputy Minister Theo Alant said in the House of Representatives yesterday.

These powers were provided by the Harmful Business Practices Bill, of which he moved the Second Reading.

The Bill was supported by the House and read a second time after Alant had thanked members for their support.

Earlier, Les Abrahams (LP Diamant) said the cornerstone of the free-market system should not be allowed to be discredited by selfish and dishonest businessmen who cared nothing for the country and its people.

The Bill would have achieved its goal if it succeeded in redressing the imbalance which always favoured those who were financially strong against the less privileged.

Abrahams said the latter were more often than not people of colour.

In his reply, Alant said the Bill also provided for the creation of a committee of experts who would not be politically responsible to anyone and which could examine complaints of the Consumer Council to establish whether particular patterns emerged which needed to be stopped.

There would also be a court of appeal to protect those who were acted against, but he believed that if action was taken on sound legal grounds, this court would have more of a symbolic role than a real one. — Sapa.

Rents for prime office space rise

Gross rents for prime office space countrywide rose by more than 31 percent between April 1987 and the fourth month of this year and are expected to keep going up over the rest of 1988.

The research department of Anglo American Property Services reports that rents in Parktown, Johannesburg, jumped by nearly 44 percent over the 12 months, while Pretoria at 19,6 percent had the lowest rise nationally.

"Rent levels in central Johannesburg and Braamfontein rose by 31,6 percent and 34,1 percent respectively in the period under review," says Ampros.

"It is expected that further pressure will be exerted on rents as prime office space is taken up during the rest of the year."

Demand for space in Sandton is still strong. Much of the space in the many buildings going up there is already committed.

Prime office space in Sandton is averaging R21,60 a sq m — a 34,3 percent rise on the R16 a sq m of a year ago.

The Randburg office market is strong, with rents going up to R15 — a 28,6 percent increase.

Rents have risen by 25,9 percent in Durban. Prime space in Cape Town's CBD has been reduced considerably in the past few months. With virtually no accommodation on the market in 1988, achievable average rents of R17 to R18,50 a sq m are forecast.

Black consumer confidence down ³⁰ today

CONSUMER confidence among blacks is on a downward trend, with people less optimistic about their ability to spend in months to come.

The latest survey conducted by Stellenbosch's Bureau for Economic Research (BER) shows that black consumers are starting to lose confidence in the strength of the economy. However, despite a drop in confidence, the majority of respondents still had a positive attitude.

The confidence index for black consumers moved down to 102 for the current quarter from 109 in the previous quarter and 115 in the last quarter of 1987. Since an index figure of 100 indicates neutral expectations on the economy, the BER says most black consum-

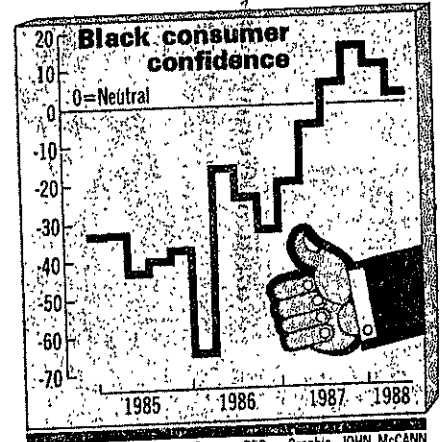
GRETA STEYN 7/6/88

ers still have a positive attitude.

BER director Ockert Stuart notes that black consumers' sagging confidence will probably hit businesses only in the third quarter of this year. The latest survey shows that the last quarter of 1987 was a high point in consumer spending and that demand was now tapering off.

The demand for durables, in particular, would fall way as the year went by, because of weakening confidence and higher interest rates.

The survey shows that most consumers regard the current situation as inappropriate for purchasing furniture or domestic appliances.



Clicks still expanding trading area

11/6/88 (30)

By Tom Hood

CAPE TOWN — A major expansion by Clicks will see a 20 percent expansion in its trading area this year, says managing director Trevor Honeysett.

Sales have already increased by about 25 percent since January. "Trading is very buoyant and we believe it will remain that way for the rest of the year," he said in an interview.

By July the number of stores will increase from 78 to 82 and by December there will be 88.

"We have always spoken about our 200 stores target and by December 1989 we will be half-way there with 100 Clicks stores."

Originally, the group planned to expand the down-market Diskom chain on the same path as Clicks, "moving up the coast before going inland," said Mr Honeysett.


But the strategy has changed and the plan is establish Diskom in the Transvaal by December.

As the shops are smaller than the Clicks stores, it would be easier to get premises and open at a faster rate than Clicks.

Mr Honeysett was discussing expansion plans, now that he has taken up the reins of chief executive from the company's founder, Jack Goldin, who is moving into his role of chairman and consultant.

A major factor of the expansion was that the company had no gearing and all future growth could be financed from internal resources.

Motor vehicle prices ride up again this week

Star
4/6/88
30


Most motor vehicle prices are going up this week.

After VW's increases of 4,5 to 5,5 percent on Monday last week, Toyota, Samcor (Mazda, Ford and Mitsubishi) BMW and Delta (Opel and Isuzu) have announced similar quarterly increases with effect from today.

Nissan has not decided on the size or timing of its increase, but is likely to follow suit next week. Mercedes-Benz put up its prices as recently as May 9 and is unlikely to move again immediately.

The latest salvo of increases, fuelled by a renewed slide in the value of the

rand, brings cumulative price rises in the past six months to around 13 to 14 percent, and makes it increasingly likely that the sales boom of recent months will prove short-lived.

Among other things, the increases mean that South Africa's lowest-priced hatchbacks -- the VW CitiGolf and the Opel Kadett Cub -- now cost more than R17 000, while Toyota's most expensive locally manufactured model, the Cressida 2,8i Twincam, has broken through the R50 000 barrier.

See the New Car Price Guide in tomorrow's *Star Motoring* for all the new prices.

A flourishing Morkels looks after staff

By Sven Forssman

Morkels continues to focus on the care and development of its people and to this end excellent results have again made possible the declaration of a special bonus to enable employees to increase their shareholding in the company, chairman Neville Organ says in the annual report.

"It is pleasing that despite the stock market collapse, many of our people continue to hold the shares acquired at the time of the listing," he says.

"Good prospects exist for an improvement in sales and profitability during the current financial year and the company has realistically budgeted for further growth.

"This should be achieved if no artificial constraints are applied which have the effect of materially reducing demand for consumer durable goods."

Reflecting on the year under review, Mr Organ says overall private consumption expenditure showed strong growth for the first time in many years as a result of increased personal disposable income and the continuance of the trend to spend rather than save.

"Durables have led growth among retail sales sectors which, together with improvements in the housing market, reflect a willingness on the part of the consumer to incur higher debt by committing a greater proportion of future income to current purchases."

Mr Organ says the proposed withdrawal of the GST allowance will have an adverse effect of the company's cash position.

"The allowance eases the industry's burden of paying GST in advance of payment by the customer. The industry will seek similar relief when the VAT system is introduced."

Roller-coaster thrills in the rag trade

STAN KENNEDY (30)

When Mr Vic Hammond attends a social function his eyes invariably stray towards the ladies to see the type of shoes, fabrics and dresses they are wearing.

An obsession with him, it is also a habit that lands him in plenty of trouble with his wife who "goes crazy when she sees me glance at the women", he says.

As managing director and chief executive of Edgars Stores, Mr Hammond finds the fashion world, local and international, exciting, vibrant and addictive. "I love it," he says animatedly. "Every six months you start again in a new season. Even if you miss the mark in one season, you get the opportunity to renew yourself in the next one."

"The stimulation comes from constant change and the seeking of what our customers want. It's like the thrill of a roller coaster on which I don't want to get off."

Gauging consumer habits, he says, entails the sending of dozens of buyers, merchants and fabric people all over the world, scouring the fashion houses to see what the trends are. Then taking those trends and distilling them for commercial use in South Africa.

Having its own factories in Zimbabwe and Natal, which produce mainly men's and ladies' outerwear, Edgars has a decided advantage over its competitors. When it comes up with its own ideas, it imports the fabrics and sneaks its fashions into the marketplace at least three weeks before its competitors.

The group recently completed its business plans for the next three years, at which time the sprightly Mr Hammond (62) will retire.

"I have been accused by people inside and outside the organisation of having a rather misty strategic vision. Fundamentally, I am a conservative. I am not bent on take-overs and mergers or moving factories to other countries."

"I believe a man in my position should have two strategies. There is the one already formed when the company says it is going to follow such and such a path. The other is what emerges from the interaction of that strategy in the marketplace. It is from that the company grows."

Important, too, is the company's culture. The one he is trying to instil at Edgars, Sales House and Jet Stores is

that fashions require constant innovation and that his managers and other executives must learn to make changes that create more value for customers. These activities, he says, are what breathe new life into an organisation.

He says: "We sold credit when I joined the company in 1960 and gave six months to pay to those who could not get credit anywhere else. We were not merchants, we were bankers, and very successful ones at that."

But the time came when we had to branch out of the protective umbrella. We decided that the banking side would be a service and that we would become essentially merchants.

The metamorphosis soon catapulted the company into maturity and today it is the country's leading fashion house.

Evidence of its success is the R1.2 billion sales in the year ended March and attributable profit of R61 million, the best in its history.

In comparison, sales in 1960 when Mr Hammond joined as head of the credit division, were only \$5 million which, in today money terms, was worth R150 million.

Discounting top lines

Its strategy of discounting certain items each week creates "a tremendous response".

"We are not trying to get rid of distressed stock. We take the best selling items that are in fashion and discount them for two or three days. We could not afford to do it any longer else we would go broke. But it creates traffic in our stores and many of the customers buy other items. We don't mark up to mark down."

Returning to theme of being a passive leader, an epitome he didn't seem to care for, he says many companies claim they have decentralised but it is merely a structure on a piece of paper.

"I delegate without ambiguity but that doesn't make me a passive leader. I'm sitting in the background as the chief executive, watching and nudging and giving direction where I feel it is needed. If we are to reach our goals.

"The people who report to me practice

the same form of management. The idea is that it should go right down to the shop floor to our 12 000 employees."

Like a recurring dream, he constantly asks himself the question: Is the group going in the right direction? And like the self-starter that gets an engine whirring, his mind begins to look for new ideas and new strategies.

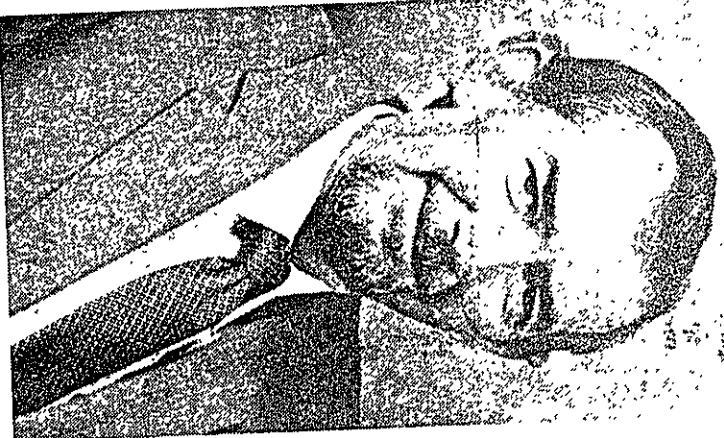
"We exist to beat the competition. You have got to be number one in whatever you do. In retailing, getting to the top is hard, but staying at the top is much harder."

Sitting on that perch, you can easily be knocked off if your competitors are smart. I never underestimate them.

Like democracy, which requires little interference for it to work efficiently, Mr Hammond sits in the background, applying gentle persuasion to his staff for greater efforts.

He has an open door policy and practices, what is called, "management by walking around". He needs to know what is going on and to feel the pulse of the business, not only by talking to those who report to him but also by talking to workers on the shop floor.

At weekends, he likes to get away from the maddening crowd and drive his car to "nowhere in particular". It is probably the only time he doesn't know where he is going.



VIC HAMMOND — "We exist to beat the competition."

Small business (30) Star 23/6/88 registrations climb

By Sven Forssman

The creation and expansion of small businesses had increased beyond expectations, a spokesman for the Small Business Development Corporation (SBDC) said yesterday.

"More than 160 loans worth R8,5 million have been granted to first-time entrepreneurs under the Start-Up Fund since it was expanded in February," said Johan Naude, senior management, Development Services.

The Start-Up Fund was a success from the moment it was introduced two years ago, with the result that the fund was boosted by R42 million in February this year.

The fund was also extended because of information from the Information Trust Corporation that the number of new companies seeking registration had mushroomed by more than 200 percent in the past three years.

Managing director Dr Ben Vosloo described the new programme as a vital bridge in helping new small business ventures cross from the informal sector to the formal sector and thus into the economic mainstream.

The scheme had by February

channelled R57 million to 1 347 small enterprises, creating 10 873 jobs in the process.

Mr Naude said: "The number of inquiries from prospective entrepreneurs and the number of successful finance applications have shown remarkable growth since February."

The SBDC's statistics indicate that, on average, R52 000 is required to start up a small business in the formal sector. Start-up costs in the informal sector are, of course, substantially lower.

Of all the small businesses started up under the fund since February, 38 percent were in the retail sector, 35 percent in the service sector, 22 percent in the manufacturing sector and four percent in other sectors.

In the retail sector, entrepreneurs focused predominantly on restaurants, supermarkets, general dealers and take-away concerns. Dry cleaners, laundrettes, hairdressers, beauty parlours and consultancy-type ventures proved the most popular in the service sector.

In the manufacturing sector, it was mostly engineering/welding operations, wearing apparel, printers and food processing firms.

Auditors show Milly's loss at R2,6-m for year

CAPE TOWN — An announcement published today by Cape-based fast foods and convenience store chain, Milly's Stores Limited, discloses that the company traded at a loss of R1,04 million for the six months to December 31, 1987.

In addition, today's figures also show a prior year adjustment of R409 000 and an extraordinary loss of R1,1 million arising from the sale of Milly's Carousel. This brings the total loss for the year to R2,6 million.

The company's previously published unaudited results for the period showed a net profit of R358 000.

Milly's shares, which will shortly be relisted, were suspended on the JSE on June 1 at the request of the directors following concern that the interim figures may have been incorrectly reported. Chartered accountants Kessel Feinstein were called in and their preliminary report revealed the disparity in the figures.

Acting chief executive of Milly's, Unidev's Anthony Scott-Wilson says that no explanation has been forthcoming from former MD Michael Bruchhausen for the large discrepancy between the unaudited interim results as presented

by him to the board, and the figures determined by Kessel Feinstein.

The official announcement states that the previously published results had been prepared by Bruchhausen and were accepted by the remaining members of the board in good faith.

Unidev has declared its intention to support the company: "In spite of the major losses incurred, we believe that Milly's is viable and we are taking active steps to safeguard both our own interests and those of minority shareholders," said Unidev executive director Ronnie Stein.

Recapitalisation necessary

"New financial disciplines have been imposed and we are confident that, barring unforeseen circumstances, the measures implemented will lead to a significant improvement in the company's trading position within the foreseeable future.

"Clearly however, Milly's needs to be recapitalised in order to fund new growth," Stein said.

To this end, the company plans to raise R2,5 million by way of a rights offer, which Unidev will underwrite. Further details will shortly be circulated to shareholders.— Sapa.

Aggressive
marketing
pays off at
CNA Gallo

By Sven Forssman

While the improvement in economic conditions played a role in the earnings growth of CNA Gallo, much credit must go to management's well-timed decision to lay the main emphasis and stress on aggressive marketing and sales policies, chairman Tony Bloom says in the annual report.

"Sales at more than R429 million were 22 percent ahead of last year. This compares with an increase in the Consumer Price Index for the same period of 13 percent and a growth in general non-food industry retail sales of approximately 18 percent.

"Attributable after tax and minorities profits amounted to R23 million, an increase of 76 percent on the previous financial year. At the pre-tax level, all operating divisions reported substantially improved profitability."

Mr Bloom says the group anticipates further real earnings growth, despite the much higher base.

"Given economic and political stability, I have every confidence that these budgets will be achieved," he said.

Activities: Largest motor retailer in SA.
Control: Directors hold 12%. Amic has 24,6%.

Chairman: B C McCarthy; joint managing directors: T J Swart and D Saville.

Capital structure: 17,1m ords of 50c each.
 Market capitalisation: R122,9m.

Share market: Price: 720c. Yields: 9% on dividend; 25,5% on earnings; PE ratio, 4; cover, 2,8. 12-month high, 1 150c; low, 620c. Trading volume last quarter, 546 638 shares.

Financial: Year to June 30.

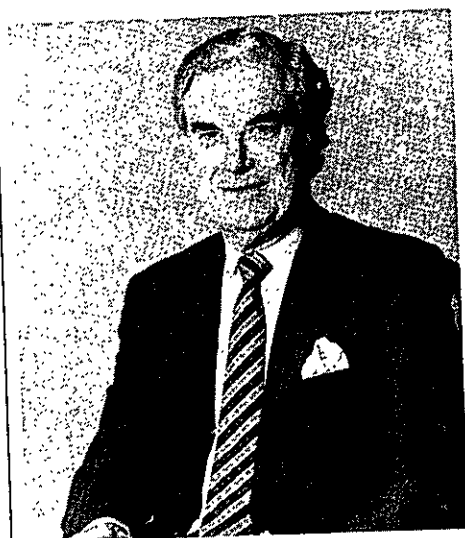
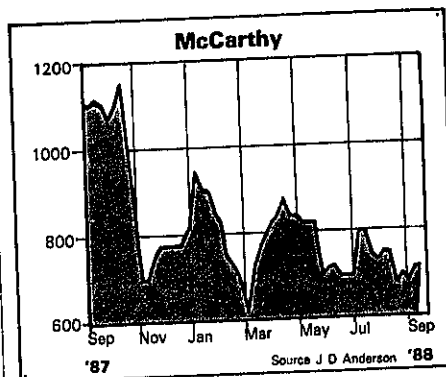
	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	38,8	38,6	27,6	11,4
Long-term (Rm) ...	4,8	4,1	4,0	12,3
Debt:equity ratio	0,49	0,40	0,21	0,15
Shareholders' interest	0,42	0,43	0,47	0,43
Int & leasing cover .	1,8	1,6	3,6	5,08
Debt cover	0,27	0,29	0,69	1,3

	'85	'86	'87	'88
Performance:				
Return on cap (%) ..	12,7	10,9	16,6	19,1
Turnover (Rm)	865	1 019	1 309	1 770
Pre-int profit (Rm) ...	27,4	24,3	42	60,8
Pre-int margin (%) ..	3,2	2,4	3,2	3,4
Taxed profit (Rm)	10,4	10,5	20,6	29,4
Earnings (c)	60,6	60,7	120,1	181,1
Dividends (c)	25	25	43	65
Net worth (c)	519	557	684,1	796,3

dicted they will rise a further 20% this year. The pace is unlikely to slacken in 1989 and beyond, especially with an increased local content requirement likely.

High vehicle sales last year were ascribed to inflationary expectations and to replacement demand pent up in the recessionary years. McCarthy joint MD Dudley Saville says vehicle sales in August were exceptionally high for these reasons, fuelled by the announcement of import surcharges. He agrees a slackening in demand for new cars lies ahead. But, he says, unless there are deep structural changes in the SA transport economy (such as a decline in the number of car owners and increased use of public or other transport) the sales decline is unlikely to result in a market much below 200 000 units.

New car sales are running at an annualised 230 000 units, compared with a low in recent years of 175 000 and a high of 300 000, which means sales are still toward the low end of the range despite a 15% increase in the 1987 calendar year and an 18% rise during the first eight months of 1988. What helps to support the market is that 70% of new car sales are to corporate buyers — though when prices rise, they tend to downgrade to cheaper models.



McCarthy's McCarthy ... more than new cars

A relative decline in new car sales should mean an increase in used car sales, a tendency to extend vehicle lives (thus using more spares and services), and increased vehicle hire. Those are the areas to which McCarthy has been shifting its focus.

Saville says more than a third of McCarthy's earnings now derive from sales of spares and services, boosted by the acquisition of 30% of Midas. Midas serves customers who would not normally buy spares from the franchise agents. Saville points out that new car sales produce the lowest margins of all the group's activities; the increased focus in other areas, thus, is not necessarily detrimental to profits. Last year, McCarthy's pre-interest margin increased from 3,2% to 3,4%.

McCarthy's acquisition of Fleetrent and Supreme, completed in 1985, made it SA's largest truck hirer, and its increased activity in vehicle hire and leasing are also strategic moves.

The plan is that growth will remain largely organic. Saville says though it is constantly looking at new areas, they will be within its established arena.

McCarthy's poor share rating reflects that of the motor sector, which has an average p/e of 3,0 and dividend yield 6,9. Historically, the company's earnings have outperformed the industrial index, but the share price has underperformed.

Investor expectations of dark days for the industry may be overdone in relation to a group as large and diversified as McCarthy, especially as it has shown ability to grow in recessionary times. The share could recover slightly, but a major rerating is unlikely until overall sentiment improves.

Teigun Payne

McCARTHY

Into new markets

Despite excellent results for the past two years from McCarthy, the market is convinced bad news is ahead. This is evidenced by the historical p/e of 4 and dividend yield of 9%, despite the forecast by chairman Brian McCarthy that the group is budgeting for a further increase in earnings this year.

Last year, turnover grew 35% and EPS 51%. Gearing was reduced to a low 0,15, and liquidity was strengthened further by the swap of non-strategic property worth R19,8m for variable rate debentures in Higate Ltd with an issue price of R22,8m (and a current market value of about R19,4m). The group is thus in a strong position to expand and adjust to changes in the motor market profile.

Market perceptions are that the decline in the rand and import surcharges, combined with lower disposable income due to higher interest rates, will soon severely dent vehicle sales. After steep increases in vehicle prices in recent years, industry captains have pre-

30/9/88 by ray 30

BARNETTS

(30)

Sagging rating

Rising interest rates and generally cautious views on the economic outlook have understandably made investors bearish on the furniture sector. A case in point is Barnetts, which was listed last year and has been in existence since 1896. It currently stands on a p/e of only 2,5.

The group had an excellent year, despite the conservative accounting practice whereby about 50% of earnings were lopped off by deferred tax. Forecast earnings per share and dividends at 19,2c and 5c respectively were slightly beaten.

Chairman Myron Lewkowski says that during last year two stores were relocated to better trading sites; four new stores were opened and one was acquired from the Montays group in Virginia in the Free State. He contends that particular emphasis has been placed on strong asset management and on

FINANCIAL MAIL SEPTEMBER 30, 1988

RETAIL SPENDING

Really not so impressive

It's not looking good for retailers. Updated government figures reveal almost no growth in retail demand in over a decade, while a new survey of attitudes suggests a deepening gloom among traders.

For good reason too. Rising interest rates, a falling gold price and the new surcharge on imports is bound to hit consumption spending hard in the last quarter.

On the face of it, retailers have never had it so good. Between 1977 and last year, annual sales virtually quadrupled from R10,6bn to R41bn. In fact, there was precious little real growth. At constant 1985 prices, there was a slight shift from R27,8bn to R28,6bn.

Some sectors are doing comparatively well. According to figures released last week by government's Central Statistical Services (CSS), grocery sales, in real terms, rose from R7,6bn to R10,5bn over the period. Clothing retailers enjoyed steady — if slow — growth and the furniture sector did little more than hold its own.

But then many retail sectors would have been happy just to level peg. Retail jewellery sales between 1977 and 1987 fell by almost one-third in real terms, while sports goods, chemists and even bottle stores suffered declines. Butchery sales plummeted from R2,1bn in 1977 to R1,4bn last year, while dairy sales more than halved from R562m to R253m.

Some regions are feeling the pinch more than others. Last year (see graph), the Transvaal accounted for almost half the country's retail sales and the Cape a further quarter.

Compared to the growth years of the early Eighties, total current retail levels are sadly down. Though 1988 retail spending is up on last year's in real terms, the increase is not a major one. Indeed, CSS predicts September sales will be at the lowest monthly level since May.

Part of the reason is the traditional late-year slowdown in retail spending before the Christmas boom. Another is the impact of credit restrictions and other government attempts to slow down consumer spending.

Ockie Stuart, di-

rector of Stellenbosch University's Bureau for Economic Research (BER), says: "It is obvious that the government's recently announced demand-restraining package has impacted as was planned."

A new BER survey reveals growing pessimism among retailers and wholesalers alike for the rest of the year. It says wholesalers report third-quarter sales were well below expectations and they expect only marginal growth for the rest of the year. Retailers are also pessimistic about short-term prospects.

Traders blame some of their misgivings on expected price increases. BER's Stuart says of retailers: "Firms expect purchase prices to go up faster over the next three months, and they intend passing these increases on in full to their customers." That does not augur well for inflation, which could begin to accelerate after reaching a low 12,3% in August.

Some respite could appear early next year, when government's R4bn pay package for public servants is translated into consumer spending, but the BER expects this to be only a short-term blessing — "until the end of the first quarter," after which it expects another fall-off in demand.

Contrary to motor industry predictions that sales will hold firm for the rest of this year, Stuart suggests vehicle sales will be particularly hard-hit by the slowdown in retail demand. "This also applies to dealers in white goods and luxury items."

He also singles out reduced consumer confidence — particularly among blacks — as another possible reason for lower retail activity.

Though white consumer confidence fell in

the third quarter, the BER says it remains essentially strong — much stronger than that of blacks, who are generally pessimistic.

"Whatever one makes of the difference between black and white attitudes," says Stuart, "the overall implication is that consumer spending is likely to taper off from now on."

WOOL BOARD

Fleecing the farmers

The debacle of the Wool Board's (WB) R130m uncovered loss on its R290m Euro-dollar loan (obtained in the 1982/1983 season), has opened angry debate on liability of producers for maladministration by their appointed bureaucrats.

While WB chairman Hennie Prinsloo confirms the Board still has the R290m loan, that "only a small amount" of it has been repaid and that R150m of the loan is adequately covered, the WB must recover the R130m forex loss from producer members over the next five years.

The R130m includes a loss of R45m incurred through the oversight of an official who failed to take out adequate forward cover, as instructed. Subsequently, WB MD Faan van Wyk and his deputy have resigned.

Although WB officials originally kept producers informed of the Euro-dollar loan, farmers were never given any say in the matter.

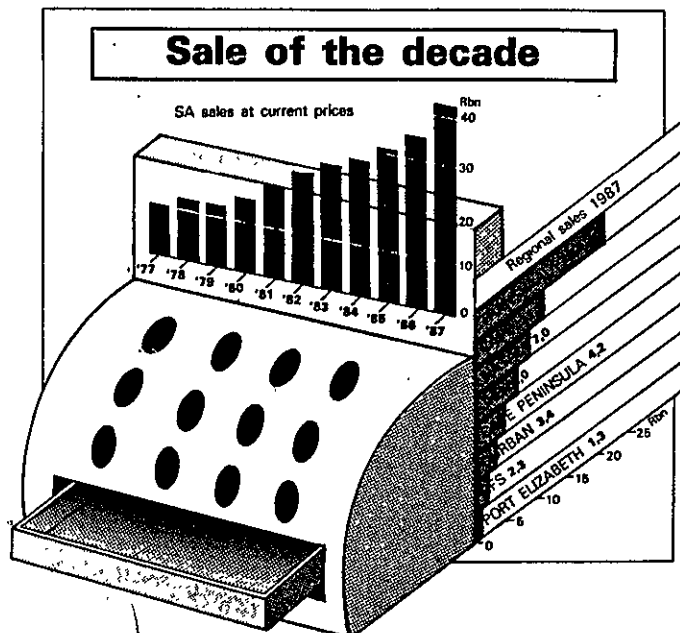
As they are now to be held liable for the repayment of the uncovered loss of R130m, as well as the R290m loan, through WB levies on their production receipts over the next five years, the question arises whether they are legally accountable for WB maladministration.

Not so, says Roy van der Westhuizen, past executive director of the Organisation of Livestock Producers.

There is also the question of whether WB officials have the legal right to obtain foreign loans without first consulting farmers on whose behalf they act.

"How can the farmers be held legally liable in both these instances? The loan was obtained without the legal permission of producers, while the loss is clearly not to their advantage. And, if the WB says it acted within its powers as a statutory body, how can farmers be held jointly and severally liable? The principle of collective responsibility might not apply here," says Van der Westhuizen.

He says this could become a test case on the limits of powers exercised by control



AM 30/9/88

RETAILING

Shop and change

Growing acceptance of liberalised trading hours could bring about a retailing revolution in SA.

Even before regulations on shopping hours were relaxed, stores were experimenting with extended trading. Some retailers paid fines for the privilege.

Following pressure from retailers and commercial organisations, late trading has been legalised across the country for six days of the week. In theory, Sundays are still sacred and only certain categories of retailers are allowed to trade on that day.

In Natal, tourism has been the major consideration in relaxing ordinances.

With fewer government restrictions on trading hours, keeping the shop doors open becomes a business decision for individual retailers, rather than a political one. As a consequence, shopping times will come to reflect consumer preferences instead of political interests.

The old restrictions were supported by shop owners who believed turnover could be concentrated into a narrow timespan without reducing total takings. The effect was to reduce competition between shops regarding trading hours and limit the choice available to consumers.

Small shops are now more able to compete with larger ones by offering different services. This is a development larger shop owners, supported by trade unions, resisted.

This appears to be changing. With altered demographics and lifestyles, shop owners are perceiving the potential rewards of offering customers more choice on when to shop. It's a development that's been welcomed by singles and families with working wives who are unable to shop during regular office hours.

In the end, the profitability of late trading depends on the type of business and the store's location. In some areas, there would be little advantage to extending hours, but in other areas turnover could prove better than during regular hours. Composition of goods sold could also vary.

With new choices on how to use their time, consumers' shopping habits may gradually adapt to the new freedom. If this trend continues, we may one day — as Americans do now — think nothing of being able to buy groceries 24 hours a day. ■

Informal sector too restricted

Own Correspondent ^{star 10/6/88} 30

DURBAN — Unless the biases and obstacles widespread in legislation and regulatory systems are removed to enable small business to grow, the prospects of peaceful change in South Africa are virtually non-existent.

This was the hard-hitting message Dr Ben Vosloo, managing director of the Small Business Development Corporation, punched home in his address to the Charter Accountants Congress yesterday.

"Currently as many as 500 000 businesses out of one million in South Africa may be unrecorded, providing an income base for as many as 3,5 million people."

Research conducted in high growth economies such as Japan and Taiwan, said Dr Vosloo, had shown small business to be by far the most effective job creator in a free enterprise economy.

Yet in South Africa, much of business conducted within the informal/unrecorded sector is declared illegal because it does not comply with the many laws and regulations governing business activity.

Despite the frightening prospect, under current economic restraints, of unemployment growing to five million by the turn of the century, the Government continues to force small business to operate outside the mainstream economy, said Dr Vosloo.

Regulation, he said, is a great time-waster which hit small business, where the owner is wholly responsible for all aspects of the operation, the hardest.

Over-regulation discouraged potential entrepreneurs and drove existing small business into the informal, unrecorded economy.

At present about 40 percent of the population received less than three percent of the national income. Development of small business would help to achieve a greater spread of wealth distribution.

"If present trends continue our population can be expected to double in 25 to 30 years, and an estimated 1 500 to 2 000 jobs

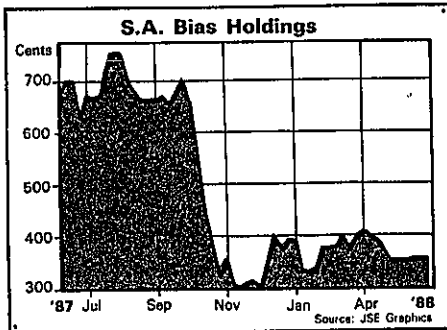
per working day will have to be created if we are to avert a major unemployment crisis in this country.

"Small business is a logical starting point for the black entrepreneur, who for generations has been denied free and equal access to participation in the economy."

The black consumers market already account for 40 percent of total retail sales and their spending power is growing rapidly.

Between 1980 and 1985 the real personal disposable income of whites fell by 18 percent while the black, coloured and Indian share of total disposable income rose from 12,2 percent in 1972 to 44,5 percent in 1985.

~~Monitoring aiming to become a~~



acquisitions and rationalised its Natal operations into the KwaZulu factory, closing the Maritzburg factory. Rationalisation also took place in Johannesburg, where two factories were relocated to one site. The Cape factory was expanded. Merhold, the trade and working capital finance operation, improved its attributable income 52%. Return on assets continued to improve and export finance continued to grow.

Seabrooke expects SA Bias to enjoy continued strong internal growth this year. Merhold is in the midst of change. The trade financing operation is being emphasised and the group has entered the area of factoring. The investment banking operation has made acquisitions since year-end and the Merchip trading division is to have three arms. One — the Woodrow Group — is to be listed in September and Merhold will retain a 20% stake.

Seabrooke says SABB, which is working at close to full capacity, will wait until the next downturn before making acquisitions. Taxed profits are forecast at R10m in the prospectus, an increase of 34%, which Seabrooke expects to exceed.

SABB is the vehicle SA Bias plans to use for overseas expansion. Seabrooke says the group expects to make a material investment in Britain in an unlisted company. The plan is to have a partner, but to retain management control and to move into the EEC from Britain.

The October crash hit SA Bias's share price hard, chopping it from 700c to 290c. With a 10-year compound growth rate of 41% per annum and the planned expansion into overseas markets, the group should be given a better rating than shown by the current 5,8% dividend yield, which is well above the industrial holding sector's 4,7% average.

Pat Kenney

REDGWOODS HOLDINGS

(30)

Ahead, but . . .

Considering that first full year's results are — as was already projected at half-time — well ahead of prospectus forecasts of R36m turnover, 4,1c earnings and 2c dividends, it may seem churlish to raise any reservations at the annual report.

However, other than that the earnings of post-listing acquisitions "exceeded expectations", there is no comment on the financial

Activities: Operates 69 retail toy and babywear stores, under the name of Reggies Kids World, Redwoods Toy World, Little People and Mothersworld. Other subsidiaries make prams, push chairs and associated equipment.

Control: Waltons Stationery holds 52,5%.

Chairman: F E A Robarts; managing director: B L Akal.

Capital structure: 61,1m ords of NPV. Market capitalisation: R40m.

Share market: Price: 65c. Yields: 3,7% on dividend; 9,4% on earnings; PE ratio, 10,7; cover, 2,5. 12-month high, 150c; low, 60c. Trading volume last quarter, 448 000 shares.

Financial: Year to February 29.

	'85*	'86*	'87*	'88*
Debt:				
Short-term (Rm) ..	—	—	—	1,9
Long-term (Rm) ...	—	—	—	10,1
Debt:equity ratio	—	—	—	0,81
Shareholders' interest	—	—	—	0,40
Int & leasing cover .	2,9	3,5	16,7	6,2
Debt cover	—	—	—	0,38

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	—	—	—	17,9
Turnover (Rm)	22,4	25,0	30,2	54,7
Pre-int profit (Rm) ...	1,2	1,9	3,5	6,1
Pre-int margin (%) ..	5,4	7,6	11,6	11,1
Taxed profit (Rm)	0,6	1,0	2,0	3,9
Earnings (c)	1,0	1,6	3,3	6,1
Dividends (c)	—	—	—	2,4
Net worth (c)	—	—	—	22

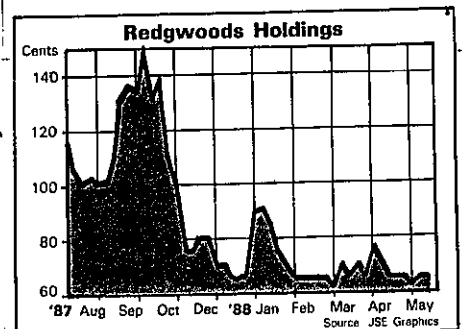
*Pro forma figures from prospectus

implications of these, though their cost in equity and loans would appear to have been over R3m — possibly quite a lot more, as in spite of raising R6m at the time of the listing it has been necessary to borrow R8,3m from the holding company. Dividend cover is also 2,5, against the twice forecast in the prospectus.

Though the current asset ratio is an ostensibly healthy 2,7:1, chairman Frank Robarts refers to "considerable" increases in stock, debtors and fixed assets. In part, this reflects stocking up in anticipation of steep price increases in imported goods, which MD Bernard Akal tells me is paying off: the landed cost of imported goods now is often 30%-40%



Redwood's Robarts . . . expecting better results



higher than a year ago and the stock situation should rectify itself this year.

On the operating side, the concept of stocking toys and babywear in the same stores is proving highly successful. Some 27 stores have been converted to the Reggies concept, at a cost of around R70 000 each. Warehousing facilities in Durban were rationalised and R2m spent on acquiring the head office building — another strain on liquidity which Akal says has paid off fast, as the building is worth much more than that. A centralised warehouse has also been rented in Johannesburg.

This year will bring further rationalisation and expansion of the retail chain. The acquisitions should also kick in more and overall Robarts expects better results.

The history of the share is the market in microcosm. The pre-listing public offer (at 50c) last July was 190 times subscribed and the share rocketed to three times the issue price before sagging back to the present premium of "only" 15c (a mere 30%). The directors seem to be confident, as they have increased their holdings by 674 000 shares since the prospectus and those who believe Reggies can emulate its progenitor, Waltons, will probably take a similar view. But the share appears unlikely to outperform the market, short term.

Michael Coulson



**Garlick's Garlick . . .
making a bid**

is in turn held by the Garlicks family as to 60%. On Monday, Garcon was trading at 400c, a small premium to the bid price, but still a premium.

At the end-December interim, Garlicks reported that the directors expected the forecast improvement of a minimum 30% would be exceeded in the year to end-June. However, earnings last year were 76,4c (75,4c), which might be compared with 1983 earnings of 143,1c.

In real terms, even a 50% improvement in earnings this year would fail to justify holding the shares on historic performance. It does seem likely that a further bid for Garcon which attracted a majority of board members might be successful and might offer a variety of opportunities to revive the business.

In this situation, JSE attention may turn to Garcon shares. The first bid was agreed by Standard Merchant Bank as fair and reasonable, both with regard to the ongoing business and the underlying assets. While emotion and family disagreements may play their part, it looks likely that the fresh bid would need to improve on the present one by 10%-15% or so, suggesting 420c-440c per Garcon.

David Ross

GARLICKS

Fresh bid

Movements in Garlicks and Garcon share prices have been rather odd following the apparently fair bid from a consortium of directors, comprising Jack Garlick and his brother-in-law Neil Boyce, announced last week. It is true that volumes have been small, if larger than usual, but the rise in the Garlicks share price above the bid levels of 1 200c for Garlicks and 385c for Garcon attracted attention on the JSE.

I understand that an alternative bid will be announced within the next few days for control of Garlicks. It is a fact that by no means all of the present Garcon and Garlicks boards were in favour of the earlier bid.

It seems likely that a new bid will constitute an attempt to breathe some life into the sleeping Garlicks giant, although it is not yet clear whether this will involve selling off any of the property assets which appear to be heavily undervalued, standing at cost — or less — at R12,3m in the last published Garlicks balance sheet. A realistic valuation of these assets could well push net asset value above 1 500c or more, compared to the balance sheet figure of 1 100c.

The balance sheet looked strong even without taking account of the undervalued properties. The company had no long-term debt and current assets outweighed current liabilities by 67%.

Garcon controls Garlicks as to 60,9% and

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FOSCHINI/LEFIC

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Still set fair

Full-year profits growth does not quite match the 40% first-half gain, but considering that the bulk of business is done in the

FINANCIAL MAIL JUNE 3 1988

second half (including the pre-Christmas season) the final outturn is healthy enough.

Chairman Stanley Lewis says all divisions are operating at a new level of performance, exploiting trading opportunities more and

Activities: Clothing and jewellery retail chain. Stores operate under the names Foschini, Markhams, Pages and American Swiss.

Control: Lewis Foschini (Lefic) which in turn is controlled by the directors has a 50% interest.

Executive chairman: Stanley Lewis; managing director: H A L Matthew.

Capital structure: 9,7m ords of 5c; 200 000 6,5% cum prefs of R2. Market capitalisation: R359m.

Share market: Price: R37. Yields: 3,8% on dividend; 9,0% on earnings; PE ratio, 11,1; cover, 2,4. 12-month high, R51; low, R28. Trading volume last quarter, 100 000 shares.

Financial: Year to December 31.

	'84	'85	'86	'87
Debt:				
Short-term (Rm) ...	0,6	0,1	18,8	13,5
Long-term (Rm) ...	12,0	11,9	20,3	30,7
Debt:equity ratio	0,16	0,14	0,39	0,33
Shareholders' interest	0,49	0,50	0,49	0,44
Int & leasing cover .	10,8	7,6	7,7	9,1
Debt cover	3,2	0,25	0,75	1,11

Performance:

	'84	'85	'86	'87
Return on cap (%) ..	24	20	25	26
Turnover (Rm)	266	280	330	407
Pre-int profit (Rm) ...	38,2	35,5	48,8	69,5
Pre-int margin (%) ..	14,3	13,0	14,8	17,1
Taxed profit (Rm)	18,6	16,4	24,6	32,0
Earnings (c)	191	168	254	333
Dividends (c)	81,2	81,2	67,7	141,4
Net worth (c)	797	884	1 030	1 218

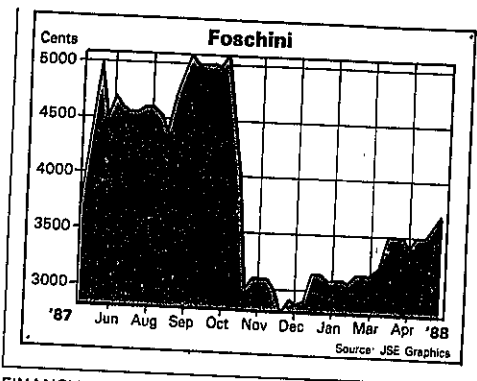
* Per share figures adjusted for 10-way split in 1987.

more effectively with greater productivity and improved market penetration. He singles out Markhams (menswear) and Pages (mainly the black market).

In general, he welcomes anti-inflationary measures, provided they treat the cause and not just the effect.

Indications are that, despite the October stock market crash, consumer demand remains vigorous for retailing as a whole and the group in particular. Lewis says the group has planned for a "good 1988." Results in the first few months have justified this and, with the usual caveats, he looks forward to "further material growth."

Foschini's brief trading setback in 1985 was the first in 26 years and was matched by several of its competitors. After modest sales growth in the early Eighties, recent years have seen an acceleration. Despite tight asset



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management, this led to a significant hike in (previously exceptionally low) borrowings, but Roy Norman, MD of Foschini Finance, finds the present ratios totally acceptable. While borrowings continued to climb last year, the financial ratios improved. Stocks rose 29%, not seriously out of line with the 23% rise in turnover and narrowing the rate of stock turn only from 5,3 to 5,1.

Norman says the latest anti-inflationary measures have so far had no effect on business. The group never makes specific forecasts, but he still expects an excellent year.

Earnings should thus probably be heading for something above 400c a share, with a commensurate hike in dividends. On that basis, the share looks fairly priced and, if anything, slightly cheap relative to such competitors as Wooltru and Edgars.

Pyramid Lewis Foschini (Lefic) holds 50,8% of a Foschini for each of its own shares. Its current share price of R17,50 is thus a R1,30 discount to net worth, also not out of line for this sort of relationship.

Michael Coulson

Score still has peaks to climb

star 10/6/88

30

10/6/88
R50M

By Ann Crotty

The enthusiastic investor support enjoyed by Score in recent years appears to have waned in the past few months. Analysts are attributing the fall off in support to a financial 1988 performance that was not quite up to market expectations but, more significantly, to concern about the acquisition of Clicks.

The worry is not only that holding company Hi-Score may have paid over the odds for Clicks but also that Clicks, without founder Jack Goldin, may not sustain its past performance. In addition analysts still seem a bit sceptical about the scope for synergy between Hi-Score's various operations and Clicks.

It appears that the Hi-Score management team is not so much concerned about synergistic possibilities as it is with the desire to get exposure to a wider market and presumably to attain the same sterling returns on its new assets as it has on its Hi-Score assets.

At Hi-Score the emphasis in terms of product mix is on food and allied goods. In terms of target market, the emphasis is on the lower income groups.

At Clicks, the emphasis is on retail toiletries, cosmetics, appliances and fancy goods. In addition Clicks has 16 Diskom stores, which carry the same types of products, but target the black market. Most of the Clicks stores are situated in the Cape region.

While there will be little duplication of activities, Score MD Carlos dos Santos was emphatic that there was considerable scope for synergy in terms of financial discipline. He also stressed that the enlarged group would have far greater buying power.

Despite this optimism, the market became nervous when it was revealed that

Mr Goldin would be remaining on only in an advisory capacity. This nervousness should abate if Mr dos Santos and his team can get the same sort of performance out of the Clicks assets as it has out of Score's assets.

That financial 1988 did not meet either the management's or the market's expectations led to worries that the group had passed its peak and that future performance might be more pedestrian.

It is certainly unlikely that the group will be able to sustain the exceptional performance that it has reported over the past 7 years, but even if this performance was to plateau, it would be far from pedestrian.

Score's latest annual report, which does not include the impact of the Clicks' acquisition, shows that operating margins have been increased steadily from 0,78 percent in 1982 to 2,97 in financial 1988. Return on shareholders' funds, which was a strong 31 percent in 1982 and dipped in the intervening years, was up to 32 percent in financial 1988.

The excellent growth performance on the trading side was matched by a strengthening of the balance sheet with ordinary shareholders' interest soaring from R585 000 in 1982 to R47 million in financial 1988.

One measure of the exceptional performance that the group has achieved over the past seven years is the sharp increase in productivity per employee. In financial 1982 when Score had 732 employees it reported a turnover of R43,9 million which is equivalent to almost R54 000 sales per employee. In 1988 Score had 5 123 employees and achieved a turnover of R923 million which is equivalent to R180 000 per employee.

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New car sales ⁽³⁰⁾ hit by holidays ⁽¹²⁾

5/10/6/88 By Jeremy Sinek

Reported car sales for May fell from April's 18 822 to 16 256, a decline of 13,6 percent. However, these figures exclude Delta Motor Corporation which has announced it will no longer release its sales statistics.

The National Association of Automobile Manufacturers (Naamsa) said that Delta's figures had shown an expected decline which was in line with the rest of the industry. Since combined sales of the other makers fell 5,5 percent, that indicates total industry sales in the region of 17 800 — still 20 percent better than the May 1987 figure.

Not all makers declined in May. BMW sales rose 13,9 percent and Nissan sales were 6,7 percent higher than in April. Toyota sales stayed virtually static at 4 340 cars while VW remained a strong number two on 3 981, despite a 7,2 percent decline over April.

In the light truck and bus sector, even without Delta's sales, the figure of 8 069 was only 7,0 percent down on April's 8 672. Since every manufacturer except Toyota increased its sales in May, and Delta usually sells more than 1 000 light commercials per month, it is likely that total May sales were well up on April.

They would have been boosted by Nissan's launch of a new one-tonner bakkie range.

Naamsa attributed the car sales decline — for the second successive month since March's four-year high of 22 032 — in part to the number of public holidays in May. It also cited the effect of credit restrictions introduced last month, although with long delivery delays on many models it is unlikely that the restrictions have had much effect so soon.

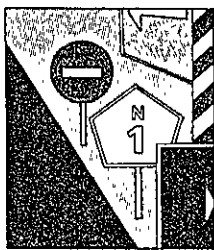
Excluding Delta's May figures, new car sales for the period January to May were 93 448 compared with 77 161 for the same period last year, an increase of 21 percent. On the same basis, year-to-date light commercial sales are 24,8 percent higher.

Senior industry figures hinted some months ago that sanctions pressures on overseas suppliers might force the local industry to cease reporting monthly sales figures on a maker-by-maker basis.

The lead taken by Delta — which manufactures German Opel cars and Japanese Isuzu commercial vehicles — may well be followed by the remainder of the industry. Naamsa and its members are scheduled to reach a decision at a meeting on June 15.

Supplied

Will the wheels come off?



Like the father of 20 children who was afraid to ask his wife "What's new?" when he arrived home from work each evening, the South African motor industry has cause for nervousness.

The ground beneath its feet is shifting so remorselessly that every day seems to bring new challenges. In the last few weeks alone, interest and HP deposit rates have risen; government has taken the brakes off perks tax on company cars and blocked the private rental market; and the weak rand has forced manufacturers to raise the ceiling in predicting price rises this year.

Those are just the minor problems. Far more serious are international efforts to choke off vehicle supplies to SA, and attempts to persuade foreign manufacturers to reconsider their presence here.

Add to those the fact that government wants to change the industry's face through a new local content programme in direct opposition to its forerunners, and you have all the ingredients for confusion.

That, essentially, is the current state of the South African motor industry. Just as it is picking up the pieces after years of depression, the rules have all changed. And worse — despite a return to profit after years of red ink, there is a growing realisation that the recent recovery in sales won't be maintained. Although some forecasters remain optimistic, a growing number are lowering their sights. Instead of the 300 000 units of a few years ago, car sales may be locked into the 200 000 range until well into the Nineties.

Even the future of the Board of Trade and Industry's (BTI) grand plan for the motor industry — a foreign exchange-related local content programme — is uncertain. There is no doubt such a programme will be implemented, but what it will contain is anybody's guess.

The BTI's report into manufacture of cars and light commercial vehicles is long on problems and general cures, but short on specific remedies. Those will come only after further discussions with the National Association of Automobile Manufacturers (Naamsa) and the National Association of Automobile Component and Allied Manufacturers (Naacam).

However, any further talk is likely to concern only the small print, since the two industry bodies have been invited only to discuss the scheme's administration. Naacam and Naamsa want the BTI to make up its mind as soon as possible, so they

Government keeps changing the rules of the motor game. The industry has always been subject to structural distortions: now local content is to be by way of value, not mass. This has reluctantly been accepted — but what is needed is far greater clarity on how the system will work. Then the motor men can plan.

can resume realistic planning for the future.

Naacam director Denzyl Vermooten would like the BTI to announce its decision next month and implement the first stage of the programme from January 1989. He says the industry needs a 10-year plan for companies to make investments.

"We have principals waiting overseas to invest millions of rands," he says. "All they need to go ahead is a clear picture of what the future holds. You can't have committed long-term planning without a long-term programme. We're running out of time. We believe we've discussed it enough. Government has acknowledged there is an element of urgency and we hope the refinement of the programme will be done in the shortest possible time."

Naamsa president and Samcor MD Spencer Stirling agrees: "It's clear the government won't allow much time before making a decision."

Government's reasons for a value-related local content programme are well documented. Under the existing formula, each manufacturer must achieve a minimum average 66% local content by mass, across the range of its products.

But the emphasis on mass has encouraged manufacturers to order high mass/low value components from local companies, while importing low mass/high value components. The result: industry-wide, 66% by mass translates to little more than 40% by value. And even that 40% is misleading. Before the rand weakened and increased import costs, the figure was closer to 50%.

Despite more local manufacture and increased exports, the gap between imports

and exports has widened. In the 10 years to 1985, the difference between imports and exports of vehicles and components rose from R714m to R1,84bn. In 1985, exports were worth R220m and imports R2,06bn.

The BTI report on cars and light commercial vehicles manufacture states: "It is clear the present local content scheme, based on mass, has not succeeded in maintaining or improving local content . . . on a value basis."

While precise details of the new scheme are not yet available, a broad picture exists of what government intends. Like its predecessor, the new programme will contain a duty and rebate structure, with penalties for companies failing to achieve the minimum level; and rewards — perhaps including export incentives — to those exceeding it.

BTI guidelines recommend each manufacturer should be set a foreign exchange usage target, based on the value of vehicles sold. Such a target would take account of both forex spending and export earnings — the greater the exports, the more available for spending.

Naamsa and Naacam, predictably, have different opinions of the proposals. Naamsa, which favours adapting the existing mass-based formula, and raised several objections to the BTI's plans, is resigned to the changes, if not happy with them.

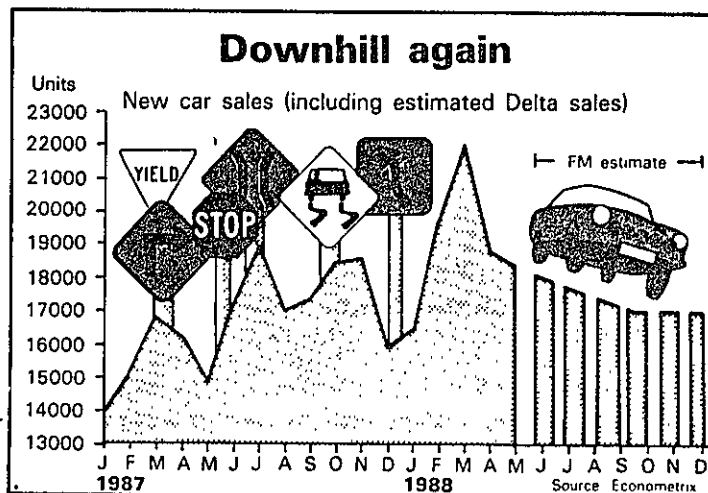
They also differ on what happens next. Naacam believes the new local content programme will be extended automatically to trucks and buses, while Naamsa believes that sector requires a different policy.

Among Naamsa's objections to the impending cars formula is the argument that the allowance for export earnings in the revised formula would discriminate against companies — particularly Japanese — without the benefit of large component orders from overseas principals. It added that import values could be manipulated. While admitting distortions in the current system, Naamsa warned that the proposed programme could simply replace them with different distortions.

Naamsa director Nico Vermeulen says the misgivings remain valid, but adds: "There's no point in raising them further, since the decision to go for value appears an irrevocable one."

Vermooten is more cheerful. He insists the new programme can be introduced with the minimum of inconvenience. He estimates the current 40% local content by value can be raised to 50% almost immediately, and thereafter in easy stages to allow the industry to adapt.

To move from 40% to 50%, he says, means simply making better use of what the components industry already has to



offer. With greater standardisation of car components, it is inefficient for some manufacturers to import a component, while others buy the identical item locally. He argues that the South African components industry has the equipment to manufacture nearly every part of a car.

To some degree, that's true. But only the ultra-patriotic would go along with Sanlam chief Fred du Plessis, who said last week that SA is in a "good position to manufacture its own cars with 100% local content."

In theory, yes, local industry has the ability and know-how to build its own cars. In practice, such cars would be out-of-date almost before they left the factory. Vehicle technology is changing at such a rate that unless SA is prepared, like Eastern Europe, to rely on dated designs, it must have access to foreign research and development. (It could be argued that as an African country, we may well in the end have to be satisfied with an ox-wagon with a petrol engine.)

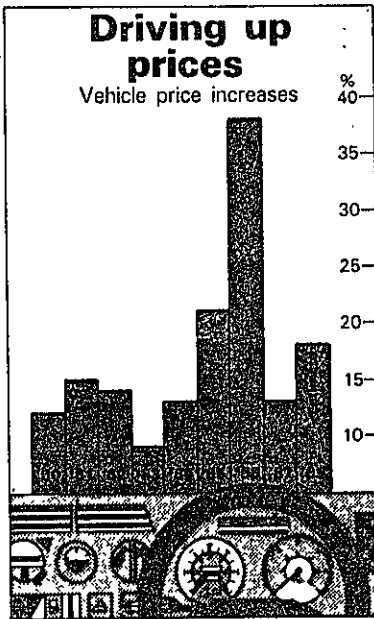
And even some long-established vehicle technology hasn't been perfected in SA. Although Vermooten believes SA could "by and large" produce its own car, problem areas still include carburettors, fuel injection, power-steering, front-drive engines and certain other features that SA's sophisticated motorists have become accustomed to.

The industry is also hampered by low production volumes and high unit costs. Where foreign manufacturers spew out components by the million, the South African industry is looking at car sales this year of little more than 200 000 — with no prospect of big increases in the next few years.

The solution — and one which government is known to favour — is mass production of particular components by single suppliers. As Vermooten says, many component makers have the capacity to churn out more than they do. Commonality among components would make it a relatively straightforward exercise to source them all from a single supplier — with resultant economies of scale.

But that leads up a dangerous avenue. By relying on one supplier, the entire industry is in trouble if that supplier runs into difficulties. One has to look no further than Atlantis Diesel Engine (ADE), SA's only manufacturer of truck and bus engines, to see what can happen. Through no fault of its own, ADE can't keep up with increased demand for its engines. But because it has been designated by government as the only supplier, truck-makers have hundreds of unfilled orders because they can't get engines.

Government is unlikely to designate individual suppliers of other components — the



achieve something else."

Vermooten points to overseas co-operation and says component standardisation has been growing in SA. "The fewer manufacturers of a product, the less the competition," he says. "But we are a pretty small volume supplier and run into diseconomies of scale. You have to weigh greater efficiencies and economies of scale against reduced competition."

If there is scope for rationalisation in the components industry, the BTI believes the same to be true of the vehicle manufacturing sector. Its report argues that there are too many manufacturers for the market.

Of that, there's no doubt — but there's little chance of the situation changing.

Several companies have been forced out of SA in the past few years, but the majors that remain — Toyota, Volkswagen, Samcor, Nissan, Delta, Mercedes-Benz and BMW — all look healthy enough. Despite threatening noises from Germany over union activity, industry insiders expect Mercedes to stay. They say disinvestment would devastate the region around East London. And despite lower figures from company headquarters, it would mean leaving a plant with an estimated replacement value of over R500m — with no likely takers.

A Mercedes withdrawal would have broader repercussions — ADE uses technology sourced mainly from Daimler-Benz, Mercedes' German parent.

The Germans would find it difficult to take their cars, but leave behind their technology.

And it's doubtful if the South African government would allow its transport industry to be effectively destroyed without a fight.

Other manufacturers also look secure. Despite efforts to strangle supplies from Japanese principals, Toyota, Nissan, Samcor and Delta are all busy with counter-strategies to ensure continuity. Indeed, Delta's battle with Naamsa over disclosure of sales (see *Business*) is understood to be linked to its sanctions-busting efforts. It wants no figures disclosed that could give a hint of the volume of supplies reaching SA. Other companies

market will be left to do that — but the same dangers exist with a supply monopoly. Nevertheless, vehicle and component manufacturers accept that is the way the industry will go.

"There could be a danger if we use one manufacturer for the same components," admits Vermooten. "But one is often forced by circumstances to pool resources. It may not always be in the best interests to rely on one supplier, but you sometimes have to sacrifice something in order to

have similar strategies in mind, if not already in progress.

VW and BMW, meanwhile — along with Samcor's Ford and Delta's Opel — have access to European parts and technology and are certain to benefit from their Japanese rivals' problems.

Indeed, Toyota concedes it may soon lose its leadership in the car market.

The industry considers political and restructuring pressures far more of a threat to the industry than domestic economic ones. Vermeulen says of recent measures: "Interest rates are up, but the impact on monthly repayments is minimal.

"As for HP deposits: the minimum may have risen from 10% to 12%, but not long ago it was 20%. And private rentals accounted for only 3% of the car market. So overall, the impact of these measures won't be severe."

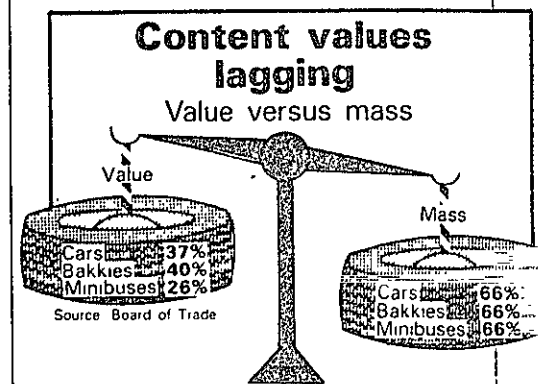
With the vehicles on SA's roads holding a replacement value of up to R90bn, and the whole lot being replaced, on average, every nine to 10 years, he is confident sales demand will be maintained.

Twine is less convinced. He believes car sales are on the slide again. "The second half of the year won't be as buoyant as the first, so we're looking at total car sales for the year of maybe 210 000. I believe the motor industry is locked into a channel between 180 000 and 220 000. Unless we get some very definite changes to the way the economy is managed and unless we get investment-led growth, we will be at 180 000-220 000 for ever. And even the 180 000 is under threat."

He explains: "Vehicle sales are a function of discretionary spending power, which is highly geared to disposable incomes. The writing was always on the wall for 1988. Those who forecast markets of 240 000 cars were never on. The seal was set on that when government froze public-sector wages and the Finance Minister introduced a Budget with fiscal drag implicit in it."

While average wages this year will rise by about 14%, that is cancelled out by inflation. But, Twine adds, Barend du Plessis also announced plans to collect 16,3% additional taxation. "So real personal disposable incomes must shrink, which means discretionary spending will shrink and car sales won't grow as well as some expected. The economy will buy cars only at the rate it can afford to do so. At this rate, the days of 300 000 will never be seen again."

Vermeulen says: "We are looking at



Activities: Retail food, household goods, textiles and furniture.

Control: SA Breweries holds 70% of equity.
Chairman: J M Kahn; managing director: G W Hood.

Capital structure: 12,3m ords of 50c; 540 000 6% cum prefs of R2; 500 000 5% cum prefs of R2. Market capitalisation: R150,3m.

Share market: Price: 1 225c. Yields: 7,3% on dividend; 13,2% on earnings; PE ratio, 7,6; cover, 1,8. 12-month high, 2 000c; low, 1 150c. Trading volume last quarter, 236 000 shares.

Financial: Year to March 31.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	10,8	26,5	111,7	131,4
Long-term (Rm) ...	78,4	76,6	58,2	46,1
Debt:equity ratio	0,27	0,30	0,47	0,45
Shareholders' interest	0,50	0,47	0,50	0,43
Int & leasing cover	1,3	1,2	2,0	2,4
Debt cover	0,48	0,45	0,17	0,24

Performance:

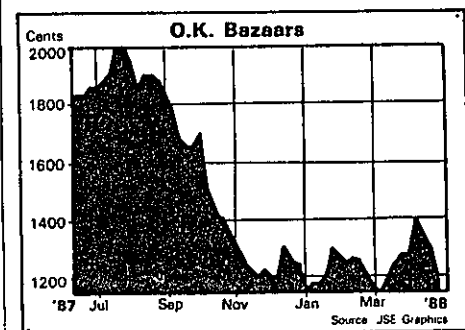
	'85	'86	'87	'88
Return on cap (%) ..	5,8	4,9	4,4	5,7
Turnover (Rm)	1 963	2 042	2 576	3 122
Pre-int profit (Rm) ...	38,9	35,3	41,7	52,0
Pre-int margin (%) ..	2,0	1,7	1,6	1,6
Taxed profit (Rm)	12,7	13,0	15,9	21,5
Earnings (c)	100	100,8	123,0	162,0
Dividends (c)	60	60	73	89
Net worth (c)	2 660	2 703	2 802	2 865

greater use of short-term funding in order to take advantage of the lower interest rate structure prevailing during the period."

Performance measures were not spectacular. The pre-interest margin was maintained at 1,6%, but return on capital was up to 5,7%, just off levels set in 1985. Other measures remained within acceptable limits, but there was nothing worth writing home about.

Not that OK, SA's largest retailer, is the easiest organisation to manage. With 25 000-plus employees working in 207 stores and occupying 714 513 m² of space, the organisation is something of a monster. The

(30) FM 24/6/88



real growth in sales during the year is an achievement by any standard.

Chairman Meyer Kahn says the sales increase of 20,8% for the full year was "satisfactory and reflected a gain in market share." The product mix, however, did not improve. Low-margin food accounted for 60,9% (62,4%) of sales which, says Hood, "continues to exert a detrimental effect on gross margins."

The market rates OK with some circumspection. It places it on a 7,5% yield, compared with 3,7% for Pick 'n Pay, 3,5% for Clicks and 3,3% for Edgars. Perhaps prospects for the group are a little unclear, with its target retail market not as well defined as those of competitors.

Financial director Barry Jack tells me that one of the main objectives in the current year is reduction of gearing. Net interest payable in 1988 was marginally down at R13,4m, but this constituted about 84% of taxed profits. The objective is to reduce the high level of short-term borrowings and to improve stock turn. With the evident improvement in consumer confidence, advantages to be had in reducing gearing have great merit.

While more revealing disclosure of group affairs would make prospects clearer — for example only some of Okfin's figures are consolidated — it's doubtful that OK will soon return to the EPS of 230c achieved in 1983. In the current year, EPS will be increased if, as is suggested in the annual report, the group adopts the partial method for reporting deferred tax. Otherwise the counter should not expect any significant re-rating by the market.

Barry Sergeant

OK BAZAARS

(30)

Tough at the margin

OK Bazaars managed to reflect rising profit figures in the year to end March, but these must be seen against important drops in more arcane areas. The traditional figures were encouraging enough, but there was also a spectacular increase in creditors, provisions and short-term borrowings.

Growth increased sharply compared with that of 1987. EPS climbed by 31,7% (2%), dividends were up 21,9% (21,7%) and pre-tax profit rose by 39% (14,9%) on a turnover increase of 21,2% (15,4%). However, creditors and provisions grew by 47,7% to R412m and short-term borrowings rose from 1986's R26,5m to R131,4m — a hike of some 395%.

The extent of off-balance sheet financing of debtors — factoring or a "special purpose" transaction — is not reflected in the accounts. In his report MD Gordon Hood says instalment sales debtors increased to R240m from R149m, a jump of 62%. These were financed separately through associated finance company Okfin.

Working capital decreased by 8,3% in 1988. Management had decided to "make



OK's Hood ... working on margins

24/6/88 FM

PICK 'N PAY/PIKWIK

30 FM 3/16/88

Mature, but still growing

Activities: Mass retailer of food and general merchandise through 12 hypermarkets and 86 supermarkets.

Control: A 51,9% interest is held by Pick 'n Pay Holdings (Pikwik) which is in turn 51% controlled by Raymond Ackerman (Pty).

Chairman: R D Ackerman; managing director: H S Herman.

Capital structure: R78,3m ords of 2,5c. Market capitalisation: R713m.

Share market: Price: 910c. Yields: 3,6% on dividend; 7,4% on earnings; PE ratio, 13,5; cover, 2,0. 12-month high, 1 250c; low, 725c. Trading volume last quarter, 340 000 shares.

Financial: Year to February 28.

	'85	'86	'87	'88
Debt:				
Long-term (Rm) ...	12,4	12,1	11,8	7,0
Debt:equity ratio	0,09	0,08	0,07	0,03
Shareholders' interest	0,36	0,33	0,31	0,34
Debt cover	4,1	4,6	5,6	11,0

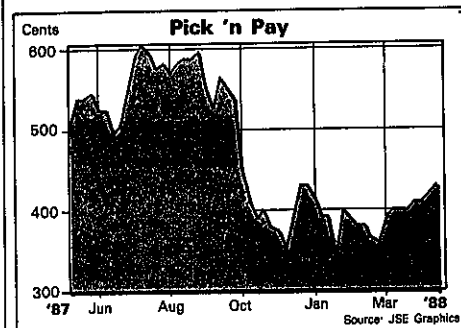
	'85	'86	'87	'88
Performance:				
Return on cap (%) ..	16,7	16,1	14,9	15,1
Turnover (Rbn)	1,8	2,1	2,5	3,0
Pre-int profit (Rm) ...	65,5	16,1	75,3	90,2
Pre-int margin (%) ..	3,3	3,2	3,1	3,4
Taxed profit (Rm)	33,5	35,5	43,2	52,8
Earnings (c)	42,8	45,3	55,0	67,2
Dividends (c)	20,9	23,0	27,0	32,9
Net worth (c)	176	177	203	258

*Per share figures adjusted for four-way split in December 1987

For the year as a whole, Pick 'n Pay matched the 20%-plus profits growth that was both the original target and what had been achieved at half-time — though whether 22% is enough over 20% to justify the "comfortable" excess claimed by chairman Raymond Ackerman is a moot point. Moreover, while it was well ahead of the general inflation rate and the national increase in retail sales, the steeper increase in food prices suggests that in volume terms there was only a modest gain.

Nevertheless, MD Hugh Herman is able to boast that market share improved, particularly in the second half.

The stock turn, which slipped from 15,3 to 11,9 in 1987, recovered to 13,1. The tradition of selling goods before they're paid for con-



PnP's Ackerman ... heady programme of openings

tinued and the cash holding almost doubled, from R42m to R80m. The one major setback was the R5,5m loss on termination of the Australian venture, which was largely offset by R4,9m property profits.

Five new stores were opened and subsequent openings have taken the total to 100, in the group's 21st anniversary year. Store development and modernisation cost R22m, and another R35m is budgeted this year, one of the group's most active in terms of opening. There will be eight, including the 13th hypermarket, in southwest Johannesburg. This will be comfortably financed from internal resources.

Some 25 stores now sell clothing and durable goods as well as food, which has attracted new patronage. The first of a new type of small store, which aims to offer corner-store convenience but Pick 'n Pay prices, trading as the Pantry, has opened at Camps Bay.

One of last year's major coups was the import of low-price TV sets. Ackerman tells me that, while no more imports will be allowed, he has heard nothing further about the disputed claim for import duty on these.

A generally informative annual report contains a mini-history of the group's first 21 years. In a useful innovation, the financial statements contain comparative figures for the two previous years. There are four pages of statistical tables and graphs, which strangely do not include net asset value but, among other things, show that, since 1981, turnover per m² has risen from R5 953 to R11 164, and profit (unspecified, but apparently at the pre-tax level) per m² from R224 to R332. Neither of these figures beats infla-

tion and the latter falls well short.

They also record that 5-year compound growth in earnings per share slowed from 37% in 1979 to only 12% in 1986 and 1987, before recovering to 14% in 1988. Dividend cover has fallen from 3,1 to 2,0, borrowings from 25% of shareholders' interest (even more in 1980 and 1981) to only 4%.

These figures tend to confirm that Pick 'n Pay has reached maturity, though obviously in 1986-1987 it could not remain immune to the general business cycle.

The share no longer enjoys the substantial premium rating within the retail sector that it did in the Seventies. On the other hand, 1988 clearly saw a turn for the better, which looks like being extended this year. Looking further ahead, technological innovation includes the full adoption of scanning by 1991. In Europe and the US, this has generally boosted supermarket margins by 1%-plus.

Sales in the first quarter of this year are 34% up. While part of this reflects strong 21st anniversary promotion and the pace may slacken, Ackerman confirmed at the AGM that profits for the year should improve by "well in excess of 20%."

This again brings us back to precisely what constitutes "well in excess"; but it surely means at least 25%. This would imply earnings of close to 85c and dividends around 42c. The share has been a magnificent performer for long-term investors. Even if its salad days are past, if any saturation in existing markets can be offset by the extension into other areas of retailing, it should still prove rewarding.

The directors suggest pyramid Pikwik should be valued at 48,8% of a Pick 'n Pay share. Its current share price of 450c is 49,5% of Pick 'n Pay's 910c, implying that other things being equal (and pyramids normally stand at a discount), the operating company is the more attractive way in.

By the end of this year, incidentally, the group aims to have made half its 24 000 employees shareholders, through the option scheme. Also at the AGM, Ackerman pleaded for such schemes to be made tax-free, especially for lower income groups, a step he thinks essential to the development of a property- and shareowning democracy.

Michael Coulson

Large section of informal business in SA unrecorded

Cart Times 10/6/88 (30)

From DIANNA GAMES

JOHANNESBURG. — As many as 500 000 businesses out of one million in SA may be unrecorded, providing an income base for up to 3,5m people, Small Business Development Corporation MD Ben Vosloo, said last night.

Speaking at the eighth SA Congress of Chartered Accountants in Durban, Vosloo said a 1987 survey revealed that 22,7% of lower income blacks in Soweto were self employed.

He said the economic activity of the unrecorded sector was too often declared illegal and in spite of some efforts to get the balance right, the scales were still tipped too far against business entrepreneurship.

"To the extent that regulations go further than necessary, they will lower profits or raise prices or both," he said.

Top of the list of political and economic phenomena that still retarded black development was the system of land tenure, the dramatic revision of which was a precondition of sustained economic growth in SA.

He said that blacks were now permitted to own property in urban areas was a step forward. But there was still massive underprovision of land, partly due to the continued perpetuation of the Group Areas Act.

Another of the phenomena was official government doctrine and policy in terms of which black urban areas were regarded as dormitory towns and not as areas where industrialization or commercial growth should take place.

Blacks also did not have the constitutional machinery through which to articulate their objections to government policy, he said.

Another major drawback was a bureaucracy that required blacks wishing to register a business to complete as many as 40 statutory procedures.

While regulations were necessary, some of the existing ones had little relevance today or were too complex and confusing, he said.

Black consumers already accounted for over 40% of total retail sales and the black consumer market was also steadily becoming more sophisticated.

Black personal income was almost 30% of the total in 1980, while between 1980 and 1985 whites' real personal disposable income fell by 18%.

Real average household incomes in Soweto have more than doubled over the past 20 years, he said, and the dismantling of apartheid could be expected to contribute towards greatly narrowing the wage gap between blacks and whites.

SA'S total computer market, already vaunted as the fastest growing industry in the country, is expected to grow by another 25% in 1988, says Business and Marketing Intelligence (BMI) in its latest survey of the sector.

The survey says revenues from the sale of computer equipment, software and services are expected to exceed R3,5bn this year, compared with R2,8bn in 1987. This figure represents total primary distributor revenues, but excludes process control applications and dealer mark-ups.

Revenues from software sales and rentals are also expected to grow by 25%, which would put the total up to R738m in 1988.

In 1986, the market value of the total market was R2,5bn, implying a 16% growth in nominal terms between 1986 and 1987, when prices fell dramatically despite a relatively stable exchange rate.

30 8/day 19/6/88

Computers boom 25%

HELENA PATTEN

BMI says the financial sector again emerged as the dominant user of computer equipment in 1987, accounting for 35% of the total demand for hardware in SA.

"One of the most significant trends in 1987 was the dramatic takeover of the PC market by Taiwanese clones. This event was marked by a 44% drop in PC prices, and unit sales of 92 000 in 1987.

"Suppliers forecast high growth (135%) in Unix systems revenues in 1988. The price/performance ratio of Unix systems is set to fall however, as 80386 technology becomes established in the Unix arena."

CATB TALKS 9/6/88

RSC burden on OK's profits

Own Correspondent

REGIONAL Services Councils' levies cost OK Bazaars some 4% of pre-tax profits — or almost R2m — in the year to end March.

Chairman Meyer Kahn reiterates in his annual report that the levies place an inequitable tax burden on mass merchandise, labour intensive retailers who operate on low margins and high turnovers.

In the year under review, OK's pre-tax margins improved marginally from 1,23% to 1,41%. This compares with 3% from Pick and Pay which, unlike OK, does not derive a significant proportion of its income from big ticket items.

In all, food accounted for 60,9% of OK's total sales. While the figure was lower than in 1987, MD Gordon Hood says this continues to exert a detrimental effect on gross margins.

Sales grew a satisfactory 20,8% compared to an increase of 18,5% in national retail sales — reflecting a gain in market share.

Kahn says the increase in the ratio of total liabilities to shareholders funds to 1,68:1 from 1,33:1 was a direct result of inflationary pressures and the improved level of sales experienced towards the end of the financial year. "The overall position is, however, still sound."

Meanwhile OK's shares remain relatively poorly rated on the JSE, trading on a price: earnings ratio of 8 and yielding 6,8% on dividend and 12,5% on earnings.

Analysts say that the group's returns on assets and equity are lower than can be obtained from other stocks. At R13, the shares are at a 53% discount to net worth.

Pep Stores ³⁰ to launch ^{Carl-Timp} new company ^{10/16/88}

Financial Editor

PEP STORES is on the point of launching a new company — Pep Reef — with a black partner and a majority of black shareholders, Pepkor executive chairman Christo Wiese said yesterday.

Speaking at a seminar organized by the SA Property Owners Association (Sapoa), Wiese said the SA retail industry was fortunate to have a growing population unlike countries such as Sweden.

The black population was growing at a far faster rate than the white and was rapidly becoming urbanized.

Out of a total SA population of about 35m at present, 14,4% were white. In 10 years whites were expected to make up 12,6% of a total population of 45m and in 20 years 10,8% of a total population of 57m.

Urbanization

At present 45% of SA blacks were urbanized but in 20 years this proportion was likely to exceed 65%. This meant that in the next 20 years 17m black people would have to be accommodated in SA urban centres.

"This means that 72 000 black people will have to be accommodated in the urban areas every month," said Wiese.

This rapid urbanization presented challenges and opportunities. The development of good shopping facilities in black areas had been retarded for years by political factors.

Now Pep Stores, which years ago had formed Pep Stores Peninsula with a majority of coloured shareholders, was forming a company on similar lines with black shareholders.

Pep Pensinsula had provided jobs and opportunities for promotion, as well as an investment opportunity, for coloured people. The bulk of its management was coloured.

It was intended to develop Pep Reef in the same way.

Saficon on the fast track

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Star 7/16/88

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By Ann Crotty

The continuing boom in motor vehicle sales ensured that Saficon maintained the sterling pace evident at the half-way stage to turn in a 72,6 percent increase in earnings to 138,5c (80,27c) a share for the year to March.

This performance was comfortably ahead of chairman Sydney Borsook's revised forecast of 111c.

The strong demand for motor vehicles was reflected in the 50 percent surge in turnover to R878,9 million (R586,6 million).

Saficon's motor franchises, which include Mercedes-Benz, Audi, Volkswagen, Porsche and Jaguar, managed to increase their shares of the market against a background of shortages because of booming demand.

Also helping to boost group results was the excellent performance reported by 37 percent-held Boumat, which is involved in the buildings materials industry.

Net operating profit rose 65 percent to R41,9 million (R25,3 million), reflecting an in-

crease in margins from 4,3 percent to 4,8 percent.

A slight increase in the tax rate, from 47 percent to 49 percent, was more than made up for by a surge in income from associated companies from R2,1 million to R5 million. This helped to boost attributable earnings 81 percent to R23,2 million (R12,8 million).

The improvement at earnings-per-share level was diluted by an increase in the weighted average number of shares in issue from 15,9 million to 16,7 million, but was still an excellent 73 percent, equivalent to 138,54c (80,27c).

A final dividend of 29c a share has been declared, bringing the total payout for the year to 40c, which is 74 percent up on the previous year's 23c.

At the half-way stage Mr Borsook revised upwards his earlier full-year earnings forecast of 97c to 111c and was targeting a total dividend payment of 33c. The latest results make his interim optimism look conservative.

Mr Borsook says: "Our business grew rapidly this past year; but the financial policies and objectives pursued by the group during the past 10 years have enabled us to grow within the framework of a sound financial structure. There has been growth. Not only has there been very little strain on the balance sheet, but Saficon is poised for further growth in the years ahead."

The balance sheet has grown, along with profit performance. Total equity is up to R105 million from R85 million, while total assets rose to R221,9 million from R155 million.

The rapid pace of growth has led to an increase in gearing, up from 8 percent in financial 1987 to a still very comfortable 20 percent, which is well within management's target of 75 percent.

Saficon holding company, Saker's, reports earnings up at R14,7 million (R8,5 million), which translates into earnings of 153,5c (88,8c) a share. Total dividend payment is 43c (25c).

Casual workers helped large stores to cope

Star 7/16/88

By Lloyd Coutts

Major retail stores in Johannesburg appeared well prepared for workers' absenteeism yesterday but, for the smaller stores, it meant few staff and little business.

At Checkers, casual staff, mainly schoolchildren, manned the stores in the afternoon. A company spokesman said that, before lunch, the stores had managed with the staff who reported for work.

Absenteeism at the various stores varied between 18 and 80 percent.

At Click's, top management rolled up its sleeves and pitched in at the company's 16 branches in and around the city. When The Star telephoned to ask how the company was coping, the switchboard operator said she was the only person in the office.

Everyone else, from general manager to secretary, was helping out at the stores, she said.

CASUAL LABOUR USED

Casual labour filled in at the Pick 'n Pay stores, where between 65 and 70 percent of the staff stayed away. A company spokesman said students were used later in the afternoon and the operation went smoothly.

OK Bazaars spokesman Mr Keith Hartshorne said his company was coping well.

It had prepared itself and had instituted contingency plans which included the hiring of casual labour.

The smaller businesses in the west end of the city seemed to feel the effect of the protest most. A few shops in Simmonds Street were closed and staff

at two fast food outlets said they would be closing early.

Shopkeepers stood in doorways, staring at the near-empty street or reading newspapers.

A Bree Street shopkeeper, Mr Sharad Devchand, said none of his employees had reported for duty.

But it was business as usual in the east end of the city and near the station, where some shops had both black staff and customers.

Minibus taxis felt the pinch and many were empty near the station and around the city.

Driver Mr Abie Mokaila said business was slow because it was a holiday.

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GRESHAM

Funding questions

Activities: Wholesaler of products which include pharmaceuticals, hardware and soft goods.

Control: Premier Group has 77%.

Chairman: G Utian; managing director: N D Kennelly.

Capital structure: 52,5m ords of 25c, 200 000 6% cum prefs of R2, and 81 000 red conv cum part prefs of 25c. Market capitalisation: R53m.

Share market: Price: 100c. Yields: 8% on dividend; 20,1% on earnings; PE ratio, 5,0; cover, 2,5. 12-month high, 200c; low, 95c. Trading volume last quarter, 229 000 shares.

Financial: Year to March 31.

	'86	'87
Debt:		
Short-term (Rm)	0,8	1,5
Long-term (Rm)	—	29,2
Debt:equity ratio	—	0,63
Shareholders' interest	0,57	0,37
Int & leasing cover	58,1	7,8
Debt cover	7,9	0,41
Performance:		
Return on cap (%)	14,5	13,0
Turnover (Rm)	134	281
Pre-int profit (Rm)	7,7	16,4
Pre-int margin (%)	5,8	5,9
Taxed profit (Rm)	5,6	11,1
Earnings (c)	10,2	20,1
Dividends (c)	5,0	8,0
Net worth (c)	65	75

The group has been substantially expanded via a number of acquisitions and there are more in the pipeline. Beneficial though these events may be for earnings potential, uncertainty about the funding effects may be causing investors to overlook the share at present.

Gresham's more strategic acquisitions of the past year were made in Keystone Trading, the tool and hardware division which had earlier been returned to profitability. These included Natal-based Atkinson Distributors, Tool Wholesale Holdings and Target Greatrex Holdings, together acquired for a cost of R19,6m. Chairman Gordon Utian says steps are being taken to integrate these operations and the substantially enlarged division "should in future contribute in a major way to the overall profitability of the

group."

The pharmaceutical division performed highly satisfactorily despite pressure on margins which continued unabated throughout the year. Utian says it is set for another profitable year, having opened a new distribution depot in Johannesburg with sophisticated and computerised systems and having moved operations in Witbank and Gezina to larger, improved premises.

Jack Yudelman, the conventional cash and carry wholesaler, whose main operations are in Matatiele and Kokstad, did well in the face of trading conditions made difficult by floods.

Group profitability has been lifted to reasonable levels and may improve further. But, after last year's acquisitions, the balance sheet is no longer as lean as at the 1986 year-end, when net gearing was nil. Debt:equity has risen to 0,63, so management is unlikely to opt for borrowings to finance the proposed takeover of the R250m-turnover SA Pharmaceutical Development Corp (SAPDC) should the deal go ahead (FM April 1).

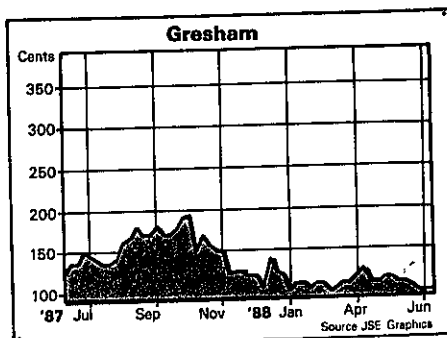
The intention is that Gresham's Pretoria Wholesale Druggists will be acquired by SAPDC in consideration for which the group will hold about 80% of the issued shares in the enlarged SAPDC; in addition, about R30m cash will be paid to shareholders of SAPDC. Utian says the deal is still subject to shareholder and competition board approval.

However, there are other funding options besides borrowings. Assuming that approval for the SAPDC deal is attained, Gresham would then have two large wholesaling legs. There may then be some sense in disposing of certain other businesses. This could raise a good portion of the needed funds; a rights issue would probably be unavoidable but this could be for no more than about R15m-R20m and would not necessarily result in any earnings dilution.

The share price has gone nowhere this



Gresham's Utian ... waiting for approval



year, suggesting the market is waiting for clarity on these points. If the SAPDC deal is ignored, the share looks cheap at R1, where the dividend yield is 8%. Andrew McNulty

What's in a name?

In-house product brands sold by major retail chains are grabbing an increasing share of the market. Food products haven't reached the same penetration, but household goods marketed under their own labels by OK, Checkers and Pick 'n Pay now account for more than a quarter of the chains' sales.

Figures released by the Ibis market research company show that between March 1984 and the end of 1987, housebrands' share of the household goods market increased from 19.1% to 25.2% — although the latest figure was down from the peak of 27.3% in September 1986, at the height of the chains' price-freezing campaign.

In foods, the average for 1988 is 10.2%, up from 9.5% in April 1985 but down from a peak of 11.8% in December 1986.

Indications are that the housebrands' share of foods could soon reach a ceiling. Pick 'n Pay foods division director Peter Dove says housebrands should be no more than 10%-12% of turnover. His chain's "No Name" brand, at R234m, accounts for 10%

63



On the shelf . . . but not for long if it's a housebrand

of food division turnover. He notes: "If too much space is devoted to No Name, it is anti-consumer in the long term as it restricts choice."

The trend, in which brand loyalty comes a poor second to price consciousness, has been a fairly predictable result of inflation. In edible oils, for instance, individual branding is now virtually non-existent and housebrands take about 80% of the market.

Dove says No Name tuna accounts for 75% of Pick 'n Pay sales, peanut butter 50% and teabags 30%. He claims No Name mayonnaise is the number two brand nationally, even though it is available only at Pick 'n Pay.

Checkers MD Clive Weil says there are some areas where the public has been reluctant to buy housebrands. These include personal items like toothpaste and shaving cream, where image is of primary importance. He agrees with Dove that a balance must be struck so that housebrands don't drive others off the shelf, but adds there are items such as batteries which could still be developed for private labels.

OK's marketing director Ralph Horwitz says food failures have included Brussels sprouts, pickled cucumbers and sauerkraut. Pick 'n Pay admitted defeat on oven chips, Brussels sprouts and slab chocolate. It is now phasing out its ice cream.

But OK's Horwitz says there is nothing to be gained from not trying and OK plans to launch a range of private label convenience foods such as processed chicken, desserts and prepared meals.

For manufacturers, housebrands are a mixed blessing. Some multinationals like Unilever and Nestlé have an international policy not to pack housebrands, though they honour the contracts of acquired companies. Local companies such as Tiger Oats and Premier have no such scruples.

One manufacturer says: "If a competitor manufactures the housebrand, it is disastrous as he effectively has two lines against our one. If we make the brand, then the retailer has a hold over us and can demand lower prices; either way we can't afford to spend so much money promoting our

brands."

But, says Pick 'n Pay's Dove: "Once a housebrand is successful, the manufacturer can negotiate from a position of strength as the retailer is hard-pressed to replace him."

Against conventional wisdom, it now seems the black market, which was considered extremely brand-loyal, is also succumbing to housebrands.

The argument was that blacks would prefer to keep to a tried and trusted brand as they didn't have the discretionary spending to try new brands. But this is being eroded in two ways. The housebrands themselves are acquiring an identity of their own. And black spending power is increasing — as is access to mainstream supermarkets. Says Dove: "Own brands move just as quickly in stores with the highest black exposure." ■

Unkind rating FM 11/7/88

Activities: Up-market furniture and appliance retailer with three stores in the western Cape. The subsidiary, Telemark, rents TV sets.

Control: The directors' interest is 61%.

Chairman and managing director: E Theron.

Capital structure: 12,4m ords of 10c. Market capitalisation: R3,1m.

Share market: Price: 25c. Yields*: 12,5% on dividend; 25,9% on earnings; PE ratio, 3,8; cover, 2,1. 12-month high, 63c; low, 25c. Trading volume last quarter, 298 000 shares.

*Annualised

Financial: Year to February 29.

	'85†	'86†	'87†	'88*
Debt:				
Short-term (R000)	—	—	—	402
Long-term (R000)	—	—	—	81
Debt:equity ratio	—	—	—	0,17
Shareholders' interest	—	—	—	0,36
Int & leasing cover	—	—	—	33,4
Debt cover	—	—	—	1,47

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	—	—	—	16,2
Turnover (Rm)	15,0	13,8	15,7	19,3
Pre-int profit (R000)	—	—	—	1262
Pre-int margin (%) ..	—	—	—	6,5
Taxed profit (R000)	266	276	395	648
Earnings (c)	3,3	3,6	5,2	5,4
Dividends (c)	—	—	—	2,6
Net worth (c)	—	—	—	23

*10 months only

† Pro forma figures from prospectus

Listed on the DCM 15 months ago after a private placing at 40c, the company was able to issue shares at 55c to finance the acquisition of Telemark before the October crash took it to almost a 40% discount on the issue price — from which it hasn't recovered.

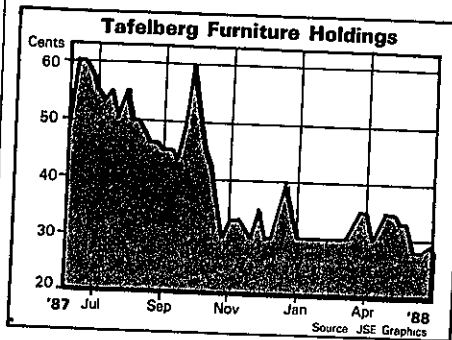
This may reflect slight disappointment that, in contrast to the hefty over-runs some new listings have chalked up, earnings are only 0,24c above the prospectus forecast, in spite of the acquisition of Telemark (which, in fairness, was expected to make little extra immediate contribution). But as chairman Eugene Theron tells me: "We've been in the business for 20 years and we try to forecast

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as accurately as possible."

As the group trades mainly in the upper income bracket, Theron does not expect recent curbs on consumer spending to have much effect. He makes no specific forecast, but sounds generally confident. The prospectus target is for sales growth of 20% in the next few years, and it is hoped that profit margins will show a "marked escalation."

On this basis, annualise the 1988 figures, add another 20%, and even with unchanged margins you arrive at projected earnings of around 7,5c and 3,75c dividends. That sort of yield should at least make the share of inter-



est to an income-conscious small investor. Theron feels the market rating suffers from the group being thought of as a three-store chain, but says that's like comparing a hypermarket to a corner store; and indeed, if targets are reached, each of his stores will turn over close to R10m this year.

If — as Theron hopes — the share is eventually favourably re-rated, the potential capital gain would be substantial. Of course, the contrary view is that such a high yield pattern denotes an above-average risk.

FM 11/7/88

Michael Coulson

RETAILING

Checkers gets the point

Standard Bank's Electronic Funds Transfer at Point of Sale (Eftpos) system, which is running in Checkers' Sandton branch, has been pronounced a success and Checkers is planning to extend the service to nine other stores.

The Sandton system allows customers to pay for their goods using credit cards to debit their credit card accounts directly. However, the question of who is to pay for the installation of Eftpos remains unresolved.

Negotiations under way between Standard Bank and Checkers are unusually delicate, as the eventual agreement will be seen as setting a precedent for other installations. Other retailers and banks will also be keeping a close eye on the outcome.

The biggest cost hinges on the central processing unit capacity required at peak periods, such as the day before Christmas. Errol van der Merwe, manager of Standard Bank's research and development in the electronic banking division, says it's like having 100 workers digging two holes at a time for most of the year, but occasionally 100 holes must be dug at the same time.

The bank must cater for peak traffic as it cannot afford to have customers experiencing delays. Electronic banking is a high-profile service and it must be seen to be working all through the year or the bank ends up with a bad public image.

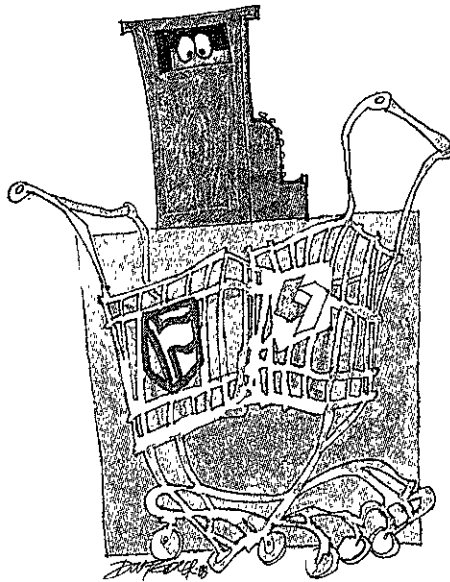
Checkers GM Orlando da Silva says the system has been well received by customers and he believes the best way to develop Eftpos is to put it in place first. He expects benefits to flow to both parties and each will thus be able to justify a portion of the cost. He points out that Eftpos has increased till productivity and reduced the time each customer has to spend at till points.

However, the costs to retailers are such, says Da Silva, that a retailer is unlikely to consider such an installation unless it is part of a general store till system upgrade. In such circumstances the cost of installing Eftpos is about 5% of the total upgrade cost.

Among the factors which determine the cost profile of Eftpos installations is the way each store connects into the bank's computers. If a number of stores co-operate in using the same lines and modems, cost can be reduced substantially.

Meanwhile, Standard Bank has already extended the system in Sandton. Shoppers are now able to use Autobank cards to make purchases. Van der Merwe says the expanded facility will be evaluated over six to nine weeks. Transactions will be monitored and the volumes and costs determined.

He says this is a very positive development and demonstrates the bank's interest in



evolving Eftpos. However, its extension to the other nine stores, as requested by Checkers, will have to await the outcome of the evaluation exercise. ■

Chubb tops R5-m in earnings

By Sven Forssman

Despite the industrial unrest that prevailed at a number of Chubb Holdings' factories, turnover for the year ended March 31 increased 22 percent from R80,4 million in 1987 to R98,5 million.

The trading profit of R10,8 million was 33,7 percent higher than the previous year. This, together with lower interest charges and a lower average tax rate, contributed to the group's earnings exceeding the R5 million mark for the first time.

The R5,278 million earned represents an increase of 46,5 percent on the 1987 figure.

Earnings per share increased from 66,4c a share to 97,2c.

A final dividend of 29c a share was declared. With the interim dividend of 9c a share, the total is 38c and is covered 2,56 times by earnings. The dividend in 1987 was 27c.

The group acquired new plant during the year amounting to R3,681 million, which was mainly financed from the Group's own resources.

Chief executive Dirk Ackerman says in the annual report the increased security awareness of the South African public, as well as pressure from the insurance industry to improve the standards and quality of security products, has ensured that the security industry remains in a growth phase.

He said future prospects for sustained economic growth looked somewhat less encouraging than they did a year ago in the light of the government's stated desire to dampen demand and its continuing trend towards legislative intervention in the economic process.

"Despite the industrial unrest, we have been successful in improving our profit margins. Our main concern remains labour stability and our efforts will be aimed at improving labour relations and increasing productivity on the factory floor."

RMS power switch ²⁰

24v *11/7/58*
A consortium led by Retail Management Services (RMS) executive chairman, Gawie Yssel, together with Local and Overseas Leisure Corporation, have acquired a 54 percent shareholding in RMS.

The shares were acquired at 25c a share from majority shareholders in an offer which effectively divested them of 60 percent of their total interest in RMS.

The offer was conditional on the sellers re-investing the total consideration in preferential shares in RMS, so as to enhance the company's cash position.

Minorities (30) stay with Montays 17/11/68

CAPE TOWN — More than 85 per cent of the shares held by minority shareholders in Montays have been retained following an offer made by Furniture Fair holding company, Furngro. This represents a strong vote of confidence in our management and I am personally delighted that so many shareholders have elected to stay on board," says Furngro's managing director Ivan Hammerschlag in a statement.

The offer of 10 cents a share was extended to minority shareholders following the Hammerschlag's acquisition earlier this year of 1.8 million of the 3.1 million Montays shares in issue.

Montays' shares, which were trading at 65 cents, were suspended on the JSE on November 19, last year, the day after the chain's principle operating subsidiaries were placed under provisional liquidation. — Sapa.

Sage distribution at historical high

Sage Fund has announced an income distribution of 25,2 cents per unit for the six months ended June 30, the highest in its history.

The distribution is 25,4 percent up on the 20,1 cents paid last year.

The total distribution for the past 12 months was 47,3 cents (41,4 cents).

Sage Resources fund is to pay a distribution of 2,4 cents per unit after its maiden for the period August to December last year of two cents.— Sapa.

Business confidence suffers June setback

By Sven Lünsche

Business confidence, as measured by Assocom's Business Confidence Index (BCI), declined for the first time in seven months in June this year as sentiment adjusted to the likelihood of a 1988 growth rate of less than three percent.

Assocom said yesterday that the index fell 1.2 points in June to 98.1, after rising gradually from 97.1 points in November 1987 to 99.3 in May this year.

In the light of recent economic performance the organisation argues that three percent growth was too ambitious following May's economic restraint measures and it "was perhaps inevitable that business confidence would be a temporary casualty of such measures," Assocom writes.

"One imponderable is the extent to which these measures will curb the demand for credit — an answer that will take some further time to fully assess.

"There is already some evidence of a softening in the consumer demand for the more expensive categories of durables," says Assocom.

But the organisation maintains that although the BCI may have adjusted downwards to certain economic realities this does not imply that it must necessarily deteriorate for the remainder of the year, given the outlook for better commodity and grain prices and an improved world economic prospects.

Opportunities

"These altered conditions offer trading opportunities, the effective exploitation of which constitutes an unresolved political agenda item in the US presidential election," Assocom says.

Commenting on the BCI's 1.2 point decline in June, Assocom writes that lower retail sales and a decline in the volume of manufacturing production were largely responsible for the drop.

Other factors included higher lending rates, a lower rand, greater insolvencies and declining new company registrations. On the positive sides Assocom registered a lower inflation rate, decreasing unemployment and higher stock exchange prices.

THE ECONOMY

The barriers fall in Noupoot (but is black trade coming running?)

Twenty two areas across the country, including conservative strongholds from Volksrust to Noupoot, have bowed to the market and allowed open trade. But are black traders actually flocking? BRUCE ALLEN reports

WHEN the local authorities in Noupoot start considering their town an open trading area, perhaps there is hope for us all.

Noupoot, along with 22 other towns across the country, may soon join more than 66 trade areas which are already open to all races.

The central business districts (CBDs) of Johannesburg and Durban were formally opened to all races for trading in February 1986. Since then the number of towns which have woken up to economic reality has grown to include conservative havens like Vanderbijlpark, Potchefstroom, Vredenburg and Volksrust.

The question is: to what extent has black business responded to the new opportunities?

Some argue the influx of black business has been minimal. High rentals and remaining political considerations have been cited as reasons.

Nigel Mandy, chairman of the Johannesburg Central Business District Association, argues the number of black entrepreneurs operating in Johannesburg's CBD is higher than most realise.

Mandy points out the term "open trading" does not only apply to shopkeepers but to the whole spectrum of business, including industrial, professional, educational and religious operations.

He says it was never expected that large numbers of black shopkeepers would move into the city. While changes in legislation have allowed Indian businessmen to come out from behind their nominees, blacks (Africans) lack the experience and capital to establish businesses in the CBD.

Where smaller service businesses are concerned, Mandy says black business people are moving to the city in large numbers. In the case of professional companies, there is a trend to establish multiracial partnerships.

Mandy says it is common to find a white professional, who has the contacts and capital needed, establishing a business and then appointing a black partner in the venture.

On the other side, Gabriel Mokgoko, public relations manager for the National African Federated Chamber of Commerce (Nafcoc), reports hesitancy on the part of blacks contemplating a move to the CBD. He says higher rentals are part of the problem.

Mandy counters that higher rentals are justified by the better situation

which the CBD offers. Generally, rentals are more expensive where turnover is expected to be higher.

On the political side, Mokgoko says blacks still question to what extent their freedom of movement is permissible in the CBD — during and after working hours.

Mokgoko points out since the rights of blacks are not entrenched and laws still exist which distort the free enterprise system, many think twice before relocating from their township premises.

Another important factor, says Mokgoko, is the question of consumer boycotts and stayaways. The businessman operating from a township will not feel the impact of these actions to the same extent as his CBD counterpart.

According to Landmark Real Estate, appropriate amenities are also a problem.

This company has a number of private black colleges looking for space in the Johannesburg CBD. According to Landmark, in many cases building owners are not providing facilities which meet college and statutory requirements.

Another problem is resistance from fellow tenants. While a capital investment on the part of landlords will solve the amenity problem (and justify higher rentals), the question of tenants who object to black neighbours is more difficult to resolve.

In spite of the problems, the bottom line is that the opportunity of running a business in the most convenient and central locations is now open to all.

The general consensus appears to be that it is a matter of time before larger numbers of black-owned businesses take advantage of this opportunity.

Most important, in Mandy's words, is the fact that "confirmation of these freedoms must lead to better use of existing facilities, greater productivity and economic viability, and an improvement in relationships".



Bid for control of Garlicks turned down

30
CML
Timp
4/7/88

By ROBERT GENTLE
and AUDREY D'ANGELO

THE battle for control of Garlicks, the Cape Town-based department store chain which owns valuable properties in city centres, appears to have been won by a consortium made up of MD Jack Garlick and marketing director Noel Boyce.

Members of the Garlick family have turned down a R22m bid for control of pyramid company Garcon, in which they have a 60% stake, from a second consortium composed of an attorney, a stockbroker, a property company and a financial institution.

But the second consortium has asked them to think again. It has extended its offer, which originally expired on Friday, until midday on Wednesday.

Members of this consortium were recently identified as attorney Gerald Rubenstein, stockbroker Norman Lowenthal, Downtown Real Estate and Senbank.

Rubenstein said its offer had been extended to allow the family more time to consider the terms of the deal. By Wednesday he expected a definitive answer "one way or the other".

Asked what the consortium would do if it did not obtain the requisite 50% approval, Rubenstein replied: "We may just walk away from the whole thing".

Ronnie Lowenthal, brother of Norman Lowenthal, said: "The first round went to them, but it's not over yet."

The original R38m bid from the first consortium is still open and could very well be accepted, according to Jack Garlick.

He and Boyce are offering to buy all the shares in operating company Garlicks, including those held by members of the Garlick family, for R12 a share. They also propose to redeem the 1m preference shares for R2 a share.

Garlick, stressing that he was speaking as a member of the first consortium and not as MD, pointed out that if the rival offer is accepted ordinary shareholders in Garlicks will not benefit.

He said he was concerned about the future of Garlicks and the security of staff.

Both consortia say they intend the chain to carry on business as usual. But Garlick suggested that, without a single retailer in the second consortium, he found it hard to believe it would trade more efficiently than the present management.

He said he could not put a precise value on the properties in city centres owned by the chain.

Lowenthal said last week that there were no plans to sell off the city centre properties. "This is not an asset strip."

Nafcoc in shift from fringe

NAFCOC is to undertake research in order to position black business to move into the mainstream of the economy.

This was disclosed at the weekend by Nafcoc PRO Gab Mkgoko, who also said president of the black business organisation Sam Motsuenyane would retire next year after a 20-year career.

5/7/88
THEO RAWANA (30)

Mkgoko said a possible successor to Motsuenyane would be identified at the Nafcoc 24th annual conference at Sun City next month.

He said Nafcoc intended to produce a plan of action in which all black organisations could have a meaningful part to play.

Industrial market booming

There has been a tremendous increase in activity in the industrial property market.

Mr Wilf Isaacs, chairman of Wilfred Isaacs, says: "The past year has seen sustained activity in the industrial sector, especially the last quarter of 1987 and the first three months of this year.

"And even although the market has been a little quieter, this certainly does not indicate any loss of business confidence or suggestions of a downturn."

Mr Jannie van Gemert, executive in charge of WI's industrial division, endorses the view and says: "It appears the market is regaining perspective, instead of being caught up in a mini-boom syndrome.

"Rental levels have moved up in most areas as vacancy factors continue to drop, although most of the activity is still centred around the

STW 5/7/88
smaller user from 200 sq m to 1 000 sq m."

Mr Isaacs believes a lack of foresight of the part of larger investors has resulted in a shortage of good-quality industrial space. Secondary space and revamped secondary space is attracting higher rents.

Speculative developments are mostly geared towards the smaller user and because of the large increase in construction costs over the past nine months, rents for these projects are pitched at R7 a sq m to R9 a sq m.

It appears that the larger institutional investors have realised that when it comes to industrial property investment, "small" is beautiful and that the lessons of the early eighties have been learned.

"One looks forward to a more pragmatic approach in property investment from these big players,"

he says.

Although there has been a general increase in activity and rents throughout the market, there is little doubt the periphery of Johannesburg and the northern industrial areas have once again proved themselves as prime regions where the percentage rentals increases have been highest and vacancy factors extremely low," says Mr Isaacs.

The West Rand — Stormill and Robertville have done very well but, again, primarily with smaller units. The north-eastern areas, of Wynberg, Isando, Spartan and Jet Park have also had a good run.

An indication of the growth of the industrial market is seen in the performance of Wilfred Isaacs.

In the past few months, the company has concluded deals worth R15 million, which compares with R18 million in the same period last year.

The bubbly's burst

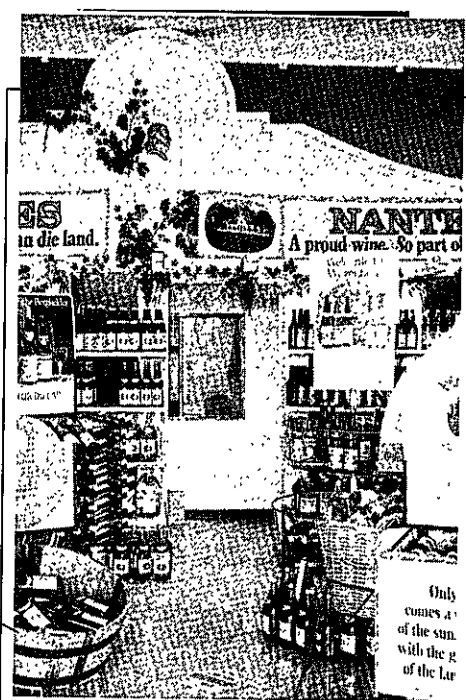
Liquor stores are no longer considered the investment they once were. In the public eye, they are still looked upon as a licence to print money — but those who operate them know better.

Several are for sale. Most producer-wholesalers who own big chains would like to sell them and concentrate on wholesaling. However, buyers aren't exactly falling over each other to snap them up at what wholesalers call *realistic* prices.

It is indicative of the state of the market that no producer/wholesaler is operating as many retail stores as it is entitled to:

- Cape Wine and Distillers, which owns Western Province Cellars, Liquortown and John Wilson outlets, operates 203 of its allocation of 300;
- Union Wine, which owns Picardi stores, operates 55 of its 105 allocation;
- Gilbeys runs 52 of the 63 Rebel outlets to which it is entitled; and

8/17/88



Liquid assets

- Douglas Green operates 16 of the 21 it has approval for.

Completely out of retailing now is SA Breweries, which sold its chain of 134 Solly Kramer outlets. It was obliged to sell 7,5% of them in five years and 10% a year thereafter. When the balance reached 60, they were split among five companies created mostly by former employees and managers. The 60 still maintain a joint head office and trade under the Solly Kramer banner.

pm
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8/17/88

When producer-wholesalers acquired their rights, shortly after "rationalisation" of the industry by the government in 1979, there was a limited number of liquor licences available and they fell over each other to buy them up.

It wasn't hard to see why. Blacks were obliged to buy their supplies from them. That changed and margins were pared significantly when government allowed liquor stores and licensed shebeens in black areas.

Today, margins are tight — although store-owners have themselves to blame for part of the problem. It is common to see clusters of rival outlets in close proximity to one another, all competing for the same shoppers.

It's too soon to shed tears for bottle-store owners — as if anyone would. The fact that so many stores remain suggests they still offer worthwhile returns. But if the chains' experience is anything to go by, the champagne days are over. These days, it's more like flat wine. ■

DROP-INN

30

Strong showing

Activities: Retail and wholesale liquor distributor.

Chairman: S R Berk; **managing director:** J L Kotze.

Capital structure: 50m ords of 2c each.
Market capitalisation: R22,5m.

Share market: Price: 45c. Yields: 5,8% on dividend; 13,3% on earnings; PE ratio, 7,5; cover, 2,3. 12-month high, 100c; low, 35c.
Trading volume last quarter, 549 000 shares.

Financial: Year to February 29.

	'88
Debt:	
Short-term (Rm)	3,5
Long-term (Rm)	—
Debt:equity ratio	0,19
Shareholders' interest	0,59
Debt cover	0,88
Performance:	
	'88
Return on cap (%)	16,1
Turnover (Rm)	86,0
Pre-int profit (Rm)	5,0
Pre-int margin (%)	5,8
Taxed profit (Rm)	2,6
Earnings (c)	6,0
Dividends (c)	2,6
Net worth (c)	36,4

The company was listed in September following an offer of 12m shares at 75c. The business consists of one of SA's larger liquor retailers, with 14 Cape-based bottle stores and three hotels — each with off-consumption privilege — together with Benny Goldberg's in Johannesburg, acquired shortly before the listing. Chairman Sam Berk says the intention is to continue efforts to increase market share on the Reef.

Earnings improved on the prospectus forecast of 5,2c by 0,7c, or 13%. Results included those from the Benny Goldberg outlet for only eight months. Compared with the previous year, however, sales increased by 88%, and pre-tax profit by 147%. Benny Goldberg's was turned round from a loss of R203 000 to a pre-tax profit of R1,2m, accounting for 24% of the total.

The group embarked last year on a policy of building exclusive brands, which MD Johann Kotze says was especially rewarding in

imported whisky brands, where rand weakness has led to large price differentials between traditional proprietary brands and group imports. Housebrand sales now account for 50% of whisky sales. Berk suggests, however, that price increases of spirits will encourage a swing to wine.

Total stocks jumped from R5,9m to R14,4m. At year-end, the figure was higher than usual, notes Kotze, owing to pre-price increase purchasing. Policy is to hold one and a half month's stock at the end of a month, and Kotze states that Drop-Inn is always able to reduce stocks quickly to the group standard, while remaining stock is not revalued until goods are sold and replacements purchased.

Debt-free freehold land and buildings are in the balance sheet at cost, accounting on that basis for 17,7c of net worth. Berk says the properties are valued at "between R10m-R12m," rather than the balance sheet figure

of R8,9m. Working capital consisted largely of net accounts payable of R3,8m and bank overdrafts of R3,7m. Potential liability arising from a dispute with the owners of Neethlingshof Wine Estate, following a disagreement about what constitutes a noble cultivar white wine, was settled in favour of Drop-Inn on appeal.

In the absence of further sanctions and given contained inflation and reasonable stability in industrial relations, Berk expects sustained growth in 1988. With a further four months' profit to come from Benny Goldberg's this year, this looks achievable, although since the previous eight months' year included Christmas it is difficult to quantify. Still it appears earnings should increase to at least 7,2c this year. Dividends should improve to 3c for a forward yield of 6,7% and a forward p/e of 6,3. The shares should prove a sound investment.

David Ross

JSE showing signs of greater strength

(30)
Star 8/1/88

By Magnus Heystek
Finance Editor

A surge of institutional and overseas buying yesterday saw the Johannesburg Stock Exchange put up one of its best performances since the Crash of '87 with the overall index rising by 2,8 percent to 1890, extending its gain since the beginning of the week to more than 11 percent.

The All Gold index rose strongly on the back of a strengthening in the late gold price to above \$440 an ounce in London to record a gain of 62 points and closed at 1451.

Heavyweight industrials also come into favour amongst local institutional investors and the index rose by 40 points to 1740, compared with 1658 on Monday morning and 1587 at the beginning of June.

Overall, the market has recovered by 16,2 percent since the beginning of June despite the weakening in the gold price during the same time.

Several factors are contributing to the current bullish mood on the JSE, including a weakening of both the commercial and the financial rand, institutional interest in selected industrial blue chips and, in certain cases, some overseas buying from Europe and London. Investors

from the United States are still net sellers, say brokers.

Unit trust management companies have been reporting decreased levels of liquidity this week, indicating a preference once again for equities. This apparently triggered off fears in some quarters that a massive increase in local institutional buying will lead to severe shortages of stock. Large numbers of blue chip shares were traded yesterday, particularly Barlows (385 178), Fedsure (218 450), De Beers (215 680), Tongaat (122 236), Doornfontein (121 200) and Powertech (120 718).

The Overall index of the JSE has been boosted in recent weeks, somewhat artificially due to their relative weightings, by the sharp increases of shares in the Rembrandt Group on the one hand and De Beers on the other.

Coupled with a steady flow of buying orders for so-called rand-hedges, this has tended to underpin the market.

According to some analysts there has been a marked improvement in investors' sentiment in recent weeks, despite a general forecast of a slowdown in the growth of corporate earnings.

"Investors are suddenly finding current PEs, earnings yields and dividend yields very attractive," one analyst at a large broking firm said yesterday.

A lessening of fears about higher interest rates has also contributed to the improvement in the general sentiment towards the JSE. Until recently the interest rate structure was seemingly heading sharply higher.

However, in recent weeks the money market has been characterised by a steady downward shift thereby alleviating some of the fears of sharply higher interest rates in the immediate future.

Most economists are predicting that the prime interest rate will not rise to more than 17-18 percent in the current cycle.

Counters on the Development Capital Market yesterday also attracted some selected attention with several shares recording strong advances. Topping the list was computer-related company Don Gray which rose by 20c to 55c on high volumes. Other DCM-stocks to show good increases were Milly's and Deale and Huth.

SBDC bid for deregulation

THE Small Business Development Corporation (SBDC) has applied for the deregulation of 45 industrial parks and "hives of industry" in terms of the Temporary Removal of Restrictions on Economic Activity Act.

SBDC development services GM Mike Smuts, who expects the initial gazetting notices by the end of July, said yesterday this would represent "a giant step forward" for deregulation.

ALAN FINE

So far only one area — Enterprise Park at Kew north of Johannesburg — has been given this status. And some of the areas applied for by the SBDC are 10 times as large as Kew, the largest accommodating some 200 businesses employing 800 people.

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● To Page 2

SBDC applies for deregulation of areas

Smuts said among the 45 deregulated zones applied for were three areas in Soweto, parts of Atteridgeville, Vanderbijlpark, Vosloorus, Katlehong, Eldorado Park, Lenasia, Nancefield, Pennyville and Wadeville in the Transvaal.

Zones in the Cape were situated in Athlone, East London, Port Elizabeth, New Brighton, Uitenhage and Blackheath, while applications had also been submitted for parts of Chatsworth in Natal and Phoenix in Bloemfontein.

Among the legislation from which the SBDC hopes government will grant exemptions are wage-regulating measures, certain safety regulations, building laws, by-laws and regulations, provincial ordinances related to trading hours and licensing, and by-laws covering such matters as advertising signs, the use of verandahs and the sale of second-hand goods.

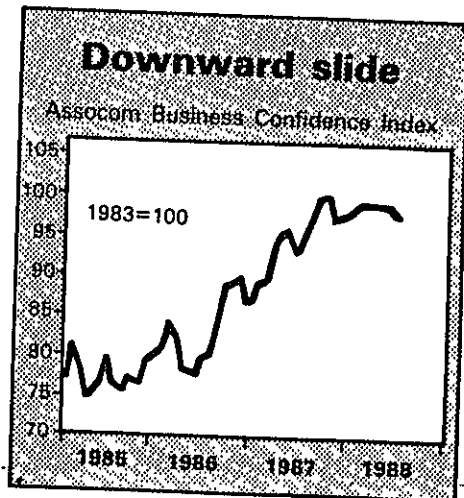
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● From Page 1

BUSINESS CONFIDENCE

On the decline

Assocom's Business Confidence Index (BCI) has started a decline, dropping by 1,2 percentage points in June to 98,1 (base year 1983=100) from 99,3 in May. This follows a five-month climb that reached 99,3 in April.

However, the 98,5 average for the year so far is higher than 95,3 in 1987, 84,3 in 1986



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and 79,1 in 1985.

The decline reflects a downgrading of 1988 GDP growth hopes to less than 3,0%.

BCI is formed from a combination of 15 economic indicators. Those that reflected positive sentiment in June included the following:

- The dollar price of gold rose slightly;
- CPI continued to decline, to 12,9% in May; and
- JSE prices — the overall market index rose during June.

Negative influences included the following:

- The rand/dollar exchange rate again showed a small decrease;
- The bankers' acceptance rate on balance fell slightly, while the May increase in prime lending rates of commercial banks was in force for the first full month; and
- Merchandise import volumes fell in May.

That BCI has adjusted downwards need not mean it will continue to deteriorate for the remainder of the year. "There are some positive factors in the situation," says Assocom, citing the continued improvement of international commodity prices, such as platinum, and the firming of grain prices. ■

By Udo Rypstra

SOUTH Africa's premier shopping centre, Sandton City, is to be challenged by a Pretoria rival next year.

An R8-million complex, Brooklyn, will be built between the affluent suburbs of Sunnyside and Menlo Park by September. The joint developers say it will set the pace in fashion and other retail lines into the year 2000 and beyond. Pretoria is SA's cultural capital and deserves to have such a centre, they say.

Restaurants

The developers are Coreprop, property arm of the Tradegro Group, and Tomkor, the listed construction company.

"Sandton will not be the place to shop next year. It will be Brooklyn," Tomkor managing director Alec Wapnick told a gathering of Pretoria's top retailers this week.

The centre will have

Pretoria's posh Brooklyn challenges Sandton City

17 000m² of retail space on two levels. About 8 500m² has been booked up for a show-piece Checkers store, a new-concept food-only Woolworths shop and a Dion's store with 28 departments. Ster-Kinekor and Metro are said to be competing for the cinema complex.

Edgars and Clicks are certain to take space. The remaining space is for 80 line shops and two family restaurants.

City Property Administration have been placed in charge of leasing, but will be required to select the right tenant mix. Applications that could fill a complex twice the size of Brooklyn have been received.

Annual turnover is projected

at R80-million.

The emphasis at Brooklyn will be on high quality and service offered by the shops, not the size of the complex. But to beat Sandton on quality and service will not be easy.

250 shops

With more than 250 shops on 93 000m², Sandton City has not only established itself as the most popular shopping complex with the biggest variety north of Johannesburg, but as a tourist attraction. In addition to Checkers and Woolworths outlets, it accommodates up-market stores like Stuttafords and John Orr, as well as the Sandton Sun Hotel, seven cinemas and leading names in fashion,

jewellery, furniture and leather.

It attracts up to 80 000 shoppers on a monthend weekend. Annual turnover is between R300-million and R400-million.

Together with the other nearby upmarket shopping centres, Hyde Park Corner and the Rosebank Mall, this cluster of centres has built up a patronage that would think twice before travelling 70km to Pretoria and back.

Sandton City has parking for 6 500 cars, but Brooklyn will have space for only 1 000. This worries some prospective tenants. One yardstick requires at least six parking bays for every 100m² of retail space — if applied to Brooklyn, there could be a few parking hassles on peak days.

30 Stimms 19/7/88

Arthur Kaplan opening more shops

Finance Staff

Arthur Kaplan Jewellery Holdings is set to open another three stores by September, bringing to 14 the number of outlets operated by the Pretoria-based jewellery chain.

Group chairman Arthur Kaplan says two of the stores will be located outside the Pretoria area — in Pietersburg and on the Johannesburg/Roodepoort border. They form part of AKJ's post-listing strategy of expanding beyond the boundaries of Pretoria and its environs.

The group's first store outside Pretoria was opened at Johannesburg's Carlton Centre last November.

MIDDESTAD

"Our Pietersburg store, which will be located in the new Middestad shopping centre, is to be launched towards the end of August.

"The Roodepoort store will begin trading a few weeks later. It will be situated in the Highgate shopping centre, just off the Main Reef Road.

The third store, to be situated in Pretoria's newly built Hatfield Plaza shopping centre, will also make its debut in August.

Hatfield is fast becoming one of Pretoria's most sought after decentralised office accommodation and shopping centres.

Mr Kaplan, who is national president of the Jewellers Association, says the recent reduction in excise duty from 35 percent to 20 percent will be beneficial to the jewellery industry.

"The net effect of the reduction is that jewellery now gives better value for money. I believe the results for the industry as a whole will start filtering through by Christmas."

Athlone to be auctioned this week

Hotel groups, retirement centre developers and entrepreneurs in the sport and recreation fields, are likely to be among the bidders when Durban North's landmark the Athlone Hotel is auctioned on Thursday.

Mr Roy Alderdice auctioneer for JH Isaacs (Natal), says: "Serious inquiries from potential investors are coming in from far and wide."

Situated on a 1,4 ha site overlooking the Umgeni River, the hotel has 40 en suite rooms, three bars, a carvery restaurant, ballroom and parking for 500 cars.

The sale will be conducted in two parts — the hotel, property and business together, then the licence of the Athlone liquor store in Windermere Road.

"The hotel has been trading profitably," says Mr Alderdice. "It is being auctioned only because of the liquidation order against the holding company, Turf Holdings."

The municipal valuation is just over R2 million and bids are expected to be of this order.

Car sales may be kept secret (30)

The days of the regular monthly car sales scoreboard appear to be over.

Following last month's decision by Delta Motor Corporation not to release its May sales figures, at least one other car maker is reliably believed to have followed suit. And June's Naamsa sales figures, which would normally have been released by now, have been de-

layed pending industry discussions.

The most likely outcome of Naamsa's deliberations is that figures will be confined to overall industry sales in each of the four categories — passenger cars, plus, light, medium and heavy truck and buses. A breakdown of sales by model and makers, however, would no longer be released.

STY 1217186

Bargain — at a price

51.7 12/7/85
Property is booming but the bargain hunters are still out there waiting for a sensational buy. (30)

Mr Raymond Leibman of Aida Real Estate can thank The Star's Classified Advertisement section for drawing enormous public interest in the sale of a central Johannesburg residential block — although there was good reason for the rush.

The property comprising 70 fully furnished, refurbished apartments, plus ground floor shops, plus lettable basement and all furniture was advertised for sale at R2,2 million.

Unfortunately, a gremlin got into the "ad works" and the figure came out as R200 000.

"The response was highly encouraging," says Mr Leibman, manager of Aida's commercial division, "and one caller even asked whether the seller would accept R180 000, presumably with 100 percent bond finance!"

Bargain — at a price

Star 12/7/83
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8 days
12/7/88
36

Bid to break Ccawusa-Checkers deadlock

THE Commercial, Catering and Allied Workers' Union of SA (Ccawusa) has applied for a conciliation board to attempt to resolve deadlock between itself and Checkers over annual wages, Ccawusa spokesman Jeremy Daphne said yesterday.

Both parties agreed to mediation within the next two weeks.

BRONWYN ADAMS

Daphne said Ccawusa declared a dispute over wages and the question of a 13th cheque after Checkers refused to increase its across-the-board offer above R74,70 for a one-year period. He said Ccawusa demanded an increase of R122 a month, and an improved annual bonus.

Checkers human resource director Andy MacLauren said the dispute was declared over wages and Checkers' rejection of the annual bonus as part of wage negotiations.

Daphne rejected Checkers' argument that Ccawusa had agreed to an effective R96 at the OK Bazaars and should agree to a smaller increase from the less "well-off" Checkers.

Motor trade restricts info

PRETORIA — Following the recent decisions by Delta and Nissan to withhold specific monthly sales figures, The National Association of Automobile Manufacturers (Naamsa) said yesterday it would, in future, publish only total monthly sales figures in the established industry categories.

Naamsa president Spencer Sterling said only total and broad category sales figures would be made public, as this was the only basis on which all motor manufacturers agreed. The decision to exclude manufacturer figures followed "intensive" negotiations between motor makers, he said.

He confirmed that Delta had agreed to provide data on this basis after discussions with Naamsa last week.

Delta earlier refused to provide sales data in what was seen as a move to avoid embarrassment to overseas suppliers threatened with possible sanctions for dealing with an SA company.

13/7/98
GERALD REILLY B/D/W

Last week another manufacturer, Nissan SA, joined Delta in declining to disclose comprehensive figures.

It was decided, too, that publication of Naamsa's statistical booklet which provides details of individual member's sales would be suspended for now.

Sterling said the association regretted that for the time being it would not be possible to make available more detailed sales data.

From January 1989, however, fuller disclosure of industry and individual manufacturers' sales was likely to be resumed.

Access to the more detailed sales information was likely to be restricted to Naamsa member companies and organisations directly associated with the motor industry.

Fed Volk to raise R100-m

30
[Handwritten scribbles]

Star 13/7/83
By Sven Forssman
Federale Volksbeleggings
is to proceed with a
R100 million rights issue
of ordinary shares, man-
aging director Johan
Moolman said yesterday.

He said the group
could still get real
growth in EPS and divi-
dends irrespective of the
extra shares.

"There is a necessity to
finance the companies
growth in a planned man-
ner. The rights issue will
catapult us into the early
1990s," Mr Moolman said.

"The capital will be
used to finance a multi-
tude of projects. We de-
cided on a rights issue
because we needed long
term equity — risk capi-
tal."

Mr Moolman said the
rights issue coincided
with the second develop-
ment phase — one of se-
lective growth — at Fe-
derale.

"The first phase of the
programme for the re-
covery of the group
which began in 1985,
namely reconstruction,
consolidation and the
achievement of accept-
able profit levels and re-
turns, has been success-
fully completed.

"In the current busi-
ness climate it is desir-

able for the group to add
long-term growth assets
to the existing portfolio.

"There are opportuni-
ties for expansion in each
of the operating sectors
which have to be utilised
on a planned basis
whether increasing capa-
city or new product
lines.

"The additional need to
increase local content in
durable consumer goods
is an established strategy
of the group. For exam-
ple, Tek Corporation is
engaged in a microwave
oven project as well as
studies for the manufac-
ture of audio equipment.

"In the pharmaceutical
division new capacities
are being created in
order to broaden product
ranges. The motor com-
ponent division is con-
stantly required to broad-
en product ranges to as-
sist in increasing the
local content of motor
vehicles."

Turning to the debt-
equity ratio of 0,57, Mr
Moolman said he would
be happy if the group
moved between 0,4 and
0,7.

"We can handle our
debt within those para-
metres, depending, of
course, on the interest
rates."

Naamsa ends breakdown of vehicle sales (30)

By Sven Lünsche

The National Association of Automobile Manufacturers (Naamsa) will henceforth only publish total industry sales in the wake of a decision by Delta and Toyota not to release detailed sales statistics.

President Spencer Sterling said yesterday Naamsa would only publish total monthly sales in four categories: cars, light commercials, medium commercials and heavy com-

mercials. *Star 13/7/68*
"Full details of individual members' sales by model variant and licensing districts will be suspended for the time being," he said.

However, with effect from next January fuller disclosure of industry and individual manufacturer sales was likely to be resumed. But access to more detailed sales information was likely to be restricted to Naamsa members and to organisations

directly associated with vehicle manufacturing.

"In the meantime, vehicle manufacturers will continue to update their in-house sales data bases in order that once the industry is ready to resume disclosure of detailed sales statistics, back-processing of the data base can be undertaken," Mr Sterling said.

June car sales figures will be released today.

Dramatic drop in new car sales

30 (Sun) 14/7/88

HELOISE HENNING

NEW car sales for June dropped dramatically by 5.7% to 16 981 from 18 014 in May and industry sources blamed the three-day labour stay-away earlier in June for the drop-off.

Financial analysts were surprised that seasonally adjusted June sales were below 16 000. Mid-year sales are traditionally high, especially among corporates that have a year-end in June.

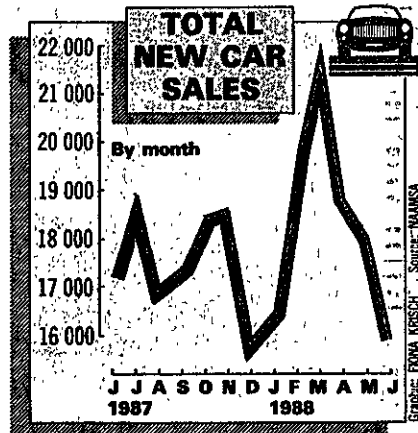
The figures come in Naamsa's first publication of total monthly sales by vehicle category, without details of individual manufacturers. This was triggered by Nissan and Delta's decision to withhold specific monthly sales figures.

Analysts said they were relieved total sale figures were released as vehicle sales were an important economic indicator.

Total sales for all categories for the six months to June was 174 400 compared with 143 739 last year.

Total sales for June were 27 772 compared with 28 563 in May and 26 214 in June 1987.

The tapered June sales were also attributed to government's introduction in May of the credit package which includ-



ed private rental schemes in the Usury Act.

However, industry sources said sales to date were still on target to achieve 210 000 new car sales by the year-end.

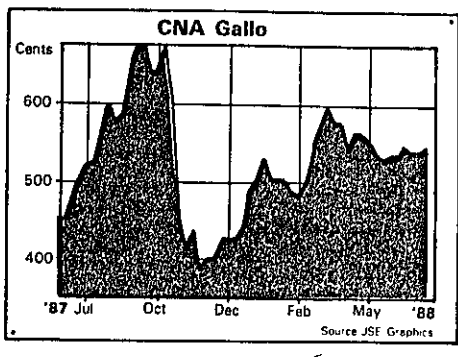
A tapering-off of activity was expected in the next two quarters but demand for new cars was high with manufacturers trying hard to keep up with orders.

Japanese car manufacturers have also had the ceiling put on their performance by a self-restraining curb on imports so as not to exceed those of 1987.

Another leap

A revitalised CNA Gallo has had two excellent years after the stodgy fare of the mid-Eighties. In part, the results reflect a strengthened position in expanding markets, particularly in the entertainment sector. Even so, it was the retail division that made the largest contribution to pre-tax profit and also showed the strongest growth.

The retail division's performance — pre-tax profit jumped 143% on sales growth of 22% — underlines the recovery in CNA. The directors note that, after some years of sluggish and, in many cases, negative growth, product ranges in which CNA trades



Activities: Main business is the CNA and Literary Group chains of retail stores, manufacture and distribution of gramophone records, music cassettes and video cassettes, music publishing and provision of video production and post-production facilities.

Control: Argus and Premier Group hold joint control.

Chairman: A H Bloom; managing director: D D B Band.

Capital structure: 31,7m ords of 10c each; 500 000 5% cum prefs of R2, 150 000 6,5% cum prefs of R2, 132 300 "A" share purchase prefs of 10c and 1,5m "B" share purchase prefs of 10c. Market capitalisation: R171m.

Share market: Price: 540c. Yields: 5,4% on dividend; 13,6% on earnings; PE ratio, 7,3; cover, 2,54. 12-month high, 675c; low, 390c. Trading volume last quarter, 211 000 shares.

Financial: Year to March 31.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	3,6	1,1	1,9	1,3
Long-term (Rm) ...	8,0	7,9	6,5	4,7
Debt:equity ratio	0,16	0,12	0,05	—
Shareholders' interest	0,54	0,54	0,50	0,49
Int & leasing cover ..	1,92	1,69	5,4	11,9
Debt cover	1,19	1,56	2,3	4,7
Performance:				
Return on cap (%) ..	15,7	15,1	15,3	18,7
Turnover (Rm)	292	309	353	430
Pre-int profit (Rm) ...	20,5	21,0	24,9	39,3
Pre-int margin (%) ..	6,7	6,2	6,7	8,6
Taxed profit (Rm) ...	8,2	8,2	13,3	23,3
Earnings (c)	26,1	26,2	42,2	73,6
Dividends (c)	16	12	18	29
Net worth (c)	195	203	234	295

achieved real sales increases in the 1988 year, although an exception was overseas periodicals where imported inflation again restricted market development. In most instances, they add, economic improvement was accompanied by greater competition but this was successfully combated and market

share gained.

Such was the pattern in the group. Outgoing chairman Tony Bloom (who will be succeeded by Hal Miller) contends that while improved economic conditions helped, much credit attaches to management's well-timed

CNA GALLO'S DIVISIONS

	Pre-tax profit		Sales	
	1987	1988	1987	1988
	Rm			
Retail	8,2	19,8	265,2	322,8
Entertainment ..	6,8	11,0	75,4	95,8
— music & video	4,6	7,5	66,9	84,8
— Video Lab ..	2,2	3,5	8,5	11,0
Support	6,2	7,8	12,1	11,2
Financial services	1,4	0,5	—	—
Total:	22,5	39,1	352,7	429,9

decision to lay the main emphasis and stress on aggressive marketing and sales policies. Group sales thus advanced 22% compared with a CPI increase for the same period of 13% and a growth in general non-food industry retail sales of about 18%.

The sales surge brought higher margins, which jumped from 6,7% to 8,6%. Trading cash flow aided by property realisations resulted in interest expense dropping by 92% to R181 000 (R2,4m) and the balance sheet shows net cash resources of more than R30m. Lower finance costs lifted the 55% trading profit advance to 74,4% at EPS level.

Investment in expansions and new ventures continued. In CNA, the video rental service launched in 1986 progressed, but has yet to reach optimum sales levels. Other ventures include the opening of a number of

photographic one-hour mini-labs, the launch of CNA own-brand film, the launch of new greeting card ranges and the introduction of computer stationery and accessory bars.

Ten new shops were opened, with 11 enlargements and 10 major refits completed; two stores were closed while three were rationalised into smaller trading areas. In total, trading area increased by 4,7%, bringing the total growth in trading area over the past five years to 24,7%. At end-March the CNA chain comprised 296 stores, covering 110 412 m². For the current year, eight new stores have been committed, with a further six probabilities considered.

Elsewhere in the retail division, the full-range general bookshops, which trade as Exclusive Books, Bookworm and Booksource, achieved sales gains well ahead of inflation. A new Exclusive Books is planned for opening in Pretoria in September 1988.

The entertainment division lifted pre-tax profit by 62% on sales growth of 27%. Bloom notes that Gallo (Africa) again improved profitability with a strong contribution from the music division enhanced by return to profits in the video division. Last October saw the successful listing on the JSE of Video Lab Holdings, of which the group owns 61%. Video Lab's results exceeded the prospectus forecast.

Earnings will not be boosted again this year by a falling interest bill but there is considerable capacity for expansion. Bloom says that despite the much higher base, the group is budgeting for further real earnings growth for this year. This suggests earnings should reach at least 88c (although that may be conservative) and with cover already at 2,54 times the payout should rise in line. At 540c, the share looks fairly rated for the present but the medium-term growth potential may justify appreciation. Andrew McNulty

'INFORMAL' ECONOMY

30

Bigger than life?

Research based on 44 community studies conducted over a decade has found that SA's informal sector is worth 6,5% of GDP. The report, published in *Development Southern Africa*, considers only blacks and excludes the value of "moonlighting activities."

In other words, only blacks working full-time in the informal sector are included in the 6,5% estimate. Author Marie Kirsten says that "the gap between recorded and actual GDP would be even wider if the informal income generated by other population groups as well as the value of moonlighting activities were included."

The study finds that the 6,5% is comparable with that calculated for other countries. The results of the finding cannot be underestimated, for the implication is that a narrowly defined portion of SA's informal sector will "add" R13bn to officially-recorded GDP in fiscal 1988-1989.

There is growing international concern over the fact that formal economic tools find it impossible to measure activities in the informal sector. Accordingly, increasing attempts are being made to estimate such activities, expressed as a percentage of formal GDP.

Kirsten says that "incorrect data, due to activities that escape official attention, can lead to erroneous policy decisions." Moreover, she contends that SA's "national accounts and other 'official' data will reflect a more realistic picture of the extent of unemployment and national income earned if the informal sector's contribution is published."

Informal sector activities have major implications for every "formal" sector statistic, be it unemployment, the CPI, general economic growth, the taxbase and retail and manufacturing activity. Moreover, studies such as Kirsten's tend to be conservative in their findings.

Given the narrow parameters of her study, Kirsten nevertheless estimated that in 1985, 1,72m blacks were employed full time in informal sector activities. Each earned an estimated R4 200 (1985 money), which in turn equalled no less than 25,9% of formally recorded black personal income (Bureau of

~~30~~ 30

Market Research).

Other economists, such as Brian Kantor, have suggested that the "gap" is higher than Kirsten's finding of 6,5%; Wolfgang Thomas of the University of Western Cape has estimated SA's informal sector activity, including illegitimate activities, to be as much as 30% of formal GDP.

This suggests that a nominal amount of R60bn is escaping traditional economic tools of measurement in fiscal 1988-1989. While it is impossible to say what base this is coming off, the implications for real recorded GDP and all figures associated with it, are probably more far-reaching than any "formal" economist would be prepared to admit. ■

[Handwritten scribbles]

Activities: Cash and carry supermarket chain.
Control: Ultimate holding company is Peggro.
Chairman: C H Wiese; managing director: J W Basson.

Capital structure: 29,6m ords of 4c each.
 Market capitalisation: R71m.

Share market: Price: 240c. Yields: 3,3% on dividend; 7,2% on earnings; PE ratio, 13,8; cover, 2,16. 12-month high, 455c; low, 215c. Trading volume last quarter, 59 900 shares.

Financial: Year to February 29.

	'86	'87	'88
Debt:			
Short-term (Rm)	3,3	1,7	0,3
Shareholders' interest	0,25	0,26	0,22
Int & leasing cover	2,8	5,1	8,7
Debt cover	0,68	2,23	19,0

Performance:

	'86	'87	'88
Return on cap (%)	12,7	12,75	12,79
Turnover (Rm)	126	170,6	246,3
Pre-int profit (Rm)	3,9	5,2	7,5
Pre-int margin (%)	3,1	3,1	3,2
Taxed profit (Rm)	1,7	2,7	5,1
Earnings (c)	6,0	9,3	17,3
Dividends (c)	—	—	8
Net worth (c)	26	34,9	44,3

effective tax rate dropped to 35%, (44,7%) and taxed profit was 85% higher.

The current ratio has slipped slightly from 1,13 times to 1,10, as did the stock turn which moved to 5,9 from 6,23 times. However, turnover per branch rose from R5,5m to R7m, while turnover per employee climbed from R105 524 to R115 501. MD Wellwood Basson says the performance resulted from increased market share and a substantial improvement in expense ratios.

The group's performance since its listing in November 1986 has surpassed expectations of many analysts. Its outlets are slightly smaller than the average Checkers supermarket, and the group markets on price and simple, clean interiors. Evidence is that some shoppers are deterred by hyperstores, and Pick 'n Pay, for example, has shifted its strategy to include small stores in small towns.

Most of Shoprite's stores are currently in the Cape, but the group has a clear strategy to expand northwards. Problems that Cape retailers can experience in the north should not be underrated, as evidenced by the earlier Grand Bazaars experience. However, Shoprite's first two stores opened recently in the Transvaal, at Pietersburg and Tzaneen, and are well ahead of target, according to Rogut.

A number of other sites in the Transvaal and the other provinces are being looked at. Shoprite generally expands into new premises, but sometimes takes over existing supermarkets. Rogut says management would consider the purchase of a chain if one became available. At least six new outlets should be opened this year.

The group has managed to compete well with the hypers in the sensitive western Cape market.

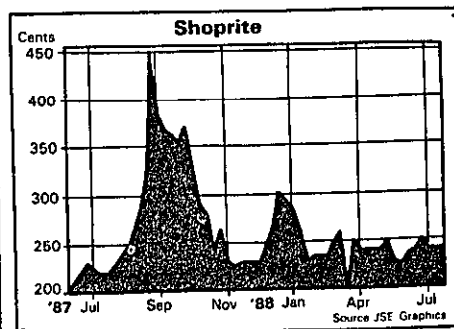
This experience, and the strong balance sheet, should help cushion it from major damage if economic conditions worsen.

SHOPRITE

Sales leap

Things seem to be going well for Pepkor group retailer Shoprite, which has 37 supermarkets retailing to the lower and middle income groups, primarily in the western Cape.

Turnover increased by 44% in the year ended February and operational director Barney Rogut is confident that similar can be achieved this year. With food accounting for about 80% of turnover, the pre-interest margin rose only marginally from 3,1% to 3,2%, but this enabled operating profit to advance by 50,4%. Debt was minor, net cash at the year-end was a healthy R2,6m (R0,8m) and the interest bill for the year was zero against the previous R266 000. The



Shoprite's dividend yield of 3,3% and a p/e of 13,9 is in the same order as that for Pick 'n Pay, and well ahead of other food retailers. Although much of the group's success is discounted in the price, the share should remain strong.

Teigue Payne

157/10/85

DASHAUS

(30)

Targets beaten

Activities: Operates four speciality retail chains: Dashaus (furniture, 10 branches); Mattress House (bedding, nine branches); Furniture Hyper (two branches), and Laylow (clothing discounts, three branches).

Control: The Ginsberg family held 17m shares at the listing.

Chairman: E Ginsberg; joint chief executives: F A Ginsberg, F Ginsberg.

Capital structure: 25m ords of 1c. Market capitalisation: R12,5m.

Share market: Price: 50c. Yields: 5,0% on dividend*; 20,4% on earnings; PE ratio, 4,9; cover, 4,1*. 12-month high, 105c; low, 40c. Trading volume last quarter, 94 000 shares.

*Annualised

Financial: Year to February 28.

	'85*	'86*	'87*	'88
Debt:				
Short-term (Rm) ..	—	—	—	828
Long-term (Rm) ...	—	—	—	141
Debt:equity ratio	—	—	—	0,19
Shareholders' interest	—	—	—	0,28
Int & leasing cover .	—	—	—	7,3
Debt cover	—	—	—	3,3

Performance:

	'85	'86	'87	'88
Return on cap (%) ..	—	—	—	18,1
Turnover (Rm)	3,5	9,7	13,7	29,5
Pre-int profit (R000)	19	282	1 047	3 228
Pre-int margin (%) ..	0,5	2,9	7,6	10,9
Taxed profit (R000)	30	203	575	2 542
Earnings (c)	—	—	3,4	10,2
Dividends (c)	—	—	—	1,25
Net worth (c)	—	—	—	20

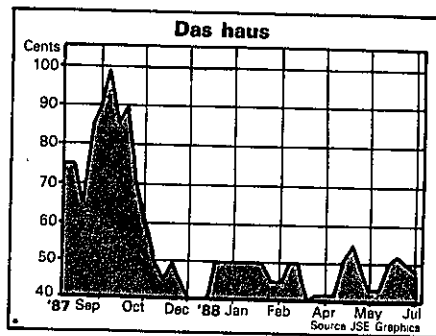
*Pro forma figures from prospectus

The prospectus last July forecast earnings of 6,0c a share. The subsequent acquisition of Laylow (financed by the issue of 5m shares at 80c) was expected to boost this to 6;8c, so the actual out-turn is well ahead of target. Dividends similarly exceed the 1c forecast. The directors say all group operations per-

formed strongly. In addition to the Laylow diversification, the first furniture hypermarket was opened in Boksburg and a second has been opened in Highgate since the financial year-end — where Laylow (much of whose business is with black hawkers) also intends to open a clothing hypermarket. Mattress House opened its first store in a Jet Stores outlet; and plans to extend this concept. A bulk warehousing facility was established, which is expected to help considerably in remaining price-competitive.

The debtors' book rose from R2m to R8m, but was mainly in short-term credit sales and still represents only 20% of turnover. It is intended to keep this proportion low. Indeed, the "corporate mission statement" sees the key to the group's success as the concentration on cash transactions in retail sectors that traditionally operate on credit.

The directors expect earnings growth "significantly ahead of inflation" this year. The



year will be devoted mainly to growing the existing businesses, but "the group is well geared to take advantage of any strategic acquisition prospects."

Growth "significantly ahead of inflation" generally seems to mean at least 20%, these days. That would imply earnings of at least 12c, with dividends (policy is at least three-fold cover) of about 4c. In spite of the vastly improved results, the share is now back at last year's issue price. Though it does not look dear, it is unlikely to be able to buck the market's general trend.

Michael Coulson

MORKELS (30)

Devotion to duty

Activities: Furniture and sports good retail chain with 74 outlets.

Control: Federale Volksbeleggings has 75%.

Chairman: N J Organ; managing director: C H M Jansen.

Capital structure: 40m ords of 4c. Market capitalisation: R32,8m.

Share market: Price: 82c. Yields: 9,8% on dividend; 23,0% on earnings; PE ratio, 4,3; cover, 2,4. 12-month high, 135c; low, 45c. Trading volume last quarter, 757 000 shares.

Financial: Year to March 31.

	'86	'87	'88
Debt:			
Short-term (Rm)	2,2	26,1	23,4
Debt:equity ratio	0,06	0,69	0,55
Shareholders' interest	0,54	0,38	0,33
Int & leasing cover	1,0	1,4	6,7*
Debt cover	0,9	0,3	0,75

*Financial leases only

Performance:

	'86	'87	'88
Return on cap (%)	7,6	9,4	13,4
Turnover (Rm)	83,9	115,3	156,6
Pre-int profit (Rm)	5,1	9,3	17,2
Pre-int margin (%)	4,6	8,0	11,0
Taxed profit (Rm)	0,6	2,6	7,5
Earnings (c)	12,6	6,4	18,9
Dividends (c)	—	—	8
Net worth (c)	94	95	106

If any criticism is possible of one of the most informative annual reports in the retail sector, it would be (a) that it reads at times more like a devotional tract than a sober financial document and (b) that any meaningful forecast for the current year is conspicuous by its absence.

MD Carl Jansen tells me the former point is deliberate, in that Morkels wanted to educate all its stakeholders, including the staff (many of whom are shareholders). The latter is largely offset by regular quarterly reports (you can count on the fingers of a thumbless hand the number of SA industrial companies who've tried to produce these, standard though they are in North America).

Instead we have four pages of valuable

graphs and statistics, including operating profit per store (R200 000), employee (R16 100) and square metre (R3 800); accounts per store and even market share — which has risen steadily, last year ironically least of all, group furniture sales growth of 34,4% (nominal) only just outstripping the industry's 32,1%.

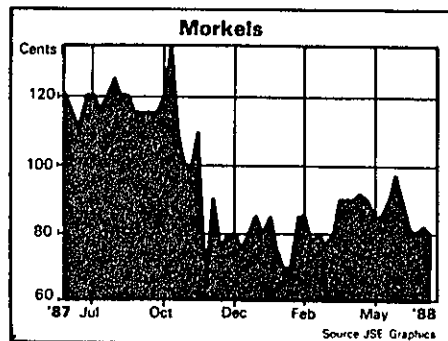
Certainly Morkels, a perennial disappointment in its previous listed incarnation, has much to be proud of since last year's relisting. The forecast R115m sales and R5m net profit have been handsomely outstripped, even though the Totalsports sports goods subsidiary failed to sustain the break-even it had reached at the end of financial 1987 and lost R136 000 on sales of R9,8m (1987: R6,1m). And the directors remind us that deferred tax is, conservatively, provided in full; partial — in effect, nil — provision would have doubled reported earnings.

Chairman Neville Organ is concerned that sales in the durables market should not grow at an unsustainable rate, but believes the May package will be dampener enough.

Jansen points out that, since 1986, sales per store have almost doubled, from R1,2m to nearly R2m — and with little change in the staff complement. In the next few years it is intended to reach 100 outlets.

Given that the share of the furniture market is only 3,2%, and of sports goods less than 1%, there is plenty of scope to fulfil the ambitious targets. The balance sheet looks sound and the stock turn of 7,4 was only marginally down. On the partial method of providing deferred tax (used despite some controversy by some others in the trade, including Rusfurn), the notional p/e ratio would be only 2,2.

Though the share is still below issue price



of 95c (it opened at 115c) it has bounced well off the subsequent low of 45c. But on a virtually double-digit yield, well-covered by high-quality earnings, it does not look relatively dear yet. The June quarterly, due next month, should provide more concrete news on the current year.

Michael Coulson

Automobile Manufacturers (Naamsa). Delta CE Keith Butler-Wheelhouse, who had insisted on Naamsa releasing a single monthly figure incorporating *all* vehicles, agreed to the new format on Tuesday.

Nissan, which had also threatened to withhold sales information from Naamsa, immediately announced it, too, would make limited figures available for Naamsa to publish monthly totals.

Delta originally forced the issue because of fears that continued publication of detailed statistics would hamper sanctions-busting operations intended to overcome Japanese efforts to restrict vehicle supplies to South Africa. Delta, like other manufacturers, has made contingency plans to ensure continued supplies and wants as few details as possible to be available to pro-sanctioners looking for evidence of sanctions-busting. Other CEs, while accepting the need for limited disclosure, opposed Butler-Wheelhouse's hard-line attitude. However, his threat to withhold all information regarding Delta's sales, forced the issue.

Naamsa, particularly, was worried such action would destroy its own data base — one of the best of its kind in the world. As part of the compromise, however, Delta and Nissan have agreed to join other companies in resuming detailed reporting to Naamsa from January next year and provide it with back-dated figures for 1988. Industry sources say the companies expect that, by then, their alternative supply routes will be well-established and stocks at acceptable levels.

Says Naamsa president Spencer Stirling: "With effect from January 1989, fuller disclosure of industry and individual manufacturers' sales is likely to be resumed. However, access to the more detailed sales information is likely to be restricted to Naamsa member companies and organisations directly associated with the motor vehicle manufacturing industry."

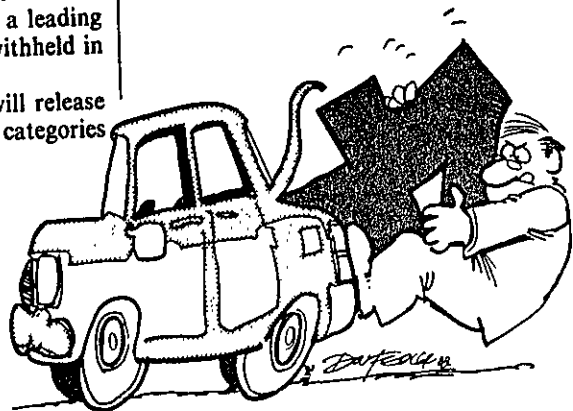
MOTOR INDUSTRY (30)

The gag goes on

The motor industry is trying to go undercover. Officials have confirmed that detailed vehicle sales figures — until now a leading economic indicator — are to be withheld in the future.

As of this week, the industry will release only total sales in the four vehicle categories — cars and light, medium and heavy commercial vehicles. Previously, monthly figures included a detailed breakdown of sales by manufacturer, model and even region.

The new reporting format is the result of a compromise between Delta Motor Corporation and the National Association of



15/7/88 FM

Not all information will remain secret, though. The agreement frees individual manufacturers to make public their detailed sales performances. In such a competitive industry, where one more sale than a competitor or a 1% increase in market share has been the occasion for loud celebration, it's hard to envisage total secrecy. What's the point of being a winner, if you can't tell anyone?

SBDC top property developer

THE SBDC is visibly the largest property developer in black and other under-developed areas, says James Hersov, the corporation's project and marketing co-ordinator.

Writing in the SBDC publication Courier, Hersov says the organisation has been a pioneer in this field of development, where risks are high

and yields are inevitably low.

"Over the past six years the SBDC has invested in the region of R151,5m in property development to provide business premises for approximately 2 700 entrepreneurs," he says.

30 Monday 15/7/88
THEO RAWANA

Opening the CBD 'no big deal'

By Kaizer Nyatumba

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The opening of the central business district (CBD) in Johannesburg to all races in 1986 did not mean much to African Business Publications managing director, Mr MSP Kutumela.

Mr Kutumela (58), who has been operating from the city since 1972 under the permit system, said the opening of the CBD was "a half measure" because the Group Areas Act continued to pose a problem to blacks owning businesses in the city.

"You can't take one step forward and then move two steps backwards. Scrap the Group Areas Act. While I operate in the city, I cannot sleep anywhere around here legally other than in an hotel. Tonight I have to trek back to the township," he said.

White businessmen were at an advantage because they could live next to their businesses and could work in their offices until late.

"When there are stayaways I cannot leave the township and my staff cannot come to work because we have to be seen to be in sympathy with our people," he said.

DIFFERENCE

The only difference between now and then was that he no longer needed a permit to own a business in the city.

It was important that one owned a business "where the market is, where people can find you".

Advantages of running a business in town included telephones which did not usually break down and lights which did not usually go off, he said.

Owning a business in town was something which could be afforded by only a few blacks, because there were numerous constraints — financial and otherwise, Mr Kutumela said.

In town, rentals were higher and he had to pay his staff more than he would in the township.

Mr Kutumela, whose African Business Publications Holdings (Pty) Ltd publishes seven business magazines, said he looked for the best people for the job, regardless of their race.

"My marketing manager, for instance, is a white man," Mr Kutumela pointed out.

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Desegregation fails to attract black-business

By Kaizer Nyatumba

The opening of central business districts (CBD) to all races over a year-and-a-half ago on the Witwatersrand has not resulted in any dramatic change in the number of non-whites owning businesses in cities and towns, a survey conducted by The Star has revealed.

In Randburg, no applications have been received from blacks, Indians or coloureds since the CBD there was declared open to all races, a spokesman for Randburg Town Council said. The spokesman said 32 hawkers' licences had been granted to non-whites in the past year.

Germiston had received about 30 applications, "mostly from Indians", and almost all of them had been granted, a spokesman said.

Kempton Park had received only seven applications for trading in the CBD area and all had been granted, according to a spokesman for the Kempton Park trade licensing office.

In Randfontein and Krugersdorp on the West Rand, and in Alberton, Nigel and Brakpan on the East Rand, the CBD areas were not yet open to all races, spokesmen told The Star. The Boksburg chief trade licensing officer said as far as she knew the CBD was not open to all races.

A spokesman for the Benoni trade licensing office could not say how many applications his office had received from non-whites "because we do not have a separate list for blacks; we keep all applications and files together and the names are only listed alphabetically".

FEW BLACKS

Mr O Eksteen, Roodepoort chief trade licensing officer, said while the Roodepoort CBD was open to all races, there were "very few blacks, if any at all, trading there because the only way they can come in is when a certain business closes down".

Indian traders, however, were well represented because one side of Roodepoort had been open to Indian traders for years, Mr Eksteen said.

Although the Springs CBD area has now been open to all races for over a year, there were still no black traders in the town, a spokesman for the Springs trade licensing office said.

This, the spokesman said, was because there had to be premises available for new businesses for applications to be approved.

No applications from non-whites had been received by his office, the spokesman said.

In Johannesburg there were about 9 600 licensed street vendors, the majority of whom were non-whites, according to Johannesburg acting chief licensing officer, Mrs Cathy Filmalter.

Mrs Filmalter said it was not possible to say how many black traders there were in Johannesburg, because "we do not distinguish between blacks and whites anymore".

The Johannesburg CBD was opened to all races in February 1986 for trade, industry, professions, entertainment, educational and religious activities.

Mr Nigel Mandy, chairman of the Central Business District Association (CBDA), said there were many non-whites trading in Johannesburg, but there were "no statistics kept since race is no longer a factor".

CBD probably the strongest office market in the country

Star 19/7/88 30

Central Johannesburg continues to show good rental growth and is probably, at present, the strongest office market in the country.

This is the view of Ms Mariette Vogel, Old Mutual's manager of property investments.

Writing in the latest issue of the insurance giant's Property Profile, she says: "Current development activity as a percentage of total office space is relatively small, so rents are likely to continue their upward trend".

She has no doubt, however, that this situation could ease with the completion of First National Bank's multi-million rand five-block property assembly which will create Bank City and is likely

to create substantial vacancies in the secondary market.

Mr John Maynard, manager of office leasing of Anglo American Property Services, has no doubt that rents will be considerably higher later this year, especially in prime office buildings.

Depending on location and the standard of the property, he believes a business can expect to pay from R6 a sq m (offices in Krugersdorp) to R21 a sq m in Pretoria.

"However, the average price of office accommodation in well known buildings in popular areas such as Parktown and Johannesburg's financial district, Durban's CBD and Cape Town's more pres-

tigious business areas is in the vicinity of R16 a sq m," says Mr Maynard.

Sanlam assistant general manager, Mr Hendrik Bester believes that while the economic upswing could run out of steam by the middle of next year, property rents are on a decided uptrend.

After rising 25 percent in the past year, he expects office rentals to increase by a further 25 percent over the coming 12 months.

Sanlam believes it is unlikely that the existing oversupply of top grade office space in the Johannesburg CBD will be absorbed before a number of new buildings come on stream towards the end of 1989.

Land-scheme change

PRETORIA — Government's land conversion scheme has been amended to make it more acceptable to farmers.

Agriculture Minister Greyling Wentzel said yesterday the scheme was part of a long-term strategy to promote structural changes and market-oriented production.

It was also intended to relieve pressure on natural veld as part of the grazing strategy.

Wentzel said some farmers had been reluctant to take part in the scheme.

The amendments include: "A participant will receive R140/ha in the first year.

GERALD REILLY

"If a farmer needs an establishment loan, an advance payment will be made to the relevant agricultural co-operative.

"Once pasture crops have been successfully established, the advance payment will be converted into a subsidy.

"Should there be no successful establishment within two seasons, or the applicant fails to honour the agreement, the advance payment will be converted into a loan — at standard rates of interest — for which application will have to be made to the Agricultural Credit Board."

THE resignation of Inyanda Chamber of Commerce president PG Gumede and

the subsequent formation of a new chamber in KwaZulu-Natal, has left the biggest region of the National Federated Chamber of Commerce (Nafcoc) in a state of confusion.

Gumede, a former president of Nafcoc, resigned from the Inyanda presidency early this year, leaving it floundering for leadership.

This week he said the new KwaZulu-Natal Chamber of Commerce, under the presidency of James Mhlungu, was formed at the instigation of

Confusion over Nafcoc chamber

THEO RAWANA

KwaZulu Legislative Assembly members and was undesirable, since the Inyanda chamber had not been dissolved.

Mhlungu said the decision to form a new organisation was taken at a meeting on July 13. He said Gumede was present at the meeting.

Mhlungu said the new organisation had not been in contact with Nafcoc yet. The executive would present a new constitution to the general membership.

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Pension. The combination of big tax savings and

As Japanese trade looks shaky . . .

Business told to look at other areas

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B/day
20/7/88

THE Association of Chambers of Commerce (Assocom) is advising businessmen to consider the potential of other eastern markets as Japan comes under increasing pressure to limit its trade with SA.

South Korea, Singapore and Taiwan are being suggested as possible alternatives for SA goods if Japan becomes an unreliable trading partner.

Assocom has, in the past two months, informally taken over the Japanese External Trade Organisation's (Jeto) role of dealing with inquiries on trade with Japan.

Jeto was recently instructed by its head office that it could no longer deal with trade inquiries from SA businessmen.

The Assocom advice came as Reuters reported from Tokyo yesterday that Toyota had begun to cut back on its vehicle exports to SA, starting with a year-on-year decrease in June.

Exports, including knock-down kits, fell 12,8% to 7 342 in June compared

DIANNA GAMES

with the previous year. A Toyota spokesman said his company planned to continue reducing such exports due to growing criticism of Japan's trade with SA.

In Johannesburg, Toyota CE Bert Wessels said yesterday that restrictions on exports were being applied to all products from Japan.

He said: "Toyota, in my opinion, has quite simply reacted more quickly than other companies and it is within the parameters which we used for our 1988 planning."

Jeto's Johannesburg spokesman Kuniyasu Kobayashi said the office was now collecting economic information about SA, Botswana, Lesotho and Swaziland.

Asked if there was a possibility the SA office would be closed, Kobayashi said he had no comment.

Japanese Foreign Minister Sosuke Uno this week said his government

● To Page 2 ➡

30

Business told to look at other countries

would begin strictly monitoring the amount and nature of trade between Japan and SA.

However, the Japanese Ministry of International Trade and Industry said — according to a Japanese financial daily — it had no plans to request industries to restrict trade with SA.

Statistics released last week showed Japanese exports to SA had surged 45,3% in dollar terms compared with a year ago. In yen terms, it showed a decrease of 3%. Japan's imports from SA dropped by more than 9% in dollar terms in the first half of the year.

Assocom foreign and domestic trade manager Gail Crystal said Assocom had had a flood of inquiries in the past two months from businessmen regarding trade with Japan.

← ● From Page 1

Assocom is hosting a briefing tomorrow at which SA's vice consul (commercial) in Tokyo, Georg Stroebel, and his commercial officer will speak on the situation in Japan and South Korea regarding the SA business community.

Crystal said other eastern markets for SA goods could include South Korea, Singapore and Taiwan. The motor industry would also be helped considerably by government's local content programme.

Japanese consulate general Shigeaki Koga said he had not received any notification from Japan on this week's meeting in Tokyo of Japanese ambassadors to African nations at which they expressed concern about Japan's trade with SA.

Demand for SBDC funds on increase

THEO RAWANA

DEMAND for financing of new small businesses was on the increase, SBDC development services senior manager Johan Naude said.

More than 160 loans to the value of R8,5m have been granted to first-time applicants under the Small Business Start-Up Fund since it was expanded in February this year, he said.

Of the small businesses started under the SBDC fund, 38% were in the retail sector, 35% in the service sector, 22% in the manufacturing sector and 4% in other sectors.

Football and rugby are top scorers

Sponsors put up R7m for sport

30
B/day

20/7/88

BUSINESS has committed more than R7m to sports sponsorships in the past three months.

The SA Sports Sponsorships Association (Sassa) reports in its latest newsletter that football has reaped the greatest slice with almost R2m put up for professional and amateur events.

The biggest single football sponsorship is from Sun International for R1,5m over three years for the Bopsol League Championships.

Rugby received the second largest amount — R1,6m — and road running the third with R242 000.

The biggest single sponsorship overall announced in the past three months is R1m for rugby by Volkskas.

The liquor industry has staked the most money on sport — more than R1,5m — in this period.

Liquor sponsors include SA Breweries (about R566 000), Cinzano (R20 000), Gilbeys Distillers & Vintners (R325 000), Sorghum Beer Industry (R260 000) and the Ohlssons Brewery Transkei (R200 000).

MANDY JEAN WOODS

Other sports included are: inflatable boating, canoeing, waveski, cycling, softball, horse racing, hockey, snooker, barefoot waterskiing, disabled sports, table-tennis, netball, golf and boxing.

The multi-million-rand sector may be severely affected, however, by the recent announcement that tax rebates have been reduced.

Sassa chairman Stan Daneman said in the newsletter that the reduction (from about 90% on international sporting events to about 60%) would affect all involved in sports sponsorship.

"I have written to the Minister of Finance requesting a meeting to discuss this matter further," he said.

"Although a survey on sport sponsorships, which includes the tax matter, has not yet been completed, we are sure that the reduction in the rebate will show a major impact on the sponsorship industry," Daneman added.

Business Report

Assocom calls for agenda of tasks to . . .

Restore peace and prosperity

Cape Times 20/7/88 30



Heather Thistleton, formerly in reservations at British Airways, has been appointed sales executive at BA's Cape Town office.

By AUDREY D'ANGELO
Financial Editor

AN agenda of tasks for both the private and public sectors is needed "to restore peaceful coexistence and prosperity to SA by the year 2000", says the Associated Chambers of Commerce of SA (Assocom) in its quarterly review.

It lists 10 items which should be among those on the agenda, ranging from the ending of the State of Emergency "as soon as circumstances permit", to dealing with urbanization.

Discussing urbanization it says: "The drift to towns and cities is an historic process that cannot be halted.

"It can, however, be retarded by making the rural areas more habitable and pleasing with homes not hovels. And the housing projects in urban areas must be speeded up to avoid the Crossroads tragedy being repeated again and again."

Other items on the agenda, and Assocom's comments, are:

● Negotiate with the real political leaders of all groups and make a success of the national council.

● Foreign relations. Avoid provoking the world. We need friends not enemies, good relations not antagonists, trade missions not armed incursions, diplomacy not confrontation.

● Inflation. Action, not talk is necessary to curb inflation. Steps which should not be taken are price and wage freezes which world-wide experience has proved never works, con-

trolled floor prices for agricultural products, other controls.

Steps which should be taken are to cut government expenditure to a reasonable percentage of gross domestic product, have a flexible bank rate and flexible and positive interest rates to restore value to the currency and to encourage saving and investment.

Hunt and bust cartels where these are against the public interest.

● Markets. Make constructive use of the marketplace and of market-related policies. Encourage administrators to believe that, far from being a dirty word, profit is the most cost-efficient generator of economic growth invented by man.

● Deregulation. Further progress must be made in cutting through the tangle of red tape which not only impedes the operation of formal markets but deters the development of the informal market.

● Group Areas. A flexible approach to this key issue is essential and the changes which have taken place in living patterns should be recognized.

● Schools. SA no longer has the fat to waste its resources. Fill empty classrooms with people who are hungry for education.

● Removals. People want stability and security of tenure so that they can live in peace and earn a living."

Summing up, Assocom says: "These targets are neither impossible nor impractical. They can all be realized if there is the political will and economic thrust to reach the goals set for our society by the year 2000."

A vehicle to list M & P D

Montays in reverse takeover

Cape Times
21/7/88

30

By AUDREY D'ANGELO
Financial Editor

THE shell of furniture company Montays has been bought by rapidly expanding computer firm Micro & Peripheral Distributors (M & P D) in a reverse takeover.

It will be used as a vehicle to list M & P D in the electronics sector of the Johannesburg Stock Exchange (JSE).

The announcement yesterday shows the sound judgment of 85% of the minority shareholders in Montays who elected to stay in the shell rather than accept an offer of 10c a share from Furniture Fair's holding company Furngro.

M & P D, which has offshore interests, says it has doubled its turnover every year since it was formed in 1982.

According to a statement issued yesterday the deal means the tangible net asset value of Montays shares has risen from nil to 31,8c based on M & P D's assets and the guaranteed after-tax profit forecast.

Announcing the takeover, the computer firm's CE Mike McGrath said that Montays would buy the entire issued share capital of M & P D. After the acquisition and obtaining JSE approval for a transmuted listing, Montays will be renamed and transferred

from the furniture to the electronics sector of the JSE.

In terms of the acquisition agreement, the existing issued shares in Montays are to be consolidated into 314 500 ordinary shares on a 10-for-one basis.

The acquisition of M & P D shares by Montays will be settled by the issue to the M & P D vendors of 31 135 000 ordinary shares of 1c each in Montays.

The effect will be that Montays shareholders, who stayed in the company, including Furniture Fair executive chairman Ivan Hammerschlag and his brother Jeff Hammerschlag, will own 1% of M & P D.

McGrath said the listing would be followed by a rights offer to provide the correct spread of shareholders and increase the group's working capital.

The funds would "enable M & P D to move heavily into local assembly and towards the manufacture of personal computer systems and other high technology electronic components in SA."

McGrath said the decision to seek a listing was based on the need to develop M & P D's full potential through strategic acquisitions and expansion of its off-shore operations.

It was first established in SA to handle the distribution of Epson

and Fujitsu products. In a planned programme of diversification, operations have been extended into the distribution of microcomputing software through the Softsource subsidiary and computer networking products supplied by the Laser-net subsidiary.

Through further diversification the group has become one of the largest involved in the local assembly and limited manufacture of IBM-compatible personal computers. It has also set up a successful foreign trading company distributing computer hardware.

Cape-based Montays was placed under provisional liquidation at the end of last year. Control of the company was bought by the Hammerschlag brothers for 10c a share.

At the end of last month the Supreme Court sanctioned the disposal of all Montay's assets to Furniture Fair.

Yesterday Ivan Hammerschlag said the acquisition of a stake in M & P D with its exciting growth prospects fully justified the decision of most minority shareholders to retain their shares.

At the time the offer of 10c a share was being made to them, Hammerschlag said negotiations were in progress which might result in a reverse takeover.

Black business



MR Gaby Magomola

Sowetan 21/7/88
has vital role'

THE Chief Executive of the African Bank, Mr Gaby Magomola, yesterday said South African black business had a vital role to play in transforming society.

In a statement after his return to South Africa from the United States of America, Mr Magomola said he believed that giving blacks economic muscle was an important component for change in the country.

During his visit to the United States he addressed meetings of top level statesmen,

including mayors, state legislators and bankers in Birmingham, Atlanta, Washington. He said that he was "surprised and encouraged" to receive calls from people who volunteered to assist black business in South Africa to grow and prosper.

He said: "The motivation for the trip was to promote the African Bank, but also to clarify

our situation to people living abroad.

"The African Bank is gradually achieving international recognition. We have a vital role to play in our changing society."

He said there was an increasing awareness among South Africans, that the struggle for political powersharing had to be coupled with endeavours for empowering blacks economically. Ownership and

control of the means of production was as important as political power.

"Although black Americans have made significant gains at all levels of government, they are the first to admit that their economic achievements have been less than successful," he said.

Since his appointment as chief executive of Afribank he had been working towards strengthening relation with his US counterparts, Mr Magomola said.

By JOSHUA RABOROKO

fm 22/7/88

LIQUOR TRADE

30

Vertical conundrums

While the powerful wine lobby is happy with Economic Affairs and Technology Minister Danie Steyn's announcement that vertical integration in the liquor industry is to end, the issue is packed with unanswered questions.

Steyn wants wholesalers and producer-wholesalers who own licensed retail liquor stores to get rid of them. But he did not set a date. Instead he passed the buck to "interested groups that may be affected." That leaves the issue open-ended.

His statement that the phasing out programme will be designed so as not to harm smaller integrated companies is viewed with scepticism. Forces in the industry do not think this is possible, considering the wide gap between Douglas Green of Paarl with 18 outlets and Cape Wine and Distillers with

more than 200.

Predictably, decisions not to increase the maximum number of grocers' wine licences any chain may own to more than the present 36 and to restrict them to selling only wine — no beer and no flavoured wines — came in for some criticism.

And Steyn's statement that no person or group may own more than 12 retail stores has prompted some to ask what the definition of a "group" is.

Douglas Green of Paarl CE Wellesley Bruton cannot understand why no liquor chain may own more than 12 outlets when there is no restriction on the number of outlets a grocery chain may have.

He sees the definition of the term "group" as unnecessarily vague and wonders how the minister will view applications from a chain of individually owned stores which combine their buying to get bulk discounts. Will they be allowed more than 36 outlets?

Ralph van Heerden of Union Wine (which controls 55 outlets), says "the big question is how do we divest from the retail trade? If we dump our stores we won't get a good price for them."

Gys Steyn, CE of Cape Wine and Distillers, which has 70% of the wholesale wine and spirit market and recently announced it would split into two companies which would be listed on the JSE, approves the direction the minister has taken.

Pick 'n Pay's MD Hugh Herman appeals

for "a more rational quota system. We were allowed 36 wine licences when we had 70 stores and now that we have 102, we are still stuck with 36. Why can't a system be introduced where a chain's wine licence quota is worked out as a ratio of the number of stores it owns?"

Peter Lloyd, chairman of SAB's beverage division, labels the restrictions as artificial and restrictive and adds: "It's unfair that grocery stores are still denied the right to sell beer."

Fedhasa president Mike Kovensky wants fairer competition in the wholesale sector, but fears that the smaller operators might not be able to exist without their integrated retail arms. If they are weakened, he predicts bigger wholesalers will become stronger.

"I accept that the minister is acting in good faith, but Fedhasa will have to work out whether 12 outlets is enough. He has given us until August 12 to give him our opinions. We'll meet that deadline," says Kovensky.

Ministry spokesman Theo van der Merwe says a "group" means a retail chain. He claims no time limit has been set on receiving proposals from the industry, but it is accepted that they must be received as soon as possible.

If he succeeds, Steyn will achieve what his predecessor, Dawie de Villiers, could not do in 1983 — implement the 1982 Competition Board decision to split the retail, wholesale and producer sectors of the liquor industry. ■

THE Small Business Development Corporation (SBDC) is making its mark in a country where rising unemployment is spurred by a dangerously high rate of population growth and increasing urbanisation.

The SBDC is a rare relationship between the private sector and the State.

It granted nearly 7 000 direct loans in 1987 totalling more than R170-million, and provided nine "hive of industries" schemes which gave jobs to thousands. It has also succeeded in pressing for deregulation programmes.

SBDC started five years ago with a handful of staff members. It receives Government and private funding and now has a staff of about 600 in five regional divisions.

SBDC managing director Ben Vosloo says "The informal sector has a vital role to play in improving SA's social

SBDC's job bounty

and economic prospects, as well as in the creation of employment.

"It is estimated that more than 4-million people in SA are part of the informal sector. Research shows that as much as 30% of economic activity goes unrecorded."

STABILITY

General manager Mike Smuts says, "About 75% of new jobs are in small business. About half the labour force is involved in small business in some way or another."

He believes the informal sector contributes about 15% to 20% to the gross national product.

SBDC says a proliferation

of small businesses could be a major contributor to economic stability and growth in SA industry.

However, many promising businesses fail because the owners cannot afford to move from the home to the office. The "hive of industries" is SBDC's solution to the problem.

Such projects exist on the West Rand, Blackheath in Cape Town, Korsten in Port Elizabeth, Hamilton in Bloemfontein, Phoenix in Durban, Wadeville on the East Rand and Lock Street jail in East London.

The "hives" are thriving communities with up to 200 entrepreneurs making their living in 12m² to 100m² cubicles, sharing tools.

Spokesman Johan Naude says deregulation of these businesses is imminent.

"We have been negotiating for our hives to be exempt from minimum wages and protective measures."

Apart from direct support from SBDC loans, joint ventures with the private sector have become increasingly popular among emerging businessmen.

The SBDC has joint development of business premises in neglected areas with companies such as Federated Insurance, Southern Life, Sanlam and JCI.

They are increasingly associated with shopping centres like Jabulani, Vosloorus, Tseleni and Lesedi City.

Mr Naude says: "They are



Ben Vosloo ... 4-million in informal sector

particularly appealing to the formal business sector as they offer an opportunity for profits."

R20 000 is won with small business idea

Star 25/7/88

30

Star Style Reporter

Simple but speedy and successful was the small business idea that won a Cape Town woman R20 000 in a competition last week.

Mrs Carol Egli won the award from 450 entrants in the business starters' competition run for the first time this year by a women's magazine in conjunction with a major insurance company.

From her Cape Town home, Mrs Egli offers a speedy service: in a minimum of two hours and at the most 24, she will design and make up a knitted garment from the client's choice of colour and yarn.

RUNNERS-UP

Runners-up for the award were a man who turned a lifelong love of fishing into a lucrative source of income after he was made redundant, and a Pretoria trio who sell educational theme packages for nursery schools. They won R5 000 each.

Mr Hugh Grieve works out of his tiny rented home in George to produce a fine range of fishing tackle accessories using leather, canvas and sheepskin for the 20 000 fishermen who have become his customers.

A corner of his spare room was all

he needed to begin his new venture after he lost his job as manager of a shoe repair shop.

He put his abilities as an expert craftsman to good use and says his only regret now is that he does not have "much time to go fishing anymore".

Three Pretoria nursery school teachers, Mrs Judi Jooste, Mrs Marilyn Celliers and Mrs Renie Earlesaw, saw an opportunity in the lack of visual aid material in teaching the required weekly themes set down by the Transvaal Education Department.

They put their heads together and, using Mrs Celliers's artistic talent, produced a range of beautifully illustrated black and white line drawings to illustrate themes like transport, the doctor, senses, and summer with researched background material.

The material will be translated into three major black languages.

The women have been helped along the path to success by a printer who was prepared to believe in them and grant them credit, "not easy to come by these days", says Mrs Celliers.

They will broaden their range soon with the addition of illustrated stories, music and games to accompany the theme teaching.

Dashaus switching to the main board

Finance Staff

Dashaus Investment Holdings, the specialist furniture and clothing retail group, moves to the JSE main board today on the back of a solid performance which saw a doubling of turnover and a fivefold increase in taxed profits in the year to February.

The group operates four speciality retail chains — Dashaus, Mattress House, Furniture Hyper and Laylow — through 24 branches in the PWV.

It was listed on the DCM in August last year.

It is now listed in the Furniture and Household sector of the JSE.

The 1988 financial year saw turnover rise to R29,4 million (R13,6 million) and taxed profits soar to R2,5 million (R575 000).

Earnings per share of 10,2c were 200 percent ahead of the 3,4c in the previous financial year, enabling the group to pay a final annual dividend of 1,25c (2,5c a share annualised).

The acquisition of Laylow, a clothing discount operation, and the establishment of the Furniture Hyper division, led to sig-

nificant contributions to both turnover and profits.

Our experience gained with our Dashaus and Mattress House divisions in carving out specialist niche markets has enabled us to make the transition to discount operations serving specialist markets in the clothing and furniture sectors with Laylow and the Furniture Hyper divisions," says joint chief executive, Fred Ginsberg.

"This expansion of the group's activities was achieved without straining the balance sheet and was supported by the establishment of the group's bulk warehousing facility.

"This facility will play an important role in providing discounted, good quality clothing and furniture to the consumer."

Mr. Ginsberg says the group will be opening its first Clothing Hyper later this week and a third Furniture Hyper in September.

The Clothing Hyper will be housed in 1 000 square meters of the Highgate Shopping Centre and will carry stock worth R2 million.

SBDC goes to
the aid of home
entrepreneurs

By Sven Forssman

30

A programme to assist entrepreneurs operating from home has been introduced by the Small Business Development Corporation (SBDC) and two founder-members of the Homepower Organisation.

"The comprehensive home business programme is aimed at equipping the home entrepreneur with business skills, especially the entrepreneur who lives in rural areas, or has other commitments, and has difficult attending regular training courses," says Johan Naude, senior manager of the SBDC's Development Services.

"Thousand of homes have changed from being exclusively residential to dual-purpose.

"The trend of people working from home has definite implications for economic growth and the creation of jobs.

"We are witnessing a growing recognition among central and local government of the considerable contributions home enterprises can make to the creation of greater wealth and prosperity for all."

Anger over skin cream move

soefan
25/7/88
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By SY MAKARINGE

THE National Black Consumer Union last week vowed to embark on a massive campaign to discourage the use of skin lighteners following the Government's refusal on Thursday to ban the creams with immediate effect.

The Minister of Health and Population Development, Mr. Willie van Niekerk, reiterated the Government's stand when he told NBCU's delegation at a meeting on Thursday that the ban on skin lightening creams would only come into effect in January 1991.

The ban was supposed to have been imposed on July 1 this year. The union's delegation, which included a dermatologist and a legal adviser, said it was disgusted at the Government's decision to grant marketing extension for these "harmful products."

It said there was evidence that these "hazardous products" had damaged faces of millions of black consumers in this country.

The NBCU said it believed the skin lighteners which contain a harmful substance called hydroquinone should be banned with immediate effect.

A spokesman for the union said it was in the light of the Minister's refusal to rescind his earlier decision that it decided to embark on a campaign to discourage the use of the creams.

"We have all the power and the right to protect ourselves against these products. Let's totally refrain from using these skin lighteners," Mr van Niekerk said in a statement released a few weeks ago that the postponement of the ban to 1991 was due to legal and health implications.

Industrial space in short supply

The surge in the industrial property market has suddenly created a major scarcity.

Sandton property brokers, Jordaan & Associates, report that in the first half of this year there was an on-going demand for industrial space, while, on the other hand, supply was decreasing.

The result has been that demand in all industrial areas on the Rand has outstripped availability.

"In the Wynberg and adjacent industrial townships, rents have jumped from a low at the end of last year of R4,50 a sq m to an average of R6 50 at present — an increase of 44 percent," says the report in its review of industrial property.

"Indeed, in certain instances, deals have been struck at as high as R9 a sq m."

Insurance group, Life-gro, has had no difficulty

in leasing its new park in Wynberg at starting rents of R8 50 a sq m.

Jordaan sees a severe shortage developing in this popular industrial area, with no relief in sight as virtually all available land is already developed.

In the present demand situation, there is no doubt that the coming to the market of Sanlam's mini industrial park at Randburg's Strijdom Park will be welcome.

After keeping a close watch on the market, the insurance giant has started earthworks at the R10 million project and the first units should be available at the end of the year.

Marketing of the development has begun and already 23 percent of the space is under negotiation.

Starting rents will be from R7 50 to R9 50 a sq m. Jordaan is one of the agencies handling the letting.

Traders hit by power cuts

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SOWETAN
Reporter *Soweto
Nov 7/88*

SOWETO shopkeepers are upset at the recent electricity blackouts which have cost them losses of thousands of rands.

They have now decided to hold a general meeting tomorrow at the Jabulani Standard Bank hall to discuss what steps to take if blackouts are repeated.

The meeting starts at 12 noon.

Convener of the meeting, Mr N L Nkosi, who is an executive member of the Soweto Independent Shopkeepers Association, said yesterday that many traders, especially in Emdeni, Zola, Naledi and Pimville, were adversely affected by the switch-off.

Separate

After discussions with the Soweto Council's electricity department, on separating electricity supply to shops from those of houses, the businessmen were told about a new scheme where they would have to buy electricity direct from Eskom through a metered card that would cost them R700 to install.

They rejected this on the grounds that they were forced to pay for a service that eventually would benefit the council.

Shopkeepers can contact Mr Nkosi at 936-1398 between 7am and 10am for further information.

STW 2.7.71 81

Toyota's profit up

30 (112)

The upsurge in new cars sales earlier strongly boosted Toyota's profits.

Turnover in the six months ended June surged by 42.1 percent to R1 179 million, and operating income rose 62.0 percent to R67.7 million.

However, a 22.6 percent rise in tax, as a result of the tax rate jumping from 22.6 percent to 34 percent, restricted the rise in post-tax profits to 36.8 percent — from 806.95c to 1103.67c a share.

The interim dividend has been raised by 15 percent to 138c a share.

Toyota expects to repeat its sales and profit figures in the second half.

LTA Comiat in upmarket homes

By Frank Jeans

While the decision by the LTA group to withdraw from the tendered black housing market has rippled through the construction industry, it remains active in the upmarket sector of the non-white homes business.

Getting the message across even further is seen in the housing performance levels of LTA in its partnership with French company, Comiat, a joint venture which continues to have a massive commitment to all sectors of low-cost accommodation.

Indeed, LTA Comiat Homes is planning considerable expansion in this area over the next few years and has already secured the rights to develop more than 15 000 homes for blacks, Coloureds and Indians in South Africa and the independent states — a commitment that is touching R600 million in market value.

"Negotiations continue for further work in this area," says Tony Westbrook, deputy MD of LTA Comiat Homes.

LTA Comiat Homes was formed in 1983 after the Government's decision to limit the amount of mass housing put out for tender and to call on the private sector to become more involved in the provision of housing for people of all races.

This change in policy made the

tendered market for housing highly competitive and LTA, together with Comiat, decided to concentrate efforts on the development market.

The joint venture's current housing workload exceeds that undertaken by LTA on tendered work in 1986 and 1987.

LTA Comiat Homes is involved in developments at Ennerdale, Atteridgeville in the Transval, Thabong, Meloding and Manguang in the Free State, Blue Downs and Roodepan in the Cape, and Lamontville in Natal.

There are also on-going projects in Venda, QwaQwa and Bophuthatswana.

Prices of LTA Comiat's houses, including serviced land, are now generally in the R45 000 to R60 000 range, but the partnership is looking at a package, including land, to sell for less than R20 000.

Two pilot projects at this price are now set to take off in Khayelitsha in the Cape and Odendaalsrus in the Free State. In these ventures, LTA Comiat Homes is linking up with SA Housing Trust.

Don Carruthers, chairman of LTA Comiat Homes and MD of the LTA Mac group of companies, which is active in building work for the mining industry, says a large percentage of the latter's workload is in low-cost housing.

Thursday, July 28 1988

Soweto gets three-storey complex

30
P/day
28/7/88

R2,8m office block for SBDC

THE SBDC is to open a new R2,8m, 2 600m² office block in Dube in October — a second one to serve the growing commercial sector among Soweto's 2,5-million people.

The corporation was moved to build the horseshoe-shaped, three-storey complex after noting that the number of applicants for space was far greater than could be accommodated at the Orlando West block.

Acute

SBDC central region GM James Scott says: "The need for offices in Soweto is burgeoning and many black businessmen have indicated they would prefer to locate in Soweto rather than central Johannesburg. Coupled with this is the rapid growth of the number of black professionals which makes the need for office space more acute."

Scott says Dube was chosen because, along with Diepkloof and Jabulani, it is one of Soweto's major business development areas.

"At present First National Bank, the African Bank, Wesbank, NBS, UBS, The Perm and others have already established themselves in Dube."

THEO RAWANA

The new site is strategically situated about 500 metres from Dube railway station and faces on to the busy thoroughfare of Mncube Drive. It has ample parking facilities and is well-placed to ensure maximum accessibility for customers of the centre.

More than 70% of the project is complete. Once finished, the development will have 1 820m² of office space, 780m² of retail space and 21 covered parking bays for tenants plus ample parking for clients.

"The tenant mix has been carefully planned to ensure an up-market image," says Scott. The ground floor has a major home loan centre, two doctors' surgeries, a pharmacy, a stylist hairdresser, dry-cleaning depot, an independent fast-food outlet and a copying and stationery centre.

"The other floors have had between five and six applicants per premises, among whom are business consultants, various types of agencies, accountants, estate agencies and professional people in general, which is an indication of the pressing need for such developments," he adds.

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Chambers in protest

THE Federated Chamber of Industries (FCI) and the Associated Chambers of Commerce and Industry (Assocom) have formally protested to the Minister of Home Affairs against the emergency regulation requiring organisations carrying on "news agency business" to register by July 31.

They join a growing list of local and international organisations which have written to the minister condemning the regulation.

In a letter sent on Tuesday, FCI executive director Steve Anderson asked the minister to confirm if FCI, which regularly distributes Press statements, pamphlets and news bulletins, falls within the ambit of the "news agency business" definition.

MANDY JEAN WOODS

"If this is the case then we wish to formally protest and ask the minister to reconsider the regulation," the FCI letter said.

The FCI was concerned about the negative publicity the regulation's introduction caused both here and abroad.

Anderson said the FCI would only register if compelled to do so by law, and then with great reluctance.

Assocom's legal advisor Ken Warren said Assocom had also petitioned the minister to postpone the pending registration date so that the organisations the minister intends to have on a register can be clarified.

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28/7/88
Hickay

Minister allays freeze fears

30 B/Am
28/7/88

Steyn spells out new business law on old practices

DURBAN — Trade and Industries Minister Danie Steyn said the Harmful Business Practices Act was not aimed at creating a pay-and-prices freeze.

The State's function was not to prevent people making fools of themselves but to provide a proper framework for business.

Steyn's speech last night to the Durban Metropolitan Chamber of Commerce was read for him because he was unable to attend.

He said the law gave no power to a civil servant but imbued a statutory committee, the minister and a special court with some powers.

The Act gave the minister power to ask people who raised prices to give notice of specific increases.

It remained, he warned, for consumers to continue to beware.

Steyn said there were three sectors that could be investigated by the committee:

A particular business practice, such as the Kubus milk scandal, a TV repair company that either kept sets or returned them unrepared, a "dishonest" burial aid scheme, or misleading advertising;

Own Correspondent

Investigation of a specific agreement, scheme or business practice that caused general harm; and

Investigations of any price increase.

If the committee felt a price increase was not in the national interest it might notify the minister who could call on the Price Controller to set a maximum price.

Steyn said the new law could not freeze prices but only investigate increases.

He added that consumer protection laws had to be effective but balanced.

"If they have no teeth to act then there is no point in having them," Steyn said.

It was also important to have safeguards against the possible abuse of power.

"Great care is taken in the Act to include all the practical safeguards appropriate to such a system."

Steyn said the minister could take no action on price increases and harmful business practices unless it were recommended by the independent statutory committee.

THE Competition Board, traditionally the policeman of big business, is to assume the new function of evaluating legislation that hampers small business, said the Ministry of Privatisation.

The Competition Board, placed under Privatisation Minister Dawie de Villiers, is to advise government on economic deregulation.

De Villiers has authorised 10 working groups to address specific legal issues affecting small businesses, such as licensing, taxation and the informal sector.

The small business community welcomed the decision, said the Sunnyside Group, a newly formed coal-

Govt looks at small business

28/7/88 (30) P/day

CHRISTOPHER TUCHER

tion of corporations and associations acting on behalf of small business interests.

The Sunnyside Group had pressed for the new position of Commissioner for Small Enterprise, but the new arrangement allayed this need.

"We feel the function of a new commissioner can be filled instead by an existing position, if the Competition Board reports to the Ministry of Privatisation," said deputy chairman Ian Hethrington.

Book to help business people

THE Small Business Development Corporation has launched a 132-page workbook to help thousands of black home entrepreneurs to contribute to South Africa's

economic growth. The book, which includes four explanatory guiding audio-cassettes, is available in both English and Afrikaans and covers the

whole home business spectrum from "Know Yourself" to "How to Apply for Business Loans." The SBDC says thousands of South

African homes today are characterised by changing exclusively from residential to dual purpose premises.

"This is not only a noteworthy trend, but has definite implications for economic growth and employment creation," the SBDC says.

It says: "We are also witnessing a growing recognition among central and local government of the considerable contributions that home enterprises can make towards the creation of wealth and prosperity for all."

It says that change has been demonstrated by the relaxation and scrapping of many regulations restricting home businesses.

"The comprehensive home business programme aims to equip the home entrepreneurs with business skills."

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Savelburg

Miners in R450 000 Sowetan venture

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28/7/88

SIX black mineworkers have decided to put together R450 000 to challenge white owned concession stores on West Rand mines.

Co-ordinator of the group, Mr Jabulani Nqai, yesterday said they would build a supermarket, fast food outlets and other stores near Carletonville.

Their decision comes after negotiations with Anglo American and white businesses because of problems miners encountered in the area.

They managed to raise R150 000 and received a

loan of R250 000 from a bank.

Mr Nqai said the establishment of the businesses would create jobs for many unemployed blacks.

The six partners are Mr Nqai, Mr Paul Sethati, Mr John Lelaka, Mr Frank Manthutle, Mr Ivan Sehume and Mr Elijah Sibiya, who are all members of the National Union of Mineworkers.

Mr Nqai said building of the stores was complete and it was expected they would start trading next month.

The streets where we live

■ After a century, Johannesburg still has to endure some healthy growing pains



Johannesburg, they say, is still just a mining camp. The canard does little justice to the leafy green suburbs, ridges and parks — particularly to the north. The CBD is horrid — everybody

knows that, but even the miners who put today's metropolis on the map would probably be astonished at its sophistication, though perhaps a little disappointed at its nighttime emptiness.

For Johannesburg is, above all, a city of contrasts. Glass and steel skyscrapers stand surrounded by tiny shops decorated with Victorian cast ironwork. High-tech office blocks sport humanising hanging gardens. And its central business district, the country's most important commercial centre, hums and buzzes by day and turns into a ghost town after dark.

City councillor Molly Kopel, who represents the ward into which the CBD falls, says the fortunes of the city have loosely followed those of New York in terms of outer urban decay and "Harlemisation."

The first step of this process was the development of massive regional shopping centres in the surrounding towns or suburbs which

served not only to siphon retail business away from CBDs, but to "rob them of their identities as centres."

Then, when the cities fought back, developers simply moved their suburban "windowless boxes" to town, with the only change the provision of vertical parking lots. Pedestrian walkways sprouted everywhere except at street level, which became dominated by blank walls.

"The rationale was that middle class people must be protected from the city; the result was that they shut it out and withdrew from it," Kopel says. "But retailers need the support of the street and the local authority which wishes its city to live must direct its development. In New York, for example, all fronts of new buildings on commercial streets have had, since 1981, to be given over to retail use, directly accessible from the street. In addition, the New York City Council recently decided that all new high-rise buildings should contain a 25% residential component, in order to bring people back to the city."

Johannesburg's city planners have been somewhat slow to catch on, despite the sterling efforts of the private-sector CBD Association (CBDA). It's almost four years since the planners commissioned the first of many urban design studies and in that time much

development impetus has been lost. Many private-sector financiers, faced with massive bureaucratic tedium, simply gave up hope of ever getting projects underway and took their money elsewhere.

The breakthrough came with the formation of the Smal Street Mall committee, comprising city councillors, officials, developers and property owners. Co-operation between the council and the private sector spawned an incredibly successful project which has become the focus of redevelopment ideas and plans for the CBD.

Last month, town planning committee chairman Hennie Schoeman announced the formation of a Section 59 committee, comprising council officials and private-sector representatives, to advise the city's management committee on CBD development.

He says it has become clear, from the number of projects being proposed, that developers are once more interested in the CBD — but require a commitment from council to provide direction and enabling legislation.

Council opposition leader Tony Leon doesn't believe the Section 59 committee is the answer to the city's problems. The PFP would like to see the formation of a business council, involving councillors as well as officials, in interaction with the private sector. Leon also reckons that for major departments of the council to embrace a global vision of a revamped city centre, they need to defer to a planning "Czar," an outside expert with independent powers. He would also like to see the formation of a development corporation by the council and private enterprise, to provide funds outside the control of "council bureaucracy."

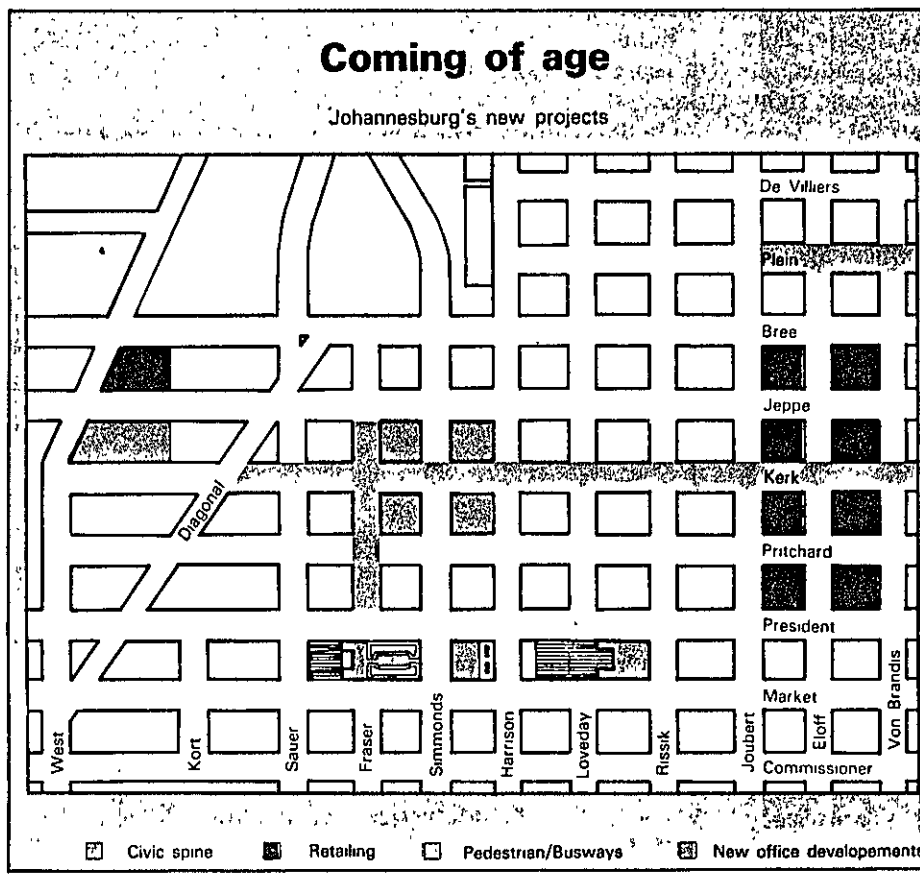
Meanwhile, Schoeman says, the Section 59 committee will adhere to a broad development framework outlined in a report completed last year by private consultants. This took in the demarcated "free trade area" of Johannesburg, from which the council derives 20% of its revenue.

Among the recommendations was that the council create "supergrids" — or groups of city blocks — to allow for different road uses, new urban forms, the creation of public space and more pedestrian movement, which benefits retailers.

The creation of the first supergrid, a "civic spine," will be undertaken by the council itself. It will link the blocks containing the central library, its gardens, the city hall and the Rissik Street post office.

Road usage is also high on the agenda. At present, 75% of CBD roads are used for all activities — parking, pedestrians, buses, traffic and loading — and there is an urgent need to relieve congestion by limiting usages.

The real answer to congestion, though,



would be a mass rail transport system — a perennial subject of investigation. A pre-feasibility study was completed last year but it seems unlikely that the matter will be taken much further in the near future. An estimate of cost at present-day prices is around R1,6bn, which would have to be found by government, as would an ongoing subsidy to meet interest and capital redemption costs, although fares might cover operating expenses.

Meanwhile, the council is also looking at rerouting busways to the periphery of other grids, or traffic to make way for pedestrianisation.

In an example of the former, the Eloff Street busway may go to make way for Sage's "Centre City" project, which involves the redevelopment of eight blocks between Bree and President streets. Plans also provide for off-street loading facilities and cross street flyovers to carry cars.

In the latter case, the council is considering making Plein Street a one-way, or perhaps just a busway, to encourage pedestrianisation. Plans to develop a semi-mall along the street include a first phase between King George and Twist streets and the southern portion of Union Grounds. The second phase should take it right up to the Ster entertainment complex on Claim Street.

At the King George Street end, development would need to proceed just one block south to link up with the Smal Street Mall, which itself is soon to be extended along the block between Jeppe and Bree streets.

Other pedestrian malls or semi-malls on the cards are Kerk, Fraser and Fox streets. Kerk Street would provide a link between First National's "Bank City," the Eloff Street redevelopment and, past the Supreme Court, to Smal Street. Fraser would provide a western link between Bank City and the civic spine and could be extended south to meet Fox Street, running east to link with the Carlton Centre and thus Smal Street. This would give the city a "walking grid" which supported its major retail areas at street level.

It would also link four major development nodes identified by Stan Arenson, a CBDA member and director of brokers Richard Ellis. These are:

□ **The legal node:** this will take in developments around the Supreme Court and the Carlton Centre. Office projects include Sage's refurbishment of North State building, in Market Street; the development by Anglo American Properties (Ampros) of 56 Von Wielligh Street; the Markwell building opposite, which will be refurbished by Masterprop and Liberty Life's Colosseum. Sage, of course, has massive retail plans for Eloff Street.

To the north, Hekro is redeveloping the President and Vic-

toria hotels as office blocks and Sats is conducting a comprehensive transport study of the areas in and around Johannesburg station prior to leasing or selling under-utilised areas for private-sector development. The site is a superb block, bounded by Rissik, Wolmarans, Wanderers and De Villiers streets and containing the old station buildings (which are to be preserved), the concourse, a parking area, the road transport terminus, the vacant land fronting on to Wolmarans Street and the SAA building and Rotunda;

□ **The mining-financial node:** this includes Oakwood Ventures' project on the Marshall Square site; several recently built or refurbished headquarters buildings; and the Standard Bank Centre which is now available for letting due to the bank relocating to its hyperblocks to the south;

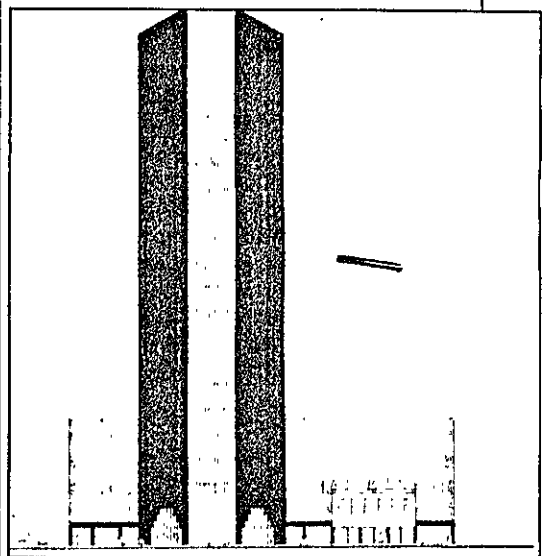
□ **The Bank City node:** this includes FNB's planned R430m development of four blocks and land already purchased to the west to accommodate further development. Old Mutual is also developing two blocks to the east of this on either side of Pritchard Street; and

□ **The Stock Exchange node,** which is the fastest growing. Developments include the new JSE block; Ampros's 32 Diagonal Street; Southern Life's 33 Diagonal Street; and JCI's new building on the Argus site.

Also coming up are the Newgate retail and office complex to be developed by newly-listed Greenfields; Ampros's R17,5m parking garage and retail centre on the old Piels Cold Storage site; and a new post office sorting depot on Pim Street.

And the 10 ha power station site, long eyed by developers as the key area in Newtown, is at last to be released by the council. Management committee chairman Francois Oberholzer said in his budget speech earlier this year that the council envisaged a large retail complex on the site, which would be released in phases. The existing turbine hall is apparently now out to tender and could be retained and redeveloped as a shopping complex rather like the Workshop in Durban.

It is estimated that the development of the whole power station site would require anything between R500m and R1bn, but it would link the developments around the Stock Exchange to the Market Theatre precinct, providing an integrated commercial,



Project 1069 ... keeping the old facade

retail and cultural complex in the western part of the CBD.

Integration of another sort, or the lack of it, is another major problem facing Johannesburg. Section 19 of the Group Areas Act makes it illegal for anyone of colour to live in the CBD, although it is well known that more than half the apartments in the area are occupied by people other than whites.

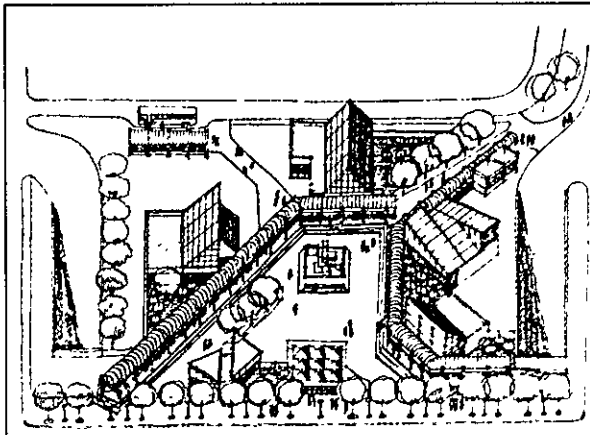
There have been many appeals for government to declare the CBD, as well as adjacent Joubert Park and Hillbrow, multiracial areas so that occupation by blacks could be legitimised and the problems of overcrowding and lack of services tackled on a non-discriminatory basis.

The reaction by government has been to increase the penalties for both landlords and tenants found breaking the law.

However, private-sector planners are still keen to see the areas to the west of Newtown and east of Delvers Street redeveloped specifically as multiracial residential areas. To the east in particular, bad industrial and semi-residential stock, which cannot now be let at R3/m², could be revamped and let at R7/m²-R8/m². While even these rentals are unlikely to attract pure development capital, large companies with labour-intensive operations might consider buying up the stock, converting it and letting it to black staff at subsidised rentals.

Developments to the west of the city are likely to include townhouses and cluster complexes, which could fetch rentals of R500-R700 a month plus a company subsidy.

All of which *should* make Johannesburg the kind of living centre the planners believe it deserves to be — given its pivotal economic and political role. Anyone entering the city from the airport can see the existing splendour (of its kind) and its possibilities. Johannesburg has too long played second string to Cape Town's — and even Durban's — situation and colonial remnants. Will such developments bring life to the bleak night? That's hard to tell — but money and glitz should help chase away the shadows. ■



Plein Street Mall ... walking on sunshine

AMREL

Keeping the edge

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■ The retail group should hold its own against inflation and cooling consumers

Amrel is SA's largest speciality retail group. Without the base support of foodstuffs — its interests are all non-food — it is a counter susceptible to most kinds of market volatility. Of particular interest, therefore, is its response to the need to fund its expanding hire purchase book in an inflationary environment.

The group — with interests in furniture, footwear, apparel and services — operates about 1 000 stores and employs 9 500 people. In the year to end-March, investors, including majority (68,7%) shareholder SA Breweries, saw Amrel turn in figures that improved on the previous year's in practically every respect. After a loss of R1,7m in 1985-1986, taxed profit rose to R12,8m in 1986-1987 and R18,4m in 1987-1988.

Adjusted turnover increased 19% to R694m, with earnings and dividends per share showing substantial growth — though off a relatively low base. The trading margin rose to 7,5% (6,9%) and debt cover, leasing cover and return on capital all increased. Group debtors decreased substantially, while interest-free liabilities rose.

So everything appears to be under control. The exception, of course, is the consumer

durables market, always beyond control. The restraints upon this are a slow-growth economy and a government that this year has already made one overt attempt to stifle credit spending. For Amrel, such spending is crucial from various standpoints: those of management, shareholder, analyst and banker. The group is both a retailer and a banker. Retailing certainly preceded Amrel's "banking" arm, Amretfin, but for years the two have been seen as inseparable.

This raises what is perhaps the most fascinating aspect of Amrel: its off-balance sheet financing. In an attempt to separate banking from trading activities, Amretfin was established with a leading banking group about five years ago. Its activities have a substantial impact on the Amrel balance sheet. But,

were it not for the tax inefficiencies of discounting a debtors' book, the debtors would, in fact, be the assets of a commercial banking organisation.

With the group's level of financial disclosure, it is possible to reconstruct Amretfin's balance sheet (see table).

Amretfin's only asset, the HP debtors, figure at R359m; furniture and footwear debtors of R35m not funded by Amretfin are reflected in the group balance sheet. Amretfin borrowings of R173m represent a gearing profile of 0,93, below the levels typically associated with a banking organisation. Borrowings of R138m of the non-banking arm are reflected at group level.

Is this good — especially for a share that is viewed as risky because of the volatile consumer markets it operates in? In other words, do these kinds of off-balance sheet figures complicate investor decisions?

Technically, like Amrel's, Amretfin's balance sheet is sound. It exists solely as a financing mechanism for the group's customers. Moreover, in any HP operation, it is essential that the tax system recognises that tax can only be paid once the profit element of each instalment is actually collected. To

AMRETFIN

Balance Sheet March 31 1988

Equity	97 624	Debtors	358 500
Deferred tax	87 806		
Borrowings	173 070		
	358 500		358 500

FINANCIAL MAIL JULY 29 1988

this end; Section 24 of the Income Tax Act defers the taxation of HP profits until the cash is actually received. This "debtor allowance" accordingly taxes Amretfin on this basis. The result is a provision for deferred taxation in Amretfin of some R88m.

Because of inflation, it may safely be assumed that the vast majority of Amretfin's current debtor allowances will be replaced by larger allowances as the debtors' book continues to grow (and is never realised in

cash). So it is unlikely that its R88m deferred tax will ever be paid. This line of argument is so persuasive to bankers that they consider deferred tax a form of equity. On that basis, Amretfin's debt:equity ratio is a comfortable 0,93; for those who do not regard deferred tax as equity, it is 1,77.

With an ever-increasing HP book, furniture profits remain uncollected and, says MD Stan Berger, "it is only right" that Amrel and Amretfin paid just R2m in cash to the Receiver (on its cash profits) on a tax charge of R18m in the income statement.

On the other side of Amretfin's balance sheet, debtors can be viewed as sound in respect of amounts written off to bad debts in recent years. The charge to the income statement for bad debts and additional doubtful debt provisions was R21,9m in 1987-1988 (R14,2m), around 60% of pre-tax profit.

Berger considers these bad debt provisions to be based on "extremely conservative" grounds. "We've improved the quality of the debtors' book over the past year," he says. "For example, we've tightened credit requirements."

These factors should allay fears that Amrel stands exposed to substantial downside threats from Amretfin's off-balance sheet activities.

Financial director Mark Bower says the main reason for the non-consolidation of Amretfin's figures is historical: "We wanted to separate our trading and banking operations and, accordingly, established Amretfin in conjunction with a bank. This ensures tax neutrality at all times." He claims that the disclosure of Amretfin has been correctly treated since its inception.

Today, Amretfin's debtors total more than three times Amrel's ordinary shareholders' equity; but, as pointed out, Amretfin's financial structure can be regarded as sound in its own right.

The feeling is that many potential shareholders simply see deferred tax as a mysterious kind of claim the taxman will exert in the



Berger ... tight credit requirements

ferred tax occasioned by HP allowances if and when its acceptance is confirmed in an accounting statement issued by the Accounting Practices Board. Some other listed companies in the durables market have already switched to the partial method, with notable short-term benefits for EPS and other earnings measures.

But the market is still likely to regard Amretfin as an enigma. In the latest financial statements, its profits are again equity accounted to group level. Amretfin's deferred tax is consolidated in the group balance sheet, reflecting R50m on latest figures.

However, Amretfin's income statement cannot be reconstructed from the published accounts. Amrel holds 50% of the equity in Amretfin (known in banking parlance as a "joint finance company"). Amrel earns 99% of the profits in the entity, with the bank involved taking its turn at source of borrowings.

Seen against the background of the group's financial structure, the outlook is bullish. Furniture, coming off a relatively high base, contributed 69% of profits in 1987-1988. Berger says growth in consumer spending so far in 1988 has been strong.

In the first quarter, durables were up about 12% in real terms. While it is unreasonable to expect this to continue for the rest of the year, the second half, when Amrel normally notches up two-thirds

of its profits, could still do very well. Earnings potential would be enhanced by apparel and footwear coming off a lower base than furniture — particularly footwear. The services division, which employs minimal capital, should maintain its record as an exceptional performer.

Vital to the outlook is the term structure of debt, both at group level and within Amretfin. Group policy is to write credit at maximum legal rates and, with the general rise in open market rates, the fixing of Amrel and Amretfin debt for medium- to long-term periods in the current financial year could prove to be profitable.

Berger says Amrel's policy of smoothing cycles is "working excellently." Again, one of the main reasons for adopting the policy was market perception. The share is seen as a good speculative buy in boom conditions and one to sell on the first signal of a downturn in consumer durable sales.

Generally, analysts see Amrel's earnings increasing for at least the next two years. Suspicions that the group will not profit from rising interest rates because of its debt structure appear unfounded.

It is difficult to disagree with the analyst who says Amrel is soundly structured, either for continuing growth in consumer buying or for a downturn in the market. Historically, the share price has been highly volatile, with recovery since the October crash — though on thin trading volumes. Generally, companies selling furniture, clothing and accessories have prospered in the past year, admittedly off relatively low bases.

Such markets are becoming increasingly competitive. But — with its national distribution of 400-odd service depots and 1 000-odd stores; its market share and the well-established images of its national chains (for example, Geen & Richards, Lubners, Cuthberts, Smiley Blue, Early Bird and Multi-serv); its decentralised management; and its general insistence that senior managers must come up through the ranks — Amrel is well enough placed to keep its edge.

At 1 125c, the share stands on an historic p/e of 4,9 and yields 6,8% on dividend.

Given the general economic outlook and uncertainties about any further steps government may take to cool spending, the counter looks fully valued on short-term considerations; but for the longer-term investor a buy would probably not go unrewarded.



Bower ... accounting change in prospect

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Barry Sergeant

Deregulation 'eases racism'

RACISM had been removed from the laws regulating commerce and the next deregulation had to be easing trade licensing restrictions that hampered small businesses, said Business Practices Committee chairman Louise Tager.

While deregulation was fashionable throughout the world, in SA, because of the heavy racial content of the law, it was more far-reaching and important than in any other country, Tager told a Wits Business School conference.

She called deregulation the "means whereby socio-economic apartheid can

CHRISTOPHER TUCHER

be dismantled".

"Only when all South Africans are subject to the same laws will apartheid be legally dead," said Tager.

Until licensing regulations — with the exception of health and public safety measures — were eased, entry into the economy would remain at the discretion of licensing authorities.

However, significant progress had al-

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6/day 29/7/88
To Page 2

Deregulation 'dismantles apartheid'

ready been made.

The abolition of influx control and new property ownership rights put blacks in a "position to raise mortgages and establish a capital base" and the Group Areas Act, like the pass laws, would become unenforceable.

The introduction of 99-year-leasehold rights and the recent repeal of restric-

tions on black trade, licensing and commercial occupation had created a "deregulated, non-criminal environment in which black business activity is governed by the same laws that apply to all SA businessmen", said Tager.

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From Page 1 29/7/88

THE ECONOMY

BLACK business could split down the middle following the announcement this week that a new organisation of black business people and consumers is to be formed.

The Southern African Black Taxi Association, National Black Consumer Union and Transvaal African Builders Association will comprise the new organisation, the Foundation for African Business and Consumer Services (Fabcos), which potentially represents over half-a-million people.

Fabcos aims to unify black business and put it on the road to self sufficiency, J Mogale, general secretary of the interim committee, said this week.

But the founders of the new organisation have failed to draw in the old-established National African Federation of Chambers of Commerce.

Nafcoc public relations officer Gabriel Mokgoko told the *Weekly Mail*: his organisation had been invited to join Fabcos at a meeting held at the

Black business may split down the middle as new group forms

A new organisation pulls in some major black groups, but fails to include the long-established Nafcoc. MZIMKULU MALUNGA reports

beginning of this month. But "Nafcoc has not joined Fabcos because of certain concerns it holds and communicated to it regarding the objectives behind its formation".

Mokgoko said his organisation "does not see the wisdom of forming another splinter body with the same objectives". Nafcoc was reviewing its structure "to accommodate all the various sectors in the economy currently under its federation into an auto-

nous association under one umbrella body across the country". Nafcoc is still holding discussions with Fabcos over these issues, he said.

Mogale said Fabcos' founders believed the fragmented existence of black business had meant efforts to participate fully in the economic development and wealth of South Africa had been inconsequential.

"Various organisations have been formed but none has come anywhere near consolidating unity of purpose, and thus putting black business on the road to economic self-sufficiency," Mogale said.

Fabcos plans to open 10 regional offices and will have its head office in Pretoria, already the site of Sabta and Taba headquarters.

One of its aims will be the creation of a "black rand". Members of affiliate organisations will have access to a Fabcos membership card which will

form the basis of a black discount buying card and eventually a black credit card.

In a document outlining its aims and objectives, Fabcos said it would "do everything in its power to liberate the black economy from constraints under which it presently operates" and would assist black consumers.

Fabcos will monitor statistics of black business and its impact on the South African economy.

It aims to motivate members to support black institutions such as the African Bank, black hawkers and black builders and to expand financial institutions in black hands. Fabcos intends to "investigate and, if feasible, register a black building society", the document said.

Mogale said moves are also underway to register a central trust fund for all its member organisations. He said the organisation will seek funding both in South Africa and abroad.

Fabcos also wants to encourage multinational companies and big business to support black business and intends highlighting those companies which do not support black business.

Sabta's TJ Ngcoya has been elected president of the Fabcos interim committee and Dr Ellen Kuzwayo, vice president. Others on the committee are Mogale, of Taba, A Thula and E Mauthehula.

Mogale said several organisations have been invited to the launch at Shareworld later this year.

Among Fabcos' other objectives are:

- To share as far as possible each other's resources in the interests of black business.
- To create a forum for discussion with businesses in the formal sector on matters of mutual concern.
- To encourage members of affiliated associations to take up a greater role in the economy of the country.
- To lobby the government against repressive and racially-discriminatory laws, regulations, etc.
- To enter into joint property development of shops and offices and to enter joint public listings.
- To negotiate with the formal sector on joint ventures.
- To consider, discuss, promote, discourage or oppose changes in law, practice, procedure or administration pertaining to member associations and to offer guidance.
- To formulate a code of ethics.
- To promote the interests of the black public on a national basis and to develop structures and procedures to enable the public to communicate dissatisfaction with the facilities or services of the association.

Star 29/7/88

Bristol Industries manages only nominal pre-tax increase

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1988

By Ann Crotty

Bristol Industries, the property holding company, achieved only a nominal eight percent increase in pre-tax income to R532 000 (R492 000) for the year to end-February 1988.

The results, which are released almost five months after the close of the financial period, show taxed income up just 6,9 percent to R279 000 (R261 000). This was due to a marginal increase in the tax rate from 47 percent to 47,5 percent.

Performance was greatly enhanced by a 68 percent surge in contribution from associated companies to R155 000 (R92 000) and also a R416 000 (R257 000) surplus on the disposal of investments.

But this was transferred to non-distributable reserves which left earnings per share at 2,72c which was just 6,7 percent up on the previous year's 2,55c. An unchanged one cent dividend has been declared. If attributable income of associated companies is included earnings per share rise to 4,23c which is 23 percent up on 1987's figure of 3,44c.

(Handwritten initials)

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B/day

29/7/88

Bosses warn of more antagonism

FCI sees misery in dwelling Bills

INDUSTRIALISTS have blasted proposed new laws on where and how people may live.

The FCI said yesterday that harsh enforcement would only increase the suffering and misery of many workers.

It added that its members employed more than 500 000 people whose daily lives would be affected if the Prevention of Illegal Squatting Amendment Bill and Free Settlement Areas Bill became law.

The FCI said: "Our industrial and national future depends on reducing the antagonisms and social unrest such legislation generates."

It added: "Domestic and international perceptions of continued discriminatory legislation will seriously worsen those relationships so essential to economic growth."

The employers organisation said it accepted creation of free settlement areas was a move towards allowing freedom of association, but the concept fell short of removing inequalities.

The FCI feared that if the Bills became law:

The speed of creation, and number of

new free settlement areas, would be inadequate;

Uncertainty would surround new settlement areas because their status could be reversed in future;

Settlements could be created only in new areas because there would always be objections from existing residents;

Removal of discretionary powers from judicial officers would further erode respect for judicial procedures; and

Domestic and international perceptions of the need for more discriminatory laws would seriously worsen relationships essential to economic growth.

The FCI said: "Excessively harsh enforcement measures and penalties will inevitably increase the human suffering and misery that strict implementation of the group areas and illegal squatting legislation engenders."

It added that the Bill on illegal squatting should not proceed until more land was available for both informal and formal housing schemes.

"Criminalising the efforts of people trying to find a means of survival will only increase social instability and protest." — Sapa.

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Shield winning shrinkage battle

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Stan 30/7/88

STAN KENNEDY

Continually intruding into the thoughts of Mr Theo Muller, chairman, Shield Trading Corporation, is the corrupting influence on the balance sheet of shrinkage at the Success wholesale stores.

Running a complex network of 360 franchisees, of which 150 are wholesalers, and 210 supermarket/retailers around the country, requires stringent control mechanisms. Despite his every effort, a great deal of money is still slipping through his fingers.

The 10 Success stores, run by managers, service thousands of independent retailers in certain geographic areas by supplying food and allied products at wholesale prices. By their very size and the volumes they sell, they should be making a far greater contribution to the balance sheet than they do now, which is barely 10 percent.

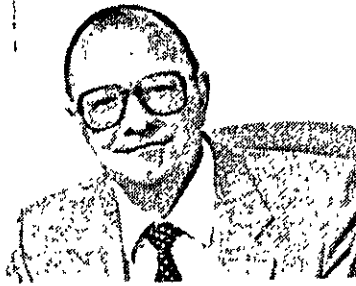
On the other hand, the 350 wholesale and retail franchise members under the Multi Trade banner were responsible in the financial year ended February for 90 percent of the R340,4 million turnover and the R2,5 million attributable earnings. Shield was established 15 years ago by Mr Muller and three partners and launched from altruistic motives aimed at helping the independents.

"I saw the chance to establish a different kind of business," Mr Muller says.

"Starting off as a co-operative was my first mistake. There have been others as we grew up. But the biggest mistakes have been with people and these have been the most hurtful.

"At the top of my mind at all times is the evaluation of the financial resources. Next I look at the personnel and their skills to see if we have adequate resources to do things. So I get wild, I actually get furious, when people who have been screened and evaluated by an employment agency and again by ourselves, and who are rewarded more than fairly, turn out to be bad. I don't need this sort of thing."

Being a person who puts a lot of



THEO MULLER — My biggest mistakes have been with people.

trust in his staff, the incidents of theft make them harder to bear. This part of the human environment is sick, he says, and if it is a phase one has to go through then it is time for management to look at different strategies.

He believes that Multi Trade with its independent wholesalers and retailers is the answer.

"That part of our business is ideally positioned to implement this strategy where it will prevent us getting into a situation where our businesses are being ripped off.

"The primary function of management is to hire the right people. After all, how is one to protect the assets?" he says.

The independent retailer is motivated by a different set of circumstances and desires. He is prepared to work long hours to make his fortune. He watches the tills, even to the point where he takes his children to keep an eye on them while he is busy elsewhere.

Besides being preoccupied with the problem of stealing, Mr Muller still finds time to devote his energies to uplifting his staff. He can quickly develop an empathy with

people from different cultures other than white and who form the majority of staff, and has a general appreciation of what a man is no matter where he comes from.

"I have to understand the Muslim people and their religious festivals and I have to make allowances for people who don't want to go on stayaways but are victimised if they go to work, for instance.

"I also try to keep communications between head office and staff as simple as possible and avoid bombarding staff at the lower levels with a language they may not understand. I am often accused of simplifying matters but I would rather have that than communicate in a complex way."

He gets annoyed when people who have been given assignments fail to meet their deadlines and, worse still, when they don't tell him what is going on.

While it seems he runs the company in a patriarchal sort of way, he realises the importance of having management aware of everything that goes on.

"The cross-pollination of views at staff meetings results in a broad spread of information filtering through the business. There are many people acquainted with all aspects of the business as I am because I don't believe in keeping all the information to myself."

One of his philosophies is to upgrade people, in general.

"I came up the hard way myself. I have a loyalty to my country and I believe it is up to everybody to make some sort of contribution to improving the quality of life of all."

Inside-Out with Ann Crotty

Next Saturday will see the start of a new weekly column, Inside-Out. It will be investment editor, Ann Crotty's, slightly irreverent look at events that have stirred the share market during the week.

It will touch on the impact which company results, mergers, acquisitions and restructurings have on the market and attempt to explain the

reaction of the investment community.

But its major concern will be to keep tabs on rumours. Rumours about results, mergers, acquisitions, management defections and so on. The sort of stuff that seems to circulate endlessly around the floors of the JSE, often stirring up major moves in share prices.

18/88 750
S. van der Merwe

BIG SCHEME TO IMPROVE THE BLACK BUSINESS

A NEW major Foundation of African Business and Consumer Services has been formed in an effort to get blacks to participate fully in the economic development of South Africa.

Co-ordinator of the foundation, Mr J Mogale, said the organisation aimed at consolidating unity of purpose and putting black business on the road to economic self-sufficiency.

The organisations involved in the foundation are: the Southern Africa Black Taxi Association, the National Black Consumer Union and the Transvaal African Builders Association.

The aims of the foundation are:

- To do everything in its power to liberate the black economy from constraints under which it presently operates;

Trust fund

- To do everything in its power to assist the black consumer;
- To share as far as possible each other's resources in the best interest of black business;
- To register a central trust fund for all member associations and appoint a trustee from each member to administer the trust;
- To canvas members and seek development funding

both in South Africa and overseas;

- To support one another's projects.

Mr Moloi said membership cards would be issued to members to buy on discount, and eventually establishing a black credit card.

The committee consists of Mr T J Ncoyana, president of Sabta, Dr E Kuzwayo, first vice-president, Mrs A Thula, second vice-president, Mr J Mogale, general secretary, and Mr E Mathibela, treasurer.

Development

Mr Mogale said the organisations came together with the view to co-operating and fostering relations among themselves.

He said: "The effort of black business to participate fully in the economic development and wealth creation process in South Africa is inconsequential, owing to their divided existence.

"Various organisations have been formed, but none has come anywhere near consolidating unity, purpose and thus putting black business on the road to economic self sufficiency," he added.

The foundation has sent invitations to various organisations and companies for the launch in October. For further information contact Mr. Moloi at (012) 325-1570.

30 B/day 2/8/88

COMPANIES

Tradegro plans listing of Smart Centre

TO finally rationalise its Frasers operations, Tradegro is to seek a main board listing for its clothing retail chain, Smart Centre Holdings.

Tradegro group financial director Bill Chambers says the listing will be by way of a closed offer to equity instrument holders in Tradegro, Frasers, Frasco, Interhold and Kinnet and a preferential offer to management, staff and suppliers.

Tradegro will retain an 80% stake in Smart Centre. Smart Centre consists of a chain of 142 clothing stores and sells on credit

LINDA ENSOR

high quality merchandise to the middle-to-upper income black market, of which it claims a 25% share. Main object of the listing — which is expected to take place in September/October — is to rationalise the group, allow for the introduction of a share incentive scheme, and to launch Smart Centre as a separate company in line with Tradegro strategy.

Smart Centre MD Charles Fox says funds raised — estimated to be in the region of R2m — will be used to pay off Smart Centre's borrowings and for further store expansion and upgrade. Debt at year-end stood at R15m and debt-equity at 100%, a figure Fox would like to see reduced to 50%. Fox says the listing will enable the company to raise funds at a future date to finance its growth. New stores are not planned immediately but, he says,

there is considerable scope for enlarging existing stores as many of them are small and are not getting their full share of the market.

In the year to June 1988, Smart Centre turned over sales of R82m — a rise of 26% over the previous R65m — from which an after-tax profit of R3.7m (4.8% over the previous R2.5m) was derived. The offer is subject to the approval of Frasers equity holders, a meeting of whom is scheduled for August 29.

Morkels' quarterly earnings well ahead

LINDA ENSOR

FURNITURE and sports goods retailer Morkels notched up a 73,3% increase in earnings to 5,2c (3c) in the quarter to June 30, with strong turnover and margin growth contributing to the performance.

This occurred despite the company maintaining its conservative policy of making full provision for deferred taxation, which took R2,1m off pre-tax profit.

In spite of an expected downturn in consumer demand in the rest of the year, directors say earnings will show a satisfactory increase, "although at a lower rate than that achieved for the first quarter". However, given stable conditions, Morkels should meet operating objectives.

Increases in interest rates are not expected to have much impact.

Quarterly turnover shot up 37% to R42,1m (R30,7m), while operating profit — on a rise in margins from 9,8% to 11,4% —

climbed 59% to R4,8m (R3m). Pre-tax and after-tax profit increased by 74% to R2,1m (R1,2m).

Totalsports' sales surged ahead to convert it into profitability. While the furniture division registered a turnover growth of about 34,7% compared with overall market growth of 31,6%, Totalsports posted a 78,6% increase — more than double the 32,8% sector average.

The directors report the initial sales volumes of the four new Morkels outlets, which started trading during the period, exceeded budget quite considerably.

Plans are under way to open further Totalsports stores.

Net asset value has increased to 111c (98c) per share and debt:equity to 55% (51%).

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2/19/88

CHIEF EXECUTIVE OFFICER

GENERAL MANAGER

Smart Centre to be listed

2/8/88 Finance Staff (30)

The Smart Centre chain, which has 142 stores selling clothing on credit, is to be listed on the Johannesburg Stock Exchange.

Smart Centre is part of the Tradegro group.

Shareholders in Frasers, Frason, Tradegro, Interhold and Kimet registered on August 26 as well as the management and staff of Smart Centre. Its suppliers will also be offered equity participation rights.

The directors say the decision to list Smart Centre is consistent with the strategic policy of Tradegro to list separately its individual operating entities.

The purpose of the offer is to raise additional capital to finance expansion and future growth. It will also give shareholders in the other companies a chance to participate directly in the equity of Smart Centre.

Morkels continues to show strong growth

2/8/88 Star (30)
By Ann Crotty

The strong performance that Morkels, the Fedvolks' retail chain, turned in for financial 1988 has been sustained in the first quarter of financial 1989.

In the three months to end-June Morkels increased turnover 37 percent to R42,1 million (R30,7 million) and boosted operating profit by 59 percent to R4,8 million (R3 million). The improvement at the pre-tax level was an impressive 74 percent, helped by the fact that interest payment was up only 2 percent.

The group has allowed for deferred taxation of R2,1 million which is 74 percent ahead of the previous year's R2,1 million. This left taxed profit 74 percent higher at R2,1 million (R1,2 million) with earnings per share up a similar percentage to 5,2c (3c).

The group's Totalsports division, which turned in a disappointing performance in financial 1988,

saw turnover up 78,6 percent and the directors report that it turned in a "pleasing operating profit". Plans are under way to open additional Totalsports stores in targeted areas.

Four new Morkels stores commenced trading during the period and initial sales volumes have exceeded targets by considerable margins.

The balance sheet shows that gearing and financing ratios have remained constant and the directors note that increases in interest rates are not expected to have any material adverse impact on earnings.

Looking to the trading performance for the remainder of the year they state that despite an anticipation of reduced consumer demand, a satisfactory growth in earnings is expected "although at a lower rate of growth than that achieved for the first quarter."

Changes will mean a healthier market in the liquor industry

GODFREY DE BRUYN responds to some of the points raised by Business Day wine writer Michael Fridjhon in an article on July 20

GOVERNMENT'S announcement that liquor merchants at the wholesale level will have to divest themselves entirely of their retail interests, and that no retailer may own more than 12 outlets, has prompted comment, much of it negative, from a wide front.

The criticism, when one comes to consider the history of the tied-house system in SA, is really quite surprising. Since the turn of the century no less than eight committees and commissions of inquiry — the latest being the Competition Board, which published its report in 1982 — have found and recommended that in the public interest the retail liquor trade should be free and unfettered and completely divorced from the wholesale trade. Successive governments have for various reasons found it impossible or impractical to implement these recommendations.

Bold step

Suddenly, now that the present government has taken the bold step of implementation, cries of despair and insinuations of sinister intent arise from many sides.

The "protest," it should be noted, is not against the principle of division but against the basis upon which it is to be effected. Suddenly there is talk of the "weakening" of the retail sector because, under the new dispensa-

tion, no retailer may own more than 12 outlets. For anyone committed to the free market system, even 12 could be too many. We are single-mindedly obsessed with the idea of vertical integration. The fact of the matter is that horizontal integration — ownership by one retailer of large numbers of other retail outlets — may be as inimical to the public interest as vertical integration.

In favour

All merchants who are operating profitable retail arms will be affected proportionately to the size of their retail interests. Cape Wine and Distillers will have to sell off some 200 outlets, Gilbeys about 65 and Union Wine/Picotel about 75. If one may assume financial efficiency at the wholesale level of these companies, then none of the disasters now so portentously foretold should befall them.

What is not being said is that the

the wholesale level CWD will disappear once Stellenbosch Farmers Winery and Oude Meester have been listed.

At the very least the listings will make these two companies separately and publicly visible and accountable. Whether that is being done voluntarily or because of government pressure is irrelevant. The main thing is that it happens to bring us closer to the ideal of a "competitive, wholesome trade" — at least in the wine and spirit sector of the liquor industry.

Courage

Minister for Economic Affairs and Technology Danie Steyn has shown great courage in grasping the nettle of vertical integration, which for almost 100 years under governments of different persuasions has been found to be against the public interest. Perhaps what he should look at next, for the sake of healthier competition, is the "concentration of power" in the hands of interests such as SA Breweries.

□ **GODFREY DE BRUYN** retired as chief marketing executive of KWV in 1983 and has been associated with the wine industry for 39 years. He has represented the industry at many international forums on trade practices. He is now a consultant and freelance writer.

1982 report of the Competition Board reveals that, in evidence before it, all the major parties now involved — South African Breweries, Gilbeys, Union Wine, CWD, Rembrandt, KWV and Fedhasa — were firmly in favour of the abolition of vertical integration.

What is also now conveniently forgotten is the unqualified announcement by the Minister of Industry, Commerce and Tourism in 1983 that "government wishes to confirm once more that the ideal of an uncommitted retail trade alongside a competitive wholesale trade is still being pursued and that power concentrations in the liquor trade should be prevented as far as possible".

That proves to have been a prophetic statement which many may have regarded as hollow at the time. The fact is that vertical integration is now being abolished; and that at

The big little man

Small businesses, or the "informal sector" as the economists call hot-dog stands, pavement vendors and backyard manufacturers, have been around for centuries.

But it is only in the past eight years that the little man has taken his rightful place among the industrial conglomerates and retail chains that have dominated South African commerce and industry for so long. And an important place it is too.

Economic clout

The Small Business Development Corporation, now reputed to be the most successful development exercise of its kind in the world, believes that the economic clout of the informal sector has long been underestimated and could be contributing as much as a third of South Africa's gross domestic product.

In a survey of the informal sector entitled "Roots of Enterprise" published by *Leadership* magazine, two factors emerged as prime contributors to the resurgence of this sector that even today, is looked down on and in many cases outlawed as illegal.

The first was the establishment of the Small Business Development Corporation with its considerable financial clout and ability to influence government and big business.

The second factor has been the start made by Government to dismantle the heavy curtain of red tape that has restricted small business from developing and, in many cases, sending it underground.

Chairman of the SBDC's board of directors, Dr Anton Rupert, comments in "Roots of Enterprise" that under normal circumstances the best thing to do for small business would be to keep out of its way and simply provide the space for it to operate unfettered.

"But, in South Africa, circumstances are not normal," he says.

"On the one hand there is a concentration of business interests — and thus capital resources — in the hands of a few large enterprises. On the other hand there is a great backlog of business facilities and financing, especially in black urban areas.

"This backlog is closely linked to the dual nature of the South African economy — First World rules and standards are often applied unthinkingly in Third World circumstances."

The creation of the SBDC is significant, says Dr Rupert, in that it gave expression to a concept that took root throughout the world in the 1970's: That economic growth is dependent on the creative powers of the individual. It became clear that the small entrepreneur who dared to establish a new business with his own capital, held the key to future prosperity.

"This realisation was strengthened by the



BY CHRIS MOERDYK

The long established small trader is at last being recognised as an important factor in the economy.

great changes triggered by the recession which followed the oil price shock in 1973. Throughout the world rationalisation became the order of the day in many large enterprises. The effect was that they became less and less able to satisfy the growing demand for jobs.

"The situation was no different in South Africa. Nor is it today. Large enterprises are still not adequate sources of employment for the 300 000 people who enter the labour market each year. All eyes are now fixed on small business."

But just how important is the informal sector to South Africa's economic mill? How important is it in terms of solving the unemployment bogey that hangs over the country like the Sword of Damocles?

Mr Wolfgang Thomas, deputy general manager of the SBDC in the western Cape, concedes that the informal sector's contribution is difficult to estimate, mainly because of the lack of official statistics:

"Possibly the biggest stumbling block to a realistic assessment of the informal sector is that South Africa's official statistics on the gross domestic product do not include all economic activities. In line with other semi-developed

countries, the understatement may easily be about 30 percent, much of which is informal sector contribution to national product and national income."

Mr Thomas adds that if this adjustment is taken into account, certain "guesstimates" may give an indication of the magnitude involved.

● Out of a total of 1 million business establishments, about 62 percent are unlicensed, unrecorded or non-taxed business establishments and self-employment units in the informal sector.

Engaged

● On the basis of a population of 36 million people in greater South Africa (including the black states) and a labour supply of 12 m to 13 m, just under a third are engaged full-time or part-time in the informal sector

● Of the 350 000 people who enter the labour market annually, the segment taken up by the informal sector may be as high as 42 percent

Given these statistics, it is clear that the informal sector is not only vital but strategic to the economy. Is enough being done to stimulate it?

Mr Leon Louw, executive director of the Free Market Foundation says in "Roots of Enterprise" that deregulation remains a stumbling block.

"With sanctions already imposed on South Africa and the threat of more to come, it is important that Government gets out of the way of the entrepreneurs and allows them to use all the opportunities available to produce wealth and create jobs."



Street vendors selling fruits and vegetables play an important role in supplying black housewives with fresh produce.

WHEN black business leaders meet for their annual conference this weekend their future role in the economy of this country will be at the back of their minds in all decisions they take.

This sums up Mr Sam Motsuenyane's views on the future of black business in an interview with the *Sowetan*. The conference is at Sun City and starts on Sunday.

Mr Motsuenyane, who has been president of the National African Federated Chamber of Commerce over the past 20 years, said black businessmen would have to see themselves more as job creators and producers than consumers and workers.

"Figures indicate that out of a workforce of 12,5 million about 4,8 million are unemployed. Whites cannot deal with the problem of unemployment single-handedly.

"We thus have to see ourselves as producers and creators of jobs. We must be in the mainstream of the economy and not in the periphery as in the past," he said.

According to him there has been a new sense of purpose with every black businessman. "We are now determined, as we have always been, to get on with the job. We have identified our role in the struggle for human dignity in this country. We are part of that struggle.

"Political liberation goes hand in glove with economic liberation. The business community cannot be ignored in the development of our people," he said.

According to him, black business has been looking at its role objectively. At this conference businessmen would now talk as a community that had a vital role to play.

He was critical of the Government's policy of deregulation and privatisation, which, he said, offered very little for the township trader.

FOCUS

Businessmen will have to see themselves more as job creators and producers than consumers and workers.



MR SAM Motsuenyane . . . Nafcoc president.

Forward march

On privatisation he said his great concern was how much will go to white business and whether blacks will get anything.

"The Government should provide that a certain percentage of what is privatised must go to black business. We spoke of 10 percent. There has been no

response on this from the Government.

"We believe that the sorghum industry should be given to blacks as the original formulae was obtained from them. There are 23 breweries presently in the offing and the Government's greatest concern seems to be what will happen to whites employed in them.

Schools

"We also believe that the building of black schools, housing and many other services provided to the black community by the Government should be given to blacks," he said.

He said there were discussions held with the Department of Education and Training in this direction, but nothing had as yet come of them. They were still waiting.

On deregulation he said his greatest fear was that the Government would not go far enough. "As far as we are concerned they must scrap laws such as the

Interview by THAMI MAZWI

Group Areas and the Population Registration Acts.

"For deregulation to be meaningful it must be drastic. They will not go far enough and I am very sceptical of deregulation."

He said while the black business community in the past lacked drive because of the many laws that tied it down, it was now becoming more aggressive. "Aggression is a growing phenomenon in our business community," he said.

"Because of our achievements in confronting Government there are more opportunities for black business than there were say 13 years ago when we could not even form companies. Our efforts have opened up more and more opportunities and more sophisticated business-

men are now emerging. "There is mental liberation, greater entrepreneurship and we are creating companies," he said.

He reiterated his opposition to white business on the borders of black areas or in the areas themselves.

He said that blacks have always subsidised white affluence and the endeavours of white business to get into black areas was part of this.

Competition

"We do not have fair competition when the black businessman has his hands and feet tied. White business should instead be assisting black business to do those things it wants to do in our areas," he said.

Mr Motsuenyane said Nafcoc would continue to play a leading role in the development of black business.

"Improving Nafcoc's services to its members would be a priority, just as Nafcoc's educational programme would now be vigorously pursued.

"There are many foundations set up by whites that are providing certain services. Some of these foundations are fly-by-nights and they charge exorbitant fees. Because the black businessman wants training he pays for services at exorbitant prices.

"We must make sure we look after the interests of our members," he said.

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AFRICAN Bank's Mr Gaby Magomola.

KANGWANE'S Chief Minister, Mr Enos Mabuza.

NAFCOC president, Dr Sam Motsuenyane.

Nafcoc's big indaba

VARIOUS black community leaders and clergymen are scheduled to address delegates at the 5-day 24th annual conference of the National African Federated Chamber of Commerce at Sun City on Sunday night.

The conference, whose theme is *Black Unity - Actions for Economic Empowerment*, to be held in the Pilanesburg Conference Centre, will discuss various strategies for participation in the country's mainstream economy.

Nafcoc's executive director Mr Sam Molebatsi, said the conference would take resolutions about what action black business needed to take regarding upliftment of the economy.

He said: "All the

talking has been done by black leaders. What is left is the doing. We need to mobilise greater private sector resources in support of black unity and economic empowerment.

Some of the speakers are: The president-elect of the Methodist Church of South Africa, the Reverend Stanley Mogo-ba, KaNgwane Chief Minister Mr Enos Mabuza, Advocate Dikgang Moseneke, African Bank's executive Mr Gaby Magomola, Vista University lecturer, Dr J S Mohlamme, Dr Sam Motsuenyane and Mrs Ellen Kuzwayo of the National Consumer Union.

Mr Molebatsi said Nafcoc had decided to undertake a research into

its structure in order to position black business to move away from the fringes of the economy into the mainstream economy.

"The conference intends to cut across all business, trade, labour and professional lines and to coalesce with various divergent elements for unity and economic empowerment," he said.

Mr Molebatsi said the conference was hoping to primarily identify critical goals to be achieved in the economic arena by black people with the view to have a fair share of ownership and wealth in South Africa.

"We are also hoping to internationalise Nafcoc's role in the liberation struggle," he added.

Growing uncertainty

That its Business Confidence Index (BCI) continued its decline in July is a reflection "of uncertainty not pessimism," says Assocom. "A note of caution appears to have developed in consumer decision-making, with households less willing to incur debt."

BCI fell 0,8 percentage points last month to 97,3 (base year 1983=100), from 98,1 in June and a 99,3 peak in April and May. However, for the first seven months, the average is 98,3, higher than 95,3 in 1987, 84,3 in 1986 and 79,1 in 1985.

Assocom says the near-term outlook depends on prospects of a political settlement in Angola and a further fall in inflation.

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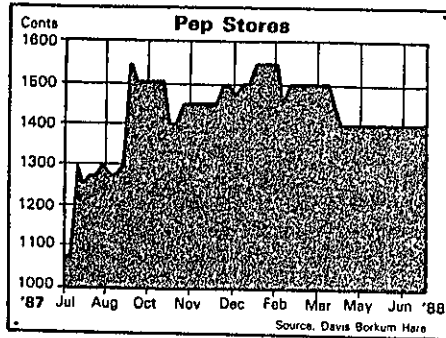
For the moment, however, Assocom has cut its economic growth forecast for the year to 2,5%, from 3% predicted last year. "And prospects remain for further increases in interest rates, resulting from excessive growth in the money supply."

Negative influences on BCI included the:

- Decline in the rand/dollar exchange rate;
- Decrease in the dollar price of gold;
- Lower new motor car sales, volume of manufacturing production and building plans passed; and
- Fewer new companies registered.

Creating positive sentiment were:

- The continued decline in CPI;
- The overall JSE index rose in July;
- An increase in merchandise imports, in money terms, of over 57%;
- Slightly better real retail sales; and
- Fewer insolvencies and emigrants. ■



PEP STORES

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Two main factors

Activities: Operates 655 Pep and Ackermans clothing, footwear and household goods stores, and nine clothing and textile factories.

Control: Peggro (38% owned by its directors) owns 55% of Pepkor which owns 87% of Pep Stores.

Chairman: C H Wiese; managing director: B R Weyers.

Capital structure: 45,6m ords of NPV. Market capitalisation: R639m.

Share market: Price: R14. Yields: 3,4% on dividend; 9,2% on earnings; PE ratio, 10,9; cover, 2,7. 12-month high, R15,50; low, R12,50. Trading volume last quarter, 233 000 shares.

Financial: Year to February 29.

	'86	'87	'88
Debt:			
Short-term (Rm)	9,0	10,6	—
Long-term (Rm)	52,0	0,05	—
Debt:equity ratio	0,53	0,08	—
Shareholders' interest	0,47	0,52	0,52
Int & leasing cover	2,2	2,6	—
Debt cover	0,6	4,5	—
Performance:			
Return on cap (%)	19,8	21,6	22,1
Turnover (Rm)	406	508	649
Pre-int profit (Rm)	47,8	53,1	70,3
Pre-int margin (%)	11,8	10,5	10,8
Taxed profit (Rm)	31,2	42,1	58,9
Earnings (c)	68	89	129
Dividends (c)	—	40	48
Net worth (c)	208	257	325

Retentions and capital-raising exercises have transformed Pep Stores' finances, from net borrowings of R61m in 1986 to cash (and no borrowings) of R48m. While this clearly helped net results, even at operating level there was a 32% improvement last year.

Chairman Christo Wiese says the two main factors affecting operations were the continued rapid rate of expansion (66 new stores were opened, with a 13,7% increase in

total trading area, to 337 000 m²) and severe difficulties in the procurement of textiles. In comparison to the previous year, the political environment was relatively stable.

Most of the new branches were in areas of major population concentration. Wiese says rapid urbanisation following the scrapping of influx control (let's hope he's right on that last point!) gives the group "immense" growth opportunities.

While turnover per m² barely kept pace with inflation, growing by 12,3%, turnover per full-time shop employee showed a much healthier 22% gain. Stock turn was virtually unchanged, at 3,1 times.

In spite of problems with both local supply and obtaining import permits, clothing and textile manufacturing interests continued to make a growing contribution — 20,5% of operating profit, against 16,4% in 1987. The possibility of consolidating some of these activities on space available at the Parow site is being examined.

The new R11m hi-tech warehouse should be completed this year.

MD Basil Weyers says Pep is in the process of forming a public company to be black-majority owned, which could set up retail outlets in black (presumably, urban) residential areas. Similar partnerships already operate 35 stores in coloured and homeland areas.

While there will be a higher tax charge this year (it was only 13,4% last year, thanks to prior losses; there are still potentially usable tax losses of R30m) — Wiese is confident of better earnings, enabling dividends to outstrip inflation. This seems to imply distribution of at least 55c a share this year (though possibly with a lower cover), a forward yield marginally under 4%. This puts the rating right up with the blue chips of the retail sector and will take some living up to.

The return on equity is a staggering 39,7%. Of the many retailers, big and small, to have reported in the past couple of months only Edgars and Dashaus come near this. While the ability to make assets work is a sign of good management, the other side of the coin is that apostles of the Benjamin Graham school of real-value investment don't look kindly at shares that trade at three or four times NAV.

Investors who're willing to bet that the good record can be extended should, however, look at the relatively underpriced — and hence higher-yielding — holding companies which, as is not always the case, are as free-



Pep's Wiese ... gearing up the line

dealing as the operating company.

Pepkor owns about 2,6 Pep Stores for each of its own shares, worth R36,90 at Pep's R14. Its own price of R31 is a 16% discount on this alone, to say nothing of about R5 other assets — largely 79% of Shoprite, whose own report we reviewed favourably on July 15. However, though Pep Stores contributes 69% of Pepkor's turnover, it kicks in 137% of its net profit. There are hefty losses in financing and property activities; but MD Arnold Louw says all properties are now financed with long-term borrowings at rates that will ensure a positive income flow over the next 20 years, while finance losses will also fall sharply following the group restructuring.

In turn, each Peggro is backed by 43% of a Pepkor worth R13,25 and other net assets of about 380c, so its R15,50 is another 9% discount on NAV.

Michael Coulson

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Formal for informal?

The Reserve Bank has created a sub-section to probe data on the informal sector and inward industrialisation. And Central Statistical Service (CSS) is awaiting the approval of funds for a pilot study of the informal sector in the PWV.

Says Jan Lombard, a deputy governor of the Bank: "Though to some it may seem outside the parameters of our work, most central banks monitor such matters."

Not surprisingly, for in the past two decades the importance of the informal sector has increased dramatically.

Perhaps the most renowned theory ad-



Lombard ...
pilot study

vanced by a formal economist is the "unobserved income hypothesis," credited to Edgar L Feige: that the existence and growth of the informal (hidden or underground) economy has introduced systematic biases into official statistics that "fundamentally distort our view of economic reality."

These problems preoccupy everyone. Says Lombard: "Most, if not all, of us do not know enough about the nuts and bolts of the informal sector to make valid interpretations."

The Bank is particularly interested in how the financial sector either assists or deters the integration of Third World activities into those of the First World.

Lombard says "formal" GDP figures originally developed as an assistance to, for example, fiscal, military and balance of payment policies. So economic activity was measured in a way related to these issues.

"In a developing country such as SA," says Lombard, "we are interested in the extent to which the informal sector can provide employment and enhance standards of

models produce forecasts of real growth and inflation so unreliable that they can no longer be regarded as an adequate basis for industrial or government planning." ■

living. This is more socio-economic than purely financial."

Today the Bank finds itself in a "huge" policy trade-off between domestic growth and financial stability.

Says Lombard: "People talk about the 'low-growth scenario' — a kind of discussion led astray by the sort of stats used for measuring economic growth. We are prepared to accept that SA is growing slowly by any standards. But inward industrialisation, for example, is the sort of process that could fundamentally sway the trade-off."

Indeed, the economic and functional integration of SA's Third World population into First World institutions is probably the most important aspect of socio-economic reform.

Meanwhile, CSS's planned pilot study of blacks in the PWV results from an investigation by the CSS, Central Economic Advisory Services and the Reserve Bank. "If it's a success," says CSS chief Treurnicht du Toit, "a survey will be conducted nationally."

While the results may not be precise enough for all formal sector economists, "it will give an indication," says Du Toit.

As Feige observes, a growing number of macroeconomists "sense that there is something seriously amiss with the state of the art of our profession." The problem has reached serious proportions: "Macroeconomic

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Awaiting the moment of truth

■ Mervyn King has had a varied, productive life: now he must tackle Frame



There will inevitably be those who ponder on the wisdom of appointing a judge to resuscitate such a large and complex entity as the Frame textile group. And it is entirely right that they should. For judges are seldom men of affairs.

But Mervyn King is not your common or garden jurist. He is well versed in company law, knows the group well, having served as its legal advisor, and has some remarkable and diverse commercial achievements to his name since he left the bench, on which he sat (some say to his credit) for only two years.

However, there are those well acquainted with the group who have misgivings about the departure of Justin Schaffer, whose strength they consider to have been operational skills. "King is an excellent conceptualiser about structures and acquisitions, but can he do operational conceptualising?" questions a stockbroker. Another wants to know what will happen when he brings an operational MD to task. He believes the MD could well turn around and say that King knows nothing of the subject.

Interestingly — if hardly surprisingly — King's associates have a more positive view, as do some others in the business community who have known him since his entry into commerce. One says that he was very close to the coalface in the Tradegro turnaround, especially in Checkers and Dion. Another says that his intention is not to turn the executive chair of Frame into a line job.

What is the truth? At this stage one can only weigh the different opinions and look at King's record.

He started as an attorney specialising in corporate law. He became an advocate, was one of SA's youngest appointments as Senior Counsel, and followed this by becoming one of the youngest judges. He dismisses conjecture on his early departure from the bench by saying that the whole topic was well canvassed at the time (1980).

King was then offered a number of positions, including one by Natie Kirsh, which he accepted. "That was when I learned to swim," according to King. "I enjoyed that period. Kirsh was on an acquisition trail and I was involved with all the acquisitions, as a non-executive director of the companies."

But, as is well-known, Kirsh hit problems.

"The various trading divisions were all in one company and then the economy turned and interest rates soared." King developed a plan for salvaging the group and sold this to major shareholder Sanlam, which, together with the big banks, agreed to come up with R175m. Sanlam and the group's management asked him to take over. He became CE of what was renamed Tradegro and chairman of the individual companies in the group.

His plan was to create individual companies from the divisions and list them. Peripheral businesses were sold — "We had a mattress factory and an ice-cream factory" — and the minds of the CEs of the operating companies were well focused on their own businesses.

Though few would yet describe the group as fully rejuvenated, in many respects the plan worked. After an attributable loss of R49m in his first year as CE, the group made a profit of R30m last year and the results to be announced soon are expected to be appreciably better.

One reason for Tradegro's improvement was the purchase of Frasers. King makes the reasoning behind the acquisition sound simple: "It had several divisions which fitted in with the businesses of Tradegro and, also, I could

not let it fall into the hands of a competitor."

The takeover is regarded as a major coup by those in Tradegro. Though King says the acquisition has bedded down, he adds that additional benefits have still to be felt.

But the extra work resulting from the takeover led to the appointment of a group MD, the choice falling upon Sanlam's trouble-shooter Donald Masson, who joined Tradegro in March. King then became chairman of Tradegro.

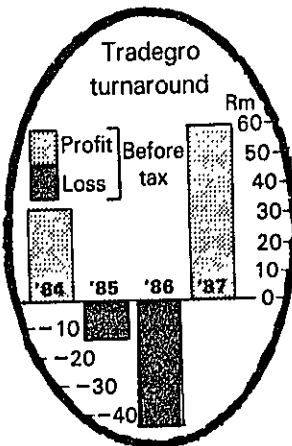
Though this could be seen as a vote of no confidence in King, and his leaving could be construed as an answer, such a suggestion is denied by all parties. King is to remain non-executive deputy chairman of Tradegro, Checkers, Rusfurn and Metro. A source in Sanlam suggests that the fact that Masson has been asked to join the board of Frame suggests that the two men get on well (others may see it as evidence of Sanlam's concern for its investment there). But the same executive says that their skills are complementary: Masson has more operating strength, while King's is more strategic and orientated towards public affairs. This seems to reinforce the questions about King's operating ability.

However, Tradegro and Sanlam people see King's concentration on corporate and strategic affairs as a strength. They emphasise that the turnaround of Tradegro was a team effort, and that King is excellent at motivating people. "You can't have a successful team effort if the top man is not a team man who can motivate others," says one top executive.

Another, who has worked for King since he became CE of Tradegro, says King's ability to delegate is a strength as far as those in operating capacities is concerned. He leaves them to get on with the job without interference, but insists on being kept well-informed, demanding that they tell the facts and there be no surprises.

With additional benefits from the restructuring and the acquisition of Frasers still to come, why should King leave now?

King has been deeply involved in the



New liquor law delayed

HELOISE HENNING

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THE liquor industry's hopes that legislation streamlining licensing procedures would be passed in the August parliamentary session have been dashed.

Economic Affairs officials have said there is no possibility the long-awaited Bill would be passed in the current session.

Chairman of the standing committee on trade and industry Peet de Pontes says the finalised Bill has been published but, given the tight schedule set by the Chief Whip for the August parliamentary session, there is little hope the Bill will be

passed this year.

The enabling legislation would reduce the expense involved in applying for a liquor licence. Under current legislation it could cost a would-be licensee up to R10 000. The main reason for the high costs is that the Liquor Board sits only once a year in each of four regions.

At present a licensee could, for example, find trading premises long before the authority sits to issue the licence. In that case he would either lose the lease or have to include constraining

clauses in the contract while having to wait up to a year before being able to take occupation.

If the applicant failed to meet certain requirements it would mean waiting another year before application could be made.

The Liquor Bill was introduced in Parliament earlier this year and encapsulates proposals which simplify the licensing procedure by doing away with the four regional meetings. The legislation would empower the Liquor Board chairman to issue licences without going to the board.

The aggressive new face of black business

WHEN black business leaders meet for their yearly conference at Sun City this weekend, their future role in the economy of this country will be at the back of their minds in all decisions they take.

This sums up Mr Sam Motsuenyane's views on the future of black business.

Mr Motsuenyane, who has been president of the National African Federated Chamber of Commerce over the past 20 years, said black businessmen and women would have to see themselves more as job creators and producers than consumers and workers.

"Figures indicate that out of a workforce of 12,5 million about 4,8 million are unemployed. Whites cannot deal with the problem of unemployment single-handedly.

"We thus have to see ourselves as producers and creators of jobs. We must be in the mainstream of the economy and not in the periphery as in the past," he said.

According to him, there is a new sense of purpose in black business. "We are determined to get on with the job. We have identified our role in the struggle for human dignity in this country. We are part of that struggle.

"Political liberation goes hand in glove with economic liberation. The business community cannot be ignored in the development of our people," he said.

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THAMI MAZWAI

this conference businessmen would now talk as a community that had a vital role to play.

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"The Government should provide that a certain percentage of what is privatised must go to black business. We spoke of 10 percent. There has been no response on this from the Government.

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"We also believe that the building of black schools, housing and many other services provided to the black community by the Government should be given to blacks," he said.

On deregulation, he said his greatest fear was that the Government would not go far enough.

"As far as we are concerned, they must scrap laws such as the Group Areas and the Population Registration Acts.

"For deregulation to be meaningful, it must be drastic. They will not go far enough and I am very sceptical of deregulation."

He said that, while the black business community

in the past had lacked drive because of the many laws that tied it down, it was now becoming more aggressive: "Aggression is a growing phenomenon in our business community."

"Because of our achievements in confronting government, there are more opportunities for black business than there were say 13 years ago when we could not even form companies. Our efforts have opened up more and more opportunities and more sophisticated businessmen are now emerging.

"There is mental liberation, greater entrepreneurship and we are creating companies," he said.

He reiterated his opposition to white business on the borders of black areas or in the areas themselves.

He said blacks had always subsidised white affluence and the endeavours of white business to get into black areas was part of this.

"We do not have fair competition when the black businessman has his hands and feet tied. White business should, instead, be assisting black business to do those things it wants to do in our areas," he said.

Mr Motsuenyane said Natfoc would continue to play a leading role in the development of black business.

"Improving Natfoc's services to its members would be a priority, just as Natfoc's educational programme would now be vigorously pursued.

"There are many foundations set up by whites that are providing certain services. Some of these foundations are fly-by-nights and they charge exorbitant fees. Because the black businessman wants training, he pays for services at exorbitant prices.

"We must make sure we look after the interests of our members," he said.

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BMF is set to take initiative

CP Correspondent

BLACKS have for too long allowed other people to define for them, articulate their problems and prescribe solutions, said Black Management Forum president Don Mkhwanazi at BMF's fourth national conference.

The BMF fully subscribed to Frederick Douglas' sentiment of more than a century ago that "if we blacks are ever elevated, our elevation will have been accomplished through our own instrumentality".

The BMF had identified the current corporate culture as one of the impediments "on the road to the top echelons of management", he told the Cape Town congress.

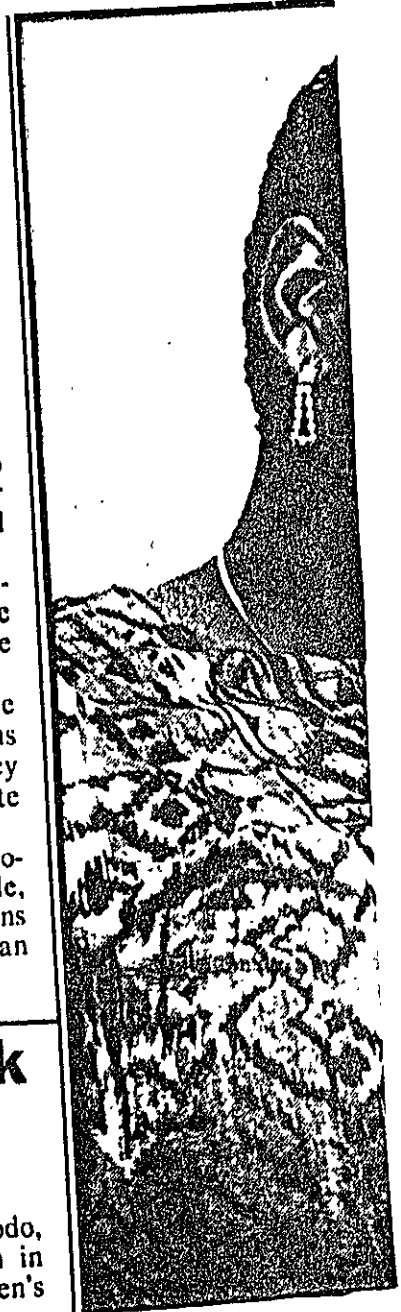
He said the BMF would continue to define the "new and continuing problems that face us as a nation and will communicate the urgency of these challenges and offer and initiate solutions".

The country needed a South African corporate culture that "blends thinking about style, skills, staff and subordinate goals with notions of strategy, structures and systems into an independent reinforcing network", he said.

Natal women mark August 9 march

By GUGU KUNENE

"WATHINT 'abafazi, Wathint 'imbokodo, Uzokufa", will be the cry when women in Durban commemorate "National Women's Day" on Saturday.



Small business moves into chemical industry

8/8/88
BIO Day

SMALL business interests in the chemical industry, traditionally the province of big business, are pushing back the high barriers of entry into chemical manufacturing.

Last week a Small Chemical Interest Group was launched in Johannesburg to foster development of small tonnage chemicals valued between R10 000 and R6m a year. Small tonnages are typically used by cosmetics and fine chemical manufacturers.

The group's formation had the acknowledgement of Sasol, AECI and Sentrachem with representatives at the first 117-strong meeting. Small tonnages are a nuisance in big business

HELOISE HENNING

and they would become primary suppliers to the small producers.

30
Convenor of the group, Institute of Chemical Engineers member Louis Mielke, says an investigation into the small ranges has been started to find the export and import opportunities for "contract. molecular distillation".

Speakers at the launch addressed topics like the shortage of small tonnage chemicals, starting a small chemical business, the need for a register of small contractors and available chemicals and venture capital for small manufacturers.

Take the lead, Nafcoc told



Black business urged to ensure SA democracy

B/day
9/18/88
30

BLACK business should start taking the lead in ensuring that post-apartheid SA would be a non-racial, industrial democracy, Premier Group CE Peter Wrighton said yesterday.

Addressing the National African Federated Chamber of Commerce (Nafcoc) conference at Sun City, Wrighton also called on trade unions to encourage leaders to move into management positions.

"There is no guarantee that post-apartheid SA will be a non-racial, industrial democracy — we may well end up swapping one totalitarian regime for another, where the economy still does not grow quickly enough to meet demands, skilled people leave the country in alarming numbers, productivity remains abysmal and where foreign investment is just a memory."

Some black companies had taken

THEO RAWANA

the lead on their own and others with the help of organisations committed to liberating SA's entrepreneurial flair, he said.

"It is now time for you to step out of the shadow of paternalism and take your rightful place in the economy. Black entrepreneurs should learn from establishment big business as much as they can, they should look for possibilities for joint ventures"

"Entrepreneurs should carefully study the mission statements of the large corporations, and press them to live to those philosophies."

He said union leaders' joining management would be beneficial to both business and the union movement, and added: "It is my earnest wish that a black man, on merit, will take my job one day as head of Premier."

Meeting proves an 'eye-opener'

THE weekend meeting between 40 businessmen and representatives of "progressive" organisations was notable for the intense willingness of both sides to get to grips with consultation without setting uncompromising demands.

Christo Nel, co-ordinator of the Consultative Business Movement (CBM) which called the meeting with Cosatu and several UDF affiliates, said it had been encouraging to see businessmen getting to grips with political issues. For many the meeting had been an eye-opener on

ALAN FINE

the grievances felt by these bodies.

CBM members included Toncoro chairman Cedric Savage, Southern Life's Neil Chapman, AECI CE Mike Sander, former Judge Anton Mostert and Turner & Newall CE MC Pretorius. The group had several academics and professionals, including Professor Sample Terblanche.

Nel said the CBM did not see itself as supplanting other business organisations and aimed to "interface" with them.

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New car sales take 17,9% leap

10/8/88 B/Day 30

HELOISE HENNING

JULY car sales rebounded by 17,9% to total 20 018 units after a 5,7% drop in June. The industry expects the buoyancy to continue for the rest of the year.

Sales of light commercial vehicles reached a high of 10 220 and together with the heavy commercial sector, manufacturers report demand outstripping supply.

Light commercial sales last peaked in June 1984 when 13 161 units were sold. July sales have more than doubled since January 1986 when 5 406 units were sold.

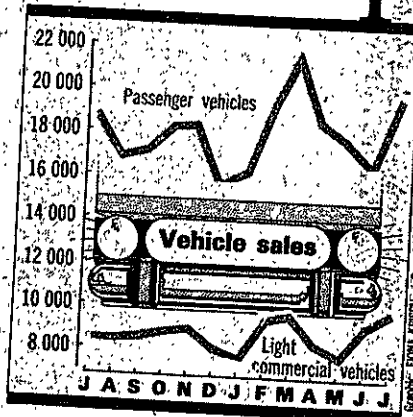
Total market sales for July — cars, trucks and light commercials — improved by 10% to 31 504 units from 28 629 in July 1987, according to statistics released by the National Automobile Association of SA (Naamsa).

Industry sources attribute the market strength to pent-up demand from the corporate sector early in the financial year. This is despite the 1% increase in prime rate.

Strong fleet buying from the rental and corporate sectors, coupled with a buoyant black taxi market, are seeing delivery lead times increasing with manufacturers reporting production capacity constraints.

During the month, manufacturers caught up the June days lost to strikes and were able to deliver larger stocks to dealers.

Volkswagen's public relations manager, Ronnie Kruger says demand should



be satisfied within the current year. VW estimates the total passenger car market will be 230 000 in 1988.

Toyota marketing MD Brand Pretorius says private sector demand is relatively low, with the emphasis on fleet renewals, while vehicle sales director Henk Maree says lead times for 15/16-seater micro-buses — used for taxis — and light delivery vehicles, are up to six weeks.

Demand for heavy commercial vehicles, apart from buses, continues to outstrip supply. In July 783 units were sold compared with 775 in June.

Delivery lead times in this category range from six to nine months. Demand

● To Page 2

New car sales take 17,9% leap in July

in 1988 has picked up by 20% compared with 1987.

Mercedes Benz management board member (responsible for commercial vehicles sales and marketing) Adolf Moosbauer says the market is not booming but merely reflecting the economic upturn. Companies are now replacing older vehicles.

"Despite longer assembly lines and

training more people, suppliers cannot react faster to the market's over-reaction to the upturn."

Moosbauer says manufacturers expect the pressure to be relieved by next year. "All suppliers have seen their order books develop quickly, but it is difficult to say how soon this will dwindle."

10/8/88 B/Day 30

From Page 1

Soweto
10/8/88
30

'South Africa is a society in conflict, a conflict that stems essentially from the recognition by many of the country's main actors that Verwoerdian apartheid has been a mammoth failure.

The reassessment of the values and norms which have guided South Africa politically, socially and economically for 40 years has in itself been destabilising...

The situation has been exacerbated by Government's grudging and painfully slow reform programme, threats posed by an increasingly bellicose and unrealistic rightwing, the near annihilation of extra-parliamentary groupings to the left of government and its inevitable consequence of boosting the pro-violence lobby, sanctions and disinvestment and the growing isolation of South Africa, politically, economically and culturally...

All this is reducing South Africa to more of a Third World society than a First World one — a recent newspaper article on the state of the rand concluded that in the last seven-and-a-half years the South African economy had worsened by an average 71 percent relative to the world's major industrial nations.

The tragic reality of all this is that South Africa is becoming a less attractive place in which to live for us all. Yet somehow we must muddle through this conflict, debate and rhetoric in pursuit of that dream — the post-apartheid society.

But there is no guarantee that post-apartheid South Africa will be a non-racial, industrial democracy — we may

THE HOUR HAS COME



MR Peter Wrighton

Black businessmen are told

well end up swapping one totalitarian regime for another, where:

- The economy still does not grow quickly enough to meet demands;
- Where skilled people continue to leave the country in alarming numbers;
- Where productivity levels remain abysmal; and
- Where foreign investment is just a memory.

Avoid

How do we avoid this very real possibility? Business generally, but particularly black business, should now grasp the nettle of responsibility and gradually start taking the lead.

Some have already done it on their own,

FOCUS

others with the help of specialist organisations such as the Small Business Development Corporation, job creation, financial institutions and other organisations committed to liberating South Africa's entrepreneurial flair.

The quite dramatic rise of the South African Black Taxi Association is the perfect example of just what can be achieved. It has some 45 000 members and there are an estimated 60 000 unlicensed operators. And consider how it has spanned a range of support industries, from vehicle washing services to spares operators.

Ladies and gentlemen, we need more of the same. It is now time for you to step out of the shadow of paternalism and take your rightful place in the economy.

Learn

Black entrepreneurs should learn from 'establishment' big business as much as it can. They should look for possibilities for joint ventures... perhaps large corporations can sub-contract out certain services to independent operators which will provide additional employment opportunities.

Political comment in this issue by Aggrey Klaaste and Joe Thlooe. Sub-editing, headlines and posters by Sydney Matlhaku. All of 61 Commando Road, Industria West, Johannesburg.

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• Write to the Editor at PO box 6063, Johannesburg 2100. Nom de plumes can be used but full names and addresses should be supplied or the letter will not be published.

ADDRESS by Mr Peter Wrighton, chief executive of the Premier Group at the Nafcoc 1988 conference at Sun City this week.

Entrepreneurs should carefully study the mission statements of the large corporations, and press them to live out those philosophies.

I would also like to see the trade union movement encourage its leaders to move into management positions... while this may sound heresy to some unions, and crazy to some businessmen, I believe it would have hugely beneficial consequences to both business and the union movement.

Wish

It is my earnest wish that a black man, on merit, will take my job one day as head of Premier. Because only then will the free enterprise system be safe in South Africa and the so-called 'white' companies lose their racial tag.

Labour/management interaction represents one of the few working examples of negotiation in South Africa, and it seems to me to be logical to extend this process even further.

Whatever the rhetoric, our future will not be built on smashing what exists in the romantic belief that a new order

can easily be created. Our future depends on developing a new approach to business, a new business culture, by building on the strengths of the past.

We desperately need to move away from present day strategies where business and the trade union movements see themselves as opponents... we need to move away from the sterile war of words on capitalism and socialism... neither is a holy cow, and what we ought to be doing is finding common ground and developing a new economic system that provides a South African solution to a South African challenge.

We have to recognise that black businessmen and women have laboured under almost impossible circumstances for decades... and it is really only in the last 10 or so years that gaps have emerged, that a window of opportunity has begun to show itself.

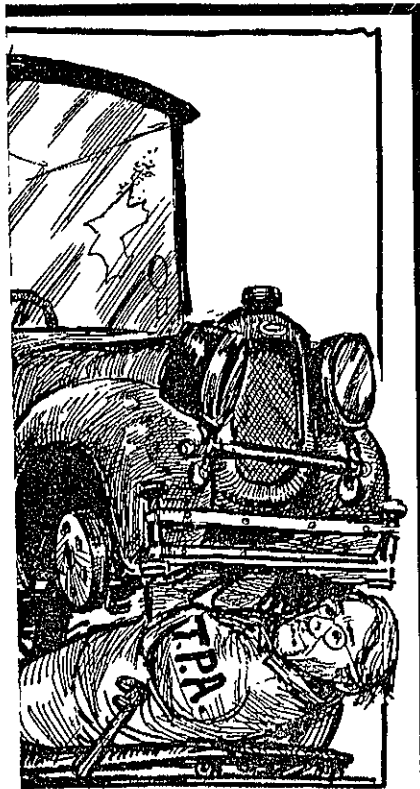
The response gives hope for the future.

Black entrepreneurs have hungrily taken advantage of opportunities that have emerged... thousands of carpenters, metal workers, dress-makers, upholsterers and other low capital intensive, independent manufacturers have staked their claim to a place in the sun.

Soweto Civic Association leader Dr Nithato Motlana told a business challenge seminar in Johannesburg earlier this year that blacks need to make money too.

Ladies and gentlemen, the future has already begun... the process has started towards the society we are striving for. Whatever investments we are making, be they good or bad, will inevitably affect the future society we are all waiting for.

Let us grasp that future now and seize it to a brighter deal for us all!



Cashworths

income

risers 57%

Financial Staff

CAPE TOWN-based Cashworths Fashion Holdings reported an increase of 57% in attributable income to R1,2m (R732 000).

"This is lower than the projected income in the group's prospectus, published before its listing last year, due to an extraordinary loss of R514 000 on the disposal of its 50% shareholding in Microstitch Clothing (Pty).

Turnover for the year to April 30 was R19,9m, 39% higher than in 1987.

Earnings per share were 11,1c (1987: 7c), and the directors have recommended a maiden dividend of 2,5c for the six months to April 30. This represents, on an annualized basis, a return of 15,6% on the share's current market price.

In the year under review Cashworths, which shortly before its listing obtained a 50% interest in both R Sassoon and Microstitch Clothing, decided to seek control of companies in which it held an interest.

As a result, the group disposed of its share in Microstitch Clothing and has acquired the remaining 50% shareholding in R Sassoon.

Commenting on this development, chairman Norman Schutz said the loss incurred on the disposal of the company's share in Microstitch Clothing is adequately compensated for by the benefit of gaining full control of R Sassoon.

Mr. Trip 1/10/82

Black group to 'confront' PW

Own Correspondent

SUN CITY. — Black business has directed Nafcoc president Mr. Sam Motsuenyane to select and lead a group of eminent people to confront President P.W. Botha immediately on the release of political prisoners.

Accepting this conference resolution at Sun City yesterday, Mr. Motsuenyane said the mission would make it clear it could not negotiate a constitutional future for South Africa with Mr. Botha until political prisoners were freed.

"We will make it clear that talks on the future can only begin when the leaders are free," he said.

Joshua making good out of the Homemakers deal

12/8/88
30

By Ann Crotty

On the basis of earnings to end-June 1988 it looks as though Homemakers could be paying a premium of about R2,5 million to add Joshua Doore and its managing director David Sussman to a newly created furniture division within the Homemakers group.

The deal sees Homemakers' furniture interests — Bradlows and World — merging with Joshua Doore to create one of the top three furniture retailers in Southern Africa, with 177 stores throughout the region and turnover of R400 million.

Under the terms of the transaction, Homemakers will exchange 100 percent of Bradlows and World for 107 million shares in Joshua which represents 60 percent of the enlarged Joshua's 178 million.

A glance at what the two sides are bringing to the party — in terms of historic earnings — suggests that the deal favours Joshua.

In the 12 months to end-June 1988 Homemakers reported earnings of R28,6 million. (This figure



David Sussman

combines the second six months of financial 1987, to end-December, with the first six months of financial 1988, to end-June.) The furniture interests, Bradlows and World, are believed to have accounted for 56 percent or R16 million of this.

For the same period Joshua is expected to report earnings of

R6,4 million. (Joshua's results for the 12 months to end-June are due out next week.)

This means that the earnings for the enlarged group for the 12 months to end-June 1988 would have been R22,4 million. But as Homemakers' only gets a 60 percent stake in the enlarged Joshua, its share of the earnings would be only R13,4 million and not the R16 million it brought to the party.

As part of the deal Homemakers is planning to offer 20 million of its Joshua shares, at 50c per share, to its own shareholders. If this offer is fully accepted then Homemakers stake in Joshua will be reduced from 60 percent to 48,8 percent which would be equivalent to R11 million of Joshua's R22,4 million pro forma earnings. In addition Homemakers will receive a cash injection of R10 million, before costs, for the sale of the shares.

A spokesman for Homemakers challenged the belief that furniture interests accounted for as much as 56 percent of Homemakers' total earnings, stating that the

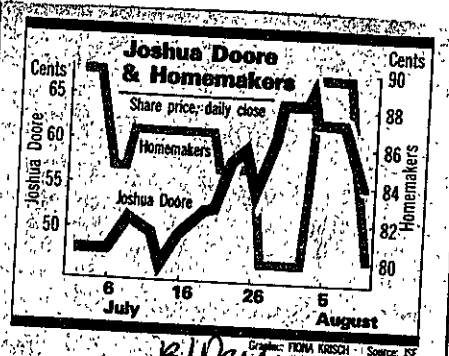
figure was much closer to 50 percent. This is equivalent to R14,3 million. On this assumption the earnings for the enlarged Joshua would have been R20,7 million and not R22,4 million. And the discrepancy between what Homemakers brought to the party and what it gets out of it is reduced from R2,5 million to R1,9 million.

But Homemakers is emphatic that the deal involves no premium on the basis of comparative historic earnings performance. The point will be clarified when figures are released at a later stage.

Some sort of premium does seem justified. The deal promises substantial synergistic benefits and brings on-board Mr Sussman, who has an excellent reputation in the industry, to run the enlarged Joshua.

If pro forma earnings to end-June for the enlarged Joshua are R22,4 million, this is equivalent to 12,6c per share and puts the share on a price/earnings rating of four times compared with the sector average of 4,6 times.

Ahead of the deal Joshua enjoyed a P/E rating of 7,6 times.



B/Dag
**Merger will see
 177-store giant**

30 **LIZ ROUSE**
 THE merger of World Furnishers and Bradlows Stores with Joshua Doore will create a 177-store giant with a turnover of R400m a year and operating profits approaching R50m.

Under the terms of the transaction released yesterday, Homemakers Holdings will exchange 100% of its furniture division (World and Bradlows) for 107-million shares in Joshua, giving it 60% of the enlarged Joshua.

In accordance with its policy of deriving earnings approximately equally from general household goods and furniture, and in order to enhance the marketability of Joshua shares, Homemakers will offer 20-million Joshua shares at 50c each to its own shareholders in a rights offer.

The offer will be underwritten by FSI Corporate Services, a wholly-owned subsidiary of FS Industries. W & A Investment Corporation (which holds 45% of Homemakers) will take up its full entitlement.

The result will be that Joshua MD David Sussman will own 8% of the enlarged Joshua. The other shareholders will be Homemakers 48.8%, institutions 24%, and the general public 8%. W & A will hold 5% of Joshua and other participants in the rights offer will own the 6.2% balance.

Homemakers will receive R10m before costs from the sale of Joshua shares. Sussman will join the Homemakers board. Homemakers CE Hilton Nowitz and Homemakers executive deputy-chairman Melvyn Gutkin will join the Joshua board and work closely with Sussman.



No more the middleman

Organised black business is tired of being caught in the middle. The National African Federated Chambers of Commerce (Nafcoc) has chosen to identify itself more closely with "the people's struggle."

The decision was taken at Nafcoc's annual congress in Sun City this week. Other business organisations like Assocom and the Federated Chamber of Industries (FCI) sympathise with Nafcoc's dilemma. The prospect of becoming an isolated, middle-class group in a largely hostile black community has never been welcomed by black traders.

It's a matter that needs to be handled with sensitivity.

As Nafcoc President Sam Motsuenyane says: "Our whole image and credibility as a distinct and seemingly better endowed group operating within a predominantly under-privileged society, will be made or destroyed by the manner in which we respond to the broader issues and challenges facing the communities we serve and belong to."

With the support of the US Agency for International Development, Nafcoc has commissioned a study on how the organisation can respond more effectively to the needs of both black business and the wider black community.

Nafcoc's problems are real. Despite the growth in black consumption, Nafcoc affiliates in the northern and eastern Cape, Bophuthatswana and Ciskei have declined significantly over the last two years, both in membership and in their scope of activity.

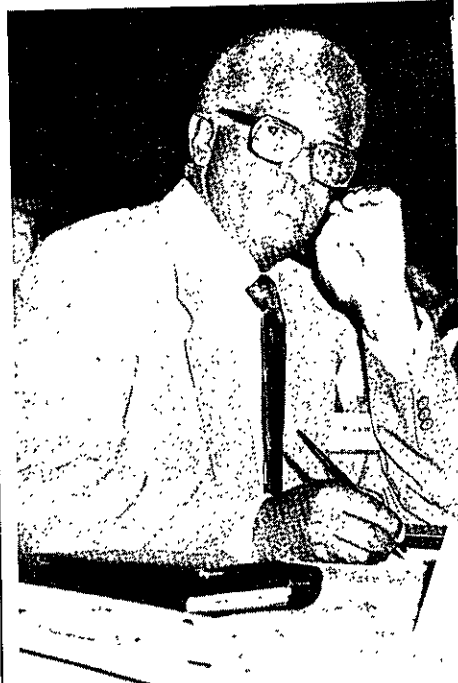
The reason is that members are ill at ease with Nafcoc's "schizophrenic" role in SA society.

Says national co-ordinator Gabriel Mokgoko: "We must become relevant to our membership and to do this we have to address far greater issues now than at the time of our formation in 1964."

How that will square with trying to forge new links with the white business sector, is hard to say. As it is, links with Assocom are developing with painful slowness. An attempt to form a joint Nafcoc/Assocom committee was abandoned because too few members applied.

Nafcoc's relationship with government has presented another difficulty. The organisation has spurned all offers to get involved in the proposed National Council and its new charter makes it clear it will not negotiate on constitutional matters until the State of Emergency is lifted and government offers "a clear commitment to a democratic non-racial society."

A meeting with the Minister of Finance was postponed indefinitely in April after



Nafcoc's Motsuenyane
... isolated

government was angered by the tone of resolutions at last year's Nafcoc conference.

However, it has had discussions with the Department of Education and Training on other issues including:

- Introduction of a career-orientated curriculum in black education;
- More educational projects for black entrepreneurs; and
- Further government contracts for black builders.

Says Motsuenyane: "The country has no future if blacks are kept at the periphery. Government and private sector must bring us into the mainstream." ■

By Don Robertson

IMPROVED production and a higher dealer stocks helped vehicle sales in July to rebound from the lower levels of June.

Car sales rose by 17.9% to 20 018 in July, up from the 16 981 in June, and helped by strong demand from the fleet and car rental markets.

Sales for the year are 132 205 against 113 329 in the

Vehicle sales in higher gear

same time in 1987. Light commercials picked up modestly to 10 220 from 9 500 in June for a seven-month total of 65 368 against 52 233. Medium commercials dipped

to 483 in July from 516 in June, but the year-to-date figure was higher at 3 229 compared with 2 658.

Heavy commercials were marginally better at 783

compared with 775. The total for the year is 5 102 compared with 4 148.

In spite of improved production, demand outstripped supply, says the National Association of Automobile Manufacturers of SA (Naamsa). This is likely to continue for some time, especially in light commercials.

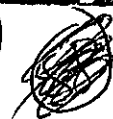
Actions by the Government to curb credit are likely to result in a slowdown in vehicle sales.

STimes 30

14/8/88

C/Pres

30



14/8/88

Close ranks to get rid of domination - Mabuza

By DERRICK LUTHAYI

SOUTH Africa has to adopt a new agenda to move forward to a just and equitable future, according to KaNgwane chief minister, Enos Mabuza.

Mabuza was delivering his key-note address to more than 1 000 delegates who attended the 24th Nafec conference which ended yesterday at Sun City.

He said the theme of the conference, Black Unity Action: An Economic Empowerment, was a timely one.

"Our people know where they are going, how and why, and some of them have paid for their belief and action with their blood.

"This is not the time for the luxury of division and disunity.

"At all levels and in every walk of life, we must close ranks, differences must be sub-merged for the achievement of a single goal - the complete overthrow of apartheid and race domination," said Mabuza.

Nafec president, Dr Sam Motsuenyane, who is due to retire in 1990, said it had to be admitted that sanctions and disinvestments were detrimental to the short and long term interests of South Africans.

He said it would not be easy to sway world opinion away from the propensity to put pressure on South Africa until its present policies - which were perceived by the world as contrary to accepted notions of justice - were radically changed.

"The country - especially the Afrikaner - must understand it is in their interest spiritually, intellectually, politically and eco-

nomicallly to end the insanity of apartheid.

"South Africa is called upon to create conditions which will enable us to achieve internal peace and stability through equality, justice and the abandonment of apartheid," said Motsuenyane.

He said the SA Black Taxi Association should consider joining a broader structure as a specialist group involved in passenger transport only.

Nafec and the SA Black Taxi Association had held one meeting this year at which buses for co-operation between them in transport and other fields was examined, he said.

"Sabtu wants to be recognised as the only national transport organisation serving blacks in the country.

"But we hold the view that transport business does not entail passenger transport only, which Sabtu represents, but embraces other factors of transport such as cartage, shipping, railways and airways.

"Nafec's interest in transport goes far wider than passenger services and we would therefore wish Sabtu to join in a broader structure as a specialist group involved in passenger transport only," said Motsuenyane.

History lecturer at Soweto's Vista University, Dr JS Mohlamme, told delegates that when Jan van Riebeeck landed in the Cape, he introduced apartheid by planting trees across the Cape flats to cut off 6 000 acres of the Peninsula from the interior. This effectively separated the Khoi and the whites.

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Supermarket slates bakeries agreement

By JEREMY DOWSON
Staff Reporter

ARCAS 15/8/88
30
A MAJOR supermarket chain is at loggerheads with the "big four" bakery groups in the Western Cape over a 15-year-old zoning agreement for government-subsidised bread.

After last year's collapse of a milk zoning agreement between local dairies, Pick'n Pay is gunning for the bread-delivery agreement between bakeries owned by Tiger Oats, Premier Milling, Bokomo and Sasko.

The chain's national perishables co-ordinator, Mr Ray Murray, described the agreement — whereby bakeries have mutually agreed to supply stores in certain areas — as "archaic and in conflict with free market principles".

He admitted that the agreement's collapse would not bring down the prices of subsidised white and brown bread, as these were fixed.

The secretary of the Western Cape Bakers' Association, Mr Colin Boyes, said the agreement was introduced during the oil crisis in the early 1970s to cut down delivery costs by avoiding duplication of supply routes.

"Over the years this has saved the industry — and therefore the consumer — many millions of rands.

"If Pick'n Pay has its way and there is a free-for-all, bakeries will have to buy more vehicles and employ more labour."

This would cause costs to rise and lead to further increases in the price of subsidised bread.

Since the collapse of the milk zoning system, dairies had been forced to expand their delivery fleets at enormous cost.

Mr Boyes said that at the time the agreement was struck, all supermarket chains operating in the Western Cape — including Pick'n Pay — were given the opportunity to state their cases.

"Agreed to it"

"Like the others, Pick'n Pay agreed to it."

The national vice-president of the Housewives' League, Mrs Sheila Baillie, said the organisation was "generally in favour of competition" and regarded rigid zoning as unfair.

The regional head of the S A Consumer Council, Mr Wander Hoon, said the council was opposed to zoning in principle and believed that the free market system should be complied with.

198/28

Ability to mobilise collective capital stressed

Update on prospects for black business

30 Jan

Staff Reporter

The obstacles facing black business could prevent it from becoming a significant force if it has to rely only on normal market mechanisms, says the South African Institute of Race Relations.

In its latest "Social and Economic Update" the institute says that while some forms of deregulation — like the removal of racial restrictions — are preconditions for black business growth, the prospects for black business may depend largely on its ability to mobilise collective capital to extract concessions from established businesses and Government.

"Update", a regular review published by the institute, also warns against expectations that black business will soon become a key generator of jobs.

For black business the most significant current development is its continued effort to form associations to pool black resources and to mobilise collective bargaining power, it says.

The publication reports that one recent sign of black mobilisation is the formation of the National Stokvels Association, which aims to strengthen the thousands of informal, traditional money-lending and saving schemes in African townships.

In addition, the Southern Africa Bus and Taxi Association (Sabta) is pressurising white developers to participate in township business projects in return for directing black consumers to white retailing centres.

Sabta has the leverage to do this because black taxi drivers play a key role in shaping black shopping habits through their "grocery circuits", which take customers from their homes to shopping centres and back.

Also, the African Council of Hawkers and Informal Business, whose membership grew from 12 000 to 14 000 between January and May this year, is urging retailers to gain access to the African consumer market by selling their products to hawkers.

15/8/78

Ability to mobilise collective capital stressed

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In its latest "Social and Economic Update" the institute says that while some forms of deregulation — like the removal of racial restrictions — are preconditions for black business growth, the prospects for black business may depend largely on its ability to mobilise collective capital to extract concessions from established businesses and Government.

"Update", a regular review published by the institute, also warns against expectations that black business will soon become a key generator of jobs.

For black business the most significant current development is its continued effort to form associations to pool black resources and to mobilise collective bargaining power, it says.

The publication reports that one recent sign of black mobilisation is the formation of the National Stokvels Association, which aims to strengthen the thousands of informal, traditional money-lending and saving schemes in African townships.

In addition, the Southern Africa Bus and Taxi Association (Sabta) is pressurising white developers to participate in township business projects in return for directing black consumers to white retailing centres.

Sabta has the leverage to do this because black taxi drivers play a key role in shaping black shopping habits through their "grocery circuits", which take customers from their homes to shopping centres and back.

Also, the African Council of Hawkers and Informal Business, whose membership grew from 12 000 to 14 000 between January and May this year, is urging retailers to gain access to the African consumer market by selling their products to hawkers.

Doctors urge new rugby laws

The Star's Foreign News Service

MELBOURNE — Two Sydney surgeons today claimed that failure to change hazardous rugby union rules could be considered culpable negligence.

Writing in the *Medical Journal of Australia*, Dr Tom Taylor and Dr Myles Coolican said some rules should be changed to reduce the risk of spinal injuries.

They said preventive programmes focusing on

20

SMA 16/8/88

Uphill struggle in black business

Political Reporter

Black business faces obstacles that can prevent it from becoming a significant force in normal markets, the SA Institute of Race Relations says.

The latest *Social and Economic Update*, released yesterday, says that while some forms of deregulation — it mentions the removal of racial restrictions — are preconditions for black business growth, the prospects may depend largely on its ability to mobilise collective capital to extract concessions from established businesses and the Government.

The most significant development in black business is the forming of associations to pool resources and to mobilise collective bargaining power.

The institute says financiers are often reluctant to lend money to small businesses because their costs may exceed profits.

The value of loans by the Small Business Development Corporation declined by R63 million in the year to March 1988 compared to the previous 12 months.

"Because black business is developing against a background of inherited disadvantages — such as inadequate access to capital, markets and skills — the Government and private lending institutions may have to absorb a high rate of bad debts if they are to fulfil their stated commitment to black business growth," *Update* says.

Although several estimates suggest that informal businesses are growing rapidly, *Update* points out that the self-employed proportion of the working black population was only 11 per cent last year.

It warns against expectations that black business will become a key generator of jobs in the near future.

16/1/88
Proud of their bustling business

By **MAGGIE ROWLEY**
 Business Staff

THE 68 workers at the Kwa-NoThemba Workshop for the Disabled in Gugulethu are bursting with pride.

And so they should be, for what they have achieved in the past four years is an inspiration to small business per se.

Since 1985 the workshop has been turned from a sheltered work environment relying heavily on state subsidies, grants and public donations into a bustling business with the prospect of self-sufficiency and even profits within its reach.

The past financial year ending March the workshop saw a turnover of R106 000, more than 1 000 percent ahead of 1985 when turnover totalled a mere R16 000.

In 1986 after realising a turnover of R50 000, a 312 percent increase on the previous year, the workshop was awarded the 1986 Merit Certificate of the National Productivity Institute along with Sapiro and Irving and Johnson. From there there was no looking back as turnover grew in leaps and bounds to R70 000. Projection for the current financial year, based on sales figures for the first third of the year, is R207 000, an impressive 95 percent increase on last year.

And all of this from a workshop which in 1981 was almost completely reliant on state subsidies and donations and was plagued by a high turnover of supervision staff and a reputation for shoddy goods. Kwa-NoThemba was started by a group of concerned

Gugulethu citizens in a church hall in 1981 as a once-a-week project for disabled members of the community.

When the Umluto Centre was built, the group moved into its present premises which comprise a sewing area where curtains and bedcovers are made; a woodwork section where dowelling and furniture is made; and a shoe-making section.

Administrative executive Carol Bower said that it had become increasingly clear that the single most significant factor in motivating the workforce to reach ever higher production quotas was the knowledge that what was being produced was in enormous demand from the buying public.

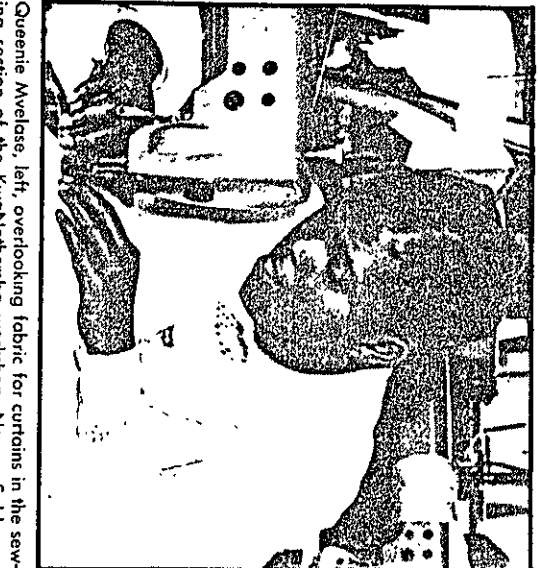
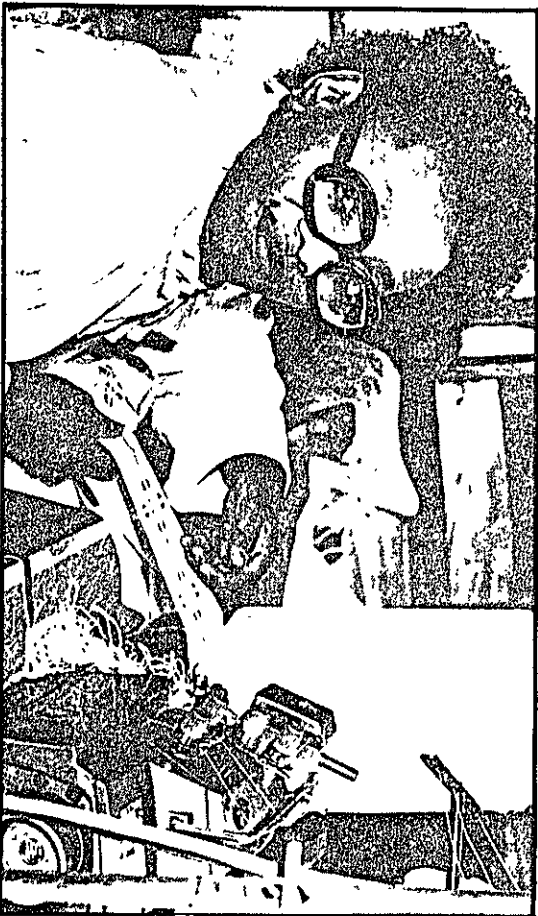
Highest quality

"While other workshops and even businesses have been having a slack time in terms of production, our order book is so full we find ourselves in what often feels rather like a pressure cooker.

"We are all extremely proud that we are able to produce goods of such high quality, that we literally never run out of orders and that we have a role and place in the normal economy."

"People no longer buy from us because they feel sorry for us. They are buying from us because our goods are the highest quality at extremely realistic and competitive prices," says Ms Bower.

For many of the workers at Kwa-NoThemba — who know as well as anyone else that society confers a sense of self-worth and dignity on its members precisely in terms of what they do — productive employment was no more than a dream found to be beyond their grasp.



Queenie Avelasse, left, overlooking fabric for curtains in the sewing section of the KwaNothemba workshop. Nomsa Sobkewa, above foreground, sews cate curtains while workers in the shoe-making section, left, hand work leather on a sub-contract for a leading shoe manufacturer.

"Whatever their personal levels of motivation, the nature and extent of their disabilities meant that, if employment was found, it was of the most mental and insecure kind."

"Thus to find themselves in a situation where they can be seen and experience themselves as having a role, a role which no-one else can fill, is among the most exhilarating forms of motivation," she said.

And the facts speak for themselves. In 1984, only 11 percent of total income was due to sales and the hourly return rate in 1982 per worker was just 13c. This past year, 72 percent of total income was raised by sales while the hourly return rate was 76c a worker.

Projections for the current financial year, based on the first quarter, are that the hourly return rate per worker

will soar 76 percent to 134c.

"For us to be self-sufficient each worker needs to produce 156c an hour so we are very near our target which we expect to reach easily within five years."

Due to the enormous success of the project a second workshop, costing R450 000 — of which R55 000 has been provided by the Cape Provincial Administration — is being built in Khayellisha which will provide employment for a further 100 disabled workers and allow the already multi-diagnostic workshop to provide jobs for people with a wider range of disabilities.

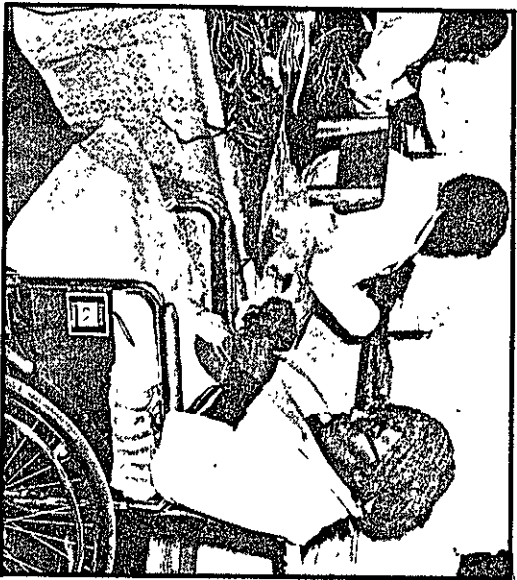
Site clearing and building have started and the new workshop is expected to be ready for occupation early next year.

Ms Bower said a fundraising drive had been launched to raise the balance of R350 000 needed for the

Khayellisha project which would also aim towards self-sufficiency within five years.

"When the project started the aim was to provide employment for disabled people otherwise considered unemployable on the open labour market. Out of that aim a second aim grew, that of making the workshop into a viable small business, rich enough to pay open labour market rates which we are currently not able to afford. In addition because the workers are still receiving government disability grants, by law we are not permitted to pay the going rate.

"Once we are self-sufficient, the workers will be able to forfeit their government disability grants and be paid open labour market wages — a prospect we have only to date been able to dream of," Ms Bower said.



THE decision to involve black business in politics and the adoption of a business charter were among the highlights of the 24th annual conference of Nafcoc held at Sun City last week.

The conference, whose theme was "Black Unity — Actions for Economic Empowerment" was attended by about 1700 delegates from local and international business communities.

According to Nafcoc's president, Mr Sam Motsuenyane, the charter was adopted to address a quest for socio-economic and political opportunity and advancement for blacks and all South Africans.

He said it had been Nafcoc's mission to have a charter that would persuade large corporations and employers to accept that more blacks needed to be hired, to be promoted to positions of higher authority and higher pay.

"There is great need to spur black entrepreneurship, which in turn spurs the employment of black workers. The charter was established to look into the feasibility of formulating a new national code of fair employment practices in South Africa that supercedes all previous employment codes such as the EEC, Saccola and the Sullivan Code.

"It is our strong contention that the measures instituted in terms of the present codes do not go far enough to significantly alter the basic character on which the country's socio-political structure is based," Mr Motsuenyane said.

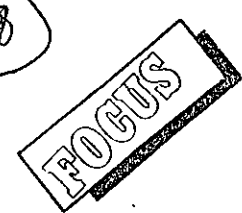
The charter sets out a unique agenda designed by black people to achieve a desirable long-



NAFCOC president Mr Sam Motsuenyane and KaNgwane Chief Minister, Mr Enos Mabuza, at the Nafcoc conference held at Sun City last week.

Nafcoc flexes muscles

Sowetan 16/8/88 (30)



Demand for new national labour code

By JOSHUA RABOROKO

term policy objective of economic empowerment of blacks and elimination of apartheid in all facets of social, economic and political activity in South Africa.

In the charter Nafcoc resolved:

- Since apartheid permeates all facets of life it needs to be challenged from all fronts;
- As Nafcoc operates primarily in the econo-

mic sphere its contribution will be made from within this context, but in co-operation with other bodies with similar convictions, both within and outside the economic sphere;

- That it subscribes to the philosophy of non-racialism, non-ethnicity and a democratic South African society;
- That it believes in a mixed economy which offers equal opportunity to all irrespective of race, colour, religion, creed and sex.

Mr Motsuenyane said Nafcoc viewed political rights and principles as follows:

- All people are born equal and entitled to freedom to attain maximum self realisation;
- That everyone has the right to freedom of expression and movement without any interference and hindrance; and
- All people have the right to freedom of association.

On economic rights and principles Nafcoc believed all South Africans had the right of access to the wealth of the country and to secure democratic control over their economic destiny.

Nafcoc believed that it was the right of everyone to have housing with all basic necessities, free and compulsory education and social security services.

"We believe the speediest route would be to enter into genuine negotiations with authentic leaders for the establishment of a democratic non-racial South Africa," Mr Motsuenyane said.

All negotiations would have to be preceded by a number of conditions including:

- Release of all political prisoners and detainees, the unbanning of all political organisations and the return of exiles;
- End of harassment and or intimidation of trade unions;

- The lifting of the state of emergency and withdrawal of troops from black townships,

- Repeal of repressive legislation which empowers the State to proscribe political activity and persons;

- A clear commitment from the Government to a perspective of a democratic non-racial society.

The conference also touched on various divergent elements for unity and economic empowerment.

Mr Motsuenyane said Nafcoc had directed its council to meet the State President to discuss many issues regarding problems of black people in South Africa.



THE Sowetan today remembers journalists around the country who are in detention.

Industry 'must aid black business'

MULTI-NATIONALS and large local industries must get behind black entrepreneurs to aid black business growth, says Walter Hasselkus, management board chairman of BMW SA.

Speaking at a business management course at Potchefstroom University, Hasselkus said: "The way towards a better SA is via economic activity, and the most absurd misconception about SA in the

GLEN SHELTON

world today is that sanctions is the way to rid SA of the last remnants of apartheid.

"What is needed now is a concerted effort on the part of the country's leading companies to support institutions such as the Small Business Advisory Bureau, to bring black entrepreneurs into

contact with bodies such as the bureau and to encourage black business by, for instance, contracting them as regular suppliers of goods and services".

He said the irony of international investors virtual cut-off of capital to SA was not merely that it hampered large business — it also affected the chances of small, black-owned businesses to "get off the ground and flourish".

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TIMES MEDIA PUBLICATION

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GREY PERSPECTIVES 299

Business Day Reporter

BUSINESS is booming out there in the real economy where ordinary people buy and sell. That's the message from the second Real Economy Index on Page 8 today.

The index, a joint attempt by Business Day and business consultants Mike Perry and Associates to track the growing mass market, is based on monthly interviews with a panel of small business people. They range from a shoe-shine vendor to a clothing store owner, taxi operator and building society manager.

The panelists, interviewed last week, are remarkably optimistic. July was a good month for most and they expect

'Real' economy business boom

better things in the run-up to Christmas.

The survey shows that competition is alive and well in the real economy and those who cannot innovate are being hammered.

It should be noted that opinions were polled before government's Friday package to cool credit demand, which means next month's index may be very different.

● See Page 8

(30)

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17/8/86 (20) B/Day

BUSINESS DAY REAL ECONOMY INDEX

BUSINESS in July appears to have improved for most panellists across all sectors of the economy. This was attributed to a five-week month with no public holidays, coupled to bonus pay-outs for many customers, particularly public servants.

No fewer than 83% of business people in the real economy said July was better than, or at least the same, as the last three months.

THE NEXT THREE MONTHS:

MOST OF the panellists were optimistic in the short-term. Again, 83% of those interviewed expect business to be better, or much better, during the next three months, while 17% felt it would be worse or much worse.

There was great optimism that the next three months would see increased spending as customers received bonuses and 13th cheques, with strong expectations for a bumper Christmas.

This is what panellists had to say:

□ **GLEN CAMPHER**, manager of a Jazz supermarket store in downtown Johannesburg: July was a good month. "There was a considerable increase in turnover for several reasons. July was a longer month, with no public holidays, and unlike June there were also no labour strikes and no worker stayaways."

July was much better than the previous three months, with a high increase in cigarette sales and basic foodstuffs. Campher expects business to fare "excellently" over the next few months, but is worried about the future. "If the US Democratic Party wins the next elections and Michael Dukakis takes over there is likely to be a tough economic line against SA which will affect business a great deal."

□ **ISAIAH HLATSHWAYO**, alias "Mr Nugget," a shoe-shiner and shoe repairer operating outside the JSE: Business was "very good" last month, even though he has had a problem with overnight storage of his wares in the JSE building. "I took a good sum of money to the bank. Even my bankers were shocked," he says.

Business over the last three months was "much better," with customers spending more, especially women. He expects business to improve.

□ **MIKE SEGAL**, owner of Bauers Men's Shop: Business was good last month. "It kept up the momentum from June, with winter sales contributing a lot. However, one of the major contributing factors is the influx of black people from the rural areas due to the abolition of influx control laws, coupled with the moving in of thousands of others into inner city areas."

Segal thinks consumers are keen to spend, as they seem to have jobs. But how does he expect business to fare over the next few months?

"On the positive side, I see business keeping up the momentum because of the coming Christmas season. However, the negative part is that interest and bond rates are going up, the rand is falling and international political pressure is mounting. I suddenly see the negative mood building up and confidence sagging," says Segal.

□ **STAN THOMPSON**, manager of Rebel Bottle Store in Blackheath: Business improved from good to better last month compared with the previous three months "due to the

This is Business Day's second Real Economy Index, a monthly survey of the opinions of a panel of black and white business people drawn from the real economy — that is, where the man-in-the-street buys his goods.

The aim is to let mainstream business know how the growing mass market is developing and reacting to changing business

circumstances.

The index is run by Business Day and business consultants Perry and Associates.

NOTE: The interviews were conducted last week before Friday's package of credit and import curbs and the pending petrol price increase.

A good business month and better months to follow

SIPHO NGCOBO

THE PANEL

- 1 — COLIN BUTHELEZI — Taxi owner
- 2 — PEGGY "BELAIR" SENNE — Shebeener
- 3 — PEACE CINDI — Hair-dresser
- 4 — CONSTANCE NKOSI — SA Farm Building Society Manageress
- 5 — JOYCE MOYO — Shebeener

- 6 — GLEN CAMPHER — Jazz Supermarket Manager
- 7 — MARY-JANE STUNKIE — Sells clothing from home
- 8 — IRIS MDLETSHE — Agent for clothing suppliers
- 9 — ISAIAH HLATSHWAYO

- 10 — JAMES STRACHAN — Manager, Hyper-Car
- 11 — STAN THOMPSON — Manager, Rebel Bottle Store
- 12 — MIKE SEGAL — Owner, Bauers Men's Clothing Shop
- THEO HARDIMAN, of Quantum Construction, a panellist last month, is doing army service at present

fact that the economy has become better and customers are spending more.

"There is also a good cycle of customer-related products on special. Business has also taken off briskly due to forthcoming price increases and the end of winter," says Thompson, who is also expecting a good Christmas.

□ **JAMES STRACHAN**, manager, Hyper-car: Business was fairly good last month — the same as over the last three months — with customer purchasing power remaining the same.

"I believe we have reached a peak in this cycle, which will remain until

other economic forces, such as interest rates and inflation, force it to change," says Strachan.

He thinks business will fare better over the next few months, as this is the "best time of the year. People change cars for holidays, using bonuses and 13th cheques as deposits. I also think most people will get bonuses this year due to a decline in solvencies," he says.

About business today and in the future, Strachan says: "I got the impression that we have reached a constant and steady phase in the economy."

□ **CONSTANCE NKOSI**, Soweto's SA Permanent Building Society

manageress: She uses the word "good" to describe her business over the last month.

"We obtained a lot of investment growth, and demand for loans was high. As for business over the last three months, last month was better and I expect it to fare even much better over next few months. I expect the market to grow," she says.

However, she says people she does business with are not "too confident" but are cautious, as a result of the sanctions threat.

□ **COLIN BUTHELEZI**, taxi owner: He is still worried by increasing competition posed by a "free-for-all" taxi license situation and pirate tax-

PERRY AND ASSOCIATES' COMMENT

GILL STACEY of Perry and Associates says that individual small businesses appear to be enjoying a good time but have doubts about the longer-term.

"The vitality of the small business real economy sector is reflected in its reaction to competitive pressures. The smaller black businesses, commenting on situations where they have hit competitive snags, are quick to seek out new ways of making their businesses work," says Stacey. The scrapping of influx control and erosion of the Group Areas Act was starting to have an effect on the economic life of city centres such as Johannesburg, where purchases were increasing for basics from groceries to clothing. The informal sector was clearly grabbing a good

share of this. New distribution channels such as these were becoming more and more important to marketing companies. "Sometimes they are not popular with manufacturers because they can't be reached from corporate head office. To find out how these channels of distribution work requires getting out and talking to people in the informal sector."

But expectations of this sector seemed to be becoming more buoyant each month and looking to obtain more sales through these new distribution channels could be a good strategic marketing response if the "big economy" cools as a result of the recent curbs announced by the Minister of Finance, says Stacey.

is. "These guys are stealing business from us," he says.

He had little income last month due to some of his micro-buses breaking down. However, he says those that did not break down did better. "We normally do better in winter, as most train passengers prefer using taxis. Also, winter days are short and people opt for a quick taxi to avoid reaching their homes after dark."

He feels the next few months will be good because of Christmas, but long-term sees business declining because of pirate taxis and rising vehicle prices.

□ **PEGGY "BELAIR" SENNE**, owner of "Peggy's Place," Soweto's top licensed shebeen: She says sales of his best line — beer — improved slightly last month due to warmer weather. "Although there was a slight improvement in sales, customers still did not purchase a lot. However, I am expecting business to pick up tremendously during the summer — customers purchasing and spending more."

□ **IRIS MDLETSHE**, who works from her Hillbrow flat selling clothing for several manufacturers as an agent: She describes her business performance last month in two words: "Very good." In fact, she says, "it was so good that I was forced to exceed my stock limit. It was even better than during the last three months, with customers paying and purchasing more."

She is optimistic about the next few months. "Business is going to be excellent as we approach Christmas. This is the best season for the clothing business. People are getting married. Workers will be receiving their bonuses and 13th cheques."

"And apart from that there is a lot of competition. People want to look different and exclusive, therefore they will be prepared to pay and purchase more," says Mdletshe.

□ **PEACE CINDI**, owner of "Hair it is," a top hairdressing salon in Johannesburg's Small Street Mall: She says business was "fairly good" last month. "Business picked up due to a slight change in weather. There is good business for us in Spring and summer. People have taken off the hats they cover their heads with during the winter. Customers are also purchasing more hair products and I think the trend is going to be good as we are approaching Christmas. Hairdressing normally picks up as from August."

□ **MARY-JANE STUNKIE**, who sells clothing from her Soweto home: Business was worse last month and even much worse than business over the last three months. "I am still owed a lot of money by customers. It is difficult to say why things are so bad, but I think people have got no money. I am planning a change of strategy. I am probably going to sell a different line of goods. Maybe things will change."

□ **JOYCE "GRANNY" MOYO**, a Soweto shebeener: She operates on a small, selective scale, and for her business was bad last month due to an increase in the price of beer and empties.

"It has become worse than the last three months. Customers are purchasing less, except at month-end. But I am hoping that business will fare better over next few months. Customers will get used to the increased prices and Christmas bonuses will boost things up considerably."

Furnfair earnings up 145%

By AUDREY D'ANGELO
Financial Editor

THE fast-growing Furniture Fair (Furnfair) retail chain, which has increased profits steadily since it was listed on the Johannesburg Stock Exchange in 1986, has lifted earnings for the year to June 30 by 145% to 44,8c a share.

This is even more impressive when it is realized that as a result of a rights issue in July last year the number of shares in issue has risen to 10,1m from 7,5m.

Turnover doubled to R26m (R13m) but net income rose by a dramatic 231% to R4,5m (R1,4m). This indicates a substantial widening of profit margins although the directors say increased efficiency and tighter credit control helped to achieve these results.

The final dividend is 6c a share, bringing the total for the year to 11c — an increase of 83% on the 6c paid out the previous year.

The interest bill was only R39 000 and the directors point out that the company is "virtually un-gearred".

But, with the economy cooling and measures being taken to curb credit demand, one questions the decision to continue making no provision for taxation.

Because of its expansion and large proportion of credit sales, which mean it is always owed substantial sums by people buying on hire-purchase, the directors believe Furnfair will incur no tax obligations in the foreseeable future.

They say negotiations are underway for the company to acquire the seven outlets of the former Montays chain, bought out of liquidation by Furnfair MD Ivan Hammerschlag and his brother, Furnfair director Jeff Hammerschlag.

These stores now trade under the name Montana and have been restructured and returned to profitability.

Ivan Hammerschlag does not believe Furnfair will be hit by the measures to curb spending.

"We already require the minimum deposit and maximum repayment periods stipulated under the new rulings and although this excludes hi-fi and video equipment, which are subject to more onerous requirements, these products contribute only about 3% to our profits," he said.

"The effects — if any — on the business will be minimal."

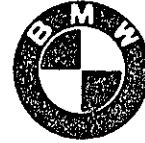


Ivan Hammerschlag

rt

LIKE A BMW

Porter



MANAGER SEAN GARSTIN, OAK ST. SOMERSET WEST, TEL(024)512535

GAINS 2739/2

Wider margins boost Penpin earnings 71%

CMB Tint's 19/8/88 (30)

Financial Editor

WIDENING profit margins helped Cape Town-based building materials chain Pennypinchers Holdings (Penpin) to achieve a 71% rise in earnings in the six months to June to 7,13c (4,18c) a share.

Turnover rose by 79% to R47m. Financial director Percy Bishop said, this was in line with the 'forecast R110m for the year as a whole.

"Historically, Penpin's turnover and earnings for the first six months have contributed about 40% of the group's annual total.

"So with the traditionally better results in the second half of the year the company should have no difficulty in meeting forecasts."

The group's net operating income rose by 98% to R2,23m compared with last year's R1,15m, "which indicates that we have improved our margins substantially," Bishop said.

The interim dividend is 3c a share. The directors say they expect to declare a dividend of 6c for the whole year, raising the cover to 2,7 times compared with 2,4 times last year.

They expect Penpin's earnings per share to rise to 16c (9,62c) for the year.

Net current assets rose to R3,8m (R538 000). The current ratio is 1,2:1.

Bishop said expansion into the Transvaal was going well, with Penpin opening two branches in Pretoria and subsidiary Pennypinchers Boards (Penboard), which specializes in basic lines of timber, boards, and associated cabinet hardware, opening Pennypinchers Laminates (Tvl) in Jeppestown with two additional stores in the pipeline, a boards branch in Pretoria and a boards and building materials branch in Johannesburg.

He said further expansion plans included opening a bulk boards store in Parow and a truss manufacturing division in Port Elizabeth.

Bishop said the opening of a branch in Crossroads was "a major milestone," since the black informal sector was "without doubt the target market for the future."

● Penboard lifted earnings for the six months by an impressive 165% to 4,33c (1,63c) a share.

Its turnover rose by 78% to R11,7m (R6,5m). Net operating income rose by 129% to R823 000 (R359 000).

The maiden interim dividend is 2c a share and the directors expect to declare a total dividend of 4c for the year, giving a cover of 2,4.

They forecast that Penboard's earnings for the year will be 9,4c (6,08c).

Total dividend for year at 21c

CAF Tents 19/8/88

Metro lifts income by 87% to R29,9m

By AUDREY D'ANGELO
Financial Editor

THE acquisition of Frasers in July last year helped Metro lift attributable income for the year to June by 87% to R29,9m.

The consolidated results, which include those of Jazz Stores — in which Metro has a 62,3% stake after the injection into it of Frasers supermarket and general dealers' businesses — show a 29,6% rise to 45c (35,5c) in spite of the issue of more shares when the acquisition was made.

The total dividend for the year is 21c (17c) with cover increased to 2,2 times.

Turnover is 66,9% higher at R2,7 billion (R1,6 billion), and operating income rose 72,9% to

R54,9m (R41,9m-million). But the tax bill rose only to R21,5m (14,3m).

MD Cecil Smith disclosed that this proportionately small rise was due to "an export venture".

Discussing the current financial year and future prospects, Smith forecast 5% growth in real terms.

He said the group plans to expand in Botswana and the Transkei.

"Although we operate in a highly competitive, yet stable, sector our market share continues to grow," he continued. "We expect inflation in our basket of commodities to remain at the consistent 12% of the past few years."

Explaining why the dividend cover was slightly higher than the promised 2 times, Smith said:

"The nature of the group has changed. The increase in dividend cover to 2,2 is advisable because of changing financial needs and market conditions."

Smith said the integration of Frasers cash-and-carry, wholesale and mine store outlets had proceeded well. "There is still more synergy to be exploited in joint buying and other areas."

"In the current year we stand to benefit from a full trading year from all five trade centres, two of which were opened only during the past year."

"No further trade centres will open this year, but other expansion is planned in Botswana and Transkei while refurbishment and upgrading of existing stores will see capital expenditure at a higher level than last year."

New Nellie owner has \$1,4bn assets

LONDON. — The Bermuda-based Sea Containers, which bought the Mount Nelson Hotel from the British Commonwealth Company in a £6m deal on Wednesday night, has total assets of \$1,4 billion.

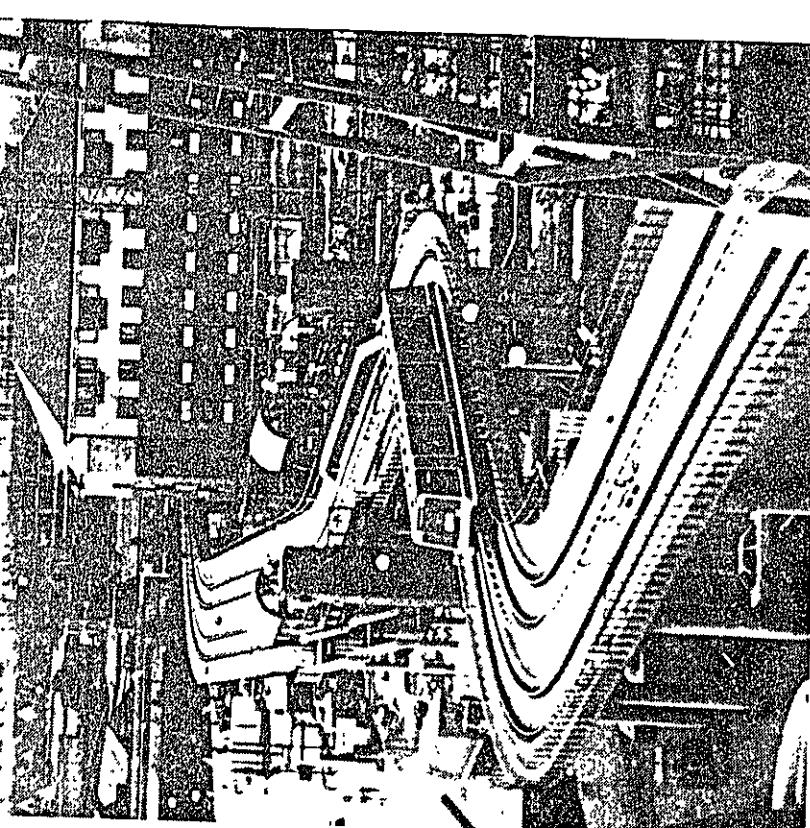
It is quoted on both the New York and London stock exchanges and at current share prices the group is valued at \$284m.

The group's main business is the leasing of marine containers,

and Europe and manages the Turnberry Hotel and golf course in Scotland.

Reporting profits for the first half of 1988 this week, Sea Containers disclosed a sharp recovery from a loss of \$1,3m to net profits of \$38,2m. Turnover for the period was up from \$315,6m to \$380,6m.

Sea Containers president James Sherwood forecast a record year in 1988 with net projected earnings of up to \$10m



Light Rail Transit (LRT) — like this line in London's dock-land — could be used to carry commuters to Cape Town's proposed harbour and power station site redevelopment, suggests Rod Bailey, marketing manager of GEC Traction Co. He points out that, with traffic and parking problems expected to get worse as "the affluency of the major ethnic group increases", LRT could provide cost-effective solutions to many transport problems facing major SA cities. Bailey says one of its main advantages is that its building costs are lower per kilometre than other systems.

Krugerrand

JSE Closing		Sales	
Buyers	Sellers	1 oz	1195
1200	1195	1200	1195
1/2 oz	600	570	600
1/4 oz	30000	30300	30300
1/10 oz	12000	12100	12100



Deale & Huth Holdings Limited
(Registration number 8703114/06)



Tollgate Holdings Limited
(Registration number 0533500/06)
(Tollgate 5)

19/8/88 (30) B/Day

BUSINESS DAY, Friday, At

COMPANIES

New-look Metro cracks R2bn turnover barrier

THE effects on the Metro Group of its acquisition of Frasers' businesses and of a controlling interest in Jazz Stores, is revealed for the first time, with turnover now over the R2bn turnover barrier.

A final dividend of 13,5c brought the total to 21c (17c) on a 2,2 times cover.

Attributable profit before an extraordinary item rose 87% to R29,9m (R15,9m) in the 52 week period to June 25.

All divisions performed well except the new Trade Centres, which took longer than anticipated to generate the returns expected.

Turnover rose 66,9% to R2,7bn (R1,6bn) and with margins improving slightly from 1,9% to 2%, operating income grew 72,9% to R54,9m (R31,8m).

Financial director Alan Sack says the wholesale market in food-related goods was extremely competitive with intense pressure on margins.

However, the group's market share increased.

MD Cecil Smith adds that the

LINDA ENSOR

integration of Frasers' cash-and-carry, wholesale, supermarket, general dealer and mine store businesses with effect from July 1, 1987, has proceeded well, though there is still more synergy to be exploited in joint buying and other areas.

With the tax rate declining substantially to 39,2% (44,9%) on account of allowances from an export venture, after-tax profits rose 90,8% to R33,4m (R17,5m).

Real growth

The acquisitions, by increasing the number of shares in issue from 51,5-million to 64,9-million, diluted earnings, which grew 29,6% to 46c (35,5c).

Smith says dividend cover, increased from the 2 times laid down in the prospectus to 2,2 times, "is advisable because of changing financial needs and market conditions".

Real earnings growth is expected this year and Sack says turnover

will crack the R3bn turnover barrier.

The emphasis will be on consolidation and expanding, refurbishing and upgrading existing stores and adding to their product ranges.

An all-time record of about R30m in capex has been budgeted for.

The group will also benefit from a full trading year from all five Trade Centres, two of which were opened during the past year.

"Though we operate in a highly competitive, yet stable, sector our market share continues to grow," Smith states.

"We expect inflation in our basket of commodities to remain at the consistent 12% of the past few years, and are confident of achieving growth of 5% in real terms." Also, the possibility of expanding exports to North African countries is being investigated.

The size of the deal is reflected in the value of fixed assets which have shot up to R155,9m (R69,9m). Net borrowings — mainly arising out of the consolidation of Frasers — now total R11,5m.

More deregulation coming

DURBAN — New legislation would be introduced next year to further deregulate business restrictions, Administration and Privatisation Minister Dawie de Villiers said yesterday.

He also said a notice would soon appear in the Government Gazette proclaiming another 23 free trade areas.

He told the Natal NP congress: "We are serious about deregulation and we are making progress."

He hoped to introduce new legisla-

tion to break through the inhibiting factors restricting the small businessman.

Dealing briefly with privatisation, he said everything would be done to ensure workers were not jeopardised.

He said 94% of workers in British Airways had shares in the airway.

"They are working for themselves," he added.

19/8/88

Political Staff

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B. Ray

Current regulations lay down rules for allocating trading sites, types of businesses that can be conducted and restrictions on hawking activities.

"Of specific importance would be the repeal of provisions that prohibit home businesses," says Naude. "It is envisaged that draft regulations providing for the use of residential buildings for business purposes would replace these regulations. Thousands of backyard businesses currently operate in a technically illegal sense and, in most cases, proprietors face prosecution by local authorities."

Lawrence Mavundla, president of the 14 000-member African Council of Hawkers and Informal Businesses (Achib), says that in Tembisa alone, there are more than 2 000 *spaza* (home shops) compared with 30 formal shops.

Naude says dressmakers, laundry services, hairdressers, welders, repair shops and various other home crafts "could in future be permitted from home if the dominant use of the property remains residential, the activity is not noxious and does not interfere with the amenities of the neighbourhood."

The SBDC supports the changes. In developing industrial parks and shopping centres in neglected areas, Naude says it has relied heavily on businessmen who have gained their experience from home operations.

Louise Tager, executive officer of the private sector-funded Law Review Project, says many laws restricting black business activity have been repealed this year.

The repeal of Proclamation 293 of 1962 on March 9, replaced statutory controlled occupation in homeland areas or trust-owned townships, with the common law of lease. The repeal of Regulation R1036 of 1986 (replaced by the Conversion of Certain Rights to Leasehold Bill) does the same for urban areas.

Black businessmen, especially, suffered under the old laws, says Tager. She describes the former regulations as "restrictive in the extreme."

Besides dictating where blacks could trade, the regulations prohibited blacks from raising capital or sharing profits with non-blacks. They needed permission to employ non-blacks, had to submit to medical examinations and keep accounts open for inspection. They couldn't even dispose of their business without permission.

Tager says the new law will create a "deregulated, non-criminal environment" for the black community. And not before time either.

BLACK BUSINESS — 1

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Everything to gain

Black business stands to gain handsomely from new legal reforms.

In particular, legislation is expected shortly which will allow blacks to operate businesses from home in black townships. It will legitimise tens of thousands of backyard businesses currently operating illegally.

Small Business Development Corporation (SBDC) spokesman Johan Naude says the Conversion of Certain Rights to Leasehold Bill, now before parliament, "could have a significant impact on informal sector business development in black towns throughout SA."

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Cash rolls in for building goods chain

LINDA ENSOR

THE booming housing market has benefited Cape-based building materials chain Pennypinchers Holdings (Penpin) and its 80% owned subsidiary Pennypinchers Boards (Penboard) with both reporting sterling results in the six months to end-June.

Both DCM-listed companies traded extremely well, and also benefited substantially from the opening of new branches and outlets in the period.

Penpin declared an interim dividend of 3c, with 6c intended for the full year, while Penboard's interim dividend of 2c is half that budgeted for the year.

Turnover of Penpin, a building materials chain, shot up 79% to R46,9m (R26,3m), while margin growth saw operating income soar 93,3% to R2,23m (R1,15m).

A higher tax rate and the write-off of a portion of the premium paid on the acquisition of subsidiaries resulted in earnings per share rising 70,6% to 7,13c (4,18c).

New outlets

Turnover of Penboard — listed last year — gained from the opening of five new specialist outlets for timber board and climbed 78,4% to R11,7m (R6,6m). Earnings per share rose 165,6% to 4,33c (1,63c).

Financial director Percy Bishop is confident of continuing growth and a further increase in earnings for both companies.

Penpin's and Penboard's turnover and earnings for the first six months normally constitute approximately 40% of their yearly totals, "so with the traditionally better results in the second half of the year, the company should have no difficulty in meeting forecasts", Bishop says.

Penpin's earnings are expected to rise to 16c (9,62c) for the year to end-December and Penboard's to 9,4c.

Piggy in the middle

It's no fun, being piggy in the middle. Despite attempts at its annual congress last week's to align itself more closely with "the people's struggle," the National African Federated Chambers of Commerce

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and Industries (Nafcoc) can expect little respite from critics on either side.

Its new business charter seeks to identify black business more closely with movements seeking political change. But, while unequivocal in its demand that change must come soon, it is likely to be criticised by more militant blacks as favouring incrementalist options.

From the other side, government's slowness in recognising the potential of the black business community as a moderate force for change, is unlikely to be hastened by the charter's political emphasis.

The charter recognises the removal of apartheid and the economic empowerment of blacks as two key objectives. But as Nafcoc operates primarily in the economic sphere, it says its contribution to social improvement will be made in an economic context. That, in itself, won't please the extremists.

Politically, it supports freedom of expression and association, and believes everyone should have the right to join political parties or organisations. Moreover, it sees SA as a unitary state that should be governed according to the wishes of the majority.

It contends everyone should have access to

SIR BILL FRANKS

the wealth of the country, to work, unfettered property ownership, housing, medical care and free education.

The business charter calls for the freeing of political prisoners, unbanning of organisations and legitimisation of trade union activities as a prelude to negotiations with authentic leaders of the people. A further precondition is that the State of Emergency be lifted and troops withdrawn from the townships.

To help achieve all this, it calls upon the private sector to lend vigorous support — especially in education where it says blacks have a legacy of being disadvantaged.

"In the light of past disparities," it notes, "business has a commitment towards the promotion of community development." ■

2/18/88
(30) STimes

Joshua tax move

JOSHUA Doore increased earnings by 61% to 13,8c a share in the year to June 1988.

Turnover of R155-million was 30% up on the previous year. This reflects well on Joshua's management.

The company plans to adopt the partial method of providing for deferred tax. At present all tax is deferred. Based on projections, the company will not be liable for tax in the foreseeable future. But the directors have decided to retain 50% of the deferred tax liability.

Business Times Reporter

net asset value would have increased by 17% to 66c. Management expects

Joshua Doore to do well in the event of a downturn because "genuine discounters, such as Joshua Doore and Price 'n Pride, tend to do better".

Faint, mostly illegible text from the rest of the newspaper page, including what appears to be a continuation of the article and other news items.

9/11c 7/11/85 22/88 (30/24/85)

Barnetts posts 47% higher income

JOHANNESBURG. — Furniture retailing group Barnetts posted a 70% increase in turnover for the year to June and a net income, before extraordinary item, of 47%.

A 4c final dividend was declared which, together with the interim of 2c, makes a total of 6c for the year.

Net income after extraordinary item —

goodwill written off — was R1 189 000 compared with R1 775 000 for the same period last year.

The directors said full provision had been made for deferred taxation, but had the partial method of accounting for deferred taxation been adopted, earnings per share would have been 39,7c (20,1c) and net asset

value per share would have been 151c (109c).

The changes to legislation announced by the Minister of Finance, Barend du Plessis, on August 12, did not include the sale of furniture, and as the core business of Barnetts is furniture retailing, these measures should have only a limited effect on our earnings," the directors said. — Sapa

Joshua Doore

CAR 1m 15/88 22/8/88 30

income up 60%

JOHANNESBURG. — Tight control of overheads, coupled with an aggressive marketing drive, enabled Joshua Doore to turn a 30% increase in turnover into a 60% gain in operating income in the year ended June.

The audited profit announcement shows that turnover of the nation-wide furniture retailer rose from R119,9m to R155,7m, while operating income was up from R9,2m to a record R14,7m.

Chairman Les Mankowitz says: "In line with national and international accounting developments, a decision has been taken to adopt the partial method of providing for deferred tax.

"Based on future projections, the company will not be liable for taxation in the foreseeable future.

"However, the directors have taken a decision to provide for deferred tax at 50% of the current tax rate. Prior year figures have been adjusted accordingly."

On this basis, earnings showed a 60% gain to 13,8c a share.

Dividends have been increased by 50% from 2c to 3c a share and dividend cover has been increased to four-and-

a-half from three as a result of the change in the tax policy.

MD David Sussman says: "The record results achieved in the 12 months ended June are a tribute to the energy and dedication of the entire Joshua team nationwide, both management and staff."

Referring to the announcement that Joshua is to acquire 100% of World Furnishers and Bradlow's Stores from Homemakers Holdings, with effect from July 1, 1988, Sussman says: "Joshua will continue under the direction of its autonomous management team, which will continue to have significant personal stake in the company.

"Had Joshua owned World and Bradlows throughout the 12 months ended June 30, 1988, there would have been no significant impact on Joshua's earnings per share. Net tangible asset value at June 30, 1988 would have increased by 17,4% to 66,2c a share based on the increased number of shares that would have been in issue, but before any savings from rationalization are taken into account."

— Sapa

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Vested interests act as 'barrier'

(30) 20/04
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Informal sector key to growth, says Stegmann

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PRETORIA — The SA economy would have to pull itself up by its bootstraps if it hoped to make headway against the growing sanctions and disinvestment campaign, new Volkskas chairman Joe Stegmann said in an interview.

For that reason Stegmann — who is also Sasol chairman — strongly supported a greatly accelerated development of the informal sector and the deregulation process as an engine for growth, employment and new wealth.

He said: "And we could move a lot faster in this direction than we are moving."

"Advancing the informal sector followed by a process of inward industrialisation could help to alleviate some of the adverse effects of sanctions but it is not, by any means, the total remedy."

Stegmann said a barrier in the way of speeding up deregulation was resistance from vested interests, not only in the public sector but also in

GERALD REILLY

the private sector, including some large companies.

Without that shackle, the informal sector would mushroom, though results would not come overnight.

It would create its own momentum and unlock massive new buying power which in itself would give a powerful stimulus to the economy.

The economy, too, would become less dependent on overseas trade.

Stegmann stressed he was not preaching isolationism but said there was a vast undeveloped sector of the economy lying dormant which had to be activated.

Part of the overall strategy should also be a greater encouragement of inward industrialisation and import replacement backed by a dynamic "Buy SA" campaign.

Some had rationalised that isolation, as a result of sanctions, was good for the economy. Stegmann said although there were positive factors these people could not be more wrong as isolation cut SA from vital Western technology.

SA f...

Shield continuing expansion

Business Day Reporter

WHOLESALE specialist Shield Trading is continuing its expansion strategy, founded directly on its alliance with independent and traditional wholesaler interests.

Expansion plans were spurred last year by the group's successful JSE listing, and some 350 Shield outlets now operate cross country, 150 of which are wholesalers serving some 22 000 retailers throughout SA and adjacent territories.

About 10% of outlets could be listed on the JSE as individual units, and group marketing director Bill Snyder says this remains a distinct possibility.

"The initial idea behind Shield Trading was to halt the crippling effects of large-scale wholesale groups were having on the independent wholesaler without the necessary resources to remain competitive," he says.

"It was clear that the combined buying strength of the independent wholesalers, and their geographic spread, provided an effective trading base from which to counter the inroads of the chain store groups into the market.

"Collective buying would command better prices and terms, and the countrywide spread of independent wholesalers provided an effective distribution network.

"The response to the Shield Trading idea was immediate and enthusiastic, and the continued support of our wholesalers, manufacturers and suppliers, together with a policy of decentralised management and buying power, has contributed greatly to our overall strength and stability," says Snyder.

Quiet said you ...
ARGAS 25/10/88
**Clicks chain
embarks on
big expansion**

By TOM HOOD
Business Editor

(30)

IN spite of gloomy forecasts about the economy, the Cape-based Clicks Stores chain is forging ahead with major expansions, the managing director, Mr Trevor Honeysett, said today.

At least seven new stores would be trading by December and the chain, now comprising 80 outlets, will have increased to 100 by the end of next year, he said.

The medium-term target is at least 200 stores, Mr Honeysett said.

The group was "relatively sanctions-proof" because the bulk of its ranges of toiletries and gifts was supplied by local sources.

"Almost 50 percent of our sales of R282-million were in the Transvaal and we are opening more branches there and in Natal and the Free State," he said.

The group's Diskom chain of 16 stores trading in black and coloured areas in the Cape is soon to open its first branch in the Transvaal.

● See page 35.

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COMPANIES

Clicks lifts earnings by a creditable 27%

KAY TURVEY

TOILETRY and gift chain Clicks lifted earnings a creditable 27% to 55,98c a share for the year to end June.

This gives the Cape-based retail chain a solid 20,3% earnings growth during the past eight years.

In line with analysts expectations, a final dividend of 17c has been declared, making a total pay out of 27c for the year.

Against fierce competition, the discount chain reported a 24% rise in turnover to R282m, lifting operating profit a healthy 26% to R22m.

In tough trading — Clicks competes with the major supermarket chains in some areas — margins widened slightly from 7,6% to 7,8%.



The results, the first to be reported by new CE Trevor Honeysett, show attributable earnings up 27% to R11,2m which should please new parent Score, which bought control from Jack Goldin earlier this year.

Honeysett says the results reflect substantially increased market share, although increased efficiency has led to a greater percentage rise in bottom-line profits.

He is optimistic for the future: Clicks is forging ahead with plans for a 100-store chain by the end of 1989. In June this year, existing outlets totalled 80 and seven new stores will be trading by December this year.

Clicks has no gearing and Honey-

sett does not envisage any need to use borrowings as cash flow is strong and adequate to finance expansion.

Clicks, with a sales mix of basic toiletries and gifts, has the ability to prosper in recessionary economic conditions. Honeysett expects margins to remain intact.

Big plans are afoot for the second chain, Diskom, which is being primed for significant growth — three new stores will be opened by December.

Honeysett says although listing Diskom is a future consideration, this would not be appropriate in the present market. However, a significant announcement concerning Diskom is expected shortly.

In spite of these solid results, Clicks shares lost 85c to 525c yesterday.

Clicks continues its strong growth

By Ann Crotty

It seems that little will knock Clicks from its consistently strong growth path. In a year that saw continued expansion of the group's store base as well as a change of control, management has been able to report the type of results that investors have come to expect of Clicks.

In the 12 months to end-June turnover increased 24 percent to R282 million (R228 million). A slight improvement in operating margins, from 7,66 percent to 7,8 percent, helped to boost this 26,2 percent to R22 million (R17,4 million) at the pre-tax profit level. The improvement in margins is all the more commendable given the strain that the opening of new stores tends to put on margins.

Attributable earnings were up 26,7 percent to R11,2 million (R8,8 million) which is equivalent to 55,98c (44,18c) a share. A final dividend of 17c (13c) a share has been declared bringing the total payout for the year to 27c which is 28,6 percent ahead of the previous year's 21c.

New chief executive Trevor Honneysett is optimistic about the group's outlook: "Clicks is forging ahead with plans for a 100 store chain by the end of 1989. In June

there were 80 outlets and seven new stores will be trading by December."

Mr Honneysett believes that the fact that Clicks has no gearing and has a sales mix of basic toiletries and gifts will help it to prosper in recessionary economic conditions. He does not envisage any need to utilise borrowings during financial 1989: "Cash flow is strong and more than adequate to meet expansion."

Management is happy with performance at its Diskom chain, which trades in the black consumer market. Three new stores will be opened by December. According to Mr Honneysett Diskom is being primed for significant growth and could easily justify a listing on its own: "Clearly, with the JSE far from buoyant, a listing now would make little sense, but remains an option."

Score-Clicks Holdings, which was previously Klikdin and holds 50 percent of Clicks, has reported earnings of 13,31c (28,5c) a share. The total dividend payment is up 29,7 percent at 13,10c (10,10c).

During the year former Klikdin chairman Jack Goldin sold control of Klikdin to Hi-Score at R4,75 a share which is 35 times financial 1988's earnings.

SHIELD

Pressures on sales growth

Activities: Wholesales and retails food and allied products to franchise members.

Control: Ultimate control rests with the directors.

Chairman and managing director: L T Muller.

Capital structure: 33m ords of 1c each. Market capitalisation: R26m.

Share market: Price: 80c. Yields: 3,8% on dividend; 9,5% on earnings; PE ratio, 10,5; cover, 2,5. 12-month high, 485c; low, 75c. Trading volume last quarter, 293 000 shares.

Financial: Year to February 29.

	'87	'88
Debt:		
Long-term (Rm)	0,4	0,4
Shareholders' interest	0,04	0,11
Debt cover	4,6	7,8
Performance:		
Return on cap (%)	9,5	10,1
Turnover (Rm)	244,0	340,4
Pre-int profit (Rm)	3,6	5,9
Pre-int margin (%)	1,5	1,7
Taxed profit (Rm)	1,58	2,53
Earnings (c)	4,4*	7,6
Dividends (c)	—	3,0
Net worth (c)	20*	25

*Notional

With a turnover of R340m, Shield Trading Corporation, which supplies goods to franchise holders for retailing and wholesaling, seems justified in saying it is considered one of the majors in the channels of distribution in SA. It is a high-growth company with turnover increasing 212% since 1984.

But, despite the rise of 39,5% in sales in the year to end-February, turnover did not meet the prospectus forecast, made when Shield was listed in July last year. The reason, according to chairman and MD Theo Muller, is that turnover was hit by floods in the western Cape and Free State. But margins improved, which helped the bottom line and the EPS forecast was spot on. As with all the very large retailers, a small change in margins has a massive impact on the bottom line, in this case 0,2% by our calculations (which is equivalent to R6,8m).

Muller attributes the higher margins to manufacturers handing on the benefits they enjoy on larger throughput to Shield, and also to increased efficiency in the group.

But it would appear that this efficiency did not extend to credit control and stocks. Debtors increased R12,7m or 46,5%, 7% more than turnover. Muller maintains that it was simply a year-end anomaly and says that debtors rose by only two days, which can easily be changed. Cash flow, though, was hammered by the debtors' increase and internally generated funds consequently fell from R4,11m to R210 000. Muller says this

problem has been resolved and that cash flow in recent months has been good.

There was also a large increase in stocks, which Muller ascribes to the opening of five stores in the Success group. Apart from this the balance sheet remains extremely strong, with net cash of R6m and net interest earned of R795 000. The low level of shareholders' interest is due to the fact that, like Pick 'n Pay, Shield finances itself mainly by trade credit, with creditors reaching R45,7m.

Shield follows an interesting reporting policy in showing the rebates it provides its franchise holders, based upon their performances. These climbed 49% last year, indicating that in general performance was excellent. Core company Shield Multitrade did particularly well and substantially increased its customer base.

A few problems were encountered with Success. Stock shrinkages reached unacceptable levels and executive management changed, with new management introducing new systems.

Along with many others in the retail and wholesale sector, the stock market has substantially downrated Shield. The share price is only slightly above the 12-month low of 75c, a massive fall from the high of 485c. But it seems that earlier investor expectations were excessive, pushing the price up to 64, probably in the hope of getting in early on another Score. Even at current levels, the dividend yield is 3,8%, which is well below the sector average of 5%.

Muller says turnover is currently about 37% ahead of last year and points to a levelling in operating costs. As he thinks margins could improve another 0,2%, earnings should climb about 43%. This looks good, but with the share already on a low dividend yield, upside potential looks limited.

Pat Kenney

TELJOY

Rationalisation over

Teljoy enjoyed an excellent year, producing high returns and EPS were up by 81% on the previous year and 34% on the forecast.

Rationalisation that followed the merger of Teljoy, Vision Hire and Film Fun in April last year has been concluded. The branch network was reduced from 60 to 48 and service centres from 24 to 18, and branches in new areas were opened.

The business at present consists of three main pillars. The core business remains television and video cassette recorder rentals, and the second is electronic technical servic-

Activities: Rents, services and repairs television sets, video recorders and M-Net decoders.

Control: Granada Group PLC has 43%.

Executive Chairman: T B Rufstein.

Capital structure: 57,2m ords of 1c each. Market capitalisation: R112m.

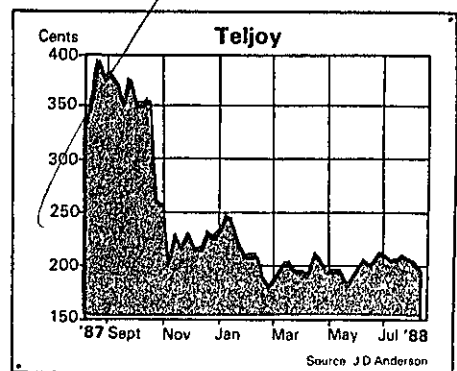
Share market: Price: 195c. Yields: 5,6% on dividend; 12,8% on earnings; PE ratio, 7,8; cover, 2,3. 12-month high, 400c; low, 175c. Trading volume last quarter, 766 000 shares.

Financial: Year to March 31.

	'88
Debt:	
Short-term (Rm)	3,4
Long-term (Rm)	12,0
Debt:equity ratio	0,5
Shareholders' interest	0,41
Int & leasing cover	8,9
Debt cover	2,02
Performance:	
Return on cap (%)	0,33
Turnover (Rm)	68,3
Pre-int profit (Rm)	21,9
Pre-int margin (%)	32
Taxed profit (Rm)	13,9
Earnings (c)	25
Dividends (c)	11
Net worth (c)	48,9

ing. Only 5% of Teljoy's 200 000 TV and VCR customers are in the black community, and management plans to launch a marketing effort into this sector. Also, nearly 1m TV sets are thought to be nearing the end of their life cycles, and the company hopes this will provide opportunities to increase market share.

Electronic technical servicing has laid the basis for expansion into servicing of related equipment. Mastercare, the trade name and



business acquired from Rusfurn, is targeting business that is expected to arise from the growing national pool of ageing TV sets. Management is expanding this business into the repair and servicing of other household appliances.

Teljoy's third main pillar is the supply of sophisticated systems and TV sets to the hotel industry. The equipment allows inclu-

26/8/88 VM

Historically, retail development has followed demand for space as retailers chased market share in the belief that biggest was best.

However, as Philip Chilton-Jones, group development manager for Edgars, points out, trading densities that were previously considered acceptable are now found to be nowhere near international norms. Retailers have begun to make use of the "cube" rather than the "square" and found that "market share is not related to size as much as presentation, merchandising, assortment ranging, customer servicing and promotions."

And, he says, not only have turnovers been maintained in less space — and at much lower rentals — they have actually increased as response to the new trends in store fixturing and presentation grows.

What this should mean to property developers is that the pace of development should slow. Further brakes should be applied as they increasingly realise that food and similar purchases are "grudge" buys, taking time which could be used for other activities. As a result, electronic retailing and increased mechanisation are making their mark.

Also, there is a growing trend towards speciality stores — small shops of 500 m² or less which amplify a specific product range and present it in intensively merchandised outlets. Time for this kind of buying is not begrudged.

RETAIL DEVELOPMENT

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Still too much

Electronic retailing for staple purchases and the growth of speciality shopping are likely to put real dampers on the development of new regional shopping centres and hyperstores.

In addition, the larger national chains have realised the need to make better use of existing space as construction, rental, staff and advertising costs continue to rise.

Yet retail space is still growing at a faster rate than the market requires. Figures from Retail Information Management Systems show that between 1975-1985, growth in the retail infrastructure accelerated to 4,9%/year, while consumer spending grew only 2,3%/year. Space productivity levels declined by an average 1,5%/year in this period.

That being so, it is probably time to call a

halt to large new retail developments, especially as consumer spending is likely to undergo a further fall-off as interest rates continue to rise.

Meanwhile, building costs and rentals continue their upward spiral. Chilton-Jones says rentals approaching R65/m²-R75/m² may seem all very well now, but with escalations ranging around 10%-12% and a rapidly thinning slice of the cake, these levels are

unlikely to be sustainable for long.

It seems developers have taken much of this to heart — witness Coreprop's inability to find a major financier for its new regional centre at Chatsworth (*Property* July 15).

However, they have not yet turned their full attention to the black market — which has achieved consistently high rentals from small outlets. Of course, to enter this market, developers would need to make fairly extensive capital investments in areas of relatively high risk — something which they aren't keen to do.

What they are doing is continuing to plan for massive growth in black residential areas and anticipating that regional centres and hyperstores will become as successful there as in white suburbia.

Wouldn't it be better to look at opportunities in the free trade and free settlement areas — which would really help open the country's central business districts to all? ■

on

First dividend since '85 . . .

Tradegro profits take a 93% hike

CAPE TOWN
27/8/88

30

By AUDREY D'ANGELO
Financial Editor

TRADEGRO, which returned to profitability last year after record losses in 1986, has turned in impressive results for the year to June 30.

The upturn in consumer spending has enabled the group to lift operating profit by 93% to R166m (R86m).

A dividend of 5c a share has been declared for the first time since April 1985.

Attributable profit rose by 75% to R53m (R30m) and earnings a share, on a fully diluted basis, to 28,5c (16,3c). Sales soared to R6,1bn (R4,5bn).

Good results were expected from Tradegro because listed companies in the giant retail group had already reported increased profits.

Tradegro's own results show that the unlisted companies also performed well, particularly Checkers.

The once-ailing supermarket chain lifted pre-tax profits to R14m (R6,5m) on sales of R2,3bn (R2bn).

The directors say that it wrote off R3m of its opening expenses in expanding its Warehouse chain of stores during the year.

"In highly competitive trading conditions Checkers maintained its market share."

Property owning group Coreprop, which made a loss of R5,5m last year, made a profit of R492 000.

The Stuttafords/Greaterman's group lifted pre-tax profits to R6,2m (2,9m).

Smart Centre, which was not among the group's assets last year, achieved profits of R6,9m on sales of R82,9m.

The directors forecast "satisfactory growth for the year ahead provided that the economic and political environment does not deteriorate."

Chairman Mervyn King said the integration of the Frasers businesses into the comparable Tradegro companies was extremely complicated from a legal and accounting point of view and had been finalized only in June.

Benefits flowing from the merger of the various businesses would be fully felt in the current financial year.

Summing up, the directors say that Cashbuild, after the acquisition of the Frasers Buy 'n Build division, is starting to contribute positively to group profits and exceeded the targeted growth of 25% in earnings per share for the year.

Checkers improved profitability "in spite of continued pressure on margins and higher than budgeted shrinkage". Profitability is expected to continue to improve.

Coreprop achieved the substantial saving in interest forecast in the interim profit announcement.

"The improvement also results from a more favourable letting pattern."

Jazz, which acquired the Frasers Fairways chain, increased turnover by 171% to R335,6m and profits before tax by 55,6%.

Metro, excluding Jazz, lifted turnover by 48,9% and profitability by 45,6%.

Surprise, surprise, Tradegro comes up with a dividend

2/18/88
Start 30

ANN CROTTY

TRADEGRO shareholders have been pleasantly surprised by an earlier than expected dividend payment. For the 12 months to end—June the directors have declared a dividend per ordinary share of 5c, the first dividend payment since April 1985.

In October last year chief executive Mervyn King told analysts that there would be no dividend payment for financial 1988 so income hungry shareholders settled back to a year or two more of dividend drought. But, presumably because of the strong performances, and dividend income from its large listed interests such as Metro and Rusfurn, management has decided that it can now afford a dividend.

Chairman Mervyn King says that the board decided to pay a relatively small dividend this year and gradually build up to 18c-20c in about 18 months time. He adds that the payment of a dividend sends out the message that the directors feel that the group is clean.

Certainly payment of a dividend does suggest that management is reasonably confident of the group's prospects. But if this confidence is not borne out by group performance down the road then the payment may be interpreted as something of a desperate attempt to lift shareholder sentiment.

Dividend yield

The 5c puts Tradegro on a dividend yield of 4,5 percent compared with a sector average of 5 percent.

The dividend is 9,3 times covered by earnings — attributable to ordinary shareholders — of 46,7c.

Looking at the overall picture, management has reported a 37,5 percent increase in turnover to R6,1 billion (R4,4 billion) and a more than doubling in pre-tax profit to R131 million (R58,6 million).

The strong performance at pre-tax level was helped by the fact that interest payments were up only 29 percent but much more significant was the sharp improvement in operating margins



MERVYN KING — Sending out messages

from 1,9 percent to 2,7 percent.

The tax rate was down from 34 percent to 23 percent which meant that taxed profit was up 160 percent to R101 million (R39 million).

Attributable earnings — to ordinary shareholders and convertible instrument holders — was up 75 percent to R53 million (R30 million) which was equivalent to 28,5c a share.

The group's divisional break-down highlights the strong performances from Rusfurn and Metro which together accounted for some 50 percent of the group's turnover (i.e. R3 billion of total turnover of R6,1 billion) and 67 percent of the group's pre-tax and pre-head office expenses which totalled R135,8 million.

But as these listed companies have already reported, investors will be concentrating on the performance of Tradegro's unlisted interests, chief of which are Coreprop and Checkers.

As expected, Coreprop has turned around its loss situation with the help of the recapitalisation of the group with preference shares. This move enabled Coreprop to effect substantial interest savings and to report a profit of R0,5 million compared with a previous year loss of R5,5 million.

In addition performance was assisted by the more favourable letting pattern that existed in the

market. Mr King is looking to a pre-tax profit from Coreprop in financial 1989 of R4 million.

What will be of most interest to Tradegro shareholders must be the performance from Checkers. The divisional break-down shows that Checkers increased turnover by 18 percent to R2,4 billion (R2 billion) and more than doubled pre-tax profit to R14 million (R6,5 million).

This is certainly a commendable performance. As Mr King points out, in financial 1986 Checkers reported a loss of R42 million. This was turned into a R6 million profit in financial 1987 and a R14 million profit in 1988. Management had budgeted for a pre-tax profit from Checkers of R20 million.

Recovery pace

But the market is unlikely to be very happy with this pace of recovery. In financial 1987 pre-tax profit margins were a weak 0,32 percent and Mr King promised an increase to 1 percent for financial 1988. At the half-way stage this looked impossible. Pre-tax margins for the first six months were a miserable 0,26 percent.

At 0,59 percent the full year margin has fallen well short of Mr King's forecast. Although second-half margins were 0,9 percent. Mr King points out that performance was affected by the fact that some R3 million had to be written off because of opening expenses in expanding Checkers warehouse chain. Not all of this write-off was budgeted for.

Another major drag on profits was the extent of shrinkage suffered by the group which was ahead of expectations. Mr King states that the greater shrinkage experience is an industry-wide factor that has a strong political element.

There is little doubt that shrinkage is also a factor of management's ability to deal with its own trade union problems, which are a major issue, and with the level of efficiency of the group's management controls.

The dividend will be a pleasant surprise but, longer-term Tradegro will have to show a more convincing and sustained performance from Checkers.

Nafcoc's R11-m complex to open

28/8/88
over
30

By REVELATION NTOULA

THE National African Federated Chamber of Commerce and Industry will open its R11-million shopping centre in Soshanguve in late October.

This was announced by the organisation's national president, Dr Sam Motsuenyane, this week.

The project is among the biggest Nafcoc has undertaken since its inception 25 years ago.

Another was the launching of the African Bank, which became the first black-initiated banking institution south of the equator.

Motsuenyane said the big stride in launching the centre was indicative of Nafcoc's determination to expand its business involvement.

Although the organisation was proud to have initiated the project, said Motsuenyane, one of the major problems facing black business was the lack of trained business managers. He said only a small percentage of the total business management structure in South Africa represented blacks.

"This is a serious indictment on our society," he said.

The problem of the acute shortage of trained black managers could only be solved through a concerted effort to train blacks.

It was for this reason, he said, that Nafcoc's next major project would be the establishment of a management development centre.

Concerning the African Bank, Motsuenyane said there had been steady progress in the development of the institution. To expand even further, the bank's directors had decided to encourage all Nafcoc members to purchase a minimum of 500 shares "and thereby have a stake". Referring to the recent Supreme Court case in which the bank and some employees were charged with foreign currency irregularities, Motsuenyane said he and other board members were amazed by the enormous amount of backing they got from the black public.

He said although the trial adversely affected the bank as far as its "corporate supporters" were concerned, the opposite was true from the ordinary people.

Another success for Spar's 500th member

By Zilla Efrat

SPAR, celebrating its 25th anniversary, opened its 500th store this week.

Spar is the fourth-largest food retail chain in SA. Managing director Brian Beavan says independent market research shows that Spar is SA's fastest-growing food chain with retail turnover of R1,4-billion a year. The group plans to open many more stores.

Success secret

Spar began in the Netherlands 53 years ago and has spread to 191 countries where it has 23 000 members, making it the world's biggest voluntary retail group. The secret of its success, claims Spar, is that shopkeepers own their stores. They are more motivated than their salaried competitors.

The SA group began with 60 grocers in 1963. Each shop is an individually owned franchise and is offered the benefit of mass buying and group know-how.

Chris Jannou, owner of the 500th store, does business in Glenanda, Johannesburg, and joined Spar after suffering in the 1976 economic downturn when he was a civil engineer.

He wanted to get into business and believed food retailing would not be affected by recession.

He bought a Roodepoort cafe with a turnover of R25 000 a month and turned it into a successful suburban Spar store, selling out and moving in 1983.

Mr Jannou bought a neglected Bryanston Kwiksave, which he upgraded to suit the market.

Dingy and crammed

In October last year he decided to go for a "biggy". Believing that the northern suburbs were saturated, he looked south and bought the neglected Glenanda cafe.

"It was a dingy, crammed outfit. I would not have shopped there," says Mr Jannou.

He spent R500 000 on revamping. The interior was modelled on a shop in an old mining town — a concept he had seen in Australia.

The store opened in February and has trebled its turnover in six months. Mr Jannou hopes to double turnover in the next year.

His shop has a deli, butchery, bakery and departments selling stationery, wine and hardware. The franchise to supply uniforms for a school is believed to be a first in the Spar group.

Mr Jannou expects supermarketing trends to move to increased in-store departments, where each becomes a speciality shop under one roof. This is because there is little profit on canned food.

"We can compete in price because of our size, we can match and even better quality and we offer personal service. Other major stores are in the area, but we are extremely competitive," says Mr Jannou.

Spar group members are one up on their



Chris Jannou ... tell me if you're unhappy about my shop

opposition. The price structure and guidelines are laid down, but each shop has a different market and demand. The owner is flexible in the range he stocks and can make quick decisions. Managers in large chains are not that flexible, says Mr Jannou.

The owners receive feedback of market trends in 500 stores and attend monthly meetings. The group conducts foreign tours for members.

Mr Jannou plans to open more stores. His message to customers is: "If you feel happy, tell your friends, if not, come and tell me."

Mr Jannou knows most of his customers and believes that because of the SA security problem people will avoid large shops.

"My nephew is my partner. My wife and sister help. A family member is always in one of the stores to handle problems. Most Spar stores are family-oriented and this is the key to their success.

Culling

"There is still a bit of mistrust. Certain independent retailers use Spar buying, but raise their prices. This is a short-sighted marketing approach and they will be culled out of the group.

"Spar is the trend of the future if one wants to remain independent. My business would never have grown to the extent that it has without Spar. They have been good to me and I hope I will be good for them."

29/8/88 (30) B/Day

Thumbs up for informal sector

Business Day Reporter

BOTH President P W Botha and Finance Minister Barend du Plessis pledged government support for the informal sector in weekend speeches.

Opening a training centre at Crossroads, Cape Town, on Friday, Botha said the informal sector had to be encouraged if unemployment was to be reduced and overcome, reports Sapa.

Only in this way could more people find employment and families be brought into economic activity.

He hoped those trying to belittle SA would come to the Crossroads project "and see what can be done if they leave us alone".

As government was serious in addressing the problem of unemployment, a total of R1,23bn had been allocated for this purpose over the past four years.

Training was provided at more

than 300 training points countrywide and, since the beginning of the special training programme, almost 800 000 jobless people had already been trained.

Du Plessis, speaking at a function in Glenanda, Johannesburg, on Friday night said more and more black people were "expanding their own entrepreneurship" and this informal sector should be encouraged.

"It could become the largest single employer between now and the end of the century."

Du Plessis said that because it was being deprived of foreign investment, SA was faced with the terrible restraint of a 2,5% growth rate.

He reiterated that government's aim was to achieve a 4% to 5% growth rate "as soon as possible".

Dramatic upturn for Tradeagro

LINDA ENSOR

TRADEGRO, the retailing conglomerate, has dramatically improved its profitability, reporting a 93,7% annual increase in operating profits on a 37,5% rise in turnover, which has now soared to R6bn (R4,5bn).

Margins strengthened considerably to 2,7% from 1,9%, translating into operating profit of R166m (R85,8m).

Dividend payments have been resumed with 5c being declared for the year to end-June for the first time since April 1985.

All the group's listed companies have already reported improved results, and the non-listed companies also chalked up substantial improvements.

Satisfactory earnings growth is expected in the year ahead — provided there is no deterioration in the economic and political environment.

Smaller tax rate

The integration of the Frasers businesses has been completed, though chairman Mervyn King says the rationalisation benefits will only be fully felt in the current year.

Attributable profit rose 75,3% to R53m (R30,3m), benefiting from a substantially reduced tax rate from 33,6% to 22,8% as deferred tax of R18m (R7,2m) on long-term timing differences was not provided for.

Earnings per share on a fully diluted basis soared 75% to 28,5c (16,3c).

Unlisted Coreprop swung from a loss of R5,5m to a profit of R0,5m and Suttford/Greatermans increased their bottom-line from R2,9m to R6,3m as a result of the acquisition of the Stuttards Claremont and John Orr stores.

Checkers increased pre-tax profits by 113,8% from R6,6m to R14m, in spite of writing off about R3m in opening expenses for its Warehouse chain.

Jazz boosted turnover by 171% to R335,7m and pre-tax profits by 55,6% to R8,7m (R5,6m).

Cashbuild is starting to contribute positively to group profits and exceeded its targetted earnings growth of 25%.

Metro's turnover rose 46,3% to R2,38bn (R1,6bn) and pre-tax profit by 45,6% to R46,2m (R31,8m).

CAPE Times 31/8/88 (30) (288)

Beares profits surge

DURBAN. — The surge in consumer spending in the first half of the financial year to June 30, enabled furniture retailer Beares to post a 37,5% increase in attributable earnings for the year to June 30.

Attributable profit was R13,3m compared with R9,7m for the same period a year ago.

An increased dividend of 10,25c (1987: 8,50c) was declared which, with the interim of 5c (2c) gives 15,25c for the year.

Executive chairman A Rogoff, warned that steps taken by the government would curtail consumer spending.

“The first half of the year saw a surge in consumer spending which slowed after the government announced measures in March 1988 to dampen the economy.

“The latest steps announced will further affect consumer spending.” — Sapa

COMPANIES

AKS 1/9/88
30

Wooltru's big shake-up pays off

By TOM HOOD, Business Editor
THE big shake-up in Wooltru's operating companies and the group's R250-million investment programme paid off in the 12 months to June 30 — a boom year in the retail industry.

Shareholders are to get a 36 percent hike in final dividend after seeing their interim payout rise by 30 percent.

The final of 45c brings the total to 80c, which is a third more than the 1987 payout. Dividend cover was also higher at 2.2 times, up from 1.96 times in 1987.

Wooltru chairman David Susman says budgets for the current year indicate a further increase in earnings, but with the economic upswing unlikely to be sustained, the rate of increase will be somewhat lower than for 1988.

Sales for July and August were running 26 percent ahead of a year ago.

The retail boom and the inclusion of Makro's figures for a full year boosted sales by 51 percent or R564-million to R1.7-billion.

Pre-tax profits grew by 45 percent to R122-million but the sale of property and profit from the sale of the Bonwit clothing manufacturing group boosted net profit by 63 percent to R68-million.

Mr Susman says with capital expenditure contained at the same level as last year and better stock management throughout the group, gearing was down from 54 percent to 30 percent.

However, operating margins slipped from 7.6 to 7.3 percent.

The directors say R35-million of the group's borrowings will be at fixed interest rates for five years.

The acquisition of Makro resulted in a surge in debt from R65-million to R141-million in 1987 and pushed up gearing from 41 percent to 54 percent. This level is now down to 30 percent with borrowings slashed by R50-million.

Operating efficiencies saw sales rise 2.5 percent in real terms. Productivity also improved, with sales per employee in real terms up 1.8 percent.

Group food sales rose marginally faster than other goods, compared with the previous year.

Return on total investment improved to 22 percent (16 percent).

Although capital expenditure for the year was contained at R48-million, spending on store operations grew by R10-million and R34-million was spent on computer equipment.

Although South Atlantic, the Anglovaal group's industrial investment company, was unable to sustain the excellent performance reported in the first half, it has managed to show a 39 percent increase in earnings for the 12 months to June.

On a 10 percent increase in turnover to R1.1-billion (R1-billion), management has reported a 29 percent improvement in operating profit to R107-million (R83-million).

Earnings were up 39 percent to R46.4-million (R33.3-million), equivalent to 368c (264c) a share. A dividend of 95c (75c) has been declared.

off

Wooltru show 52% rise in earnings

C.M. Teyfs
11/9/88
30

By AUDREY D'ANGELO
Financial Editor

WOOLTRU has come through a year of drastic restructuring, and changes at the top, with flying colours. The consumer spending spree helped the Cape-based retail chain to lift earnings by an impressive 52% to 179c (118c) a share in the 12 months to June 30.

Attributable profit was R61,3m (R40,3m) before extraordinary items and R68m after them. This was achieved on a turnover of R1 668m (R1 103m). Pre-taxed profits were 45% higher at R122m (R84m).

The final dividend is 45c making a total of 80c (60c) for the year, covered 2,2 times.

Chairman David Susman and outgoing CE Tony Williamson said the group was still performing ahead of budget in July and August, with turnover 26% higher than in the same period last year.

Although they expected less buoyant conditions in coming months, they forecast a further growth in earnings "but at a lower rate than achieved last year".

The extraordinary item that boosted profits was the sale of manufacturing arm Bonwit for R12m in line with group policy to operate solely in the consumer distributive trade.

Susman said although there was a real increase in private consumption expenditure the group's creditable

performance was also due to a capital investment of R250m in the past five years and to the restructuring of the organization and its operating companies.

Greater efficiency in stock management throughout the group helped to contain working capital. Although stocks were 5% lower than for the previous year, sales had risen by 23% excluding Makro.

Sales per square metre rose by 2,5% in real terms.

Productivity also improved, with sales per employee in real terms 1,8% higher than in 1987.

Return on total investment was 22% (16%).

Capital expenditure for the year was contained at R48m, unchanged from the previous year, although expenditure on store operations and computer equipment has risen by R10m to R34m.

Forecasting real profit increases in the current year in spite of the rise in interest rates and inflation, the weaker rand and increased wage pressures, Williamson said they would be achieved through proficiency in resource management.

He said the development of the new Speciality Retail Group would help the high-fashion chains to increase their share of the market. More speciality ventures would be established as opportunities presented themselves over the next few years.

SBDC workshop ³⁰ to reduce failures

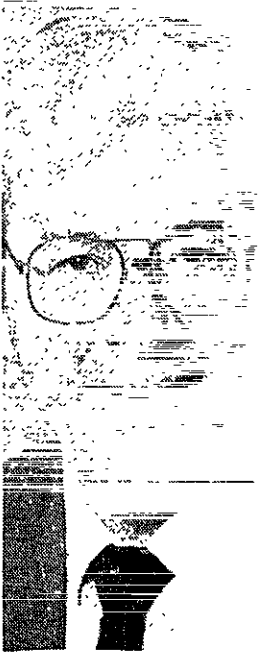
THE SBDC has launched a workshop on "How to Draw up a Business Plan", as an element of its drive to reduce the failure rate of small businesses.

An SBDC spokesman said in view of the relatively low economic growth rate, combined with a high unemployment rate, SA could hardly afford the collapse of small businesses and it had become paramount to nurture and strengthen the small business base.

Although the reasons for small business failures were many and varied, it had been the SBDC's experience that failure to critically evaluate and plan business ventures contributed to their downfall, he said. — Sapa. B/day 2/9/88.

RESCUE PLAN

Small businesses must be kept afloat



DR BEN Vosloo

By JOSHUA RABOROKO.

THE Small Business Development Corporation has launched a workshop in an attempt to reduce the failure rate in small businesses.

The workshop, "How to draw up a business plan," is aimed at the relatively low rate of economic growth combined with a high rate of unemployment in South Africa.

SBDC's managing director, Dr Ben Vosloo, said in view of the business failure rate and

soaring unemployment, South Africa could not afford the collapse of small businesses.

It was paramount that continuous efforts be made to nurture and strengthen the base of small businesses.

He said: "Although the reasons for small business failure are many and varied, it has been the experience of the SBDC that

failure to critically evaluate and plan business ventures, contributes to their downfall.

"Today a comprehensive business plan has become the base for determining the viability of a proposed business venture and for attracting financing from the SBDC and other institutions."

The workshops will be presented on Saturday mornings from 10h00 to 13h00 in

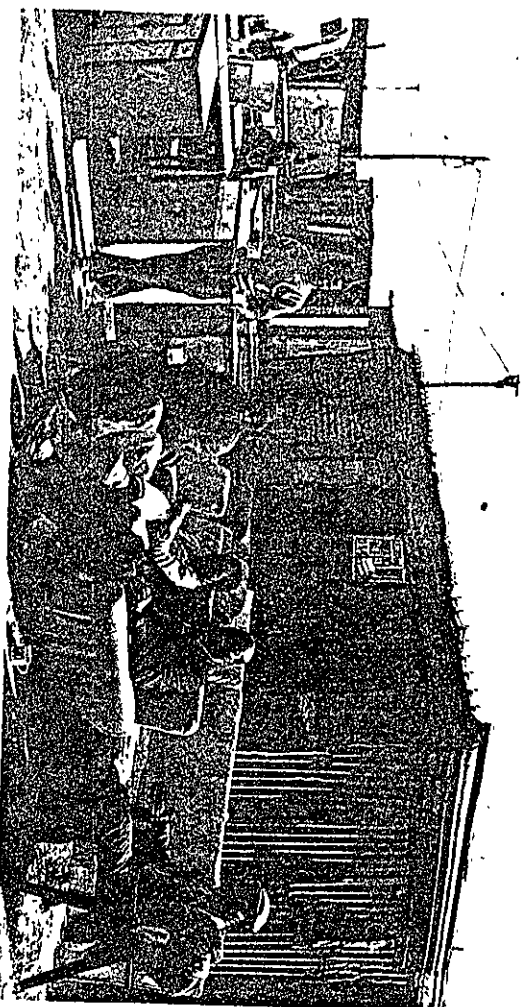
Johannesburg.

The first workshop will be conducted on Saturday, September 10 and will be repeated on consecutive Saturdays until the end of November.

Attendance fees which amount to R25,00 which include handout materials and refreshments will be required. Enquiries can be directed to SBDC Training Services at (011) 643-7351 and ask for Yvonne van Vuuren.



Hardware in the open air, a typical Khayelitsha shopping scene.



A furniture shop where the furniture is displayed outside.

Small business is booming

down Khayelitsha way

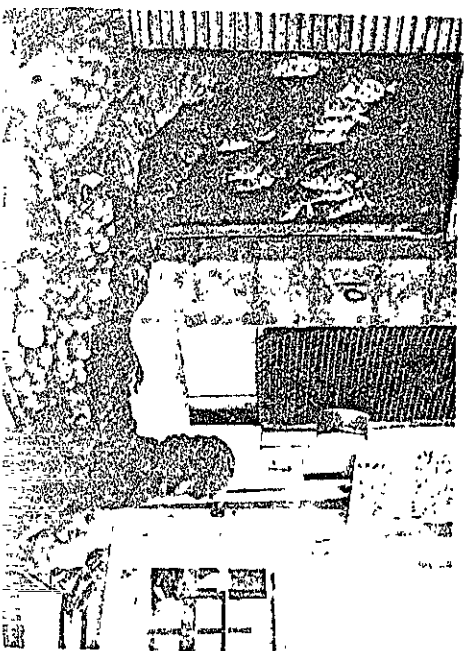
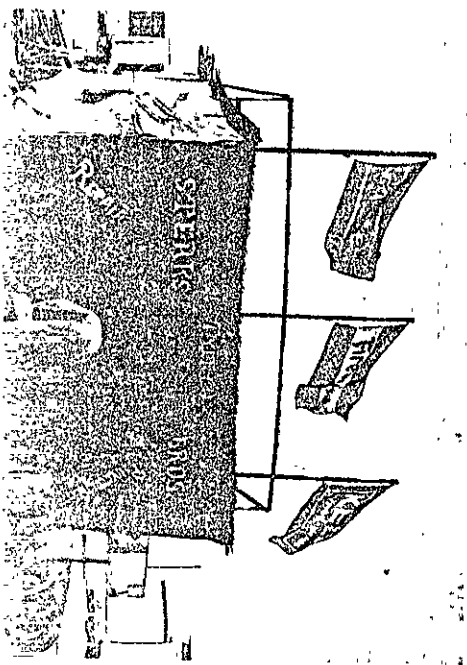
BY EDWARD
MOLLOINYANE
Special Correspondent
Features
WILHELM KIERK
Weekend Aigos

IN SPITE OF much poverty and hardship in the sprawling township of Khayelitsha, that most hardy of survivors — the small business — is booming.

The small "instant business" is rapidly becoming a common feature in many black townships, but especially in sprawling Khayelitsha where the bulk of the population is, in one way or another, a businessman or businesswoman.

Unemployment, which is rife in the area, has meant that residents, young and old, must look for alternative means of making a living.

There is every business one can think of in Khayelitsha —



"From then on, I never looked back. I told myself that I would never ask for a job again," said Mr Ngcuh, whom many customers refer to as "Ta Boks".

However, things were not always easy for "Ta Boks". During the violence of 1976, he said, it became unsafe to do house-to-house selling as things were becoming tough in the townships.

"But, by 1978, I was back in business again — this time I also bought perfumes and second-hand clothing in town and sold like never before.

"I left the hostel for Crossroads, where it was even bet-

240
30
w/c Arcus 3/19/88

is rapidly becoming a common feature in many black townships, but especially in sprawling Khayelitsha where the bulk of the population is, in one way or another, a businessman or businesswoman.

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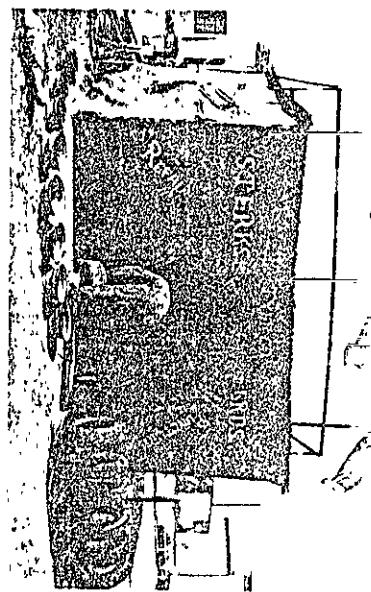
There is every business one can think of in Khayelitsha — dressmakers, panelbeaters, confectioners, TV and radio repairs, furniture repairs, small shopkeepers, shebeeners and so on.

Advertising

To reach the market, which is never in short supply, shacks are used as advertising boards for the small entrepreneur.

It's not uncommon for instance to read at the back of a toilet or shack on any street: "Beer Zikhoma Alpha R1.30" (Beers sold here R1.30) Or: "Ishooli Ikhona I R1.00" (Fish oil available for R1.00).

Some of these small businesses are so well established that the owners have almost



It might be small, but it sells a lot of tyres.



Fresh fruit and veggies are also on hand.

become wealthy. While others are struggling, however, they can at least send their children to school and go to bed in full stomachs daily. Some even provide jobs for many of the unemployed.

One veteran businessman, who has been in the game since 1975 but only managed to prosper while in Khayelitsha, is father of four Mr Sicele Ngculu, 40, of Site C.

He said: "While I was able to make a living by selling chickens in Crossroads, the establishment of Khayelitsha in 1984 was a blessing in disguise for most businessmen. With the official red tape removed on influx to the Cape from the homelands, more people moved in.

Speaking from his well-stocked grocery shop, which also deals in clothing and stationery, he said he had never in his life liked the idea of working for a boss.

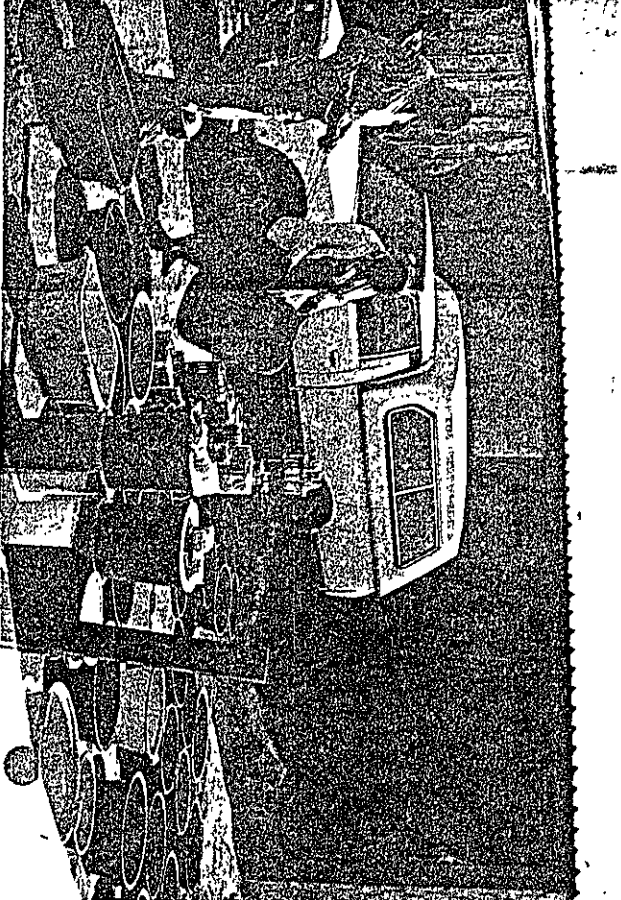
"When I came to the Cape in 1968 I stayed in a hostel and worked in gardens in the suburbs. I was young and bitter because my parents hadn't been able to send me to high school for which I had a passionate love.

"I hated the job — armed only with a Standard 6 certificate there was no better job for me. So, I made up my mind that lending other people's gardens was just not my kettle of fish."

"In 1971, I left my job and bought live chickens and sold them at the hostels in Nyanga where I stayed. There wasn't much profit, but I was able to send money home (to the Crossroads) to make ends meet.



A panelbeater does a roaring trade in the township.



Successful entrepreneur Mr Sicele "Ta Boks" Ngculu outside his shop.

was easy for 'Ta Boks'. During the violence of 1976, he said, it became unsafe to do house-to-house selling as things were becoming tough in the townships.

"But, by 1978, I was back in business again — this time I also bought perfumes and second-hand clothing in town and sold like never before.

"I left the hostel for Crossroads, where it was even better. It was here that I was even able to buy myself a van which I used for deliveries to other businessmen."

Lobola for his wife, whom he married in 1974, was paid with money from chickens, says "Ta Boks" with a twinkle in his eyes. Everybody who comes into the shop greets him and he is apparently popular.

"When Khayelitsha was established, I didn't hesitate to come here because I knew I would make it."

Indeed he has — two vans, a mini-hardware store (housed elsewhere in the area), a shop and a shebeen is no mean feat — where everybody is struggling to make ends meet.

Total div up by 25%

Porter lifts income, turnover

GMC Times
3/19/88
30
[initials]

By AUDREY D'ANGELO
Financial Editor

BRIAN Porter Motors lifted attributable income by 40% in the year to June 30 to R2,6m (R1,4m) and earnings a share to 100,1c (56,10c) before an extraordinary item and 92,41c after it.

But, because interest rates are on a rising trend, the directors have limited the rise in the total dividend for the year to 25%. The final dividend is 14c (12c) a share, making a total of 25c (20c) for the year.

Turnover rose by 27% to R208,1m (R163,8m). The fact that operating income has risen by a smaller percentage than this — by 24% to R5,2m (R4,1m) — suggests that margins have been contained.

The interest bill rose to R920 000 (R873 000) but the tax bill was down to R1,4m (R1,8m).

Net income after tax but before an extraordinary item was 89% higher at R2,8m (R1,4m) but the extraordinary item — the writing off of R214 000 for goodwill on acquisitions — brought this down to R2,6m.

Retained income rose to R1,8m (R1,3m). The net asset value per share has risen to 604c (547c).

Executive chairman Brian Porter said there had been no dropping off in sales in recent weeks — in fact demand exceeded supply.

"There is a fair shortage of new models. The Japanese have put a limit on the number they will supply. They have set it at the same figure for 1987

but there is talk of a further limitation.

"There is a shortage of good used cars too and demand is high. We expect a high demand for them at Christmas."

Discussing the high prices of new cars, Porter said he did not expect the import surcharge to hit sales. About 70% of new vehicle sales were to fleet owners.

"There has been a lot of business expansion recently and that should mean they will need more transport."

But, Porter says, there are also individuals willing to pay high prices for new cars. "We have had a very good year on our Jaguars, Porsches and BMWs. And on the used car side we have sold a lot of Rolls Yorcres and Mercedes. The upper income market is still there and there is plenty of money around."

The group acquired a Toyota franchise at Somerset West and a Nissan franchise in Rondebosch during the year.

It has also expanded its activities in the Transvaal with the acquisition of Randburg MMI.

Porter said it was looking at further small acquisitions which would complement existing operations.

He also expects spare part sales, which are an important past of group business, to grow.

Although Atlantis Diesel Engines (ADE) is now manufacturing petrol engines, Porter does not foresee a locally-made "people's car" replacing the variety of imported models available.

"South Africans are highly individualistic about their cars and want a choice."

Black elite has been co-opted

Giving a critical evaluation of current economic development programmes for blacks, Eugene Nyathi - internationally recognised political and economic journalist and former editor of the Namibia Features and Press Agency - addressed the recent annual general meeting of the Association for Black Accountants of Southern Africa.

Examples of organisations that I have looked at, are the Urban Foundation, the Small Business Development Corporation, various small business development schemes run by numerous financial institutions and I have also attempted to evaluate black management training schemes run by corporate institutions.

There is no doubt in my mind that South Africa has undergone certain discernible changes in the last twelve or so years.

Following the dramatic events of Soweto and elsewhere in 1976, the government realised the untenability of some of its rigid policies and sought to devise plans that it hoped would pre-empt future black unrest.

Government and private sector leaders pooled resources and ideas on how to best avoid "another Soweto 76".

It is no accident that both Harry Oppenheimer and Anton Rupert were instrumental in the formation of the Urban Foundation and similar outfits.

Within the context of apartheid's constraints, the government and corporate pro-

grammes can only benefit a small group of selected blacks.

Considerable success has been attained in numbing the political instincts of the small black petty bourgeoisie.

Most of the black so-called middleclass live artificial lives that are grounded in pretence and cultural capitulation.

Pretence to imaginary economic power has often gone hand in hand with an identity crisis.

So-called black economic empowerment has amounted to nothing more than selective embourgeoisment of a certain black elite with the specific aim of co-opting them, consciously or otherwise, into a collaborationist relationship with the status quo.

Most blacks who consider themselves made are nothing more than the recipients of breadcrumbs from the apartheid dinner table.

They can never surrender that leverage voluntarily. It does not matter how much money is spent on so called black improvement schemes, as long as the national political question is not addressed, economic power will remain chimerical.

The development of black business is terribly stunted. Save for shebeeners and drug smugglers, black business is virtually non-existent.

Because they can not own land under apartheid, black entrepreneurs cannot raise collateral for commercial loans.

The important lesson here is that until South Africa is politically free, black economic power will remain a cruel joke.

It is nonsense to think one can jump from being a hawker today and be an industrialist tomorrow.

Such analyses should be confined to Department of Information publications, for understandable reasons. Anyway while hawkers' trolleys may be manned by blacks, they are often employed by whites or Indians.

Some international aid agencies are part of the campaign to mislead the world in respect of black advancement. They also have an interest in promoting certain black elites for reasons that have little to do with the overall interests of the majority.



Eugene Nyathi . . . politico-economist



In the August 28 edition of *City Press*, we incorrectly published the name of the director of programmes and research at the SA Foundation. He is Dr Gavin Lewis, not Dr Gavin Evans as published. We apologise for any inconvenience caused.

4/9/88 e/rep (S) (30) 30



WHEN economists say that SA's gross domestic product hovers around R140b, they may be understating real economic activity by more than 30%. This gap between recorded and real GDP — the "informal sector" — is business conducted beyond the reach of licensing boards, statisticians and the taxman.

For many, this informal sector is a panacea for the socio-economic problems of SA. "It is the most important thing going in the economy," says University of Cape Town Professor Brian Kantor. "The formal sector is not providing jobs."

Others are less convinced. For the trades unions — to whom Kantor partially attributes the slowdown in jobs — the informal sector is indicative of blacks' ability to survive economically. But they warn against pinning hopes for black economic liberation to it.

Numsa national organiser Jeff Schreiner worries that the enthusiasm for the informal sector will exempt its workers from legal protection, such as a minimum wage, and undermine the progress made by the unions. Regardless, he finds it "extremely unlikely that it alone will resolve unemployment".

In recent years, more than 900 000 street vendors, hawking fresh fruits and bright textiles, have brought both colour and commerce into city business districts and provided township distribution outlets for large merchandisers. Minibus taxis crowd the streets, and in township backyards panelbeaters and mechanics have sprung up to service them.

A recent study by the SA Development Bank estimates that blacks earn 26% of their personal income "informally," nearly as much as they earn in the mines. One in every four working blacks is employed in this "underground economy".

Furthermore, while formal GDP stagnates the unmeasured economy is burgeoning. Wolfgang Thomas of the Small Business Development Corporation estimates that it has grown from 20% of GDP in the Seventies to more than 30% today. Kantor believes the figure may be as high as 40%.

Several factors account for this growth.

Informal sector's income as high as 40% of SA's GDP

CHRISTOPHER TUCHER



□ KANTOR ... "most important"

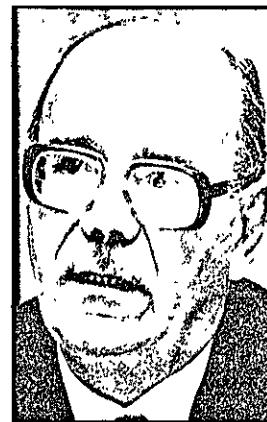
Township unrest in 1985-86 gave a great boost to the informal sector. White shops were boycotted and large merchandisers, such as SA Breweries, were kept out of the townships. "Police began closing their eyes to shebeens and thousands of small businesses grew up in the wake of the township trouble," says Thomas.

The scrapping of influx control in 1986 has brought millions of blacks into urban areas. Because the formal sector could not accommodate them, they have found work in other ways.

Taxis, hawkers and house-builders have sprung up to serve them. Even the shacks which new town-dwellers build themselves each represent R1 000-R2 000 of unrecorded value, says Thomas.

A large and growing "underground economy" is not exclusively South African, nor is it particular to the Third World. Advanced economies like Italy and the US also contend with 15%-30% unrecorded business activity.

Reserve Bank Deputy Governor Jan Lombard thinks the situation in SA is special. Whereas in the rest of the world "underground economies" have sprung up in order to avoid the taxman, in SA the key has been to escape the costs of complying to business restrictions and licensing laws.



□ LOMBARD ... SA is special

hawkers, and work-at-home), he observes that street vendors are linking up to win purchasing discounts and independent taxi drivers are forming fleets.

As the informal sector matures the upward trend in its proportion to GDP will revert.

While the informal sector bears great significance for black business, it is not just blacks who are working "underground".

Estimates suggest that more than 300 000 white families are "moonlighting" and doing business in their

homes. With the formal sector in the doldrums, says Thomas, "the number of white and coloured households that have had to take up a second job is enormous".

Thomas estimates the informal sector to be 30% of GDP. He provides the following breakdown:

- The black informal sector — 10%-12%;
- The white informal sector — 8%-10%;
- The criminal economy, such as drugs and prostitution — 6%-7%; and
- The formal sector understatement — 4%.

But "informal" means unrecorded, says Job Creation director Ian Hethrington. So by definition it is unknown. "Any attempt to quantify it can only be based on anecdotal evidence."

But economists will die trying — each with his own methodology.

Thomas's method is based on models of international economies and contrasts SA with other countries. Brian Kantor takes a monetary approach, focusing on notes-in-circulation relative to GDP. He concludes that the informal sector could be as great as 40% of GDP.

Kantor points out that the informal sector is a pure cash economy. Since 1981 he has observed that, despite increased financial sophistication and the proliferation of automatic teller machines, the ratio of currency to GDP has risen.

However, they quantify it: all agree that the informal sector is immense and that it has serious implications for tax and monetary policy.

The taxmen are catching on. A key reason for the proposed move to value added tax (VAT) is to broaden the tax base by capturing sales in the informal sector, says Commissioner of Inland Revenue Clive Kingon.

Because the GST taxes only at the point of sale, every step in the value added chain escapes the sales tax. VAT will catch each step except the final retail sale.

The Reserve Bank's Lombard sees a need for better understanding of the informal sector.

"In the classical sense, the Reserve Bank studies effects of national income on the money supply and balance of payments. But in SA, as in any developing country, we have a duty to extend its focus further than that."

'I don't want your charity, white man'

LAWRENCE MAVUNDLA has a plain and very direct message for business: "I don't want your charity, white man."

He does not say it aggressively or insultingly, but with the lilt of purpose. Mavundla, 30-year-old President of Achib (African Council of Hawkers and Informal Businesses) is not in business to make enemies or score political points, but, quite simply, to do business.

Two themes hammer through everything he says.

The first is that "the private sector does not owe us anything — except the right to make an honest living." The second is that business in SA is completely off target with its community aid and social responsibility programmes.

'Wrong concept'

"There is a wrong concept in most South African and in the American companies and organisations which have budgets for the community. They budget a lot of money for education and housing and charity to organisations that run feeding schemes and all of that.

"My feeling is that they are very wrong by so doing. If they were to give the black people an



LAWRENCE MAVUNDLA (left), president of the African Council of Hawkers and Informal Businesses (Achib), talks to Deputy Editor NEIL JACOBSON

opportunity to make a living for themselves black people would be able to build their own houses, they would be able to send their own children to school.

"So what I am urging the companies to do is to change their approach into pumping more money into organisations like ours, which are for the development of the people," says Mavundla.

His urging has met with some success in a series of meetings with senior businessmen. Mavundla has been trekking from corporate

HQ to corporate HQ asking not for charity but for what he calls an investment — sums of money which Achib then uses as grass-seed capital to set up new hawking businesses.

"So far we have started 900 jobs since January, not counting the jobs created by hawkers themselves in Johannesburg and Soweto ... each hawker employs between one and three people. And there are 9 600 licensed hawkers here, all people the private sector cannot accommodate with the charity approach," says Mavundla.

He believes that much of the social unrest in SA is due to unemployment. "When people are on charity they become beggars. What happens is that they are depending on you, on social responsibility programmes. Depending makes them dissatisfied."

"But if you let people develop themselves in business they become your customers, and you are creating stability in the country."

Harassed

Then, he says "You can take down all the walls and burglar proofing in the houses there in the northern suburbs"

Much of Mavundla's time is taken up with fighting what Achib calls unjust trading laws. "The criminals are resting, and people who want to make an honest living are being harassed by the authorities," he says.

To try and get something done, he is going right to the top.

"I am writing an open letter to the State President asking him to use his powers to stop the regulations which mean harassment of traders," says Mavundla. "The best argument for all political sides is to give people jobs."

...the church's legal advisers, gave police a statement yesterday. He added a tape of the sermon was made available. — Sapa-AP.

Garlicks deal in deep waters

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1/19/88
1/20/88

A SPLIT in the Garlick family and among directors about the worth of Garlicks has resulted in an attempt to put a spoke in the wheel of the Jano consortium's proposed takeover of the chain.

The attempt by three dissenting directors was made in a letter included in the scheme of arrangement document — an unprecedented move considering the document was already in print. The inclusion of the letter has been approved by Standard Merchant Bank and auditors Ernst & Whinney.

The letter signed by DJG Boyes, MPO Boyes and A M Garlick claimed the value of Garlicks was far greater than the offer price of R41,9m based on Jano's offer of 1 330c a share.

Background to the dissenters' move was that if the scheme of arrangement went through the Garlick Family Trust (the beneficiaries of which will be Jack Garlick and Noel Boyce) it will own 42% and Kangra (Graham Beck and Kenneth Geeling) will own 42%.

A separate letter to shareholders signed by chairman John Garlick said the dissenting directors' arguments were "imprecise, do not attempt to give an alternative value for the company's shares nor do they give shareholders any alternative way to realise a higher figure for their shares than the 1 330c

LIZ ROUSE

presently offered".

John Garlick said this makes it difficult to comment on their views, other than in general terms, and gave a few pointers for shareholders to draw their own conclusions before the meeting on September 30.

The dissenting directors held that the balance sheet provided with the offer documents "considerably understates the effective real assets". Also, if the scheme is agreed to, shareholders will be forced to dispose of all their shares to Jano whether they wish to or not.

The dissenters said the valuation undertaken in December 1987 was done for a different purpose and another should have been done — "in the absence of another one, this valuation reveals that the balance-sheet value is understated by some R24m".

John Garlick countered that the valuation of the properties in 1987 (R36,29m according to the offer document) was made on the basis of "vacant occupation". If they could be sold at that figure, the trading business would be severely affected by costs of relocation and high-

● To Page 2

Garlicks deal struggling in deep waters

er rentals. This was an example of double accounting, he said.

The dissenters said no attempt had been made to value some long-term leases "but we understand that they are worth many millions of rand".

John Garlick said this might or might not be so, but it was not of significance. The more favourable the lease, the better the performance of business which operated from the leased premises: "One cannot capitalise the value of the lease and also that of the business, because that would be double accounting."

The dissenters pointed out that the company contributed towards a pension fund which, when last valued in 1985, showed a surplus of R6m. They said the surplus should have increased significantly since that time.

John Garlick said the value of the

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● From Page 1

Garlick Staff Pension Fund was totally irrelevant as the pension fund was not a company asset and was operated solely for the benefit of pension-fund members. Actuarial surpluses belonged to pension-fund members and would be applied to improving benefits and to providing inflation-linked increases to pensions.

He concluded that while he regretted the division between members of his board, he had no hesitation in recommending to shareholders that they vote in favour of the scheme of arrangement proposed by the consortium through Jano Retail Holdings. He was supported by the balance of his board, excluding MD Jack Garlick and Noel Boyce who were not permitted to express an opinion because they were directors of both Garlicks and Jano.

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BUSINESS DAY, Wednesday, September 7 1988

AFTER nearly a century of economic and political suppression, black business needed much more than deregulation and normal market mechanisms to enable it to contribute significantly to SA's economic cake, Shell SA executive chairman John Wilson said yesterday.

He told a SA-German Chamber of Commerce and Industry lunch. "If we want to strengthen black business and then we had better start thinking about massive economic and management resource intervention."

Even if black business was left to market-related economic development, it could take another century before it became a significant contributor to the economy because of resource limitations.

If black economic advancement was seen as the key to the creation of a democratic society "then we are going to have to do much better than shouting about deregulation and wax-

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Black business 'needs massive aid'

DIANNA GAMES

ing eloquently about the economic miracle that an unfettered informal sector could usher in.

Wilson said the abolition of regulations governing minimum wages, health and safety conditions and business hours were likely to cause problems for workers and could, in instances, lead to a drop in living and

working standards.

For many small enterprises, growth and capital accumulation depended on paying employees low wages and denying them the benefits secured by trade unions for workers in the formal business sectors.

To think a business could get away with that for long periods ignored the dynamic of unionisation and was clearly shortsighted.

7/9/88 30

Dissent among Garlick's directors

From LIZ ROUSE

A SPLIT in the Garlick family and among directors about the worth of Garlick's has resulted in an attempt to put a spoke in the wheel of the Jano consortium's proposed takeover of the store chain.

The attempt by three dissenting directors is made in a letter included in the scheme of arrangement document — an unprecedented move when a document is actually in print. The inclusion of the letter has been approved by Standard Merchant Bank and auditors Ernst & Whinney.

The letter signed by DJG Boyes, MPO Boyes and AM Garlick claims that the value of Garlick's is far above the offer price of R41.9m, based on Jano's offer of 1 330c a share.

Background to the dissenters' move is that if the scheme of arrangement goes through the Garlick Family Trust (the beneficiaries of which will be Jack Garlick and Noel Boyce) will own 42% and Kangra (Graham Beck and Kenneth Geeling) will own 42%.

A separate letter to shareholders signed by chairman John Garlick says that the dissenting directors' arguments are "imprecise, do not attempt to give an alternative value for the company's shares nor do they give shareholders any alternative way to realize a higher figure for their shares than the 1 330c presently offered."

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other than in general terms and gives a few pointers for shareholders to draw their own conclusions before the meeting on September 30.

The dissenting directors submit that the balance sheet provided with the offer documents "considerably understates the effective real assets".

Furnfair does well in the public eye

7/9/88 (30) Star

Cape-based Furniture Fair, the biggest independent furniture retailer in the country, has put in a very impressive showing as a publicly listed group.

Its public life commenced on the DCM in August 1986. After the release of very strong results for financial 1987, the group transferred to the furniture and household sector of the main board in September 1987.

Despite an increase in the number of shares in issue during financial 1988, the improvement at the earnings per share level was an excellent 145 percent to 44,8c (18,3c) from which a dividend of 11c (6,3c) was declared. Dividend cover has been increased from just over 3 times in 1987 to just over 4 times.

Its results for the year to end-June 1988 seem certain to sustain the enthusiasm of shareholders who bought the shares for 40c back in 1986. Turnover was up 102 percent to R28,2 million and operating profit surged 227 percent to R4,6 million.

For the current financial year financial director Jeff Hammerschlag is looking to a doubling in turnover, taking it to over R50 million, and a taxed profit of R12 million.

The acquisition of a "cleaned-up" Montays is expected to account for much of the surge in this year's figures. However payment for Montays, which will be effected through the issue of about 10 million shares, means

Diagonal Street

ANN CROTTY



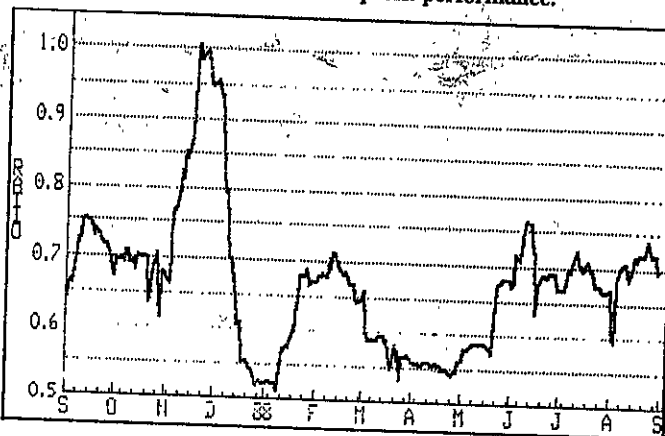
that the improvement in terms of earnings per share will not be as spectacular. But at this early stage it looks as though shareholders can look forward to an earnings figure of over 60c a share, which would be an increase of about 40 percent.

Last January Montays was bought by Furniture Fair's holding company, which is controlled by Jeff, and his brother Ivan, Hammerschlag. They are now selling it on to Furniture Fair for something in the region of R15 million.

It looks like a good buy. Last November Montays was put into judicial management; the Hammerschlag's took it over in January and; for the three months to end-June, Jeff Hammerschlag indicates, Montays had turned in a profit of R1 million.

Management has indicated that it is always on the look out for acquisitions but at this stage there is nothing firm on the cards apart from Montays. The group has almost no debt and so will have no problem funding growth, whether organic or acquisitive.

The recently announced government restrictions are not expected to impact on the group's profit performance.



Frankel Kruger relative chart, Furniture Fair versus Furniture and Household Goods index.

DIANNA GAMES

BLACK capitalism was now possibly more entrenched, dynamic and organized than at any previous point in SA's history, says Wits University's Phillip Frankel.

In an overview of a survey and research commissioned by the SA Foundation on development processes and perceptions among black entrepreneurs and managers in the PWV area, he said government had

25

Survey endorses SA's black capitalism

abolished or amended many statutory instruments and laws keeping black business economically marginal.

The survey was based on 113 structured and 30 semi-structured interviews with black management, entrepreneurs and the PWV's informal sector. Main complaints in a managerial

sample were the ratio of black to white corporate managers, the inability of black management to penetrate white business decision-making centres, tokenism, paternalism in appointments and resistance from white middle management to social-responsibility goals initiated by higher executives.

Frankel said a major source of dis-

illusionment was the reluctance of white business to take a clear political stand against government.

While a departure from black business's role as a potential ally of white capital was germinal and uncertain, there was a growing assertion of racial consciousness and solidarity between black businessmen, he said.

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(25)

Puny spend on SA's black giant

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SMC 10/9/88.

THE black consumer market is massive, say South African marketers.

But advertising expenditure figures show that when it comes to promoting products, the country is back

A chance for Passion

ORGANISERS of the Institute of Marketing Management's Passion for Marketing seminar in Cape Town and Sun City next week have extended the booking deadline for the latter event.

It will be addressed by Dave Fisher, senior vice-president of a US marketing corporation, Leila Green, vice-president of Leo Burnett in America and TWBA Germany's MD Heiner Schroter.

Local input comes from Professor Andy Andrews, dean of Wits Business School, Noel Coburn, joint MD of Caxtons, Volkscas GM Stander Jordaan and Nissan group marketing director Stephanus Loubser.

Bookings via Madeleine Rudram on (011) 880-3030.

CHRIS MOERDYK

where it was a decade ago with 86 percent of all advertising money being ploughed into the white market.

This is despite the fact, says Grey Phillips media director Harry Herber, that published figures show that blacks consume by far the bulk of products such as tea, coffee and rice.

He adds: "If one examines the trend over the past decade, it is clear that while lip-service to the growing affluence of the black market might have reached an all-time high, money is not going where the mouth of the market would appear to dictate it should."

Are local marketers afraid of the black market? And if not, why has this situation not changed?

Mr Herber believes it to be a mix of factors. These could include:

- Ignorance as to how, when and who in this amorphous market buys or uses the product.

- A corresponding lack of information on the market, both qualitatively and, to a degree, quantitatively. What are black desires, thoughts, buying

habits, consumption habits, life-style patterns, motivations and purchase triggers?

- Confusion on how one communicates with a vastly segregated market.

- Affluence of the white market. Though small, this market can be lucratively exploited for a far smaller investment as the marketer is able to relate closely to his target audience.

- The over-reliance on "cross-over" or multi-racial media. TV4 is an often-cited example.

But does one know how advertising through this medium is perceived by the black market?

Does the black consumer see an ad as aimed at him or her, or is it perceived to be aimed at a predominantly white market?

Dion scores with both customers and research

DION Stores launched an ambitious customer service programme in July and by involving customers has ended up with a massive bank of data.

By the end of August



the company had received more than 22 000 forms from customers rating the service they received on a scale of one (bad) to six (good).

Customers were also asked to name Dion employees who had provided exceptional service.

Product quality

A Dion Stores spokesman told Saturday Star that 58,8 percent of replies gave the store top marks for service, 27 percent awarded a score of five and 8,9 percent a score of four. The rest scored Dion service at three or lower.

Further analysis will determine if the small percentage of low scores was related to shoddy service by sales staff or to poor product quality.

Staff nominated by customers for exceptional service will receive lapel badges. This, according to management, will trigger another improvement in service as no staff member would want to be the only one without an exceptional service badge.

The programme, with its massive research sample, should provide an interesting insight into consumer perceptions.

MIXED-UP MARKET: Is this the advertiser's perception of South Africa's vast black market? A mixture of tradition and modern trappings? Altogether a mysterious, amorphous mass? And the reason advertising expenditure is still heavily targeted at white consumers? The main Media & Marketing story today examines the possible reasons for this aberration in consumer marketing.

MEDIA

AT LAST South Africa has its own humour magazine. *Laughing Stock* was launched this week by Greg Psillos' Enosi Publishing and is described as a mixture of Private Eye, Punch, National Lampoon and Mad Magazine. Edited by Gus Silber and Arthur Goldstuck, *Laughing Stock* seems to have something for every sense of humour. The magazine pokes fun at the South Africa socio-political institution and

Briefs

does so without arrogance, even to the point of laughing at itself with an editorial that reads: "For a long time now there has been a gap in the market for an intelligent, sophisticated, adult humour magazine. As soon as one comes along we'll let you know..." With most other consumer magazines steering clear of humour and particularly satire, this one should do well if it can persuade South Africans that laughter is not unpatriotic nor illegal.

Car sales are still climbing

30 8/dm 12/9/88

CAR sales continued to climb in August, improving by 9,5% mainly as a result of corporate and fleet rental buying ahead of a wave of price increases resulting from import surcharges.

But, Naamsa said, sales were down on the July figure of 17,9%.

It said the total number of passenger cars sold in August was 22 112, against 20 018 in July, setting a new monthly high since the market's crash during the middle of 1984.

Apart from light delivery vehicle (LDVs) sales which fell by 10%, medium commercial vehicle sales rose by 8,8% to 546 (483 in July) and heavy commercial vehicle sales rose by 8,3% to 937 (783). There was an overall improvement in the market to 32 860 (31 504 last month and 26 633 last August) of vehicles sold.

The car-market performance in the year to date has outstripped the industry's expectations. But the industry has toned down its expectation of the total car market for the year to 225 000 from 230 000 after the financial package of increased interest rates, the 3% increase on complete knock-down kits (CKDs) and the continued weak rand. This year's figures should, however, outstrip the total sold last year.

Industry sources said a duller quarter was expected after the 154 317 cars sold by the end of August - with the first signs of the downturn in September.

Car price increases will follow in the

HELOISE HENNING

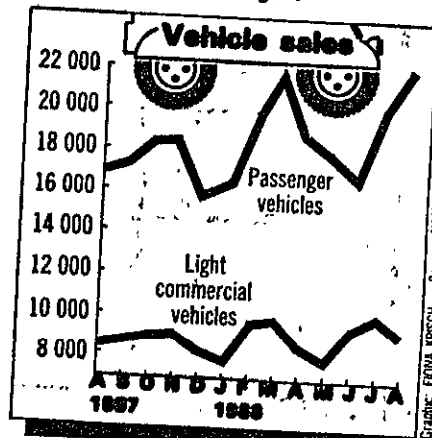
next six weeks. Volkswagen will be adjusting its price by 1,5% on September 15, while Toyota expects a rise but says it will not be a double digit figure. BMW and Nissan have already announced their increases.

VW's Ronnie Kruger said although production was still at full capacity, the pent-up demand for cars was slowing.

Toyota's Henk Maree said Toyota was unable to meet the high demand for light commercial vehicles because of the restraints on imports from Japan.

Naamsa said a modest slowdown in the momentum of new car and light commercial vehicle sales during 1989 was expected.

● See Page 4



Source: NAAMSA

More sports coverage in Business Day

BUSINESS DAY has been reorganised to make more efficient use of space. This gives us an extra sports page. Henceforth crosswords and Peanuts will appear on Page 2.

Other features such as radio and television programmes and airline schedules are carried on the new inside sports page.

● See Pages 2 and 12

ST. LOUIS - FORMER vice-president of divided in SA Alwyn Schlebusch has been

BIG corporates have been urged to throw their lot behind small business for the sake of black economic empowerment in South Africa.

Speakers at the first birthday party of Black Enterprise magazine in Johannesburg yesterday said small business, which comprised mainly of blacks, needed boosting to create jobs for their people.

Leading the discussion at the colourful occasion, the chairman of the National Stokvels Association, Mr Khehla Lukhele, said blacks have been harangued by

'Back small business'

many political ideologies, harrassed by legislative restrictions and interference.

He said: "I believe it is justified for black to embrace anything that promises to alleviate their misery and hardship while in the process increasing self-sufficiency."

Untapped

Mr Lukhele said there was an untapped wealth in the black community which needed to be meaningfully expressed

in the townships.

His association, which has close links with the magazine, was aimed at mobilising capital estimated at R200 000 000 that was changing hands each month in black communities.

"One should not be oblivious of the fact that stokvels are the peoples' adaption of the indig-enous and dynamic economic system which is far more humane and

superior to both capitalism and communism.

"We have a chance to blend the two to provide every citizen in this country with the opportunity to participate fully in decisions affecting their lives or we can create a totally new

alternative," he added.

Stokvels were doing what all financial institutions have failed to do in many years, despite the fact that they had considerable financial resources and infra-structures.

"We would welcome and look forward to constructive interaction with established financial institutions and other interested businesses," he said.

By JOSHUA RABOROKO

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12/9/88

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Edgars reflects market buoyancy

With sales exceeding R1 billion and the bottom line above R100 million for the first time, Edgars is riding the crest of the wave. Chief executive Mr Viv Hammond has proved the group can gain apparel market share and improve gross margins. Productivity has improved each year.

In 1983, there were 11 236 employees. Now, five years later, this has grown to only 11 437, but sales have more than doubled. The convertible debentures are less than a year away from conversion, but interest saved will not affect earnings as more shares will be in issue. Virtually all 1988 earnings went to acquire management systems and technology and to pay dividends. Only two unanswered questions marred the outstanding numbers — why and which foreign subsidiaries escaped consolidation and the unrealised and deferred forex losses written off?

The upward pressure on interest rates and the degree to which inflation in the clothing and footwear sectors is exceeding the national consumer price index worries Mr Hammond. Import restrictions will increase selling prices unless lo-

cally produced material products are supported.

This may save the country foreign exchange, but fashion standards could decline as overseas quality is still superior.

Sales totalled R1,18 billion (1987: R929,7 million), with operating profit R130,8 million (1987: R90,2 million). Net interest expense was virtually unchanged at R13,1 million (1987: R12,5 million), while lease expenses, finance leases and depreciation of fixed assets increased marginally to R32,7 million (1987: R85 million).

Pre-tax profits were R117,7 million (1987: R77,7 million). With a high effective tax rate of 49,6 percent (1987: 49,5 percent), tax was a high R58,4 million (1987: R38,5 million). After equity-accounted earnings R1,7 million (1987: R1,6 million), ordinary shareholder earnings were R61 million (1987: R40,8 million).

Earnings per share were 141,7c (1987 84,7c) and the annual dividend 53,5c (1987: 40c). There was no comment that interest expense included R2,43 million (1987: R2,42 million) — "amortisation of unreal-



Bottom Line
MICHAEL MENOF

ised foreign exchange loss" — and the R3,63 million "deferred foreign exchange loss written off on premature loan settlements occasioned by the debt standstill".

The R3,63 million had a deferred tax R1,81 million credit and a prior-year tax credit from 1984 of R1,9 million deducted to neutralise the write off.

Chairman Mr Meyer Kahn says the re-establishment of confidence has led to a strong pattern of spending in all sectors of the retail trade. He sees the demand for credit growing. With apparel inflation at 20 percent, real growth in clothing, footwear, household textiles and accessories was only three percent. To improve technology information systems, management spent R40 million during the year. This will continue in 1988/89.

In Edgars best year in its his-

tory, space grew by two percent, with only 17 new stores opened, including the 10 experimental express chain. Sales grew seven percent in real terms and market share by 0,7 percent, which now stands at 14,5 percent. All four divisions prospered.

Flagship Edgars chain increased sales to R787 million (1987: R614 million) and contributed R96 million to pre-tax profits. Sales House had R189 million (1987: R145 million) sales and contributed 19 percent of pre-tax profits — "a far cry from the losses of just two years ago", says Mr Hammond.

Jet Stores sales were R201 million (1987: R174 million). It lost market share, but still produced a profit up 21 percent up on 1987. Black supervisory management is making strides, with 440 blacks in supervisory and junior management positions — 30 percent of the total number of employees in these job categories.

Management has claimed Companies Act exemption from disclosing information on certain subsidiaries and has not consolidated them. These are unnamed but are possibly in

Botswana, Lesotho, SWA and Swaziland. The investment in the subsidiaries not consolidated is only R4,25 million.

Ordinary shareholders' funds grew to R214,8 million (1987: R176,4 million) at end-March 1988. Total debt of R88,5 million (1987: R97,2 million) includes R50,4 million of convertible debentures. Conversion to ordinary shares will take place once ordinary dividends reach 65c, or any time after July 1989. Fixed assets of R91,1 million (1987: R48,2 million) include plant, furniture, equipment and vehicles with a replacement value of R150 million — three times book value. Working capital has declined to R207,3 million (1987: R222,3 million).

All significant ratios improved, especially operating profit now 11,1 percent (1987: 9,7 percent) of sales. The JSE market price of R15 is three times the R4,99 net asset value per share.

Edgars is proving a sound investment for SA Breweries which holds 60,6 percent. Chairman Meyer Kahn predicts that if consumer confidence remains at its current high level, Edgars can again expect a further real improvement in earnings.

Coming out in the open on planning

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SM
12/9/88

Vigorous building activity in Johannesburg's central business district (CBD) hides a nagging lack of confidence in the long-term future. Confidence requires public demonstration of positive feelings by a much wider range of interests.

Large property developers and the city council have ostensibly taken the lead.

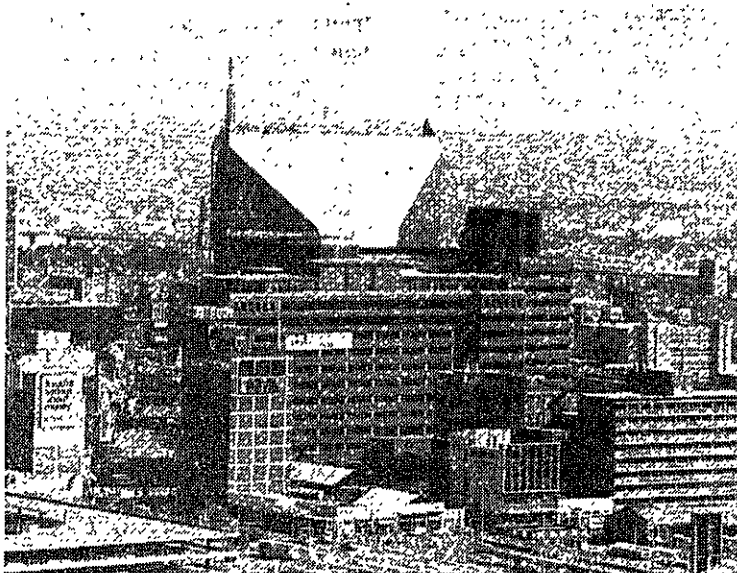
A recent report on a possible future for the CBD, drawn up by planners commissioned by the council, outlined the very large property developments in the pipeline and reciprocal commitments that would be needed from the council if these were to be successful.

Such mega-projects require major zoning concessions, closing of certain streets, re-routing of services and traffic management measures.

The council demonstrated its true confidence by refusing to publish the report. It muttered about publication giving rise to claims for damages from adversely affected property owners as well as negative property speculation. The argument is a smokescreen.

Legally, since the report is only conceptual, claims for damages could not be sustained. Morally, the argument is farcical. It suggests that small interests, peripheral to the major developments, should be left out in the cold to suffer while only principal developers — those with privileged information — can cash in.

Yet are the large developers blameless?



The way ahead . . . is there room for small businesses in Johannesburg's CBD development?

Despite development currently in progress, the long-term future of Johannesburg's CBD is still cause for much speculation, writes **CONRAD BERGE** of Jomag.

What stops the Sage group, for example, from publishing its proposals to redevelop Eloff Street? What are Old Mutual's plans for its vast turf north of the city hall? What is Anglo cooking up in Newtown and what is Sats intending with its many hectares?

Even First National Bank, after giving the public a brief glimpse of its "Bank City" project, has retreated behind closed doors.

Also, what confidence are these developers showing in small black enterprise? Anglo's Clem Suter says that big and small business are complementary. This implies that big developers should be trying to provide secure footholds for small black businesses to offset the decades of forced exclusion from the city. Yet Anglo seems to have earmarked Newtown's old power station site, a unique opportunity area for small business, for itself.

In preparation for high grade development there, blacks are being cleared from under foot by moving their transport terminus.

The planning professions have a key role in creating confidence. Yet how often do we hear architects, engineers and town planners protesting about their reports being muzzled? Instead, their professional institutions have supplied nominees to serve on an advisory committee in secret on CBD planning.

White residents of Johannesburg have created responsible and well informed umbrella groups that stand poised to become involved.

It is a tragedy that black residents are apparently so politicised and dedicated to non-negotiation that they cannot join these umbrella groups and refuse even to represent themselves in planning for the CBD.

The fact that Johannesburg CBD remains Soweto's real heart, and that blacks occupy it in such numbers, must suffice as evidence of their confidence.

10 myths about small business

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Smooten 13/9/88

business

MOST people have their own perceptions of what small business is all about — these perceptions are not necessarily correct.

You must have substantial capital to start a business — As far as small business is concerned this is definitely wrong. In fact, the more successful small businesses are based on the skills of the owner rather than the amount of money he or she has available to start. If a person feels, "if only I had money to start I would", then in most cases they are on the wrong track.

Banks don't lend to small business — Commercial banks are falling over themselves to lend to small businesses. However, they are not in the business of giving money away. If an entrepreneur has done his homework and can produce a business plan that shows the viability of his venture he will get a loan. In addition to the commercial banks there are other organisations such as Get Ahead, the

THIS week Mel Brooks, a senior consultant at Wits University's Centre for Developing Business, examines some of the misconceptions that people have about small businesses.

Colgate Trust and the Northern Ventures Trust that will loan money to aspirant business owners. However, they are not charities and while they might not insist on things such as collateral they will insist on a professional approach by the entrepreneur.

Luck

Success is a matter of luck — Luck has very little to do with succeeding in business. If you think it does then stick to betting on the horse races.

Successful business owners continuously plan, control and adapt. If they do take risks then they are calculated risks and everything possible is done to reduce that risk. Entrepreneurs are not gamblers.

Do not expect to make a profit in the first year — If you do not show a profit in the first month you're in trouble. To run a business at a loss in order to establish it and penetrate markets is for big businesses with lots of capital.

Fail

50 percent of small business fail in the first two years of existence — Rubbish. A misrepresentation or misunderstanding of the statistics by many. The reality is that the statistics show that of all business that failed in a given period 50 percent were less than two years old.

Running a small business is more stressful than working for a large corporation — Not if you are a true entrepreneur who believes that he, and not outside factors, is responsible for his destiny. Individuals that are prone to stress in a small business environment will also be stressed in a large corporation.

Entrepreneurs go into

business for the money they will make and what they can buy with it — Most entrepreneurs are not in business mainly for the money they will make. The main motivating factors are the desire for independence, the ability to control their own destinies and to utilise their talents more effectively than they can as employees.

Power

Entrepreneurs are in search of power — The need for achievement and the desire to show direct results from their efforts is a greater driving force than the quest for power.

Small and homebased

businesses' products are inferior — One only has to see the crowds of people at flea markets, roadside stands, mobile fast-food vendors to know that this is not true.

This statement is particularly not true of small businesses owned by craftsmen who have started up on their own.

Senior managers from the corporate environment always make good entrepreneurs — Firstly, good entrepreneurs normally leave the corporate world before they become senior executives. Secondly senior people in big companies are used to so many support systems that when they leave they often flounder when faced with doing everything from making the tea to negotiating big contracts.

Programme needs 'barefoot workers'

Staff Reporter
CALLING all "barefoot workers" ...

A novel pilot programme aimed at boosting Khayelitsha's burgeoning informal business sector is being launched this month by the University of the Western Cape — and about 15 to 20 residents of the township are needed to take part.

Entitled the Barefoot Workers' Project, the private sector-funded programme kicks off with a two-week course aimed at providing roving business consultants with enough skills and knowledge to advise businessmen and women or would-be entrepreneurs on economic matters.

The course, which begins on September 20, is open to anyone who has been involved in Khayelitsha's informal sector.

According to Mr Nicky Morgan of UWC's depart-

ment of economic and management sciences, those selected to take part will be paid during the course as well as for their counselling services afterwards.

"We're hoping to attract backyard mechanics, people involved in sewing projects, vendors and so on.

"The only criteria are that they must live in Khayelitsha, have been involved in informal business, be able to speak English and preferably have a standard eight pass."

A visiting American academic, Professor Jerry Wade of the University of Missouri, will be among those involved in giving the course.

Mr Morgan said similar programmes were being planned for other Peninsula townships in the future.

Anyone interested in applying should contact Mr Morgan at ☎ 959 2600 or Mrs Krieling at ☎ 959 2108.

ARK 13/9/88

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'Use massive deregulation as tool'

Remove race barriers, says FCI newsletter

SA COULD rid itself of "racial socialism" by abandoning restrictions on property rights and removing the racial barriers to market entry, says the FCI in its latest newsletter Industrially Yours.

The bottom line in making capitalism the most efficient anti-apartheid tool is "massive deregulation" to eliminate racial barriers to market entry and remove a plethora of laws that discourage free-market economic activity, says the article, entitled Notes on Inward Industrialisation.

"While one is well aware of the serious damage inflicted on our economy by government's constitutional policies over the last four decades, it is surely naive to sit around and wait for a democratic Republic to descend upon us from the heavens one fine day."

Once racial barriers to entry to the market were removed, it could lead to increased economic activity from fuller participation by unemployed and under-employed South Africans.

FCI quotes estimates that 4-million

HELOISE HENNING

employable people are currently without formal job opportunities.

"If these people could productively earn as little as R100 per week, the implication would be a new formal purchasing power in excess of R20bn per annum."

Spending patterns show that lower income groups would spend this money on basic goods and services, such as housing requirements, foodstuffs, clothing, beverages, furniture, white goods and transport.

Most of the industrial sectors producing those goods and services are firmly established domestically with low import propensity, FCI says.

It will result in economic growth without a balance of payments constraint and give a boost to the aggregate gross domestic product (GDP) equal to the contribution made by the mining industry.

Deregulation is the key to inward industrialisation and has produced dazzling results in the US and Far East.

CAP 7045 13/9/88

Union Wine ³⁰ doubles profits

Financial Editor

UNION WINE, which returned to profitability in 1986 and more than doubled profits in 1987, has resumed paying dividends after a lapse of seven years.

A final dividend of 5c a share has been declared — the first since a payout of 9c in December 1981.

The company lifted net profit for the year to June to R2,1m (R1,9m). Earnings at share level rose to 16,2c (15c).

Operating profit rose to R7,5m (R7,1m). The interest bill rose to R4,5m (R4,3m), but the tax bill fell to R1 000 (R2 000) leaving after-tax income of R2,9m (R2,7m).

Turnover was not disclosed but the directors said it had risen by 17,26% compared with a rise of 10,75% the previous year.

They said the wholesale division continued its constant improvement of its operating results and new products would further contribute to profits in the current financial year.

Drastic action had been taken in the retail division to eliminate loss-making units and acquire minority interests in existing stores and other profitable stores.

This would cause "a dramatic R1m turnaround in the retail division".

It had been decided to pay a dividend this year "in view of the improved results and future prospects".

Penpin, Penboard to raise R6-m

By Sven Forssman
Pennypinchers, the Cape-based materials chain, and its subsidiary Pennypinchers Boards are to raise more than R6 million through rights offers to fund the group's expansion phase.

Group financial director Percy Bishop said Penpin would enlarge its capital base with a rights offer of 3 541 970 new ordinary shares at 170c a share.

The rights offer would be on the basis of 25 new shares for every 100 shares held and is being underwritten by PG Bison.

In a simultaneous move, Penboard also plans a right offer of 2 024 460 new ordinary

shares at 115c to raise R2,3 million.

Penpin's controlling shareholders have agreed that PG Bison, in which Plate Glass, Afcol and Mondi have over a 90 percent interest, would acquire not less than 25,1 percent of the new issued share capital.

Mr Bishop said the additional capital would have a favourable impact on the balance sheet, but the income statement would not be affected in the current financial year.

"It represents an increase for Penpin of 80 percent of its shareholders' interest to R13,5 million, giving it the cash resources to fund expansions."

Retco shows 102% earnings growth

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JOHANNESBURG. — The highest after-tax profit in 20 years and a total dividend up 86% are reflected in Retco's results for the year to end-June.

In spite of an increase in issued shares, earnings were up 102% at 18,28c (9,05c).

A final dividend of 4c brings the total to 6,50c compared with the previous year's 3,5c.

At R8,043m, net profit after tax is the highest since the company's formation in 1968.

After-tax income totalled R4,719m, while the share of associated companies earnings contributed R3,839m, less outside shareholders' interest of R515 000.

Key contributions to earnings came from:

- The 23% stake in Frasers which reported revised audited attributable profits up 60% on 1987.

- Attributable earnings a share of 9,78c and a maiden dividend 3,25c, as announced on Tuesday by Premier Consolidated.

- Interest from the holding in Retprop debentures.

In line with the strategy of moving away from fixed property to become an industrial holding company, the Salmon Grove building has been sold for cash, with the surplus of R526 000 from the sale transferred to non-distributable reserves.

Looking ahead chairman Cedric Walton and MD David Chapman note that Retco's interest in Retprop debentures is to be realized to provide funds for re-investment in terms of the group's new strategy.

They also note that Fraser's investment is expected to yield further growth since the completion of the Frasers-Metro-Jazz and Rusfurn rationalization.

Premcom is also expected to show improved earnings in the year to June 1989. — Sapa

Still waiting

MR Paul Karl Kaczmarek, owner of the Ingelienhuro Für Erz und Handel, a controversial recruitment company, is understood to be in Los Angeles where he is reported to be on "holiday."

A spokesman for the Attorney-General of the Witwatersrand said this week that Mr Kaczmarek left for Los Angeles early last month after informing the police, who were investigating the activities of his company, that

he needed a short break. According to the spokesman, Mr Kaczmarek is due back in the country later this month.

Mr Kaczmarek's former landlord, Mr Thomas Schubsensky, has however given *Consumer Corner* a different version of his former tenant's departure. Mr Schubsensky said last week that Mr Kaczmarek had told him he was moving to a black of flats in Hillbrow.

Mr Schubsensky said

Mr Kaczmarek took all his belongings when he left.

A sign post bearing the company's name, which was displayed at the entrance of the Zauberkom property, has also been removed.

At the time of going to Press, the Department of Home Affairs did not have a record of Mr Kaczmarek leaving the country.

Mr Kaczmarek's return to the country will be eagerly awaited by scores of unemployed people who had each sent postal orders or cheques for R58 for overseas jobs the company advertised in local newspapers ago.

Mr Kaczmarek, who gave his name as Mr Paul Carl in his correspondence with the respondent, claimed to have vacan-

cies in the Middle East, among others, electricians, welders, drivers and carpenters.

In a letter to one of the applicants, a Mr J Hamid, who was said to be the company's assistant personnel manager, said Ingelienhuro employed about 13500 workers all over

the world.

Mr Kaczmarek had promised to interview successful applicants within eight weeks after receiving the money. More than 16 weeks have passed, but there is no evidence that such



Consumer Corner
By SY MAKARANGE

Moving images

A NEW concept in black consumer advertising, which would mean a major breakthrough to companies intent on reaching the mass black urban market in South Africa, was launched in Sandton on Tuesday.

Manufacturers will now be able to advertise their products on the exteriors of black taxis as a result of the recently signed contract between the Southern Africa Black Taxi Association (Sabta), and a newly-formed company.

The agreement gives Cab-Ads exclusive rights to the marketing of advertising space on some 45000 Sabta-member taxis.

Mr James Ngeoya, Sabta's president said, "Sales of advertising space will strengthen Sabta's membership base and ultimately benefit the black community, as portions of revenue will be paid to the taxi driver as well as various townships charity funds."

"The concept of taxi

advertising arose out of a need in the marketplace for an effective medium to reach the township. For burgeoning black member manufacturers and retailers attempting to address the burgeoning black market, communication has been the major hurdle," Mr Newland added.

"The taxi industry, accepted as being the single largest sector of black business in the country, accounts for 800-million litres of fuel, 3.6-million litres of oil and 1-million oil filters annually," said Mr James Chapman, Sabta's national advisor.

Mini-buses transport 17 percent of South Africa's work force, rapidly gaining ground from buses, whose usage has declined from 34 percent in 1987, to 29 percent in 1988, according to a recent survey.

Rise from obscurity

LESSER known music acts have an opportunity to host through the Umkhonto-Gallo/Greater Soweto Talent Competition scheduled for the National Recreation and Educational Centre in Crown Mines from October 29.

The contest is open to pop, rock, fusion, jazz and soul bands, who are struggling to get their material waxed because of lack of funds to book or hire well-equipped studios.

On October 29 five finalists will be chosen to take part in the second stage of the contest the following week. These will then compete individually until Friday, November 4, the day the overall winners would be announced.

Sponsors of the contest are Umkhonto Records. Their Artist and Repertoire manager Dan Shlangu said local talent needed to be developed to international standards to contribute meaningfully to the local music industry.

"That is our duty," he added.

The winning group will receive R5 000 in cash and be awarded a three-year recording contract with Umkhonto Records. A two-year recording contract plus R2 000 will go to the first runner-up. The third, fourth and fifth prizes are R1 000 each.

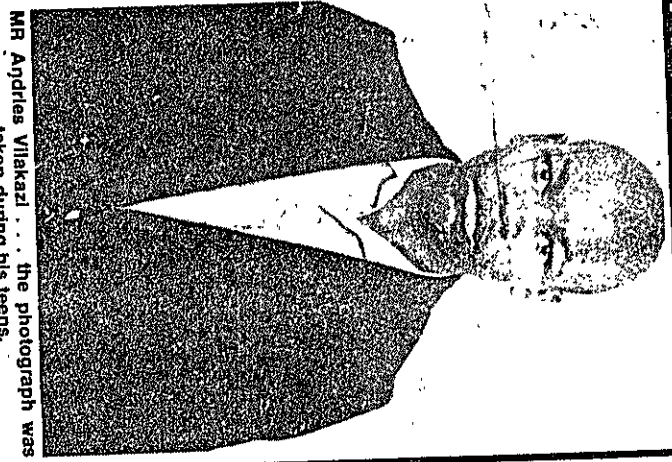
Pro of the Greater Soweto Show, Aaron Ngema said those who were interested should telephone him for more details at (011) 835-2221 or send two song-demo tapes to Dan Shlangu, PO Box 6216, Johannesburg, 2000.

They should also deliver the demos personally at the Gallo-GRC building, fourth floor, Kerk and Nugget Streets, Johannesburg.

COMMUNITY NEWS

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Music . . . Music
Mithethwa, Peter Matin-ga and the Groovy Guys will mine their popular hits at the Club La Freak at the Millarney Christian in Aterdenerville tonight



MR Andries Vlakazi . . . the photograph was taken during his teens.

FOUNDER-MEMBER of the Tsakane Jazz Revival Club Mr Andries "Car Anderson" Vlakazi (in picture), who died after a short illness on Monday, will be buried at the Tsakane Cemetery tomorrow at 3pm.

The service will be held at 1948 Bomvana Street, Tsakane township, tomorrow from 10am to 2.30pm.

Mr Vlakazi (41) was a member of the Tsakane Jazz Revival Club since its inception in 1985. He is survived by his wife, Zodwa, and a six-year-old daughter, Nomvula.

PRO of the jazz club, Mr Dan "Joe Mraz" Maseko, said this week that Mr Vlakazi would be missed badly

20

Big backing to help Small Business Week message

THE SBDC's National Small Business Week calendar, from October 31 to November 6, has about 70 events to highlight importance of the informal sector.

Major objectives are to:

- Promote the important role of the small business sector;
- Create a more favourable climate for small business through deregulation;
- Promote entrepreneurship as a career among scholars; and
- Encourage small businessmen to improve method and management systems.

Organisations and companies contributing in this venture include: the Rotary Club (Springs),

THEO RAWANA

P&T, SABC, Potchefstroom Small Business Advisory Bureau, Ster Kinekor, Johannesburg Afrikaanse Sakekamer, Get Ahead, Urban Foundation, Durban Chamber of Commerce and Capital Radio, Natal Chamber of Industries, Maritzburg Chamber of Commerce, Daily News, Kwa-Zulu Training Trust, Bethlehem Municipality, OFS Unit for Small Business Development and Die Volksblad.

SBDC MD Ben Vosloo said starting a small business needed to be encouraged as a career among the young.

Assocom moots unity in face of sanctions

Own Correspondent 8/10/88

THE whole of southern Africa would be affected by sanctions, others more so than SA, and Assocom saw a need to forge links with other groups of businessmen throughout the region, Assocom president Alec Rogoff said told the Tygerberg Chamber of Commerce and Industrial Association last night.

Rogoff told the Tygerberg Chamber of Commerce and Industrial Association this move should not be seen as a means of making other countries more dependent on SA — but to assist them to function more effectively.

He saw a major task in mobilising and harnessing segments of US opinion to neutralise the disinvestment campaign there.

But he warned that the sanctions campaign had trade overtones and SA just happened to present a convenient political excuse to curb trade.

Trade was changing as the world economy slowed and world business was increasingly faced with barriers to trade freely.

Welcoming government's moves to privatise parts of Sats and the Post Office, he cautioned that business had to take a harder look at its own bureaucracies.

The question of growth of the public sector's involvement in the economy also had to be faced. By 1985/86 this had grown to a massive 38% of GDP.

A different drum sounds a new march in Pretoria

Conference catchphrase is economic empowerment

SOMETHING politically strange happened in Pretoria last weekend. The Conservative Party held its Transvaal congress. While the National Party held its youth congress. And somewhere in the centre of the city, the Association of Black Accountants of Southern Africa (Abasa) held its annual convention.

The three bodies had one thing in common. Politics. But Abasa was looking at politics via economic strength.

Scores of local blacks were joined by their brethren from Lesotho, Swaziland, Zimbabwe, Malawi and the United States, to debate and examine probably one of the hottest political questions within black South Africa in the 80s - economic empowerment.

And it does not need a genius to know what aspect of the political question the CP and Nat Party congresses were discussing.

CLARENCE BUTCH

But it was the Abasa convention which gave a snapshot view of what troubles South Africa. It was no wonder journalist-economist Eugene Nyathi clashed with black American Clarence Butch on the question of sanctions.

Butch from the United States National Association of Black Accountants had suggested in his address that sanctions cannot work to bring about the necessary change in South Africa.

The fire-eating Nyathi could not take it. Outgoing Abasa president Jeffrey van Roooyen, shot from his chair to protect Butch and chide Nyathi for being personal.

That incident was eloquent testimony of how deep the question of sanctions has cut into the soul of black South Africa. It must have been an education for the sprinkling of white guests in the convention.

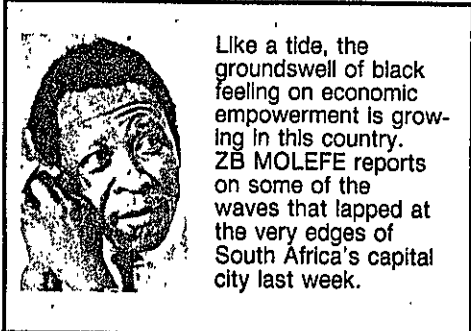
EMOTION-CHARGED

But it was in this emotion-charged atmosphere that an elderly Afrikaner academic came, saw and conquered. Political economist Sample Terreblanche, with a mischievous twinkle in his eyes, mapped out the rocky and bumpy road that lay before black economic empowerment.

Ours is a Catch-22 situation, said the Stellenbosch University academic.

"Only a transitional government can transform South Africa into a true democracy," said Dr Terreblanche.

After this condition had been met it would then that something like a Marshall



Like a tide, the groundswell of black feeling on economic empowerment is growing in this country. ZB MOLEFE reports on some of the waves that lapped at the very edges of South Africa's capital city last week.

Plan could be put into operation - pumping billions of rands in aid into the economy - which would lead to a truly black economic empowerment.

At the end of his presentation Dr Terreblanche received a standing ovation. The man's honesty and bluntness won the day. This was very obvious during tea break and later at a braai when the delegates relaxed after the convention's hard sessions.

Abasa executive director Mashudu Ramano, had put his finger on the pulse of the problem. Whereas blacks comprise 75% of the total population of South Africa they only share 20% of the country's wealth, Ramano said.

SUB-HUMAN

"Vast numbers of blacks in South Africa live in filth, squalor and sub-human conditions in shacks and cardboard shelters just a stone's throw away from affluence, and luxury enjoyed by 20% of the population," Ramano said, drawing this bleak picture.

Maybe it was a story repeated over and over for the accountants who packed the conference hall. But the way Ramano touched the heart strings made the difference.

Ramano then urged his audience: "This convention must explore and seek to answer these crucial questions if it is going to be meaningful and worthwhile. Black economic empowerment is a strategic imperative."

As if lashing out with a whip, unionist Piroshaw Camay was uncompromising. Particularly on the black accountants.

"Willy nilly accountants amongst the oppressed and exploited have become their masters' voices," Camay charged.

He had this advice for black accountants: "You need to start rediscovering those principles of communalism and consensus decision making and engaging that style as a new management style."

University of the Transkei principal Wiseman Nkuhlu was in a class on his own in his talk on the role of international institutions in the realisation of black economic empowerment dream in South Africa.

Professor Nkuhlu did not waste time in nailing his colours to the mast. He is a great believer in self-reliance "since the 60s when I was studying matric and I became aware of the (economic) position of blacks", he said.

"I fight and struggle for success. Against all odds. If any man puts hurdles in my way, I will fight," said Professor Nkuhlu.

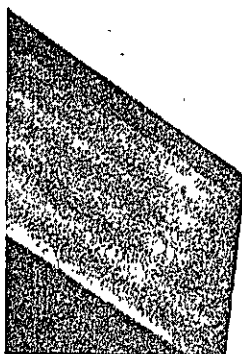
Professor Nkuhlu's message was straightforward. Black South Africa had to aim at entering the technological age. There was undisputable scientific evidence, he pointed out, which showed that successful countries worldwide had a grip on technology.

"I do not mean this in a peronical sense that people must go to technicians is fashionable," warned Professor Nkuhlu, who said recent studies in Zimbabwe had shown that African nations are waking up to the fact that technological excellence is a priority in economic empowerment.

INTERVENTIONISM

Another speaker who had the convention listening hard to what he said was Cape educationist Franklin Sonn. His argument for black economic empower-

Vast numbers of blacks in South Africa live in filth and squalor just a stone's throw away from affluence, and luxury enjoyed by 20% of the population.



Breathing fire ... Eugene Nyathi added his heated feelings to the

ment, basically, rested on blacks looking at interventionism.

This strategy, argued Sonn, would help a number of black organisation to network strongly with their counterparts countrywide.

For three days the Abasa convention had listened to an array of leading speakers in their fields. These included African Bank chief executive officer Gaby Mago-mola, Swaziland Finance Minister Sibusiso Dlamini and Association of Chambers of Commerce executive Raymond Parsons.

But the convention was also an emotional homecoming for Edwin Jenkins, National Association of Black Accountants student affairs director, when he said: "I'm the first in my family to return home (to Africa)."

His colleague, the association's executive director Linda Gaston, had a message for black South Africa as it grapples with economic empowerment: "Black Americans want you to avoid to make the mistakes we did."

"We want you to take five years to achieve what took us ten years to achieve."

And this dedication, Ms Gaston reminded her audience, came hours before the United States last Sunday, remembered Martin Luther King's great march in Washington, 25 years ago, when he made his "I have a dream" speech.

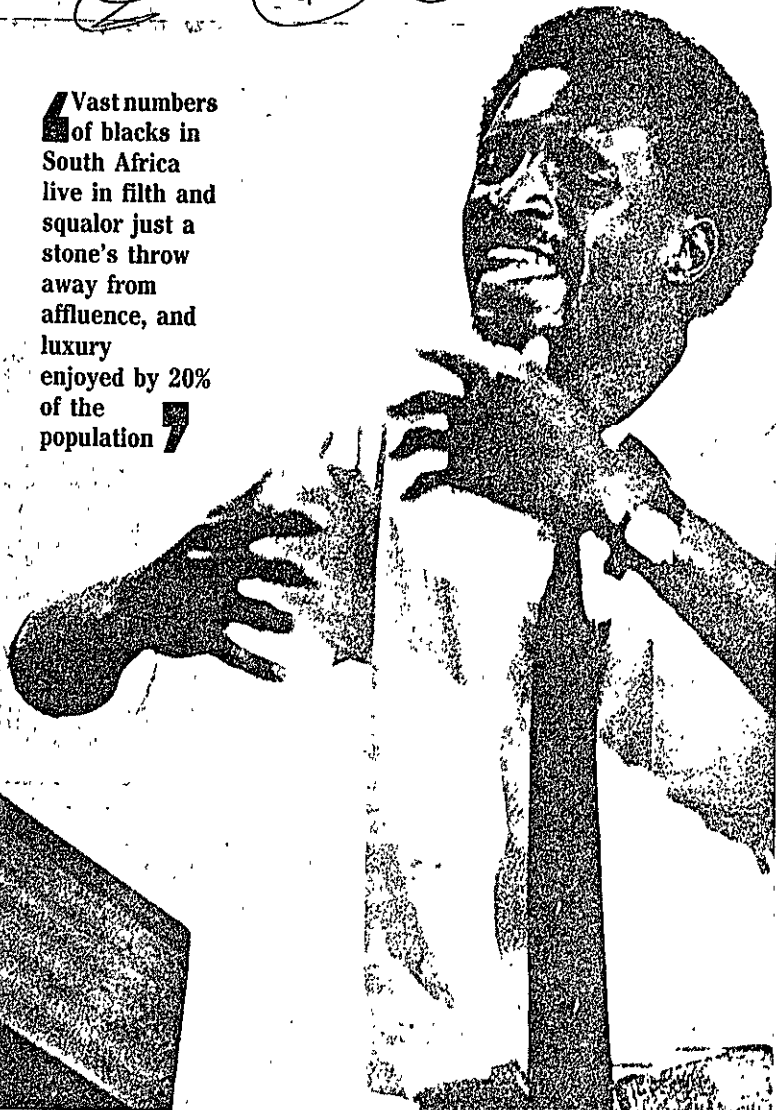
A few kilometres away the Conservative Party and the National Party junior congress were also mapping out their destiny.

Something politically strange had happened to Pretoria ...

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catchphrase
ic empowerment

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Breathing fire ... Eugene Nyathi added his heated feelings to the conference.



Like a tide, the
groundswell of black
feeling on economic
empowerment is grow-
ing in this country. ZB MOLEFE reports
on some of the
waves that lapped at
the very edges of
South Africa's capital
city last week.

Plan could be put into operation - pump-
ing billions of rands in aid into the econo-
my - which would lead to a truly black
economic empowerment.

At the end of his presentation Dr Ter-
reblanche received a standing ovation. The
man's honesty and bluntness won the
day. This was very obvious during tea
break and later at a braaivleis when the
delegates relaxed after the convention's
hard sessions.

Abasa executive director Mashudu
Ramano, had put his finger on the pulse of
the problem. Whereas blacks comprise
75% of the total population of South Africa
they only share 20% of the country's
wealth, Ramano said.

SUB-HUMAN

"Vast numbers of blacks in South
Africa live in filth, squalor and sub-human
conditions in shacks and cardboard shel-
ters just a stone's throw away from afflu-
ence, and luxury enjoyed by 20% of the
population," Ramano said, drawing this
bleak picture.

Maybe it was a story repeated over
and over for the accountants who packed
the conference hall. But the way Ra-
mano touched the heart strings made the
difference.

Ramano then urged his audience:
"This convention must explore and seek to
answer these crucial questions if it is go-
ing to be meaningful and worthwhile.
Black economic empowerment is a strate-
gic imperative."

As if lashing out with a whip, unionist
Proshuw Camay was uncompromising.
Particularly on the black accountants.

"Willy nilly accountants amongst the
oppressed and exploited have become their
masters' voices," Camay charged.

He had this advice for black account-
ants: "You need to start rediscovering
those principles of communalism and
consensus decision making and engaging
that style as a new management style."

University of the Transkei principal
Wiseman Nkuhlu was in a class on his own
in his talk on the role of international
institutions in the realisation of black eco-
nomic empowerment dream in South
Africa.

Professor Nkuhlu did not waste time
in nailing his colours to the mast. He is a
great believer in self-reliance "since the
60s when I was studying matric and I be-
came aware of the (economic) position
of blacks", he said.

"I fight and struggle for success.
Against all odds. If any man puts hurdles
in my way, I will fight," said Professor
Nkuhlu.

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straightforward. Black South Africa had to
aim at entering the technological age.
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Wiseman Nkuhlu ... academic
view.

Small business growing

By BONGANI HLATSHWAYO

SOUTH Africa's small business sector was entering a period of unequaled advancement and development, Small Business Development Corporation director Dr Ben Vosloo said this week.

Vosloo was speaking at the official launch of the Small Business Week in Johannesburg. Business Week will be held at four main centres in the country.

Vosloo said there was an upsurge in the activities of the informal sector and this was coupled with a corresponding increase in loans granted under the SBDC's Small Business Start-up Fund.

"It is important to let small business boom since this sector can make a meaningful contribution to addressing the three major challenges facing the South African economy."

"These are the unacceptable low rate of economic growth, rising unemployment and high population growth and the unequal distribution of wealth," said Vosloo.

The objectives of the Small Business Week include:

- Creating a more favourable climate for small business through deregulation.
- Encouraging small businessmen to improve their management systems.

18/9/88
V. Pers

PRETORIA

Motor trade revenue keeps on climbing

Marked increase in the trading revenue of retailers in motor vehicles and accessories continued during the second quarter of the year, according to Central Statistical Services.

In the April-June period revenue increased by 27,4% to R6,039bn.

Of total revenue of R11,949bn in the first six months of the year, R7,143bn came from the sale of motor vehicles.

National Association of Automotive Component and Allied Manufacturers CE Denzyl Vermooten said because of high-

GERALD REILLY

er interest rates and tougher HP conditions total vehicles sales were likely to decline in the second half of the year.

However, there were likely to be more spares sales and increased workshop maintenance revenue. It was also true that a decline in the sale of new vehicles led a more active used vehicle market.

There was no reason, therefore, for gloom at revenue prospects, Vermooten said.

30
Blow
27/7/88

SBDC chief pulls out of SA

CHP Trips 21/9/81 (30) 12/81
JOHANNESBURG. — Mr Mike Smuts, general manager and co-founder of the Small Business Development Corporation, is leaving South Africa to settle in Australia.

On his departure he delivered a broadside at the government.

Champion of small business, Mr Smuts, a third cousin of General Jan Smuts, said he finally gave up hope for South Africa in the face of the "general incompetence of the government in running the economy and finding political solutions".

"We have a love affair with white-elephant projects. Take Eskom, now

methballing a plant of R6bn, the equivalent of three years of foreign exchange earnings. There are many more examples. We can no longer afford a bloated bureaucracy."

A political head of state would continue to antagonize rather than unify the divergent cultures in SA.

The white leaders were weak-willed, sacrificing for short-term gains the future of the country.

"On the other hand I am not enthralled at the level of black leadership who call for the destruction of the economy. It is going to be difficult to build up again."

McC Int's 24/9/88 (30)

Radical changes in retail trade in SA

Financial Editor

THE urbanization of huge numbers of black people is radically changing the retail trade in SA, Mervyn King, CE of Tradegro, told the SA German Chamber of Commerce and Industry at a lunch in a city hotel.

Forecasting the inevitable disappearance of the Group Areas Act King said the merchandise mix was already changing in some supermarkets, which previously catered mainly for whites, to meet the needs of the new majority population.

There would be more pavement hawkers, taking business away from shops and take-aways, and some shopping centres were losing their customer

base with the movement of population.

King, who will take over as executive chairman of the Frame group on October 1, said that "pavement liberation" was taking place in SA. On visits to Durban he had been amazed by the number of hawkers along Marine Parade, selling everything from curios to hot dogs.

The most recent figures produced by the Urban Foundation showed that "there are squatters round our cities in numbers exceeding the white population of SA."

It was inevitable that these people would come to the cities to escape the enormous poverty of the rural areas.

With the rapid urbanization of such numbers "the Group Areas Act must eventually disappear. People are already voting against it with their feet.

"We all know what has happened. The Hillbrow branch of Checkers catered mainly for the white shopper 18 months ago. Now 90% of shoppers there are not white and the merchandise mix has changed completely.

"The Hillbrow store is bursting at the seams because there are more people passing through it and we have had to instal more tills to cope with larger numbers of customers making smaller purchases.

"This will happen throughout SA which, whether we like it or

not, will become 'grey.'"

King said the upmarket shopper — of all races — would still be catered for in city centre department stores, which would flourish.

The growth of the black taxi industry had made black shoppers more mobile. They were coming into the city centres to shop and "mini-shopping centres" were springing up at places where the taxis collected and unloaded their passengers.

For this reason he thought fewer new supermarkets and shopping centres would be built, but those which were growing more popular would be enlarged.



TOWNSHIP TUTORING: Some of the 35 people who have responded to the Barefoot Workers' project at the University of the Western Cape with their lecturer, Mr Nicky Morgan.

UWC self-help plan takes off

ARGUS 26/7/88

By EDWARD MOLOINYANE
Special Correspondent

THE response to the University of the Western Cape's Barefoot Workers' project — which is aimed at helping the small business community in Khayelitsha to help themselves — has been overwhelming, according to a university spokesman.

The project was launched following an article in Weekend Argus highlighting how economically dependent many people in Khayelitsha have become on informal business and home industry.

The university's response was to originate a two-week course to help participants to develop their skills and knowledge so that they in turn could advise other businessmen and women in the township.

"When we launched this project we did not expect such immense enthusiasm," said Mr Nicky Morgan of the UWC's department of economic and management sciences.

"We planned on training about 15 to 20 people. Instead 35 arrived. We couldn't turn them away."

The project is funded by the private sector. Its primary aim is to increase the skills and business acumen of people in Khayelitsha who earn their living in occupations such as vending, mechanical repairs and dressmaking.

The intention is that they will be able to pass on this knowledge to other members of the community.

"Participants will be paid for the duration of the course," said Mr Morgan. "A visiting American academic, Professor Jerry Wade, will be among those who will give instruction."

Management locks out workers at 40 branches

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B/day
27/9/88

Ultimatum given to strikers at Checkers

CHECKERS management has locked out striking workers at 40 Witwatersrand branches of the group and has given them until 4pm tomorrow to sign their acceptance of the dismissal of two colleagues, failing which they will not be rehired by the company.

When the strike began on Friday, it involved only a small number of employees. However, it spread on Saturday and yesterday.

The Commercial, Catering and Allied Workers' Union (Cawusa) puts the number involved at 3 000, while Checkers group human resources director Andy MacLaurin

ALAN FINE

said 1 500 to 2 000 workers were participating.

The two Eastgate branch workers, one a senior shop steward, were dismissed in February for allegedly assaulting a co-worker. Appeals against the decision had failed.

Cawusa general secretary Vivian Mtwla said the dismissals were an attack on union leadership at Checkers. He said they had followed a "scuffle" precipitated by the alleged victim.

MacLaurin said the strike was

primarily due to management's refusal to reinstate the two, pending an arbitration process which Checkers had proposed.

The parties met yesterday and were due to meet again this morning. However, management felt strongly that the two should not be reinstated, he said.

The arbitration offer had lapsed when the strike began, he added.

The company has employed temporary labour at the affected stores.

Although the union has said the strike is a national one, it has not spread to areas where a faction opposing the Mtwla group is in control.

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Strikers locked out by Checkers

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Between 1 500 and 3 000 members of the Commercial, Catering and Allied Workers' Union (Ccausa) on strike since Friday have been locked out by Checkers.

SM 27/9/88

They are striking in support of two colleagues dismissed from Checkers at Eastgate. A union spokesman said the company had offered to reinstate strikers today if they accepted the dismissals as lawful.

● Zincor locked out about 538 members of the National Union of Mineworkers in Springs yesterday. A spokesman for the refinery said the lockout followed a conciliation board deadlock on wages and conditions.

Plan for 24 free-trade areas

A DRAFT proclamation on the deregulation of 24 industrial parks, in terms of the Temporary Removal of Restrictions on Economic Activities Act, is to be published in the Government Gazette on Friday.

The move comes after an application earlier this year by the Small Business Development Corporation (SBDC) affected 24 areas.

Johann Naude said yesterday a smaller number of areas affected by the proclamation had been consolidated. Naude said a few had difficulties re-

President's

(30) Alan Fine 28/9/88

Office for Privatisation and Deregulation yesterday said: "More than 900 small businesses could spontaneously come into operation without obstruction, which could result in the creation of some 4 100 permanent employment opportunities."

Naude said these businesses had been established and were operating.

Thus far only one zone — in Kew, north of Johannesburg — had been granted deregulated status in terms of this legislation passed in 1986. Some 20

● To Page 2 →

Draft proclamation on free-trade areas

businesses operate there.

Details of the proclamation were not available yesterday, but the deregulation office is scheduled to clarify the matter at a media briefing today.

Naude said the draft proclamation would invite comment from interested parties within 21 days.

The SBDC had asked that businesses in these zones be granted exemption from wage-regulating measures, certain safety regulations, building laws and by-laws related to trading hours, licensing and other matters.

Areas covered by the SBDC applica-

(30) Alan Fine ← ● From Page 1 28/9/88

tion included three in Soweto, parts of Atteridgeville, Vanderbijlpark, Vosloorus, Katlehong, Eldorado Park, Lenasia, Nancefield, Pennyville and Wadeville in the Transvaal.

Cape areas included Athlone, Uitenhage, East London, Port Elizabeth, New Brighton and Blackheath. Parts of Chatsworth in Natal and Phoenix in Bloemfontein were also covered.

The SBDC described the plan as "a giant step forward for deregulation".

Hold round-table talks: Assocom

ROUND TABLE discussions involving the ANC, the PAC and all the parties across the spectrum to far-right Afrikaners should be instituted, Assocom said in its third quarter review.

Assocom said that leaders of every identifiable group should be invited to take part in talks overseen by an "honest broker."

The Angolan talks were an example where statesmanship and diplomatic finesse swept away the uncompromising stance SA had held until then.

HELOISE HENNING

A National Council would not work because of government's continued demand for preconditions.

Assocom said the rewards of such meetings would be the attraction of world attention. SA's critics would be confounded and her friends re-assured.

"It might even convince bankers that instead of withdrawing their facilities,

30 8/10/87 To Page 2 28/9/88

Assocom calls for cross-spectrum talks

they should rather grant loans and credits so as to stimulate growth in this country in which everyone can share.

"Visible progress of this kind would do wonders for long-term business confidence and investment in SA."

Assocom said too many South Africans welcomed international isolation as a sanctuary to take refuge from pressure.

30 8/10/87 From Page 1 28/9/88
The frustrations following the buffeting SA had experienced had led diplomats to tell the world to do "their damndest". But, Assocom asked, did SA need to live with this "go to hell" attitude.

It said SA could not afford to withdraw from the world and least of all Africa.

J.D.H.
10th September 1987

JDH/deb

Open all CBDs, Nat tells govt

PARLIAMENT — Innesdal's outspoken Nationalist MP Albert Nothnagel said yesterday government should re-think its approach to CBDs as far as the Group Areas Act was concerned.

He said if he had been coloured or Indian, he would have hated the GAA with his "heart and soul".

Nothnagel suggested government revise article 19 of the law so all CBD premises could be "open" as far as own-

bidan
29/1/88

Political Staff (30)

ership and occupancy were concerned.

Various coloured and Indian speakers during the debate expressed their "respect" for Nothnagel but one, nominated Labour Party member Johnny Douw, said Nothnagal should say that as a white he hated the Act.

Nothnagel also expressed concern about the penalties contained in the Act

but believed government would approach the matter in a humanitarian way.

He said: "We all want peace and justice in this country. If you turn your back on the truth, the lie grabs you with all its arms."

The NP knew many things had to be corrected and would correct them.

Nothnagel said: "We deserve more credit from the other chambers."

SBDC welcomes draft deregulation

ALAN FINE (20) 8/20/88

THE Small Business Development Corporation (SBDC) said yesterday the draft proclamation to be published in the Government Gazette today deregulating 24 industrial "hives of activity" could encourage further deregulation essential for the development of the small business sector.

In a statement released in Pretoria yesterday, Administration and Privatisation Minister Dawie de Villiers said this action illustrated government's commitment to its official deregulation policy. The proclamation is issued in terms of the Temporary Removal of Restrictions on Economic Activities Act.

The draft calls for comments from interested parties within 21 days. These will then be considered by the relevant parliamentary standing committee which will determine the feasibility of the proclamation being formalised.

About 900 businesses with 4 000 employees would, in terms of the draft, be exempted from a variety of laws and regulations.

The proclamation would not apply to businesses employing more than 20 people.

Racism must go - traders urged

By JOSHUA RABOROKO

BLACK business must take action to eliminate apartheid and stop political rhetoric, the chairman of the management board of BMW (South Africa), Dr Walter Hasselkus, said this week.

Addressing guests at the launch of the Garankuwa Town Council's Social Responsibility Fund, he said business must stimulate economic growth.

He said: "We in business dislike apartheid. We dislike its disruptive influence on the free market, for instance the bureaucratic regulations that used to over-regulate black business, and the restrictions on the movement of people which used to disrupt labour availability."

He stressed that restrictions on black people in terms of the Group Areas Act, which always has, and still do, limit blacks in regard to where they may live

and which schools they may attend, must go.

He said training and education must form part of any social assistance programme. And that should happen at all levels, from pre-school to tertiary education.

"We believe in free trade and therefore in free trade for all, not just for some. Whatever stumbling blocks may prevent blacks from full participation in the economy must be removed."

He said BMW will donate R10 000 to start a Garankuwa Mayoral Fund to raise money for the council's social responsibility projects and to help supervise and administer those projects.

The company was prepared to expand its social responsibility programme and to turn it into a more meaningful scheme.

29/9/88
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Structure

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30 29/9/88

Weak exchange rate, inflation blamed

Vehicle prices set to rocket in 1989

Own Correspondent

DURBAN — Motor vehicle prices can be expected to increase by a staggering 20 percent next year, according to South Africa's major motor vehicle manufacturers.

This means that by the end of next year the lowest-priced new motor car in South Africa will cost about R24 000 excluding GST.

Mr Brand Pretorius, Toyota Marketing MD, says rocketing prices can be blamed basically on the deteriorating value of the rand, which has fallen from a value of 74 Japanese yen at the end of last year to a current level of 54.

This has affected 55 percent of the cost of a Japanese-based vehicle — for although local content is a lot higher by weight, 55 percent is the amount on a cost basis, he says.

Secondly, local inflation is still having a drastic impact, with the vehicle production index currently increasing by 17 percent a year.

Other factors that have pushed up wholesale prices include the import surcharge levied earlier this month.

Mr Pretorius says Toyota will be increasing prices by between 4,5 percent and 6 percent from Saturday. A breakdown of this increase reveals that 1,5 percent is to cover the import surcharge, 2,5 percent to cover the exchange rate and 1 percent for local inflation.

Nissan marketing director Mr Stephanus Loubser says Nissan is working on an 18 percent price increase for the industry next year. Although the rand:yen rate is expected to fall further, Nissan has made provision to counter higher costs with increased productivity.

He expects a smaller market in 1989, which should increase pressure on manufacturers.

A BMW spokesman says a 20 percent price rise "sounds reasonable" but there are so many imponderables that it is impossible to predict.

"You are talking about something which is almost impossible to control. Car sales have suddenly gone unpredictably high and everyone seems to be rushing out to buy a car for fear that prices will go higher. Prices have gone crazy."

VW marketing director Mr Clive Warrilow says: "You tell me the exchange rate and I'll tell you the car prices."

"The key factors are local inflation to determine the cost of local wages and components, and the imported factor determined by the exchange rate of the rand against the dollar, German mark and yen."

"Professor Brian Cantor of the University of Cape Town reckons the inflation rate would be between 14 and 16 percent. If this is so, then sadly a 20 percent increase in car prices could be true. Everyone I talk to believes the rand will continue to devalue," says Mr Warrilow.

MA 641 30/9/88 (30)

Informal sector provides 3,5 m jobs — Wilson

From MICHAEL CHESTER

NEW studies have revealed that no fewer than 3,5 million jobs have been provided by the informal business sector in its dramatic expansion so far — and more than four in every 10 new job-hunters are pouring into the sector every year.

The estimates, drawn from Small Business Development Corporation studies, were disclosed by Mr John Wilson, executive chairman of Shell SA.

He said the number of home-based businesses had swollen to 1,5 million and now shared an annual turnover calculated at between R15-billion and R20-billion. About 80 percent of them were run by black entrepreneurs.

Investments by black taxi operators now stood at more than R2-billion in vehicles alone. Their fleet of 100 000 taxis now ferried 20 times the number of passengers carried by heavily-subsidised white-owned bus companies.

But black business as a whole, he argued, would be unable to make in-roads into other major economic sectors unless the government and the private sector were prepared to help it overcome historical disadvantages.

Among the problems he listed were the Group Areas Act and "mismanagement and bureaucratic hamhandedness."

"Clearly, however, the biggest obstacle to the growth of black business remains the lack of political clout," he said.

"It should be apparent that after nearly a century of economic and social oppression, black business, if it is to significantly expand the economic cake, will need more than deregulation.

"Black business will not become a significant economic force if it is left to rely only on normal market mechanisms.

"If we are serious about saving free enterprise in South Africa and if we see black economic advancement as the key to the creation of a democratic society, then we are going to have to do much better than shouting about deregulation and waxing eloquent about the miracle of the informal sector.

"We had better start thinking about massive intervention with economic and management tools.

"Unless there is a clear strategy, this sector of the economy will add only marginal growth to the economic cake.

"The potential is there, but it will not just happen. It is up to the privileged private sector, to make it happen."

Meeting the small business challenge

By TREVOR WALKER, Business Staff

HOW would you go about starting up a small business operation in this country? The answer is with difficulty.

Small business development type operations demand so much pre-planning, pre-budgeting and pre-market surveying that the small guy has great difficulty in attracting risk capital.

When he does manage to get financial help it often places tremendous performance pressures on the individual.

In these days of high interest rates and yearly inflationary pressures on the whole cost structure it is very difficult for an individual with little capital to break through the finance barrier and begin to build a successful company.

TAKEOVER

One of the more traditional ways was for a son to takeover a business established by his father and grow this to a much larger profit-making concern.

The trouble these days is that a Cohen of an OK Bazaars or a Bloom of a Premier Milling would find his son being propositioned by a much larger company or conglomerate and being satisfied to take the cash and run.

If a company grows to become an even relatively moderate cash generator it soon finds itself being wooed by expansion hungry suitors.

However, individual initiative and flair still has its place in small business and one example which The Argus looked at was a small engineering service company run by a young second-generation owner.

Thirty-year-old Mr Tom Paulsen started in 1981 in the Cape Town depot established to feed the main company in Walvis Bay.

Having just completed his military training, the then 23-year-old Mr Paulsen set about learning the business and in 1982 bought out the Cape Town depot and began trading in his own right.

MEET COSTS

The Walvis operation funded his first month-end cash situation and from then on monthly turnover had to meet all costs, plus the loan payments to what was previously the "parent" company.

Annual turnover which has risen every year since he took over has grown to between R1,5 and R2-million from some half a million and Mr Paulsen reckons he will have repaid the original loan within the next three years.

Hopfast retails to the engineering industry a range of products largely based around a wide variety of specialist and ordinary bolts and screws.

Mr Paulsen says to compete with other companies long established in the region, Hopfast has to demonstrate a ready willingness to satisfy customer demands and also develop certain areas of business not covered by the competition.

"We have begun specialising in certain areas and our vehicles in the field have radios to help us speed up delivery response times.

"The small operator has to be totally honest in his price structuring and must always put the client first.

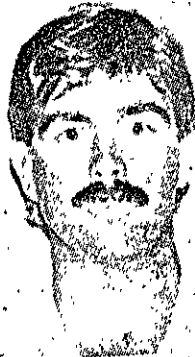
"It would be of no long-term benefit to load prices when selling into such major industries as marine,

pharmaceutical and clothing, in fact one has to treat all clients equally efficiently."

What comes through very strongly when talking to Mr Paulsen is his commitment to making a success of his company. The company is debt free other than for its original loan structure and has no overdraft exposure. Turnover and maintaining a positive cash flow is the key to the business as far as Mr Paulsen is concerned.

The company provides soundly based employment for 10 people and its commitment to the community in its own modest fashion is shown by its sponsorship of the Landsdown Club soccer team.

There is no doubt Cape Town can do with many more small companies of this calibre.



Mr Tom Paulsen

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Whites bullish on economy — survey

30/9/88

30 B/day

CAPE TOWN — White consumers remained optimistic about the economy, while blacks took a more pessimistic view, according to a nationwide poll of consumer confidence by the Bureau for Economic Research at Stellenbosch University.

Reviewing the results of the survey, BER director Ockie Stuart said in spite of a constant stream of negative news on the economic front whites remained optimistic.

"White consumers still say the economy will improve, although at a snail's pace," Stuart said. "Blacks, however, have become more negative in their outlook."

Surprisingly, whites also remained optimistic about their future finances, indicating they expected to remain liquid in monetary terms.

The net majority of blacks, on the other hand, expected their finances to

deteriorate in the next 12 months.

The survey showed while many whites still believed now was a good time to buy appliances such as washing machines and refrigerators, blacks showed a reluctance to buy such goods.

According to the survey results, white consumer confidence had weakened since the second quarter of 1988, but it nevertheless remained fairly high, while blacks showed a lack of confidence.

"Whatever one makes of the difference between black and white attitudes, the overall implication is that consumer spending is likely to taper off . . .

"Although the survey was completed only in August, government's new curbs have come into effect since then and it is likely that consumer confidence has already dwindled further," Stuart said.

— Sapa.

BID FOR 4 100 JOBS

ABOUT 24 industrial centres are to be deregulated in terms of draft legislation which has been submitted to the Government by the Small Business Development Corporation for approval.

The draft legislation, which will be published in the *Government Gazette* today for comment, could see more than 900 small businesses coming into

operation without obstruction and which could result in the creation of some 4100 permanent employment opportunities.

Comments will be submitted to a Trade and Industries standing committee which will advise the State President.

The envisaged centres are situated around the country and they include Athlone, East London,

Paarl, Port Elizabeth, Chatsworth, Bloemfontein, Wadeville and Reef and Pretoria townships.

Enterprises would hire their premises from the SBDC in terms of the Temporary Removal of Restrictions on Economic Activities Act.

The step signified an effort to create the climate for entrepreneurship which the country needed badly.

OLIPOMALW

COMMERCE — GENERAL

1988

OCT — ~~NOV~~ DEC.

Counter-bid for Garlicks

87ev 1/10/88 1.30

CAPE TOWN — A takeover battle for control of the Garlick chain of stores erupted yesterday at a meeting of shareholders in Cape Town.

Central Merchant Bank, acting for a consortium, dropped a bombshell in the shape of a higher bid while shareholders were considering an offer worth more than R38 million from a company headed by two Garlick directors, Mr Jack Garlick, deputy chairman, and Mr Noel Boyce, marketing director.

Senbank's surprise bid was R13,70 a share against the R13,30 a share already offered.

Shareholders voted to adjourn consideration of the offers until next Friday.

The bank said it was

FINANCE STAFF

acting for a consortium consisting of attorney Gerald Rubenstein, stockbroker Normal Lowenthal, Downtown Real Estate and Ellerine Bros (Pty) Ltd.

Another surprise development was the halting of trading in the shares of Garlicks, its holding company, Garlicks Consolidated, and another retailer, Boymans, on the JSE.

Trading was suspended at the companies' requests, said the JSE, which gave no further details.

Ellerine Bros (Pty) is a major shareholder in Boymans, which owns several clothing retailers, including Levisons, Deans Man Shop and Uniwinkels.

Pick 'n Pay heads for

w/c Akas 1/10/88/30

RATON

By TOM HOOD
Business Editor

A PERFORMANCE not seen since the 1970s boosted Pick 'n Pay's profit by 35 percent to R47-million before tax for the six months to August 31.

The opening of several new stores and the impact of the group's 21st anniversary promotions shot sales over the R1 800-million level. P and P could see turnover hit R4-billion by the year-end — R1-billion more than last year's — if the Christmas shopping spree lives up to expectations.

However, chairman Mr Raymond Ackerman does not expect the staggering pace of profits to be as fast in the second half.

"I believe we will achieve 25 percent or more for the full year," he said when discussing the interim results. Mr Ackerman says he does not share the gloom expressed by some businessmen and is confident the economy still has "a lot of steam."

Cash pile

"Sales have been good since September and were most encouraging, though not quite as high as in the first three months of the financial year. We are optimistic for a strong Christmas." The balance sheet shows P and P also went on a buying spree, building up stock worth R338-million — R125-million more than stock levels a year ago.

At the same time, the company's cash pile is R9-million lower at R26.6-million.

Heavy stocks were built up before it was a moral issue to avoid the import surcharge. "We bought a huge amount," he admits, "but sales at Christmas at low prices will help our marketing."

Earnings for the first half increased by R6-million or 35 percent to R24.6-million, from which R7-million will be paid out in dividends.

The interim payout is up 31 percent to 9c (6.88c) a share after earnings of 31.4c — up 35 percent on the 23.3c of a year ago.

In the current half-year P and P will add to its chain with its first "country-styled" small supermarket in Secunda in the Transvaal and a large new supermarket in Pretoria West.

Among new stores opened earlier this year was the company's 100th store and 13th hypermarket at Highgate. "We have proved to our critics that we have appealed to the black market and our store-opening thrust is well directed in that sector with openings at Mmabatho, Mabopane, Pietersburg and Maritzburg Central.

"They have all been successful and attracted a great number of black customers." Prices on a cash and carry wholesale basis. Mr Ackerman, who recently spent several weeks overseas, said many overseas suppliers were changing their sanctions attitudes. "They are now saying it is a moral issue to stay here with commitment to the staff, while lower at R26.6-million.

He said he had been busy trying to fight what he considers to be one of the greatest evils in this country — "the attack on us from overseas with sanctions and disinvestment".

"Whatever the faults of South Africa, it cannot be right to deliberately starve a country and I spent a great deal of my time talking to business groups and governmental groups in the United States, Britain and Europe to try to explode various myths which abound about sanctioning South Africa."

These included, he said: ● The myth that black South Africans want sanctions. "This has been proved time and again by independent surveys to be untrue."

● The myth that if anybody is against sanctions, they are for apartheid. "This is obvious nonsense."

● The myth that black African states around South Africa support sanctions. "This has also been exploded because none of the black African states have adopted sanctions as they are so dependent on South Africa, both economically and from a transport point of view."

● The myth that "this is the only peaceful option left" for those who want change South Africa. "It cannot be peaceful to deliberately starve people. So many people have been made redundant are unemployed and have not got the dignity of a job as a result of sanctions."

The business world had to get that message out to people here and overseas, he added.

From small beginnings to a forceful position

Star 3/10/88

30

Audiodek Enterprises started in 1966 as a car radio and air conditioning installation business in Johannesburg and was owned and run by the present managing director, Mr Monty Tolkin.

The transition from retailer and installer to importer and distributor took place at the end of the 1960s and by mid-1970, it was a major force in the South African car audio market.

The Durban branch was opened in 1970, Cape Town in 1976 and Bloemfontein and Port Elizabeth in 1981 and 1986 respectively.

Bought back

In 1981, the company was acquired by the Lucer group, but bought back by the directors, Mr Tolkin, Mr Harvey Flowers, Mr Jimmy Flaxman, Mr Joe Saitowitz and legal adviser Mr Arnie Val-kin.

Today, the company ser- vices more than 4 000 retail

accounts throughout South Africa, South West Africa and neighbouring countries and territories.

About 20 sales representa- tives and 130 back-up staff see the company's products efficiently distributed throughout its trading areas.

Products distributed by the group are sourced in the Far East and over the years valuable relationships have been established, first in Japan, then Taiwan and Hong Kong and, more re- cently, South Korea.

Audiodek has a liaison of- fice in Taipeh and agents in Hong Kong and Seoul.

All products are made to Audiodek's specifications and prototypes are given strin- gent technical quality con- trol checks before orders are placed.

When stocks arrive, tech- nical experts carry out ran- dom checks and dismantle a unit in every batch to en- sure that the highest man-

ufacturing standards have been met.

As the group expanded its activities, it always outgrew its premises and in June last year — its 21st year of oper- ation — a new corporate of- fice complex was completed in Edgardale.

This provided 2 200 sq m of warehouse and maintenance space as well as 700 sq m of office accommodation.

Within months of moving in, and benefitting from the better efficiencies and cen- tral site, business expanded rapidly and the company started work on phase two in November.

Work completed

This gave it an extra 1 700 sq m of warehouse space and 500 sq m of main- tenance and office space.

Work was completed in August this year.

In June 1987, Audiodek Holdings was listed on the

Development Capital Market of the Johannesburg Stock Exchange and within a year, after an excellent financial performance, it was tras- ferred to the electronics sec- tor of the main board.

To complement the Auto- dek range of car audio prod- ucts, the Gold Line range was introduced in 1986 to fill a gap in the market left by the rapid upward movement of prices from Japan as a re- sult of the strengthening of the yen.

The Alpine distribution franchise was acquired in July last year and this rounded off the company's involvement in car audio by providing state-of-the-art products for the top end of the market.

Also in 1987, the Aspec brand was revitalised in South Africa and was incor- porated in the company's range of home and portable audio products.

Pick'n Pay 30 boosts profits by 35 percent

By Tom Hood *St 3/10/88*

A performance not seen since the 1970's boosted Pick'n Pay's profit by 35 percent to R47 million before tax for the six months to August 31.

The opening of several new stores and the impact of the group's 21st anniversary promotions shot sales over the R1,8 billion level.

P and P could see turnover hit R4 billion by the year-end — R1 billion more than last year's — if the Christmas shopping spree lives up to expectations.

However, chairman Raymond Ackerman, does not expect the staggering pace of profits to be as fast in the second half.

"I personally believe we will achieve 25 percent or more for the full year," he said.

Mr Ackerman says he does not share the gloom expressed by some businessmen and is confident the economy still has "a lot of steam."

"Sales have been good since September and were most encouraging, though not quite as high as in the first three months of the financial year. We are optimistic for a strong Christmas."

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At the same time, the company's cash pile is R9 million lower at R26,6 million. Heavy stocks were built up to avoid the import surcharge.

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Among new stores opened earlier this year was the company's 100th store and 13th hypermarket.

"We have proved to our critics that we have appealed to the black market and our store-opening thrust is well directed in that sector with openings at Mmabatho, Mabopane, Pietersburg and Maritzburg Central.

"They have all been successful and attracted a great number of black customers."

Price Club, with its first three stores, had also been accepted by the black community, particularly in helping small stores get reasonable prices on a cash and carry wholesale basis.

Mr Ackerman, who recently spent several weeks overseas, said many overseas suppliers were now changing their sanctions attitudes.

"They are now saying it is a moral issue to stay here with commitment to the staff, while before it was a moral issue to leave."

He said he had been busy trying to fight what he considers to be one of the greatest evils in this country — "the attack on us from overseas with sanctions and disinvestment.

"Whatever the faults of South Africa, it cannot be right to deliberately starve a country and I spent a great deal of my time talking to business groups and governmental groups to try to explode various myths which abound about sanctioning South Africa."

Imperial guards against spending decline

Star 3/10/88
By Sven Forssman

The Imperial Group has been insulating itself against a drop in consumer expenditure, says chairman Percy Abelkop. The vast majority of income is derived from the business sector," he says in the annual report. The restrictions on credit and the private leas-

ing of vehicles occurred towards the end of the financial year to June and these, together with those recently announced, are bound to have a dampening effect on spending."

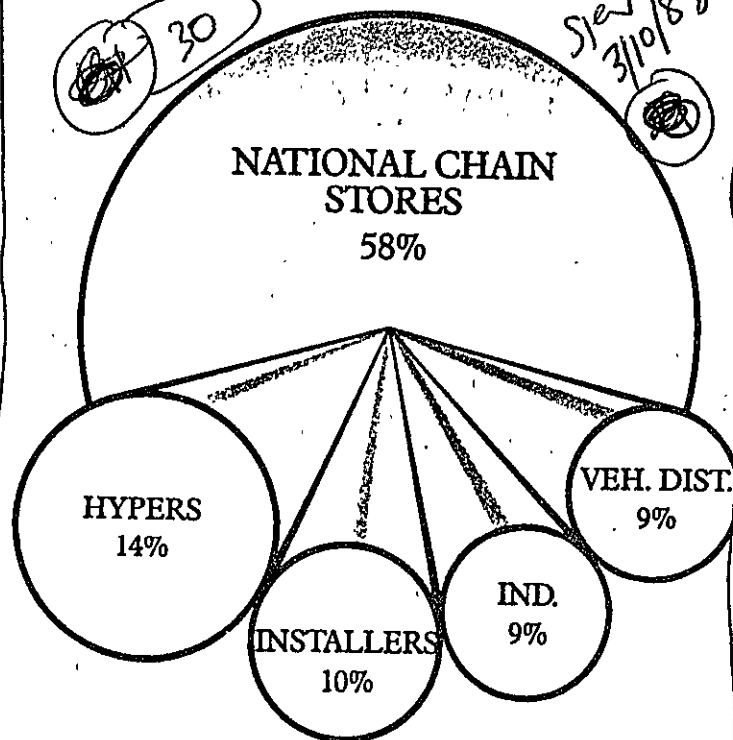
He says it is group policy to balance the activities in vehicle rental, motor trading and transport.

Management attempts to balance activities is il-

lustrated in the report which shows that on turnover, motors was the largest division at 51 percent, followed by truck systems at 28,6 percent and car rental at 20,3 percent.

But, at pre-tax level, car rental contributed 38,4 percent, truck systems 32 percent and motors 29,6 percent.

Customer Profile



Windfall for black staffers

When Audiodek Holdings was listed last year, the directors decided to do something special for its black staff.

They bought 50 000 shares on the understanding that when they were sold, and should any profit be made, the money would be divided equally, based on years of service,

among black staff.

A R10 984 profit was made on the sale, giving a payout to each staffer of R57 for each year of service. The highest amount paid was to Mr Israel Pilanyane, who received R1 147 for 20 years' service. Black staff were also invited to participate in the share option scheme.

Elcentre doubles earnings, lifts div

30 (12) (12) SKW 9/10/88
Despite a higher tax rate of 15 percent, electrical distributor Elcentre has reported taxed income up 165 percent to R20,8 million (R10,2 million) in the six months to August.

The interim dividend has been raised to 15c (11c) out of earnings a share of 35,1c (25,1c).

The directors foresee earning per share of not less than 70c (58,6c) for

the year. The forecast at the beginning of the year was 48c.

Sales grew 94 percent to R252,6 million (R129,9 million), of which "not less than" 41 percent was from organic growth.

The group has bought Multitech, Springbok Electric, Club Electrical and Audino Electrical for R5,4 million. The directors say the acquisitions are "in line with group policy of acquiring electrical distribution companies with dedicated management, good growth potential and distinctive marketing capabilities".

TAX RATE

Although assessed tax losses are now less significant than before, chairman and managing director Mr Reuben Mowszowski does not expect the tax rate to rise above 30 percent.

The interim dividend of parent Elcentre Group Holdings, which has 55 percent of Elcentre, is 7,5c (4,75c). — Sapa.

NAFCOC APPLAUDS

THE National African Federated Chamber of Commerce has welcomed the move by the South African Breweries to promote small business in all areas where the company operates.

Nafcoc's public affairs manager, Mr Gabriel

By JOSHUA RABOROKO

Mokgoko said it was hoped that the move will permeate all its subsidiaries and become emulated by other big conglomerates in the country.

SAB beer division was examining its long-term strategic plan to find ways to sub-contract parts of its business to small, black entrepreneurs. It had already experimented with transport and distribution, a spokesman said.

Mr Mokgoko said: "We share a common

economy and are supposed to be colleagues in promoting a stable economy in which all South Africans irrespective of race, colour, religion, creed and sex can fully participate.

He said the Nafcoc Business Charter, which was unanimously approved at the recent conference stated: "Arising out of previous wrongs, the private sector is urged to engage in affirmative action to help black business and its employees to reach their full potential and empower themselves economically."

... COURSES in

Surcharge appeals have failed

Commerce body has denounced govt's attitude

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8/10/88
8/10/88

LIMITED

1ST 1988

Year ended
February 1988
Audited
R'000

4 101
1 204
106
1 098
423
675
10 707 817
6,3
August 1987
R'000
1 130
300
1 430
143
1 573

CAPE TOWN — Organised commerce has denounced in the strongest terms the "intransigent attitude" taken by government in refusing to grant relief to those importers which were committed to purchase goods but had not received them before the 60% import surcharge was imposed last month.

In a hard-hitting statement released yesterday, Cape Town Chamber of Commerce president Anthony Coombe described government's attitude as "shocking" and appealed to Finance Minister Barend du Plessis to rethink.

After repeated appeals by Assocom on behalf of its members, government has indicated it is only prepared to grant relief in cases of extreme hardship, where the continued existence of the firm is in jeopardy.

It has ruled further that this relief would only be in respect of one shipment for each importer and no more.

Coombe said this attitude meant that an importer which had committed itself to purchases, and had no way of avoiding payment for the goods, would have to pay the surcharge irrespective of the merits of its case.

CHRIS CAIRNCROSS

Coombe warned that unless government backed down on this issue, importers would suffer extreme hardship and some would go to the wall.

He said importers would never again be able to plan ahead with certainty, because they would not know from one day to the next what government was about to do.

He asked why imports committed before August 12 be caught in the net if the rationale for the import surcharge was to shore-up the balance of payments, and asked if government was true to its assurances that there was no fiscal intent behind the surcharge impost.

Coombe said an urgent telex had been sent to Du Plessis asking him to reconsider the issue.

□ The 60% surcharge on imported canned fish — including pilchards, tuna, sardines, clams and mussels — has been dropped by government after protests by consumer organisations.

This was expected to result in a 25% cut in some retail prices.

Pick 'n Pay GM John Barry said the Department of Customs and Exise had notified the company of the change.

Assocom, FCI probe merger

30/5/88
TANIA LEVY 5/10/88

ASSOCOM and the Federated Chamber of Industries (FCI) are jointly investigating forming a single national business organisation.

Assocom CE Raymond Parsons and FCI CE Ron Haywood yesterday said RAU vice-rector Prof Joe Poolman was undertaking an independent study into the formation of a new body and would present his findings to the two organisations in May next year.

The new body could be a reality by January 1990, provided Poolman recommended and could suggest practical steps for its formation which were acceptable to the FCI and Assocom.

"This would be quite a formidable coalition," said Parsons.

Haywood said the study would evaluate whether a combined organisation would, in fact, give members a better service. Improved effectiveness was more important than rationalising finances, as both Assocom and FCI were financially sound.

Poolman would have to find a solution to conflicts of interest inherent in joining the commercial and industrial bodies, which have a joint membership of more than 30 000 representing about three million employees.

"At worst, the investigation will dictate that we go our separate ways, having gained by a mirror being held up to our organisations," said Haywood.

Asked why FCI was acting now, six years after Poolman's initial study on the subject, Haywood said his organisation had stabilised and changed a great deal with the new style adopted by executive director Steve Anderson.

Nafcoc hits at ⁽⁷⁰⁾ power price rise

THE National African Federated Chamber of Commerce has criticised Escom for increasing its electricity tariff by 10 percent from January next year.

Nafcoc's public affairs manager, Mr Gabriel Mokgoko, yesterday said the major portion of the 10 percent should actually be borne by the white community.

Escom's chief executive, Mr Ian McRae, announced in Johannesburg this week that the increase was up to four percent below the inflation rate, as promised in 1986.

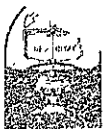
A reduced rate in electricity sales had

By JOSHUA
RABOROKO

enabled the company to defer projects and reduce operating expenditure through a tight budget control, he added.

Hardest hit would be blacks in the townships for whom power increases in the past had already proved a serious factor, and even resulting in the boycott of paying electricity tariffs. Mr Mokgoko said the hike in electricity tariffs was highly sensitive and brought to the fore political issues where blacks paid equal taxes and yet not represented in Parliament.

6/10/88



Soutacoc³⁰ to host a workshop

6/10/88

THE Southern Transvaal African Chamber of Commerce is to hold a two-day workshop for small business in an attempt to involve them in mainstream economic development in South Africa.

Soutacoc's executive director, Mr David Mailoane, told a Press conference yesterday, that the workshop will be held at a Johannesburg hotel on October 12 and 13.

He said: "The plight of our industrialists vis-a-vis their attempts at penetrating the corporate business is a typical and very apt example.

"It is here that we feel you (industrialists) can contribute in no small way to ensure that economic empowerment takes place. A lot can and must be done in this area.

"Our small manufacturers need training in advanced management skills, they need capital and tender know-how. Above all they need your orders."

The conference, whose theme is *A Hands-On Approach to Economic Empowerment*, will be addressed by leading industrialists who are to share ideas with people whose contribution to the country's mainstream economy is enormous.

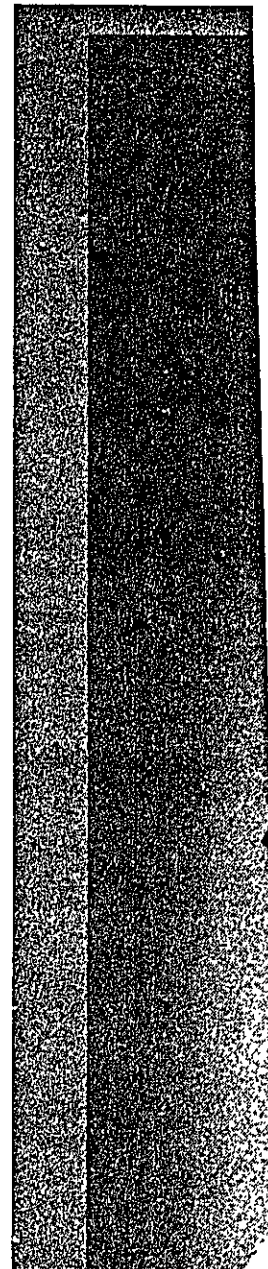
Mr Mailoane said small business needed to form a network with big companies and manufacturers in an attempt to upgrade their skills.

"We need to arrange seminars and exhibitions where small manufacturers and service providers on the one hand and corporations on the other will come together to exchange

ideas and experiences.

"Technical training will soon be provided to all those who need it on an on-going basis," he said, adding "we need to train our business people how to handle their finances and run their concerns."

For further information, contact Mr Mailoane at 29-9311/5.



THE major portion of the Eskom tariff increase should be borne by whites and the rise should be subsidised by government in black areas, the National African Federated Chamber of Commerce (Nafcoc) said yesterday.

Nafcoc not happy with Eskom hike

B/DM 6/10/88
THEO RAWANA

whites and the rise should be subsidised by government in black areas, the National African Federated Chamber of Commerce (Nafcoc) said yesterday.

Reacting to the 10% increase announced on Tuesday by Eskom, CE Ian McRae, Nafcoc public affairs manager Gab Mokgoko said the majority of blacks had no access to electricity.

He said: "Electricity, with the additional 10% increase, would now become well beyond the affordability of low-income groups, the majority of whom are black."

"This matter is highly sensitive and brings to the fore political issues where blacks pay equal taxes and yet are not represented in Parliament where Eskom is accountable."

However, Sapa reports that the Chamber of Mines said it welcomed efforts by Eskom to keep its tariff increase within the limits of 1986 estimates but that it would raise mining costs by about R150m.

(20)

Investor blues

Activities: Retailing of footwear and leather fashionwear

Control: Directors holds 52%.

Executive chairman: A M Spitz.

Capital structure: 6,7m ords 42 500 1st 5,5% and 75 000 2nd 5,5% com prefs.

Market capitalisation: R7,2m.

Share market: Price: 108c. Yields: 9,3% on dividend; 33,6% on earnings; PE ratio, 3; cover, 3,6. 12-month high, 200c; low, 100c. Trading volume last quarter, 235 000 shares.

Financial: Year to May 31.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	7,8	3,5	6,7	0,6
Long-term (Rm) ...	0,1	0,1	0,07	—
Debt:equity ratio	1,3	0,7	0,63	0,05
Shareholders' interest	0,37	0,59	0,52	0,75
Int & leasing cover ..	0,9	0,9	2,3	3,5
Debt cover	—	0,1	0,30	4,72
Performance:				
Return on cap (%) ..	6,7	7,6	10,7	19,6
Turnover (Rm)	28,0	28,1	36,2	37,1
Pre-int profit (Rm) ...	1,1	1,0	2,2	2,9
Pre-int margin (%) ..	4,0	3,2	6,1	7,9
Taxed profit (Rm)	(0,4)	(0,2)	1,5	2,4
Earnings (c)	(12,8)	(7,9)	20,8	36,3
Dividends (c)	—	—	7	10
Net worth (c)	179	140	154	164,3

Investors may be worried about the impact on M&S Spitz of a future slump in consumer spending, import tariffs, the Garlicks buy-out saga and/or having to pay tax. That they are worried is evidenced by the counter's price of three and dividend and earnings yields of 9,3% and 33,6% respectively.

Deputy executive chairman Raymond Cohen is not convinced that the future will be that bad and initial indications this year seem to bear this out. Cohen says he is thrilled that turnover was 40% higher on better margins in the first four months of the current financial year and ascribes the rise to

7/10/88 (30) PM

increased consumer spending and good trading. He suggests that, if the trend continues, the share's rating must improve.

Sale to Conshu of the assets of the ladies shoe and handbag manufacturing division in the year to May 31 raised about R5m, virtually eliminating gearing. But the sale meant turnover was only 2% higher, though retail division turnover improved 18%. Attributable profit rose 61% and EPS was 75% higher, but R1,1m was written off due to the extraordinary cost of closure of the manufacturing business.

The company paid no tax, but the remaining R700 000 assessed loss will run out this year, after which the group will pay full tax. Dividend cover was kept at a high 3,6 to smooth the transition and will be reduced to 2,2, when tax is payable.

Cohen says the group is pleased to have sold its manufacturing interests, because it can now concentrate on retailing. It currently has 32 outlets in the main cities, of which 12 are shops-within-shops in the Garlicks chain. A substantial portion of turnover derives from the Garlicks shops, and Spitz is watching the buyout moves and counter-moves closely. Cohen believes the new owner may strip some assets, but converting the department stores would be so expensive that most are likely to be retained. In any case, Spitz's long leases with Garlicks have six months' notice clauses in the event of store closure.

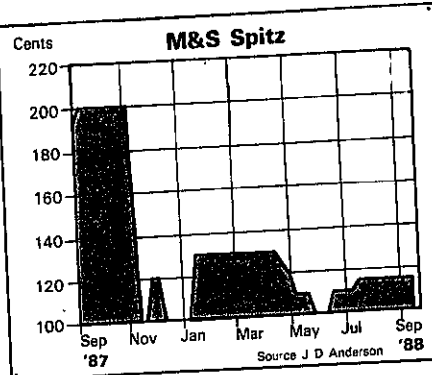
Contrary to the popular impression, Cohen says less than half of Spitz's merchandise is imported, and it has been shifting towards locally made shoes, though local producers admit they cannot match the qual-

No new stores were opened last year. This year, the Sandton flagship is being extended by a third, and various other possibilities are being examined. But the group is proceeding cautiously in view of the uncertain times ahead.

Though the share is seldom traded — another reason for its low rating — some larger-than-normal volumes recently may have been institutions swapping blocks of shares.

The group's reputation, its well-entrenched exclusive brands and its specialisation, along with its recent turnover surge, are positive aspects. The bad times discounted by the share price may never happen, and the counter looks undervalued. *Teigue Payne*

FINANCIAL MAIL OCTOBER 7 1988



ity of upper-range imports. The import surcharge on footwear is 20%, which should result in a 12%-13% increase in retail price. Satin and leatherwear attract a 60% surcharge and will be harder hit, but account for only 2% of turnover.

Spitz has surcharge-free stocks to last until late this year, and will only be able to determine the effect of the price rises and the credit squeeze on demand in 1989. Cohen says he believes consumer spending will hold at current high levels until Christmas, but is uncertain beyond that.

Retailers generally agree that growth in future will be from the black market, and Cohen says blacks account for about 80% of sales of Spitz's downtown stores.

FINANCIAL MAIL OCTOBER 7 1988

Tafelberg

30

lifts profit

Star 21/10/88

CAPE TOWN — Tafelberg Furniture Stores Limited has lifted attributable earnings for the six months to August by 72 per cent to R421 000 (R245 000).

It has declared an interim dividend of 1,5c a share.

Turnover was up 48 per cent at R13,5 million (R9,17 million in the previous interim period).

Pre-tax profit rose by 53 per cent to R751 000 (R490 000 in the previous interim period).

This translated into a 59 per cent increase in earnings a share to 3,39c (2,13c previously). — Sapa.

The more your adspend the bigger the profits

star 8/19/86
30

WHEN businesses spend a smaller proportion of their sales profits on advertising than do their direct competitors, they earn a lower return on invested capital. Businesses that spend substantially more than competitors, relative to sales, enjoy a significantly higher return on investment.

According to a study by The Strategic Planning Institute and the Ogilvy Centre for Research in the US, the extremes are particularly striking: businesses with very low advertising-to-sales ratios, relative to direct competitors, earn an average of 17 percent on invested capital. The average for businesses with much higher advertising expenditures, relative to sales, is 32 percent.

The study also turned up a direct relationship between advertising ex-

penditure and market share.

There is a strong correlation between advertising-to-sales ratios and market shares. These range from a meagre 14% of market share for those at the bottom of the scale, to as much as 32% where the advertising-to-sales ratio is particularly high.

The Strategic Planning Institute's study also established several other connections that tighten the link between expenditures and profits.

1. There is a correlation between expenditures and perceptions of product quality — the higher the relative expenditure, the higher the quality of the product.

2. There is a correlation between perceptions of product quality and the price the product can command — the higher the quality the higher the price.

3. There is a correlation between perceptions of product quality and profits — the higher the quality the greater the profits.

4. There is a particularly impressive correlation between market share and profitability. Consumer businesses with market share above 40 percent earn average returns of 41 percent on invested capital, while those with shares of less than 10 percent earn an average 9 percent.

The correlation holds at all points between the highs and lows.

5. Businesses that enjoy both a large relative market share and a high perception of quality earn far greater returns on investments than do businesses at the low end of both measures. This may be the most dramatic correlation of all.

In the right place at the right time

By MAGGIE ROWLEY
Business Staff

ENCOURAGING people to realise their full potential is for Trevor Honneysett, newly appointed chief executive officer of the Clicks Group, an important aspect of running a successful business.

For Trevor, who, in March last year — 10 days into his 39th year — was appointed managing director of the then 67-store Clicks group and a year later, its chief executive, it is part of a proven recipe.

Trevor attributes his success mostly to being in the right place at the right time, and to his colleagues that back him.

Team

"I've been extremely fortunate in having a fantastic team working around me and I have used my ability to get on with people to communicate with them and to motivate them.

"There has been a lot of hard work and a lot of good luck but there have also been a lot of good people in the

W/C MKGAS
8/10/88
30

CLICKS



wings who have made my life a lot easier," he said.

On leaving school, Trevor worked for a short while in a building society before getting a taste of retailing. In 1971 he joined Clicks in Durban as a trainee manager and rose rapidly through the ranks, gaining experience in all fields of the retail operation. In 1982 the Clicks manage-

Trevor Honneysett... winning combination.

ment decided to create a new position of national general manager to liaise between the general managers and the then executive chairman of the group, Mr Jack Goldin.

With his operational background, expertise and experience in all aspects of the company, Trevor was the logical choice to fill this position

which he held until his appointment as MD last year.

For the year ending June 1987, after Trevor had been in the managerial hotseat for only few months, the group saw operating profit soar 29 percent to R17,4-million and outstripping the 24 percent rise in turnover from R183-million to R227,7-million.

Earnings a share increased from 34,72c to 44,18c while the dividend was raised to 21c from 15,85 a share.

These impressive results were repeated during the past financial year which saw operating profit jumping 26 percent to R22-million on a 24 percent increase in sales to R282-million. Earnings a share were up 26,7 percent to 55,98c while the dividend was increased by 28,6 percent to 27c.

During this period 12 new generation stores were opened, bringing the number of outlets in the group to 80 and by the end of the 1989 the group will boast more than 100 stores.

Restructuring

This year also saw a restructuring of the group with control over Clicks and its holding company Clickin passing to the controlling shareholders of Score Food Holdings, Hi-Score Holdings. With the restructuring came Trevor's appointment as chief executive.

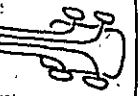
"The future holds immense challenge and excitement. Hi-Score is run by a young, dynamic management with a compatible business philosophy. I believe it is a winning combination," he said.

And while many others in the retail industry are bracing themselves for less buoyant trading conditions, Trevor

(See Page 3)

P.T.O

COMMERCIAL AND INDUSTRIAL PROPERTY



DORR Commercial

SALT RIVER

Valuable property comprising five

In the right place

at the right time

D/E Rev
8/10/98

(From Page 1)

30

remains confident that prospects for the current financial year and the foreseeable are good.

"Provided of course there is a fair environment both economically and politically," he said.

"A common fear in retailing is that certain areas have been overtraded. Having speciality stores with a unique mix of merchandise, this is a problem we are not confronted with. We have found our niche in the market and the potential for growth is excellent," he said.

Growth prospects for its 16-store subsidiary Diskom, acquired by the group four years ago, are even more exciting, he said.

Striking a balance

Trevor, married to Pauline with two children, Andrew, 7, and Romny, 2, believes that striking a balance between his demanding job and his family life is crucial to the success of both.

"The environment in both is close knit and supportive, we are a team, but more than that, we are like a family."

"By seeing the whole person behind the face, encouraging and facilitating individual potential not only results in job gratification for everyone, but in the end it is the team and the company that benefit," he said.

New car sales down ^{10/11/88} (30)

Car sales in September declined on the August figure, states Naamsa. Figures released by the organisation showed the figure declined by about 15 percent in September to 18 699 compared with 22 112 in August.

September sales did not show much of an increase on sales over September last year which totalled 17 401.

However January to September sales showed an increase of 17 percent on last year's figures and were up by 25 420 at 172 986.

A spokesman for Naamsa said he expected sales to continue at a high level into the first quarter of next year because of a backlog of demand for new cars.

He said this was caused by a need for fleet replacements and demand from the consumer anticipating price increases.

He said, however, that the industry expected a slowdown from the second quarter of 1989.

Light commercial sales were almost static at 9 956 (8 880 in August). Medium commercial vehicle sales showed almost no change at 546, as did heavy commercial vehicles at 942. — Sapa

Radical surgery was necessary for Pepkor's turnabout. The sale of Budget Footwear, Rich Rags and House of Monatic realised R46 million, a rights issue raised R53 million, retained income for the year was R53,6 million and 10 percent of Pep Stores Limited's shares were sold, all helping to reduce debt.

Associated companies Pepland and Jofinco Property borrowed more and pledged their shares and loans with Pep Stores as security.

Reserves of R62,8 million (1987 R8,5 million) comprised non-distributable and distributable reserves with the latter still negative. In the US a chain of stores, dependent on exports of SA merchandise from House of Monatic, was liquidated. Sanctions and the store's newness in the American market are blamed but the losses incurred are adequately covered. Shareholders need to know more about this US chain, who managed it and the losses made.

Turnover increased to R939,2 million (1987 R876,7 million). Operating profits were R71,77 million (1987 R55,83 million). Finance charges were down to R17,18 million (1987 R40,84 million). In spite of vast tax losses of R131,66 million (1987 R192,1 million) tax totalled R12,29 million (1987 R8,74 million).

Associated companies increased earnings to R4,23 million (1987 R3,1 million) and after deducting outside shareholders interest R7,35 million (1987 R2,34 million) the bottom line was R39,19 million (1987 R7,22 million).

Earnings a share were 369,9 cents (1987 85,9 cents) and the annual dividend 30 cents (1987 nil). Below the line extraordinary credits were R30,03 million (1987 losses R19,41 million) — profit on sale of subsidiaries and associated companies R40 million less a R10 million provision in associated company holding a fixed property investment. Despite 1988's profit, retained income remained negative — R10,85 million (1987 R64,48 million negative).

Chairman Christo Wiese was happy with the restructuring programme benefits and meeting JSE requirements whereby the groups' percentage shareholding in Pep Store was reduced from 97 to 87 percent.

Incompatible operations were sold — nine subsidiaries in total. Mr Wiese says the long-awaited upturn in the economy and return to greater domestic political stability will show GDP growth and a marked increase in consumer confidence. The decline of the rand, gold around \$400, inflation, and interest rates still rising.

Subsidiaries sold to Budget

Bottom Line

MICHAEL MENOF



(Svenmill) and Lenco were first placed on a profitable footing before realising substantial goodwill. Pepkor holds 3,49 million shares in Lenco Holdings. Pep Stores opened 66 new stores during the year and experienced local textile supply difficulties and increase in duties. Shoprite opened four new stores, including one in Pieterburg, Transvaal. Hyperette opened four new stores but appears to be making losses.

Permanent capital grew to R176,7 million (1987 R70,9 million) at end February 1988 through the rights issue, retention of 1988's profits and the R54 million compulsory convertible debentures.

Interest bearing debt, excluding convertible debenture, declined from R129,2 million to R4,3 million. Investments declined to R20,76 million (1987 R53,29 million). Working capital improved to R150,5 million (1987 R16,65 million) with cash resources rising from R8 million to R100 million but the R19 million dividend owing will reduce cash resources. It was strange to see R17,5 million preference share capital under current liabilities without explanation.

Associated companies Pepland and Jofinco both reported a substantial increase in debt. This debt is off balance sheet and shown in Note 18 and its parts. These loans were used to reduce the debt owing to Pepkor, which helped to reduce Pepkor's own debt and swell its cash resources.

Guarantees issued in respect of subsidiaries and associated companies have increased from R9,8 million to R31 million. The R10 million provision for loss in a fixed property associated company also needed a full explanation.

Pepkor has no offshore borrowings so memories of the past R100 m forex losses are fading. A strategic planning committee has been assembled to develop a strategy to ensure Pepkor's growth says Mr Wiese who "looks forward to a continuing growth in earnings."

The appointment of Mr M G Loubser (on Sanlam's Sanorp's and Senbank's Board) to Pepkor's Board must mean that Mr Wiese is leaning towards Salam for future assistance.

Restructuring during 197/88 has resulted in the net asset value per share rising from R1,94 to R10,44. The JSE price has held up remarkably well at around R30 despite the massive debt and problems.

Radical surgery at Pepkor reduces debt
Star 10/10/88
 30

Quality profits from popular Pick 'n Pay

Star 7/10/88

30

FINANCE STAFF

PICK 'n PAY has announced a 34,8 percent increase in earnings and a 30,9 percent higher dividend for the six months to end-August.

Interim figures from the Cape-based retailer seem set to ensure that it remains a firm favourite with investors. Turnover rose 29,4 percent to R1,8 billion (R1,4 billion) and management has succeeded in squeezing even more out of assets, which increased operating margins from 2,3 percent to 2,4 percent.

This helped to lift earnings by 34,8 percent to R24,6 million (R18,2 million), equivalent to 31,4c (23,3c) a share. A dividend of 9c (6,33c) a share has been declared.

As management points out, these figures reflect "quality profits" because Pick 'n Pay is on a heavy tax rate and the strong improvement has been achieved off a high base.

Besides store openings, performance at Clothing, Builders' Hardware, Garages and Perishable Departments helped to lift both turnover and margins.

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FURNITURE FAIR

Cheapest around

Activities: Retailers domestic furniture and appliances.

Control: Directors have control.

Chairman: R Stein; managing director: I J Hammerschlag.

Capital structure: 10,1m ords. Market capitalisation: R15m.

Share market: Price: 145c. Yields: 7,6% on dividend; 31% on earnings; PE ratio, 3,2; cover, 4,1. 12-month high, 310c; low, 130c. Trading volume last quarter, 109 000 shares.

Financial: Year to June 30.

	'86	'87	'88
Debt:			
Short-term (Rm)	—	0,6	—
Long-term (Rm)	1,7	—	—
Debt:equity ratio	1,19	0,13	N/A
Shareholders' interest	0,29	0,47	0,54
Int & leasing cover	81,2	129	N/A
Debt cover	0,40	2,55	N/A

	'86	'87	'88
Performance:			
Return on cap (%)	14,9	15,6	23,3
Turnover (Rm)	5,7	12,9	26,2
Pre-int profit (Rm)	0,7	1,4	4,5
Pre-int margin (%)	11,5	10,7	17,2
Taxed profit (Rm)	0,6	1,4	4,5
Earnings (c)	8,6	18,3	44,8
Dividends (c)	—	6	11
Net worth (c)	16,7	55,8	102,9

Doubling earnings per share for two consecutive years is quite a performance, especially when the company started with only two shops and loan capital of R1,5m two years ago.

Today it boasts shareholders equity of R27m, has no debt and a return on capital of 23,3%.

MD Ivan Hammerschlag started the company after being fired from the old Montays group in 1983, at a time when it was making record profits through 22 stores. Not long after that, Montays went under and he bought it, putting seven of its stores under the Montana banner and selling the rest. He and brother Jeff now boast 13 stores in Furniture Fair and are planning to open the fourteenth in November.

Furniture Fair trades in the Western Cape and the new store will be opened in Atlantis, making it the second furniture chain in the area, which has 55 000 inhabitants.

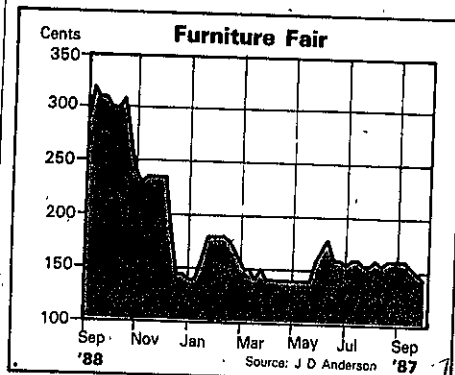
In November, a holding company, Furnigrow, will be listed. Furniture Fair's shareholders will be allowed to subscribe through

a rights issue, the terms of which are still to be announced, though analysts say that shares offered in the private placing have already been taken up. Proceeds of the placing and rights issue will be used to pay for Montays.

This year, earnings per share of 57,5c are predicted, an increase of 32% on double the number of shares. But Hammerschlag admits that government's tough measures to curb spending have begun to bite, though with strong demand for housing in its trading area and a bumper Christmas after widespread salary increases, he is quite confident.

With its ever-increasing HP book, Furniture Fair does not expect to pay tax soon, especially with an assessed tax loss from the Montays takeover. On a projected p/e of 2,5, the shares must be one of the cheapest on the exchange.

Louis venter



Private doubts

Publicly, vehicle manufacturers express confidence that sales of new cars and commercial vehicles will continue at current levels in the short term.

Exactly what "current levels" means — monthly car sales since June have swung from 16 981 to 20 018, to 22 112 and back to 18 669 — is uncertain, but the official line remains that this year's overall market recovery is not about to go away.

Nevertheless, private doubts are intruding. As the National Association of Automobile Manufacturers (Naamsa) stated at the weekend, the market is still underpinned

FINANCIAL MAIL OCTOBER 14 1988

Delta SA (DSA), which holds 49,9% of DE and the 60,29% of EMD which DE is acquiring. The 39,71% balance of EMD will continue to be held by "an overseas partner" and EMD management.

The deal represents a rationalisation of EMD, for R13,3m, into DE. This was not possible when most of DSA's directly held subsidiaries were reversed in DE in 1986 because EMD's capitalisation was too large. DE now has a capitalisation of R107m.

EMD produces high-grade electrolytic manganese dioxide, used in dry cell batteries. About 60% of production is exported. This will be a welcome addition for DE, which has hardly any export earnings. However, even after the acquisition, group export earnings are not likely to be above 10% of total. EMD won the State President's Award (manufacturing sector) for exports in 1986.

For DE shareholders, the immediate benefit is the option of one bonus share for every 10 held, or a special dividend of 25c per share. Though DE has consistently outperformed the electronics sector for the past four years, it has had a below-average rating, apparently because it is little traded. A 3,5:1 share split earlier this year alleviated this problem, and it is hoped that the bonus issue will improve the position further.

DSA will receive cash of R2m and 3,75m DE shares, and has opted for the special dividend, payable in commercial rands. A maximum deferred payment of R3m will be made in instalments to DSA if EMD's taxed earnings in 1989, 1990 and 1991 exceed certain projections. Excluding the deferred payment, EMD is being sold on an historic p:e of about 8; if the full deferred payment eventuates, the forward p:e will be 5,6.

DE is now in a net cash position. The purchase price and special dividend payments will result in 10% gearing.

There are minimal short-term effects on EPS and NAV. Ignoring the bonus issue, forecast EPS for the full year ending December 27 1988 would rise from 30c to 30,4c, while NAV would fall from 123c to 120c.

DE's MD Graham Salter says prospects for EMD are improving continuously, especially in exports. DE and EMD have always had the same chairman, MD and financial director, so there will be no disruptive adjustment. DE will gain another division, and EMD should benefit from closer management as part of a listed company.

DE's rating has drawn about level with sector averages since the share split. It is on an historic p:e of 10,8, earnings yield of 9,3% and dividend yield of 3,7%. The acquisition may see it improving further. *Teigue Payne*

BUSINESS

Build the black rand, urges new organisation

"BLACK economic empowerment" must cease being an empty theme and acquire a "positive progressive public image in the community".

This was the call by Dr Ellen Khuzwayo, interim first vice-president of the Foundation for African Business and Consumer Services (Fabcos), addressing 200 delegates at the new organisation's "official presentation" at Shareworld on Saturday.

Delegates urged Fabcos to work with other organisations — including trade unions — and to clarify its political stance.

It was suggested that the organisation should put its political position to

major black political organisations and ask for their response.

Interim co-ordinator Mike Ntlatleng said Fabcos was a politically aware organisation and supported any political group which was putting pressure on the government for change.

The three organisations which formed Fabcos — the National Black Consumer Union (NBCU), Southern African Black Taxi Association (Sabta) and the Transvaal African Builders Association (Taba) have since been joined by the African Bank, the National Stockvels Association of South Africa (Nasasa), the National Hawkers Association and

Fabcos urges organisations to unite so that black economic power is more than hollow words.

By MZIMKULU MALUNGA

the Sechaba Sizwe Co-operative Limited.

The interim committee of the organisation will be responsible for its activities until the Fabcos launch in February. Fabcos' Khuzwayo said: "Fabcos is determined to forge ahead as a united front with all black organisations which are committed to progressive

economic growth in the community."

Promoting the "black rand" — the circulation of capital within the black community — is one of the organisation's priorities.

The Fabcos committee hopes to involve organisations such as stokvels — township savings societies which already turn over about R5-million a month.

"Stokvels are the backbone which keep black families going in this country," Khuzwayo said.

She said the seven Fabcos affiliates had come together to build black buying power to facilitate black people's liberation from poverty and degrada-

tion. "We need to put our shoulders together in order to break into the South African economy," she said.

The taxi industry had inflicted severe blows to both the buses and South African Transport Services by taking more than 50 percent of their passengers, she said. Khuzwayo praised Sabta for its willingness to share its facilities with other organisations.

The themes of black economic empowerment and unity were echoed by interim secretary general Joas Mogaale, who said for South Africa to grow, black people should be given meaningful participation in the economy.

Fabcos' desire for unity with African chamber delays launch

By MZIMKULU MALUNGA

February.

When Fabcos was formed, Nafcoc refused an invitation to join, arguing that it did not see "the wisdom of forming another splinter body with the same objectives".

But on Saturday, Nafcoc managing director Sam Molebatsi represented

the federation at the "official presentation" of Fabcos, fuelling speculation about the two organisations joining forces in the very near future.

Both Nafcoc's president, Dr Sam Motsueryane, and public relations officer, Gabriel Mokgoko, sent apologies.

Nafcoc was included in Fabcos' proposed organisational structure,

outlined at Saturday's function by interim treasurer Eldridge Mathebula.

Fabcos interim public relations officer Jabu Mabuza said Nafcoc had been included in the organisation's structures as an "overseer". Fabcos' members of Commerce (Nafcoc) for its role in forming the African Bank played in paying the way for black economic advancement, Mabuza said.

Mogaale said unity was essential for black advancement. He dismissed as "untrue suggestions" that Fabcos was fragmenting black business. "This organisation wants to go along with everybody," he said.

He thanked the old-established National African Federation of Chamber of Commerce (Nafcoc) for its role in forming the African Bank. "The bank would be the channel to self-help, he said. "The African concept is *re tsosa e lisosang* (we pick up the one who picks himself up)."

WTTM Fabcos having expressed its readiness to accommodate other groups, including the National African Chamber of Commerce and Industry (Nafcoc), unity is a distinct possibility in black business circles.

And the quest for unity may be one of the reasons for the delay of Fabcos' launch, which was due at the weekend but is now scheduled for

Score suffers a 'temporary' setback

SF-V
14/10/88

30

By Ann Crotty

Latest results from Score may see even further weakening of the share price which has fallen from a high of R17,75 at end-March to yesterday's closing level of 975c. Problems at Grand Supermarkets have held back group performance to an unchanged earnings figure of 37,5c a share for the six months to end-August.

A strong increase in turnover at Score and Trador Cash and Carry helped to counter a weak performance at Grand with the result that the group was able to report a 19 percent rise in turnover to R521,8 million (R438,7 million). Operating income was down marginally from R12 million to R11,9 million, reflecting a drop in margins from 2,7 percent to 2,3 percent.

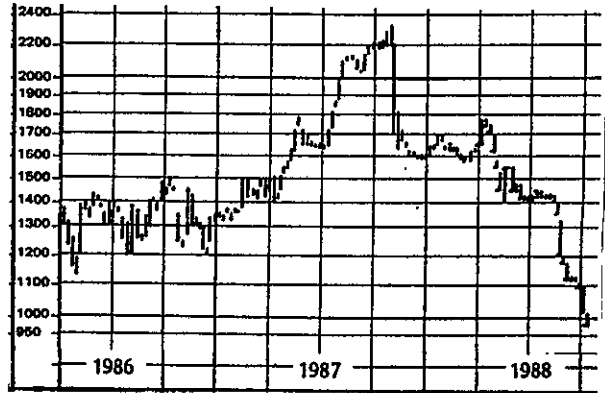
A lower tax rate, down to 44,4 percent from 47,7 percent, enabled management to report unchanged earnings of R5,5 million. Because management feels that this weak performance is temporary it has decided to increase the dividend by 8,3 percent to 13c (12c) a share.

These results represents a significant break from an otherwise excellent 8-year track record and it is unlikely that the

market will be forgiving of a former star performer. The weakness in the share, evident since end-March, had been attributed to the market's scepticism about the benefits of the Clicks' takeover as well as concern about the speed of the group's expansion which was stretching management.

Management attributes the weak performance to stock write-downs in the softs and hard divisions at Grand, as well as pressure on margins.

When Score took over Grand some two years ago, analysts expressed some concern about Score's ability to sort out the problems. Group MD Carlos dos Santos agrees that some of the current problems are a hang-over from earlier years and accepts that Score management is at fault because it did not act quickly enough: "Problems like these do not appear overnight, we should have put our finger on it earlier. It is a management problem." Major management changes have been made and Dos Santos says that September and October were well above budget. For the full year he seems confident of maintaining last year's 100c and hopes it may be better.



Score's share price has been on the slide since April.

'White knight' rescues Milly's at cost of R2-m

71645 14/10/88 30
By TOM HOOD, Business Editor

THE rescue of Milly's Stores cost "white knight" Unidev, the Cape investment banking group, more than R2-million. This investment in the Cape-based company is to be written off, Unidev disclosed today.

After taking control of the loss-making Milly's, Unidev invested R2 016 000 in the Cape company, which lost R932 000 when it sold the Carousel in Sea Point and chalked up total losses of R4,3-million in the year to June 30.

However, a major restructuring of Milly's is expected to restore the company to profitability, said Mr Geoff Grylls, chairman of Unidev today.

"INCORRECTLY REPORTED"

The new directors of Milly's reported today that net profits of R303 000 for 1987 were "incorrectly reported." These have been restated as a R1 071 000 loss after an independent investigation.

As a result of trading losses incurred by Milly's and "the incorrect reporting of such results," the managing director Mr Michael Bruchhausen resigned, said the directors.

They added: "Mr Bruchhausen has not been able to furnish the board with an acceptable explanation for the large discrepancy between the published interim results and the revised interim results as determined by Kessel Feinstein" (the auditors).

"The reports submitted by Kessel Feinstein indicate that adjustments to the 1987 financial statements appear to have been made for the purpose of increasing the reported profits of Milly's.

"The matter has been referred to Milly's attorneys to take such action as is appropriate in the circumstances."

● In spite of the write-off Unidev increased its operating profit by 34 percent to more than R7-million in the year to June 30.

● See page 13.



INVESTMENT

MS6a3 14/10/88 30

Embattled Milly's in R6,9-m rescue deal

RECENTLY-formed Kwikshop Holdings group and Metro Bakery are to be injected into JSE-listed and loss-making Milly's Stores in a R6,9-million deal announced today.

The restructuring is being orchestrated by Cape investment banking group Unidev which currently holds 20 per cent of Milly's equity, 50 per cent of Kwikshop holdings and 100 per cent of Johannesburg-based Metro Bakery.

Today's announcement of Milly's restructuring coincides with the publication of the Cape company's results for the year to end-June which show total losses of R4,2-million.

Unidev director Ronnie Stein blamed Milly's losses on the previous managing director, who resigned immediately the problem became apparent.

"Since the introduction in June of caretaker management and with it the financial controls and reporting systems essential to a business of this nature trading losses have been considerably reduced," he said.

"While the company has undoubtedly lacked management with sound retailing, merchandising and marketing expertise, the proposed restructure brings unquestionable strength and experience in these areas."

Milly's revised unaudited results for the six months to end-

December 1987 were published in June and showed a loss of R2,6-million, including prior year adjustments, compared to a previously published profit of R358 000.

The new moves announced today provide the chain with nine strategically-situated outlets in the Peninsula — five under the Milly's banner and four existing Kwikshop Holdings stores.

Negotiations have also been finalised for Kwikshop holdings to acquire three further stores, bringing the group's total to 12.

The Kwikshop stores are all affiliated to Spar.

The new group will have as a separate operating division a substantial manufacturing facility comprising the freshbake food factory in Retreat together with the Metro bakery which will supply the Reef market.

A major board reshuffle also brings considerable merchandising, operational and financial expertise to what is effectively a new company.

The two founders of Kwikshop, former Metro Cash and Carry executive directors Mark Abramowitz (merchandise) and Dennis Marock (operations), become joint managing directors.

Acting chief executive An-

thony Scott-Wilson joins the board as financial director, a position he previously held at Grand Bazaars.

The new management team says emphasis will be placed on quality, service and convenience.

"While we have no intention of taking on the majors, we will be filling a definite market gap for a chain of strategically located, convenience stores offering a range of quality products, including fresh-baked goods, delicatessen and fresh produce, at competitive prices."

The Kwikshop acquisition is being made by way of the issue of 2,3-million new shares at R1 each, equivalent to Kwikshop Holdings' net asset value.

Metro Bakery is also being acquired at a net asset value of R4,6-million payable by the issue of 4,6-million new shares at R1 cents each.

The net asset value of each Milly's new ordinary share is expected to be 88,8 cents a share as a result, says Mr Stein.

On discovery of the half-year losses, Unidev stated that as a large minority shareholder it would take active steps to safeguard both its own interests and those of the other minorities. — Sapa.



Cape Times 14/10/88

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Milk zones go. Benefits short-term'

THE recent relaxation of controls on the milk industry were of great benefit to consumers in the short-term but could have disastrous consequences over a longer period.

This was said, yesterday, by the chairman of the Cape Dairy Association, Mr John Middleton, at a function organised by the Dairy Board yesterday.

The regulations which previously divided regions into

zones in which dairies operated were recently scrapped.

This meant that dairies were now "scratching each others eyes out" in an attempt to compete and get business.

He said that it was not unusual to see five dairy trucks making deliveries to one corner cafe. This meant that dairies had to make heavy capital investments to buy more expensive trucks.

This would result in only a few

and possibly one powerful dairy controlling the market since all the smaller dairies would be pushed out.

Mr Middleton conceded that the old system allowed the consumer little protection against unscrupulous dairies.

However he objected to the complete scrapping of this system and said a balance should rather have been reached.

Milstan lifts earnings by 52 percent (30)

Milstan, the photographic and electronic goods discounter, increased its earnings by 52 percent in the six months to August from 4,8c to 7,3c a share and is forecasting earnings of 18c a share for the full year.

Turnover rose 49,5 percent to R46,1 million in the six months to August from R30,9 million last year.

Pre-tax profits rose 61 percent to R3,9 million.

Net worth rose 32,9 percent from 44,4c to 59c a share.

Financial director, Mr Laurence Etkind, says: "Sustained consumer demand for the group's products and tight financial controls increased operating margins from 7,8 percent to 8,4 percent."

The group enjoyed something of a mini-boom when the surcharge was announced.

But it had acquired large stocks at pre-surcharge prices and customers should benefit from this for a number of months.

He says that 35 percent of group turnover was accounted for by corporations and insurance replacements — a sector with traditionally low sensitivity to surcharges.

Mr. Etkind says an increasing contribution is being made to profits by the eight new store openings and Radio Mannie, which the group recently acquired.

Welcome for 20 SA businessmen²⁰

Star 18/10/88

The Star's Africa News Service

A group of 20 South African-based businessmen has returned from Mozambique saying the time is now right to invest in Mozambique.

"We were received with open arms and the Mozambicans are more than keen in having South African investment there," said Mr Carlos Oliveira, spokesman for the group which spent three days in the country last week.

Mr Oliveira said that the authorities in Mozambique were not influenced by worldwide

calls for the isolation of South Africa.

The visit was organised by the Southern Africa Association of Young Portuguese Entrepreneurs and Professionals, and was aimed at establishing a first contact with the Mozambican authorities.

Mr Oliveira said that in some cases the Mozambicans had been disappointed that the South African delegation had not come with specific proposals.

The Mozambican authorities needed business consultants and

they needed skills to rebuild existing facilities.

The delegation that visited Mozambique included representatives of companies involved in industry, constructions, import/export, town and regional planning and others.

They met representatives of the Mozambican Chamber of Commerce, the Association of Mozambican Entrepreneurs and the directors-general of the Ministries of Co-operation and Construction and of Water Affairs.

It's time to buy shares again

30 Star 18/10/88

IS THIS the time to buy shares?

Not likely, say the many who burnt their fingers in last year's share market collapse and swore they would never buy a share again.

Judging from the low turnover in shares on the Johannesburg Stock Exchange for most of this year, a great many of these people have adhered to their oaths and remain resolutely determined never to buy a share again.

But this is where they are wrong.

This is in fact the right time, maybe the only time, that investors should start moving into the share market. The reason is that though share prices now appear to be in a bull trend, they are still cheap.

Moreover, there is a far greater probability that at their present prices shares will rise than fall.

This is something those who suffered heavy losses last year should ponder, for these conditions are so greatly different from when they bought and got burnt.

Much has been written about the losses suffered by investors last October when share prices dropped 35 percent. But an analysis of share-price movements show that even after this huge fall, share prices in aggregate were still higher than they had been at the start of 1987.

So the real losses were incurred by the Johnny-come-latelies who bought during 1987. And it was those who acquired shares from June onwards, when the market really soared, who were hardest hit.

But do these people deserve much sympathy? By June last year the industrial share index was already showing a 70 percent gain on a year previously. To expect it go higher was expecting a lot.

Share prices are known to go down as well as up. Those who bought in the second half of last year, or their advisers, must have been well aware that the market was approaching an area of instability, where share prices were just as likely to fall as rise.

DEREK TOMMEY

However, conditions now are greatly different. The market is stable. Since February the industrial share price index has risen 25 percent to reach its high for the year. However, it is still some 20 percent below last October's peak.

This suggests that the upward trend is strong and still in its infancy, and it also has considerable room to move higher.

Therefore, the risk of suffering a loss through buying shares now (providing they are good quality counters) is far less than it was at any time last year. The risk is also likely to be less now than at any time in the future until the next bear market.

However, while the share market looks sound what are the extraneous factors making share investment attractive?

A major one is that the strong profit performances put up earlier this year by a great many industrial companies appear to be continuing.

From figures published in the past week or so, profit increases of 40 percent or more seem to be the rule rather than the exception.

The move to tighter credit and the 60 percent surcharge on luxury and semi-luxury imports could hit some retailers. But it does mean there will be more spending money for locally-made goods.

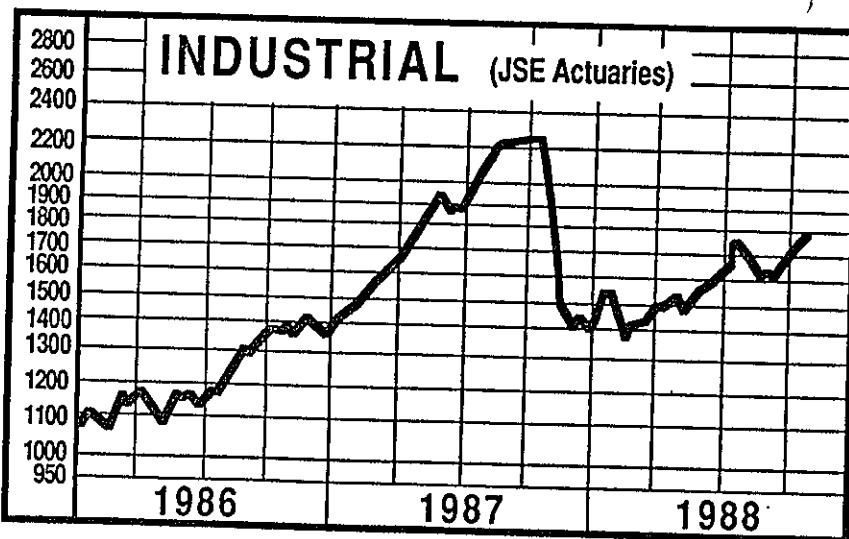
So local manufacturers should have a good Christmas.

Another positive factor is this year's further 20 percent fall in the rand is again encouraging local companies to export. This should result in greater economic activity and higher industrial profits.

It seems that an investment in sound industrial shares (or unit trusts) could prove most profitable and certainly give over the next few years a return much higher than the inflation rate.

Industrial shares that should show good growth over the next year or so include:

- Industrial holdings: Amic, Anglovaal Industries, Barlows, CG Smith, Federale Volksbeleggings, Safren.
 - Beverages/hotels: SA Breweries, Southern Sun.
 - Building and construction: PP Cement, Murray & Roberts.
 - Chemicals/oil: AECI, Sasol, Sentrachem.
 - Clothing and footwear: Rex Trueform.
 - Food: ICS.
 - Furniture: Afcol.
 - Motor: Metair.
 - Paper and Packaging: Consol.
 - Sugar: Tongaat.
- There are many more — ask a broker!



ON THE UP AND UP: Note the change in the trendline.

Presidential meddling-slammed

30
10/10/88

NP puts own interests first, Assocom told

Own Correspondent

DURBAN — Businessmen were urged to stand up to the President and tell him to stop interfering with the processes of free enterprise by Mangosuthu Buthelezi last night.

business confidence in SA was now positive only in shorter-term matters, where considerations were based on market forces. Botha had not created the kind of medium- to long-term confidence which was so desperately needed.

He also asked what good there was in P W Botha speaking to foreign heads of state when he could not speak to SA's own black leaders.



In an address to the Associated Chambers of Commerce and Industry of SA's (Assocom) annual congress, he said all Nationalist governments had put the interests of the party before the state.

Speaking after Buthelezi, Assocom president Alec Rogoff said it was essential to strengthen the web of functional relationships "which is our real and only safeguard against unbridled conflict based on widely divergent political viewpoints".

Consequently little had come from Botha's meetings with big business from the time of the Carlton conference onwards.

He noted that Europe had found a way of creating economic co-operation which did not require the countries to surrender their sovereignty, and the lesson of co-operation between countries could be observed.

The KwaZulu Chief Minister and Inkatha president asked Assocom members what Botha had actually delivered since then.

SA provided transport links, power, jobs for migrants, a market for imports and exports from surrounding countries, a destination for 347 000 tourists from other African states and a departure for 226 00 South Africans to African countries.

Relationships with the West were as confounded as ever and

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Syfrets buys into Suregro

Star 21/10/88

Syfrets Trust has acquired a significant stake in Sure Group Holdings, one of the country's leading industrial vehicle and materials handling groups.

This is disclosed by Suregro's joint MD Keith Blair when commenting on the results of the group's recent R3 million rights offer which was 94,5 percent subscribed at close on October 14.

"Of the 4 829 160 prime-linked compulsory convertible debenture of 60 cents each on offer, one million were taken up by Syfrets Trust," Blair said.

"In addition, Southern Life has increased its stake in the group, bringing its combined share and debenture holdings to just over one million."

The executive directors have followed their rights to maintain their shareholding, after conversion of the debentures, at 62 per cent.

Suregro's financial director Alan Hiscock says that he is particularly pleased with the increased level of institutional support as it indicated new stature for the group among major investors.

Merhold, the financial and investment banking arm of the SA Bias group and a 10 per cent shareholder in Suregro, underwrote the offer. — Sapa.



**Sterns' Smyth ...
correcting imbalance**

Sterns' erratic profit performance of the past few years and its precarious debt situation may have ended.

Sale of the company's head office block after year-end at a profit of R3m, coupled to a rent-back agreement and cutting stocks by R7m from R12m to R5m, should do the trick. A net R5,5m will be realised from the office sale and, with reduced stocks, this should at least halve the debt of R18m.

Mismanagement of stock by previous management and the resultant poor mix led to an imbalance which had to be corrected through major purchase cut-backs, according to CE Gordon Smyth. He says management's ability to focus on the business of improving on the sales' targets was thereby impaired.

Rising interest rates nearly eliminated profits this year as interest of R2,2m was close to the operating profit of R2,4m and pre-tax profit amounted to only R178 000. Debt has almost doubled from R9,6m to

R18,1m while cash flow hardly existed. The import surcharge will have a marked negative effect on profitability. Added to tightened hire purchase terms, this would mean an extremely poor outlook but for the restructuring and some other prospects. Advantages to be derived from government action to improve the local jewellery industry by reducing *ad valorem* duty have virtually evaporated.

Sterns pins its hope on its transport subsidiary, which has started contributing to the bottom line — a welcome diversification. The Kaycraft packaging subsidiary is also expected to make an important contribution. Smyth says these two divisions should contribute 50% of this year's profits.

This year could be Stern's best year ever, with the company earning more than 71c per share. Sterns' p/e rating of 88,9 and 1,1% dividend yield reflects investors' confidence.

Louis Venter

STERNS

36

Slide stemmed

Activities: Engages in retailing of diamond, gold and allied jewellery and watches as well as domestic and international removal.

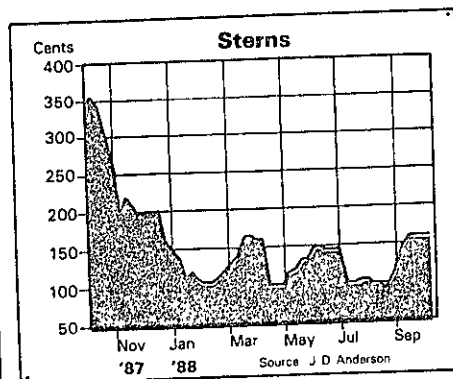
Control: Europa Acceptance Plc has control.
Chairman: M A Jacquesson.

Capital structure: 3,8m ords. Market capitalisation: R6m.

Share market: Price: 160c. Yields: 1,1% on earnings; PE ratio, 88,9. 12-month high, 360c; low, 90c. Trading volume last quarter, 83 000 shares.

Financial: Year to March 31.

	'85	'86	'87	'88
Debt:				
Short-term (Rm) ..	10,5	9,2	9,6	12,3
Long-term (Rm) ...	1,0	0,5	—	6,1
Debt:equity ratio	1,0	0,88	0,75	1,54
Shareholders' interest	0,42	0,43	0,42	0,31
Int & leasing cover .	0,2	0,92	3,33	1,07
Debt cover	—	0,02	0,42	0,05
Performance:				
Return on cap (%) ..	—	6,8	15,3	6,4
Turnover (Index 1984 = 100)	108	130	121	137
Pre-int profit (Rm) ...	—	16,7	4,5	2,4
Taxed profit (Rm)	(2,4)	(0,4)	2,1	(0,07)
Earnings (c)	(62,9)	(10,2)	56,9	1,8
Dividends (c)	—	—	12	—
Net worth (c)	291	285	330	311



RM 2/10/88

Marketers credit the spread of Aids for contributing to a shift towards Victorian moral standards, and the Victorian frilly look. Edgars has pushed the Victorian look in a big way. Says merchandising manager Frank Wells: "In our larger shops, we opened a section called Victoria's Secret, which was effectively a shop-within-a-shop. This merchandising concept was borrowed from Macy's department store in New York where it added a personal touch to sections of a vast shop.

"In the shops where Victoria's Secret was introduced, we increased underwear sales by 50%."

Woolworths, which was beginning to lose market share, has moved away from the basic underwear market and actively re-launched its lacy Rose Collection.

But it is in the black market, and therefore to the benefit of chains like Sales House, OK and Pep, that there has been the biggest growth. While the white underwear market is growing in rand terms by 20% a year, the black market is growing by at least 35%.

Black-orientated stores have a 29,2% share of the total market. Sales House, the black market leader, says sales are 60% up on the same period last year.

According to buyer Joyce Mavuka: "We have moved into the lacy look in the last two years, using the label Private Moments, and sales of lacy corsetry and slips run at 70% of the total. We are seeing a change in fabrics. All our slips used to be in nylon, now 40% are cotton."

The black market has tended to follow trends in the white, except that underwire bras, which account for more than 80% of the white market, account for only 2% of the black market.

Triumph chairman Bernard Richards says demand for lingerie is growing internationally. "Underwear is getting a lot more exposure in fashion magazines worldwide so people are getting more conscious about the need to wear something fashionable underneath."

Richards says the open display of lingerie has led to much higher sales as women can now feel the quality of the merchandise. When Triumph had its first open display at Stuttaford's in 1978, sales rose 70%. ■

LINGERIE

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Simply frilling

The once staid ladies' underwear market has become the fastest growing sector of the clothing trade worldwide — and it's doing particularly well in SA thanks to the growth of the black market.

For years, the SA underwear market, now worth R300m, has been dominated by Woolworths, with Edgars a distant second. Woolworths still boasts a 30% market share, almost exclusively in the white market, compared to Edgars' 14%, 12% each for the OK and Sales House (part of the Edgars group) and 9% for Pep Stores.



print money, is faltering. Recent government statistics show bottle store sales down by 0,7% (R8,5m) in 1987.

It's not that SA is becoming a nation of teetotallers: Ibis Marketing Information Services GM Alistair Lewis says South Africans drank 11,5% more than in the previous year. He says the increase in outlets, together with a consumer swing to cheaper spirits and cost-intensive beer, caused the decrease.

Solly Kramer MD John Hooper says there is no doubt that emerging township outlets and Makro-Metro wholesalers are distorting the trade.

Fedhasa executive director Fred Thermann says "proper (licensed) retailers" (of which 900 are Fedhasa members) are losing "between 20% and 30%" to "delinquent traders" (licensed and unlicensed) in the townships. Says Lewis: "More disposable income is available with increased salaries and the non-payment of rent and services."

Thermann adds: "Competition has become cut-throat. Our members are barely surviving on rock-bottom profit margins. Many stores are up for sale."

He accuses delinquents of selling after hours, on public holidays, as well as evading GST by bringing in liquor from tax-free Bophuthatswana — a manoeuvre he claims costs government R6m a year. And he wants Economic Affairs and Technology Minister Danie Steyn to enforce liquor laws "equally" in black and white areas, adding that his reason is "too sensitive" to release to the FM.

Ironically, Zanosu Kunene, vice-president of the Ukhamba Liquor Association (claiming 600 black off-sales members), agrees with Thermann. Laws are flouted, but "certain white traders are trying to escape an over-traded sector by getting into our under-traded black sector."

Up to 353 producer-wholesale-owned outlets could be sold to independents soon, adding to the competitive climate, if government implements its plan to limit producer-wholesalers to ownership of 12 outlets each.

Cape Wine & Distillers (CWD) MD Gys Steyn expects the final word from Minister Steyn on dismantling vertical integration soon. CWD, wholesaler of 92% of SA's non-

LIQUOR TRADE

Free for all

Independent liquor stores, squeezed between burgeoning legal and illegal township trade and discounts offered by producer-wholesale-owned outlets, are appealing to government for help. The traders, through Fedhasa, want government to end a dispute as old as the industry: to force producer-wholesalers out of the retail market.

The liquor trade is extremely competitive, as the result of the granting of an extra 551 licences over the past two years, mainly to black traders. Fedhasa claims black licensed and unlicensed outlets have seized up to 30% of its members' trade.

The liquor store sector, known in the past as a licence to



FM 21/10/88

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beer liquor, welcomes the "unfettering of the retail sector." But, adds Steyn: "If government says we will have to sell CWD's 200 outlets, obviously everyone will have to."

He doubts franchising will be allowed, but Lewis predicts: "This is the way the market will go. It has already begun with an operation started in Natal by the One-up Group."

21/10/88
by
20

October 21 1988

R1bn pumped into KwaZulu

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1/10/88

Buthelezi heaps praise on the private sector

ULUNDI — The cumulative joint investment by the KwaZulu Finance and Investment Corporation (KFC) and the private sector in KFC projects exceeded R1bn in the past year, Mangosuthu Buthelezi said yesterday.

Tabling the KFC's 1988 annual report in Ulundi, Buthelezi paid tribute to the private sector "for the massive contribution to the economic development of this region and for the display of confidence in black people in South Africa".

During the past financial year, the KFC established more than 300 small entrepreneurs.

Its heavy industry development programme resulted in the establishment of jobs for more 36 000 people who took home close to R110m in wages during the year.

"If we assume that each breadwinner in KwaZulu supports 12 dependants — a figure not unrealistic in our region — then the industrial sector

now supports the livelihood of almost half-a-million people," Buthelezi said.

Long-term loans for tractors, poultry units and similar investments increased sevenfold during the past two years and 150% during the past financial year.

During the year, the KFC made a grant of R3,8m to the KwaZulu Training Trust, bringing the cumulative financing in this project to R15,8m.

The Ithala Bank — a member of the KFC — achieved a turnover of R70m. "About 35 new clients were attracted every working day during the past year," said Buthelezi.

Through the implementation of an aggressive expansion programme, branches of the Ithala Bank had been established throughout KwaZulu/Natal.

Buthelezi said that in the next three years the KFC would invest another R,5bn which would "really put the KFC and KwaZulu on the development map". — Sapa.

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We wouldn't sell you a cone of our Xperts has inspected

Ellerines making up lost ground

By Ann Crotty

Latest figures from Ellerines suggest the group is moving fast to make up for the sales and profit lost in last year's industrial dispute.

The group has reported a 7,5 percent increase in turnover to R205,9 million (R191,6 million) for the eight months to August. The increase at operating-income level was a more impressive 32 percent, taking operating profit to R26 million (R19,8 million).

Financing costs were down 37 percent to R1,3 million (R2,1 million), but the tax rate was up from 37,8 percent to 43,2 percent, leaving taxed profit showing a 27,8 percent advance to R14 million (R11 million). This was equivalent to earnings per share of 203c (159c), from which a dividend of 50c (39c) has been declared.

These results appear to confirm the view, evident from the strong results recently published by Tedex, that the decision to sell Tedex's stake in Ellerines to Gencor (from where it was sold on to Malbak) was beneficial for both Tedex and Ellerines. Tedex benefited from the cash injection and Ellerines appears to be benefiting from being

a more focused operation within the Malbak group stable.

The directors note that turnover was adversely affected by industrial action which continued to the end of January and also by the economic curbs introduced in May.

There was a major improvement at the operating level due to a sharp increase in margins from 10,3 percent to 12,6 percent. Even at this level there is still considerable scope for improvement — back in 1982 the group was enjoying margins of 17 percent. And it is likely that, given Malbak's guideline of 25 percent operating return on assets employed, management has a long-term target in excess of 17 percent. The latest results reflect a return of only 14,3 percent.

The directors say a tightening up of the debtors' ledger has resulted in a healthier ledger and vastly improved cash flows. This must have contributed to the sharp reduction in finance costs.

Looking ahead, they say that after the past few years of consolidation, the group is now in a position to resume its expansion programme in the current financial year.

Something good in line for JMF shareholders

By Derek Tommey
Prospects for Wit Nigel, West Wits and Waverley, the three gold mines in the Johannesburg Mining and Finance group, seem to be improving.

Figures in their September quarterly reports and comments at a Press briefing yesterday by the technical director, Mr Tony Netto, suggest that shareholders in the three companies — even Wit Nigel — have something good to look forward to.

West Wits increased its taxed profits by 30,5 percent in the September quarter to R3 429 000 (R2 635 000). The improvement in profits was the result of a higher milling rate, higher yield and a rise in the gold price.

Mr Netto said the mine was aiming to raise the milling rate, which had already been lifted from 60 000 to 90 000 tons a month this year, to 120 000 a month next year.

The aim recently had been to search for new ore reserves to sustain this milling rate as the known reserves were insufficient.

The result was that the mine expected to continue the increased milling rate for six years with open-cast ore reserves and for 20 years with underground mining.

West Wits was introducing mechanised methods and while this increased capital expenditure it led to lower working costs.

Wit Nigel's working loss dropped to

R1,3 million in the September quarter from R1,8 million in the June quarter and the mine is expected to return to profitability from January, next year.

Since July new mining methods have been employed and this is expected to lead to a steady increase in grade and earnings.

Explaining the new mining methods, Mr Netto said that development at the mine had shown that between 20 and 30 percent of Wit Nigel's reef was payable and would produce a milling yield of six grams to eight grams a ton.

Until now mining policy had been to treat all the ore, whether payable or unpayable, and this had led to an unprofitable milling grade of around 2,2 grams a ton.

However, since July the mine had started selective mining and this had resulted in the yield for the quarter rising to 2,7g/t.

Although this method could lead to a drop in the milling rate and a rise in unit costs, income should rise faster.

Work was being conducted on geological techniques to identify the payable areas and to refine the mining method.

These techniques would be developed in the shallower areas of the mine. Once they had been perfected it should be possible, using these techniques to open a new mine in the deeper areas of Wit Nigel.

Waverley Gold Mines reports a working profit of R189 000 for the September quarter, against R379 000 for the June quarter.

However, these figures do not reflect fairly the position at the mine. Part of gold revenue in the June quarter had to be estimated. This led to revenue being overstated and the September figures were adjusted to take this into account.

June's corrected profit figure should be R250 000 and September's should be about R320 000, said Mr Netto.

In the September quarter a total of 91 382 tons (June, 70 740 tons) were treated at the SA Lands plant. This quarter slimes from Waverley will also be treated in the Primrose/Jumpers plant.

'Think separately' for the black market

Star 22/10/88

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BLACKS in South Africa speak different languages, live in different areas, have their own cultural frame of reference and use black media

So, practically speaking, says Research International's Martin Slack, "we cannot reach all blacks effectively using Afrikaans or English media, nor research them effectively using white interviewers.

"If we don't think separately about black needs, aspirations, buying behaviour, media usage and interpretation of advertising, can we be sure we are marketing effectively to them? I doubt it."

In many major markets — alcoholic beverages and personal care, for example — black

consumption accounts for 70 to 80 percent of total volume, while about 50 percent of advertising budgets are spent on black media.

In defending this apparent imbalance, advertisers point out that blacks consume white media, which is true as far as urban blacks are concerned.

However, advertising created for white media is expressed in the white idiom, is not created in black languages, usually uses white models and reflects white aspirations.

"Can we expect this advertising to be as effective in creating empathy and ultimately in influencing purchase behaviour as advertising created from a black perspective?"

"We respect the Jew's

avoidance of pork, the Moslem's rejection of beef, the Afrikaner's adherence to the Calvinistic ethic and the Catholic's reverence for the Pope.

"Should we not also respect Black customs and beliefs to an equal extent?"

Black research, says Mr Slack, is still a blunt tool.

The scales used by researchers to measure grades of feeling are problematic in the black market.

Research has indicated that blacks do not distinguish fine grades of feeling when discussing "satisfaction" and other abstract concepts.

Words like "excellent", "extremely", "definitely" and "fairly" cannot be adequately translated into the ver-

nacular.

There are also a number of practical problems with black research, such as low levels of functional literacy, difficulty in interviewing rural blacks, township unrest and a lack of understanding of research techniques by blacks.

"Despite these problems, research is an indispensable tool in keeping marketers in touch with the people they are addressing and in answering the question 'Are we saying what we intended to say?'"

"If we design research from a white perspective without respecting black cultural and linguistic differences, can we put up a convincing defence to accusations of research myopia?"

Income is the true key not Old-style racial segmentation

Star 22/10/88

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BECAUSE South Africa's official statistics are based on racial laws, marketers tend to start at the classic white, black, coloured and asiatic division, says Tim Bester, vice chairman of McCann.

He argues: Because racial differences are our start point, through the Population Registration Act, we then seek to justify differences between races.

I question this logic and this process on moral, ethical and political grounds, not to mention its applicability to effective marketing.

I would find it distasteful even if the subject matter was the Jewish, Afrikaans or English 'markets'. Let me illustrate by condensing characteristics of these 'markets'. If you happen to be Jewish, Afrikaans or English these potted descriptions may make you squirm.

"The Jews can be generalised as a materialistic, hedonistic society which does not integrate well into the broad cultural mainstream of South African society. Because their loyalties are divided between Israel and South Africa they do not

respond to patriotic sentiments. They tend to dominate particular suburbs (reflected in their use of particular shops and shopping centres). They are loyal to each other and prefer to support businesses run by members of their extended families or others who share their Jewish culture."

"Afrikaans speakers are a conservative, Calvinistic group who, because of their particular political, linguistic and social heritage, overcompensate for feelings of inadequacy. Conspicuous use of brands and a strong desire to maintain familial and national security are outcomes of this inadequacy. As a result of their relatively small numbers and threatened existence they are nationalistic. Patriotic appeals are important to them.

"The English can be generalised as wealthy, better educated but uncommitted. They are selfish, but promote themselves as liberal. They tend to lead social trends of liberal sex, blurred sex roles etc. They associate themselves with internationalism. Their desire for the comfortable things in life (convenience and excitement) is reflected

in their consumption patterns. Family is less important than social standing. Because of their duplicity and lack of commitment they are not universally trusted for responsible political roles."

It hurts, doesn't it? Now a quote about Blacks. "Black consumers usually favour popular brands, often the leading brand within a product category. This purchase pattern may be due to two factors: (a) black consumers have a strong desire to impress others, and (b) buying the 'best' is their strategy for coping with perceived risk."

"As an outcome of their loyalty to popular national brands, black consumers tend to be less willing to buy private-label and generic products. For marketers of established national brands, black consumers are therefore especially important target consumers.

"Research suggests blacks are more likely than whites to be clothing innovators (to buy new styles). Other evidence indicates that within each income category, blacks are more likely than whites to own higher-priced automobiles. It has

been suggested the purchase of socially conspicuous products serves to enhance the black consumer's self-image or self-worth." ("Consumer Behaviour" L.G. Schiffman and L.L. Kanuik, Prentice Hall).

The quote on blacks is not as uncomfortable to you as those on the Jews, English and Afrikaansers.

Many of you mentally ticked off black behavioural tendencies as reasonably accurate of Blacks in South Africa. It fits the black mythology. Yet the quote describes blacks in the USA. The book was published 10 years ago!

The writers add: "Research that compared basic black/white values in terms of Rokeach Value Survey found that differences in values between blacks and whites are primarily due to socio-economic differences. When the analysis controlled for income, only minor differences appeared between blacks and whites at the same socio-economic levels."

So, the behavioural tendencies described tend to be the result of socio-economic factors rather than factors determined by race.

Drugs, prostitution and theft boost informal sector

'Shadow' economy shoot

By DICK USHER
Business Staff

SOUTH Africa's informal sector, contrary to the dreams of official planners, is largely fuelled by illegal activities.

While the official dream seems to be of the unemployed who cannot be accommodated in the formal sector being made economically active by industriously producing burglar guards and school uniforms, or doing backyard motor repairs and small bricklaying and plumbing jobs, the reality is of a massive "shadow economy" running on drugs, prostitution, gambling, illegal liquor selling, pirate taxis and theft.

Even the shebeen and black taxi industries, now held up as models of what can be accomplished by deregulation of the informal sector, were illegal until very recently.

Estimates of the size of the informal sector relative to the overall economy run between 30 and 45 percent, to which the shadow economy — an informal sector within the informal sector — makes by far the greatest contribution.

Mr Willem Roets, an economic consultant, said that because of its very nature, it was very difficult to estimate the size of the informal sector or derive models for its role in the economy.

But some idea of its size can be grasped from official statistics on dagga confiscations alone.

Dagga seized during 1986 was valued at R2,1-billion and in 1987 R1,2-billion, reflecting a drop not in use or cultivation but a police force less able to cope, according to narcotics experts.

Even if the 1986 total seized represented half what is grown, which seems unlikely, it

means a cash inflow of at least R2-billion into the shadow economy.

Comparatively, in the formal sector, the civil engineering industry last year received contracts worth about R3,5-billion.

Statistics on other aspects of the informal sector are equally shadowy.

Prostitutes, gamblers, thieves, crayfish poachers and pirate taxi operators are unlikely to report their income or its source to the Receiver of Revenue, but insurance industry statistics show that car theft alone stood at about R700-million last year.

Pressure

Meanwhile, Mr Roets points out, the pressure on the informal sector is increasing in direct proportion to jobs lost in the formal sector.

Between 1980 and 1986 the number of jobs in the formal sector shrank by 147 000.

At the same time, employment in the general government sector increased by 30 percent between 1980 and 1986, but in the "business" sector of the civil service — South African Transport Services and the Post Office — it declined by 20 percent.

Mr Roets said this represented an increasing burden on the private sector.

Another burden on the formal sector was due to the shortage of information and models applying to the shadow economy.

Economic and financial planning could only be done for the formal sector. But the size of the informal sector made for

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22/10/88

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Tembisa women beat poverty with new skill

CP Reporter

In a bid to alleviate the problem of unemployment among the unskilled and under-educated, the wives of 35 businessmen in the East Rand township of Tembisa, who are also affiliates of the National African Federated Chamber of Commerce and Industry, have established a

sewing training project for women in the area.

The first 10 women have already completed the three-week course that was run along the same lines as those offered by the Department of Manpower.

Two of the women have already found employment.

According to Mirriam Moneledi, chairlady of the women's committee, they decided to do something about the plight of unemployed women in Tembisa.

"To get the project off the ground, we bought eight sewing machines and material which we offered freely to the trainees. We also employed a fulltime instructor, Sarah Nkuna, who we sent for advanced training to the Zakkent Training Centre in Kempton Park," said Mirriam.

At the Ayanang (Help Build Each Other) Training Centre, women are taught basic sewing, patchwork and knitting.

The lessons are free and food is provided.



Mirriam Moneledi... two already employed.

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Green 23/10/88

Business can help abolish apartheid

Desegregate the workplace - Tom Boya

By SOPHIE TEMA

MANY South African companies have long hidden conveniently behind apartheid to deny blacks equal opportunities for promotion, training and general upward mobility.

These views were expressed by the president of the United Municipalities of SA, Tom Boya, when *The Role of the Business Sector in the Population Development Programme* was discussed in Johannesburg this week.

At a meeting attended by economists, agriculturists, medical experts and business people, Boya said keeping blacks at lower ranks of the employment ladder also ensured that black pensioners were constantly kept unable to make ends meet.

Blacks had experienced this disadvantaged position as a result of white obses-

sion with race. They began to see themselves as a distinct social group bound together by the colour of their skins and their unending oppression, he said.

Many employers in the private sector still had racially segregated benefit structures, Boya said.

"By doing away with such practices, the entire private sector can demonstrate the possibilities of a true non-racial society in the work place."

Boya said good working relations and conditions would enhance a general feeling of security and help eliminate fears and suspicions which were the main enemies of a common solution to the problems of the country.

"The views of black South Africans on the government's population development strategy must be assessed against the

background of their political history. This had been characterised by:

- The attempt of successive white governments to maintain white supremacy in all aspects.
 - The consequent exclusion of blacks from the political process and from all decision-making power in an attempt to escape the implications of the black majority.
 - The economic, educational and social deprivations which flow directly from the exclusion of blacks from policy and decision-making.
 - Lagging seriously behind their white counterparts in the areas of education and the possession of skills, they perceive their colour and their numerical majority in relation to the struggle for admission into the political and economic mainstream. "Notwithstanding these problems, it cannot be denied that the past few decades have witnessed an increasing change in basic attitudes as a result of a number of factors."
- These included:
- The increasing educational standard among blacks, rapid urbanisation and the greater awareness of problems such as unemployment.
 - The increased rate of inflation and the escalating cost of living which threatens the newly-won high standard of living.
 - The greater participation in the economic development of South Africa by blacks and the freer flow of information which has made blacks aware of the diminishing natural resources of the country.



Tom Boya... president of the United Municipalities of SA.

Joshua looking at significant earnings benefits from merger

Star 29/10/88 (30) (R&S)

Acquisition of the World and Bradlows furniture retailing chains is expected to produce significant, on-going earnings benefits as from 1989, shareholders of Joshua Doore are told in the formal acquisition documents posted to shareholders.

The transaction will create one of the top

three furniture retailers in Southern Africa, with 178 stores throughout the region and a turnover in excess of R400 million per annum.

Without the benefit of World and Bradlows, Joshua's management team turned the company from an operating loss of R30 000 in 1986 — the year prior to gaining con-

trol of Joshua — into R9,2 million profit in the year ended June 1987 and boosted this to R14,7 million in the year to June 1988.

Earnings moved from a loss in 1986 to a profit of 8,6c per share in 1987 and increased to 13,8c in the year just ended.

Formal acquisition documents posted to shareholders say "management expects the synergies made possible through the merger to produce significant, on-going earnings benefits as from 1989."

Joshua will issue 107 million new shares to Homemakers Holdings in payment for 100 percent of World and Bradlows.

Homemakers will retain 87 million of the Joshua shares and in December will offer 20 million Joshua shares to Homemakers shareholders at 50c per Joshua share.

This will inject R10 million cash into Homemakers for deployment in its other high-growth divisions, and leave it with a 49 percent

shareholding in the enlarged Joshua.

The offer of Joshua shares to its shareholders conforms with the Homemakers policy of balancing its earnings between general household goods and furniture, and gives the Joshua management team a greater degree of independence.

The documents state that W & A Investment Corporation and the executive management of Homemakers "holding between them some 65 percent of Homemakers, have undertaken to acquire all the shares in Joshua offered to them, and have stated their intention to hold them as long-term investments."

The balance of the offer will be underwritten by FSI Corporate Services, a wholly-owned subsidiary of FSI Corporation, "which in turn holds undertakings from W & A and the management of Joshua that they will acquire from FSI Corporate Services any shares in Joshua it acquires in terms of the underwriting agreement." — Sapa.

Assocom team to meet Du Plessis

30
B/day
24/10/88

CAPE TOWN — A top-level Assocom delegation will meet Finance Minister Barend du Plessis and his officials in Pretoria today for wide-ranging talks on the state of the economy.

Among the critical issues to be addressed at the meeting are:

- The balance of payments constraint on economic growth;
- The impact of government's various economic measures far, including the hike in import surcharges;
- Whether interest rates and GST should be raised further to cool down the economy;
- Methods of financing the increasing public sector salary burden which takes effect on January 1; and
- The handling of the tax reform programme and the implementation of the Margo report.



● DU PLESSIS

Du Plessis is on the brink of making decisions on these issues and is expected to make submissions to a Cabinet meeting on Wednesday.

CHRIS CAIRNCROSS reports Du Plessis said the meeting with the eight-man Assocom delegation would be part of a regular programme of "construc-

HELOISE HENNING

He stressed he would not issue any statement after the meeting.

The meeting follows Assocom's annual congress in Durban last week where government was urged to take a new look at its financial policies; take radical steps to cut the size of the public service; and to involve the private sector more fully in plans to privatise public sector functions.

Reacting to criticism that government was not fully involving the private sector on privatisation issues, Du Plessis said this reflected a lack of awareness on the part of critics, particularly former Sanlam chairman Andreas Wassenaar.

Assocom CE Raymond Parsons said at the weekend: "This meeting comes at a critical time when government is having to decide what further steps may be necessary to handle the economy."

Assocom has formulated a number of key recommendations which it will submit to the Minister today.

"We are appreciative of the fact that the Minister has been willing to see the

● To Page 2 →

Assocom team meets Du Plessis today

association so soon after the congress," said Parsons.

Assocom will also hold similar talks with Economic Affairs and Technology Minister Danie Steyn next week.

Anglo American Corporation senior economic consultant Aubrey Dickman, a member of the Assocom delegation at today's talks, said at the congress the Bank and prime rates were too low and should rise by at least two percentage points. The possibility of prime reaching 18% for the time being should not be ruled out.

This was necessary because of the differential between domestic and international rates at different phases of the economic cycle and the low gold price and reserve holdings.

The rise in prime rate was necessary even with the slowing down of the economy because pressure on bank credit was still persisting.

He said long-term rates should also notch up but this depended on purposeful debt management.

← From Page 1
30
B/day
24/10/88

Emphasis on growth . . .

Pepkor profits rise by 60%

CAPE TOWN 25/10/88 30 (12/88)

By AUDREY D'ANGELO
Financial Editor

PEPKOR and its two principal operating subsidiaries, Pep Stores and Shoprite, have turned in impressive results for the six months to August 31.

Pepkor CE Christo Wiese says he is confident of further growth in the current half of the year — even with the prospect of a rapid cooling in the economy and possibly higher general sales tax (GST).

His emphasis on growth and the fact that the group had R100m in cash at the beginning of the year makes it seem likely that an acquisition is on the cards.

Agreeing that the group is "in a very healthy net cash position, and higher interest rates can only benefit us," Wiese said last night: "We will need another acquisition — but we have nothing definite in mind at the moment."

He denied rumours that negotiations were in progress with Woolworths, with which Pepkor discussed a merger last year.

Pepkor has lifted turnover by 27% to R526m, operating profit by 45% to R39m and net profit by 60% to R20m.

Although there are more shares in issue as a result of the rights offer in July last year, earnings at share level have risen to 172,3c (132,8c) and the interim dividend has risen by 7c to 45c a share.

Finance charges have dropped by 32% to R6,5m. But the tax bill has risen to R10,5m (R4,9m), largely because Pep stores was paying tax at a higher rate.

Wiese said he was confident that the group would maintain its performance in the second half of its financial year.

"Both Pep Stores and Shoprite are ideally positioned to continue growing in the months and years ahead, with resulting benefits for Pepkor in its redefined role as a true retail investment holding company."

● Holding company Peggro has declared an interim dividend of 22,5c (18c) a share.

● Pep Stores lifted turnover by 24% to R350m (R283m) and group operating profit by 41% to R37,1m. Pre-tax profit rose by 42% to R36,7m and net profit by 26% to R27,8m.

Earnings at share level rose to 61c (48,6c) and the dividend is 22c a share, covered 2,8 times.

The erosion of assessed losses meant a huge increase in the tax bill, to R8,9m compared with R3,4m in the first half of the previous year.

MD Basil Weyers said he expected a similar growth in earnings in the current six months, in which the group intends to open 22 more branches of Pep Stores and nine of Ackermans.

"In the first half we opened seven new PepStores, 10 Ackermans and six Pep outlets in associated companies and this, coupled to our current expansion programme, will enable us to go for a bigger slice of the market."

Weyers disclosed that the group had been buying forward in view of the pending duties on footwear and clothing.

"While this has caused stock in hand to reach an abnormally high level in comparison with the previous year we shall certainly reap the benefits in the months ahead."

He said the group's eight manufacturing units were supplying an increasing volume of goods.

50 000 jobs, says SBDC

THEO RAWANA

29/10/88
THE SBDC helped create 50 000 job opportunities last year, MD Ben Vosloo said yesterday.

During the past year 6 107 loans valued at R114m were made to entrepreneurs. The corporation had granted loans worth R461,2m to 19 429 entrepreneurs since its inception in 1981, he said.

Information and advice had been given to more than 546 140 small businessmen since April 1985 and enquiries were being received at a rate of 24 000 a month.

Much progress had been made with the promotion of deregulation through negotiation with local authorities and and by supporting the establishment of open trading areas in terms of the Group Areas Act, Vosloo said.

The SBDC also contributed to policy changes in respect of restrictive Industrial Council agreements and health requirements, he said.

Assocom team warns on economy

30

MANDY JEAN WOODS

AN eight-man Assocom delegation told Finance Minister Barend du Plessis yesterday measures taken to handle the economy should aim to reduce growing uncertainty in the private sector about the short-term economic outlook.

Economic growth, inflation, government's fiscal and monetary policies and possible measures to prevent a further deterioration in the balance of payments were discussed at a two-hour meeting in Pretoria; a Finance Ministry spokesman told Sapa.

Finance Deputy Minister Org Marais also attended the meeting. The delegation emphasised future measures to handle the economy should be market related.

Assocom CE Raymond Parsons, who headed the delegation and said the talks were conducted in a "friendly but frank spirit", did not rule out the possibility of a further meeting with the Minister soon.

25/10/85
Bobby

Retail sector Star 25/10/87 recovers well

Diagonal
Street

ANN CROTTY



The retailers and wholesalers sector has recovered well from the level to which it fell last October. The path of recovery has been encouraging in so far as it has shown steady improvement, rather than sharp, short advances.

The former tends to be sustainable, while the latter is susceptible to correction.

Although it has not recovered to its pre-crash levels, the sector is enjoying one of the market's highest ratings.

There is little doubt that a few exceptionally strong counters have had a major impact on the sector performance overall, which has hidden some dismal individual showings.

Given that trading conditions for the sector are considered reasonably favourable and that the outlook is comparatively attractive (despite the Government's curbs on spending), the discrepancy in share performance, to a large extent, must reflect market perception of management ability.

Weakness in counters such as Score and Jazz reflects a re-rating to more realistic levels when the market realised that performance was likely to fall way short of the high expectations that had been built up around them.

When overall investor sentiment is weaker, shareholders inevitably become far more sceptical about high-flying reputations.

Given this mood of scepticism and the spending curbs (which are likely to get tougher), strong share performance in the foreseeable future could be restricted to reliable blue chips in the sector — particularly food count-

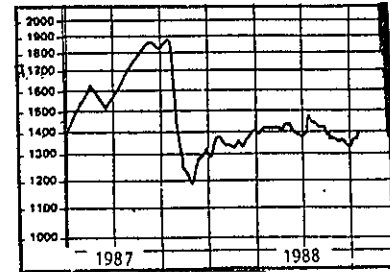
ers or those that have a high exposure to the black consumer.

With regard to black spending, it should be noted that some analysts are sceptical about the extent to which this will prop up overall retail demand. They say that over the past few years it has not been as strong as expected and feel this trend could continue, chiefly because of weak prospects for black employment levels.

On the positive side, other analysts feel black consumers have a far greater proportion of discretionary income, (partly because they are less affected by increasing mortgage rates) and are winning relatively high wage increases.

These factors are expected to support demand for durable and semi-durable goods.

Nervousness about tougher spending curbs should not be overplayed. It is unlikely that this time the authorities will hit as hard as they did in 1984. In addition, the companies that survived the ravages of the 1984 curbs now have much stronger balance sheets and lean and meaner management teams. This will help them to cope better in tougher trading conditions.



Pepkor maintains its Star 25/10/87 solid growth record

CAPE TOWN — Results for the first six months of the current financial year show that chairman Mr Christo Wiese and his team at Pepkor have entrenched the growth path set by the investment holding company in the previous 12 months.

Compared with last year's performance at the interim stage, turnover has risen by 27 percent, operating profit by 45 percent and — despite an increase in issued shares — earnings are up by a creditable 30 percent.

The directors say the increase in turnover to R527 million is due to improved sales by the group's two principal operating subsidiaries, Pep Stores and Shoprite.

Operating profit, which includes R2,5 million in interest received by subsidiaries, is up by 45 percent to R39 million.

Principal contributor to the accelerated increase was improved productivity in the manufacturing division of Pep Stores.

Reflecting the benefits of the restructuring programme completed in February 22 1987, finance charges have dropped by 32 percent to R6,5 million.

The tax payment, however, is up substantially from R4,9 million to

R10,5 million, largely because of the higher rate incurred by Pep Stores.

After including earnings of R2,4 million from associated companies and allowing for outside shareholders' interest of R4,1 million, net profit is up by 60 percent to R20 million.

Despite the increased number of shares in issue resulting from the rights offer in July last year, earnings a share are up from 132,8c to 172,3c and an interim dividend of 45c is being paid — an increase of seven cents.

Pepkor's strong performance in the first half is good news for holding company Peggro's shareholders, with attributable earnings amounting to 57 percent of Pepkor profits.

Based on the Pepkor results, Peggro has declared an interim dividend of 22,5c a share, up 25 percent on the 18c paid at the half-way stage last year.

Mr Wiese is confident that the group will maintain its performance during the second half.

"Both Pep Stores and Shoprite are ideally positioned to continue growing in the months and years ahead, with resulting benefits for Pepkor in its re-defined role as a true retail investment holding company," he says. — Sapa.

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Star 25/10/85

Big stores hope for bumper Christmas

By Kaizer Nyatsumba (30)

The announced salary increase for public servants to take effect in January next year is the biggest blessing supermarkets and chain stores could have hoped for at this time of the year, inquiries by The Star have shown.

Most of the stores and supermarkets contacted by The Star said despite the present economic situation they were looking forward to "a great Christmas," thanks to the Government's salary increase for public servants.

OK Bazaars marketing administration executive Mr Bob Ford said they were hoping for "yet another record Christmas for sales, despite the unfavourable economic situation."

During the festive season all people wanted to splurge and enjoy themselves, and that was not going to change this year, according to Mr Ford. He said only the Government could influence Christmas sales by introducing new laws such as a higher sales tax.

Checkers group deputy man-

aging director Mr Sergio Martinengo said while they did not expect a boom, they expected better sales than last year.

"The announced salary increase for the public service in January next year will make many people bold enough to spend a lot of money on Christmas, knowing that they will receive fatter cheques next year. There is also the shadow of a the possibility of a general sales tax increase, which tends to take out the fizz from the pop.

Clicks Stores will be looking

for a 27 percent sales increase this Christmas, according to managing director Mr Trevor Honneysett.

He said the period just before Christmas was a good indication of how Christmas sales were going to be, and Clicks Stores had been experiencing "a very good trading since July."

Mr Honneysett said they would do better than last Christmas.

"We give Christmas a very special treatment. We always try to stock special yet affordable and non-luxury gifts for consumers. Economic conditions within the country are of concern, but the public service's salary increment will make people look at Christmas in a different light."

Pick'n Pay managing director Mr Hugh Herman said the economy during this year's Christmas season will be much better than last year's, and this made him hope for a 20 percent Christmas sale increase.

Conference to study CBD desegregation

30

Star 26/10/88

By Norman Chandler

The impact on trade and trading facilities following the opening to all races of the country's central business districts (CBDs) is to be put under the microscope at a major town and regional planning conference next week.

The four-day conference, which begins at Sun City on Sunday, has attracted more than 340 urban planners, architects and property developers and is to be opened by Mr John Mavuso, MEC for the Transvaal.

Black retail developments and the impact of street vending on town planning policies are to

come under the spotlight as well as local authorities views on development and shopping centre construction.

Two foreign speakers are also on the programme. Mr Laurence Alexander, of the United States, is to present papers on the renewal and revitalisation of CBDs, and on downtown retail development in the United States, and Mr Dave Marais will give an overview of the Australian retail scene.

The future of retail development in South Africa will be outlined by Mr Clive Weil.

RMP earns more and pays more

Star 26/10/88
Finance Staff

A strong second-half recovery helped Rand Mines Properties (RMP) lift taxed profits for the year to September by 44 percent to R27,8 million. Total dividends rose by 50 percent to 120c.

The combination of proceeds from the sale of the Southgate retail township in Johannesburg, a higher-than-expected gold price and higher gold output combined to boost performance on the operating level by 55 percent to R41,8 million.

RMP's sand treatment operations posted a similar increase in operating profit from R21,3 million to R32,7 million.

Total turnover for the year was R154 million, 47 higher than the previous year's R105 million. Chairman Dammy Watt says the balance sheet is strong, with surplus cash of about R15 million in the books.

Plan to ban imported poultry is opposed

By Dan Side

Pick 'n Pay is opposing an application by the SA Poultry Association for a protective tariff against the importation of whole frozen chickens and chicken and turkey portions.

Mr Peter Dodson, the perishable foods director of the supermarket group, said last night the company was "appalled" at the contentious statements made by the poultry association accusing retailers of stockpiling chicken at lower prices mid-year to exploit the higher demand situation

during the festive season.

This "created an artificial impression of a shortage", said the poultrymen, who disagreed with retailers' predictions there would certainly be "a dramatic shortage" of poultry over the Christmas-New Year period.

Local supply, said the association, was currently at least 10 percent higher than at the same time last year.

Although it was still occasionally exceeded by demand, a R300 million expansion programme was in full swing to alleviate shortages.



Foreign Minister Pik Botha shakes hands with one of late Mozambican President Samora Machel's brothers, Boaventura Machel, at the official opening of the new SA Trade Mission building in Maputo yesterday.

Picture: ROBERT BOTHA

to B/boy 26/10/88

SBDC calls for long-term funds

THEO RAWANA

GOVERNMENT and the private sector should make regular, long-term funds available to the SBDC for its development task, Federale Volksbeleggings chairman Cornelis Human said yesterday.

Human, who is also chairman of the State President's Economic Advisory Council, was responding to SBDC chairman Anton Rupert's speech on behalf of SBDC shareholders at the corporation's AGM in Johannesburg yesterday.

"Because development work cannot be planned on a short-term basis, I strongly support your appeal to the state as well as the private sector to make regular, long-term funds available to the SBDC for its development task," said Human.

"It is a task that can be successfully done only if it is undertaken on the basis of long-term, structured planning and effective execution," he added.

He said financial figures told a story of the corporation's important input on the terrain of development work, an especially strong contribution to the promotion of free enterprise and creation of many job opportunities.

SBDC makes more jobs — and debts

20 *Monday 26/10/88*
THE Small Business Development Corporation had created nearly 200 000 jobs at an average cost of R2 400 each — well below the cost of job-creation for government or big business, chairman Anton Rupert said yesterday.

He told the corporation's annual meeting: "What was a modest step into the unknown seven years ago has today come to be seen as an act of faith."

He said SBDC loans to small businesses were down in the past year but its bad-debt write-off doubled to more than R30m.

CHRISTOPHER TUCHER

In its seven-year history the SBDC has granted nearly 20 000 loans worth R461m to small businesses. Loans last year dropped for the first time as 6 107 loans were issued for a total R114m (6 860 loans for R177m in 1986/7).

Rupert said criticism of the high debt write-offs did not "take into account that the SBDC is the biggest business developer in the country's underdeveloped urban areas, where risks are high".

Investors flocking in

THE marketing campaign currently in progress by Springs town council has attracted enquiries from investors as far afield as Europe and the Far East, while local developers are flocking to investigate the town's potential.

"We are treating the campaign as a joint effort between the council, the Chamber of Commerce and Industry," and the Arkansas Stakeholder. "Their support is essential to our success," comments town clerk Henrie du Plessis.

Phase one of the programme, which was launched in February, involved the creation of a new corporate identity. A new logo — the stylised "S" and "R" — was designed and an aggressive marketing campaign on radio and in the print media followed.

Springs was, this year, also the first industrial town to market itself at the Rand Show.

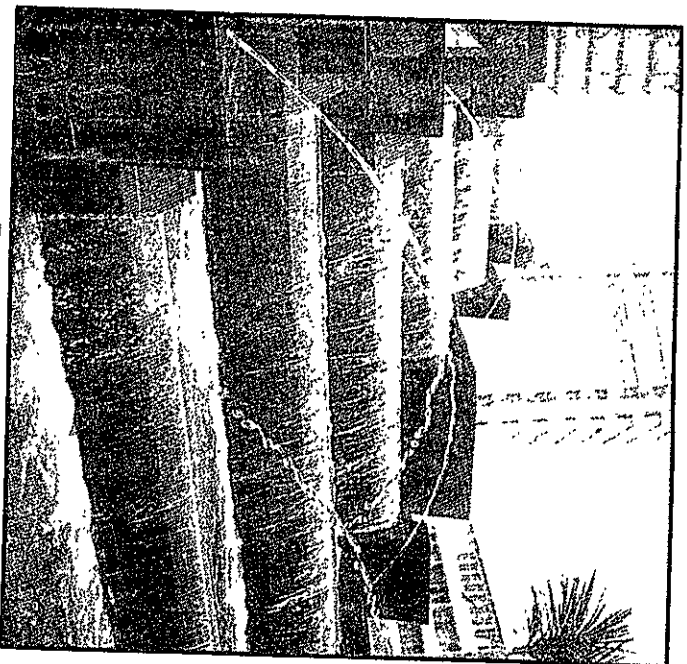
"The organisers were quite surprised that a town like Springs should be there — yet in addition to arousing a lot of interest from potential investors, our presence at the show did an enormous amount for the morale of the town's residents," comments council public relations chief Frans Swart.

In May, the council embarked upon phase two of its marketing programme. Involved in the launch was the creation of a new corporate identity. A new logo — the stylised "S" and "R" — was designed and an aggressive marketing campaign on radio and in the print media followed.

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FOUNTAINS in Springs

ROLLING SAVES ON IMPORTS

"OUR first requirement is quality" — this is the motto by which Ringroilers of SA have built their reputation for producing fine goods over the years.

This specialised heavy-industry Springs company is the second smallest division in the Mekoer Industries group and has a turnover of R17m a year, 85% of which would have had to be imported if Ringroilers did not exist.

SEAMLESS

The company specialises in the manufacture of seamless rolled rings and gear blanks in all grades of steel. It also produces profile rolled steel tubes for steam, diesel and electric locomotives and high quality forged pipe flanges for the petrochemical and mining industries.

In addition, customers special requirements are compiled with Ringroilers became a wholly owned subsidiary of Mekoer in July 1976. Import replacement was — and still is — to priority and exports play a major role.

The company is responsible for supplying Sats with their requirements up to March 1992. It has been supplying Sats for many years already, with the exception of 1984/85 when it lost 51% of the Sats steel tyre tender.

MINING TYRES

All mining tyres previously imported are now manufactured locally, as are flanges which also used to be imported.

Exports account for 9% of Ringroiler sales. International markets include Botswana, Chile, Hong Kong, Taiwan and some central African states.

The remainder consists of forgings used primarily for repairs and maintenance and industry.

NOSA RATED

The Sats have a month of

John Crane comes of age

JOHN Crane this year celebrates 21 years of manufacturing mechanical seals and gland packages at its factory in Natal.

A subsidiary of the International Group, the world's largest seal manufacturer, the Springs company is the third most successful of 22 manufacturing subsidiaries in a worldwide network after Canada and Brazil.

John Crane SA has shown a record turnover while saving local industry millions of rands through import replacement.

"We had already embarked upon an extended manufacturing programme before the rand started to decline," says MD Mike Howes.

"Our policy has always been to increase local content to 70% of the product needs Crane's International division can

SERVICE

Another recent local investment is a service centre in Springs which offers a 24-hour breakdown and off-the-shelf parts sales from a Rinn stock of seals and packages.

"Our aim is to offer the most efficient and reliable service in SA. Up to 70% of the cost of a new seal can be saved by refurbishing a

Upgrading The Avenues pays off

WHEN Coreprop took control of The Avenues shopping centre in Springs in February 1986, it did so with an innovative and aggressive plan of action.

Chief executive George Skinner and his team committed themselves to creating a "one-stop shopping environment" where the people of Springs can enjoy a complete shopping experience.

Essentially the developer planned to produce the first shopping centre for the East Rand.

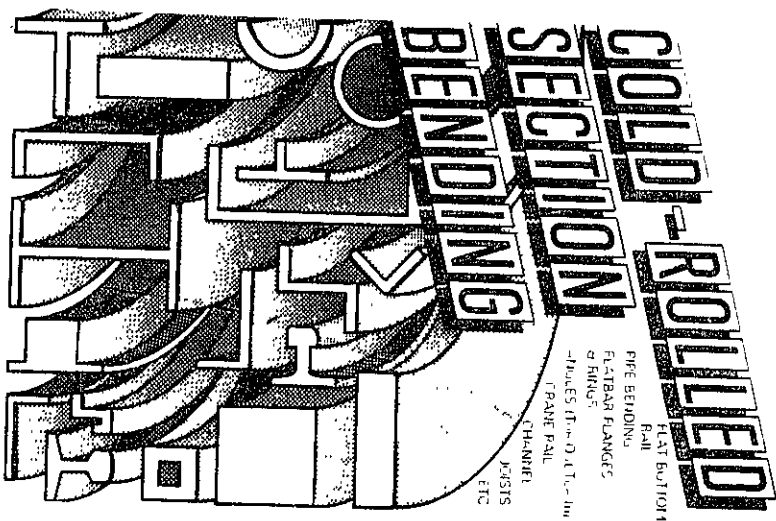
With the shopping amenities normally associated with a major regional centre, a strong Springs CBD was also predicted to promote the city's role within the newly established regional council system.

Two years later, Coreprop has met its commitments. Promotions have been introduced and a new manager and promotions officer appointed. The centre has been upgraded with special attention to parking facilities.

And individual tenants have had success stories of their own to tell.

For example, the Clucks store achieved the best store opening results in two years, surpassing many of the Chain's major franchises.

And individual tenants have had success stories of their own to tell.



Materials Capability

We have the capability to cold roll a variety of section materials including mild steel, stainless steel, 3CR12, bronze, copper, brass and aluminium, as well as...

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(Pty) Ltd

P.O. Box 306, Telokwane, Durbanville, 7531

111 Buitk Road, Natfield, SPRINGS, 1359



African Off Road

Tel: (011) 813-2027/8

Manufacturer of hoe heads, coal picks and various steel forgings



SFA Hammer

Tel: (011) 813-2027/8

Manufacturer of hand hammers

WATT ROAD, NEW ERA, SPRINGS



General engineering related to mining

Tel: (011) 813-4116/7/8

Manufacturers of forged large diameter bolts and solid hand rail stanchions

SPRINGS MUNICIPALITY

Industry brings new life to town

29% of the town's workforce is employed outside the town. Kriel is confident the current industrialisation drive will encourage citizens to work closer to home, while drawing in employees from neighbouring towns.

Already multinational corporations have recognised Springs' potential as a site for factory development.

Pukhangons Shatterrade has erected the largest glass factory in Southern Africa in the town, while Sappi's paper mill is the largest in the world to be built away from a river.

At the same time, the mining sector, which employs some 20% of the town's inhabitants, makes a significant investment in Springs.

Three large gold mines - Gencor's Grootevlei and Golden Dumys Springs Daggfontein and Consoldated Modderfontein - are active in the Springs area, as are a number of smaller mines.

In addition, Ergo is erecting its second slimes recycling plant at Daggfontein mine at a cost of some R120m, while Gencor has erected Impela platinum refinery.

BIGGEST DIAMOND 'MINE'

THE biggest diamond mine in Africa - that is how people at Ultra High Pressure Units in Springs often, and only half jokingly, describe their workplace.

There is more than a little truth in it because Ultra High is the largest of three De Beers Diamond synthesis plants and produces hundreds of thousands of carats of top quality industrial diamonds every year.

"Our production by volume is probably not far off that of all the diamond mines in Africa put together," Ultra High Pressure Units general manager Dave Jomana said.

However, it is not just diamond grits that the factory produces. "Essentially diamond synthesis involves recreating nature's volcanic nature of heat and pressure to make diamonds from carbon," Hornan said.

"That may be an oversimplification because to achieve these conditions requires a very specific and high level of technology and precision engineering costing millions of pounds."

Because of the highly positive nature of the industrial diamond world market in which De Beers is an international leader - commercial security it a priority.

Industrial diamond products made by the Springs company are eventually sold to diamond toolmakers throughout the world for inclusion in a wide range of tools such as drill bits, saws and grinding wheels.

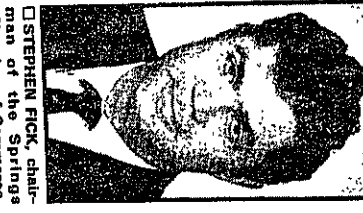
Diamonds are the hardest material known to man so these tools have become indispensable to modern industry, from oil well drilling to quarrying, machining, and a steady annual growth in the world market of 10%.

The demand for Ultra High's products is assessed and is worth tens of millions of US dollars every year to the De Beers group.

The Springs plant is operated on an equal pay and opportunity basis for all employees. Extensive training courses are offered for those workers who wish to advance themselves. Medical and housing benefits are also available.

Springs' Ultra High is frequently used by De Beers to pilot new diamond technology developed by research units to production levels.

This means that Springs is often host to people from several countries overseas engaged in transferring technology.



STEPHEN FICK, chairman of the Springs Chamber of Commerce

Platinum cuts car pollution

THIS year one of Springs' major industries - Impela Platinum - will celebrate the 20th anniversary of its decision to locate in Springs.

The speed with which the Impela Platinum refinery complex through its highly sophisticated operation into production, the complete achievement of techniques that had mastered presented the company with a big challenge.

The city's intention to establish platinum mine near Johannesburg was made in 1967 and in 1969 production in 1969 just as the

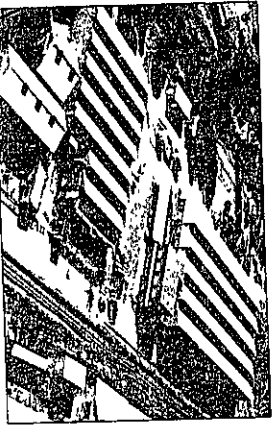
the multi-million dollar US motor industry, looking well for the future of platinum producers.

In the face of tough competition, Impela gained a large share of the expanding platinum market in 1973 when it won a 10 year contract to supply a major US motor manufacturer with their entire platinum requirements for exhaust catalysis.

As a result of the volume of business generated by this contract, Impela was honoured as SA's first recipient of the prestigious State President's Export Achievement award.

By 1988 Impela was producing twelve products - cobalt, platinum, palladium, rhodium, ruthenium, iridium, nickel, copper, gold, silver and the sulphuric acid and ammonium sulphate fertilizer by-products.

Even though the platinum mines servicing the Impela refinery in Springs are located away there were several reasons for choosing Springs as home



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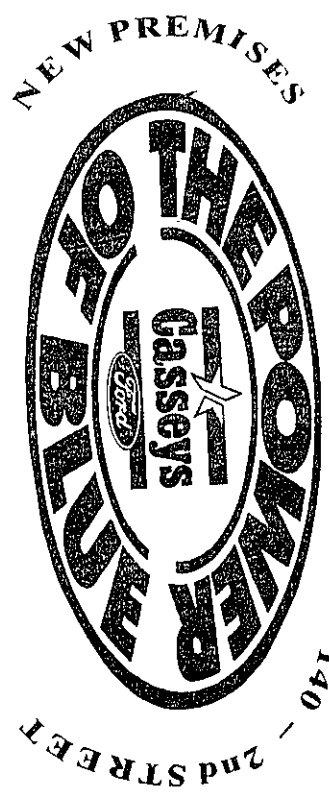
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SPRINGS MUNICIPALITY

Labour is plentiful, but skills scarce

A LARGE pool of unskilled labour is one of the prime attractions of Springs. Balanced against this is the increasingly constricting shortage of skilled manpower.

In the past, our skilled workers were almost invariably from Europe, but they have all but disappeared from the marketplace.

Those who remain tend to be attracted to the larger centres," comments one industrialist, who believes the Springs town council should be seen to programme for the future. It may be seen to play in attracting people to the town.

In an effort to overcome the skilled manpower shortage Springs has established a technical high school — which now has about 1 200 pupils — and a technical college as well as a further neighbouring black city.

Some industrialists have criticised the construction of the KwaYana Technical College as a waste of resources, maintaining that with the technical college in town not fully used it would have been wiser to open it to all race groups.

On the other hand, Chamber of Commerce president Stephen Pick points out that the college has "started to generate a good product".

"For example, it gives a high standard of secretarial training," he says.

This is indicative of the growing conviction among industry leaders even in this conservative town that the future of Springs depends on making greater use of skilled black labour.

Pick believes there is still a need to educate management regarding the feasibility of training and using a

skilled black workforce.

"If there is a problem with the acceptance of black artisans, it generally happens in the workshop, at high management and shopfloor level," he explains.

Small companies, with fewer than 50 employees, take up the larger portion of the market, these companies unlike the more established nationals and multinationals are often owned and managed by the national competitive people.

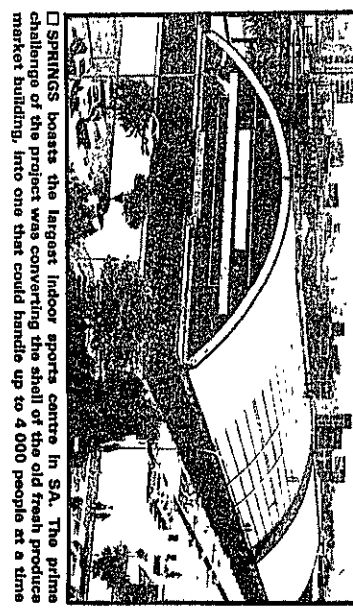
However, the socially enlightened attitudes of the larger companies are improving on attitudes among management in Springs businesses, and in-house training of skilled labour is today a fact of life for an increasing number of operators in the area.

Debex, for example, and its sister company De Beers Industrial Diamond Division, jointly undertake the in-house training of artisans and technicians both to meet their own need for skilled manpower and as part of their corporate responsibility programme.

"The Department of Manpower needs to be more flexible in its approach to training of industry," says Dieter Scherf, MD of Pilot Engineering.

"We are constantly being called on to train more people — yet when one is willing to do so, one is often disappointed on account of a lack in some area."

Scherf cites the case of one employee the company wished to train as a boiler-maker. Pilot Engineering's boiler-making activities tend to be specialised so the department refused to recognise the validity of the training offered.



SPRINGS boasts the largest indoor sports centre in SA. The prime challenge of the project was converting the shell of the old fresh produce market building, into one that could handle up to 4 000 people at a time

Industry keeping eyes on election

AS VOTERS elect municipal councillors, industrialists will keep a close watch on which way the cat jumps in Springs.

For the past term, led by a loose coalition of five NP members and five independents, with only two CP representatives on the council, the town has moved through an unparalysed period of growth and rejuvenation.

Yet many industry leaders in the area predict a CP victory in the town today.

The general feeling is

that this will have little obvious effect on the progress of Springs campaign to attract industry and business. Nor is it expected to slow down the revitalisation programme under way in the city centre while most of

many other projects planned by the council are likely to continue with unabated vigour.

Yet industry representatives, while unwilling to down the revitalisation programme, tend to expect a sub-

the slowdown in progress should the CP take control.

At least one major developer is said to be awaiting the results of the election before committing itself to investing in the town.

DEBEX, the multifaceted subsidiary of De Beers Industrial Diamond Division, has associations with Springs going back to 1976 when, as Edendale Engineering, it serviced internal company requirements for precision engineering.

In 1979 the company was renamed Debex and a decision was taken to expand its interests and capabilities into new areas.

This culminated in development of the group's Springs complex in Niffield, which was officially opened in February 1982 by Harry Oppenheimer.

The Debex group includes an electronics and hydraulics division, in Booyse, a rubber products division, in Brakpan, Electrographite Carbon Company, in Boksburg, and Advance Mining Technology (Antec), in Springs.

It supplies the mining and industrial sectors with a broad range of services, products and materials, many of which had previously to be imported.

The group's operations include precision turning and grinding of hard materials, fabrication and strip welding.

In addition, it produces high-density, fine-grained carbons and a range of ceramic components, including grinding media, wear parts and foundry components, many of which are manufactured from local materials.

In association, with Vereeniging Refractories, Debex manufactures refractory and ceramic nozzles, while its range of milling equipment in

cludes the Amtec range of mill-borders, coal shaver drums, coal covers and wire line winches.

Its security equipment range includes the Debex stress indicator and access control system.

Debex group MD Dennis Hayward recently announced finalisation of licensing arrangements with Von Roll of Switzerland for the local manufacture of hydraulic piston pumps and motors.

In addition, the group has negotiated a licensing agreement with BDA of Holland for the local manufacture of spe-

cialist equipment for the pulp and paper industries.

As well as expanding the group's product range, these agreements will help reduce local industry's reliance on imports.

The group is also a favoured subcontractor to many SA companies and a major expansion of the Springs complex is in the pipeline to enable Debex to meet its increasing market demands.

Debex employs about 500 people, of which about 300 work at Springs.

DEVELOPMENT AT BAKERTON

BAKERTON, the Indian residential suburb with a population of some 3 500, lies alongside Springs and is the site of some major investment by the Springs Council.

Developments in the area include a new R17m community centre and a residential project involving 800 stands, developed by Amprop.

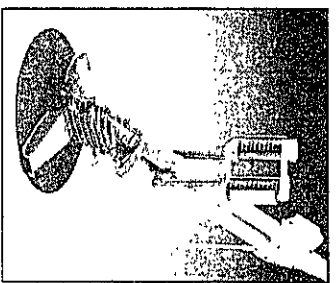
"The most expensive house ever built in Springs was built in Bakerton, at a cost of R150 000," comments mayor Len Kriel, who expresses the council's commitment to helping to upgrade the overall quality of life in the suburb.

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SOUND MANAGEMENT IS TOWN'S GROWTH SECRET

A GROWTH chain reaction has been activated in Springs and consistent, accelerating development will be the result, according to spokesmen of the town council and local industries.

The council has recognised the opportunities for growth in the town. With such an attitude, they make almost anything possible," comments Andre Bester, chairman of the Africairline Stakeholder Chamber of Commerce president Stephen Fick adds: "As large an industry is attracted, it follows they will bring people to live in Springs and this in turn will increase the buying power of the town."

At the same time by bringing work opportunities to the vast untapped labour force in KwaZulu-Natal, industry will increase the buying power of Springs' black neighbours, who in turn will swell the town's prosperity."

An aggressive advertising and marketing programme conducted by the town council has done much to promote the town's growth, largely by encouraging investors to enter the town.

However, public relations chief Frans Stari, who is responsible for the promotional programme maintains the town would not have moved as far in its development and marketing programme without the unusual management style favoured by the council.

"Springs is run like a company by specialists. This is evident in all its procedures," he says.

"For example, budgets are all but finalised by department heads before being brought to the management committee for discussion — unlike most town councils, where the management committee goes through lengthy debates over every minute detail of the town's budget.

"As a result, Springs is run efficiently and quickly, financially motivated decisions become possible.

The council's promotional efforts have also received the backing of both the Chamber of Commerce and the Stakeholder.

"We are aiming for a mutually supportive relationship with the council wherever possible — after all, we both have the same interest at heart, namely the future prosperity of Springs," comments Fick.

"At present, we are in the process of formulating a marketing strategy to run in tandem with the council's programme."

And according to Bester, the 56-member Strong Stakeholder's commitment to Springs growth programme — which is conducted in tandem with the Handish-student — involves bringing Springs on to a better development basis.

BUSINESS DAY

WEDNESDAY, OCTOBER 26 1988

A special survey on



Spirings Municipality

Springs has many advantages

Written by
VAL PIENNAAR
and
MANDY JEAN WOODS

ALTHOUGH Springs town council's drive to upgrade the town and attract industry is already showing evidence of its effectiveness many observers of the town are still inclined to question its validity.

Although a recognised growth point, Springs is not a deconcentration zone, and consequently offers none of the tax benefits that normally accompany a move away from major city centres.

Why, then, should industrialists choose this town — which some describe as "the last outpost of the East Rand" — above another, better established, more accessible point?

According to Stephen Fick, president of the Springs Chamber of Commerce, a SWOT (Strength, Weakness, Opportunity, Threats) analysis of the town conducted by the Chamber reveals a number of advantages.

Prime among these is the ready availability of ground, at a going rate of R20/m², while the town council has demonstrated its willingness to negotiate, depending on the size and status of the buyer.

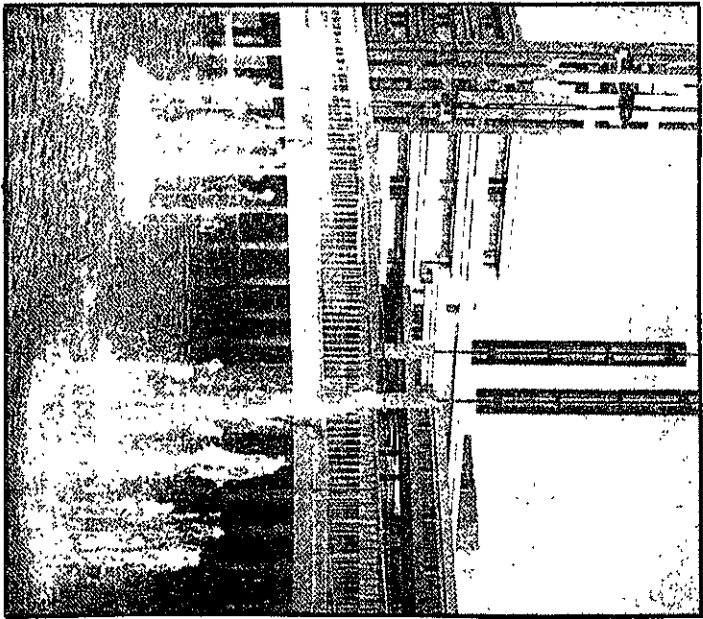
At the same time, the council has shown itself willing to accommodate the building of new areas and a programme to upgrade the infrastructure of other industrial townships is also currently underway.

The big labour pool from KwaZulu-Natal is also a plus factor, although the fact that it is highly unskilled detracts from its appeal from the point of view of many potential buyers.

On the other hand, while skilled labour is becoming scarce here as everywhere, Springs has a ready supply of unskilled labour. The presence of a Technical College is starting to produce a high level of trained black labour.

And once the RTV Link freeway has been opened skilled manpower will be able to commute from even further afield, as well as being more willing to relocate to Springs," adds Fick.

Another positive factor is the ready availability of residential land — both established and for development — at highly competitive prices.



□ THE SPRINGS CIVIC CENTRE

Creating a rosy image

HISTORICALLY known as the Town of the Roses, Springs has been building on this image in the creation of its new corporate identity.

"Springs is an industrial town, with an important difference in that it is also a place where the quality of life of its citizens is important to the council.

"Creating an appropriate symbol was a difficult task," comments council public relations chief Frans Stari.

The professional team eventually settled on the blue of the rose, symbolising the abundance of water from which Springs takes its name, and the appearance of movement of the flower symbolising growth and progress.

LAND IN TOWN IS GOOD VALUE

He believes land prices are likely to rise still further.

However, a number of Springs' industrialists claim the council for including industrial rates and taxes during the past few years.

"The council held its rates down for some time during the recession, then recently hiked them up enormously."

"When I asked a council member why it had been necessary to increase them to such a large extent, he said it was because so many companies had gone out of business during the recession that the council's income had dropped.

"In order to maintain its income at an acceptable level, levies paid by the survivors have had to be increased," claims one industry representative.

Town treasurer Wilhelm Steinhilber, however, denies these accusations.

"Springs rates for both residential and industrial properties are below the average for the Witwatersrand," he says.

"Traffic must be assessed in relation to the valuation of the property. Our latest assessment rates have effectively dropped 9.5%.

"However, our latest property evaluations had the effect of slightly increasing rates in real terms — although not beyond what was reasonable. Land values in Springs are rising in response to its growing popularity and to the scarcity of land elsewhere on the East Rand."

Fresh produce

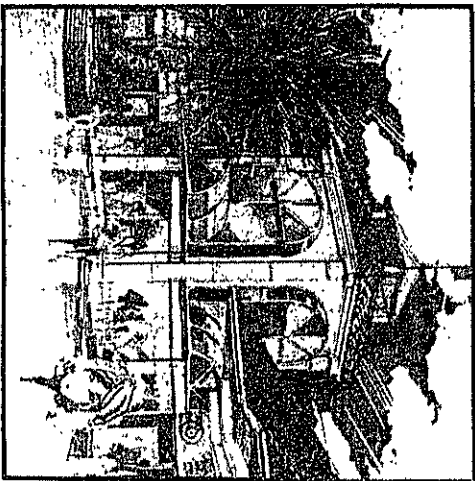
THE performance of the national fresh produce market, completed at a cost of R6m in 1988, has far exceeded expectations, according to Springs town treasurer Wilhelm Steinhilber.

Of 14 national markets in SA, the Springs market rated seventh in 1988, last year. And in August, it ranked fifth, performing better than Fort Elizabeth.

"We have now achieved an average monthly turnover of eight million Rand a year, and by 1989 we will be turning a profit."

"In view of the fact that we didn't expect to break even in under eight years, this is a very satisfactory achievement," Steinhilber adds.

The market receives produce from farmers as far afield as the Lowveld and



□ THE proposed redevelopment of the old town hall and library

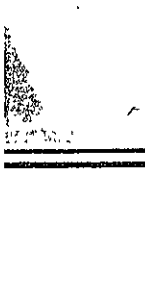
the Northern Transvaal, and sells it to merchants from the Eastern Transvaal in Newcastle.

"One reason for our popularity is our size. Although the Springs market is large, it is far smaller than the Johannesburg market, where buyers have to do a lot of walking to stock up.

"Our prices are also fair, pleasing both buyers and sellers alike."

The market provides a valuable source of income to the council, which takes a 5% commission on revenue. This money is used to pay running costs, since taxpayers' money is not used to finance the project, and to pay off the original capital investment.

In addition, future expansions will be funded out of the market's earnings.



DEBEX
ADVANCEN TFCANNING

SPRINGS MUNICIPALITY



Pedal power for SA on the move

RALEIGH CYCLE's SA factory in Springs manufactures almost 10 000 bicycles every month — just about enough to keep up with the renewed interest in cycling, Raleigh Cycle MD Robin Drake said.

The company was founded in its Springs location way back in 1948, Drake said.

"At that time it was known as A Cycle. In 1953 it merged with a cycle operation in Vereeniging and Springs was chosen to be the base of operations," he said.

Today Raleigh Cycle employs 300 people, has a turnover of R18m and dominates 35% of the SA bicycle

market.

"Springs is an ideal location for our SA operation primarily because we have unlimited access to the major market in the PWV area.

"Also when we established ourselves in Springs so many years ago we ac-

quired a large tract of land and so have plenty of room to expand without worrying about splitting up the operation," Drake said.

"The disadvantage, of course, is that the road systems servicing Springs are inadequate."

Last year Raleigh Cycle was bought out by a private group which aims to purchase Raleigh factories all over the world and so establish the single largest bicycle manufacturing and distribution group.

Drake says the company

plans to expand and is aiming to capture up to 40% of the SA bicycle market during the next year.

"Over the years we have seen our share of the market going down from 80% to about 25%. About five years ago we decided to do some restructuring which is almost finished. This, with the buyout, we believe will help us improve our growth and dominance in SA and the world," he said.

Along with growth will come increased profitability.

"Back in the early 1980s we had a pretty lean period where profitability was down to 0%. Then things started improving. Last year we had a 20% return on assets and next year we hope to improve that to 25%," Drake said.

"We have great faith in the future of the company and in the cycling market in SA. The world-wide craze of all-terrain bikes is starting to pick up and we are already seeing a substantial increase in biking in SA," he said.

Town is living up to its name

A CONSISTENT beautification programme involving landscaping, planting and retaining open areas and parklands, even in the CBD, sets Springs apart from many modern towns.

"We want to make Springs live up to its name," comments head of community services Eddie Marshall, whose portfolio includes responsibility for the towns parks and recreation areas.

And he is determined that the growing industrialisation and residential development of Springs will not be allowed to detract from its semi-rural atmosphere.

"We believe in bringing nature even into industrial areas, by planting grass, shrubs and trees," he says.

An important development has been the creation of a 100ha recreation resort, which arose out of the combination of Murray Park and President Park as well as the area surrounding Geduld and President Dams.

Murray Park has been developed into a popular

23ha picnic resort, well planted with trees, with swimming pool, pony rides, trampolines and children's play park. In addition, its caravan park is a favourite venue for SA Caravan Club rallies.

A 6ha hiking trail has been laid out around the dam, and this is also gaining popularity.

The adjoining President Park was originally intended to be a low density recreational area, but it has begun to establish itself as one of the prime horse eventing venues in SA.

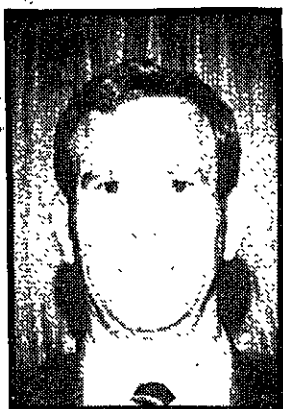
Ample space, with a permanent cross country course, make it ideal for the two or three national horse shows that take place there annually, and which have even gained international recognition.

And, finally, the dams are used on a regular basis by the Springs Yacht Club as well as being popular for windsurfing. The dam at Murray Park is the established venue of the annual Kontiki raft race organised by Girl Guides and Boy Scouts.

AT THE HELM



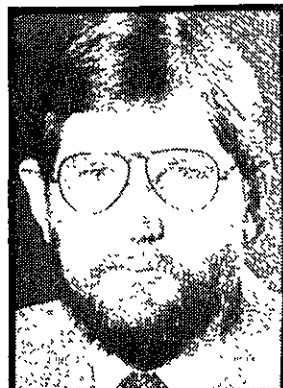
□ HENNIE DU PLESSIS
... town clerk



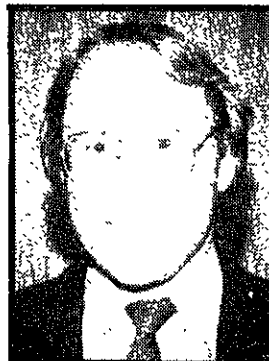
□ EDDIE MARSHALL ...
head: community services



□ WILLEM STEINBERG
... town treasurer



□ FRANS SWART ...
head: public relations and marketing



□ ROB FORTUIN ...
town engineer

SAPPI's first paper mill was built in 1937 on 19ha of the former Geduld mine in Springs.

The pulp and paper mill, named Enstra short for Enterprise Straw after its chief raw material, was Sappi's first mill and has the distinction of being the only paper mill not located near a river.

The reason for this was that local authorities were afraid the effluent — the chemical byproduct of the pulping process — would contaminate the rivers.

Originally, Viljoensdrift, Pretoria and Parys were considered as possible sites but rejected because of fear of contamination of the Vaal.

So it was in desperation the company turned to a site it already controlled — the farm once owned by President Paul Kruger, Geduld, in Springs.

Aside from the fact the company already owned the property, added benefits were the underground water which continuously seeped into the workings of the then mines and had to be pumped to the surface.

Geduld's water was pure enough to be used for making paper and water for drinking and for boilers was tapped from the exist-

PAPER FOR AFRICA — SINCE 1937

ing municipal water system which ran along Geduld's boundary.

Further advantages were that the site was not far from Johannesburg and that electric power and a rail service were close by. "Black Liquor" the chemical effluent that resulted from the pulping process could be pumped to the mines for use in gold recovery. Coal for boilers and supplies of straw woods and salt could be railed in with ease.

And so it was that in the little East Rand town of Springs that Sappi produced its first paper in 1938. By 1967 Enstra had the capacity to produce 110 000 tons of boards and newsprint a year.

Today Sappi employs more than 11 000 people and is considered to be the largest producer of pulp and paper in Africa, with an annual turnover of more than R1bn.

A boy and his dog

A BOY and his dog — symbols of the promise of future growth — have become the nationally accepted representatives of Springs in the course of the town council's marketing programme during the past few years.

"We are probably the first non-tourist oriented town to market ourselves in this fashion and we wanted a programme that would set us apart," says PRO Frans Swart, who is responsible for the town's marketing strategy.

"I visited practically every pre-school in Springs before I found the right child — Alec Visser. And

the dog was no easier to locate.

"But between them, they have helped us to establish Springs in people's minds as a town with a future."

When planning his advertising campaign, the one thing Swart was sure of was his determination to steer away from the style of advertising that involved putting a large town crest — and little else — in the middle of a page.

"We wanted to promote Springs as a young, growing, vibrant town, and that called for an innovative marketing programme," he says.



High-flying Sechold adds fresh lustre

By Ann Crotty

30

Securities Discount House (Sechold) looks set to maintain its position as one of the most highly rated counters in the financial sector, with a 21 percent increase in net income (after tax and transfer to internal reserves) to R4,8 million for the six months to September.

Weighted earnings per share were up seven percent to 20,7c (19,3c) on an increase in shares from 20,5 million to 23,1 million. An unchanged dividend of 8,5c has been declared. Shareholders are again being offered capital-

isation shares as an alternative to the dividend payment.

While the results may look a little dull, compared with the figures industrial companies are reporting, given the trading conditions facing discount houses in the review period, Sechold's results highlight a strong performance.

The directors says: "In the review period, trading conditions in the money market were not easy. Rates rose sharply and liquidity declined, as reflected in the increase in the extent of central bank assistance." On a brighter note: "Capital market

Star 26/10/87
rates fell marginally, but exhibited a high degree of volatility, thus creating suitable trading conditions in this market."

MD Mr Arthur Kelly says the interest-rate trend in the period made trading conditions difficult, but that the structure of Sechold's book helped to limit the impact of rising rates.

The Interbank acquisition looks good. It came into the group's books from July 1 and made a contribution to interim profits. But as Mr Kelly points out, net income would not have been lower in the absence of In-

terbank because the funds invested in the acquisition would have generated income elsewhere.

He says the portfolio management division is putting in an acceptable performance. While it is not currently contributing profits, it is expected to do so soon.

Mr Kelly sees an increase in short- and long-term interest rates in the very near future, but believes rates are currently not far off their top levels. Given this scenario, he sees scope for generating continued profits.

'Commercial terrorism' criticised

Finance Staff

CAPE TOWN — Supermarket buyers are carrying out "commercial terrorism" against suppliers, Checkers managing director Mr Clive Weil disclosed yesterday.

He was speaking at a seminar organised by the Menswear Group in Cape Town.

He said the concentration of buying power in the supermarket chains, which controlled 63 percent of the retail trade, had enabled them to drive too hard a deal.

"We are seeing a level almost of commercial terrorism," he said.

Star 26/10/84
There was a disproportionate amount of power in the hands of a few buyers, he said.

"They can point a finger at a supplier or a brand and say: 'You live — and you die' and it is happening."

Mr Weil said he was trying to change this situation.

"There is an immaturity among supermarket buyers that has to be seen to be believed. There seems to be a belief in the trade that the tougher you are the higher your chances of success."

Many buyers from the main supermarket chains bought according to the confidential rebate offered by the supplier. This led to the situation of a buyer buying not what the customer wanted but what he wanted to sell.

"The confidential rebate is used by some suppliers to lock us into brands that would otherwise not succeed."

Clive Weil tells of retail 'terrorism'

CAPE TOWN — A state of commercial terrorism exists between supplier and buyer in retailing, with the consumer the ultimate victim, according to Checkers' group MD Clive Weil.

The environment is characterised by threat and counterthreat with a immature and misguided belief among protagonists that the "tougher you are the better you are", he told a seminar organised by the Menswear Group in Cape Town yesterday.

Weil said this unsavoury situation had been partly responsible for the concentration of more than 63% of the country's retailing activity under the control of three chains — Checkers, OK Bazaars and Pick 'n Pay.

"It has led to a disproportionate amount of power being placed in the hands of a few who imagine that they can play God with both their suppliers and customers," he declared.

Weil said it had also led to an insidious growth of a massive scale of such rackets as buy-backs and bribes which had

CHRIS CAIRNCROSS

all but eliminated any elements of honesty and integrity in retailing.

On the supplier side these attitudes had also helped generate a "confidential rebate" system which was creating a shocking state of affairs, Weil added.

The level of rebate, designed to bribe retail buyers into purchasing only what suppliers wished to offload, now totalled more than the collective profits of the three big chains, Weil maintained.

Products were being forced on the consumer, not through merit, but solely in order to boost bottom-line profitability, he added.

"Confidential rebates are now being used by suppliers to lock us into supporting brands that are not viable."

Weil said the consumer had become the ultimate victim yet there was a strange situation in which there had been little reaction from shoppers,

● To Page 2

Weil tells of supermarket 'terrorism'

He believed the erosion of integrity and honesty now occurring had led to corruption becoming rife within all levels of society as the country drifted further towards Third World norms.

To illustrate this Weil said it was estimated losses incurred by the three main retail chains through pilfering amounted to more than R750m last year.

Checkers had prosecuted 9 300 people for shoplifting in 1987 and this figure was greatly exceeded in the first six months of this year.

These thefts had been carried out at all staff levels as well as by the public, he added.

● From Page 1

Supermarket giants 'at war'

CAPE TOWN 27/10/88

Own Correspondent
JOHANNESBURG. — A war of words has broken out in the retail sector with Pick 'n Pay and OK Bazaars lashing out at Checkers managing director Mr Clive Weil's allegations of "commercial terrorism" in the trade.

Pick 'n Pay chairman Mr Raymond Ackerman said Mr Weil had "disparaged the entire industry and he may have to answer for it in court".

On Tuesday Mr Weil told the Menswear Group in Cape Town that misguided and sometimes corrupt buying practices between suppliers and retailers had virtually ruined the honesty and integrity of the retail trade.

Mr Weil stood by his claims of commercial terrorism yesterday.

He said there was a disproportionate concentration of power



Mr Raymond Ackerman

among both retailers and suppliers.

Confidential rebate agreements led retailers to promote certain brands not on the merits of the product, but on financial considerations, he said.

"This is not allowing products to find their natural level in the marketplace. Certain players in the industry are playing God. Retailers determine who lives and who dies based on which brand they stock on their shelves."



Mr Clive Weil

Mr Weil conceded that there was nothing illegal about rebate agreements. But forced buy-backs of unsellable merchandise had become prevalent and supplier bribes to retail buyers were on the rise, he said.

Mr Weil denied using the terms "bribery" or "racket" in his speech, but a reporter of Business Day, which provided the report to the Cape Times, had notes to the contrary.

OK Bazaar managing

director Mr Gordon Hood said Mr Weil had no mandate to speak for the industry. "If that goes on in his business, let him root it out."

Contractual buy-back schemes did exist on some new product-lines, but not on established brands, Mr Hood said. He said he would not only fire a buyer for accepting bribes, but also "blackball" the supplier.

Mr Ackermann said there was nothing confidential about rebate agreements — rather they were normal volume discounts. To eliminate purchase discounts would add 3% to consumer prices.

He said he suspected Mr Weil's criticism was a case of "sour grapes". Checkers was not as profitable as Pick 'n Pay because it failed to negotiate discounts as favourable.

11665 27/10/88 (30)

SBDC expands its mentors programme

By **MAGGIE ROWLEY**
Business Staff

THE Small Business Development Corporation is recruiting experienced or retired business people wishing to share their skills by acting as mentors to young entrepreneurs.

A core group of about 30, mainly retired business executives are currently working together with the SBDC to provide sound practical advice to young entrepreneurs setting up new businesses.

This group has been so successful that the SBDC envisages opportunities for many more people to become involved.

Mr Wolfgang Thomas, Western Cape general manager of the SBDC, said the Mentor Advisory Programme provided a unique opportunity for experienced or retired business people to plough back knowledge and experience into young firms in start-up phases.

"Often the most important need of new small business entrepreneurs is not money but sound advice. The expe-



Wolfgang Thomas

rience and knowledge of a seasoned business practitioner is often of incalculable value to a young entrepreneur.

"This kind of practical, results-orientated advice is often also of more value than knowledge transferred during formal lectures or training programmes."

He said the Mentor Programme provides senior citizens and other experienced business practitioners the opportunity to make an important development contribution in the regional and national interest.

People becoming small business mentors with SBDC are put into contact with entrepreneurs needing their ad-

vice. Mentors then visit the entrepreneur and advise the entrepreneur concerned on a part-time basis.

"Being a part-time operation, mentors can schedule their commitments according to their time availability.

"Although this project is essentially a community development service and not paid employment, SBDC picks up the tab for transport and administrative expenses associated with each consultation," Mr Thomas said.

It is not necessary for mentors to be retired in order to participate.

"The only criteria is that they have specific knowledge and/or experience with one or other business discipline such as production management, marketing, accountancy and administrative assistance and so on.

"There is a great need for specialised experience rather than generalists," he added.

Anyone interested in participating in the programme should contact Jaco Louw at (021) 4151910.

New car sales expected to slow

HELOISE HENNING

NEW car sales were expected to slow down next year with unit sales comparisons negative compared with this year, National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen said.

In the Naamsa review of the quarter ending September 30, Vermeulen said the industry had adjusted downwards its prospect of cars to be sold next year to 209 000.

This was done in the light of the economic package introduced to slow the economy. These included more stringent hire-purchase conditions, higher interest rates and a variety of surcharge rates on a number of im-

ported items.

The forecast for car sales this year was put at 224 500 compared with the actual sales of 200 824 last year.

Heavy commercial vehicles showed the largest improvement in the most recent quarter compared with sales in the same quarter last year, with sales up 37,1%. They were 9,8% up compared with the quarter to June 30, 1988.

There was a decrease in car sales of 7,8% compared with the quarter to June 30. Medium commercial vehicles sales improved by 12,2% compared with the previous quarter.

Weil's claim sparks 'war'

27/10/88

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B/day

A HARSH war of words has broken out in the retail sector with Pick 'n Pay and OK Bazaars lashing out at Checkers MD Clive Weil's allegations of "commercial terrorism"

CHRISTOPHER TUCHER

said there was a disproportionate concentration of power among retailers and suppliers.

Pick 'n Pay chairman Raymond Ackermann said Weil had disparaged the entire industry and he may have to answer for it in court.



● WEIL

Confidential rebate agreements led retailers to promote certain brands on financial considerations rather than product merit, he said.

"This is not allowing products to find their natural level in the marketplace."

In a speech on Tuesday, Weil said misguided and sometimes corrupt purchasing practices had virtually ruined the integrity of the retail trade. Weil stood by his claims yesterday. He

Weil conceded there was nothing illegal about rebate agreements. But forced buy-backs of unsellable merchandise had become prevalent. Supplier bribes to retail buyers were on the rise.

● To Page 2 →

Commercial terrorism claim sparks 'war'

OK Bazaars MD Gordon Hood said Weil had no mandate to speak for the industry. "If that goes on in his business, let him root it out."

← ● From Page 1

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B/day 27/10/88

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● Comment: Page 8

Small could be better

Small Business Development Corporation (SBDC) chairman Anton Rupert is not impressed by all aspects of government's R1bn job creation programme of the last three years.

He says the SBDC created several revolving funds with the R155m received from government's grant of R1,06bn for job creation programmes in 1985-1988. This money enabled the corporation to lend R220m to small businessmen in 7 500 deals, promoting more than 120 000 jobs at an average of R1 822 each.

79

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"What makes the SBDC's performance even more remarkable is that its total capital loss in these revolving funds amounts to just more than R2m, leaving almost R153m of the R155m in the revolving funds," Rupert told this week's SBDC annual meeting.

"As far as I could determine, government has fully spent the remaining R900m of its total appropriation of R1 060m," he adds. The implication is clear: had the SBDC been allocated more, it could have both created jobs and retained most of the money for further financial assistance.

Rupert also defends the SBDC's bad debt record: "The SBDC is the biggest business developer in the underdeveloped urban areas of our country, where the risks are high and the returns low."

SBDC MD Ben Vosloo says the R10m write-off and R26m provision for bad debts in the year to end-March could be partly ascribed to difficult economic and political times. "Nevertheless, the bad debt situation is still at an acceptable level, especially when compared with similar overseas agencies," he adds.

Rupert agrees: "The US Small Business Administration, which is funded by the Federal government, lost virtually 50% of its government appropriations of US\$14,8bn over 19 years. The SBDC, in contrast, did not lose any of its capital during the seven years of its existence and was able to cover its bad debts from necessary provisions."

Nevertheless, the SBDC had to reduce lending last year, as its capital base was being eroded. A total of R177m was lent to 6 860 borrowers in 1986-1987, but this fell to R114m and 6 107 borrowers in 1987-1988.

Private-sector shareholders have so far invested R80,37m in the SBDC, with the State contributing a matching sum.

The SBDC wants more funds. It could go to the capital market but that would force it to charge market-related rates. Rupert suggests tax relief for SBDC funds, but Finance DG Chris Stals rules it out. "We are removing similar tax relief schemes from our tax system. While government is very sympathetic to small business development, future State assistance would have to be in the form of subsidies," he tells the *FM*.

Vosloo says the SBDC hopes for further State funds from the proceeds of privatisation. "Financial support for small business development is a top government priority," says privatisation unit adviser Eugene van Rensburg. ■

Spar-ring partner

Despite being SA's fourth-biggest retail chain, Spar retains a reputation as a convenience store, rather than the place for the monthly shop.

New MD Robin Burnill says a main target during his tenure will be to reduce the consumer perception that Spar stores are much more expensive than chain store competitors.

"According to independent surveys, there is a difference of no more than 3% between chains in the price of a basket of groceries," he insists.

Burnill has taken over control of the Spar group from Sid Matus (see *People*), who is reducing his Spar activities for the next year while he serves as president of Assocom. Matus (64) says he will "find a niche" within Spar once his term of office is up.

One of Burnill's first acts is to move Spar's head office from Johannesburg to Pinetown, Natal. Matus remains as part-time resident director in the Transvaal.

Despite being MD, Burnill can't impose his views on the chain. Spar (Pty) Ltd has given its powers over to the Spar Guild, where decisions are taken by five appointed wholesale directors and five independent franchise retailers, with a casting vote for the MD. The guild is responsible for retail pricing policies, marketing and store planning, but doesn't own any stores.

Burnill expresses confidence that the franchise-based chain can hold its own against the corporate might of Checkers, OK and Pick 'n Pay. He says the market share of convenience stores has grown considerably in Europe, the UK and the US and he expects the same trend in SA.

One area he wants Spar to tackle more than in the past is the black market. Spar still has a predominantly white customer base and Burnill wants to see more franchises in black areas, or at least greater targeting at the black consumer. ■

Small businesses can help big business in SA

11/6/85
28/10/88
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Small Business Week starts tomorrow. THEO RUDMAN, executive director of the Self-Employment Institute and author of *The Third World: South Africa's Hidden Wealth*, reviews the links between big and small business.

ONE of the secrets of success of Japan and Taiwan is the use of small formal and informal businesses by big business in the centre-satellite factory system.

This, too, is one of the solutions for the South African economy to create more jobs and to generate foreign currency, which is a critical necessity in this country.

Since 1980 we have produced about 2.5 million school-leavers and provided no new jobs for them. In fact, we now have about 150 000 fewer jobs than there were in 1980. In addition, we have foreign reserves to finance less than two months' worth of imports.

Small business plays an important role in economic success in most countries, even in the developed ones.

In the present Taiwan structure, the small and medium enterprises comprise 99 percent of the total number of manufacturers, produce 55 percent of the gross national product (GNP) and hire 70 percent of the total labour force.

Even in the United States 66 percent of business employs fewer than nine people, provides half the country's existing jobs and produces about 43 percent of its GNP. In Japan the figures are even higher: small businesses employ 80 percent of the total workforce.

The basic principle is that the centre factory does the design and development, farms out the manufacture of specific components to informal manufacturers, often providing them with the correct material from which the components must be made, with the satellite manufacturer contributing mainly his labour.

The centre factory manufactures only what it has to. The products are assembled by the centre company where strict quality control is provided. Marketing and distribution is then undertaken by the centre organisation.

Even the high tech electronics industry uses this system in Japan. Up to 50 percent of a Sony television set is made in the small formal and informal sector.

Recently I was told of a case where a large importer of steak and kitchen knives to South

Africa wanted to buy one million knives a year. After investigation he decided that a particular manufacturer in Japan would be his best bet in terms of price and quality.

Before placing the order he went to Japan to check the production facilities of the proposed supply company, which felt that it would have no difficulty in supplying one million knives to South Africa because it supplied 32 million knives a year to the United States alone.

The local importer arrived in Japan where he was well received and taken to the company's marketing offices. There seemed to be a reluctance to show him the manufacturing facilities and only when he was emphatic that there would be no order until he was satisfied with their production capability that the suppliers, sheepishly, showed him their production facilities.

There was no factory to speak of other than a large packing and shipping warehouse. Their quality products were made in the informal sector.

He saw numerous backyard operations that undertook one specific manufacturing operation in each. The parts were rushed from one backyard operation to another in trailers pulled by motorcycles and in small vehicles.

This method reduces the capital and management resources required by the centre company and creates more jobs, which would not be feasible if all the work was undertaken by the centre company which, by necessity, would have to be more mechanised and computerised.

Opportunities exist too for retailers in selling to hawkers and informal traders. One of the biggest obstacles to obtaining a licence in most towns and cities in South Africa is the lack of storage facilities, approved by the health authorities, near the traders' sites.

An example of the co-operation that could exist between the Third World and First World sectors is the African Council of Hawkers and Informal Businesses (ACHIB) in Johannesburg.

It has found formal retailers, near each of the main trading areas, who are prepared to set up wholesale facilities for street traders. Hawkers buy their supplies for the day either in cash or on agreed terms.

As these shops are close to their sites, the traders can easily return to the wholesalers should they run out of supplies. At the end of the day unsold merchandise is returned for crediting towards the next day's purchases.

Therefore small business must not be seen only as a beneficiary of social responsibility or unfair competition, but rather as a means of freeing less productive capital and other resources.

All businesses, from the smallest informal one to the largest big business, have a natural place in the economic structure and by trading with one another could improve their profitability.

30 8/20/88

REVOLUTIONARY change, says French intellectual Jean-Francois Revel, flows not from stagnation but from relative wealth and freedom.

Perhaps Oscar Dhlomo, Education and Culture Minister of KwaZulu, homeland of South Africa's six million Zulus, has read Revel. In any event, Dhlomo understands better than do most US congressmen that if the South African economy is destroyed by sanctions, so, too, will be the prospects for revolutionary, or even evolutionary, change.

Dhlomo posits a chilling alternative: Economic ruin will bring about not a shining African democracy but will bring to power instead the white bigots of the right. The Zulu leader warned at the United Nations in July that sanctions and disinvestment constituted "the same pressures which isolated a post-First World War Germany and created a climate in which a monster, Hitler, could harness the anger and reaction of a nation under siege and turn it into a snowballing nationalist force."

Dhlomo is not alone in believing for an apocalyptic end is possible for South Africa if the economy is destroyed.

John Makatini, UN representative of the African National Congress, the exiled black liberation movement that supports sanctions, believes so, too. And he welcomes it.

In New York in 1986 he declared that "if there were only four million of us left after the revolution that would be better than the present situation." Makatini was aware, when he said this, that he was talking about the deaths of up to 25-million blacks and several million whites.

Perhaps one can understand and forgive the excesses of a Johnny Makatini, a victim of apartheid forced into exile by a cruel and inhuman system. But is beyond comprehension how people such as American congressmen, and foreign ministers and national leaders of the British Commonwealth can advocate policies whose blatant objective, in the language of a recent Commonwealth statement, is to "stimulate unemployment" in South Africa.

What can be the purpose of stimulating unemployment? One can only

Economic power is blacks' most effective weapon

Black economic empowerment is the surest means of rapidly eroding apartheid, writes TML MD STEPHEN MULHOLLAND in this article, which appeared in The Wall Street Journal last month. After its publication, Mulholland received a congratulatory letter from former US president Richard Nixon.

requires statesmanship and visionary leadership of the sort that the US, the leader of the West, seems incapable of providing. Destruction of the South African economy — which the Dillums Bill seeks — would deprive blacks of their most effective means of fighting apartheid.

Soviet thinking on South Africa seems far more sophisticated today than that of the sanctioners on Capitol Hill. Boris Asoyan, the Soviet envoy to Lesotho, is widely regarded as Mikhail Gorbachev's chief spokesman on South Africa. In a recent Radio Moscow interview, Asoyan had this to say: "Under the influence of many factors, including Pieter W Botha's reforms, the Afrikaner society has started to move. Deep changes are taking place that entail a destruction of structures of the racial discrimination system."

Echoing the fears of KwaZulu's Dhlomo, Asoyan warns about the possibility of a severe right-wing backlash. While he does not believe the Conservative Party could take power, "I absolutely, definitely assume that they will become more and more negative from the point of view of stability as the country moves toward changes."

pass laws, influx control and others, the Pretoria government has been forced to retreat in the face of the unworkability of its discriminatory policies.

Black power in South Africa — that is, the power to destroy apartheid — flows not from the barrel of a gun or from Winnie Mandela's "boxes of matches" for the inhuman necklaces, but from economic gains. To the extent apartheid has been eroded in the workplace, in many neighbourhoods, in hotels, movie houses, suburban trains, private schools and on sports fields, it has been black economic muscle and not white fear that has done the job.

There is something arrogant in the notion that 30-million black South Africans are not capable, without outside help, of dislodging five million whites from absolute power. The insult implied by this assumption is even greater when one considers that a fair proportion of the whites themselves are against the present system.

Black economic empowerment is the most civilised, as well as the surest, means of rapidly eroding the system of apartheid. This approach

tive to the violent overthrow of the state. These two arguments cannot logically be simultaneously correct.

All this is not, of course, to gainsay that sanctions have persuasive power. As most businessmen know, however, the trick is to apply pressure in a manner that does not kill the deal or push the other side into a state of panic where irrational forces drive the will to survive.

One can sympathise with the frustrations of foreigners who would like to see South Africa rid of apartheid. It we white South Africans who oppose it are also frustrated and we have more at stake.

It is fair to ask those like myself, who oppose sanctions, what the alternative is. While it is difficult to be specific, I believe Kane-Berman of the Institute of Race Relations has it right. He says that only blacks can destroy apartheid. In his evidence before Congress he demonstrated how apartheid law has been eroded by reality. In areas such as trade union rights, job preservation, the

assume that the proponents of such a policy hope that when a sufficient number of starving blacks have been thrown on the street, their children sick, dying or dead, their jobs and prospects destroyed, and their homes derelict, they will rise up and throw off the yoke of apartheid. This scenario would probably bring about Dhlomo's nightmare of the white South African Hitler with the blood of millions of black South Africans on his hands, not to mention devastation in the entire subcontinent. Zambia, Zimbabwe, Mozambique and Swaziland would all be sucked into the vortex. Their already largely subsistence economies would be destroyed.

In evidence before a congressional committee in Washington in March, John Kane-Berman, executive director of the South African Institute of Race Relations, an impeccably liberal organisation, addressed this issue. "One argument," he said, "is that such sanctions are a necessary adjunct of a campaign of insurgency; and that the two forces combined will bring about the collapse of the government. The other argument is that sanctions are the only alterna-

tion to the violent overthrow of the state. These two arguments cannot logically be simultaneously correct.

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Black economic empowerment is the most civilised, as well as the surest, means of rapidly eroding the system of apartheid. This approach

The Soviets, heeding Dhlomo's warning, might well play a constructive role in the search for peace in South Africa and southern Africa. Certainly Asoyan's comments and the Soviet role in prodding the Cubans on in the Angolan peace process are indications that this is possible. In addition, there have been several recent contacts between the Soviets and leading South African whites.

Senator Edward Kennedy is among those in Congress whose reform it has been that America must be "on the right side of history" in the issue of South Africa. Yet the US may well find itself recorded in history as a destructive and naive player in a process that called for intellect, steadiness and patience. To really be on the right side of history in South Africa, America needs to be on the side of peaceful change to majority rule in a process that would not result in the black majority inheriting an economic wasteland.

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Board to consider Weil's claim

BUYING practices of the large grocery retailers could warrant an investigation from the Competition Board, chairman Pierre Brooks said yesterday.

He added the board would consider allegations made by Checkers MD Clive Weil of corruption between suppliers and retailers.

"Conduct of retailers, not the industry structure, would attract the attention of the board," said Brooks.

IBIS statistics show Pick 'n Pay OK

Bazaars, Checkers and some Spar outlets comprise 63% of the grocery sector.

Brooks said he was not certain whether the board had the authority to police a concentration of buying power.

Harmful Business Practices Committee chairman Louise Tager said it would investigate Weil's claims only if consumers were likely to be harmed.

CHRISTOPHER TUCHER 23/10/88

Word war hots up between food giants

Business Staff

12/6/83 28/10/83 (30)
THE war of words between the country's supermarket giants took a new turn today with Mr Raymond Ackerman, chairman of Pick 'n Pay, sending a "legal letter" to Mr Clive Weil, managing director of Checkers.

The letter follows Mr Weil's allegations of "commercial terrorism" in the trade.

Mr Ackerman said today Mr Weil's comments "are just not true".

"We have sent Mr Weil a legal letter of protest and will be prepared to go to court if necessary to clear the name of the industry," said Mr Ackerman.

"I have spent my whole life in retailing and feel my and my company's integrity has been called into question."

Mr Weil said yesterday he stood by his comments, made during a talk to the Menswear Group in Cape Town.

The chairman of the Spar chain, Mr D M Egleton, said today he refuted in the strongest terms any allegations that his organisation or any of its suppliers were involved in bribery, underhand dealings or any other harmful business practice.

"Nor do we use strong-arm tactics with our suppliers," he added.

"Our system of trading through central warehousing is unique in South Africa and enables huge savings to be made in distribution and warehousing costs, for which the manufacturers are prepared to pay handsome allowances, and we are therefore able to pass them on to the consumer."

Mr Egleton said Spar's suppliers did not try to manipulate the market — they allocated funds to advertise new products, which was part of the free trade system.

Own Correspondent

JOHANNESBURG. —
The buying practices of
the large grocery retail-
ers could warrant an in-
vestigation by the Compe-
tition Board, chairman

COPIE 7-115 28/10/88
Probe on 30
grocers' grossness?

Mr Pierre Brooks said yesterday.

The board would consider allegations made by
Checkers managing director Mr Clive Weil of cor-
ruption between suppliers and retailers within the
next two weeks, he said.

"The conduct of retailers, not the industry struc-
ture, would attract the attention of the board."

Mr Brooks was uncertain whether the Competiton
Board, which concerns itself primarily with monop-
oly situations, had authority to police exorbitant
purchasing power.

Spar chairman Mr D M Egleton yesterday denied
any allegations of bribery or harmful business prac-
tices and denied using "strong-arm tactics with sup-
pliers".

Harmful Business Practices Committee chairman
Ms Louise Tager said the committee would investi-
gate Mr Weil's claims only if consumers were likely
to be harmed.

Star 29/10/84

It's the housewife

who rules

the roost,

say stores bosses



CLIVE WEIL: Centre of the storm.

Checkers boss Clive Weil's allegations of "retail terrorism" have drawn a sharp response from two of the supermarket's biggest competitors, OK and Pick 'n Pay.

Mr Raymond Ackerman, chairman of Pick 'n Pay, said that if manufacturers were dictating terms to Checkers buyers then "the buyers are doing a bad job".

"We at Pick 'n Pay buy what our consumers tell us to buy through information received from our consumer panels," he said.

He said Pick 'n Pay did not buy products exclusively from the big manufacturers and cited a number of smaller suppliers, whom they had supported.

OK's director of advertising and promotions, Mr Allan Fabig, said he did not understand why Checkers did not change its arrangements with manufacturers if they

were not happy with the rebate system.

"The consumer dictates the products we should stock. If she is not happy with the product or the price she votes with her feet and goes elsewhere."

On the question of whether price wars were ultimately detrimental to the consumer — as suggested by Mr Weil — Mr Ackerman said he did not want a situation in which the Government dictated prices.

"If a producer goes under during a price war, that is the price of progress," he said.

"My life has been a price war. When I was in the process of launching Pick 'n Pay I was told there was no place for us and now we're the strongest chain."

Mr Fabig, however, agreed with Mr Weil's price war theory, although he said there was no way to prevent this from happening.

OK Bazaars lifts profits

emp. time 29/10/88

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By BRUCE WILLAN
OK Bazaars has increased its profit after taxation by 22% to R7,25m (R5,95m) for the six months ended September.

The increased profit re-

fects the 22% growth in turnover from R1 405m last year to R1 714m for the latest six months.

With earnings per share of 55c (44c), the interim dividend has been increased to 29c (24c).

Profits attributable to shareholders increased from R5,4m to R6,75m with outside shareholders funds and preference dividends declining to R505 000 from R550 000.

Taxation increased to R7,23m from R5,72m.

The board says the level of current assets was well controlled during the period, increasing by only 17,9% against a turnover increase of 22%.

However, current interest-free liabilities were at a lower level than normal during this time of the year and consequently the gearing ratio at September 30 stood at 57%.

In its report, the board indicates the pace of consumer spending accelerated moderately in the later part of the period under review possibly as a result of pre-emptive buying in anticipation of price increases, higher interest rates and restrictive fiscal measures.

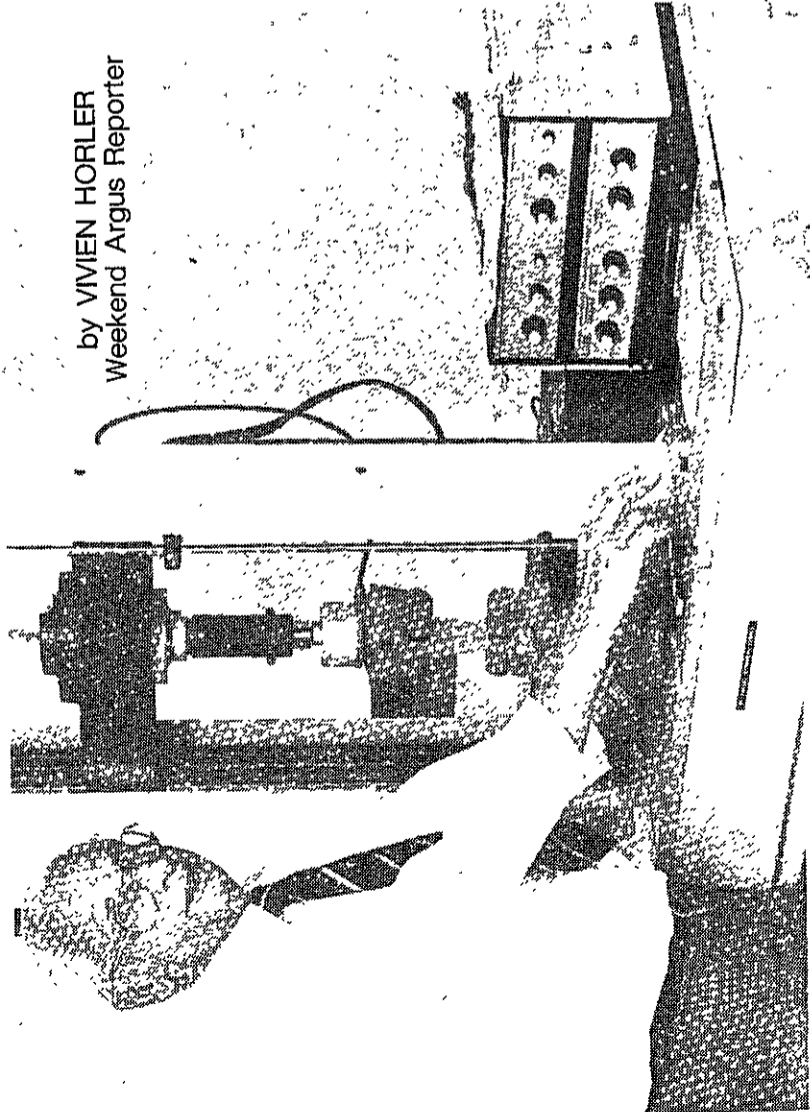
"However, there is still little or no increase in the real disposable income of consumers in the lower and middle-income groups and at this stage there are no indications that this position will improve."

The board says the measures introduced recently to restrict hire-purchase sales, coupled with major increases in surcharges on imported goods, as well as the general slowdown in the economy, will impact negatively on turnover growth in the second half of the year but with reasonable stability expectations are earnings and trading performance will continue albeit at a slower rate.

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The man who put the Worth into Woolworths . . .

by VIVIEN HORLER
Weekend Argus Reporter



MR Norman Greenblau.

NORMAN Greenblau's office is strewn with odd articles of clothing, like overstretched stockings and mismatched longjohns.

"See?" he says, holding up the longjohns. "The two halves of these clearly came from different dye-lots. They started off the same colour, but one side has faded after washing."

"And these stockings, you see how the elasticated top has stretched. We have to find out why."

Mr Greenblau is the man who put the Worth into Woolworths, the chain's technical consultant and scientific advisor, and the person who started off the company's quality control department.

"That was 28 years ago. In those days Woolworths buyers used to buy what was on the market like everybody else. Now of course we sell only our own brands."

The idea for quality control came from Marks and Spencers in England, with whom Woolworths has strong links, and in 1960 Mr Greenblau, a

chemical engineer and industrial chemist, was engaged as a technical consultant. About eight years later he was employed full-time as technical executive, and Woolworths built its own testing laboratories.

"I got the whole thing going, but now we're quite a big team with about 100 people employed in quality control in all areas — food, textiles, footwear, cosmetics, toiletries, packaging."

STANDARDS were initially based on those of Marks and Spencers or the South African Bureau of Standards ("and then we upped them"). "Quality is a funny word to define — eventually we settled on 'the best available for the price', or it could be described as 'fitness for purpose'."

"We started the accurate shelf-life notification on food in South Africa and everyone followed suit. We now put two dates on our goods, the 'sell-by' date, which is for the stores' information, and the 'best before' date aimed at the customer."

W/2 ARGUS 29/10/88 30
"Anything that has reached its expiry date has to be removed from the shelves. Some is sold to the staff at a reduced rate, and the rest is given to worthy institutions like orphanages."

Products are exhaustively tested. "Say you're buying a million metres of fabric, perhaps 10 000 rolls of 100m each in four to five colourways. Now obviously we couldn't test every single roll."

"But the manufacturer will test every dye-lot to make sure it exactly matches our specifications, and so he needs a suitable laboratory. Then once we've accepted the fabric we'll do random checks."

"We'll also do random checks of the garments made from the fabric. Every part of the garment is specified, including the trim, the elastic, the zip, threads, sizing, assembly."

"And of course the quality of everything in the stores themselves is specified, from the carpets to the hangers."

NEAR Mr Greenblau's office in the modern Woolworths building are a series of laboratories where food and textiles are tested. "Some of the tests are a result of complaints, and some are new product development. For instance, here the vinegar content of rollmops is being analysed so that the next time they are made it will be exactly to the same standards."

In the kitchens downstairs a chef is hovering over a pan of sizzling sausages. Next door is board's diningroom. "We have tasters, of course, but once a week the board tries all the new products. We eat our mistakes here."

The textile laboratories include a series of washing machines to see how clothes and dyes stand up to prolonged laundry.

Attached to each fabric sample is a multi-fibre strip which includes patches of wool, acrylic, polyester, cotton, acetate and polyamide. Because dyes are selective, the colour in a garment will sometimes run

onto a cotton vest and leave a pair of knickers unaffected. Woolworths' tests aim to prevent any running at all.

The temperature, humidity and atmospheric pressure in another fabric laboratory are set to an international standard, because textiles have different properties under different conditions. In this lab there are machines for abrasion and tensile strength testing, there is a burst-tester, and machines that measure snagging and pilling (going into bobbles).

Why does Woolworths go to all this trouble? "Customer satisfaction is a form of insurance. The company's philosophy is value for money and satisfaction, which is why we never argue about returns. We want to know when things go wrong with our products — we learn by it."

"Our goal is quality, and the trouble we go to in order to achieve this is costly. But it makes sense when you look at the bottom line on the annual balance sheet — it doesn't go down, it just keeps on going steadily up."

ANN CROTTY

IF OK Bazaars can maintain its first-half rate of improvement in the second six months of its financial year, it will achieve a full year earnings figure of 202c per share, which is what most analysts are forecasting

To reach this figure the group will have to earn 147c in the second half, which is 24.5 percent ahead of the previous financial year's second-half earnings and way ahead of the 55c reported for the first six months of the current year.

This reflects the impact of the Christmas period.

An interim dividend payment of 29c looks reasonably generous, particularly in view of the group's high gearing, and indicates that management is happy about the progress the group is making.

But the market will need to see something better than the latest interim figures before it is happy that progress is being made at the OK.

The latest results are in line with analysts' pedestrian expectations. (Managing director Mr Gordon Hood says they are acceptable in the present environment).

But pre-tax margins are a disappointing 3.84 percent, little changed on the previous interim's 0.83 percent, so there will be no rush to move the share from the "recovery

OK on target with earnings growth figure

30
of 29/10/85

stock" list.

OK's margins have been on a weaker trend since 1982 (when the pre-interest margin was 5.7 percent).

While this was tolerable in the hard times of 1985/86, it is difficult to see parent SAB accepting the situation for much longer.

Sales mix, shrinkage and asset management are the major influences on margins.

Mr Hood says that in the review period, higher-margin, non-food items accounted for an increased percentage of sales, although food still dominated.

At this stage of the year he cannot be specific about the level of shrinkage, but says it remains under the one percent level, which is the average for SA.

As Mr Hood sees it, the most important factor to improve is stock turn. Last year the group instituted a programme, the major objective of which was to boost stock turn. But he says it is a comprehensive programme, which could take another two to three years to implement.

The programme appears to be designed to tighten up management controls in an effort to reduce shrinkage and lift the efficiency of asset management. Both of these should boost stock turn.

One aspect of the programme is the centralising of the distribution of supplies.

All suppliers will deliver to the group's bulk warehouse from where goods will be delivered to OK outlets.

This may appear to make more work for OK, but the suppliers are likely to prefer the situation and may allow better discounts.

In addition, management should have a much better hold over the flow of goods, thereby allowing for better controls and reduced shrinkage.

Mr Hood says management is tightening up on stock control.

Patient investors will no doubt be prepared to wait a few years to see if the programme can produce the goods, but there is unlikely to be a rush to buy the shares at this stage.

New form of 'terrorism' hits shoppers

STW 29/10/88

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A PRACTICE he labels "terrorist retailing" — the rebate system whereby retailers make money from manufacturers by agreeing to buy certain lines of products — earns supermarkets more revenue than the goods they sell, claims Checkers MD Clive Weil.

He said this system set dangerous precedents and could lead to the formation of monopolies — or at least major concentrations — to the extent that manufacturers would be able to dic-

SUE VALENTINE

tate what produce should be sold and at what price.

The effect of this was to keep competition to a minimum, artificially manipulate prices, promote goods that were not necessarily the best available, and restrict the choice of products on offer.

All of this worked to the detriment of the consumer who was forced to accept whatever the retailer placed on offer and to pay whatever prices were set.

Mr Weil was quick to add, however, that the issue was not new and that his company was as guilty as the next, but it was important to address the issue before it was too late.

He said he had received no support from other members of the supermarket industry on the matter.

Explaining the rebate system, Mr Weil said retailers were paid a certain percentage on the amount of produce they purchased. Because so much money was at stake, retailers tended to buy from manufacturers who would offer the same or a larger rebate.

Mr Weil said this often resulted in the promotion of some products that were not up to scratch.

Buyers purchased goods according to which companies would give them the same or a better rebate and not according to which manufacturers offered the best products.

"Smaller companies, or those wanting to launch a new product, have difficulty trying to match the rebates the bigger concerns can offer and so we have less competition in the industry. Ultimately the consumer suffers."

Mr Weil said the notion of a "price war" — although seemingly beneficial to the consumer — was a danger to the industry.

He said smaller manufacturers could not always compete with the big producers and in an extended price war they were forced under. In the long term this meant fewer competitors.

"There is already less competition in the biscuit, ice-cream, pasta and mushrooms sectors."

Mr Weil added that in the frozen vegetable trade there had been an extended three-way price war for about 18 months which saw one manufacturer sell out, leaving the market to just two brands.

"Already we've seen that prices in this area have risen. Price wars are in the public's interests only if they produce more efficient manufacturers and no one leaves the business."

In an attempt to break from the rebate system Mr Weil said his company was trying to focus on the "Direct Profit Profitability" (DPP) factor instead.

"By analysing the DPP we try to measure the

profitability of a product and we examine the ability of a manufacturer to provide back-up service and offer some return on the investment."

Mr Weil said his company was trying to promote consumerism by insisting that manufacturers be held accountable for rising prices.

Milly's is on expansion trail

By MAGGIE ROWLEY
Business Staff

A NEW management team at the helm of Milly's Stores is embarking on a huge expansion and expects to be back in the black early next year.

Steering the Cape-based fast foods and convenience store chain back on to the road of profitability after last year's R4.3-million losses are joint managing directors, Mark Abramowitz and Dennis Marock, with more than 30 years' retail experience between them.

Since the new management took over in September, five acquisitions have been finalised and a further five are in the pipeline which will bring the total of outlets in the Peninsula to 15 by mid-November.

And yet further expansion in the Western Cape is on the drawing board for next year.

Milly's originally reported a R358 000 profit for 1987, but after an independent investigation in May it was found to have incurred total losses of R4.3-million for the year.

That was when Cape investment banking group Unidev, which holds a 20 percent stake of Milly's, stepped in to rescue the company.

When Milly's problems came to a head, Abramowitz and Marock — both former executive directors of Metro Cash & Carry — had recently launched the Kwikshop Holdings group comprising three Christo Kwiksave stores and were looking for expansion opportunities. Their partner in the venture was Unidev.

With the restructuring of

Milly's under Unidev, Kwikshop and Unidev's wholly owned Metro Bakery are to be reversed into the Milly's and a new-look Milly's will be launched.

"Our core business is retailing and our mission is to open a chain of convenience stores with service related departments.

"We saw Milly's as a wonderful vehicle for doing this as it is one of the finest baking organisations in the country," say the new joint managing directors.

Mr Abramowitz said all the Kwikshop stores and new acquisitions would go under the name and banner of Milly's.

"Milly's was traditionally targeted at a specific market. We aim to broaden its market appeal and take Milly's to the masses.

Rejuvenated

"Milly's stores in years to come will not resemble those of the past. The stores will be totally rejuvenated and carry a new look."

Fresh fruit and vegetable sections would be launched in all outlets and to facilitate this the group this week acquired a leading Western Cape fruit and vegetable distributor.

In addition to the butchery, bakery, fresh fruit and vegetables and grocery sections the group is to enter the video market.

A Kwikvid video section is to be opened in each Milly's outlet and negotiations are under way for the video section to be opened

Milly's trail

From Page 1

in at least another 20 outlets in the next three months and provide them with videos which we will update and circulate regularly," he said.

Mr Marock said the Kwikshop stores were affiliated to Spar and this link would continue due to the benefits offered by that group's structure.

He said their concept of a convenience store did not put theirs in direct opposition to major supermarket chains.

"We will be a convenience store chain opening from 7am to 10pm, 364 days a year.

Kwikshop's most recently opened new store is in Bothasig and last week the Spar supermarket in Green Point was acquired which will be revamped to the new Milly's Spar look.

The MDs say all acquisitions would be financed internally.

The decision to expand to the video stage was

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In pursuit of knowledge - Oscar Matante's SBDC mechanics class.

ed his school of car repairs inside the centre.

City Press saw about 11 students ranging in age from 18-45 years with a number of engine parts at the back of their makeshift classroom.

Matante started the business in July 1987. The course would take 12 weeks and the students would be taught the basics of a motor vehicle.

"After learning the basics and theory of a car, I go to the next step of servicing and tuneup. That takes about three weeks. If people want to go further, they stay another nine weeks."

"My business is steadily growing and I hope that in the next 12 months I will be able to go outside and open my school and workshop in the townships. There is a need for this service," he said.

A new entrepreneur who markets dishes of liquid vaseline adds the final touches (top) before delivery while a dressmaker (above) sews the threads that could herald a future of affluence under the guidance of the SBDC at Pennyville centre, where the latent skills of the willing mind can find a financial niche.

Taking strides into the 20th Century

By SAMKELO KUMALO

SOUTH Africa's small business enters an interesting era when the country's first-ever National Small Business Week opens on Monday country-wide.

The theme of the week is "Let Small Business Boom".

Starting from Monday, October 31, to November 6, a number of entrepreneurs and the public will be able to participate in more than 100 events organised by more than 40 organisations.

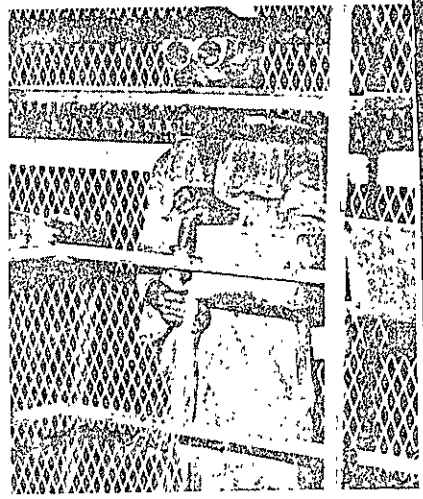
The business week is aimed at creating a broad awareness of the importance of the small business sector in SA, and to encourage small entrepreneurs to improve their management skills and business efficiency.

A number of pamphlets will be distributed to members of the public who are expected to attend in droves.

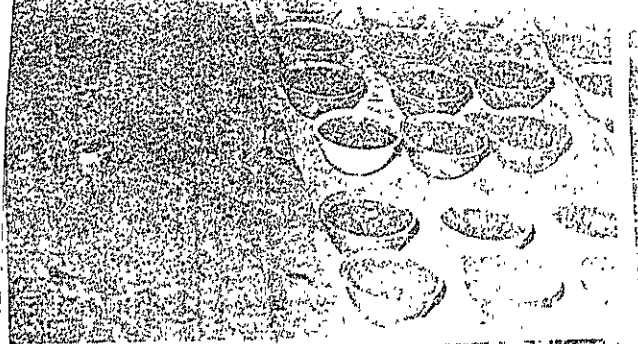
November 2 and 3 will be the highlights of the week when a National Small Business Week Conference will be held at the Carlton Hotel in Johannesburg. The conference will focus on "Opportunities and Solutions for Small Business in the 1990s".

Organisers hope to make this an annual event. Participants include institutes involved in small business, private sector corporations, chambers of commerce, agencies, clubs, and educational establishments.

In the various regions where the business week will be observed, there will be a number of events where the public will be expected to participate.



A small businessman hard at work at Pennyville. PICS: DONGANI MNGUNI



Pennyville hoists the SBDC flag even higher

(30)
CPW
30/10/88

By SAMKELO KUMALO

THE Pennyville unit of the Small Business Development Corporation at New Canal will have its marketing and opening day on November 5.

Unit manager Terry McLaughlin said the day was earmarked as an opening day where members of the public were welcome to a finger-licking party.

Fashion shows, drum majorettes, discos, King Coon Carnival, fast-food competitions and plenty of entertainment would be there for the expected thousands.

McLaughlin said the main objective behind the coming carnival was to

make the public aware that the unit was a giant which was starting to bare its teeth and which was fulfilling an economic need in the country.

He told *City Press*: "The concept of the SBDC units is to stimulate economic growth and activity." He focused keenly on the centre's extensive growth since it started at the beginning of this decade.

"The country is faced with the task of developing entrepreneurship. A person comes here from an informal background and usually operates in production-orientated mode.

"In order to convert him to a businessman, we must

teach him to adopt the market-orientated mode and to this end we are going to market Pennyville as a complex industrial centre which engages in training and helping every type of activity.

"The marketing angle we are going to use is that people or the consumers can come to Pennyville and buy directly from the small manufacturer at bargain prices.

"That means the consumer does not have to pay for the wholesaler/retailer markup route. This does not, however, mean that we have to get the entrepreneur to adopt the market-orientated mode.

"We also provide the en-

trepreneur with training and record-keeping services.

"This is available in Pennyville in every aspect of business from marketing, bookkeeping, costing to training in developing success-orientated attitudes, which are necessary in running any business profitably, irrespective of its size.

"The idea behind Pennyville is that the small entrepreneur must expand his business during his stay at Pennyville and eventually, once he is successful, he will graduate from the centre and operate his business in the external environment.

"Since we have been successful during the past months, we are marketing Pennyville aggressively and that will be seen on opening day where more than 200 of our small businessmen and women will display their products for the public to see and buy."

Oscar Matante has started his school of car repairs inside the centre.

City Press saw about 11 students ranging in age from 18-45 years with a number of engine parts at the back of their makeshift classroom.

Matante started the business in July 1987. The course would take 12 weeks and the students would be taught the basics of a motor vehicle.

"After learning the basics and theory of a car, I go to the next step of servicing and tuneup. That takes about three weeks. If people want to go further they stay another nine weeks.

"My business is steadily growing and I hope that in the next 12 months I will be able to go outside and open my school and work shop in the townships. There is a need for this service," he said.



In pursuit of knowledge - Oscar Matante's SBDC mechanics class.

Taking strides into the 20th Century

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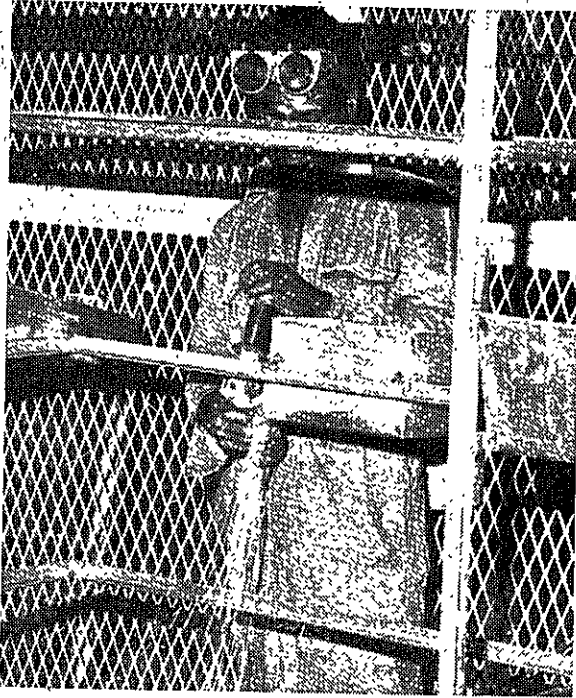
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In the various regions where the business week will be observed, there will be a number of events where the public will be expected to participate. These include seminars, information sessions, exhibitions, buyers' days, TV and radio discussions, fun runs, workshops and much more.



A small businessman hard at work at Pennyville.
Pics: BONGANI MNGUNI

Weil gets a 'legal letter'

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CHECKERS managing director Clive Weil has been harshly criticised from many sides for his attack on the retail industry.

Mr Weil said he had received a letter on Friday which had legal implications. He declined to comment, but he is believed to be sticking to his guns.

The furore started when Mr Weil told a seminar in Cape Town that a state of commercial terrorism existed in the retail market. His group was one of the most powerful in retailing, but there was disproportionate power in the hands of a few giant retailers.

Muscle

Some suppliers and competitors call Mr Weil's attack a "storm in a teacup". They argue that it is a retailer's right to negotiate the lowest price from suppliers and to use all the muscle he can against suppliers, who are often just as powerful.

Pick 'n Pay chairman Raymond Ackerman and OK managing director Gordon Hood say they will welcome an investigation into their operations. They say they have nothing to hide.

Integrated Business Information Services (IBIS) spokesman Bob Hughes says Mr Weil was referring purely to the GTC market — groceries, toiletries and confectionery.

"The 63% is actually made up by Pick 'n Pay, OK, Checkers, Grand Bazaars, Shoprite and the major Spar outlets. The big three hold only 52.9%", he says.

Mr Ackerman says the fight has been brewing for years.

By Robyn Chalmers

"Mr Weil brought up this issue of confidential incentive discounts about a year ago as well. I believe he is under pressure from the Sanlam group for producing poor results, and is looking for a scapegoat.

"We are tough businessmen, and ours is the method of bargaining used throughout the world. We are hard bargainers, but there is absolutely no truth in his allegations of bribery, corruption or dishonesty."

Mr Hood says: "I have no fear of an investigation. It's not as if we are making exorbitant profits. We are making a taxed profit of just over 0.5% on sales — which is a lot less than most suppliers.

"The confidential rebate system seems to be at the heart of the matter. We buy our merchandise at the lowest possible prices and do the best deal for our customers and ourselves."

Negotiation

Spar managing director Brian Bevan says rebates are merely another form of negotiation.

"I cannot think of one rebate which is not linked to a growth factor — if we perform we earn a rebate, which makes the market more competitive. We deny in the strongest terms allegations of corruption."

Suppliers too have refuted the claims. Premier Group chief executive Peter Wrighton says his company has excellent relations with major retailers. A Tiger Oats spokesman declined to comment, saying he would be adding fuel to an unnecessary fire.

Ackerman sends lawyer's letter to Weil

PICK 'N PAY chairman Raymond Ackerman has sent a legal letter to Checkers MD Clive Weil following Weil's outspoken criticism of the supermarket industry at a seminar in Cape Town last week.

Weil accused grocery retailers of misguided and corrupt buying practices and favouring certain brands and products not on the basis of their value to consumers but because of "confidential" supplier rebates.

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CHRISTOPHER TUCHER

Ackerman threatened to institute legal proceedings against Weil and has confirmed that the letter concerned the Checkers MD's remarks.

Weil has referred the letter to his lawyers and was not prepared to comment yesterday.

Ackerman said there was nothing "confidential" about incentive volume discounts which were prevalent in

every retail sector. (30) B/dew

While Pick 'n Pay buyers bargained hard for discounts, they did so in the interest of consumers, he said. To eliminate discounts would add 3% to retail prices.

□ Spar chairman D M Egleton has refuted "in the strongest terms" any allegation that Spar or its suppliers were involved in bribery, "strong-arm tactics" or any other harmful business practice.

Laudium-based Trabilid heads for JSE in reverse takeover of Houston

Laudium-based Trabilid Group Holdings is heading for the Johannesburg Stock Exchange in December via a reverse takeover of Houston Industries, the company said in an announcement today.

Trabilid's subsidiaries wholesale and retail fabrics and textiles as well as hardware, builders' supplies and lighting.

The listing is being set up through the acquisition by Aboo Tayob Investment Holdings of 8 356 327 ordinary shares in Houston from SA Bias Holdings.

The R2,5 million paid to SA Bias for its 69,7 percent controlling interest is equivalent to 30 cents a share.

Subsidiaries

Houston will acquire from Aboo Tayob Investment Holdings the entire issued share capital of Trabilid subsidiaries Venus Builders Supplies (Pty) Ltd, GaRankua Textiles (Pty) Ltd and Tayob Textiles (Pty) Ltd from January 1 for R3 mil-

lion and the issue of 11 743 673 new ordinary shares.

Following the change in control, Houston ordinary and convertible redeemable preference shareholders will be offered 30 cents a share for all or part of their shares. Holders of Cumulative participating preference shares will be offered 71,5 cents a share for all or part of their shares.

Those who accept the participating preference share offer will receive the fixed cumulative preference dividend of 8,5 cents a share for the year to December 31 and will thus receive a total of 80 cents a share.

A minimum profit after tax of R1,3 million (5,1 cents a share) for each of the two financial years ending December 31 1989 has been warranted for Trabilid and the purchase price will be reduced by five times the amount of the profit shortfall subject to a maximum reduction of R6,5 million.

Group founder Aboo Tayob

says Trabilid has its origins in a wholesale business founded in 1932 in central Pretoria by the late Ahmed Tayob, who specialised in shoes and software.

In 1953 he joined the business and actively expanded its activities in wholesaling and retailing of textiles. The business developed further into manufacturing of textile ranges and of sanitaryware. His three sons are all members of the executive management team.

Strategy

"The group took a strategic decision last year to discontinue manufacturing operations to reduce reliance on labour intensive activities.

"We are now clearly focused on the two distinct trading arms of wholesaling and retailing fabrics and textiles through GaRankua Textiles and the wholesaling and retailing of hardware and lighting, which we assemble, through Venus Builders Supplies."

Houston ordinary shares have been trading in a band up to 38 cents prior to the announcement and Houston prefs at 65 cents.

Houston recorded a loss of 14 cents a share for the year ended December 1987. Earnings per ordinary and convertible redeemable preference share of the reconstituted Houston for the current year based on the estimated results of the Trabilid subsidiaries are expected to be 5,1 cents.

Trabilid's dividend policy is for a cover of not less than two-and-a-half times and the expected interim dividend in respect of the six months ending June 30 will be the first that Houston shareholders will have received for two years.

Application will be made to the JSE for the transfer of Houston's listing from the Industrial - Engineering sector to the Retailers and Wholesalers sector under the name, Trabilid.- Sapa.

OK still has way to go to revitalise the balance sheet

AT first glance OK Bazaar's performance in the six months to end-September seems more than satisfactory. Earnings have risen 25% to 55c a share and the dividend distribution is up by 20,8% to 29c a share.

Other performance indicators — including turnover and operating margins — also improved amid a climate of only moderately higher consumer spending.

Nonetheless, a closer analysis of the group's standing at the halfway stage suggests management still has a long way to go to achieve its objective of revitalising the balance sheet.

During the period, a R31m rise in interest-bearing debt to R211,9m pushed gearing to 57% (46% at the comparable stage and 49% at the March year-end) negating MD Gordon Hood's attempts to bring down the interest bill and improve the borrowing situation.



● HOOD: looking for improvements

CHERYLYN IRETON

MAIN features of OK's interim results include:

- A 25,1% rise in attributable earnings to R6,7m;
- A 22% increase in turnover to R1,7bn;
- A 24,2% hike in pre-tax profit to R14,5m.

Hood says, however, that "some success has been achieved in the area of stock turn" — an area he sees as vital to improved efficiency. "This is, however, a long-term job. Moves towards centralising the distribution of supplies are under way and an advanced computer system has been introduced to stores to help boost stock turn."

At the same time, the increased debt commitments have been structured in such a way that the group — for the current year — will be reasonably insulated against any more rises in interest rates.

The board said the level of current assets was well controlled during the period, increasing by only 17,9% against

a turnover increase of 22%

Although OK's bottom line is still to feel the benefit of a surge in pre-surcharge big ticket hire-purchase sales, Hood says the twin effects of measures to restrict these sales and major increases in surcharges on imported goods, together with a general slowdown in the economy, will impact negatively on turnover growth during the second half of the year.

He says there has been little increase in the real disposable income of consumers in the lower- and middle-income groups and says there are no immediate signs this will improve.

"Nevertheless, given reasonable social and industrial stability, the board expects the trading performance and earnings of the group will continue to improve, albeit at a slower rate."

Hood will not be drawn on an earnings forecast. However, if OK can maintain its current momentum and there are no more punitive government moves, it seems likely it will lift full year earnings by 25% to 202c a share.

On the current share price of R11, OK is on a forward P:E of 5,4, yielding a prospective 18% on earnings.

Assocom expects sales of R10,7 billion over Christmas

By Sven Linsche
31/12/86

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Consumers are expected to spend over R10 billion during the Christmas period, but this splurge will be followed by a dramatic downturn in retail sales.

According to a survey of 250 retailers by the Association of Chambers of Commerce and Industry (Assocom), total retail sales over the November/December period are expected to increase by about 19 percent in money terms over the same period last year. In value terms this will take Christmas sales to about R10,7 billion for the two months. The report on Christmas sales

expectations by retailers notes: "Assuming an annual rate of inflation of some 14 percent over the period, retail sales in real terms could be between four and five percent higher than the figure for last year."

It should also be also by realised that last year's Christmas sales were already 3,5 percent above the 1986 figures.

Despite the optimism, more than two-thirds of respondents indicated that the various packages to cool off the economy were expected to have an adverse effect on Christmas sales, with worth to come next year.

This was confirmed by Assocom's Business Confidence

Index in October, which fell to 95,5 in October, its lowest point since July last year.

The Association says the decline was not unexpected given the "growing uncertainty in the business sector about the economic outlook. This trend was already apparent over the past couple of months and business confidence is now at its lowest since July 1987.

"There is now less optimism in the business community about 1989 economic prospects," Assocom says that although some economic sectors remain buoyant, the economy as a whole is slowing down and business sentiment is being adjusted accordingly.

Factors that have adversely affected the business mood focus mainly on the numerous measures announced over the past few months and expected in the near future. They include:

- The higher interest rates which now appear inevitable and which, although market-related, reflect a situation in which interest rates should have been allowed to rise sooner by smaller amounts.
 - The possibility that trends in state spending may call for tax increases before the budget in March, such as a rise in GST.
 - A measure of uncertainty flowing from the outcome of the municipal elections.
- On the positive side there is

the temporary abandonment of the US Dellums sanctions bill and the State President's regional initiatives.

In its Christmas sales report Assocom says that of the various sectors investigated the food sector appears to expect an increase in sales of some 20 percent in November/December and a similar picture emerges in the clothing sector.

"Expectations of traders in furniture and appliances appear to be less optimistic than last year. Most traders, particularly in appliances and TV, expect demand to be hurt by the rise in prices as a result of import charges on a number of imported commodities," Assocom says.

Edgars continues to perform with style

Stav 1/11/88

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By Ann Crotty

Excellent merchandising as well as first rate information systems continue to boost profit performance at Edgars. In the six months to end-September 1988 sales were up 30 percent while attributable earnings surged 54 percent.

Just as stable-mate OK Bazaars can be relied upon to turn in a mere pedestrian performance, Edgars can be relied upon to report sparkling figures. So stark is the contrast in their performances that investors could be forgiven for forgetting that they are both involved in the same basic industry (retail) and belong to the same family (SAB).

Edgars' group sales were up 30 percent to R704,9 million (R542,6 million). Operating profit was 44 percent ahead at R89,3 million (R62,1 million) reflecting yet another improvement in operating margins from 11,4 percent to 12,7 percent. This, combined with a 26 percent drop in the interest bill from R6,9 million to R5,1 million, helped to lift attributable earnings 54 percent to R43,4 million (R28,3 million).

This is equivalent to 100,8c (65,6c) a share from which a dividend of 22c (16c) has been declared. Assuming the conversion of R50,4 million of convertible debentures, earnings per share are 87,9c (58,3c). The conversion to ordinaries will take place once ordinary dividends reach 65c, or any time after July 1989. Last year's full dividend was 53,5c a share and this year's is likely to be about 70c, so conversion seems imminent.

National sales of clothing, footwear, textiles and accessories (CFTA) were up 24 percent, showing a 4 percent real growth over the CFTA inflation of 15 percent. So in real terms Edgars sales

were up 15 percent and it achieved a major increase in its market share.

A break-down of the group's three major divisions shows sales at the Edgars chain up 33 percent and pre-tax profit up 44 percent. Sales House lifted turnover 36 percent, while pre-tax profit surged 76 percent. Things didn't go so smoothly at Jet where sales were up 20 percent but profit was down slightly as management undertook major surgery to clean up the stock position.

Chief executive Vic Hammond, who is bullish about the second half performance, is indicating earnings for the full year of at least 200c. He believes that the current strong level of consumer spending will hold out to end-March 1989 unless there is a 2 percent increase in interest rates (in the near future) which could frighten consumers.

Mr Hammond points out that according to official figures, some 68 percent of CFTA spending is non-white.

In the longer-term he does not see stringent government measures calling a halt to the group's excellent performance, pointing out that even if CFTA sales were to slow down to 2 percent growth per annum he would expect to see group sales up 6 percent and an even stronger performance at the earnings level reflecting continued improvement in asset management and a lift in stock turn above the current strong 3,7 times.

Crucial to the group's success appears to be the time and money spent on information systems. The annual spend on information systems is equivalent to 1,5-2 percent of annual sales. This, combined with good merchandising, marketing and credit systems ensures a tight operation and excellent profits.

Better car sales surprise industry

Finance Staff

New cars sales for October showed a gain over September figures, but were still below the year's record set in August.

Naamsa statistics show that 20 422 cars were sold in October — a 9,4 percent gain on September's 18 669.

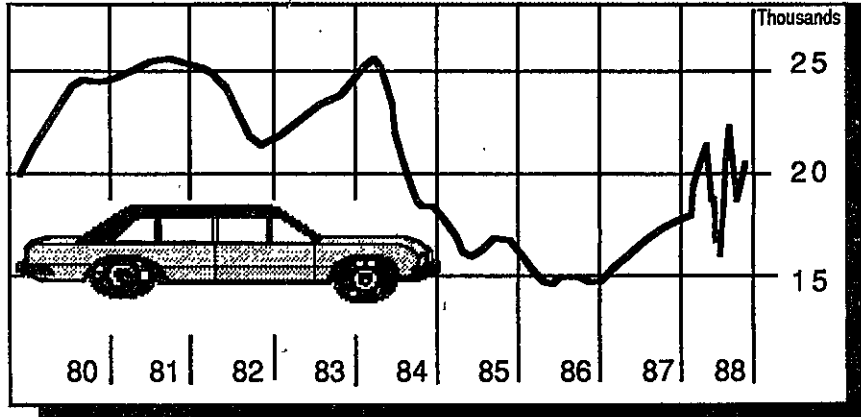
Sales for January to October were 16,4 percent higher at 193 408 than in the same period last year.

The increase took industry sources by surprise as import surcharges and stricter HP financing conditions were expected to hit car sales particularly hard.

However, while car sales showed a growth pattern, sales in other sectors were not as good, with the result that industry totals for October were only 5,9 percent up at 31 982 on figure for September (30 112).

The January-to-October figure stands at 300 768, a 17,88 percent rise on last year.

Heavy commercial vehicle sales were down by one percent at 843 units (942 in September). Me-



dium commercial vehicle sales were almost static at 532 (545).

Light commercials showed a gain of 1,4 percent over September's to 10 095 (9 956).

A Naamsa spokesman said yesterday new vehi-

cle sales for October had exceeded industry expectations.

He said sales were boosted by pre-emptive buying in expectation of price increases and by strong demand from the corporate and car-rental

sectors.

Naamsa expected recent restrictive measures would cause a slowdown in the economy. The association projected that annual unit sales comparisons would be negative throughout most of 1989.

Spaw 9/11/88

30

Debate of supermart bosses in doubt

By Clare Harper

There can be no public debate between Pick 'n Pay's Mr Raymond Ackerman and Mr Clive Weil of Checkers unless Mr Ackerman withdraws his legal letter, a Checkers spokesman said yesterday.

Responding to reports that a debate on TV1's Network tomorrow night had been confirmed, Ms Adele Gous of Checkers said that "unless the legal letter is withdrawn, there is not a chance (of a debate)".

Pick 'n Pay managing director Mr Hugh Herman said that Mr Ackerman had asked Mr Weil to withdraw and apologise for his comments about "retail terrorists".

Pick 'n Pay had complained about what Mr Weil said and he had not withdrawn or apologised, he said.

"We cannot give him indemnity," Mr Herman said. Asked whether he thought the "legal threat" would inhibit the proposed debate, Mr Herman said: "I don't think so."

"The matter is not sub judice. It is up to him (Mr Weil)," Mr Herman added.

Small suppliers back Weil in retail row (29)

TWO suppliers to the retail trade have come out in support of Checkers MD Clive Weil's attack on buying practices of large retailers and their suppliers.

Several large brand manufacturers canvassed by Business Day insisted their purchasing practices were fair. None would admit to granting rebates to the trade.

But two small suppliers spoke out about "confidential" rebates and gave their endorsement to Weil's claims of "commercial terrorism" in retailing.

Blom 2/11/88
CHRISTOPHER TUCHER

Both asked to remain anonymous for fear of retaliatory measures from their retail customers.

They said the rebate system forced them to raise list prices artificially by 10% to 20% to "compensate for the goodies the retailers insist on".

One said: "If a competitor rebates 5%, I must fork out the same or the trade won't take my product. It tends to be

even more for a newcomer on the market."

Of the products on the supermarket shelf, household paper products carried some of the highest rebates, sometimes up to 15%. Most supermarket head offices required a rebate of 10% of purchases, while another 2,5% often went to regional marketing managers, they said.

To list a new product on a retailer's books commonly required a "listing fee" of R1 000 to R2 000. To obtain optimal shelf space suppliers often made payments to the retailer, they said.

Black business 'needs master plan to aid development'

SIPHO NGCOBO

A MASTER plan for the growth and effective organisation of black business was needed, Shell SA's executive chairman and CEO John Wilson said yesterday.

He told a Sabta one-day conference in Sandton on black economic empowerment that the master plan should be prepared by a facilitating body. The plan's ultimate goal would be to integrate black business into the country's mainstream economy.

The body should comprise a maximum of 12 people and would have to be researched by and have the support of black political and business groups, community leaders and trade unions.

Wilson lashed government for having dealt black business "a crippling blow" by creating such barriers as the Group Areas Act and stratifying the black community by creating fears of economic and political co-optation.

The role of blacks in business had to shift from that of wage-earners or informal-sector operators to become major employers and shareholders in the country's economic activity.

Wilson said areas which could be investigated were:

- The establishment of a resource base for the development of appropriate business expertise through the use of business schools, technikons, universities, business and professional bodies as well as established business;
- The creation of a significant venture capital industry with appropriate tax incentives, especially for risk capital;
- The examination of inhibiting legislation and bureaucracy;
- The identification of target business areas where the barriers to entry were comparatively low;
- The establishment of appropriate business procedures and systems for First and Third World economies.

Small retailers ready to shop 'the villains'

SEVERAL small businessmen have demanded an open line to tonight's TV debate between Checkers' MD Clive Weil and Pick 'n Pay chairman Raymond Ackerman.

"We want to tell them how they (the rebates) squeeze the small merchant," said one Johannesburg shopowner.

For the second successive day Business Day was inundated yesterday with phone calls from small retailers and suppliers berating the widespread practice of incentive rebates in retailing.

30 B/day 3/11/88

CHRISTOPHER TUCHER

None was willing to be named for fear of retaliation.

Weil finally consented to the debate after Ackerman promised to withdraw the legal letter sent to him last week.

SABC economics editor Jerry Schuitema said the debate would be recorded and it would not be possible to provide telephone lines at such a late date.

Several suppliers complained of being forced to participate in unwanted promotions and "advertising allowances" of

2% to 5% that were often not allocated to their brands.

"The small supplier often incurs greater costs delivering to the large retailer (who also pays a lower unit price) than the small one. That flies in the face of economic logic," said one.

Callers from the furniture and other trades said the same "commercial terrorism" was prevalent as that which Weil has described in the supermarket industry.

● See Page 8.

Retail chiefs square up on TV ⁽³⁰⁾

CHECKERS MD Clive Weil and Pick 'n Pay chairman Raymond Ackerman exchanged harsh words over retail rebate schemes in a television debate last night.

But both agreed that government-imposed uniform pricing was undesirable.

Weil retracted allegations of bribery in the supermarket industry that may have been attributed to him.

He said his recent speech and claims of "commercial terrorism" — which

4/11/88
8/10/88
sparked the controversy — had been "harsh and inflammatory".

Ackerman, who argued strongly for the rebates, said Pick 'n Pay did much to support small suppliers, but could not stock every small supplier.

He said incentive rebates were simply another form of volume discount. "Without the right ranges, customers will walk out of my shop and go to the others," he said.

Consumer spending 'fuels recovery'

CONSUMER spending had fuelled much of the current economic recovery, the FCI said in its November bulletin.

Producers of end-consumer goods were found to be more optimistic about future orders than manufacturers of producer goods, when the FCI compared its manufacturing activity index with that of Seifsa.

Ballooning money supply growth and increasing bank credits further supported conclusions about the nature of the present economy, the survey showed.

But manufacturers were generally ex-

TANIA LEVY

pecting the buoyancy which started in 1986 to continue, albeit at a lower level.

In the past 27 months industrial production had grown at an annual rate of 4.1%, a markedly higher growth rate than the 2.6% for the overall economy during the same period.

Industrialists surveyed expected general economic activity to be lower in 1989 than in 1988, mainly because of higher interest rates, import surcharges, the depreciation of the rand exchange rate and trade boycotts.

(30) 8/day

8/11/88

Boom in spending set to falter

Retail belts tightening for lean year

30
B/day
7/11/88

THE spending boom is set to falter and, with consumption expenditure expected to decline by mid-1989, retailers are tightening operations.

Economists and businesses expect the current mini-boom to be sustained over the Christmas period, with spending likely to fall sharply next year.

The Bureau of Economic Research's latest Economic Prospects forecasts growth in private consumption expenditure (PCE) in real terms will slow to 0,3% in 1989 from an estimated 3,3% in the current year.

Hardest hit will be durables such as furniture, household appliances and cars. The BER expects sales to drop by 8,8% next year after an estimated average increase of 9,6% this year.

The report says a new car is beyond the means of the majority of consumers. Car prices are at a level where it takes 90% of the average white South African's annual salary to buy the cheapest new car compared with 61% in 1981.

Simpson McKie economist John Banos expects sales of new passenger vehicles to drop from about 230 000 this year to 210 000 next year.

The BER believes disposable income is likely to rise by 15,5% in both 1988 and 1989. This will be eroded by inflation,

KAY TURVEY

resulting in zero nominal growth as an inflation rate in excess of 15% is predicted for next year.

Indications are that business sentiment will deteriorate in the fourth quarter as a result of slower growth in sales volumes, although this does not imply negative real sales growth in this quarter, the report says.

While some analysts expect the consumer spending spree to continue, the BER says its research showed consumers were nearing a point where they would be reluctant to take up credit.

Retailers have tightened balance sheets and reduced gearing.

Amrel CE Stan Berger said: "Times will be hard next year though not as bad as 1984." He expected Christmas sales to match 1987's bumper season.

Edgars CE Vic Hammond did not expect clothing and footwear sales to be affected as badly as they were in 1985 when prime reached 25%.

The BER estimates spending on semi-durables will fall from 4,5% this year to 0,8% in 1989. Clothing and footwear are the main component of semi-durables, accounting for 46% of the total.

● See Page 3

30 B/AM 1/11/88

Why Weil objects to the retail rebate system

CHRISTOPHER TUCHER

THE war of words between the super-market chains was sparked last week when Checkers MD Clive Weil lashed out at the purchasing agreements between retailers (not excluding his own Checkers) and their powerful suppliers.

The retail trade, he said, had fallen into a state of "commercial terrorism" where supermarket managers "play God" in determining which brands live and which die on the basis of how they stock their shelves.

Weil's criticism centres on what he calls "confidential rebates". In an interview with Business Day yesterday, Weil explained these rebates and why he finds them wrong.

Volume discounts are almost as old as retailing itself. Their logic is simple: the more one buys the cheaper the price.

Weil is not objecting to volume discounts. He realises that a manufacturer has many legitimate means of making his products attractive to the trade.

Discounts

Discounts for large customers are the first thing a supplier subtracts from his list price.

Ideally, he publishes a price list with volume discounts for every sales level. Weil says these usually vary between 1% and 3%.

A retail buyer who offers a supplier transport cost savings by taking delivery at central warehouses, may also get a "bulk-drop discount", or extended payment periods.

Manufacturers can also assume part of the cost of advertising his brand, in what is called co-operative advertising.

These are all legitimate means by which supplier encourage retailers to stock and promote their goods, Weil says.

He does however criticise suppliers for offering different list prices to different parts of the trade. Further, volume discounts can differ from retailer to retailer.

Weil objects most strongly to "confidential rebates," which are over and above the invoiced discount.

Some call them "growth rebates" or "incentive schemes", but Weil says suppliers like to keep them confidential. Rebates, by definition, are paid in arrears — at the end of the month, the quarter or the year.

The simplest form is the "untargetted rebate". Regardless of volume, the retailer

gets a pre-negotiated rebate on sales.

Untargetted rebates do not bother Weil: "They are essentially no different from a discount on invoice. The only risk is that the manufacturer is bankrupt when it comes time to pay."

He objects, however, when suppliers put conditions on their rebate. For instance, a retailer may be asked to allocate shelf-space to a brand in proportion to its Nielson/IBIS sales rating or to stock a supplier's new items to safeguard current rebates.

Weil says rebates become even more insidious when linked to a target level.



□ WEIL ... 'heavy numbers'

Picture: ROBERT BOTHA

"Target rebates" are established based on a supermarket's sales of the previous year. To receive its rebate, it must exceed a "hurdle rate" — either in units or in rand.

Weil says most manufacturers would prefer unit targets because they facilitate production planning, but their information systems track only monetary sales. Retailers are happy with monetary targets, because they are willing to gamble on rising sales in an inflationary environment.

Weil explains a typical rebate structure: the retailer receives a 1.5% "loyalty" rebate, with an additional 1% simply for matching last year's sales. If he can increase sales by a targetted 10%, he gets another 0.5%. To entice him to an even greater increase, the supplier offers a 5% rebate on incremental sales, or 4% on the entire lot.

"These are heavy numbers," Weil says. A rebate can range from 1% to 15% and Checkers receives annual rebates in excess of R1m on some brands.

Dilemmas

Weil says the rebate system interferes with competitive forces and he describes the following dilemmas:

□ A new supplier enters the market with an attractive brand that a store manager wants for his customers. But if he stocks it, he cuts into sales of current brands that are paying handsome rebates. Result: he turns down the new supplier;

□ A current supplier introduces a new product the store manager would rather not stock. But by refusing, he imperils his rebate on that supplier's established products. Result: the inferior product gets space on the shelf; and

□ A store stocks two brands of one product. As rebate time approaches, sales for the one are strong while the other brand falters. Rather than allow the market to favour the stronger one, the store drops the price of the slow seller — below cost if need be — in order to meet the rebate target.

Examples like these are what Weil has in mind when he says: "Retailers are not allowing brands to find their natural level in the marketplace. They promote certain brands not on the merit of the product but on the basis of its rebate."

30 p/day 3/11/88

Most restrictions on black businessmen have now been lifted

BRUCE ANDERSON

THE major central government legislation restricting the activities of the black business community has been repealed within the past four months, says Wits University law professor Louise Tager.

Writing in a paper for the Law Review Project — a legal resource funded by the private sector — Tager says laws governing hawking activity remain in force because control of hawkers vests not in the central government but in the local authorities.

Tager points out that, in addition to the repeal of legislation restricting black business activity, any South African, regardless of race, can now own or lease property and carry on a business in open central business districts or industrial areas.

Free trade areas had been opened in some 100 white CBDs, although they had not yet attracted many black businessmen. In terms of the Group Areas Act, most industrial areas were open to all South Africans and the rest would soon be opened.

Two major restrictions which governed all aspects of socio-economic activity in the black community,



□ LOUISE TAGER

R1036 of 1968 "Regulations governing the control and supervision of an Urban Black Residential Area and the Relevant Matters" and Proclamation 293 of 1962 "Regulations for the Administration and Control of Townships in Black Areas", have both been repealed by new legislation which contains no discriminatory provisions, says Tager.

Furthermore, a section of the Development Trust and Land Act, in terms of which all black traders and professionals were required to obtain annual government permission, in addition to having a trading licence, before carrying on business, has been repealed by the Development Aid Laws Amendment Act of 1988.

Another section of the Development Trust and Land Act which prohibited black-controlled companies and partnerships of more than six black persons from holding or acquiring land without government permission has also been repealed by the Development Aid Laws Amendment Act of 1988.

A 1968 proclamation, "Control of Certain Activities in Black Areas", which prohibited a black person or his spouse from obtaining a second trading site within a radius of 20 miles from his existing business and which prohibited or restricted other forms of business was repealed by a 1988 proclamation.

"There is a tendency to blame government and other legislation bodies for over-regulation. It is true that these bodies make the laws but one should not overlook the fact that it is through regulation that established business enjoys a substantial measure of protection, especially from competition," says Tager.

"The vested interest group which impacts adversely on hawkers and street vendors is the retail trader."

There was no doubt the restrictions on hawkers reflected the wishes of the ratepayers.

RCPH withdraws from Mabula project

30
5/11/87

By Frank Jeans

In a surprise development in the timeshare industry, Rand Consolidated Property Holdings, the property development arm of Sandton-based Rand Merchant Bank has withdrawn from the popular Mabula Game Reserve project.

Mabula, in the northern Transvaal near Warmbaths, first came into the timeshare market three years ago, when RCPH joined up with the owners of the reserve, the Joubert family.

In a joint statement, RCPH and the Jouberts said they had agreed that responsibility for the financing and marketing of the project would be handed over to the latter at the end of this month.

RCPH has controlled the financing aspects and marketing of the timeshare resort for the past two years.

RCPH director, Mr Trevor Jordan, says: "Mabula has reached the stage of maturity where the interests of the project will best be served by merging the marketing and development functions under the responsibility of one party.

"Mabula is the only project which we don't own and we are accustomed to paddling our own canoe by marketing and selling our schemes."

Mr Jordan emphasised that RCPH will continue its operations in the leisure, timeshare and whole ownership industries.

These include major investments in upmarket inland resorts including a 50 percent stake in the Southern Sun Timesharing development — the exclusive Pine Lake Country Estate in the eastern Transvaal.

Mr Hennie Joubert of the Ma-

bula owners, says: "This is basically a handover situation.

"Our feeling is that now that the project is well on the go it will be much better putting the marketing and selling under one roof which will result in a better service to our shareholders.

"The existing salespeople are now under our control."

Mr Joubert said sales at Mabula were still going well and "will continue to go well under the new set-up".

The developers have arranged refinancing facilities from a property group near Mabula, Kadett Investments, which is represented by managing director, Mr Leslie Lebenon.

The statement also says: "Ongoing operations of the Mabula project should not be affected as these have been undertaken to date by the Joubert family."

New strategy pays off at CNA-Gallo

By Ann Crotty

A break-even situation at the CNA retail division helped CNA-Gallo to report a 51 percent increase in trading income and a 43 percent surge in earnings per share for the six months to September.

Traditionally, the first six months are a difficult time for the retail division and until last year losses were the norm. In financial 1988 management, headed by MD Doug Band, undertook strong promotional activity to boost turnover and profit in these quiet months.

As a result, the group managed to report a break-even situation for September 1987.

FIGURES

The figures show the strategy has produced the same result this year.

On a 25 percent increase in turnover to R224,3 million (R180 million), the group managed to turn in a 51 percent surge in trading income to R9,3 million (R6,2 million), reflecting the increase in margins from 3,4 percent to 4,1 percent. The improvement in margins is chiefly attributable to the entertainment division which, Mr

Band says, was the big performer in the review period.

Turnover in the retail division was up 22 percent, while entertainment enjoyed a 37 percent increase.

The interest situation switched from an outflow of R308 000 at the previous interim to an inflow of R1,3 million. This reflects the group's comfortable cash position after last year's property realisation.

CHRISTMAS

Mr Band says the group could be sitting with cash of R35 to R40 million after the Christmas and back-to-school sales.

Attributable earnings were up 45 percent to R7,4 million (R5,1 million), equivalent to 23,4c (16,3c) a share, from which a dividend of 9c (6c) has been declared. A strong Christmas spend could see a full-year figure of 110c.

● Video Lab Holdings, in which CNA-Gallo has a 61 percent stake, reported a surge in attributable income to R3,3 million (R855 000), of which R2,5 million represents extraordinary income relating to the merger with Toron Television.

Slowdown bites into Amrel's earnings ^{star 3/11/88} (30)

Finance Staff

After a good increase in profit in the 1987/88 financial year, SA's largest speciality retail group, Amalgamated Retail (Amrel) reported a marked slowdown in earnings for the first half of the current year.

MD Mr Stan Berger cautions that with a slowdown in spending on consumer durables expected in the second half and with the imposition of HP restrictions, it will be difficult to match last year's earnings.

Reporting for the six months to September, Amrel showed a 14 percent increase in turnover to R356,2 million, reflecting slower growth in consumer spending, particularly on durable goods.

A decline in margins from four to 3,7 percent reduced the growth rate at taxed level to 12 percent at R6,6 million.

However, attributable earnings of associated companies rose from R977 000 to almost R1,5 million.

Associated companies include the 36 percent interest Amrel has in Boymans and its investments in companies based in neighbouring territories.

At the attributable level, earnings were R8,1 million — 18 percent up on the interim stage last year.

On a per-share basis, earnings were 88c (75c) out of which a 16 percent higher (and three times

covered) interim dividend of 29c (25c) has been declared.

Mr Berger says: "Our somewhat modest turnover growth reflects a conscious decision not to write business for the sake of business — to be selective in expectation of a slowdown and higher interest rates."

"We decided that with the economy showing signs of weakening, we would deliberately tighten our credit granting requirements with a view to improving the quality of our HP book. This has perhaps inhibited turnover growth, but we believe that it will pay handsome rewards in the long run."

Mr Berger says Amrel's balance sheet is looking strong. "Our stock is clean and without more stringent credit granting facilities, our debtors' book is in excellent shape."

He says that mindful of a rising interest pattern, some months ago Amrel switched to longer-term borrowings at fixed rates. "We are now in a position where we have some R80 million in long-term borrowings and some R41,6 million in medium-term borrowings, whereas six months ago we had over R100 million in medium-term borrowings."

Mr Berger says consumer spending is expected to contract further in the months ahead because of the general slowdown in economic activity.

THE slogan is: Keep the rand black. Behind it lies a campaign to encourage black people to use black services, save at black banks and spend at black businesses.

The effort to harness black buying power and business enterprise for the further advancement of black people is being co-ordinated by the Federation of African Business and Consumer Services (Fabcos).

Fabcos will be officially launched only in February, but already it has member organisations representing a million black people.

Founder members of the federation are the Black Consumer Union — SA's largest non-political black federation — the SA Black Taxi Association (Sabta), the National Hawkers' Association, the Association of Stockveils, the African Builders' Association and Sechaba Siswe — a group of small general dealers based in Soweto and the East Rand.

Organisers, in a Pretoria West head office already bursting at the seams, are busy planning its first year's budget of R5.5m, recruitment techniques to attract all black businesses and the widening of a regional office network.

Fabcos hopes to broaden its membership to include black people in the financial, retail, manufacturing, agricultural, mining, medical and publishing sectors.

The African Bank has been approached to be the federation's bank. It hopes to organise blacks in the SA economy — consumers and businesses — to form a grant that will muscle in on, and eventually take control of, traditional white businesses.

Fabcos plans to "keep the rand black" by giving every member a debit card, based on the "smart card" technology, that will give the consumer access to businesses that are Fabcos members. Members will also be able to buy from white businesses that have agreed to provide discounts to Fabcos members, or have given their black employees shares in the company.

One of the organisers describes the process as the beginning of the race between the formal white economy and the black economy.

"The black economy has strained against chains that have tied it to the kick-off blocks. But the white runner

Black business begins to flex its muscles

HELOISE HENNING

is slowing and the black runner is putting in a concerted effort to catch up."

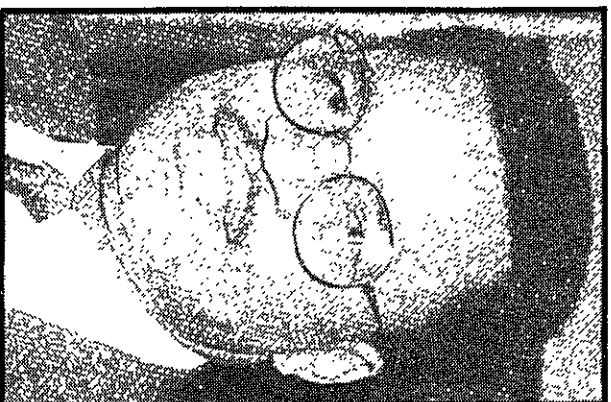
Sowetan editor Aggrey Klaaste last month launched the newspaper's Nation Building campaign. He called on blacks to follow the example set by Afrikaners who were encouraged to use Afrikaner banks and businesses.

Fabcos co-ordinator Mike Ntlatleng says his reply to Klaaste's challenge is that the federation will be one of the bricks in the building of a new SA. It will use the combined negotiating power of the black economy.

Fabcos has learned from its forerunner and major member, Sabta, which emerged from the so-called informal sector as a group of taxi-drivers who managed to break the monopoly of the SA Transport Services and white-owned subsidised bus companies.

Sabta has become a prime mover in the retail sector. The 100 000 member body already owns 18 service stations and is buying new stations at the rate of one a month. National organiser James Chapman says this has come about through using the taxi business's strength to negotiate the deals.

Chapman was himself a service-station owner supplying petrol and services to a burgeoning black business in Pretoria West near the Marabastad's taxi rank. His business more than doubled with the black trade.



□ GABY MAGOMOLA

When he pointed out to Sabta organisers their bargaining strength for discounts, they immediately co-opted him as national organiser and bought his business.

Sabta has since negotiated group discounts from oil companies, motor manufacturers and service stations. Fabcos aims to co-ordinate this black business power and to extend its support among consumers, teach them to use their buying power to

make them negotiators and then turn them into business owners.

Negotiations with major retailers have already started, but Fabcos is not going to reveal their identities. Local and international businessmen will be invited to February's launch in the PWV area.

African Bank CE Gaby Magomola says discussions are still being held with Fabcos about organising the "smart card" and it is premature to comment at this stage.

But, he says, it is fair to assume the bank will be in charge of the debit card system for members and admits that "keeping the rand black" will certainly boost the bank, which is small compared with white-controlled financial institutions.

He says the bank assisted in establishing the Association of Stockveils — a black banking method of sharing a revolving pool of funds.

Magomola says the association still lacks cohesion. In Soweto alone there are more than 2 000 stockveils that need to be approached and co-opted. With organisation, the outlets can become mini-banks.

"We are well poised in the PWV area to capture deposits from the stockveils, our only disadvantage is that we do not have as many franchised outlets as the major banks. Our problem is getting a hold on the rapid movement of funds in the stockveils, mostly spent on non-durable consumer goods.

"We need to get a handle on how to galvanise and slow down this velocity. At the bank we do not yet know how to go about it because stockveils rest on the availability of funds and not amassing savings through interest attraction."

Recently the Perm was able to attract R5m from a Soweto stockveil through a well-designed investment package. Another bank has studied this black banking phenomenon, but has not yet designed a package. Magomola says the African Bank is moving a little slower, but is making a concerted effort.

Founder president of the Black Consumer Union Ellen Kuzwayo says the union has done much to educate consumers on their rights and to demand higher standards of service from black businesses.

She says black business has been blamed for keeping black-market prices. But their higher prices are a result of the disadvantage of having to transport goods over long distances from wholesalers and manufacturers. In settling where they did, they had no choice.

Black advancement is, however, still hampered by the lack of free entry through discriminatory legislation and a government biased towards white vested interests.

The breakthrough the consumer union had in appealing to government over the dangers of skin lighteners is an example, she says. Government indicated then it would ban the product this year. Instead it has given the manufacturers a three-year period of grace.

"Blacks need to stand together as a group, and we can do so by developing the black rand to an economic power that counts," she says.

"Our organisation is only in its infancy, but through strong organisation and following others' examples we will be a very different animal in just a few years... that is if there is no interference from the powers that be."

Organisers say white business ignored Sabta when it was formed 10 years ago, but cannot afford to ignore the emerging force of black business.

"White business has to decide: either it gets into bed with the black informal sector, or it goes to bed alone and is doomed," Ntlatleng says.

Motor spares prices drop

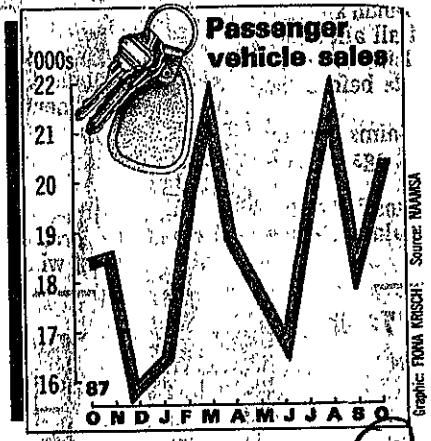
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DELTA Motor Corporation, formerly known as General Motors South Africa, is to "drastically" reduce prices of its motor spares, the company announced recently.

Commenting on Delta's decision, Mr Jan Cronje, director of the South African Coordinating Consumer Council, said it was a praiseworthy step and expressed the hope that other motor manufacturers would follow suit.

Mr Cronje said the decrease in the price of spares would enable the consumer to keep a vehicle on the road for a longer period. He appealed to motor repair services to pass on the decrease to the consumer and not to increase labour costs.

"Delta, through this initiative, is making a large contribution towards the curbing of inflation. It will put the South African consumer in a better negotiable position," Mr Cronje said.



New vehicle sales accelerate

TANIA LEVY 9/11/88

NEW vehicle sales in October exceeded industry expectations with car sales rising 9.3% to 20 422 from 18 669 in September, Naamsa figures showed yesterday. FCI noted the upsurge could not be fairly judged in the light of recent restrictions to dampen the economy. It attributed the consumer boost to pent-up demand mixed with pre-emptive buying to avoid price increases following the interest rate hike. FCI appealed to government not to

● To Page 2 →

October new vehicle sales accelerate

dampen demand by further financial penalties until a more accurate market assessment could be made.

Sales totals for all categories of vehicles in the motor industry between January and October increased 17.9% to 300 768, compared to 255 158 for the same period last year.

However, totals for the motor industry as a whole increased only 5.9% to 31 892 from 30 112 last month, because

the commercial vehicle sectors did not have the growth rate of the passenger vehicle market.

While light commercial vehicle sales were slightly up on September's figures, the medium and heavy commercial sectors experienced declining sales of 2.4% and 10.5% respectively.

● From Page 1 ← 9/11/88

Sub-contracting bumps up profits

Call to utilize small business

Can 1.9.15 2/11/88 30

By AUDREY D'ANGELO
Financial Editor

BIG business would make better profits if it made more use of sub-contractors, as is widely done in the Far East, and should therefore support deregulation instead of lobbying to retain restrictions.

This point was made by speakers including the chairman of the Board of Trade and Industry, Lawrence MacCrystal, the executive director of the Self-employment Institute, Theo Rudman and the publisher of "Who Owns Whom", Robin McGregor, at a conference in the Arthur's Seat Hotel, Sea Point, yesterday.

Highlight

The conference, one of the highlights of Small Business Week in Cape Town, was attended by directors and senior executives of major corporations as well as representatives of smaller companies.

MacCrystal said that most of the characteristics of small business, such as low fixed assets per employee and low capital per employee, were desirable in the SA context.

Yet small companies' share of total value added by manufacturing compared very unfavourably in SA with the state of affairs in other countries where sub-contracting was more common.

In Japan small companies' share of total value added was 58%, in the US 37%, in West Germany 45% and in Britain 25%. Yet in SA it was only 19%.

"Compared to Taiwan, Singapore and Hong Kong, SA would show up very badly on this measuring stick."

Difficulties facing small business included that of obtaining finance. And "many large companies sub-contract when their capacity is fully utilized and cut back when it is not. This is enormously disruptive for a small sub-contractor."

One reason for this was that large SA companies tended to have a "do it ourselves" philosophy.

In cases where top management left it to middle management to decide whether to make or buy, a middle manager often decided to make in order to protect what he perceived to be the interests of his own department or that of a friend.

Sub-contractors frequently had difficulty in marketing themselves or their products, and were too small to have bargaining power to obtain materials at the best price.

And because unions insisted on the same basic wage in their industry, regardless of the size of the firm, "this destroys one of the most important advantages that smaller sub-contractors should have".

MacCrystal said the high expense of suitable premises was a burden to the small manufacturer or sub-contractor.

There should be more areas where people were allowed to live above their workshops, as in countries such as Italy, Spain or Taiwan.

Benefits

Giving an example of the benefits of sub-contracting, MacCrystal said that if a motor vehicle assembler committed himself to buy components from "satellite" sub-contractors manufacturing for him it would give them security and solve their marketing problem.

Design, costing and quality control assistance would be provided by the assembler who might also go so far as to provide training, advice, accounting and even help to obtain finance.

Such a relationship was possible in any industry, from clothing to electronic equipment, where the final operation was an assembly of components.

A reverse relationship, in which the centre was a supplier of raw materials, such as steel and the satellites firms which used it to make goods, was also possible.

The imbalances of capital and wealth

Dear Sir,

YOUR editorial "Opportunity knocks" (Business Day, November 4), suggests that, given the removal of restrictions and other changes, the obstacles to the advancement of black entrepreneurship might be mainly psychological. I believe you gloss too readily over the problems of inferior education. More surprisingly, for a business journal, you make no mention of the historic imbalances of capital and wealth. The black taxi industry is recognised as the leader of black small business, certainly in terms of capital invested. Until 1985 that was almost entirely black capital. Today it is estimated that as many as 30% of these vehicles are owned by whites, and that proportion is growing. At present there is no sign of white involvement in other black industries, such as hawking. But as these become more established and profitable, and as increased capital is required for such equipment as food vending trolleys, we can expect that whites will be attracted to this business, too.

The result will be an expanded economy, and more jobs

for blacks. But the process will do nothing to increase black participation in the economy. Worse, it will create frustration and despair. There will be little incentive for blacks to develop innovative industries from scratch if the only result is that whites move in after the hard work has been done and take over the market.

One probable response is violence against white-owned operations operating in competition with blacks. That will do the cause of reform no good at all. It would be entirely against the message of hope being put forward by such leaders as Aggrey Klaaste.

As is so often the case, the problem is unique to SA because of this country's unique 40 years of apartheid distortions. It is imperative that some form of transitional framework be created. Bodies such as the Free Market Foundation would do well to address the practicalities of this critical issue. So, too, should government, if it genuinely wishes to see economic reform as a prelude to peaceful political change.

CHARLES FERROR, Pretoria

(30) B/day
9/11/88
REVIEW

Restrictions biting into consumer spending

By Sven Forssman

There has been a dramatic decline in consumer spending over the past month and measures introduced by the Government in September to cool down the economy are starting to take effect.

So says Mr Arthur Solomon, marketing director of OK Bazaars and Mr Eric Ellerine, head of Ellerine Holdings.

Nedfin's MD Mr Ron Rundle said last week there were signs that the demand for credit was tapering off.

"There has been a substantial drop-off in consumer spending, especially in big-ticket items such as refrigerators, television sets, washing machines and video recorders," Mr Solomon told The Star at the weekend.

"This has come about mainly because of the tougher hire-purchase qualifications — higher deposits and shorter repayment periods.

"High interest rates and warnings by the Government to people to stop spending have also been contributing factors to the drop-off, which I estimate to be at least 10 percent."

Mr Ellerine said the man in the street was definitely feeling the pinch.

"Between now and Christmas, spending patterns have always been pretty buoyant, but there has been a marked drop-off in the sales of fridges, washing machines and hi-fis," he said.

"The industry should experience a downturn in units of about 10 percent. Next year we're expecting a further drop in volume terms."

Furniture had not been affected to the same degree, said Mr Ellerine, because deposits had remained pretty static.

Mr Solomon said it was highly unlikely there would be a drop in prices.

He said the 60 percent surcharge was having a dramatic effect on pricing and slowing down consumer spending.

"To soften the blow of the drop in consumer spending we are going to have to look at picking up sales from other areas — and different customers."

Dion boss Mr Hymie Sybil said his

MDATRN	17543	235	11.6	11.7	335	11.1	11.1
MDATRN	17100	140	11.3	11.3	195	11.1	11.1
MOVICAM	48585	200	12.2	12.2	280	11.1	11.1
M & PD	13200	200	12.4	12.4	300	11.1	11.1
M & PD N2L	15775	205	12.9	12.9	285	11.1	11.1
NUMWORLD	19307	225	10.2	10.2	320	11.1	11.1
OHIO	17970	65	12.7	12.7	90	11.1	11.1
OHIO 14%CD	179510	87	12.0	12.0	120	11.1	11.1
POWTECH	29990	550	10.7	10.7	800	11.1	11.1
PUNCH	26731	200	10.7	10.7	280	11.1	11.1

CNA-Gallo lifts dividend 50%

Cap. 1000 5/14/88 30/1000

JOHANNESBURG. — CNA-Gallo lifted earnings per share by 43% and the interim dividend by 50% for the six months to end-September.

EPS are up from 16,3c to 23,4c and the dividend has been lifted from 6c to 9c with only a marginal drop in cover — from 2,7 to 2,6.

Turnover is up 25% to R224,4m (R180,0m) to produce trading income 51% better on R9,3m (R6,2m).

Trading

After-tax profit climbed 71% to R5,6m (R3,3m) and attributable earnings 45% to R7,4m (R5,1m).

The directors say that trading across the group has "continued to be buoyant, and success has been achieved in maintaining real volume increases in turnover. Expenses and overhead have been well contained".

"Improved liquidity levels and higher interest rates have generated significant interest income:

"The combination of these factors has resulted in attributable earnings increasing by a highly satisfactory 45%.

"In the past six months, the following transactions were finalised as part of the process of improving the group's medium and long-term strategic position:

- The Videolab Group concluded an agreement for the merger of the businesses of the Video Lab (Pty) Ltd and Toron Television.

- The Gallo Group acquired the 50% outside interest in Video Cassette Productions, which has now become 100% owned.

- Started a new creative black music company, which trades as Umkhonto Records.

- Started a new secondary market video wholesale company, trading as the Video Warehouse.

Shareholder

The Literary Group:

- Acquired a 50% interest in the well-known Pilgrims Bookshops Group in Cape Town.

- Merged the activities of the Children's Bookshop with an enterprise known as Young Reading, simultaneously becoming a 50% shareholder.

CNA group:

- Continued with its store-development programme, opening seven new stores, closing seven stores and completing a total of thirty store refits, resites and upgrades.

- Started trading in Centaur Publications, a scholastic publishing venture. — Sapa



COMPANIES

Edgars' profits soar 54 percent

EDGARS raised its interim dividend by 38 percent to 22c a share for the six months ending September after profits soared 54 percent to R43,4-million.

According to the company's interim report, clothing, footwear, textile and accessory inflation declined dramatically during the period from a high of 20 percent to average 15 percent for the half-year, giving rise to a real increase of 9 percent in national sales. Nominal sales grew by 24 percent.

The directors said consumer confidence was still at a satisfactory level and the group remained cautiously optimistic that the second half year, which included the critically important Christmas trading period, would reflect an improvement in earnings, albeit at a slower rate than that achieved in the first half year.

The group maintained its marketing thrust and increased its sales by 30 percent, a good 6 percent ahead of the market.

● Sea Products (SWA) profits rose 34 percent to R9,7-million on a 27 percent lower turnover of R13,8-million for the year ended September 30.

abortive June 30 attempt to free
Smith and his two co-accused,

A doctor will be called today to
give evidence.

Private sector urged to act for under-developed areas

PRETORIA — Authorities were impatient with the slow pace of development of the under-developed areas and the apparent reluctant participation of the private sector, Economic Advisory Council chairman C J F Human said yesterday.

Speaking at a QwaQwa development conference in Phuthaditjhaba he warned there was a risk this could lead to unnecessary prescriptive behaviour.

"Forced investment easily leads to inappropriate and even ill considered projects which southern Africa cannot afford."

However, Human said, there was a substantial degree of agreement between the authorities and

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GERALD REILLY (30)

the private sector on the need for economic development on a more geographically balanced pattern.

"In the final analysis the private sector bears a substantial responsibility not to be short-sighted in planning and lack of initiative on southern African development."

Human said total financial exposure of commercial banks in the TBVC countries and the self-governing states was about 3% of their assets.

It appeared too the proportional exposure of long-term insurance groups in the developing areas was also very low in relation to their total investments, he said.

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Pre-surge spree boosts figures

Retail sales drop, slowdown in the economy exposed

PRETORIA — The 0,8% decline in real terms of retail sales during August exposed the underlying deceleration trend in the economy, said Volkskas economist Adam Jacobs yesterday.

Central Statistical Service (CSS) figures showed an increase in retail trade sales in August of 7,5% at constant prices compared with August last year, and a seasonally adjusted decrease of 0,8% in August 1988, compared with July 1988.

Jacobs said the 7,5% increase reflected the consumer rush to buy goods, especially audio and TV equipment, before the imposition of the 60% import surcharge at the beginning of September.

If equipment sales were excluded from the calculation, then the 0,8% decline would have been greater, probably substantially greater, he said.

Jacobs said: "The latest figures showed clearly that the threat of the surcharge

GERALD REILLY

and higher prices triggered a degree of panic buying."

He added the level of consumer spending would probably be maintained at a fairly high level for the rest of the year until greater clarity emerged on the threat of the GST increase to finance public-sector salary increases.

Jacobs said the deceleration trend reflected in August retail sales was confirmed by the expected wholesale sales for September.

CSS said expected wholesale-trade sales decreased slightly by 0,3% compared with September last year, and decreased by a seasonally adjusted 7,7% compared with August 1988.

SA Consumer Council director Jan Cronje has warned consumers not to go on an "unnecessary and irresponsible spending spree" because of the GST hike threat.

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30 3/11/88. Aday.

TONIGHT Clive Weil and Raymond Ackerman step under the lights of the SABC television studio. In a 12-minute debate, they will take their feud over buying practices in the supermarket industry to the public.

Checkers MD Weil says the grocery retail trade has fallen into a state of "commercial terrorism", where supermarket managers "play God" in determining which brands live and which die, based on how they stock their shelves.

The brunt of his attack is aimed at "confidentials" — the rebates which a supplier pays to retailers to encourage them to push his product. Rebates are off-invoice and paid in arrears. They usually carry stipulations, like growth targets or prime shelf space.

Weil says these rebates lead supermarkets to promote a product not on its value to consumers but on the size of its rebate.

Pick 'n Pay's Ackerman disagrees completely: "If we don't offer the brands the consumer wants, she goes to the competition."

Weil says that, because 63% of grocery retail is in the hands of the three chains (Pick 'n Pay, Checkers, and OK Bazaars — plus Spar's larger outlets), consumers do not have as much choice as one would assume. This places the SA retail sector among the most concentrated in the world.

Not so, says Ackerman. There is no undue concentration of retail power, nor do the giant chains stifle the small storekeeper. As proof, he points to Pick 'n Pay's rise to industry leader only 20 years after he started it.

He denies that multi-national, mega-brand marketers are squeezing out the small supplier. A former Checkers manager himself, Ackerman says his buyers negotiate hard to get the best prices for consumers, and rebates are part of the bargain.

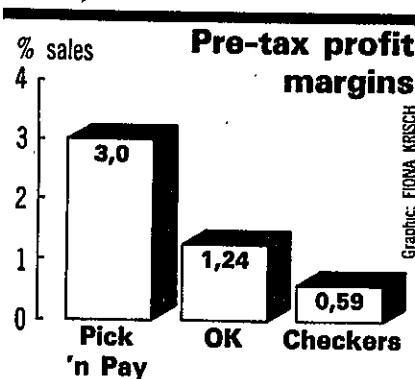
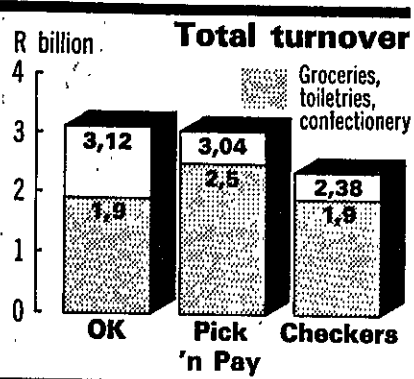
He says such rebates are prevalent in Europe and the US, and they have been part of SA retailing since the 1950s: "We would be paties not to take them."

But Ackerman insists that when stocking shelves, a Pick 'n Pay manager takes his cue not from the rebate chart, but from what consumer panels tell him his customers want.

Store managers are not even told the rebate targets for the products on their shelves, he says. They are

Ackerman, Weil square up over retail rebates

CHRISTOPHER TUCHER



Graphic: FIONA KRISCH

evaluated on store profit — net of rebate payments. "But every incentive discount, including rebates, is built into a product's cost," says Ackerman.

"We don't wait for the big rebate to come in at the end of the year. Instead we advance it and mark it off the price. That's the reason we've been successful."

Weil is calling for uniform list prices and a stop to off-invoice rebating. He argues that suppliers in US and Europe offer the same list prices and volume discounts to all sections of the trade. But Ackerman responds that these go unhonoured in every country: "When you make silly laws, someone finds a way to break them."

Uniform list prices mean more

profit for the supplier and higher prices for the consumer, he says.

But there may be merit in Weil's warning.

Ackerman does not like the term "confidentials" — he calls them "incentive rebates". Yet if they are not confidential, why will no major manufacturer — Premier Milling, Unilever, Nampak, Tiger Oats — admit to using them?

Ackerman says the large supermarket chains do not preclude the small supplier from putting his product on the shelf. Yet why have small suppliers inundated Business Day with phone calls to berate the rebate system and lend their support to Weil?

To Ackerman, Weil's charges smack of sour grapes: "The reason he

is fussing about rebates is because he isn't getting the ones his competition is."

Weil says the rebates stores receive at year's end exceed their total profits, that rebates turn a loss-making industry into a profitable one.

That certainly pertains more to a company earning pre-tax margins of 0,56%, as does Checkers, than to Pick 'n Pay (3,0%) or even OK Bazaars (1,24%).

Weil's deputy Sergio Martinengo says Checkers is gaining market share. Having increased sales 18% this year, it may indeed be gaining against corner-store traders, but Pick 'n Pay and OK both grew 23% in 1988. And chains like Jazz and Shoprite, driven by strong trade with black consumers, grew twice as fast.

Checkers is just keeping pace with inflation.

Martinengo insists Checkers operates with similar gross margins to Pick 'n Pay, which suggests it does get comparable rebates.

But Pick 'n Pay's bigger stores, higher sales per square metre and faster stock turns translate into lower operating expenses and better profit margins.

Martinengo readily concedes Pick 'n Pay's operating expenses — rent, interest, personnel — are beyond Checkers. "It would be foolish to think we can match their 3% (margins). With our locations, we can't be as efficient as they, so we may have to be satisfied with 2%."

Pick 'n Pay's balance sheet is virtually debt-free. While its competitors have debt ratios of up to 50%, Pick 'n Pay finances its business 55% with accounts payable.

Critics use this to illustrate the way Pick 'n Pay squeezes its suppliers, by extending payment until the goods are already off the shelf. But an average payment period of 33 days throws a spanner in the works of that argument.

Pick 'n Pay may be happily trapped in a "virtuous circle." Without interest expense, the business throws off cash. At the end of last year, it had R81m of liquid assets (including receivables) on the books. Of this year's R52m profits, R26,3m was ploughed back into store refurbishments and new sites. Bigger and better stores mean faster turnover, and the circle continues.

Pick 'n Pay has begun pursuing black shoppers more aggressively, opening stores next to — if not yet inside — townships.

Checkers is taking a less aggressive approach. Martinengo says it already does 30% of its trade with black buyers, and that will rise as group areas legislation goes. But there will be no rapid expansion into the townships: "We don't see the need to segregate our business."

When Weil left Metro two years ago to take the helm at Checkers, he inherited a near-bankrupt balance sheet and a list of stores too long for his liking. He has closed down 32 of the most dilapidated and unprofitable and returned Checkers to profitability.

Ackerman thinks Weil would be better off to turn his attention to continuing the turn-around. But a good number of small stores and suppliers think Weil's criticisms hit the nail on the head.

FOREIGN EXCHANGE/David de Kock

Tolerance to risk

LAST week I gave the definition of a stop loss as a price level which, if achieved, triggers a buy or sell order regardless of anything. Today I look at the determination of the stop loss level and the actual implementation of the trigger to buy or sell.

I suggested last week that the normal approach, using movements in the exchange rate itself, was not really suited to import/export protection. This approach takes into account the current volatility in the exchange rate and the chart resistance and support points that show up in technical analysis. It requires a very close monitoring of the market and a virtually instant reaction time.

This is the business of the foreign exchange traders, not that of the company involved in international trade, for whom determination of the stop loss level must be related to the costing exercise. The company wants to protect the bottom line as its first objective — the least of its concerns is the additional profit that can be generated out of the foreign exchange rate.

As such, its approach to the foreign exchange problem is passive, rather than the active approach of the foreign exchange trader.

The acceptance of the passive approach is an essential step in corporate foreign exchange strategy. It is unwise to mix this up with active dealing. A standpoint must be determined and followed regardless.

The two extremes of the passive approach are to cover forward at time of commitment or never to cover at all. The former clearly has more merit for corporate strategy but is not the optimum approach. The company needs a rigid approach to foreign exchange protection but some flexibility within this rigidity can optimise the bottom line. This is what the stop loss does — it cancels out the runaway loss situation by its rigidity but affords some upside potential to the bottom line by allowing a degree of tolerance.

Determining this degree of tolerance creates the biggest problem.

Every industry, company and product can have a different degree of tolerance. In part this is determined by the company's own philosophy of risk but mainly by the margin available in the product.

This margin is denominated in money terms. To make it useful from a stop loss point of view it should be reduced to a percentage. The company's approach to risk can then be used to determine how much of the margin percentage it is prepared to put at risk to gain some upside potential. It becomes a pure risk/return trade off. In most instances the degree of tolerance should be fairly small, certainly not more than 2% of the profit margin. This would

then be related back to the exchange rate used in the costing process. Note that this costing rate should in any event include the cost of forward cover.

The actual execution of the stop loss is just as important. It is imperative that execution does take place and is not subject to someone's whims or emotions. It can take place in one of two ways and sometimes by a combination of both. Either you execute the order directly with the bank or you have them execute the order on your prior instruction once the stop loss level is achieved. In the latter case the order would have to exceed a few million rand for the bank to consider execution of your stop loss position so we will concentrate only on the situation where you execute the order.

The essential part of this step is access to exchange rates. A once-a-day update could work but will require more effort. You will need to keep a chart to be able to better illustrate the direction of the ex-

change rate and to safeguard against interim movements. It would be wise to have a series of tolerance levels. I don't like this approach because it lays the way wide open to emotional decisions which is exactly what we are trying to avoid.

A full scale electronic monitor system is probably too expensive for the average company so one of the radio pager systems is likely to prove the most economical. These provide relatively up to date quotes from the international markets and will enable you to monitor your stop loss positions quite well and at a fairly low cost.

The important point is that this is just one approach in the whole field of foreign exchange exposure management. You need to know what is at risk and for what period of time. You need, in this approach, to predetermine your tolerance to risk and you need to act when this tolerance is exceeded, regardless.

Emotion should not be part of a company's foreign exchange strategy.

REVIEWS

Pick 'n Pay 'not always cheapest'

JOHANNESBURG. — TV1 should get suppliers to state their side of the retail pricing argument, the president of the Housewives' League, Mrs Lyn Morris, said yesterday. She denied that League surveys had shown Pick 'n Pay to be consistently cheapest.

Raymond Ackerman of Pick 'n Pay about pricing in the retail sector.

Mrs Morris denied a claim by Mr Ackerman that League surveys showed "Pick 'n Pay prices were always the cheapest".

"Checkers has been challenging strongly and it and the other chains have in fact beaten Pick 'n Pay on occasions," she said. — Sapa

Mr. Freyden, while | firework

Handwritten: CMC, Tmk, 5/11/81, 300



Eggshells on the highway

WAY BACK in the 1960s I was involved in a head-on car smash in Lakeside. The Morris Minor I was driving crashed into a big Ford Fairlane. Both cars were travelling at quite a speed and needed some panel beating afterwards. New Front Enders and so on. (My fault, I'm afraid).

But it wasn't all that serious. This week I stood at a corner on Queen Victoria Street and watched a car accident happen right in front of me. A very new car driven by a woman came slowly out of a side street without stopping, and another very new car, driven by a man, bumped softly into her from behind. They were both travelling at about 20km/h. I would say.

It all happened so gently there wasn't even a bang — just a quiet crumpling sound. But both cars appeared to be total write-offs. They were strongly folded up like accordion. There was nothing World War II salvaging from the front almost as far back as the windscreen of each car. Parts rained down on the street — fenders, headlights, glass, plastic, grilles, nuts, bolts, booters and number plates. The street was knee deep in debris.

It was, in more ways than one, a shattering experience. And as I watched in total horror, the first thought that entered my mind was that a little thought like that shouldn't even have scratched the paintwork. It would have gone unnoticed in the old '58 Morris Minor. I'm sure.

Supermarket giants clash

INTERVIEWER David Bamber (whose questions are in brackets) kicked off by asking Mr Well what he meant by commercial terrorism.

Mr Well: I retract the words "commercial terrorism". I notice that a number of newspapers have also quoted me a little out of context in relation to some remarks I made in regard to corruption in the industry.

Why are you retracting those words?
Mr Well: I think they're strong. I think they're inflammatory. Ackerman: But are they true? Are you retracting them because they are untrue? That's the key. Are you retracting and apologise because they are untrue then you are a big man.

Well: Certainly there is no corruption in the industry on a wide scale. Ackerman: That is a total change of what you said last week I appreciate that. **Well:** Let me say thus, that I mentioned the word corruption but I think it was reported out of context. If the interpretation was that I suggested that there was widespread corruption in the industry, I retract that absolutely.

Ackerman: I appreciate that. **And why?**
Well: Barbary was also reported out of context. We certainly have problems, and I can only report on my own company in regard to dishonesty and there have been instances of dishonesty in many industries.

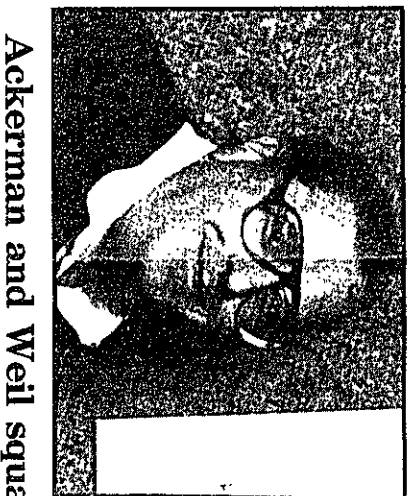
But I can only talk in terms of my own company. Why are you retracting the word corruption then? **Well:** I know of no blatant widespread dishonesty in the industry as it relates to funds being used by customers from suppliers.

Ackerman: Well, that is very important because the integrity of the industry is terribly important and I respect what Clive has said in apologising and retracting because there are many more important issues for the consumer and how we can help them in these days of inflation — I'm sure we are on the same side there — but there has been such a story this week of wholesale corruption in the industry which came from the speech that Mr Well gave, but he has now said it was misquoted he didn't mean it and we must now get on to the main issues.

The one thing that is worrying me about following the publicising of that speech, of the callous attitude of the suppliers who claimed to be suppliers who were frightened to give their names. Now isn't this terrorism?

Ackerman: We are very proud of the industry, but we can never ever support every supplier. We support a lot of suppliers — am sure Mr Well does, too — small suppliers, and we really often help and actually often finance them and that's a hundred per cent truthful statement, but the ones who don't get in then will

that's a fact. But believe me, there will always be another business saying they aren't you back every Tom, Dick and Harry. **Well:** I can confirm that we do help a number of small suppliers of these small suppliers are in business, unbranded, commodity-type products like milk. I can give you an instance of a company that was virtually down the tubes in Natal some years ago and would have disappeared had not and perhaps some of the other supermarket chains actually decided to pay these people upon delivery, nurtured them to keep them in business.



Ackerman and Well square up over 'commercial terrorism' claim

Ackerman: Because I have already given the answer about consumer panics and I gave you this clearly, I won't bore the listeners with another answer.

Can you say why you feel this is true?
Well: Well, I believe it's true because you cannot always do justice to every incentive scheme to the consumer. You have to have a balance on the bottom line at some stage.

Mr Ackerman is correct. We do have to have a balance on the bottom line at some stage. We must also offer a multiple of choice, the widest possible range, but where it comes to a situation where a scheme is based on support of a product, then a group of products, then a manufacturer in total across perhaps 12 or 13 different product lines, then you have to do justice to all those to earn the maximum payout.

The time will arise where you'll have to make commercial decisions and I'm saying that those commercial decisions are being made in the trade.

Ackerman: Please, I agree with the commercial decision — that's exactly what I'm trying to say. I'm not saying that you should want to have these discounts which are totally honourable and right and good for the consumer, and he can't control his buyers to buy the right ones, with respect, and I'm not trying to be clever. Our buyers are taking as much information, and we make mistakes, believe me, we make mistakes, but let it be a decision of each company without asking the government to intervene because, I think, that's the way to go.

So we fight to get discounts — there's nothing wrong with getting incentive discounts. If Clive Rice pays well and hard for a Curragh Cup match, what is wrong with having an incentive? For

This is the full text of last night's SABC-TV debate between Mr Clive Well, managing director of Checkers, left, and Mr Raymond Ackerman, chairman of Pick 'n Pay. The discussion came after allegations by Mr Well of "commercial terrorism" in the supermarket industry. By staff reporters **ANTHONY DOMAN** and **HENRI DU PLESSIS**.



Well: Our job is to fight and fight hard for the consumer, and again, I'm not wearing any halo. She's powerless against big business and government the world over. It's my job to, and to fight honestly and fairly.

But is it fair, once that person is involved, to go back and say 'You know I've got to have justice to every incentive scheme to the consumer, you have to have a balance on the bottom line at some stage'?

Ackerman: No, Clive, I say to you here that I will fight with a scheme with who comes with an increase way above the inflation rate and I don't agree with fee-listing by the way but sometimes when they go up by 25 percent and above, that's a threat to try and bring their price increase down.

But I agree with you, one should not call a guy in and double up and double up, but may I say this, as long as it's straight and between a supplier and a retailer, really we have to negotiate the price.

Well: I wouldn't be here, Mr Bamber, if I couldn't begin, I think, one of the hardest jobs, the one you look anybody else, the one you can ask any supplier who has dealt with me, have I ever done anything which is not straight and above board, but there will be a lot of small suppliers listening out there phoning you up and saying 'Ah-ha, but Pick 'n Pay do buy the right ones, with respect, and I'm not trying to be clever. Our buyers are taking as much information, and we make mistakes, believe me, we make mistakes, but let it be a decision of each company without asking the government to intervene because, I think, that's the way to go.

Well: Can I go back to a point which was not completed? The incentive schemes — do you believe they promote competition

'Commercial terrorism' claim

Ackerman: Of course it's fair. If I may say because if the delisting is done — I don't like delisting — if the threat is done because the lines don't match up to what the consumers want, it's right that we do that.

Isn't it normally not that it's that, but rather that it doesn't match your bottom line?

Ackerman: But with respect, my job is to fight and particularly the big supplier as hard as is humanly possible — these guys are big boys.

So you will agree that with the smaller manufacturers you would be prepared to see them going under rather than dragging your bottom line?

Ackerman: No. Did you not hear me? We support the small suppliers hard and negotiate hard and fairly, but a lot of small suppliers, and I hope a lot will come forward, who I have personally helped and financed.

Weil, Ackerman clash over rebates

Retail corruption 'not widespread'

30
4/11/88
WJ

By Clare Harper

There was no widescale corruption in the local retail industry, Checkers MD Mr Clive Weil and Pick 'n Pay's Mr Raymond Ackerman agreed during last night's TV debate on Network.

But the retail giants clashed fiercely on the question of the use of rebate and incentive schemes in the retail industry and its benefit to the consumer.

The two agreed to the debate after Mr Weil was reported to have accused competitors of using questionable bulk-buying powers as a form of "commercial terrorism", prompting Mr Ackerman to send him a legal letter demanding a retraction and apology.

Mr Weil began the debate by apologising for this description, which he said was "a little extravagant, strong and inflammatory". He added: "I know of no blatant widespread dishonesty."

Having apologised, the two were asked to tackle the meatier issues of the debate.

"My point is that some of the rebate/incentive

schemes are in effect closing down competition on the shelves," Mr Weil said.

Mr Ackerman said that there was nothing wrong with discounts and that Mr Weil's opinion was anti-consumer. "He is cross because he can't get these incentive discounts. The consumers want us to negotiate as hard as possible."

Stealing Mr Weil's well-known advertising slogan, Mr Ackerman said: "We are cheaper trolley for trolley across the country."

Mr Weil said "coersion" did exist in the form of suppliers being threatened with removal from shop shelves. He would like that sort of coercion to end.

Mr Ackerman said his job was to fight, but honestly and fairly. "I will fight with the supplier — and there may be a threat of de-listing to try and get the price down. I would not be here if I were not a hard negotiator." He described Mr Weil's argument that quantity discounts militated against new products coming on to the shelves as "fatuous and weak".

Mr David Bamber, who chaired the debate, asked whether the upfront fees suppliers had to pay to get their products on to the shelves did not militate against the smaller manufacturer or supplier.

Mr Weil said Checkers asked for a listing fee because more than 90 percent of all new products failed, and it cost plenty to cost and list products.

Mr Ackerman said Pick 'n Pay had no listing fee but "we do fight hard to get the best price for consumers" by asking suppliers for promotional and advertising allowances.

He said Pick 'n Pay could not support every supplier, but did support "tons of small companies".

Mr Weil said he was not asking for government intervention, but said the situation had changed since the suppliers fought these incentive schemes and lost in 1981. "Now we have a situation where target incentives favour the major manufacturer."

Mr Ackerman: "We believe in incentives. There is nothing wrong if the company has the discipline to make sure the ranges are right. If we did not, they'd walk out of my shop." He had the last word (literally) when he asked viewers not to ask for government intervention but to let free enterprise prevail.



The supermarket supremos . . . Clive Weil and Raymond Ackerman during their debate on TV1.

WOM takes stake in Protea

23 Finance Staff 9/11/88
World of Music has acquired a 21 per cent stake in the Protea Hotel group. The sellers are Protea's eight founding directors.

World of Music also has an option to acquire a further 4 percent of Protea.

Protea operates 49 hotels and has plans to increase the number to 60.

The purchase price will be deter-

mined by the end-year profits of the holding company, Protea Hospitality.

Mr Otto Stehlik, executive chairman of Protea, says the deal will involve several million rands.

He says World of Music was an ideal partner as it was already involved in music, sports promotions, publishing, entertainment, television, resort development and time sharing.

Strong Saficon revises year's target upwards

30
1988

By Ann Crotty

Saficon, which operates primarily in motor retailing and has investments in the building materials industry, has reported a 50 percent increase in turnover and an 89 percent surge in operating profit for the six months to end-September.

Earnings per share shot up 84 percent to 105c (57c) and the interim dividend was increased 54 percent to 17c (11c) a share.

First half performance was strong enough to encourage management to revise its full year earnings' forecast from 169c to 187c a share, while the dividend forecast is revised from 49c to 54c. This puts the share on a prospective price/earnings rating of 2,7 times and a dividend yield of almost 10 percent.

According to the directors the performance in the first six months should more than offset the effects of the expected slow down in the economy.

On a turnover increase to

Rev 8/11/88
R616,8 million (R422 million), the group lifted operating profit to R32,7 million (R17,3 million) at the interim stage, reflecting a sharp improvement in margins from 4 percent to 5,3 percent.

A 58 percent increase in earnings from associates managed to compensate for much of the 89 percent surge in net interest (after tax and preference dividends) and left attributable earnings showing an 81 percent advance to R18,8 million (R10,4 million).

The directors note that the higher interest bill is a result of the group carrying R18 million fixed assets to finance vehicles under rental agreements of finance leases. "Arrangements with the group's bankers exist to realise these assets when the funds are needed." This situation is reflected in the balance sheet as a massive surge in net loans from R17 million to R47 million. And in turn in the increase in gearing from 20 percent to 43 percent. (The 43 percent remains well within the group's target level of 75 percent.)

BUSINESSMEN should stop sitting on the sidelines criticising and instead get 100% actively involved to ensure a prosperous future for SA.

Business must stop passing the buck, says Toyota's Pretorius

This was the message to the Klerksdorp Afrikaanse Sakekamer this week by Brand Pretorius, Toyota Marketing Company MD.

"I am sure we all share the desire to get SA back on the road to economic prosperity and social stability as soon as possible," said Pretorius. "It is therefore essential that every businessman and woman plays a practical, leading role to make this happen."

He said there was a general feeling of depression and lack of confidence in the longer-term political and economic future of SA. There also appeared to be

an attitude among many people to "pass the buck" to government for the political, economic and social future of SA.

To counter these negatives, Pretorius said, business concerns must realise that their economic future was coupled largely to the political and social future of the country as a whole.

"Co-operation and development between all peoples in the economic sphere is far easier to achieve than political co-operation," he said.

Pretorius said he saw six major challenges facing business.

He listed them as:

- Promoting economic growth and the creation of prosperity and job opportunities;
- Uplifting and training of employees;
- Marketing of the free market system among workers;
- Developing horizontal and vertical communication systems which will reach all levels of employees;
- Accepting wide-ranging social responsibilities towards the communities in which businesses operate; and
- Maintaining positive communication links with the international business world. — Sapa.

Bloubaai 7/11/88

Seconds out of the ring

30 FIN MAIL
4/11/88

■ Forget the hype: retailing is about the best way to buy and sell

Retailing is really the most simple of all businesses. All you have to do is choose the goods the public wants, buy them as cheaply as possible, and sell them at a price which is competitive enough to draw people into your shop but high enough to earn you a reasonable profit.

Anybody can do it, and there's no restriction on entry. Raymond Ackerman has built up major retail chains twice in one career. Harry Goldin, who actually founded Pick 'n Pay, later repeated the trick — admittedly, in a different sector — with Clicks. Brian McCarthy turned two used-car lots into the largest motor trader in SA. Sydney Press, Stanley Lewis and Len Shawzin also know a thing or two about it.

Apart from those three basic principles, the rest is hype. Forget about any retailer being the Consumer's Friend. That's not his function. Nor is it his function to guarantee every supplier a place on his shelves. The shelves just aren't big enough.

Nor has he any responsibility to encourage or promote new products, any more than he has a duty to established suppliers (unless

there is an institutionalised Marks & Spencer-type relationship). If a retailer has any responsibility, it's to his shareholders.

But this confers no position of unfair market influence. For ultimately, retailing success is determined by the consumer. If he's not happy with a retailer's mix of range and price, he'll take his custom elsewhere. He has that choice, just as the retailer has his.

Both to make his prices attractive and to maximise his margins, every retailer needs to minimise his cost prices. How he does this is, in a sense, immaterial. It makes no difference whether he beats down a quoted list price, demands a discount for buying in bulk, or accepts what is misleadingly called a "confidential" rebate — the most inappropriate term possible, given the current fuss.

Dress it up how you like, all that really matters is what the retailer actually pays. Of course, it's another matter if rebates are somehow filtered off by a third party: that's fraud. But if a retailer decides to use a rebate or discount to widen his margins, it's a straightforward commercial decision that will stand or fall on commercial grounds.

Given the essential simplicity of the business, and the fact that 90% of the time one store looks very much like another, it's only natural that retailers go to such great lengths to try to differentiate themselves from competitors. Avowals that profits are not their main motive are a common ploy — as if, in a capitalist economy, profits are anything to be ashamed of — but both unconvincing and invalid.

After all, profits are the absolute measurement of success in retailing — as in any competitive commercial activity. Service to the housewife or encouragement of new suppliers may bring a humanitarian feeling of warmth, but are unquantifiable concepts of dubious relevance.

Nevertheless, they are extremely emotive. Even if they can generate more heat than light, periodic verbal punchups between prominent retailers keep the antagonists' names in the public eye.

This time, the accusations and counter-accusations are more vitriolic than usual. On page 38, we give the two main players the opportunity to express their views. ■

LOUISE TAGER

Shining knight

It's hard to see elegant Professor Louise Tager, head of the Business Practices Committee (BPC) as a knight in shining armour crusading for the interests of consumers. But that's essentially what she is.

By introducing legislation to curtail what are perceived to be harmful business practices, and appointing Tager to head its statutory committee, government has provided the teeth to get rid of harmful business practices.

When the legislation was passed this year, it provoked sharp criticism from the formal business sector (Tager suggests hysteria would be a more appropriate description).

The main thrust of the attack was that the legislation was largely unnecessary, as there were already a number of bodies looking after the interests of consumers; it was said to mean further regulation, at a time when government was supposedly committed to deregulation, and it was merely adding to the bureaucracy.

Tager takes issue with the criticisms. She says deregulation does not mean no legislation, it means "appropriate" legislation. Furthermore, no additional bureaucracy has been created. Committee members are drawn mainly from the private sector, and existing consumer bodies lack the muscle to be really effective in the fight against consumer exploitation.

Tager suggests that it is perhaps the definition of a "business practice" in terms of the Act, which is admittedly wide and sweeping, that could have prompted the strong response from the business community. But she says when the definition of what constitutes a "harmful business practice" is examined in detail — "devious, deceitful, dishonest, fraudulent, unacceptable in a normal business environment" — few businessmen she knows will have difficulty with the new law.

Moreover, she says, the legislation is not intended as a club with which to "bludgeon" business. The committee will only investigate practices that are generally harmful to

the public at large — it is not there to address individual complaints. It will also be applied selectively. "One wants to observe the principles of a free economy."

Tager came to the position, which she stresses is not a full-time post, from the Law Review Project — a low-profile, private sector body which investigates laws that inhibit economic activity, and recommends improvements.

She sees no contradiction between the two jobs, and certainly feels strongly that government is not renegeing on its commitment to deregulate by enacting the BPC. "There's a need to protect the consumer when you deregulate," she observes.

It was probably Tager's work at the law review project, and her background in tax law and the law of contracts, that put her in line for the job as chairman of the BPC.

She has a distinguished academic background. She was dean of the Wits law faculty for five years, and the first woman to be appointed dean of any faculty in the country. Yet she's no militant feminist. The fact that she is a woman and the chairman of one of government's most controversial committees

is, she believes, a "non-issue." And in her direct manner, she says: "I don't want to be called chairperson or anything like that. I am chairman."

After matriculating at Parktown Girls' High School, Tager was all set to become a high-school teacher. But she married early and was soon caught up with raising three children. She went back to university 10 years later — an experience she describes as "terrifying" — and completed a BA LLB degree.

Later, she went on to do her Masters at the Harvard Law School, returning to Wits as a lecturer, being appointed professor in 1978 and dean of the faculty in 1981. She still holds her chair at the university and is, technically, absent on "long leave."

A very youthful grandmother — doing aerobics four times a week and following a

sensible diet and lifestyle help keep her in trim — Tager says the highlight of her day is "returning to my family at the end of a hard day's work."

There have been few criticisms of Tager's appointment as head of the BPC. She is, by all accounts, eminently qualified for the task. She certainly feels she can handle the responsibility.

She is, after all, as she hastens to point out, a mother, grandmother, professor and former dean of a law faculty.

But is she tough enough to take the flak that such an exposed position is bound to attract? "What is toughness?" she asks. "There are different ways of achieving what you want. I believe in fairness, equity and, above all, justice."

She leaves no doubt that there is a goodly proportion of steel beneath that very elegant exterior. ■



DANIE VAN ZYL

Hero and villain

Three phases in the life of the young Danie van Zyl eventually determined much of the career of Johannesburg's National Party leader in the newly elected city council. (As the *FM* went to press, it seemed certain that he would be elected chairman of the city's management committee, succeeding Francois Oberholzer.)

At 14, Danie van Zyl was already distributing Nat pamphlets in the Maraisburg constituency of his mentor, the late Transport Minister Ben Schoeman.

That was the start of an involvement that saw him become Johannesburg's youngest mayor in 1982 (he was 45); this year, he has led his party to its first-ever overall majority in the council.

In earlier years, while doing his apprenticeship as a diesel mechanic, Van Zyl befriended the two leading boxers Stoffel Steyn and Willie Ludick. In 1965 he became the first Afrikaans boxing promoter, in the process "making money and losing money." He quit the boxing scene in 1974.

It was after he had completed his apprenticeship that Van Zyl decided never to work for anybody else. With the help of his father he started his own transport company.

Today he heads a construction company. His involvement, he admits, will have to be scaled down drastically if he is to run the city properly. "The chairman of the management committee has to spend six days a week in this office if he wants to succeed in this job," says Van Zyl.

He believes in hard work (18 hours a day), a few exercises (no jogging), and has never smoked in his life. His anti-smoking campaign in the city has already earned him the ire of major tobacco companies.

He has paid a price for his career, says Van Zyl. Married to Bella, he has little time to devote to his gang of five kids, sometimes having to see them in between appointments.

The recent election in Johannesburg was marked (and perhaps marred) by the almost close-combat war of words between Van Zyl and his PFP counterpart, Tony Leon. Like Leon, Van Zyl also switched wards, going from the less affluent Newlands-Crosby ward to the elite Afrikaner suburb of Linden.

Van Zyl rejects allegations that he did this because he wanted prestige or was scared of losing. "Had I stayed there I would have retained the ward for the NP. Unlike Leon, who ran away from his ward." Nat insiders say that Van Zyl was asked by the party hierarchy to make the switch.

The Van-Zyl Leon bout then turned to the controversial pension buy-back scheme. Van Zyl issued a challenge to those PFP councillors who had got involved to withdraw from the scheme.

At the same time, he and his party would

have done the same thing, Van Zyl said. "And if Francois Oberholzer only gets R48 000 after 37 years' service in the council, how is it possible that I would stand to get R300 000 after 22 years as has been alleged?" Van Zyl asks indignantly.

The challenge, however, fell flat. "As from midnight October 26, councillors Tony Leon and Claire Quail (who initially refused to accept the buy-back) are members of the pension fund. That is a law of parliament," says Van Zyl.

The fight is still to come. Van Zyl said during the campaign that he would propose that wards won by Progs be opened as free settlement (open) areas, as he threatened during the campaign. This threat, it is believed, did not altogether meet with the approval of those in higher echelons of the NP.

"We won't take the middle-class person with us if we open their areas to all races, while apartheid can still be bought in the wealthy residential areas," says Van Zyl. "The same person who now asks for open buses and swimming pools has a swimming pool and jacuzzi in his backyard."

It remains to be seen whether Van Zyl will become known as Mr Apartheid, the name Tony Leon gave him, or simply as the new



Van Zyl ... now at the helm

Mr Jo'burg.

Either way, whatever you might have thought of Francois Oberholzer, his act will be a hard one to follow. ■

PETER SEARLE

Marketing is an exciting game to Peter Searle, this year's winner of the Institute of Marketing's Man of the Year award, and deputy chairman and MD of Volkswagen of SA (VW).

He enjoys it possibly as much as his other pastimes — walking along the coast with his wife Erica, growing vegetables in his garden and watching sport (he was a good cricketer and played rugby for Eastern Province).

He works a 10-hour day and confesses he never really switches off.

But his love of marketing is genuine, and he develops an ear-to-ear smile and tells you how honoured he feels when you mention his award, because "some notable people have won it." Marketing



has indeed been his forte ever since he joined the marketing research and planning department of Ford in his home town, Port Elizabeth, fresh from Rhodes and Cambridge with his brand-new law degree in 1960.

There is, he says, no secret formula to successful marketing, but a core value is necessary. In his case, it's an image based on an outstanding product and outstanding service to customers.

He uses a stick and carrot management style. "I believe very strongly in participative management," says Searle. "It

produces a sense of belonging and accountability in everyone. I believe management should be highly visible and accessible to customers, retailers, employees and suppliers.

"But there are times when a more autocratic style is necessary. People want to know who's the boss."

His formula obviously works. Under his leadership VW has risen from number five in 1984 to its present position, second to market leaders Toyota. In 1985, VW was awarded the coveted Volkswagen International Q'85 Award for improvements in vehicle quality. This was only the second time the award had been given to a subsidiary outside Germany.

What pleases Searle more than anything else is that surveys on customer satisfaction have put VW ahead of its competitors on several occasions.

Immediate past president of the Association of Automobile Manufacturers, he finds it "regrettable" that it no longer gives details of members' performances. "It has become a national disease that information, once freely available and exchanged, is now withheld."

Under these circumstances, it is understandable why he limits discussion about VW's future plans to an assurance that there are no new models in the pipeline.

He is more open about his company's labour relations: "We have been through the normal cycle, from paternalism in the Sixties to head-on conflict in the Eighties.

"We now have a holistic approach. Our

trade unions are totally involved. We meet with them quarterly to discuss the strategy, policy and direction of the company, as well as major issues such as sanctions and disinvestment. We are therefore able to solve problems quickly and amicably."

Searle rather likes what he sees in the motor industry at present. There is a relative stability, and most manufacturers are showing reasonable returns.

However, he isn't too pleased with the general trend. Unit sales are down. "The market absorbed 300 000 cars in 1981 and we're thankful now that we will sell about 220 000 cars this year."

Considering that overseas manufacturers make up to 400 000 of one model a year, Searle thinks the market here is too small for all the models available. He accepts that the industry's usage of foreign exchange is very high, but thinks it difficult to increase local content economically. A lot of capital and skills, neither freely available, would be needed.

"My concern about forcing the pace of local content too rapidly is that it will make cars that much more difficult for the man in the street to afford. We know that, mainly because of the low value of the rand, our prices are already beyond the reach of many," says Searle.

"Despite our difficulties, we must focus on improving the exports of motor industry components into niches in other countries. There are niches and we are beginning to exploit them."

Slugging it out again

The simmering dispute over confidential discounts has come out into the open between the retail chains. The *FM* put key questions (separately) to the main antagonists, Checkers MD Clive Weil and Pick 'n Pay chairman Raymond Ackerman.

FM: Do you consider confidential rebates to be a corrupt or unethical practice?

Weil: This isn't a black-and-white issue. I have no objection to discounts which are not subject to growth targets as they are simply discounts in arrears. But when a discount is determined by the increased sales of a brand it can lead to abuse. If there are three suppliers in the same industry, supermarkets will want to meet the targets for all three. We can't make people buy brands but we can influence their choice through pricing and promotional activities.

Ackerman: Do you consider marriage to be unethical? Is rugby unethical? It is like breathing to us — we have to get discounts. And we have to fight for a price. We're in the marketplace and if you can't stand the heat then you must get out of the kitchen. If we don't fight for the consumer, who is going to fight for the consumer? Why is it different from asking for a cash discount? The suppliers offer it willingly and voluntarily; it is a negotiated deal between supplier and retailer.

What do you say to those who believe incentive discounts make it more difficult for a small manufacturer to get his brands established?

Ackerman: There will be many small suppliers who will say Pick 'n Pay doesn't support us; because we can't back every single supplier. We help many of them with advertising, we help them with discounts, by not pushing them to any extreme discount situation. We don't take every small guy but to turn round and say that the wrong products get on the shelves because we have incentive discounts is absolute poppycock if you are running a good business.

Weil: Conglomerates with a track record will find it easier to get new brands on the market, especially as most targets are on a company, rather than a brand-by-brand basis. In order to meet target discounts supermarkets tend to give the best shelf space to the food conglomerates and relegate any new entrants.

To what extent would the profitability of retail chains be jeopardised if incentive

discounts were not granted?

Weil: I'm not saying, as some people claim I have, that R1bn should be handed back to the suppliers. All I'm saying is that I would prefer to behave like an old-fashioned retailer who buys at one price and sells at another. The suppliers now price their goods on the assumption that there'll be a rebate so if there were no confidentials then we could get a better price at the beginning. The buying price would be lower, the selling price would stay the same, and we would work on the same margin.

Ackerman: Our entire profitability is geared to 3%, and incentive discounts are 3% — so I will have to raise my prices by 3%. This is the kernel of my argument. The consumers of SA will have to pay 3%, or approximately R1bn more for food, if for some amazing reason the Competition Board stopped confidentials.

There have been investigations into price discrimination which decided not to interfere with confidentials. What has changed?

Ackerman: Ten years ago I had to face a commission organised by Lawrence McCrystal and the Groceries Manufacturers Association (GMA). We had to face them and then a whole commission of inquiry which went on for months and months, but the Monopolies Commission came out 100% in our favour that this was in the consumers' interest. The principles remain the same.

Weil: The Competition Board and Harmful Businesses Commission must make up their own minds. The last thing I'm asking for is legislation to prohibit retail practices. But we retailers must bear in mind that confidentials aren't conducive to free competition as suppliers aren't competing on an

equal basis. If we are going to pre-empt legislation then there must be self-regulation and agreement on the ethics of our practice. **Do you think the confidential rebate system reduces consumer choice?**

Weil: It is undoubtedly a factor in reducing choice. If there was a straight buying and selling arrangement we could stock the brands which we considered most attractive to consumers without having to worry about meeting targets demanded from major suppliers. Those suppliers which have locked us into rebates don't have to be as sharp or competitive.

Ackerman: A buyer can be mesmerised into putting in the wrong line for an advertising allowance, or promotional allowance or extra cash discount. But the company will suffer because it will be selling the wrong lines for the consumer who should dictate what you buy. If I buy the wrong line and it sits on my shelf then I've lost the whole cost of my product and gained a little 3% discount.

What about the practice of listing fees being charged on new brands?

Ackerman: That is sometimes the policy. Some suppliers offer it, some retailers ask for it, and some suppliers don't like it.

Weil: That is a very different matter from confidentials. We are taking a risk in supporting new products as the vast majority of them fail. We have to set up a computerised system to keep track of the products and could be stuck with huge stock. In retrospect, however, in many cases we charged fees that were penal and unfair, especially where small suppliers were concerned.

How would you describe the balance of power between suppliers and retailers?

Weil: In some cases the supplier is now in a strong position because he may be a single supplier or one of only two. In other areas the chains still have the upper hand. Whoever has the edge certainly uses it effectively. But over the years we have seen brands snapped up by the big local groups after disinvestment, and the Competition Board has allowed mergers to take place. Food production is highly capital-intensive and as the rand declines it's become more difficult for new suppliers to enter the market.

Ackerman: The suppliers are very strong in this country — very, very strong. We have got to go on fighting and fighting and fighting because we sit between the consumer and inflation. ■



FMAIL 4/11/88



Buying appliances . . . poor current for black purchasing power

ELECTRICAL APPLIANCES

No black sparkle

Electrification of black areas has not led to the expected surge in demand for domestic appliances such as electric cookers, fridges, freezers and TV sets.

Consumer Behaviour MD Eric Mafuna says the euphoria that greeted the programme to electrify Soweto was misplaced. "Appliance retailers were a bit naive about the speed of infrastructural development in the townships. Political instability led to a lack of continuity in the electrification programme, while funds required to implement the programme were underestimated. Even

now half of Soweto is still to receive electricity."

And, since the start of the rent boycotts, the council has cut off whole areas — which means that some residents just can't use their electric appliances. "Soweto residents keep only insignificant food supplies in their refrigerators in case they arrive home to find the power cut off. Advertisers haven't yet cottoned on to this factor."

Nevertheless, slowly but surely, things have improved. Says Wanda Stores CE Derek Vercruyssen (whose group has a strong presence in both rural and urban black areas): "There has been a definite change in buying patterns over the past two to three years, especially in black urban areas like Soweto, Mabopane and Ga-Rankuwa."

Two years ago 5,1% of TV sets sold by Wanda were mains only, the remainder being battery and mains. Now 10,4% of TVs sold are mains only. And while 74,8% of the stoves sold then were coal-based, the current figure is 57,2%, with 9,3% electric and 33,5%

gas. Similarly, the share of paraffin fridges and freezers dropped from more than 77,4% to 59,3%, with 21,2% now electric and 4,3% gas/electric.

Slowest growth has been in the area of automatic washing machines and dishwashers. Ellerines group marketing manager David Lazarus adds: "In some areas people in older houses have to pay a levy to get connected. This also slowed the growth potential of the electrical market." In many cases black householders are expected to pay R200 upfront for having electricity connected.

Mafuna adds that blacks are reluctant to overload their households with electrical goods: "In many black homes the electricity is not powerful enough to iron, cook and watch TV at the same time. Nevertheless, the next growth area in the black market could well be washing machines and dishwashers."

At the moment less than 10% of black urban homes have a laundry appliance — whether an automatic washing machine, twin tub or tumble dryer.

Finance charge shock for buyers

By Maggie Rowley

Car sales are expected to be hard hit by a big jump in hire-purchase rates.

The Registrar of Financial Institutions, Mr Theo van Wyk, has announced that the maximum finance charge rates under the Usury Act will be increased by 4 percent from tomorrow.

The maximum rate that can be charged for amounts under R6 000 will jump from 27 to 31 percent and for amounts above R6 000 from 24 to 28 percent.

The new rates are set to affect, in particular, cars bought on hire-purchase and leasing agreements where interest rates are not fixed.

Interest on outstanding credit card balances, which have averaged between 21 and 23 percent, will no doubt move up in the near future, bankers say.

Mr Mike Carstens, general manager in charge of marketing and planning at Nedfin, said the increases, following hard on the heels of increases in bond rates, would hit consumers hard.

A 12 percent deposit of R2 400 is required on a new car costing R20 000.

Monthly repayments at the current maximum rate of 24 and 28 percent are R652,04 and R697,04 respectively.

Under the new maximum limits, monthly instalments at 27 percent would be R685,65 and at 31 percent R731,80, Mr Carstens said.

A spokesman for First National Bank said the increases in finance charges follow recent increases in the prime rate to 18 percent and the bank rate to 15,2 percent.

"The last time finance charges were increased was in July following an increase in prime. When the prime rate was again increased on July 31 there was no increase in finance charges, which always tend to lag. So what is happening now is just a delayed adjustment to two increases in the prime rate," he said.

On the plus side of the scale, savings medium for the elderly — five-year participation mortgage bonds — are to carry boosted interest rates.

First National Bank's bond scheme is raising its rates by 2,5 percent to 17,5 percent — one of the biggest jumps in one stage.

Syfrets says an increase is likely to be announced at the end of the week.



Picture: DION TROMP, The Argus.

OVEN FRESH: Mr Julius Bambane and his wife Elizabeth with some of the homemade cakes which are much in demand. At left are two of their four assistants, Mrs Emily Blaai (in black) and Mrs Nowest Jongiwe. *AKW 10/11/85 (30)*

Khayelitsha couple's last throw bakery dream takes off

By EDWARD MOLOINYANE
Staff Reporter

A KHAYELITSHA couple, who gambled their life savings on a dream and a small gas stove, are today successful confectioners, whose home-baked cakes sell in some affluent areas of Cape Town.

For Mr and Mrs Julius Bambane of M Section and their eight children, the decision to invest in the gas stove was virtually the last throw of the dice.

Attracted by the promise of more money and better prospects in the "big city", they left the farm in the Hex River valley where they had lived for many years and moved to the new township of Khayelitsha in 1985.

But their dream of prosperity soon turned into a nightmare. No matter how hard they tried, neither Mr Bam-

bane nor his wife could find work. *one way or another — Mr Bambane as a driver for a local bakery and his wife as domestic worker on the farm where they lived.*

It was then that they took the gamble on the gas stove.

"When we came to Khayelitsha we didn't have enough money to start a business, though we knew we could make it as confectioners," said Mr Bambane.

DOMESTIC WORKER

"When we couldn't find work, however, we were desperate. There were ten mouths to feed and eight children to send to school. So, with the little money we had, we bought a stove and started doing what we knew best — baking cakes."

In spite of their lack of formal training, the Bambanes had the qualifications to make a success as confectioners.

While living on farms in the De Doorns area of the Hex River valley, they had both been associated with baking

The farmer's wife was well known throughout the district for her wedding and birthday cakes and Mrs Bambane learned all she could from her.

Almost from day one, their "home" bakery in Khayelitsha was a success.

It wasn't long before they couldn't cope with the demand for cakes from local people. About three months later they bought three more gas stoves and employed four assistants to help them meet the increasing demand and to help them widen their scope of operation.

Orders began to pour in, some from the more affluent areas of the southern suburbs such as Wynberg and the business is still growing.

CLICKS

(30) 11/11/88

Good score

Activities: Subsidiaries retail toiletries, cosmetics, gifts etc on cash basis.

Control: Score-Clicks has control.

Chairman: H J Goldin; managing director: T C Honneysett.

Capital structure: 20m ords. Market capitalisation: R124m.

Share market: Price: 620c. Yields: 4,4% on dividend; 9,0% on earnings; PE ratio, 11,1; cover, 2,0. 12-month high, 875c; low, 525c. Trading volume last quarter, 140 000 shares.

Financial: Year to June 30.

	'85	'86	'87	'88
Debt:				
Shareholders' interest	0,41	0,39	0,44	0,41
Int & leasing cover	3,2	2,8	n/a	n/a
Performance:				
Return on cap (%)	23,0	20,8	22,4	21,0
Turnover (Rm)	155,3	183,1	227,7	282,2
Pre-int profit (Rm)	12,1	13,8	17,5	21,0
Pre-int margin (%)	7,8	7,5	7,7	7,4
Taxed profit (Rm)	6,2	6,9	8,8	11,2
Earnings (c)	31,1	34,7	44,2	56,0
Dividends (c)	14,25	15,85	21,00	27,00
Net worth (c)	107	130	172	203

Since the change of control, which put Clicks into the Score group, Clicks has been rerated sharply downwards. From being at a premium to the Retail index, it is now at a discount. This seems a very tough judgment. Results for the year to June show no adverse impact, though also no benefit, from the change, but it is still very early to expect to see changes.

MD Trevor Honneysett points out that both before and after the merger, it was stated that the two groups — Score and Clicks — would be run entirely separately. He suggests that the controls introduced are a good discipline.

The results were very much as expected. Turnover increased 23,9%, which amounted to a real increase of around 10%, though pre-interest margins were slightly lower at 7,4% (7,7%). This was a good performance, though, in view of the fact that the number of stores increased 18% to 80 and the start-up costs had to be borne. According to Honneysett, the rise in turnover reflects the extensive use made of television advertising, plus press and radio campaigns. Discom stores' results were encouraging.

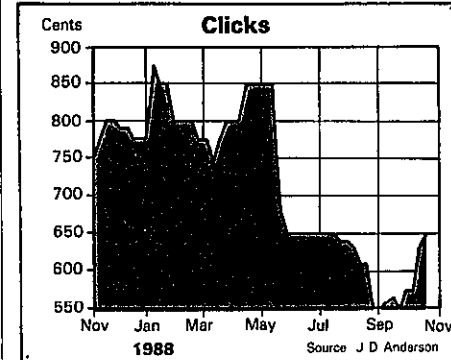
A major advantage is the ungeared balance sheet. With no borrowings and R11m in cash, Clicks will benefit from high interest rates, and the intended expansion — 12 more Clicks stores are to be opened in calendar 1989 and the Discom chain expanded — will be financed from own resources.

There seems no reason for the group to curtail expansion in anticipation of a decline in retail demand. Results from the 1985 and 1986 recession, when turnover climbed 16% and 18% and operating profit 13% and 11%, show that the group is relatively recession-proof.

The bumper Christmas expected by all

retailers this year should also help results for the current financial year. Honneysett says that he expects growth to continue at the same pace as the current year and that the main impact of the economic downturn could be that fewer sites would be available for expansion, with fewer shopping centres being opened.

But again one must wonder what advantage can be derived from the Score takeover.



Honneysett suggests that there will be a certain amount of integration, and that dynamic expansion will take place, especially in Discom. He also emphasises the strength of the present management team.

The stock market does not like uncertainty, though, especially when the market trend itself is uncertain. Though Clicks' results show continued solid performance, the market will probably wait and see what the new team will do before rerating the share.

Pat Kenney

Office and retail rents coming under pressure

There are signs that the current growth phase in the property market is coming to an end says Mr Ronnie Masson, Sanlam Senior General Manager.

He told the Financial Mail Investment Conference that the boom, which started in 1987, could be the shortest ever.

The main thrust of the boom was felt in the office sector, where rentals for prime space climbed by more than 30 percent

over the past 12 months.

He said that while the market was healthy at present, the faltering economy and the amount of prime space due to come on stream in the next year, the prospects for 1989 did not look healthy.

He also felt that retail rents would also come under pressure.

He said: "Generally speaking, shopping facilities in the White sector are oversupplied and if one

adds to that the significant amount of shopping space to be completed in the near future and the not too rosy prospects for private consumption expenditure, one cannot be optimistic about retail rentals".

Mr Masson said, however, that selected opportunities may occur in certain sectors of the Black market.

Over the past few years, in percentage terms, the value of prop-

erty in Sanlam's total portfolio had declined from 18 percent in 1978 to 13 percent last year.

This was a result of the fact that shares showed a more attractive return over the long run than property.

He estimated that over a 10 year period the annual compounded rate of return on property was 23 percent compared to 32,4 percent on shares.— Sapa.

CNN Times 11/11/88
30

Shebeens in Atlantis raided

Crime Reporter
POLICE swooped on a number of shebeens in Atlantis yesterday morning in an attempt to bring down the high crime rate in the area.
Local police blame the hundreds of serious crimes reported each month on the 150 to 200 backyard shebeens which operate in the area.
"People get drunk in the shebeens and then go out and shoot, stab or rape other people," Lieutenant Arno Lamoer, station commander for Atlantis, said.
The operation started soon after 10.30am when about 50 detectives and members of the Peninsula Reaction Unit, using armoured personnel carriers, raided an alleged shebeen nearby the police station.
The owner of the alleged shebeen, Mr Andy Demas, told re-

porters that his home had been fired on early yesterday morning by members of a local gang.
"I have a charge of attempted murder against them and they want me to drop it," Mr Demas said. He added that although he was being attacked by members of a gang, he had never been a member.
A number of bottlenecks — a device used to smoke a combination of crushed mandrax and dagga — were found in the back of the shebeen. However, no drugs or illegal liquor was found.
The next alleged shebeen police swooped on was just around the corner from Mr Demas's home. Once again no liquor was found but a couple of pool tables and dartboards were found in the backyard.
The occupants, obviously glad that no liquor could be found, offered free games of pool to all

their unexpected visitors.
Police said the liquor would probably be smuggled into the shebeens later in the week, in time for the weekend rush.
Acting on information that guns were being sold at an address elsewhere in Atlantis, police raided a third alleged shebeen in Fernada Street, Saxon Sea Men in the back of the premises were searched and questioned.
While armed policemen stood guard, a search through the house and in the cluttered backyard revealed a number of home-made weapons including a 2 1/2-metre-long "sword".
Although no firearms were discovered, an 18-year-old youth was taken to the police station for questioning.
Police said the Ministry of Law and Order were monitoring the situation in Atlantis.



POLICE SEARCH . . . Police search a room inside one of the alleged shebeens in Atlantis yesterday. Shebeens are blamed for the high crime rate in Atlantis. Picture GLENN SHERRATT

Group plans R95m expansion this year

Wooltru benefits from black buying

By AUDREY D'ANGELO
Financial Editor

WOOLTRU, planning a R95m expansion programme this year, is benefiting greatly from black urbanization, executive chairman David Susman said yesterday.

Interviewed after the annual general meeting, at which he announced the group would buy Saffren's one-third interest in Makro for R18,2m, giving Wooltru complete ownership, Susman said sales by the cash-and-carry chain had soared.

It now had two stores in the Western Cape and each was doing more business than the first had done a year ago, when it was the only one.

"Ultimately, most of the goods bought by retailers from Makro go to black or coloured end-users. A great deal of these goods are bought by hawkers, who seem to be burgeoning like the rest of the informal sector."

Susman said an increasing number of black customers were buying from Woolworths and Truworths. "That means the black middle class is growing, and this is a very good trend, which I expect to continue."

At the annual general meeting, Susman said: "Makro will become one of the group's important leads into the burgeoning third world market."

He said capital expenditure would be "at a high level this year and, with the inclusion of the Makro purchase, is expected to reach R95m".

But he reminded shareholders that, as stated in the annual report, the group had raised five year loans amounting to R35m at an average fixed interest of 14,7% — which was "very advantageous with interest rates at their current levels".

'Economy at a watershed'

He said there had been continued momentum in consumer demand in the past few months despite the government's actions to inhibit demand and protect SA's dwindling currency reserves.

Sales for the first four months of the current financial year were 24% higher than in the same period last year.

"However, the economy is at a watershed. Consumers have largely used up their credit capacity and are now faced with rapidly rising

interest rates. We are also concerned about inflation, which has probably bottomed out.

"Price inflation in the clothing sector has, in the past few months, run at approximately 13% above last year, but we expect this figure to rise consistently as the trading year progresses.

"The continued weakening of the rand, wage pressures, and the rise in interest rates add to these increases and will obviously impact on trading."

Christmas was expected to be "relatively buoyant. We are, however, approaching the New Year, the second half of our financial year, with caution".

"To counter a possible fall-off in sales, the group's operating companies are implementing cost-cutting measures which should ensure their most efficient performance in a weakening economy.

"We remain confident that, unless there is a severe drop in consumer confidence, sales and profits for the current year will remain on budget and show a satisfactory increase."

Susman said after the meeting that he expected interest rates to rise further this year.

Capl. Tru's 12/11/88 30

Group announces R4,3m half-year profit

CAPE TOWN 14/11/88

Morkels posts div on 'excellent' showing

JOHANNESBURG. — The Morkels group of furniture and sporting goods stores moved from a single annual dividend policy to declare an interim dividend of 3c per share on the strength of an "excellent performance" since its listing on the Johannesburg Stock Exchange in March last year.

The group announced an unaudited, September 30 half-year profit of R4,326m after making full provision for tax. This is 51% ahead of the R2,865m profit of a

year ago.

Turnover for the period was up 36%, from R66,159m to R9,908m, while operating profit increased 46%, from R6,861m to R10,04m.

Both the Morkels furniture chain and the Totalsports sporting goods and apparel chain grew faster than their respective markets.

Totalsports grew by 79% compared with the 27,4% of the sporting goods and activewear market, and Morkels by 33,5% compared with the retail furniture sector's 29,5%.

The chairman, Neville Organ,

and the MD, Carl Jansen, noted that August's import surcharges and the tighter credit regulations had little effect in curbing consumer demand during the period, as the measures encouraged customers to buy ahead of anticipated increases.

They expected the government measures to have a much greater impact in the third quarter.

Operating margins continued to improve, and they are confident Morkels will continue to show real growth in earnings. — Sapa

By BRUCE WILLAN

CAPE-BASED Debonair group has acquired the Johannesburg-based bedroom textile manufacturer and distributor Quiltex, along with subsidiary companies Polybond, Duvetlin and Wittle Interiors.

The initial purchase consideration is R1 724m and is based on Quiltex's net asset value.

The final cost of the acquisition is dependent on a multiple of earnings over and above Quiltex's warranted pre-tax profits of R547 000 for the period August 1, 1988 to July 31, 1989.

The purchase consideration will be satisfied by way of the issue of 2 758 400 renounceable ordinary shares to the vendors at an issue price of 62,5c per share in respect of the

Debonair buys Quiltex, others

R1 724m.

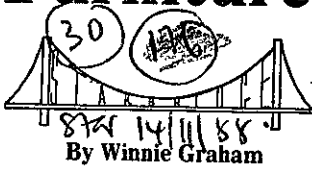
The balance will be calculated on a multiple of the Quiltex group's pre-tax profits, subject to a maximum additional purchase consideration of R3 034m based on a profit before taxation of R1 451m.

Effective from August 1, 1988, the acquisition will boost Debonair's forecast earnings for the present financial year from 11c to 12,5c per share, and net asset value will rise from 53,4c to 60,8c per share.



Rob Schroenn has been appointed network product manager, large accounts division, Olivetti Africa.

Furniture sales staff compete on equal basis



By Winnie Graham

A top South African company which has eliminated all forms of racial discrimination within its structure is going all-out to give its sales staff — men and women of all races — the opportunity of competing on equal terms in the market place.

Bradlows has just completed a 10-week pilot study at which 33 furniture sales people were trained in human relations and product knowledge. The graduates, who included English and Afrikaans-speaking South Africans and a large number of blacks, have received certificates from the company's director of human resources, Mr Len Segal.

PLANS TO EXPAND

So successful was the course that there are moves afoot to expand the study to include all 1 200 sales people in the 180 store group — including Bradlows, Joshua Doore, World Furnishers, Price 'n Pride and Score.

The salespeople, regardless of race, earn the same basic salary. Top earners (two-third of the company's top 25 sales people are black) take home in excess of R50 000 and R80 000 a year.

Mr Segal told the graduation ceremony that the course was designed not so much to better sales figures, but to improve "confidence and the quality of your lives".

"If you feel good about yourselves, the sales figures will look after themselves," he said.



Black and white sales staff from the Bradlows group display the certificates they received at the end of their 10-week course.

Picture by: Karen Fletcher.

"The whole emphasis of the pilot course is to show that you are special to us."

Black sales people said they had no difficulty selling furniture to whites. Several added they had loyal white customers who returned to them again and again.

Mr Jeffrey Cupido, a salesman from Rustenburg, said: "It is a question of attitudes. If you approach customers in the right way they don't resent a black salesman, even on the platteland."

Mrs Elizabeth van Coller of

Potchefstroom said she had always been nervous of selling furniture to whites because they were always well-informed and took care to inspect furniture carefully.

"I learnt on this course that honesty is important," she added. "The other day a man asked me for solid imbuia furniture, but when I pointed out the cupboard in our store was not solid but finished with an imbuia veneer, he was impressed and eventually spent R5 000."

When he received his certificate, Mr Ike Ntshalintshali of Kempton Park, told the group

the course had broadened his mind and his approach.

Mr Alfred Mahlangu of Middelburg, Transvaal, added: "I guess there will always be a few whites who won't want to be served by black salesmen. When this happens to me — and fortunately it very seldom happens — I ask a white sales person to take over. After all, we don't want to lose the sale."

Starbridge was launched to help close the gap between the races. If you have ideas of how this can be done, write to Starbridge, Box 1014, Johannesburg 2000.

Morkels ³⁰

surprises market

By Magnus Heystek,
Finance Editor

Morkels, the specialist furniture and sporting goods retailer within the Federale Volksbelegging fold, has surprised the market by declaring an interim of 3c a-share on the strength of its performance since its listing in March last year.

Initially, Morkels indicated it would only be paying a single dividend per annum.

Morkels this morning announced an unaudited profit of R4,326 million for the half-year to September after making full provision for tax. This is an increase of 51 percent on the attributable profit earned in the corresponding period last year.

Turnover leapt 36 percent from R66,159 million at September 1987 to R89,908 million, while operating profit jumped 46 percent from R6,861 million to R10,040 million. Both the Morkels furniture stores and Totalsports sporting goods and apparel chain grew faster than other companies in their markets.

Growth rate

Morkels grew by 33,5 percent, compared with the retail furniture sector's 29,5 percent. Totalsports more than doubled the growth rate of 27,4 percent recorded by its sector with growth of 79 percent.

Morkels says that while the import surcharges have to date had little effect in curbing consumer demand, they are bound to be restrictive in the fourth quarter of the year.

Operating margins continued to improve and, despite the expected reduction in the rate of growth in the second half of its financial year, Morkels is confident it will continue to show real growth in earnings.

One influencing factor is the improvement in gearing, which continued its decline by dropping from 55 percent at end-March to 47 percent at end-September. This is bound to improve even further because of higher deposits and shorter repayment periods.

MD Mr Carl Jansen says Morkels a year ago had concluded that the then-buoyant trading climate would not extend beyond the first half of 1988. Prior to the clampdown on consumer spending, a number of market indicators had already moved into lower gear.

24/11/88
14/11/88

THE RITUAL demand for "reform" is becoming a mindless bleating, taking no account of the realities. In fact, some kinds of reform are coming so fast that they pass un-noticed in the bleating; others are proving unattainable.

Professor Louise Tager, former dean of law at Wits, has recently pointed out that most of the central government legislation restricting black business activity has been repealed.

Even the Group Areas Act is not really an obstacle to black business since, in terms of an amendment promulgated this year, any racial group can use premises in any industrial township for industrial and commercial purposes. The remaining restrictions are residential, and black people are knocking down the barriers as they become wealthier in a capitalist economy.

Change is outrunning our capacity to absorb it. We have become so indifferent to change that certain kinds of reforms — such as those freeing black people to acquire property and businesses, to open offices or shops, to enter joint ventures with people of other races, and so forth — simply pass unnoticed. Reforms sometimes come faster than black people can learn to use them.

Almost all remaining restrictions on black business activity are imposed by local authorities, and the remedy is not to bleat at government but to overthrow backward-looking local councils and to lobby for the repeal of licensing laws and by-laws. If the business community had, instead of piously bleating for reform, thrown their energies fully behind the PRP last month, Johannesburg might have become as free a city as central government legislation permits it to be. Sandton is free to free itself.

Clearly, it is time to think again about strategies for change. Reform, as a mechanism for change, can proceed on three fronts. The first is deregulation and privatisation, on which front government

Take a fresh look at those reform plans

KEN OWEN

must be applauded if only for reducing its own means to control the lives of the people.

On this front, I think government is doing better than most people realise, and the opposition comes from vested interests: traders, big business monopolies, trades unions, guilds, cartels, the public servants, and so forth. I don't think government gets nearly as much support as it deserves from the business community — including the bleaters — to create a free economy.

The second front is constitutional. The major remaining items on the agenda are repeal of the Group Areas Act, the Land Acts and the Separate Amenities Act; creation of a single education system and a single health care system; repeal of the Population Registration Act; and replacement of the tricameral system with a negotiated democratic constitution.

On this front, more is happening, too, than meets the eye. Government is already, whether it knows it or not, locked in a process of negotiation with black leaders. For the moment, those leaders are negotiating by boy-

cott, as the Afrikaners did before the Union. As a technique, refusal to talk is effective.

It is especially effective for people who have little power, and this has recently been demonstrated by the demand in white society for the replacement of Chris Heunis by Pik Botha, who is seen as a more flexible and imaginative negotiator. It means that black patience has worn down white resistance, and the white community is searching for another compromise to put forward.

Of course, the Group Areas Act could (and should) be repealed in the meantime, as should the Land Acts and the Separate Amenities Act, but the practical effect would be limited by the general poverty of the black population, and the political cost might be catastrophic. It may be better, at least until the next election is safely behind us, to tread water lest the Conservative Party gained enough strength to put the entire reform process into reverse, as it is already trying to do in small towns.

Anyway, reform on the constitutional front, since it concerns the central question of the transfer (or division or sharing) of power, must of necessity proceed at its own political pace; the best contribution that busi-

nessmen can make to the process is to join the task of educating white South Africans for change, and educating black South Africans for responsibility.

The third front is seldom mentioned, but it offers great opportunity: the rehabilitation of our legal system, and the extension of human rights, is more likely to produce dramatic results than anything else we might do. It offers us a chance to mount convincing evidence of real change, to widen gradually (instead of suddenly) the scope of political debate and to win foreign opinion.

Most discussion of human rights tends to get stuck on the demand for a bill of rights, which is actually part of the constitutional debate and which offers no immediate progress. I am indebted to Professor Tony Mathews, of Natal University, for an insight into the possibilities for immediate reform on the security front. Most people will be surprised by the moderation and caution of his proposals.

Mathews observed in a paper published some time ago by the UCT Institute for the Study of Public Pol-

icy (as part of a series on critical choices for SA) that "the present state of lack of rights will not, and cannot, be replaced in the short-term, even under the best imaginable of new governments, with a system characterised by full-blown individual rights and the strict subjugation of public authority to legal rules".

Nevertheless, it is simply wicked to maintain, as we do, a system that allows Zwelakhe Sisulu, Editor of New Nation, to be incarcerated without trial for more than three years. This is the barbarism of pre-revolutionary France, worse even than the capricious brutality of modern backward states.

The judges of the Supreme Court have taken up the task of visiting political prisoners to ensure that they are not beaten to death like Steve Biko and Neil Aggett, and so many others, but that is no solution.

Mathews suggests that we follow the McDonald Commission in Canada in restricting security law to protection of the state against "espionage, foreign and clandestine interference in local politics, terrorism and political violence, sabotage (narrowly defined) and revolutionary subversion". That should be enough to satisfy anybody except an outright fascist.

The way to do so is to follow the example of other threatened states, like Israel, which insists that every detainee be brought before a court after 48 hours, and that the court — not some dumb cop, or dumber Minister — decide whether to continue to hold him. Banning of individuals should similarly be handled by the courts, and so should the banning of newspapers.

The rest of the argument I leave to the lawyers. There is enormous scope here for civilising reform, and nothing else we could do would be half so effective in rehabilitating us in the eyes of the civilised world. It would distinguish us not only from Smith's Rhodesia, but from Mugabe's Zimbabwe.

Leaner times in store for the Morkels group

STW 14/1/88

30

Sharespot

LYNNE PEACH

The biggest drawback to investing in furniture retailer, Morkels, is that it is in a sector currently very down and out where investor sentiment is concerned.

The expectation of a tougher economy next year has prompted major buyers to look elsewhere in the market, specifically at industries less vulnerable to declines in consumer spending on durables.

Although Morkels has been producing excellent results, some question-marks hang over its future.

MD Carl Jansen expects the next two years to be difficult for businesses in general and for the furniture trade, in particular.

He attributes this to stricter credit legislation (about 80 percent of business conducted by the Morkels chain is on hire purchase) and to steep price increases due to local inflation and import surcharges (especially affected will be sales of appliances, sound and video equipment).

In its favour, however, Morkels has, for at least the past six years, always managed to show a profit — even in the ultra-tough 1985 year.

Morkels share price performance this year has been slightly better than that of most of its competitors.

Out of pocket

The JSE furniture index has declined by 14 percent since the beginning of the year, while Morkels share price has lost 6 percent to 75c.

Subscribers, however, remain notably out of pocket, Morkels having been issued last year at a price of 95c.

Morkels is trading on a P/E ratio of 6,9 times, well above the sector average of 4,1 times.

The low level of market confidence in the sector (and Morkels) is clearly indicated by the average P/E ratio for industrial companies, which stands at 8,9.

Similarly, the average dividend yield for the furniture sector is eight percent, double the average for industrial shares. In addition, Morkels' share price

is well below its net asset value of 114c.

The group retails furniture through the Morkels chain (82 outlets) and sells sporting goods through the Totalsports chain (13-outlets).

The Morkels operation contributes 93 percent to group turnover and has growth plans. Mr Jansen says that by year-end, the number of Morkels stores will have risen to 90. He earmarks the Totalsports chain as having particularly strong growth potential — in one year's time it will have 18 outlets and in two years' time is expected to comprise 30 stores.

Mr Jansen says Totalsports provides an important balance to the group in that it is a cash operation, compared with the credit-based furniture business.

In order to further reduce group dependence on the volatile furniture market, he says the long-term intention is to expand into other retail areas.

In the six months to September, group turnover climbed by 36 percent to nearly R90 million. The sales increase for Totalsports was nearly 80 percent and for Morkels was 33,5 percent. Earnings moved up by 50 percent to 10,8c. There was a "surprise" interim dividend of 3c.

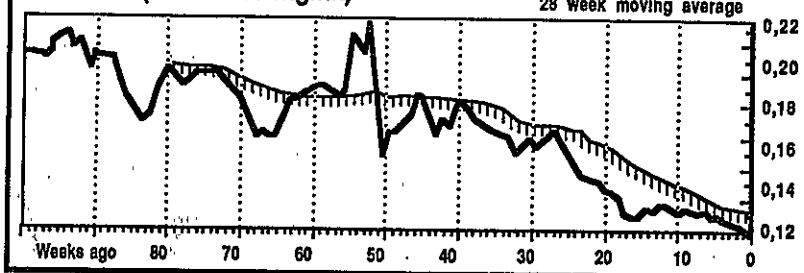
The balance sheet showed interest-bearing debt to be 47 percent of shareholders' funds, compared with 55 percent at March 31.

Mr Jansen says this is among the more favourable in the furniture industry, with some companies having more than 100 percent.

He expects the gearing to show further improvement by year-end. The favourable trend is expected to continue because as times get tougher, fewer purchases are made, while existing customers continue to pay off their accounts and, hence, cash flow improves. In addition, the higher deposit requirement for HP agreements, and shorter terms, are both positive for gearing.

JSE FURNITURE INDEX vs JSE INDUSTRIAL INDEX

(Relative strength)



Furniture companies have been underperforming most other industrial companies, including non-furniture retailers, for some time. Furthermore, the possibility of a trend reversal in the short term appears unlikely. Potential investors need to be aware that buying into a relatively weak sector is generally deemed to carry greater risk.

THE DIP in consumer spending, first noticed in September, continued throughout October, judging from the experience of Business Day's Real Economy Index panel.

The main reason was seen to be the increase in interest and bond rates, and higher costs.

October was apparently not as successful a month as September, with 66% of the panellists saying it was the same or better.

Some 42% said business was the same as it had been in the previous three months; and 25% said it was much better.

In assessing the interviews, Perry and Associates comment that most traders in the informal sector feel their businesses are still ticking over comfortably, with several reporting October as a bumper month.

Previous expectations of an excellent Christmas have fallen slightly, in that only 75% of the panellists feel the next three months will be better or much better, compared with 100% who felt that way in September.

THE PANEL'S VIEWPOINT:

□ **GLEN CAMPHER**, manager of a Johannesburg city centre Jazz Supermarket store, says business was way below what he had expected, with increases only in semi-luxury goods.

He says it was even worse when compared with sales over the last three months.

But Campher expects excellent business over the next few months because of Christmas, with people spending "much, much more".

He thinks people he does business with are more confident than before because of George Bush's landslide victory in the US elections.

"I am glad Bush came to power. So are my friends and some colleagues. The load of sanctions is going to be stalled a bit," he adds.

□ **ISAIAH "MR NUGGET" HLATSHWAYO**, shoe-shiner at the JSE premises, as usual describes his business as "very good" over the last month, and much better than in the last three months.

"Mr Nugget" expects to fare even better during the next few months because people will have their Christmas bonus money, "but one can never be perfectly sure".

□ **MIKE SEGAL**, owner of Bauers Men's Shop in downtown Johannesburg, found business "not too good" and about the same as it had been for the last three months. He attributes the decline in consumer spending to

BUSINESS DAY REAL ECONOMY INDEX

Dimmer hopes for a bright Christmas

SIPHO NGCOBO

This is Business Day's fifth Real Economy Index, covering the month of October. It is based on interviews with a panel of black and white business people, drawn from the real — or free — economy. The aim is to inform readers about developments and views in this mass market

the municipal elections falling at month-end which, he says, caused people to adopt a wait-and-see attitude.

What about the prospects for Christmas? "I don't think we will break records," he said, "but business will be good."

He thinks business confidence is "on the down" because of the recent interest rates increases. These would squeeze credit facilities and darken the whole business scenario.

"We can brace ourselves for a difficult 1989, with disposable income declining," he adds.

□ **STAN THOMPSON**, manager of Rebel Bottle Store in Blackheath, says business was very good last month and even better compared with the last three months. He attributes the increase in sales to the

approaching Christmas period.

Thompson expects sales to improve further over the next few months because of the festive season.

□ **JAMES STRACHAN**, manager of Hyper-Car, said business was "fairly good" last month, but worse than it had been over the last three-month period, with people spending less.

"Customers have become very, very budget-minded," he says. "They do not want to over-commit themselves, probably because of the high finance rates."

But Strachan expects business to be better over the Christmas period because of 13th cheques.

He rates business confidence as "the same as before" and regards current caution as "natural". "It will pass," he says.

Strachan has observed a swing to-

wards used cars, as new vehicles had become too expensive for the man in the street, and even for some small companies.

□ **COLIN BUTHELEZI**, taxi owner and chairman of the Dube/Westgate Taxi Association, says business continued the bad trend last month because of the increased price of fuel and the resultant 10% hike in taxi fares. "People seem to have been chased away by the increase in fares," he says.

But he also expects a good Christmas period because of bonuses.

□ **PEGGY "BELAIR" SENNE**, owner of "Peggy's Place," well known licensed shebeen in Soweto, says his business was fair last month, and about the same when related to the last three months.

He expects business to improve in

the run-up to Christmas, and thinks December will be a good business month.

□ **IRIS MDLETSHE**, who sells exclusive clothing from her Hillbrow flat, says business was very good last month with a tremendous increase in sales, especially children's clothing. Sales were much better than in the last three months.

As for the Christmas period, she expects her business to keep up its momentum.

□ **PEACE CINDI**, hair designer and owner of "Hair It Is," says business was "okay, but not as good as we expected it to be".

Cindi also attributes the decline to the municipal elections. "I think people were sort of waiting and watching."

He says there has also been a decline in confidence among hairdressers because of the ever-increasing number of salons, resulting in fierce competition. "There are more than 300 black hairdressing salons in town, and that tells a story."

Cindi nevertheless thinks business will shoot up during Christmas, with customers purchasing and spending more.

□ **MARY-JANE STUNKIE**, who sells clothing from her Mofolo, Soweto, home, says the future looks brighter after a poor start. Her business continued to improve last month and was "the same" compared with the last three months.

The improvement began when she changed her line of product to nurses' uniforms. She also expects a lift in her business in the Christmas period.

□ **JOYCE "GRANNY" MOYO**, a Soweto shebeener who operates on a small, selective scale, says her business was not very good in October. She thinks the increase in the deposit on bottles is still a problem. "I have lost a few patrons as a result, but I think business will be much better in December."

□ **ROB CROCKETT**, Sage Schachat (Housing) MD, says last month was "not satisfactory" because of higher interest rates and uncertainty over future building cost escalations. He says the situation was worse, relating to the last three months.

Crockett expects the trends to remain the same. "December and January are normally not good months for the building industry," says Crockett.

He believes new houses are actually cheap today, but that erosion of people's disposable income has made affordability a real problem.

PERRY AND ASSOCIATES' COMMENT

OCTOBER proved again to be a mixed month for the business of our panellists. Both formal and informal businesses have begun to be affected by the increase in interest and bond rates, and the general credit squeeze.

Most traders in the informal sector feel their businesses are still ticking over comfortably, with several reporting October as a bumper month.

There are still reasonably high expectations for a good trading period towards Christmas, but there is hesitation

regarding conditions in 1989. There is a decided "wait and see" attitude, with an expectation of a tough year ahead amongst those panellists in the formal sector.

The indications are that more people are entering the informal sector and future panels will be extended to include some owners of spaza shops ("camouflaged" shops run from homeowners' garages, kitchens or out-houses). Spaza shops purchase at least R2,1bn a year from wholesalers and, in turn, have a total turnover of R3bn.

Black business still in chains

South African

1984

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By JOSHUA
RABOROKO

BLACK small business still operated under a mountain of rules and regulations hampering it from making the economy of the country take off, the director of Small Business Advisory Services, Mr Nico Ferreira, said yesterday.

He told about 200 black and white delegates at a conference on the informal sector that it was difficult to grasp the reasons why these restrictions were not eradicated.

Mr Ferreira said: "There are obviously people who like to keep these restrictions."

The two-day conference in Johannesburg, whose theme is "Bridging the gap between the informal and formal sectors," focused on various aspects of business.

The managing director of Job Creation South Africa, Mr Ian Hetherington, told delegates that big business should help small enterprises to develop so that they could contribute to the country's economic mainstream.

He said the small business was here to stay despite all efforts to crush and restrict it.

"It has taken on a life of its own. It has its own system and approaches. It has much to teach big business. It has an enormous contribution to make to our single, integrated and interdependent economy."

Aida raises ³⁰ turnover _{sta}

Finance Staff

7/11/84
Real estate agency Aida increased turnover by 31 percent in the six months to end-August, although chairman Aida Geffen says that the increased cost of financing residential property had resulted in a weakening of the property market.

This effected margins and lowered the increase at the taxed level to 16 percent. Earnings per share rose by 16.1 percent to 3.1c and a similar increase is forecast for the second half.

The group sold properties to the value of R284.4 million over the period and increased its number of franchises by 14 to 38.

By TONY KARON

WHEN the captains of industry get organised, it usually means bad news for workers.

Yet, at the "Broederstroom Encounter" in August, 37 top Cosatu and UDF leaders met 40 of South Africa's top business leaders, and urged them to organise against apartheid.

The result was the formation of the Consultative Business Movement, headed by Christo Nel.

A director of the P G Bison group, Nel was prominent among the group of Afrikaners who met the ANC at the historic Dakar talks in 1987.

The CBM is the first big business organisation formed to work for a non-racial democracy in South Africa. It represents what Nel calls a "creative minority" of business leaders.

The majority of business executives actually back the National Party's reform programme.

"Business is controlled primarily by whites," says Nel, "and 80 percent of whites support the Nats and the CP."

'A respray'

The "creative minority" sees NP reforms as "panel beating and respraying the current model" rather than any significant change.

They believe a non-racial majority system in South Africa is inevitable.

Business faces stark choices, according to Nel.

"We either dig the trenches and wait through the war, or alternatively we reject the war option.

"You can only reject the war option in South Africa in honesty, if you accept the non-racial majority option, and work towards that rather than against it.

"We want to be part of that democratic development," says Nel.

White South Africans are gripped by an increasingly pathological fear, says Nel.

The fact that South Africa is the only place in the world where family murders have become a social phenomenon testifies to the breakdown in society.

"We've got more polite to one another in city streets — we don't necessarily bump each other off the pavements any longer. But it's not a comfortable interdependence — it's a tolerance of whites towards blacks."

One of the major thrusts of the CBM is to develop in-company educative programmes aimed at "showing whites that the benefits to be had in a non-racial democracy far outstrip the tensions and the losses that we have in a racially divided society; the fears of a non-racial majority government are not what they've been made out to be

Big business gears up to hit apartheid



Christo Nel

and that there is ample room for whites in that society."

The broader programme of the CBM involves educating business executives, and guiding their actions, through a structured consultative process with the democratic movement.

Nel hopes that this work, together with the economic and political crisis, will shift a larger group of business executives towards accepting a non-racial democracy.

Business leaders are often politically ill-informed and unaware. The CBM's education process is an eye-opener for many.

One powerful Afrikaans managing director told Nel that "I cannot believe what we've been doing to our black South Africans. If I was one of them, I would be on

Robben Island today."

The consultative process does not immediately appeal to the high powered executives who are accustomed to acting unilaterally.

"We're dedicating ourselves to consultation, understanding that consultation always takes longer than unilateral action", says Nel.

"Unilateral action, because of the highly polarised society, is impossible. We have to consult our way into actions".

Exploratory talks between business and the democratic movement began early in 1987.

At that stage the democratic movement leaders told the executives that "we'll meet with you to tell you why we won't meet with you again".

At Broederstroom, however, the

activists took the businessmen in hand and pointed them on the road towards a non-racial democratic future.

The outstanding feature of the "encounter", says Nel, was "the extraordinary political maturity of the democratic movement despite the detentions and restrictions".

"Business leaders were very frightened that they would be faced by immediate demands which they could not fulfill, and which would cause the failure of the whole process.

"On the contrary, we've seen a willingness to develop relationships from the democratic movement leaders which in practical terms has outstripped the willingness from business leaders to form those relationships".

Nel detects a shift in the attitude of the democratic movement in recent years. It has begun to interact with some of those sectors of the establishment dislodged by recent struggles.

"The dynamic is definitely saying 'there is space for more people' than we previously thought," Nel observes.

Previously, involvement depended on accepting the programme of the democratic movement.

Today, Nel believes, the democratic movement is "looking for additional strategies for people who for whatever reason cannot associate themselves with straight resistant strategies".

The democratic movement has emphasised that discussions with business do not detract from the fundamental differences — questions like sanctions and nationalisation in a future South Africa.

Activists have stressed that future cooperation will have to be on the basis of action against apartheid on certain issues, and on the basis of the business leaders organising themselves.

Differences are not ignored on either side, says Nel.

"A relationship is not built on the basis of the little bit we have in common. Rather, it's based on the capacity to accommodate our differences," he adds.

Different routes

Nel believes that capitalists and socialists share an interest in healthy economic growth in the future South Africa, although they would have different routes to achieve it.

One of the CBM's principles is "establishing conditions and structures for strong economic growth and just distribution of wealth".

Although he has met the ANC on more than one occasion in the past year, groups based inside the country are the focus of the CBM consultative process.

Indeed, whenever Nel has told external leadership about his work they have responded by saying "that's good, but what are you doing inside?"

The CBM plans quarterly consultative sessions with a wide range of organisations to guide its political responses of business.

Their ongoing programme of in-company education remains the most important short-term involvement.

The CBM is newborn, and not yet walking. It is certainly one of the more interesting spin-offs of the unravelling of white political unity in the late 80s, and the 'Dakar' strategy of the democratic movement talking to key white interest groups.

Nel is excited by the enthusiastic response to the movement so far.

While it challenges business executives to take a clear stand, Nel believes that the CBM also challenges the democratic movement to develop its strategy in this sphere.

RETAIL DEVELOPMENT

Opening new doors

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Millions of rands are likely to be poured into shopping centres in black townships as major financial institutions react to the slowdown in the formal economy and the fall-off in disposable incomes.

The realisation that SA's major white urban areas are overshipped is being met with two distinct responses, the first being that retailers will have to change their approach: to go after market niches rather than market share, to maximise the return on floorspace through intensive merchandising, and to require of developers that they plan centres which serve a community purpose.

The other approach is to turn to the Third World. Investment opportunities in previously neglected areas, notably urbanised black townships, are currently generating excitement among both developers and financiers. There is profit potential in providing convenience shopping close to the homes of commuters rather than in the distant CBDs of their workplaces.

The idea is gaining even more rapid currency among black businessmen who have seen the way for commercial activity in these areas opened up through the establishment of 99-year leasehold — and less transient populations.

Major financiers — the life offices and pension funds — have been slower to catch on, usually arguing that such developments are bad risks for their policyholders.

There are also usually objections to such schemes, from developers and local authorities with vested interests in the established CBDs, as well as from black entrepreneurs who don't wish to see the profits returning to white pockets.

But, as the economy runs downward, there is bound to be an increase in developments by black entrepreneurs in black townships, if only because the financiers need to seek out "socially responsible" projects in which to place large amounts of surplus cash.

There will of course be some problems for the financiers, the major one being that they have little historical information on which to base their investment decisions on such projects. The other is that they could make the mistake of regarding the townships simply as large suburbs, and back only the regional-type shopping centres which have proliferated in white suburbs.

And, as Small Business Development Corporation (SBDC) GM James Scott points out, "statistics on the black consumer market are so muddled with contradictions that it is virtually impossible to come to any truly conclusive findings on retail needs and development opportunities."

However, he says: "It is most encouraging

that many institutions are now taking a serious look at the market with a few having actually committed funds to larger black retail developments. We have every reason to believe that millions of rands of institutional funds will be poured into black developments at an increasing rate in the next few years."

Scott says large developments are inappropriate. Size should be dictated by penetration into the market within 1 km-2 km and the fact that purchases are still often made on a daily basis. "There seems little reason to go over 2 000 m² for a supermarket, while lineshops including nightclubs, restaurants and cinemas should add another 6 000 m² at most."

He points out that a 2 000 m² supermarket would cost in the region of R1,5m to equip, fit and stock, and that there are few black entrepreneurs with access to such funds.

Scott also places emphasis on location, reckoning that a prominent site near a railway station or major commuter interchange is still the best. Design, he says, should be modern and clean, incorporating both up-market and downmarket precincts. ■

CAPE TOWN

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A new standard

Activity in Cape Town's busy office market is to receive another boost in the form of a R32m project undertaken by the Standard Bank Investment Corporation (SBIC).

The project is the modernisation of one of the largest office complexes in the city's Foreshore area — Cape Town Centre — which will become the regional head office for SBIC companies. The centre is owned by Merriman Square, a subsidiary of Standard Bank.

The complex, to be renamed Standard Bank Centre in 1990, includes the Main

Tower of 21 storeys, the Heerengracht Tower of 11 storeys and a link block of three storeys between them. Gross covered area is 92 370 m², with gross lettable area totalling 58 860 m². There are four basement levels with 642 parking bays.

The Heerengracht Tower, with 16 300 m² of office space, will become the regional head office of the bank and will accommodate staff now in the Matador Centre. The bank and other group companies will also occupy some space elsewhere in the complex. In total, Standard will take up 19 000 m².

The project includes a complete revamp of the offices in Heerengracht Tower; upgrading of the foyer and lift lobbies in Main Tower; construction of a new entrance to the complex opposite the Heerengracht fountains; and recladding of the exterior columns.

An internal walkway is to be constructed by cutting diagonally through the ground floor of the centre, linking the two tower foyers.

The corporation has also had discussions with the city council on the landscaping of Merriman Square, to provide an additional public amenity in the area. Initially, this is to be financed by the bank.

Work is to start in January and should be complete by April 1990.

Meanwhile, the availability of prime office space of any significant size in Cape Town has been further reduced by several recent lettings.

Richard Ellis (Cape) has negotiated a R1,35m lease of 1 360 m² in Nedbank's Foreshore building to Protea Hotels; a R750 000, three-year lease of 1 100 m² in Trust Bank Centre (R16/m²) to Marine Products; two leases in BP Centre (R18/m²) worth more than R400 000 and a R350 000 lease of 520 m² in Indo Atlantic House on the Foreshore to First National Card for five years. ■

NEW NBS HEAD OFFICE

NBS Holdings is to develop a new, multi-million rand corporate head office in Durban.

This week NBS offered R4,5m, one of the highest prices achieved at a land auction in Durban, for a 2,63 ha site on the fringe of the CBD.

The site is bounded by Stanger Street, Old Fort, Ordnance and Walnut roads — strategically placed, council-owned land near The Workshop shopping complex

(Property October 28).

The bid — which equates to R172/m², significantly higher than other recent land sales in the area — was the only one made to auctioneers Russell Marriott and Boyd Trust.

The sale has been ratified by the management committee and, according to Kevin Lewis, NBS director of property administration, the initial R30m phases of the project should start next year.

Guide to black business in West Cape published

30 180 LIBRARY
W. K. ARKUS 19/11/88
By DICK USHER
Business Staff

A DIRECTORY of black business in the Western Cape, The Black Book, has been published by the Peoples Express community organisation.

Mr Jeffrey Kleinsmith, publisher and managing editor of Peoples Express, said the publication was a step towards black economic empowerment, a key element in socio-economic and political solutions sought for Southern Africa.

The 460-page directory contains more than 2 600 entries, showing that "after decades of exclusion and isolation black business is beginning to participate actively in many sectors of the economy".

It is designed to access black business to the local community, businesses, institutions, agencies and corporate planners.

Mr Kleinsmith said the directory was a response to the oft-voiced plaint of: "Where and who are the black businesses you ask me to support?"

"It is both an opportunity and a challenge for the business community to give other-than-white business operations a fair chance.

"It is also the responsibility of black business to rise to the challenge and deliver the goods."

The Black Book was not a prejudicial directory or reverse racism, said Mr Kleinsmith.

"It is an unapologetic, practical attempt to overcome decades of disadvantage and elevate the predominantly black business person from years of economic isolation and exclusion to the forefront of business in this country."

Shield Trading income down

Shield Trading Corporation reports that group operating income fell from R2,052 million to R1,720 million for the six months to August.

Pre-tax income fell by 18,2 percent to R1,826 million from R2,231 million.

Taxed income rose by 1,4 percent from R1,116 million to R1,132 million.

Earnings per share were unchanged at 3,4c.

Mr Theo Muller, group chairman and MD, attributes the group income shortfall to problems in the trading operations of Success, "particularly where high levels of shrinkage were experienced".

"In many instances the management of the Success wholesale units did not live up to expectations and several people at that level were

charged with theft or fraud."

The problem has now been positively addressed by advancing the decision on franchising the stores. This, he says, "is the heart of our business".

Mr Muller forecasts positive effects of the franchising should be realised during the latter half of the year and in the next trading year. — Sapa.

Suppliers ignore huge black trade at own expense

946 trucks 22/11/88

A huge informal retail business, with a turnover possibly exceeding R3 b a year, is mushrooming in SA's black townships. This is an extract from a study by the Trade Opinion Panel of Perry & Associates

THE informal sector of the economy, dominated by black entrepreneurs, has stirred a great deal of interest among businessmen.

One aspect of the informal sector which is probably the most highly developed is the spaza shop.

"Spaza" is the township slang word for "dummy" or "camouflaged". This expression has always been used in the townships to describe these outlets, because the previous application of regulations and the attitude of the authorities meant that this trade had to be conducted in a hidden manner.

Spaza shops are one of the most significant distribution channels through which grocery products reach the black residential areas. More and more suppliers and manufacturers are waking up to the opportunities presented by these outlets.

The Trade Opinion Panel believes that the combined purchasing power of the spaza shops makes them, as a group, a contender to join the big three supermarket chains as one of the country's most important grocery distribution channels.

Grocery manufacturers who ignore the fact that their products are being sold through these outlets could just as well be ignoring the might of Pick 'n Pay, OK Bazaars and Checkers.

If estimated grocery, toiletry and confectionery purchases by spaza shops and hawkers amount to a minimum of R2,1 b, then the total at retail selling prices, using an estimated mark-up of 50%, is about R3,15 b — value added or profit being R1,05 b.

These figures exclude fruit and vegetables, dairy products delivered direct to outlets, cigarettes, beer, bread and a percentage of cold drink sales. This known figure can justifiably be referred to as "the tip of the iceberg".

Unemployment

The Trade Opinion Panel estimates that there are at least 20 000 spaza shops in the Witwatersrand area.

Several factors will combine to extend the life of the spaza shop sector for some years:

The first is high unemployment amongst the black population. As long as formal employment levels remain static and a welfare system does not exist, the unemployed will look for ways of supporting their families.

The spaza shop offers an opportunity to earn a living which requires few overheads. The trader can operate from his home and the establishment cost is fairly low.

Spaza shops provide a convenience store closer to people's homes than the traditional shopping centres. Distance, coupled with a fear of the crimi-

nal element at night, means that township residents would rather buy small purchases from a house next door.

The lack of formal retail outlets in the townships means that demand for retail services far exceeds supply. Land for the development of shopping complexes is not freely available in black residential areas, and new centres which are built are usually monopolised by established businessmen.

The continuing de-regulation of the informal sector, coupled with the support of the authorities and formal business in the form of wholesalers and manufacturers, will ensure the development and continued existence of the spaza shop outlets.

The cost of running a spaza shop is calculated on a marginal basis by operators. The structure — the house — is already there, as are the members of the family who help tend the store.

Turnover

The typical spaza shop consists of a section of a residential property in a black township which has been converted into a retail grocery store. This could be a corrugated iron lean-to shack, a brick building in the yard, a converted bedroom in the house or a garage. They cannot be seen easily by passers-by in many instances.

The range of turnovers for spaza shop outlets is broad, as is the size of the outlets and range of products stocked.

The lowest claimed turnover recorded was R100 per day, which increased to R200 per day on Saturdays and Sundays, giving a turnover of R3 800 per month.

The top-of-the-range was an outlet in Soweto, with a turnover of R31 000 per month.

Between the two is a wide range of turnover, with the most typical being in the region of R500 per day, moving up to R700 per day at weekends (R16 600 per month).

Wages are usually low, paid weekly in cash, probably with no deductions.

In the early stages of development of a spaza shop, before the necessary licences are obtained, additional costs — in the form of bribes — are incurred.

These payments go to black and white officials. Once licences have been obtained the irritation falls away.

The spaza store is not simply a small hawker selling a limited range of products at low mark-ups. It is a fairly substantial customer for the wholesaler and a significant distribution channel for the manufacturer.

It is an important channel for reaching the mass market segment of black consumers living in urban areas.

Teljoy lifts profit and dividend

20 Finance Staff

Teljoy lifted turnover by 34,1 percent to R41,9 million (R31,2 million) and net taxed income by 32 percent to R7,7m (R5,9m) in the six months to September.

An interim dividend of 4,5c (3,5c) a share has been declared.

Executive chairman Mr Theo Rutstein expects the historic trend of better operating performance in the second half to be repeated.

Referring to Mastercare, he says it is likely consumers will retain appliances for longer periods, thus stimulating demand for maintenance contracts and cash repairs.

With R18,2m invested in the half-year, Mr Rutstein says efforts to increase the number of black renters and to capture a significant share of the TV replacement market have shown encouraging results.

"Zetacom, now called Teljoy Business Services, has entrenched itself as a premier supplier of conference and hotel communication systems and is contributing to group profits. The operating margins for both Mastercare and Business Systems are, however, lower than the core rental business".

Mr Rutstein says higher investment in new TVs and VCRs for the rental fleet has had an effect on gearing.

"However, with the interest payment now more than 11 times covered, compared with eight for the same period last year and 10 at year-end, gearing is no problem."

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NEW LAW 'LACKS TEETH' TO PROTECT CONSUMERS

THE Harmful Business Practices Act — and the Business Practices Committee that it established — lacked the “teeth” to adequately safeguard consumer interests, Natal University law professor David McQuoid-Mason said yesterday.

Speaking at the Checkers Consumer Journalism Awards seminar, he said the new law, promulgated in July, stopped short of creating a central consumer office and authorising it to issue fines and court or-

CHRISTOPHER TUCHER

ders, monitor trade licences and award damages.

This was inadequate, especially considering the SAP commercial branch and the magistrates' courts were too overworked to assure smooth legal proceedings against harmful or fraudulent business practices.

Business Practices Committee chairman Louise Tager said the so-

lution to better consumer protection lay in greater public awareness of consumer rights.

She said the new committee was authorised to investigate cases of harmful price increases or discount practices, but was not to be used as an instrument to curb inflation.

Because statutory boards did not constitute a “business practice”, Meat Board price rises, for instance, were not subject to investigation.

~~Cuisine last night...~~
chef Neil Rangasamy, Tony Ives, Bruce Raymond and Walter Swinburn. The sixth member of the British team, Michael Kinane, arrives in South Africa today. Eleven-time South African champion jockey Michael Roberts, who has ridden in England for the last three years, will captain the UK side in the four-race test. Roberts finished third on the British jockeys' log this year. The South African side is to be captained by Cape rider Felix Ccetzee, who won the South African Jockeys' Championship last season. ● Picture by Ken Oosterbroek.

Store warned to close on Sunday

Woolworths has been forced to cease trading on Sunday mornings at seven selected stores in the Transvaal.

For the past two Sundays the selected Woolworths stores have been trading between 9 am and 1 pm.

But Woolworths divisional executive for the Pretoria area, Mr Tommy Dreyer, said they had been notified by provincial officials that it was illegal for them to sell textiles on Sundays.

Mr Dreyer said the stores that were open on a Sunday were selling both food and textiles.

He said the turnover in food

22/11/88 30
Pretoria Correspondent

alone on a Sunday morning was not large enough to warrant opening on a Sunday.

The decision highlights the disparity between the regulations governing shopping hours and trading restrictions in the different provinces.

One Sunnypark trader, who did not want to be named, said that in Durban people could do all their shopping on a Sunday, including such things as hardware goods.

The trader said it was strange one thing applied to one prov-

ince and another in a different province.

Mr John Laws, Pretoria manager of Anglo American Property Services, the owners of the centre, said it was a great pity Woolworths had to stop trading on a Sunday.

There was the Lions' flea market, which was very successful and had virtually become an institution at the centre on Sundays.

Mr Laws said between 15 000 to 18 000 people visited the centre on a Sunday compared to a bad weekday figure of about 25 000.

No sign of retail sales slowdown

30 By Michael Chester

Retail trade sales in November are expected to be above R4,5 billion, more than 24 per cent higher than a year ago.

The forecast has been made by Central Statistical Services (CSS) on the basis of a 12-month nationwide survey of spending trends.

The buying boom indicates that there is still no firm evidence of any dramatic slowdown in consumer spending, despite Government moves to squeeze credit with stricter purchase terms, higher interest rates and stiff import surcharges.

The Association of Chambers of Commerce and Industry is convinced that total spending in the full Christmas shopping season, November and December combined, will break all records at above R10 billion.

Assocom economist Mr Ed Verburg believes that the full impact of the Government squeeze will not be felt until the New Year.

For the moment, he says, many consumers are still determined to buy now to beat higher inflation and steep price increases expected early next year.

The CSS predicts that retail sales in the three months from September to the end of November will now reach an unprecedented R13 227 million at the final count — compared with R10 642 million a year ago.

That means a jump of 24,3 percent measured at current prices and a 9,3 percent climb even in terms of constant 1985 prices. This strips away the impact of inflation and measures the increase in sales by actual volume.

Many economists now forecast that spending in December, at the height of the Christmas spending spree, will surge far above the R5 276 million reached last year.

● See Page 13.

By Ann Crotty 30

The past four years have seen confusing but dramatic changes for this country's businesses.

New trends have emerged which will in some way force corporate entities to change their strategic approach if they are to survive profitably.

This is the message of the latest *Early Warning* issued by business and market consultancy, Perry and Associates.

In the short term, profits are up and many companies have already made considerable adjustments but, according to the Perry report, the emerging scenario will require further adjustment or companies will face certain difficulty. *Star 23/11/88*

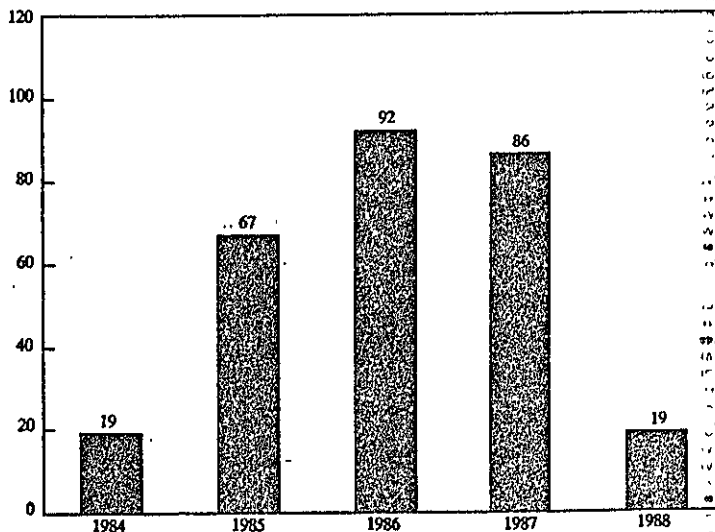
Companies that will become "the strong ones" in the 1990s will have eight key capabilities, of which two will be shared with winning companies worldwide, whilst the other six will be particularly relevant to this country.

The report states that "All companies wishing to be counted amongst the strong ones in the 1990s must move towards developing the capability to:

- Focus on key business activities.
- Drive towards lowest overall costs.
- Be responsive to changing circumstances.
- Be closer to labour and unions.
- Be people, productivity and rewards orientated.
- Have access to relevant technology.
- Have access to capital for growth.
- Form and manage strategic alliances.

Perry and Associates have identified seven key trends that have emerged over the last four

Businesses facing new survival tests



The pace of disinvestment is slowing down (for now).

years and stress that the impact of these trends will intensify.

The seven trends are:

- The go-stop-go economy — a consequence of financial sanctions which have placed a ceiling on growth. As soon as the economy starts lifting off, consumption increases, the investment phase of the boom approaches, and the government is forced to intervene with import and credit restrictions.
- The technological plateau — a result of the weak rand, sanction and disinvestment.
- Industrial unrest — which is forcing companies to consider automation and mechanisation.
- Black buying power

- Sanctions — a feature of business life that is expected to persist.

- Government policies on deregulation, privatisation and competition.

- Disinvestment — this peaked in 1986 and has now lost momentum but if a Dellums-type bill is enacted in the US the trend could accelerate and then decline as the number of companies left, diminishes.

The report stresses that the key capabilities are not instant remedies and management will have to ensure that they are developed appropriately within the organisation.

Checkers offers to fund watchdog

The Argus Correspondent *23/1/88*
JOHANNESBURG. — The giant supermarket group Checkers has offered to help fund an organisation to protect and encourage consumer interests.

Mr Clive Weil, the company's managing director, said at the Checkers Award for Consumer Journalism presentation in Johannesburg that R500 000 would be made available provided consumer organisations agreed to form a national coalition.

He added that there was "no substitute for organised consumerism. Checkers firmly believes that a consumer coalition is desperately needed."

Mr Weil emphasised that he was not attacking existing consumer groups and praised them for doing what he termed "an excellent job with the limited resources and the voluntary staff members available to them."

He added, however, that a single national consumer organisation, independently financed and staffed was the solution.

Mr Weil said that the country could not afford sectionalism or dissent, and that a single group was needed.

Reacting today, Mr Jan Cronje, director of the Consumer Council, said the Council commended Checkers on their efforts but added that Mr Weil's idea was not feasible.

"Consumers want the best products for the lowest prices while dealers want the highest profits for the lowest input."

Shoppers Check out the hypers and take ³⁰ their Pick

By ANDREA WEISS
Staff Reporter

AK66S
23/11/88

THE battle of the supermarket giants raged in Brackenfell today when Checkers opened its new warehouse within a stone's throw of Pick 'n Pay's Hypermarket.

Hundreds of shoppers from the Peninsula rushed to the warehouse to take advantage of the low opening prices.

But just as many people gathered at the Hypermarket to await the arrival of singer Bles Bridges.

While Checkers concentrated on bargains, the Hypermarket handed out free coffee and free tickets to win a beach buggy.

A banner strung across a bridge on the N1 highway announced: "You're now in Hypermarket territory."

The Public Relations Officer for the warehouse, Mrs Eileen Weetma, said the number of shoppers at opening time was "phenomenal" and she was "more than overjoyed" with the response.

There was a rush for cheap meat, fruit and vegetables and hardware.

VISITING BOTH

Customers seemed to be taking advantage of both.

Mrs Florence Stefanus said she would visit both supermarkets.

Mr Desmond Layman of Mitchell's Plain, pushing three trolleys of goods, said he liked the new store as it was very clean and prices were low, but he was also going to listen to Bles Bridges and shop at the hypermarket.

Miss Carmen van Rensburg of Scotsville said she was enjoying the lively atmosphere. She and her mother were only there to shop and were not planning to visit the Hypermarket.

The new store covers 15 000 sq m and has parking for 2 000 cars.

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granted.

At the Harms Commission hearing on Tuesday more details emerged. It appeared that these companies were dependent on the receipt of new funds to repay maturing capital sums and high short-term interest rates.

About 600 depositors could lose all or part of the investments, some of which individually run into several million rands. They include public servants, charities, trade unions and other, mostly Afrikaans, service associations.

Hard on the heels of that matter, came the report of the Specialist Committee that investigated the SA Transport Services foreign exchange activities and forward exchange contracts. It would have been difficult for the committee, chaired by James Cross of the

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Reserve Bank, to be more scathing about the management — or lack of it — of Sats' foreign currency transactions, which led to forex losses of R3 119,2bn, as reflected in the notes to Sats' 1987 financial statements.

No general policy was laid down by Sats management, no guidelines were given by senior management, and there were considerable inadequacies in the recording of transactions. In addition, there was no accounting policy in relation to these forex dealings and no ongoing reporting of them.

Details of all forward transactions were not available when the committee called for them. They had to be reconstructed from dealers' notes and commercial bank transactions. In some instances it was 18 months before forex transactions were brought to account.

The management incompetence uncovered is only one worrying aspect of the report. What we find significant is that the committee said that it found Sats' level of activity in the forex markets to be unacceptably high. Single transactions appeared to be inordinately large and there were an inordinately large number of transactions (1 200 in one quarter).

After the experience of the African Bank in the forex markets, the public needs to be assured now that no Sats officials were dealing for their own account. The level of activity referred to above need not necessarily indicate that that was the case. But a very large amount of public funds are at stake and taxpayers deserve to be assured that, despite the lack of supervision, there were no untoward transactions in this respect.

And this should be done soon. Unhappily, however, instead of rapid action being taken, the report has been referred by the Speaker to the Joint Committee on Public Accounts and it will be discussed in parliament. This will no doubt mean more delay.

There are now three commissions hearing evidence of alleged financial irregularities: the James Commission, the Harms Commission and the Van den Heever Commission; as well as the Cross committee. ■



Reserve Bank's James Cross ... criticising Sats forex managers

PUBLIC FINANCES

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Serious indictments

Reserve Bank officials this week in two separate incidents revealed actions that, if true, are a shocking indictment of the supervision and management of the finances of substantial undertakings, of which SA Transport Services is one, in this country.

As a result of one incident, the State President has broadened the terms of the Harms Commission into alleged irregularities in transactions with neighbouring states to include the activities of a Ciskei bank and its associated companies.

The matter first emerged on Monday night when the Reserve Bank took legal steps to halt the operations of a Pretoria attorney, W A Vermaas, and three companies — Eurotrust (Ciskei), Eurobank and Verco Holdings — that had allegedly received R150m in deposits that might be in contravention of the Banks Act. A temporary interdict was

All aboard

25/11/88

Bellville may lack some of the cachet of Cape Town, but this doesn't seem to have worried developers in the past year.

And now the town council plans a R6m redevelopment of the CBD, due to start next year.

In addition, Sats, as part of its business development programme, is to lease the 10 000 m² Bellville station site for secondary business purposes.

Tenders close in February next year and a development scheme for the site should be finalised by June.

The site is at the head of the CBD redevelopment area. Town clerk John Marshall says plans for this are aimed at "humanising" the

area and increasing its retail potential.

And Jan van Dijken, Sats regional business development co-ordinator, says that if the pattern of the Germiston station were to be repeated, one could expect a large retail component (*Property* December 4 1987). Sats will take accommodation in the finished development.

Meanwhile, Bellville forges ahead. The value of approved building plans increased

84% from R76,3m in 1986-1987 to R140,2m in 1987-1988.

According to the mayoral report, this includes an increase from R1,4m to R32,2m in the value of planned commercial and industrial developments.

Spending on public buildings increased by 61% to R37,8m, while the value of residential developments increased from R12m to R26,8m (see box above). ■

30 FMM 25/11/88

CHECKERS vs PICK 'N PAY

Head-on collision

Even under normal circumstances, the opening of a Checkers Warehouse directly opposite a Pick 'n Pay Hypermarket would be cause for considerable comment.

However, the recent public bickering between Clive Weil and Raymond Ackerman over confidential rebates adds extra "needle" to this week's Checkers opening at Brackenfell, Cape Town.

The new Warehouse is across the road from Pick 'n Pay's well-established and successful Hypermarket.

Checkers MD Weil denies head-on confrontation was sought. He maintains Checkers has long been under-represented in Cape Town, particularly in the northern suburbs.

Given the rapid population growth in the area, it is logical Checkers should seek a share of this market with an estimated catchment area of nearly 500 000 people. That it has ended up right across the road from Pick 'n Pay is purely coincidental, he says.

Weil says he expects his store to obtain a fair share of the market. It's Checkers' ninth Warehouse to open (the tenth will open in Chatsworth in December) and he says the concept is a success. Conversely, he claims the Hypermarket is close to capacity.

Pick 'n Pay MD Hugh Herman says his group isn't making a big issue of the Checkers opening — although the Hypermarket's advertising rather belies the claim. It has announced five days of "no profit" on some lines and has booked Bles Bridges to entertain shoppers.

Says Herman: "We're not at war with anyone. We have a vigorously competitive market and we will respond to competition."

He denies the store is trading close to capacity. He also offers veiled criticism of the Checkers development: "If I were intending to challenge a competitor, I would seek to build something bigger and better. But it's much smaller, with fewer facilities."

Predictably, that contention is challenged by Checkers. Weil concedes the total area is smaller, but says the rival includes a Joshua Doore store. Moreover, he says the Warehouse offers more parking — a claim refuted by Pick 'n Pay.

Clearly, the retail market in the area is growing. Weil is hoping Brackenfell will become *the* place for northern suburbs residents to do their grocery shopping. But how many of them will be Pick 'n Pay customers remains to be seen. ■

Different climatic conditions create the necessity for specially developed haircare or skin products. Medicos, a new, black-owned cosmetics company recently opened in Orlando West Industrial Park, Soweto, has worked on developing products for different areas in South Africa. After successes in Zimbabwe, where sales rocketed, the company spread its wings and opened branches in Botswana and Malawi. DERRICK THEMA reports on the company's penetration into South Africa.

DOUGLAS Ruhukwa, an industrial chemical engineer from Zimbabwe and managing director of Medicos Private Ltd, last week commissioned the first ever chemical and cosmetic manufacturing plant at Orlando West Industrial Park.

Co-directors of the plant are Manas Shole and Lucas Sebobe.

The time is long overdue for interactions between entrepreneurs in Africa with the view to establishing corporations in the same way multinationals have been doing, said Ruhukwa.

"With black Africans realising the need for economic empowerment as opposed to political empowerment, it is crucial for us to start involving ourselves in technology and information transfer. We must not be like traditional witchdoctors who will not divulge new herbs for treatment and would rather die with valuable secrets," he said.

This typical African problem is still rampant in Zimbabwe where many still pursue self-interest by running one-man operations

"We have to start thinking of corporate growth, or corporatives as we call them in Zimbabwe which is basically the same thing, except it has a socialist connotation," he said.

Black businessmen, he said, must learn to adopt a professional approach to business and must start from scratch.

"We have to learn to invest in human resources and desist from the tendency to show off by buying posh cars before we even get returns from our investments," he added.

Educated at the University of Zimbabwe, Ruhukwa graduated with a BSc degree. He also holds diplomas in engineering and material technology and an electronics diploma from Harare Polytechnic.

After working as a product development manager, which included factory administration, labour manpower planning, statistical management systems, marketing, sales administration, product research and development and quality controller for multinationals, he took up a post as lecturer at the polytechnic. It was while working here that he researched hair and skin products by US and UK companies for African conditions.

"When I was happy, I quit my post to form Medicos with two other pharmacists, one of whom was educated at the University of the North. We were later joined by Dr Meshack Chware and together we developed a product which was suitable for tropical and sub-tropical conditions."

Their products, he pointed out, differed vastly from those made in the UK and the US at emollient levels as well as type and level of humectants. They also differed on types of moisturisers.

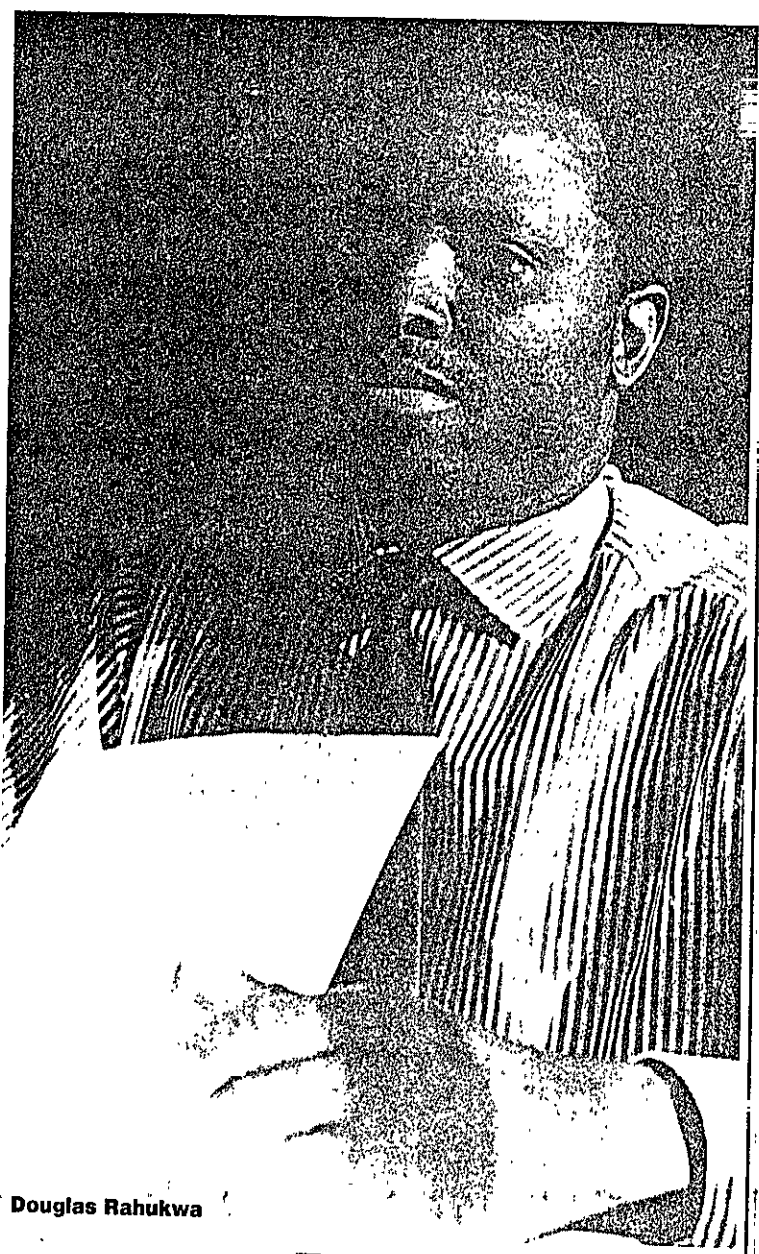
They launched their product on a low key because financiers would not back them, believing the market was highly competitive and firmly controlled by multinationals.

"They also found us different in our marketing approach because we believed in the grapevine concept where a product should be known by word of mouth and for its high quality. The other reason is that after independence, there was a general upsurge by blacks to get into business so banks were inundated with loan applications," he said. With capital of R30 000 from their savings, they launched their company in November 1983. With a mere three employees, Ruhukwa knocked from door to door effecting sales and introducing the product. Business grew fast.

"Salons and consumers found our product to be good so we went about setting up service centres all over Zimbabwe. We were establishing growth points, making sure that clients got high-class, professional service as well as the right product. We gave away brochures and held seminars and demonstrations at salons."

One of their major concerns was to try and eliminate false economies where clients try to extend the lifespan of products because

A Zimbabwean, South African business partnership - initiated by chemical engineer Douglas Rahukwa - has launched a cosmetics factory in Orlando West. Co-directors of Medicos Private Ltd are Manas Shole and Lucas Sebobe



Douglas Rahukwa

Soweto gets own cosmetics line

they are short of money. It is no miracle that the hair industry promotes personal care because "it is a discipline where people must find the time to look after themselves". He argues that many blacks have problems like dandruff and itching skulls.

"People must take time to look good because if they do, they feel good and develop confidence."

Zimbabwe hair care product manufacturers have formed the Personal Care Products Committee under the Zimbabwe Chemical Manufacturing Association which, unlike South Africa, has a quality policy. Products are monitored through the Drug Control Council which is a statutory government body, operating in association with the Standard Association of Zimbabwe.

"We ascertain the safety of the consumer and have certain parameters we insist on like micro-biological content, the possibility of fungi, acidity or alchemy and likely negative effects on components on the human body."

Before collaboration with Soweto's Shole and Sebobe, they expanded into Botswana about a year ago where their monthly turnover was more than R60 000. He explains that because of a shortage of foreign currency, people, especially women, smuggled their products into Botswana to sell. By the time they opened Medicos Botswana, their products were already known.

Their rapid success prompted them to look for growth areas in other parts of Africa. After establishing yet another sister company in Malawi, they agreed to team up with Shole and Sebobe in South Africa. But first he carried out tests to determine the compatibility of their products to SA weather conditions.

"We discovered that coastal cities like Cape Town, Durban, Port Elizabeth and East London will require product adjustment because they are humid and hot. Products for these areas will differ to those we will market in Johannesburg and the Transvaal," he said.

They believe that while there is a glut of products in the market, they have found that quality is lacking.

"There are some good products in the hair care industry in South Africa but the majority are not. We have also found that there is a tendency to copy US products. There is very little objective formulation and this is wrong because Durban is not like Johannesburg," he argued.

The SA industry needs to get organised because everybody seems to have the right to mix any formula without any consideration for the client.

"South Africa needs control bodies who will protect consumers. We were the first in Africa to ban high-content hydroquinone-based products in face creams," he said.

With Medicos Private Ltd in Zimbabwe having an annual turn-over of R2.4-million and giving jobs to more than 100 people, Medicos Products SA seems set to penetrate the marketplace.

Barend warns of new clamps

30 p. stories 22/11/88

FREE-SPENDING consumers could be hit by another percentage-point increase in interest rates before Christmas.

Finance Minister Barend du Plessis told Business Times this week that if the economy did not cool soon, further measures would be taken.

Mr. Du Plessis said: "We are not unmindful of the disruptive effects of violent rate fluctuations. We have, therefore, sought to avoid dramatic increases and to see gradual rises in rates, to which we hope the public will respond."

"Such monetary steps are unavoidable if excessive demand is to be checked, the balance of payments strengthened, and inflation held at bay."

Question

Reserve Bank Governor Gerhard de Kock raised bank rate by two percentage points to 14.5% on November 2, pushing prime overdraft from 16% to 18%. In August, huge surcharges were imposed on luxury imports and hire-purchase terms were tightened. But because there was a delay on the surcharge, frantic spending occurred ahead of price increases on new stocks.

The big question now is whether past measures were sufficient to dampen demand inflated by private and public salary increases and bonuses that reflect much improved company profitability.

Several economists think rates could be raised again to dampen demand before Christmas.

They say that if such a move proves excessive and consumer demand goes into a freefall in January, rates could be dropped after the annual spending binge.

Sharp

First National Bank managing director Chris Ball told Business Times that the economy had to be cooled as soon as possible. An increase in prime overdraft of about one percentage point was a possibility.

"If the gold and foreign-exchange reserves were not so critical, we could possibly afford to be more relaxed about the economy — but the balance of payments must be protected."

"Fiscal action should be taken now — we need a short, sharp cure."

Standard Bank group economist Nico Czyplionka said monetary policy had been the most favoured brake on the economy.

"I believe, however, that it is important to allow the most recent increases to work, especially because they have been artificially delayed for so long."

Nedbank economist Dennis Dykes said there was scope for another rise in rates, but they were approaching the top.

How did the most recent two-percentage point rise af-

By Robyn Chalmers

fect demand? Retailers give mixed reports. Many report that they have seen no discernible downturn.

This is borne out by a nationwide survey by Central Statistical Services, which predicts that retail sales in November will exceed R4,5-billion — more than 24% higher than a year ago.

Association of Chambers of Commerce (Assocom) economist Ed Verburg believes that spending in the Christmas shopping season, November and December combined, will break all records at above R10-billion.

Optimistic

"Because of this, rates could possibly increase by a percentage point, especially as the bankers' acceptance rate is already discounting the increase of a few weeks ago."

Dion store boss Hymie Sybul is optimistic that turnover in November and December will be better than expected.

"Although we have not seen a surge in consumer spending, there has been no

From Page 1
discernible drop since the rate increases." Kevin Brewer, group financial director of Edgars, the biggest clothing retailer in SA, says dearer money has not had a dramatic effect on trade.
"We believe that people will see Christmas through before adjusting." McCarthy Motors chairman Brian McCarthy says there has been no overall fall

Barend warns
in business, although private buyers are holding back.
"There is a strong likelihood that interest rates will rise to dampen demand, which is better in the long run, otherwise we would probably see even stricter measures in the new year." Joshua Doore deputy managing director Ray Schur

says there has been no significant drop in business in the past two weeks. But the fact that there has been no upturn either in the traditionally good month of November means there had been some effect.
Stan Berger, managing director of Amrei, biggest furniture and shoe retailer in SA, says his group noticed a distinct cooling of demand after the most recent mea-

Used car sales on the up and up (30)

28/11/88
REINIE BOOYSEN
B/day

THE spiralling cost of new cars and government-imposed credit control measures have resulted in a surge in used car sales, McCarthy Group joint MD Theo Swart says.

His group expects used car sales to increase to R530m in the 1989 financial year — an increase of nearly R170m or 50% in just two years.

Private buyers were increasingly being forced out of the new car market to the extent that they accounted for only 25% of new car sales.

"The average private motorist used to take the purchase of a new car for granted. Now it has become an impossible dream — a luxury that is becoming the domain of corporate fleet owners."

Swart says new car prices will rise by another 20% next year, "putting new cars beyond the reach of an even greater slice of the private buyer market."

"Used cars prices will not rise nearly as much, so that market must benefit."

JOHANNESBURG. — Big business yesterday prepared to hit back at Boksburg — South Africa's new apartheid town.

With 60 Conservative Party-controlled municipalities in the Transvaal ready to follow Boksburg's lead in turning back the apartheid clock, commercial giants led by OK Bazaars and Tradegro joined the growing row, threatening to drag the government along with them.

OK Bazaars managing director Mr Gordon Hood said the indications were that Boksburg's black residents were already taking their business to neighbouring towns.

Sales at the Boksburg outlet were markedly down, while other East Rand stores have improved.

"If a race group decides it is not wanted in town, it may boycott the businesses in that town," Mr Hood said. "It has happened before."

Tradegro chief executive Mr Donald Masson said his group would not make any new investments in towns like Boksburg where CP councils re-imposed old apartheid measures.

'Financial sabotage'

Both men voiced total opposition to the CP's actions. Mr Masson said he was convinced the government will take steps to counter the CP's move.

Tradegro would maintain its existing investments in Boksburg, mainly in the form of retail stores like Dions, but would not stand for any discrimination in its stores, he said.

The Boksburg Chamber of Commerce condemned the town's partition as "financial sabotage" and predicted that massive disinvestment of overseas companies could result.

The president of the chamber, Mr Johan Viljoen, said the decision to segregate amenities would only apply pressure to multinational companies operating in industrial Boksburg and give them the excuse to disinvest.

Some of the multinationals who had promised to remain in South Africa could be "pushed over the edge".

"We are very concerned at the effects that the decision will have on the welfare of the town. It could cost us millions of rands.

"Not only will South Africa lose, but the people of Boksburg will suffer in lost jobs and reduced buying power."

Interleisure chairman Mr Ian Heron, whose firm runs a string of fast-food outlets and restaurants including Bimbos and Captain Dorego, said Interleisure was "totally against racism".

Even if the CP only managed to re-impose apartheid on property controlled by CP councils, Interleisure would "make the strongest representations to government".

Mr Raymond Ackerman, chairman of Pick 'n Pay — which has one supermarket and one hypermarket in Boksburg — has promised to lobby for change and possibly discuss the Separate Amenities Act with the government.

"Through our own efforts and those of business organisations we will try to have their action reversed."

The action could mitigate against the positive overseas reaction to South Africa following government moves over Mr Nelson Mandela, the Sharpeville Six and Angola, he said.

The managing director of leading multinational Colgate Palmolive, Mr Gerald Kocker, said the situation was "just ridiculous" and vowed to do everything to "convince those people they are not doing the right thing".

While disinvestment was not an option, his organisation might decide to support an increasingly popular idea to have their factory rezoned to near-by Benoni.

But even as the volume of protests against the CP's return to old-style apartheid grew yesterday, the unrepentant Boksburg town council said it

To page 3

From page 1

would stick to its guns. The chairman of the Boksburg town council management committee, Mr Gideon Fourie, said the CP represented most of the town's wards and would carry out its mandate from last month's elections.

He also announced that a new suburb, Wil-lowmore Park, would be reclaimed for exclusive white residence and Indian families living in the area would have to move out.

Meanwhile the PFP is expected to join Boksburg's outraged black residents in taking court action against the right-wing council's moves to restore Verwoerdian-style apartheid.

A party source said the matter was being considered by the Boksburg PFP, though local chair-

man Mr Tony Dutton could not be reached yesterday for confirmation.

Black residents have indicated they are investigating the feasibility of an urgent court application to set aside the council's apartheid measures.

A municipal by-election in town is expected to give an indication of whether Boksburg residents believe their council has gone too far.

Parties to the left of the CP have rallied around independent candidate and president of the SA Amateur Swimming Union Mr Issy Kramer, who is fighting the election with the unofficial backing of the NP and has also been offered support from the PFP.

A major protest meet-

ing in the town is being planned by numerous sports bodies for Thursday.
CP leader Dr Andries Treurnicht will address a public meeting in the town next week when he is likely to insist that the party continue to implement its policy at local level, regardless of the reaction.

Own Correspondent

CP

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29/11/88

Homemakers making a favourable impact

With the formation of Homemakers just over a year ago, a new retailing and distribution group was introduced to South Africa.

The rationale was to create a giant group with autonomously run companies, each specialising in the distribution of consumer goods in both wholesale and retail areas.

The concept was welcomed with open arms in some cases, and greeted with scepticism in others. At least, near-consensus is only likely to come about once the group has proved itself.

In this regard, the next two years are probably particularly important ones as the economy, and particularly the furniture industry, is expected to cool down.

If Homemakers manages to produce good results through the tough times, it is bound to gain a great deal of credibility — and a more realistic stock market rating.

Sharespot
LYNNE PEACH
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STW 3d 11/88

Chief executive Hilton Nowitz is confident that group results will continue to show good growth. He explains that any decline in furniture business is expected to be offset by significant cost savings following the Joshua Doore merger.

In addition, he says that the other group businesses, especially the direct selling operation, tend to thrive during recessionary times. Mr Nowitz also points out that Homemakers is a very powerful group with exceptionally strong management throughout all operations.

For example, the newly merged furniture operation will be controlled by Joshua Doore's David Sussman, generally regarded as one of the top furni-

ture retailing men in the country.

Homemakers can be divided into four sections — textiles (Fabric Library, Nieman/Lee, OFS James and newly acquired Rowe-Innotex); direct sales and mail order (Housewares); furniture (49 percent of Joshua Doore from about mid-December 1988, and home improvement (Sembel-It).

Mr Nowitz expects about half of group earnings to come from the furniture division in the current financial year to December 1988. Last year this division contributed a more significant 56 percent.

The declining dependence on furniture business is attributable to relatively higher growth in the group's other operations, according to Mr Nowitz.

He estimates that in financial 1989, the contribution made by the furniture division will be further reduced, probably to around 40 to 44 percent of group earnings.

Mr Nowitz expects most of the other half of group earnings in the current financial year to come from Housewares, and the balance to be contributed by the textile and home improvement divisions.

Homemakers' interim results to June 1988 revealed strong turnover growth of 50 percent and, after a higher weighted number of shares in issue, a 36 percent increase in earnings to 6c.

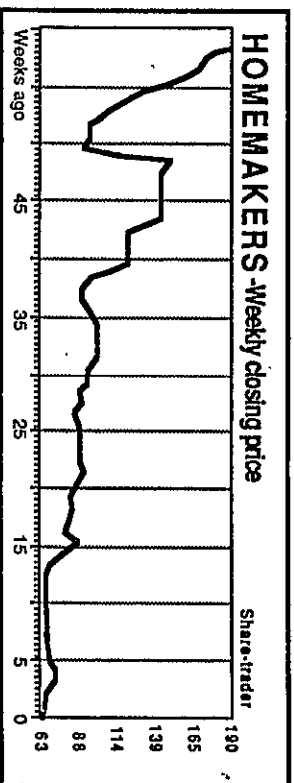
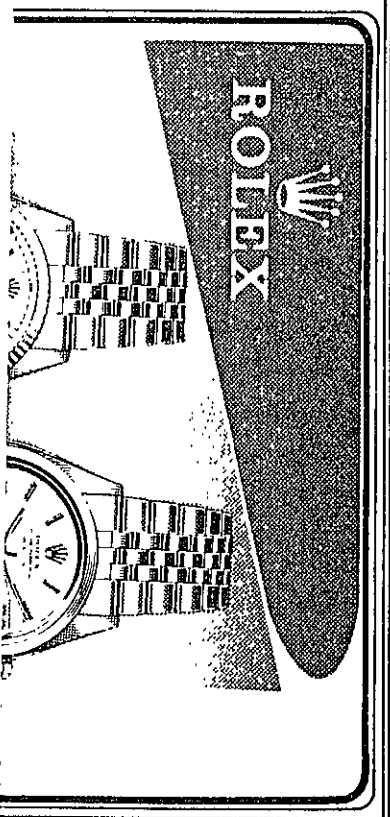
The interim dividend was 2c. The balance sheet showed a debt-equity ratio of 49.5 percent, which Mr Nowitz says will decline to approximately 20 percent in view of the structuring of the Joshua Doore deal, as well as the R10 million cash received from the deal.

At the current price of around 60c, Homemakers is trading on a price-earnings (PE) ratio of 3.5 and a dividend yield of 5.2 percent. If its earnings from furniture are rated according to that sector's average, and the balance according to the industrial average, then

the share price should be above 95c (PE of 5.7).

Stockbrokers are estimating earnings for the full year to December 1988 of about 18c which places the share on a forward PE ratio of 3.3. Should the dividend be around 5c to 6c, the prospective yield is eight to 10 percent.

If earnings grow by 20 percent in financial 1989, to 21.6c, the PE ratio reduces to less than three. In view of the favourable fundamentals, the share appears undervalued and could well reward long term investors very handsomely.



Homemakers share price remains in a downtrend and will have to move up to about 80c before the technical picture looks brighter. The share has also been markedly underperforming the JSE retail index and the JSE furniture index.

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White Boksburg retailers lash out at CP

WHITE-OWNED retailers in Boksburg were beginning to feel the effects of a consumer boycott yesterday, and angry businessmen lashed out at the CP for "dragging the town into the dark ages" at the expense of their livelihood.

The boycott, a result of the re-introduction of petty apartheid by the CP-dominated council, is said by some traders to have started on Friday.

Most of the businessmen interviewed have experienced a drop in turnover.

Bob Delport, proprietor of Delport Motors, said he had sold 7 000 litres less fuel over the past four days.

"The situation here can no longer be

SIPHO NCOBO

described as controversial — it's becoming disastrous."

Delport accused the CP of dragging Boksburg "30 years back".

George Green, co-owner and MD of E S Meier Furnishers, said he had noticed a downturn in his company's turnover during the past four days.

Some customers who had bought on HP had told Green they would send their monthly payments by post, as they would no longer come into Boksburg.

The Karpelowsky Brothers, Dave and

Lionel, who own Ranchers Meat Market, said if the consumer boycott became serious, many businesses would close in a few months.

Allan Tempest, who owns a clothing store, said the consumer boycott would hit even some of those Boksburg residents who had voted CP.

CHRISTOPHER TUCHER reports merchants in the nearby black township of Vosloorus may prosper as they capitalise on the situation.

"Every adversity carries in it a seed of benefit," said Vosloorus Chamber of Commerce chairman Justice Radebe.

P 'n Pay to open R20m flagship in Table View

Call 1m 30 / 1188 30

By AUDREY D'ANGELO
Financial Editor

THE new superstore now being constructed for Pick 'n Pay in a R20m shopping centre at Table View will be its Cape Town flagship store, MD Hugh Herman said yesterday.

It will be bigger than the Constantia store, with more than 7 600 m² of shopping space, and will be designed to serve a catchment area stretching as far as Melkbos, Malmesbury and Atlantis.

Stressing that its situation across the road from the Bayside Centre where Checkers was the main anchor tenant was not intended as a challenge, Herman said Pick 'n Pay saw the West Coast as a major growth area and Table View itself was the fastest growing suburb in the Cape Town area.

"It has terrific potential, especially now that the new road is being constructed. We understand there are plans to improve the road to Bothasig and Panorama too, which means they will be only six or seven minutes' drive away.

"We intended to go there before Checkers opened its store — in fact a developer tendered unsuccessfully for the Bayside Centre on our behalf.

"Our confidence in the area is shown by the fact that this will be one of the few developments we will own

ourselves, instead of becoming the anchor tenants."

But the presence of a large Checkers store made it necessary for Pick 'n Pay "to go in with something new or something better.

"The centre will be an attractive place to shop, with a brick-paved, landscaped parking area like the one at Constantia and the tenant mix will be very carefully chosen to meet the needs of the people in the area."

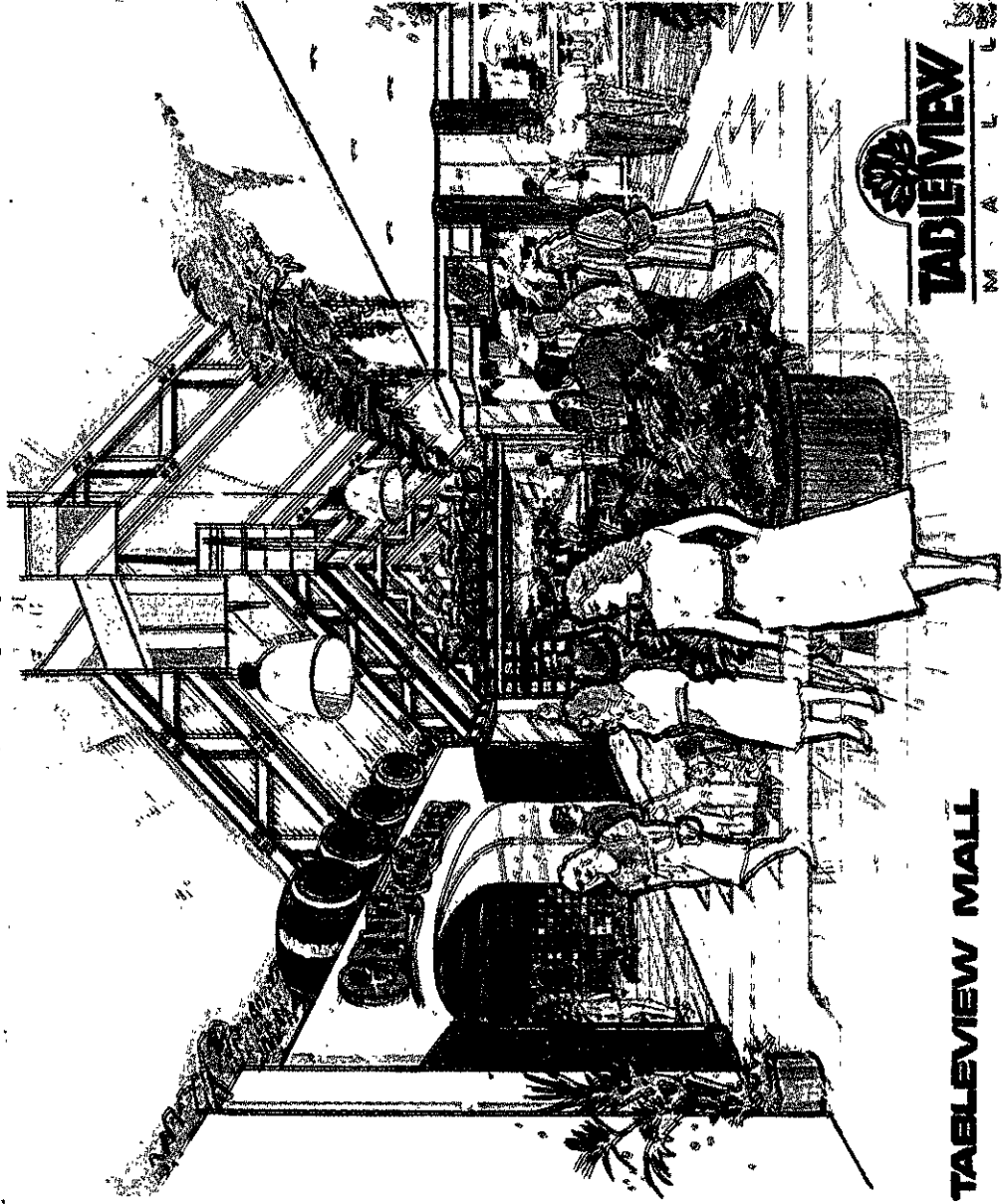
The centre has been designed to suit the "almost Mediterranean, holiday ambience" of the area. Herman said Pick 'n Pay sees the Table View population as "middle market, but with upward potential, mostly young couples with children".

The merchandise mix would be chosen to meet the needs of these people and the store, in addition to delicatessen, bakery and produce departments would sell a variety of frozen convenience dishes to meet the needs of working mothers.

It would have gardening and do-it-yourself departments and it was hoped to have a wine licence.

The tenants of the 30 speciality shops would include a bottle store, a branch of Boardmans and an up-market coffee shop. More than 100 applications had already been received.

"The ambience of the centre will be upmarket and there will be natural light in both the mall and the store."



TABLEVIEW MALL



This is how the mall of the new Pick 'n Pay shopping centre at Table View will look when it is completed in August. The translucent roof will let natural light into both the mall and the supermarket itself. There will be 30 speciality shops and so far 100 applications have been received from would-be tenants.

Boksburg business hits back at CP

Star 1/12/88

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Opposition to the re-introduction of petty apartheid in Boksburg is growing rapidly in the town's business community.

At least 27 Boksburg shop and business owners have signed a petition calling on the Conservative Party-controlled town council immediately to rescind its discriminatory laws.

A survey of businessmen conducted by The Star revealed widespread anger with the council and fear that their businesses would be adversely affected.

One of the men behind the petition, Mr Pierre Strydom of Bus Centre (Pty) Ltd, said the petition would be placed as an advertisement in two consecutive issues of the weekly *Boksburg Advertiser* as a bid to get more people to sign it before it is presented to the council.

The petition reads: "We, the following companies in Boksburg, call on the Boksburg council to rescind all decisions to re-introduce apartheid, and all by-laws based upon discrimination on ra-

By Kaizer Nyatumba

cial grounds.

"We, as concerned businessmen, industrialists and property owners, believe that the decisions taken by the Boksburg council are an affront to basic and fundamental human rights. The decisions represent an alarming trend towards bigotry, inequality and discrimination based on racial differences.

"We believe that the future of South Africa rests in the equal participation of all people in the legislative, economic, sporting and cultural activities of this country. We regard the action of the town council of Boksburg counter-productive to sound intercultural relations and a safe future South Africa.

"We call upon all residents of Boksburg and all concerned South Africans to let the Boksburg Town Council feel their contempt for a return to a segregated society."

Of 20 business owners The Star called at random yesterday, 18 gave the Conservative Party move the thumbs down.

Mr O M L Neil of the Boksburg Animal Hospital said it was sad to go back on something that had changed.

The manager of a Boksburg pharmacy, Mr H L Zets, said it was bad news for business. "In fact, it can ruin business."

A manager of Boksburg Auto Alignment (Pty) Ltd, Mr Michael Cohen, said his business was already affected.

"We don't like it; it should never be done. I am very much against this CP move. If blacks do boycott us, a lot of businesses will go broke, no doubt about that.

"Yesterday, we only had three cars here, when we usually have between 15 and 20 cars a day," he said.

One businessman said apartheid had to be scrapped. The CP move would have "a very big effect" on the business sector locally and internationally, he said.

Mrs J Brown of Boksburg Estate Agents (Pty) Ltd said the by-law was ridiculous and revealed the CP's hypocrisy.

The manager of Boksburg Meat Market, Mr W Green, said the CP move did not worry him at all. If blacks boycotted white business in Boksburg, they would eventually come back when they could no longer afford to buy in far-away cities. Only 20 percent of his customers were black, he said.

Mrs C Bester of Boksburg Scrapyard said she and her husband were happy with the town council's laws.

"We don't think it's bad at all. We think it is a very good idea. You must understand me now, we are not against blacks, it's only that we want to be with our own people," she said.

● Page 3 and Page 6M.



Mrs Charlotte de Klerk, mayoress of Boksburg, receives a gift from two-year-old Leah Manyaka, who took part in a Christmas pantomime at a Boksburg shopping centre yesterday. Mrs de Klerk, whose husband is the mayor of the Conservative Party-controlled town, handed out the prizes in a nursery and primary schools Christmas tree decorating competition which followed the pantomime.

● Picture by John Hogg.

Five-month high for rand-dollar rate

The rand yesterday rose to its highest level against the US dollar in five months to reach R2,2993. Dealers said continued intervention of the Reserve Bank over the last few weeks had changed negative exchange rate perceptions held by most dealers and investors.

But the rand was also boosted by a rise in precious metal prices yesterday. Both gold and

Finance Staff

platinum rose on the back of higher oil prices, which worsened inflationary fears in the industrialised nations.

Platinum rose above \$600 to an afternoon fix of \$608 in London yesterday, \$20 up on the day, while the gold price firmed to \$525 at the opening in Hong Kong today. Bullion closed at \$422,60 in London yesterday.

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RM Props goes from strength to strength ³⁰

By Sven Forssman

The sale of a 23,8-ha retail site in Southgate for R18,5 million, the commissioning of a new gold plant at Pilgrim's Rest and the first 12 months of consecutive operations at the City Deep gold plant, highlighted Rand Mines Properties (RM Props) 1989 performance, chairman Sammy Watt says in the annual report.

Mr Watt says the Pilgrim's Rest plant went into full production in May, a month ahead of schedule, and generated revenue of R5,2 million.

"Our Crown Mines and City Deep plants may see a drop in grade in 1989, resulting in lower production, but this should to some extent be countered by a full year's production at Pilgrim's Rest.

Mr Watt reviews group activities since its inception in 1968.

The review shows that RMP has:

- Chalked up taxed profit of R190 million over the 20 years, from which dividends of R80 million were paid.

- Raised turnover from R10,5 million in 1968 to R154 million this year.

- Now has a net asset value of 1 186c, compared with 108c in its first year.

- Has spent R153 million on three plants for the recovery of gold from residues.

- Shareholders' funds stood at R147 million in 1988, against R11 million 20 years ago.

- Has earned a pre-tax operating profit of R100 million on the recovery of gold from residues since the first plant was commissioned in 1982.

The review reveals that RMP has strengthened its revenue-earning potential by developing a portfolio of rental properties valued at R58 million.

Assocom and CP meet in Pretoria

ASSOCOM met leaders of the CP in Pretoria yesterday to express concern over party moves to re-impose petty apartheid in municipalities under its control.

Assocom said: "A deep concern was expressed by Assocom at the likely economic and business implications, which threatened to impede or reverse the development of open trading areas in certain towns."

The CP was represented by MPs Clive Derby Lewis, Moolman Mentz and Pikkie Coetzee.

CP leader Andries Treurnicht withdrew from the meeting at the last minute. It was not clear why.

The Assocom delegation was led by president Sidney Matus.

He said: "While acknowledging that the CP would have to interpret its own political mandate, Assocom emphasised the serious economic consequences — both internal and external — which could result from such discriminatory action by local authorities."

Assocom urged the CP to state a clear policy in regard to open trading areas and separate amenities as soon as possible to remove all uncertainties.

The association said it believed it was of utmost importance for local businessmen, through their Chambers of Commerce and Industry, to forge a closer relationship with their local authorities, especially where changes in policy



Boksburg Mayoress Charlotte de Klerk yesterday received a cake from Leah Manyaka, 2, at a schools competition at an Atlasville shopping centre.

Picture: PHILIP LITTLETON

might be anticipated.

It also said: "Assocom reaffirmed its view that the reservation of the Separate Amenities Act should be repealed in accordance with its submissions to, and

subsequent recommendations by, the President's Council."

Its recommendations had not yet been accepted by government, the statement added. — Sapa.

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SA's joint black and white trade mission to Europe an historic first

ORGANISED black and white business representatives joined forces recently for an historic first joint trade mission to Europe.

The five-man mission was sponsored by the Witwatersrand Chamber of Commerce and Industry (WCCI) and included two representatives of organised black business.

"The primary purpose of the mission was to explore potential opportunities for both black and white

business in SA," says Marius de Jager, the WCCI's chief executive.

"In doing so we endeavoured to counter the country's increasing business isolation and the perception that too little was being done by organised business to foster international links.

"Of particular importance was the opportunity the mission provided the organised black business representatives to introduce them-

selves, to outline their aspirations and needs and to indicate the important role this sector is to play in the future development of SA.

The mission held 19 official meetings with businessmen, senior government officials, politicians and opinion formers in the UK, where they were received by Undersecretary of State in the Foreign Office Lynda Chalker, and in Belgium, Italy, Germany and France. — Sapa.

MILLIONS ARE LEFT OUT

Sevelan
21/2/88
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Reaction to CP's petty apartheid

By JOSHUA
RABOROKO

BUSINESSES and industries in the two East Rand towns of Brakpan and Boksburg which have been declared 'white' by the Conservative Party have begun counting losses which already run into millions of rands.

- A Taiwanese company that had intended to build a R150-million, multi-racial hotel in Brakpan has withdrawn its plans.
- A Cape Town transport company has cancelled a R300 000 contract with Bus Centre of Boksburg for the buying of two buses.
- The Natal Building Society has closed its only agency in Boksburg.
- Golf sponsor-Entecor has withdrawn R50 000 tournaments from both towns.
- Top clothing chain, Edgars, has suspended

plans for business developments in Boksburg. And the nearby town of Vosloorus

and Reiger Park have decided to start a consumer boycott of Boksburg town. **To Page 3**

December 2, 1988

Petty apartheid

From Page 1

The immediate effect to protest the reintroduction of petty apartheid. The president of the Boksburg Chamber of Commerce, Mr Johan Viljoen, yesterday said that more than 2 000 businesses have reported a down turn in their turnovers.

He would not say how much money was involved, but said there was "little activity" from the black consumers, apparently as a result of the reintroduction of petty apartheid in the towns. "We are unhappy with the situation and will fight it until apartheid is scrapped completely. We want to negotiate with all parties involved," Mr Viljoen said.

A top-level delegation of Assocom led by the president, Mr Sidney Matus, met with CP leaders in Pretoria this week.

Page

White shops, public transport to be shunned

Defiant blacks plan Boksburg Lake lunch

Boksburg's black community has responded to the withdrawal of facilities to blacks by planning a sit-down at Boksburg Lake today.

The announcement of the sit-down comes in the wake of a decision by the community to withdraw its buying power from "white" Boksburg and to refrain from using public transport.

Mr Butch Jantjes, chairman of the management committee, told a large press conference held in Reiger Park yesterday that people would go to the lake at 3 pm and "sit down and have a late lunch enjoying themselves at the lake".

He denied that blacks were boycotting the CBD. "How can we boycott when it is asked that the town be white and we are merely granting that wish by

26 Akasia traders affected

The newly installed Conservative Party town council of Akasia, near Pretoria, has made its first move towards old-style apartheid and called for whites-only trading areas.

A decision was taken at the council's first meeting to apply to the Department of Constitutional Development and Planning to have the town's free trade areas closed.

The curb will affect 26 black traders in Rosslyn Plaza and an Indian in Wonderpark.

Akasia mayor, Mr Nic Oosthuizen said big business concerns had said they would not consider moving.

He said the management committee had met Nisan. "They are not concerned with small politics, only with making their millions." — Sapa.

By Carina le Grange and Lloyd Coutts

withdrawing our buying power?" he asked.

Mr Jantjes also announced that Reiger Park management committee had not resigned and had no plans to do so. "We must join forces to break down the ungodly laws of apartheid but dissociate from all forms of violence," he added.

It was agreed at a meeting in Reiger Park on Wednesday night that residents would continue to work in Boksburg but would refrain from patronising its shops or using public transport. At the meeting, Reiger Park MP Mr Jac Rabie came out in full support of the action. Messages of support from trade unions and other communities were read out.

Residents were told that a centre had been set up at the St Anthony's Catholic training centre to help those needing advice on making hire purchase payments, collecting pensions and making bond repayments without going into Boksburg.

Residents would negotiate with a taxi association to provide transport to and from work, it was said.

Residents were urged to:

- Keep Boksburg white by staying out of the town.
- Shop in towns where they are welcome.
- Close their accounts with Boksburg shops or, alternatively, request shops to collect their monthly instalments in the townships.
- Not to use petrol stations or buy cars in Boksburg.
- Support all sport and cultural organisations that have decided not to organise further sport and cultural events at Boksburg venues.

Small business is now looking like big news

Str 2/12/88
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By MICHAEL CHESTER

The chasm between big business and the small entrepreneurs is narrowing rapidly, and this could boost the free enterprise concept in South Africa.

Plans are being laid by the Small Business Development Corporation (SBDC) to launch a novel contact-maker scheme to bridge the chasm between big business and thousands of mini industrial and commercial ventures now in operation.

The SBDC is compiling a series of special trade directories as shop windows on small business to guide larger companies on where to find the new generation of mini-businesses — and see where they can fill the role of sub-contractors in their chain of suppliers.

Nationwide network

Most of the mini-businesses have been launched in the phenomenal expansion of the informal sector since the Government started to bow to pressures to lower the bureaucratic barriers that have hamstrung black business initiative.

SBDC managing director Dr Ben Vosloo envisages the creation of a nationwide network in which small businesses act as satellites around the production hubs run by bigger corporations

The radical concept of mini-enterprises working as satellite sub-contractors is gaining support among a growing list of experts now advising South Africa to help the entry of the informal sector into the main economic mainstream by tapping the potential of closer big/small business co-operation.

Among the advocates is Mr Theo Rudman, executive director of the Self-Employment Institute, who believes the system has provided the main thrust behind the economic success of Far-East countries such as Japan and Taiwan:

The SBDC has already begun the preparation of contact-maker directories of all the operations at work in its network of industrial parks and "industrial hives", which it runs as incubators where budding entrepreneurs are provided premises to hatch their business skills.

Expanded catalogues — packed with the details of entrepreneurs, from carpenters and welders to accountants and motor mechanics — are expected to be in circulation next year.

Outer fringes

"Many small businesses and most black entrepreneurs still find themselves on the outer fringes of the developed business world," says Dr Vosloo

"Yet, finding a first foothold in the big business environment and access to wider markets has become vital to their development now

"Large corporations in South Africa have tended to be conservative and deal on the whole among themselves. Small businesses, especially black informal sector, have some justification in claiming that they are ignored by the white big business world.

"However, a growing number of small entrepreneurs have managed to penetrate the corporate structure and become suppliers. We aim to encourage the trend

"Small businesses do not expect handouts, but rather an opportunity to fill a bigger role in the economy. Big business will find that benefits flow in both directions.

"If one examines the remarkable economic achievements which have been made in South Korea, the United States, Japan, West Germany, Taiwan and Hong Kong," says Dr Vosloo, "it is notable that almost without exception these countries have encouraged the development of a competitive and well-integrated small business sector

"They have all channelled a substantial share of their financial, human and technological resources into building strong and vigorous small business sectors into their economies, with close linkages between large and smallscale industries

"Sub-contracting, with all of its mutual benefits, is a commercial practice that still has a long way to go to realise its full potential in the South African market."

"Big business has to concede that time, and time again, it can be shown that small businesses are able to provide specialised goods with better quality and at better prices. In turn, closer links provide small businesses with a wider market, stimulate competition, and allow better access to technology.

"The lowering of restrictions and barriers that have started to allow the launch of more small business ventures should open new vistas to the South African economy. It could be disastrous to ignore the chance to turn the ignition key to start the new economic motors."

Hypermarket gets boycott threats

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Go 2/12/88
Own Correspondent

CAPE TOWN — The Boksburg hypermarket has received boycott threats in the campaign to fight the local council's reinstatement of petty apartheid.

This was confirmed yesterday by Mr Raymond Ackerman, chief executive of Pick n Pay, who said sales had not been affected so far, possibly because it was sited away from the town centre.

"Quite a lot of people have phoned to say they are reluctantly going to boycott the store, but we have tried to discourage them by pointing out that a boycott could hurt the 1 200 employees and their families."

30 Fm/ATC
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RETAILING

Push 'n pay

The Checkers boast, that "trolley for trolley, you shouldn't pay more at Checkers," has taken on new meaning with the chain's decision to make customers pay for the actual trolleys.

Checkers loses more than R1m a year on stolen trolleys and has been at the forefront of moves to introduce a national trolley deposit system.

Having introduced a deposit system in Kimberley, it is now starting to charge a deposit on trolleys in Johannesburg and other centres. Shoppers pay to take a trolley and collect a refund when they return it.

Checkers has been spurred by a Johannesburg City Council decision to impound supermarket trolleys found on the street and fine the retailer R50.

Says Consumer Council spokesman Paul Roos: "Consumers pay for stolen trolleys at the end of the day. It's the retailers' responsibility to take measures to stop theft. And trolleys are an eyesore, so we applaud the council's stand."

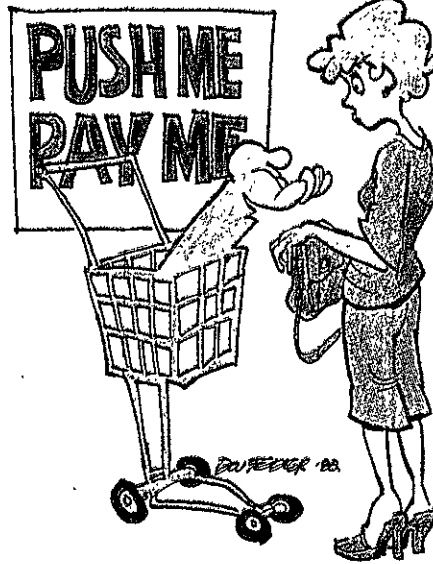
Checkers MD Clive Weil would like to see a national trolley deposit system agreed between retailers and says: "In certain centres, there should be a central trolley pool to which we all contribute."

Pick 'n Pay (P 'n P) has refused to take part in such a system and Checkers has been unable to levy a deposit in areas where P 'n P is in direct competition.

The OK is also introducing the deposit system. Marketing director Gerrie Snyman says eight stores operate an automatic system, and another 40 rely on staff to collect and return deposits.

Many of the stores operating the system were chosen because of the high rate of trolley theft, says Snyman. In four cases, they share the system with a nearby Checkers. Snyman adds that OK favours a national trolley pool system.

Despite its stated dislike of deposits, P 'n P itself is also experimenting with deposits in a



number of stores, including Goodwood in the Cape and Rustenburg in the Transvaal.

Says joint MD Hugh Herman: "A trolley deposit discriminates against a customer who may need to take shopping to a bus stop. But the problem of trolley abuse has got out of control, so we're prepared to accept deposits in certain circumstances." ■

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CBDs

Fast-moving Randburg

Offering cheaper space than Sandton, Rosebank and Parktown, Randburg is rapidly gaining popularity as a "next company headquarters" area of the north.

Randburg Management Committee chairman Frans Lourens is bullish. He says its importance as a residential area is only superseded by its office development. Since 1982 office development in the CBD has grown by 117%, more than 200 000 m². The total office floor area in the town now stands slightly over 290 000 m².

As an indication of the spectacular growth experienced by Randburg, Lourens says the valuation of property has increased from R12m to close to R3bn in less than 30 years.

Randburg's deputy town planner Neels Letter says 1 248 commercial and residential building plans were approved for the year ending October, compared to 999 for the previous year. The total value of these plans was in the region of R89,4m, compared to R71,6m for the same period last year. Growth has been maintained at 25%/year.

Letter says several companies plan to move to Randburg. But he prefers not to name them, explaining that negotiations have not been finalised.

Companies such as Nestlé, Philips, Sentraoer, Credit Guarantee Corporation, Trek Petroleum, GBS Wang, M-Net, Krupp and Siltek have made this fast-growing municipality on Johannesburg's outskirts their new SA base.

Many of the new developments have been managed by the Property Management Associates group, whose director Roy Tremearne is confident of Randburg's future. "Being near the N1 makes it not only convenient to new mines on the West Rand but also accessible to Johannesburg and Sandton."

He admits a "Sandton address" still has pull but says it is at present too expensive for certain firms. He says that rentals average R18/m² against R14/m² in Randburg.

Earlier this year the council announced a plan to open an area covering around 60 km² for property development. The plan, code-named New West — representing 70% housing — will, according to Lourens, push Randburg's population from the present 90 000 to 400 000.

Meanwhile, work has started on a new Standard Bank of SA building in the heart of Randburg's CBD.

The four-storey building will house the bank's Randburg branch as well as commercial offices. Total development cost of the land and buildings is about R18m.

The site is on the corner of Oak Avenue and Retail Road, within easy walking dis-

tance of the Randburg shopping mall. The building will provide about 800 m² of retail accommodation on the ground floor, in addition to the ground-floor banking space, and about 5 200 m² of office space on the upper floors. It will have three basement levels providing parking for 210 cars.

Open parking for 38 cars will be provided on a forecourt. The perimeter of the site and parking area will be extensively landscaped. Completion is due in March 1990.

The building contract has been awarded to Barrow Construction. Architects are Taljaard, Carter and Partners.

Further emphasising the popularity of Randburg is a new exclusive sectional office development which has just reached completion, with half the available space already sold out before the launch.

The development known as Executive City, planned and developed by Ernie Campos of Blue Chip Property group, is situated in an elevated position bordered by Cross, Charmaine and Andre streets, 2 km from the Strijdom Park industrial and commercial area, with easy access from Republic Road and Hans Strijdom Drive.

The complex consists of six individual double-storey office blocks, 540 m²-680 m², each of which is divisible into four saleable or lettable areas with a layout specially designed to eliminate passages. Each block is served by its own entrance, common service core and ablution facilities.

Campos says that selling from R1m a block, the Executive City units are competitively priced by today's market standards. "Naming rights are afforded to the owner of each block, which caters for individual corporate identity within a conveniently structured environment." ■

situation will continue for the next 12 months as the demand for accommodation is still strong. I expect parking will go through the R200 mark by early next year."

A bay in the West Street Parkade, now under construction, will cost at least R210 a month. "It may be more," says Lindop. Letting only starts in June, but he says forward bulk letting "might" be considered,

So why the shortage? Calenborne says that between 1983 and 1987, private parking garages emptied drastically as businesses moved to the suburbs, particularly in the north. The city council also restricted the number of off-street parking bays available to developers.

This has changed. Lindop says the council now informally insists that developers provide ample private parking and this has become a factor for firms deciding to relocate back to the city.

Meanwhile, parking in business areas in the northern suburbs is at an all-time premium, as shown by the introduction of a R1,50 daily tariff for open-roof parking at Liberty Life's Sandton City.

The increase is an attempt to discourage neighbouring office block employees from parking at the centre.

Gavin Main, shopping centre director for Rapp & Maister (Liberty's property arm), tells the FM: "Despite Sandton council now requiring office space developers to double the number of available parking bays, parking is still totally inadequate. People are parking on pavements and all over the place."

JO'BURG PARKING

Park 'n pay

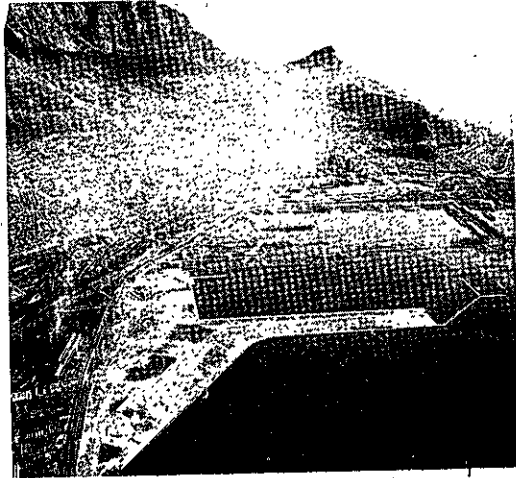
30 FM 2/12/88

There is no shortage of private parking in Johannesburg. But in two prime city areas, rates are poised to accelerate rapidly through the R200-a-month mark in the new year.

Parking in the north, south and east city sections can still be bought for as little as R60 a month, compared with an average top monthly rate of R185 a month in the financial district and parts of the CBD, says Interpark MD Alan Calenborne.

He says: "A lot of car parks in the city are not full, but in the financial western area and the hardcore CBD, there is a shortage."

Anglo American Property Services leasing director Grahame Lindop confirms: "There is greater demand than there are bays. This



Project will re-unite Capetonians with the sea

The development is the culmination of a series of events born of the realisation that the foreshore development, whereby large parts of the bay were reclaimed during the Fifties, had, in the words of Prof Brian Kantor, chairman of the new company, "removed the sea from the daily consciousness of Capetonians."

A consensus thus emerged during the Seventies that there was a need to reunite the people with the sea. Part of this consensus was that the harbour was too valuable an asset to be used solely for harbour and fishing operations. The big question was how to reconcile the needs of the harbour administration, the fishing industry, and development.

After many false starts the process crystallised with the publication of the Burggraaf report, whose recommendations were accepted by Transport Minister Eli Louw earlier this year. The company will be adhering to the guidelines established by this report.

There was a tangible air of relief among those who gathered for the launch of the new company, that the concept which has been talked of for so long was at last being turned into something tangible. However, it was disappointing that the company could not announce the appointment of its MD — an announcement in this respect should follow shortly since there have apparently been "many quality applicants" for the post.

The company's main asset is a 75-year lease over the land and buildings in the area, provided by SA Harbours. At present it holds 100% of the shares, but the intention is to reduce this holding to as little as 26%. Kantor says that there is great uncertainty as to the value of the development. Once there

WATERFRONT LAUNCH

Down to the sea

After more than 10 years of procrastination, Cape Town has moved a step closer to turning its waterfront into an "amenity for the people." Last week saw the launch of Victoria and Alfred Waterfront (Pty) Ltd — a private company, established by SA Harbours — to supervise the development of the 33 ha surrounding the city's historic old port (*Property* October 7).

The fact that the launch itself was something of a damp squib should not obscure the importance of the event. It has even been suggested that the success of the development could be important for the future economic health of the city.

30 FMM 2/12/88

is clarity, it will be possible to sell shares to the public.

The area zoned for development can be divided into seven sections: the Pier Head, which will be the initial focus of attention; the Granger Bay area; the stretch of land running along Portsworld Road and containing the Breakwater jail and other historic buildings; the tank farms; the land between the tank farms and Ebenezer Road; the Amsterdam cartage depot; and the Victoria and Alfred basins.

It is envisaged that the development will involve many different parties and a mixture of activities. This could include food and drink outlets, shops, offices, recreational facilities and residential accommodation.

Kantor mentioned that he hoped to see tangible developments within six months. Developers will be anxiously awaiting the MD's appointment before committing themselves too deeply to any project. The opportunities, however, are enormous and one can be sure that a lot of homework is already under way.

30 (circled) 2/12/88

Free trade areas face CP threat

PETER DELMAR

FEARS have been expressed that the CP could undermine government's free trade area programme, much of which has been planned for CP strongholds.

Free trade areas have been declared in 85 municipalities around the country and a further 52 are currently under investigation.

CP-controlled councils in Boksburg and Krugersdorp have come out strongly against opening their CBDs to all races. On Wednesday the council of Akasia, near Pretoria, decided to apply to the Department of Constitutional Development and Planning to have its free trade areas closed.

At a meeting with CP leaders this week Assocom urged the party to give a clear statement of policy on free trading areas and separate amenities.

Assocom CE Raymond Parsons warned yesterday that investments in existing and planned open CBDs were being put on ice pending clarification on the matter.

"In certain towns such as Phalaborwa, open trading areas have been created under CP control. In other towns, CP councils are strongly against opening up their CBDs. The whole question needs clarification," Parsons said.

Investigated

He said CP leader Andries Treurnicht would have an ideal opportunity to state his party's policy on the issue when he addressed a public meeting in Boksburg next Thursday.

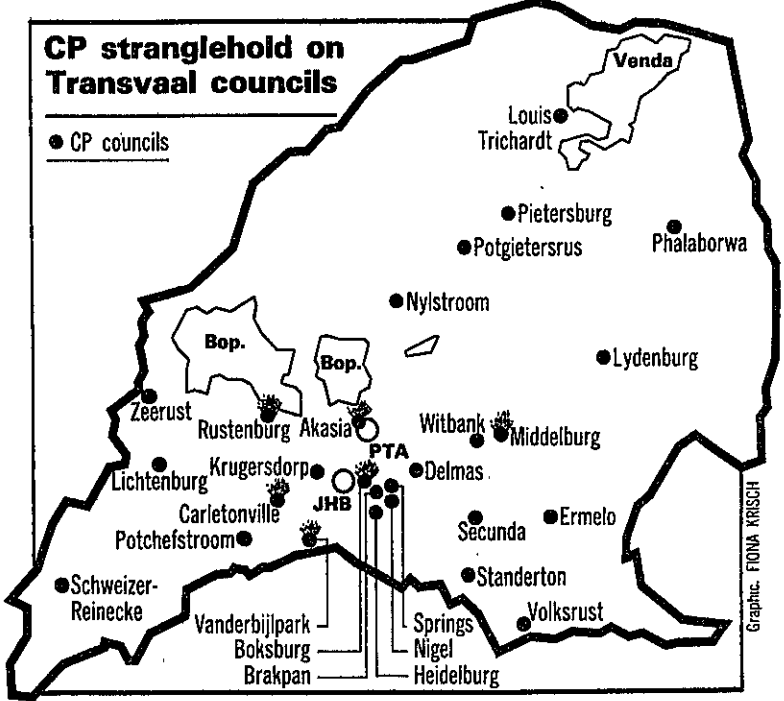
Several of the areas being investigated for proclamation as free trading areas are in CP-controlled towns, among them Sasolburg, Lichtenburg, Rustenburg, Heidelberg, Standerton, Middelburg and Richards Bay.

CP spokesmen acknowledged yesterday that although municipalities were required to give recommendations on free trade areas, they could be overruled by Constitutional Development and Planning Minister Chris Heunis.

CP economic affairs spokesman Clive Derby-Lewis said there was an incorrect impression that the CP would evict blacks doing business legally in open trading areas.

However, the CP would not hesitate to take action against those trading illegally.

Government spokesmen were not available for comment yesterday but statements by Heunis and other ministers indicated government was determined not to let CP local authorities interfere with its reform plans.



Tina Do Pereira, a store owner in Boksburg's main street, makes public her protest against CP measures to reintroduce petty apartheid in the town. Picture: ROBERT BOTHA

... and party vows to wreck RSC

PETER DELMAR

CP-CONTROLLED councils would work within the RSC system to bring it down, CP local government spokesman Pikkie Coetzee said yesterday.

Coetzee was speaking after the Pietersburg CP town council's decision not to negotiate with its RSC on allocation of funds and to order the RSC offices off its premises.

Several CP leaders canvassed, including Coetzee, said they were unable to say precisely how many of the Transvaal's 12 RSCs the party now controlled.

The Transvaal Provincial Administration is expected to "punish" Pietersburg by removing the seat of the Northern Transvaal RSC to Tzaneen. It is

understood three towns have applied to take over the RSC headquarters — Messina, Louis Trichardt and Tzaneen.

Another CP-run council, Middelburg, could also lose its position as capital of the Highveld RSC if it follows Pietersburg's example, an official said. He added nearby Witbank, another CP stronghold, would not get the honour.

Provincial authorities were not taking the CP threat to RSCs seriously yesterday. One official said Pietersburg received the largest allocation from the RSC's capital budget of about R5m. Its decision meant there would simply be

... from within

more money for other communities, Transvaal MEC Fanie Schoeman said. Although CP boycotts could have a disruptive effect, CP towns are not legally able to stop collection of RSC levies from businesses in their areas.

In terms of legislation, any RSC member, regardless of voting strength, can appeal to a special board chaired by the Administrator. It is likely the board will overrule any CP attempts to prevent funds being allocated to black, coloured and Indian local authorities.

The CP is investigating implementing curfews in towns under its control, chief secretary Andries Beyers disclosed yesterday.

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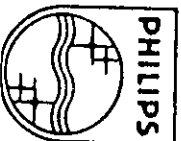
South African Philips responding to the barring of non-white people from utilizing public facilities in Boksburg

The company wishes to make the following statement:

This action of the Boksburg Town Council is an assault upon the dignity and self-respect of South Africans of all races.

The company is fully committed to a policy of equality in its attitude towards its employees and a code of behaviour which makes no distinction on the basis of race.

South African Philips operates a factory in Wadeville and a large number of employees are resident in Reiger Park, Vosloorus and surrounding areas. We therefore deplore the action of the Town Council as a retrogressive step in the development of human and community relations.



PHILIPS

NP urges blacks to boycott white centre

Sowetan 2/12/88

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~~SECRET~~

By THEMBA MOLEFE

NATIONAL Party members in Vanderbijlpark have called on blacks in the area to withdraw their buying power from the town's centre in retaliation to the Conservative Party's decision to keep the town white.

They said in a statement yesterday that it could be "very dangerous" for blacks because the CP was intent on returning the clock to old-style apartheid.

The statement, issued by a spokesman Mr Gerrie van de Venter followed the town's CP-controlled council's Wednesday night decision that barred blacks from using parks and sporting facilities.

The statement said: "We, the NP members of South Africa, are not going to be ruled by Treurnicht and we ask all blacks to stay out of Vanderbijlpark for their own safety."

Black people unite for your money, families and your communities. We urge you to use shops outside Vanderbijlpark or in your township."

Alleged thief on second charge

THE MAN who was arrested in the recently uncovered massive car theft racket is facing a second charge of attempting to defeat the ends of justice in the Johannesburg Regional Court.

Yesterday the court heard that Mr Derrick Pailman (25) asked a policeman to pass a message to a friend that he should not give any more information to the police about the cars because he was already in big trouble.

CNA's merry Band pulls out the stops

30 Star 21/12/88

For a few months after the October 1987 crash, CNA—Gallo's share price reversed the strong trend that had been evident since late 1986. The weaker trend did not last long and before the end of calendar 1987 the share was back on the firmer path it has enjoyed in most of 1988.

Diagonal Street

ANN CROTTY



Part of the strength can be attributed to the stronger tone in the market, which almost indiscriminately benefited all share performances. But most of it reflects the market's delight with the more aggressive management style that has been evident in the past two years and that has lifted group performance out of the doldrums of the early eighties.

Strongest evidence of this more active management style is the improvement in performance by CNA. Stores have been upgraded, layout has been made more effective to allow for greater sales per square foot and, in select stores, hours have been extended.

Tacticians in the marketing team have been put to work to draw consumers into stores in slacker periods. Success can be seen in the group's recent results.

Until financial 1988, CNA traditionally turned in a loss for the first half, covering the six months to September when trading conditions were made difficult by the absence of any significant festive occasion or a school-buying period.

Promotional activity

CNA—Gallo's MD Doug Band says that on the retail side the focus has been to "busy up" the quiet months through promotional activity. One example was the fuss made over Mickey Mouse's 50th birthday a few months ago, which had a positive impact on the division's sales. Other opportunities arise with mother's day, father's day, secretary's day, etc.

The need to sweat the CNA assets is underpinned by its relative importance in the CNA—Gallo group. In financial 1988 CNA accounted for 75 percent of group turnover and 50.6 percent of pre-tax profit.

But, as Mr Band acknowledges, there is a limit to the promotional activity that can be undertaken. A point is reached when the cost outweighs the benefits.

With this in mind, strategy

includes going for niche markets where margins are higher and sales easier to protect. This is particularly evident in CNA's literary divisions: Exclusive, Bookworm and Booksource.

For the six months to September the entertainment division turned in a strong performance and Mr Band seems bullish about the profitable opportunities on the recording side.

Video Lab's contribution was stymied by difficulties after the merger with Toron Television. But management there seems optimistic about longer-term prospects, particularly in the corporate/industrial video market.

The downside to the merger is that independent producers seem set to get squeezed between two giants: Video Lab on the production facilities side and SABC on the programme buyer side.

Major attractions

One of the group's major attractions is its cash holdings. After the Christmas and back-to-school liquidation of stock, this could be as high as R35 to R40 million. Mr Band has no specific acquisition plans, but says that whatever is bought will fall into the business definition of "entertainment, information and knowledge" and may involve retail niche marketing.

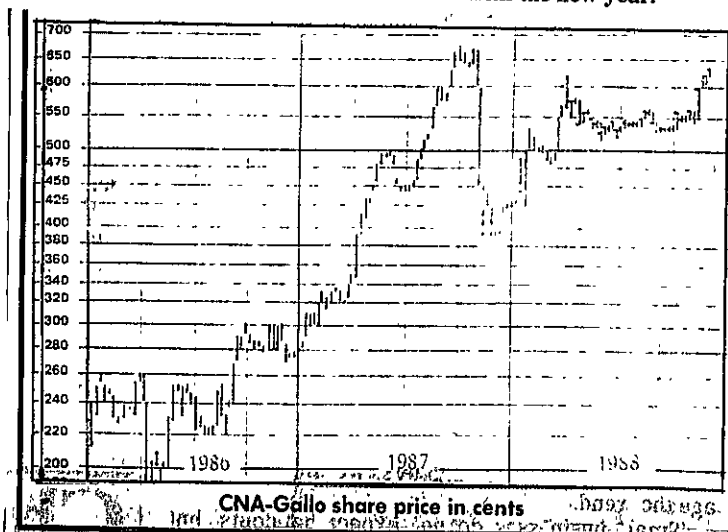
"Acquisitions should involve our retailing expertise, which would obviously exclude areas such as food and clothing".

To achieve a more balanced portfolio and thereby reduce dependence on CNA, it may be that most acquisitions will end up outside that division.

Mr Band refers to Britain's W&H Smith retail chain, which is now using its network of outlets to sell travel.

Mr Band says import substitution offers wide-scale opportunities, as does new product development.

More immediately, it seems the group is enjoying strong Christmas demand after an initial dip following the Bank Rate increase in November. Management expects this to be sustained until the new year.



BOKSBURG AND APARTHEID

Giving them rope

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 FMAIL
 2/12/88

As Boksburg businessmen weigh the effects on their turnovers (and continued operation) of a highly probable black consumer boycott of the town, government is taking a wait-and-see attitude to the Conservative Party (CP) controlled town council's plans to reimpose old-style apartheid.

This is the first concrete example of CP policy in action, says a highly placed National Party (NP) source, and government is using the opportunity "to let the voters see what happens when they're in power." Pretoria's plan, clearly, is to watch the CP get hoist by its own petard. Signs are that this could well happen (already some stores are displaying "open to all" signs) — and in the process no doubt deliver a salutary lesson to reactionary whites nationally. Could Boksburg mark the beginning of the end for the Conservatives?

Indeed, it was confidently being predicted that the by-election in Boksburg's Ward 7 (which was due to take place on Wednesday), would see the independent/PFP candidate Issy Kramer trounce the CP. NP leader in the council, Chris Smit, went so far as to tell the FM: "I will be surprised if the CP candidate retains his deposit."

According to Smit, the CP won its council majority (12 of the 20 wards) in October due purely to the bad publicity attached to two NP councillors' particular circumstances. "The CP slipped in through the back door. That is why they will not accept my challenge to resign, as we will, and fight the

election again. If they do, the Boksburg electorate will discard them with the necessary contempt they deserve for this action (bringing back the past)."

Smit, incidentally, has claimed in council — apropos of the question of white "nomin-

grows.

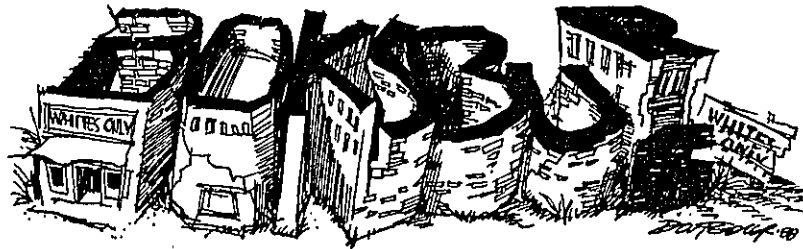
Therefore, says Malan, who is also an NP councillor and industrial relations officer for Malbak, CP policy will have a "disastrous" effect on small businessmen in Boksburg. He describes the CP decision as "irrational as it does not consider its effect on business and buying patterns, the effect on international companies, import of strategic components — and it ruins race relations. We are going backwards, to a policy which it has been proven cannot work."

He warns of the possibility of companies decid-

ing to relocate away from Boksburg, the East Rand's biggest industrial town, and the implications this would have for the town's tax and rates base. A branch of a leading bank this week cancelled its booking at the Boksburg lake where it had planned to hold its Christmas lunch party, just as Reiger Park High did for its matric party.

Boksburg Chamber of Commerce and Industries chairman Johann Viljoen says "this town is going to suffer from this (CP policy)" and expresses grave concern at the prospect of a black buyers' boycott, since blacks account for about 50% of the town's purchasing power. Viljoen observes that such a cut in turnover will mean less funding for RSCs, which depend on levies on business. He warns further of the potential the CP step has of causing disinvestment from the town, and scaring off any new investment.

Meanwhile, the local chamber, sakekamer and the Boksburg Industrialists' Association were due to meet this week to discuss the situation and make plans. A meeting with the council was postponed; in any event, it is highly unlikely that the CP will reverse its decision.



nee" stores — that the CP chairman of the management committee, Gideon Fourie, "who started all this nonsense," has his suits made by an Indian tailor, and that the CP mayor Beyers de Klerk, also has an account with an Indian shop in Boksburg. Perhaps this explains the CP's apparent intention not to interfere with black traders who have white fronts — even though the Boksburg CBD has not been declared an "open" business area.

The NP MEC for local government in the Transvaal, Olaus van Zyl, points out that in terms of the Separate Amenities Act, the Boksburg council has full jurisdiction over municipal "own" facilities such as the lake and parks (but not over stores, cinemas and hotels). Local authorities, he explains, are independent bodies. Further, the devolution of power is government policy and is being extended. The central authorities cannot, therefore, act against a reactionary town council — or a more liberal one such as Cape Town's.

"I've appealed to all local authorities to think very carefully before taking certain decisions; not to harm race relations and to look to their interests and those of the country," says Van Zyl — in terms of whose party's statutes the CP is, after all, acting.

Boksburg Afrikaanse Sakekamer chairman Denis Malan described CP plans for the town as bad news for Boksburg and its business environment. He points to projections that coloured people's buying power on the East Rand as a whole is set to increase significantly — due partly to population growth. Also, that 40% of Africans, coloureds and Indians already shop in their own group areas, while 26% of purchases are made outside the East Rand. And CBD shopping areas in the region are set to decline from around 57% to 48% in the next decade, as the number of black small businesses

AN OPEN LETTER TO THE WHITE RESIDENTS OF BOKSBURG

On October 26 1988 you, the white voters of Boksburg, sent a very clear message to our town's black (Coloured, African, Indian) citizens.

As blacks we are once again subjected to the power of the white vote — the only vote that counts for anything in our country. We have come to know this vote as a powerful force in our lives — always to our detriment, pain and sorrow.

It is the same vote that 24 years ago arbitrarily uprooted us as residents of Beant and made us residents of Boksburg, destroying community and family life in its wake. It is the same vote that uprooted the community of Strickville (how many of you remember that?) and resettled them in what you today prefer to call the "City" of Vosloorus. It is the same vote that continues to bar us from sharing in the wealth and progress of Boksburg and take our rightful place as full citizens.

Now you have used that vote again. You chose to continue trespassing on our dignity and to deny us our right to full citizenship of this town.

That you again responded selfishly to the genuine and legitimate aspiration of your fellow black citizens was not a total surprise. For years we have suffered verbal abuse from your leaders in the town council be they Nationalist or Conservative or whatever. Abusive rhetoric such as that we are Jacobins riding on the backs of white tax payers characterized their dealings with the people of Reigerpark and Vosloorus.

Your new town council hardly wasted time implementing the "swart gevaar" mandate you gave them.

We too have a message which we wish to send to you:

The Conservative Party has stated its view clearly that although black shoppers are not barred from shopping in the CBD they would prefer it if black shoppers shopped within their own residential areas. We will heed that call and show them a different kind of power, a power born of a community confident of its own dignity and worth. We will take our trade to those who recognise us as equals.

This is not about swimming in "your" pools, walking on "your" lawns, dancing in "your" halls or playing on "your" sports fields. This is about our pride and dignity as human beings and our God given right to be treated as equals. We refuse to be demeaned further, because of your misplaced fears, blatant bigotry and extreme selfishness.

From the residents of Reiger Park

POLITICAL PRISONERS

Generation gap

Many will see the hand — or at least, the increased influence — of Foreign Affairs Minister Pik Botha behind a number of welcome moves this week that, if nothing else, could begin to crack the political stalemate that has dominated our lives this year. Hopefully the momentum can be sustained.

It was a rare week for SA — which basked in international praise following the commuting of the death sentences of the Sharpeville Six, an agreement on Namibian inde-

It's God's will, says council's 'English Boer'

By MUSA ZONDI and ZEYNEP ERSAN

"I WAS sent to the lost sheep of the house of Israel (Matthew 15 vs 12)," are the words the newly-elected mayor of Boksburg, a staunch Conservative Party member, uses to describe his role.

Beyers de Klerk, proud of his Irish-Scottish heritage, calls himself an English Boer. He believes he has been called by the Almighty to be a mayor.

"I must either do what the world says or what God says; and I am doing what God tells me to do," he says. He seats himself behind the big desk in the centre of the office. From one of the drawers he takes a Bible.

"If I want to know about your organisation, I would take the document and read it. This is my document."

De Klerk is a businessman, not a politician. He says he was asked several times by Dr Andries Treurnicht, leader of the CP, to stand for the council in Boksburg but he always refused, until the day God instructed him to do so.

"There have been several threatening phone calls," he says. "I am prepared to lose my life, my wife, my children, my business — everything that I have — to carry out God's will."

The anticipation of losing some of his businesses came to fruition two days ago, with reports that he has lost his building society agency.

He believes races have to develop separately in order to keep their own identity.

"We are a minority here. We (the CP) are here because we are realists, we want to protect what we have. One cannot forever rule people of other colour."

De Klerk says: "Of course some of the people might be offended but the majority voted for segregation. South Africa is a country of minorities."

"Zulus should rule Zulus, Sothos should rule Sothos, coloureds should rule coloureds ..." he says.

"I am not saying races should not mix." He made a point by saying "Zulus are seen as being as proud as we are".

"If I come to stay in your area I must be prepared to abide by the rules."

"We are not chasing anybody away. There have been Indians doing business in this town for a long time now. Until such time that a proper place has been set aside for them they will continue trading here."



A Reiger Park resident wishes white Boksburg the compliments of the season. He was at a rally called this week to launch a consumer boycott of the town.

Picture: ANNA ZIEMINSKI, Afrapix

A dry, white Christmas — whatever you may call it

By CHARLOTTE BAUER

RESIDENTS of Vosloorus and Reiger Park yesterday delivered their "Christmas present" to "white" Boksburg — a total consumer boycott.

Because boycotts have been outlawed by Emergency regulations, few are prepared to actually say the word. But despite the substitution of gentle euphemisms, the intention is clear: from today Boksburg's black communities will take their business elsewhere until the Conservative Party-controlled town council stops implementing discriminatory by-laws.

At a press conference yesterday, Reiger Park management committee chairman Butch Jantjes delivered this message to the Boksburg town council: "You can have your white Christmas without the snow because your wish has been granted with love from the residents of Reiger Park."

Despite the haste of the black communities' management committees to distance themselves from the word "boycott" their reluctance is clearly a thinly veiled safeguard from possible prosecution.

An anonymous pamphlet doing the rounds in the two townships does not mince words: under the heading "Keep Boksburg White" it calls upon residents to "Boycott Boksburg town ... hold back your buying power and show the racist CP your strength".

While Jantjes insisted that Reiger Park's management committee and other "radical" organisations were "absolutely at one" on this issue, he admitted that in the past councillors had "sat back and let ourselves be kicked around". It remains to be seen whether their structures will gain any long-term credibility in their communities as a result of the CP issue.

One event in the escalating campaign of defiance is a huge sit-in to be held at Boksburg Lake — now officially out of bounds to blacks — this afternoon.

There is no municipal police force in Boksburg and it remains to be seen whether the South African Police will be present.

Storm breaks over Boksburg: but who's the real 'skelm'?

THE Conservative Party has dismissed reaction to what happened in Boksburg ten days ago as a "storm in a teacup, brewed by the National Party". In one sense, the CP is right.

There is no doubt that the public has been genuinely shocked by events of the past week in CP-controlled towns. But for its outrage to focus solely on the CP is a little off the mark — after all, the party is simply using a law created and maintained for 35 years by the Nationalist government.

About two years ago, when the Boksburg town council was still controlled by the National Party, a representative of the non-racial South African Council on Sport (Sacos) inquired whether it might use the Reiger Park swimming pool for galas.

The answer was no. The Reiger Park pool was for "coloureds", not for blacks or Indians. On another occasion in Actonville, the response from the Benoni town council (also NP-controlled) was the same, because the Actonville pool is for Indians — not "coloureds" or blacks.

Municipal swimming pools in so-called white group areas have always been out of bounds to blacks — except by special permit for a one-off event.

As CP member of parliament, Koos van der Merwe, burskly pointed out this week: "The NP has opened so few facilities, there is little for the CP to close."

From the other side of the political spectrum, Sacos' Transvaal spokesman, Agit Gandaby, expressed a similar view: "All (the CP) has really done is explode the myth that sport, or anything else in South Africa is, or ever was, non-racial."

While Foreign Affairs Minister Pik Botha spent the week denouncing the CP for its "keep the kaffirs at bay" mentality, it seemed momentarily to slip his mind that the Separate Amenities Act and Group Areas Act had been created by his party for precisely the same purpose.

NP members lost no time in seizing on the potential of their new role as good guys simply because some even badder guys had ridden into town.

The picture was, if anything, enhanced by the remarks of Boksburg's management committee chairman and former HNP parliamentary candidate, Gideon Fourie, who described the government as "leftist liberals".

But the basic fallacy of this image

There's more than a little humbug in National Party's noisy outrage over recent events in the East Rand town, writes

CHARLOTTE BAUER

But for its outrage to focus solely on the CP is a little off the mark — after all, the party is simply using a law created and maintained for 35 years by the Nationalist government. Again it was the CP's Van der Merwe who put the remark smarmily back in its place.

Allan Hendrickse may not swim in the sea, but if we decide he cannot swim in Boksburg Lake, then all of a sudden it is immoral and unchristian.

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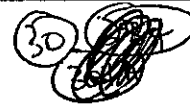
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But the basic fallacy of this image

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The black man's burden



The thought of Boksburg being transformed into a ghost town through a commercial boycott might come as a surprise to those who have ever visited this hub of the East Rand, and the fabled riviera of Boksburg Lake. Perfectly reflecting local white political opinion, its voters elected a Conservative Party council — which has set about implementing CP policy to the extent it can do so at local level.

So parks, pools and the CBD are to be emphatically proclaimed for "whites only" — a folly whose penalty will be felt in the High Street shops and a capital starvation which will probably benefit surrounding towns. White people who are only living — not trading — there will also be the poorer: a money drain coupled to the stigma which the mere name of the place will now arouse will probably see a drop in residential property prices.

Other CP towns which follow suit will experience similar effects.

However, the Boksburg council is perfectly correct in pointing out it is only following the law to the letter. The Separate Amenities Act, which gives it the mandate to close out other-than-whites, was passed decades ago by the self-same Nat government which now so vocally abhors the council's action.

Indeed, amid the legal tangles that lie ahead, it might also be considered whether, for example, the SABC was in contravention of the emergency regulations by giving so much air time to those firmly advocating a consumer boycott of white shops. Suddenly the government — in slamming the CP on this issue — appears to be saying segregation is wrong and not in the national interest. Well — what about the Group Areas Act, then?

And even Johannesburg, with its sizeable PFP representation, should put its hand on its heart and say it has done as much about desegregating the buses and swimming pools as, by implication, it ought to have done if it is to beat Boksburg about the ears for its feudal ways.

So while the CP in Boksburg has demonstrated its inability to reckon with the serious consequences of racism — forgetting that Verwoerd once clearly linked being white and separate with being poor — it has been given the luxury to do so by a ruling party that throughout all the tiers of government places the emphasis on local option, with the deck stacked in favour of the whites, who are becoming poorer.

If you really don't want embarrassing racial segregation in Boksburg or Krugersdorp, get rid of the laws that make it possible anywhere — including Pretoria and Durban. ■

30 Star 3/12/88

Armchair shopping now in SA

THE Trading Network, based on the successful American Compu-card system, was launched in South Africa this week.

It offers 640 000 items for sale at exclusive prices to consumer club members.

Purchasing takes place telephonically and electronically through the Trading Network's closed user group pages on Beltel.

Consumers phone their nearest agent, linked to suppliers by Beltel, and deliveries are made to their door.

The network's armchair shopping service offers groceries (125 000 items supplied by Makro); household appliances (75 000 items supplied by Stax); car spares (50 000 items supplied by Moores Multiparts); linen, kitchen-

ware, furniture, clothing and liquor.

Organisers say the network uses the mass purchasing power of members to negotiate exclusive membership rates with recognised suppliers of 147 categories of goods and service.

Home deliveries save time and yet more money. Deliveries are made by reputable transport companies.

30 8726 6/12/88

CP slams business pressure on Boksburg

The Conservative Party has described as "hysterical" the increasing pressure tactics by companies practising business in Boksburg — and has pledged it will "not give in to money powers the way the National Party has".

Reacting to the latest move by BP — which erected signs in five Boksburg service stations on Friday stating the company's opposition to discrimination — Mr Clive Derby-Lewis, a member of the CP standing committee on trade and industry, said his party did not expect such a "hysterical reaction from people in business".

By Helen Grange

In another development, Reiger Park management committee chairman Mr "Butch" Jantjes, has stalled the efforts of Boksburg management committee chairman Mr Gideon Fourie for a meeting between the two.

"They expect us to jump when they snap their fingers. We are going to let the CP feel the pinch before we start talking," Mr Jantjes said.

Meanwhile, Boksburg councillor Mr T J Ferreira has denied that the consumer boycott has begun to severely affect business in Boksburg.

Mr Ferreira added that he was seeking legal action against (*Beeld*) for reporting that his service station was suffering as a result of the boycott.

Checkers, however, said they were being badly affected at their Commissioner Street store.

Indian businessmen in Commissioner Street reported they were losing up to 90 percent of ex-

pected Christmas business and some were contemplating closing shop.

The Urban Councils Association of South Africa has resolved to ask its members to withhold their buying power from Boksburg shops, while the United Municipalities of SA has warned that a complete consumer boycott of all Boksburg businesses could be expected if the council continued its plans.

Boksburg, under normal circumstances, would collect more than R322 million from black consumers next year, according to Professor Johan Martins, research director of market research at Unisa.

"If the town council is prepared to see local business interests going bankrupt, then it should continue with its actions," Prof Martins added.

● The NP opposition on the Boksburg council has commissioned a survey to prove residents oppose the ruling CP administration's return to petty apartheid.

Nafcoc shopping complex opens

128
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C/press 4/12/88

By SOL MORATHI

AN ultra-modern R13-million shopping complex will be opened in Soshanguve tomorrow.

The 10 000 square metre complex has been developed by the National African Federated Chamber of Commerce and Industry.

Set in a bright blue and red framework, the double storey Nafcoc centre will cater for Soshanguve's 110 000 residents, plus Mabopane's 100 000.

"It is about time the standard of

living in the townships was uplifted to compare with the white cities and towns," said Nafcoc's property manager, Cyril Zwane.

"This mega complex has been designed to do just that."

Zwane said most of the township's residents would no longer have to buy in white areas because they would have convenience on their doorsteps.

The complex will house a Black-chain supermarket, a hardware store, surgery, fast food outlets, dry-cleaners, boutiques, a nightclub, and a bank.

The construction of the complex began in February last year.

Zwane said the tenants had promised outstanding service and would wage a full-scale war to undercut prices.

He added that parking facilities for about 1 000 cars had been provided and "the potential patrons of the centre can expect much more in the way of dynamic marketing concepts and on-going promotions".

He said the community would benefit tremendously from the centre.

By OBED MUSI

BOKSBURG, the oldest town on the Reef, is heading for "ghost town" status in the wake of its Conservative Party-controlled management committee decision to bring back old-style apartheid.

The East Rand town council is defying a considerable local and international outcry over its persistence in reintroducing racially-segregated amenities.

Among Boksburg's facilities that are again being reserved exclusively for whites are the Boksburg Lake, tennis courts, swim-

ming pools and other municipal-owned amenities.

In a move to isolate the white town, 50 000 coloured residents of nearby Reiger Park have cancelled their annual gala at Boksburg Lake. This means a loss of thousands of rands for white businessmen who stood to make the money from selling pies, ice-creams, candy-floss, and other children's goodies at the gala.

Another threat to white

profits has come from the residents of Vosloorus. Residents of this local black township supplies the muscle that provides Boksburg with labour for industry, commerce and households have said they will not tolerate the new moves.

The mood of the people was spelled out by the chairman of the East Rand Chamber of Commerce, Justice "Doom" Radebe, a prominent businessman.

"We have taken a lot

from the verkrampie whites of Boksburg over the years. Our people are tired of being treated as second-class citizens.

"We have the R6-million Lesedi shopping complex to show that people from Vosloo don't have to go to town for their groceries and other requirements."

But, under the emergency regulations, it is illegal to advocate a consumer boycott.

The other group of people whose livelihood is in the balance are the 60-odd taxi drivers who ferry workers between Vosloorus - some 24km from Boksburg - and the town. They have been told not to park their taxis in town.

Said one: "We have been told to be ready to get out of town and find a place where our people can ride taxis out of the sight of whites."

"What we would like to

know is where are we going to have a taxi rank. We have enough competition from Putco and pirate taxis and now we have to get the heck out of town. What are we going to do now?"

He was not on the only person frustrated by the verkrampie move.

Many white businessmen feel they might as well as close shop. Such a man is George Weeks, who runs a hardware business in the town.

Speaking of the proposed "buy in a CP-free town only" campaign, he told *City Press*: "It affects us grossly."

"If this kind of boycott comes off, I might as well close my doors, as my business is largely dependent on black and coloured trade."

Meanwhile, Ali Bacher, chief of the South Africa Cricket Union, this week said his union would "boycott" any exclusively white

from using facilities," he said.

He was referring to mixed schools like St Dominic's, a private Roman Catholic school in the town which admits pupils of all races, and the Christian Brothers College which follows a similar policy.

Other CP-controlled municipalities have also followed a verkrampie line.

The Brakpan Town Council also unanimously voted to ban blacks from all municipal parks, toilets and sports facilities.

He added that he hoped action would not be necessary as all local unions had been willing to comply with the board's anti-apartheid rules in the past.

Speaking in his capacity as chairman of the SA Swimming Union, Kramer said he was committed to open competition and participation.

"We will move our competition to unrestricted areas if we are precluded

venue. He was referring to Prince Georges Park in Boksburg, a mixed sporting venue which the Boksburg management committee in a surprise somersault declared would not be subjected to any apartheid regulations.

Danie Craven, president of the SA Rugby Board and the man behind the ANC rugby talks had this terse response: "There is absolutely no room for apartheid".

THE TOWN OF SHAME: REPORTS BY DAVID JACKSON, SHAUN HARRIS, RUTH GOLEMBO, DRIES VAN HEERDEN, BILL KRIGE, PIETER VENTER, MARK SMIT AND RUSTY VAN DRUTEN

BOKSBURG, the town that once gave South Africa a world heavyweight boxing champion, is set to receive a knock-out blow to its council's plans to revive old-style apartheid.

The Conservative Party rulers of the East Rand community are being driven onto the ropes in their own corner.

As the town's council grappled this weekend with rumours of defections in its ranks, white business, commerce and sport were closing ranks in an unprecedented show of anti-apartheid muscle.

And a consumer boycott by residents of the 50 000-strong Reiger Park coloured township was dealing the CP another potentially fatal body blow.

As Boksburg's former world champ, Gerrie Coetzee — he is on record as slaminging apartheid — went fishing this weekend to get away from it all, the town's CP mayor, Mr Beyers de Klerk, admitted he felt like doing the same thing.

BIG BUSINESS MUSCLE HAMMERS BOKSBURG CP ONTO THE ROPES

He said: "All the council set out to do initially was to fence off the local lake and make it safe."

"What has developed in the wake of this move has hit us like a bomb."

"Now we even have petrol companies threatening to take away their franchise from two of our members who own garages in Boksburg."

Other CP-controlled Transvaal councils, such as Brakpan and Springs, are watching developments warily before plunging ahead

with their own "back to apartheid" plans.

In other moves to crush the Boksburg CP action:

● Multi-national giant, Colgate-Palmolive, situated in Boksburg for 57 years, announced it was applying to be re-zoned from Boksburg and has approached central government to intervene and stop the CP action.

The company's managing director, Mr Gerry Nocker, promised "moral and financial support" to any Boksburg group who wished to protest through legal means.

● The Anglo American Corporation issued a statement expressing extreme concern saying the actions by the Boksburg council "appear to reverse gradual moves towards a more normal society".

Mr John Wilson, executive chairman of Shell, said in Cape Town his company would "brook no interference" with its policy of having retail outlets open to all.

"If any of our service stations, or indeed its black dealers, operating in white CBD's are threatened, the matter will be taken to the highest courts in the land," Mr Wilson said.

SA Cricket Union president Joe Pamerny called on the Government to change its Separate Amenities Act and to make attempts to reintroduce petty apartheid illegal.

The Northern Transvaal Cricket Union's president, Willie Basson, said if clubs on the East Rand could not guarantee that their facilities would be open to all races, they would have to find other facilities or forfeit their right to play under NTCU auspices.

Some of the clubs in danger of being affected by the East Rand conservative backlash would be the Boksburg, Brakpan, Springs, ERPM and police cricket clubs, who do not own their own grounds.

Golf maestro Gary player called on South African of all races to "stand together and ignore the petty apartheid spawned by the East Rand conservatives who seem determined to take



SHOPPING AROUND... Razak Abdul in his shop rented from Boksburg's CP Mayor Beyers de Klerk

SA back to the days of the ox-wagon." He said: "Apartheid is a cancer and the sooner it is stamped out, the better".

In Cape Town, a city bus operator and supermarket owner has cancelled a R300 000 order for two buses made in Boksburg.

Mr Clarence Ratangee, managing director of

more black customers than two weeks ago, said manager Leon Botes. Most other businesses are recording a 20 per cent increase in trade.

Says Reiger Park councillor Buchanan Jantjes: "They (the Boksburg whites) wanted their town while they are going to get it white. It should be a white Christmas for them."

On Wednesday, representatives of about 150 000 blacks in the Boksburg area made a similar pledge.

The research director of the bureau for market research at the University of South Africa, Professor Johan Marrius, this week released startling results of a survey undertaken into black buying habits.

Professor Marrius said blacks in the Boksburg area would spend more than R322-million this coming year. "If the town council is prepared to see local white business interests going bankrupt, then it should continue with its actions," Professor Marrius added.

Black retailer calls off Jazz Stores deal

S/ Times
4/12/88
(30)

A BRAVE experiment to provide a struggling black retail company with white management expertise and buying power has ended in acrimony.

The management agreement between Soweto-based Blackchain supermarket and Tradegro's Jazz Stores has been abruptly cancelled.

The remaining supermarket at Diepkloof has been closed and arrangements have been made to pay Jazz R700 000 for stock supplied to Blackchain.

Blackchain executive chairman Paul Gama says he will pay the outstanding amount from his own funds and the store will reopen as soon as possible.

Staggering

The May 1986 deal was hailed as a bid to turn Blackchain, which is owned by 1 403 blacks, into a super-chain dominating food retailing in black areas.

Jazz managing director Clive Sacher described the potential as staggering. He hopes Blackchain will solve its problems soon.

As recently as September he said in Jazz Stores annual report that the management agreement entered its third year "with a more positive outlook for staff and shareholders" after the closure of the unprofitable Zola store.

"Our relationship with Blackchain chairman Paul Gama and the directors and staff of the company is highly valued and we look forward to its continuance."

Corner

But Mr Gama, who is a successful retailer in his own right, says he broke off negotiations to renew the contract in June because of "dissatisfaction in certain areas".

Jazz was brought in, he says, to use its expertise to turn the company around. "But although they had total management control and I had no say in the operations.

By Ian Smith

We have not been profitable in the past two years."

He also claims that Blackchain was not getting rebates from manufacturers — "and you are dead in the supermarket business without rebates".

But Mr Sacher believes that Blackchain has turned the corner, with a considerable improvement in "profit profile" and consistent growth in spite of difficult trading conditions.

Incentive

"We have been more than satisfied with the performance of Blackchain over the past two years and have enjoyed a mutually beneficial working relationship with the directors.

"It was a great shock to us when, without warning, Mr Gama unilaterally terminated our management contract and instructed us to vacate the premises."

Last May he said in an interview that Blackchain had returned to profit for the first time in nine years. Turnover had increased from R300 000 a month to R1-million and shrinkage had been reduced from 6% to between 0,5% and 1%.

"We increased stock levels,

marketed aggressively, put in a good range of fruit and vegetables and built a sophisticated butchery," says Mr Sacher.

Although Jazz did not have a stake in Blackchain it was due to have a management fee and a share of profits incentive. It could also benefit from increased buying power and it could have won goodwill among blacks for its other stores.

Jazz financial director Ian Wainer tells Business Times that the deal never contributed materially to the group's bottom line.

Mr Gama, who says he came into Blackchain when he provided R200 000 to tide the company over a cash-flow crisis, says his main task now is to preserve the jobs of the 125 employees.

— Then he will talk to banks and other parties about the finances of the company. The opening of a store in Kattlehong has been delayed and a shareholders' meeting on December 10 has been postponed.

Mr Gama says he is saddened by the collapse of the pioneering venture. "The three fundamental weaknesses of black business are the lack of capital, shortage of skills and, particularly in retailing, the need for a link with big buying power."

Costly petrol fuels inflation

By Don Robertson

THE Government's inability to manage the Budget has been attacked by labour organisations, farmers and economists.

Their wrath was prompted by this week's announcement that the price of fuel will be increased by 10c a litre from January 16.

The Bureau for Economic Research at the University of Stellenbosch warns that the

higher fuel price will add 0,54 of a percentage point to the inflation rate. It will also have ripple effects. The BER has lifted its estimate of inflation in 1989 to 16%.

The increase comes after two months during which an overrecovery on the so-called slate was experienced in the sale of petrol. In other

□ To Page 2

lass & Shatterprufe
ries Limited and Placor

Ccawusa member on fraud charge

By STAN MHLONGO

A RUSTENBURG member of the Commercial, Catering and Allied Workers' Union of SA will appear in court on December 15 for allegedly defrauding the Ackermans chain store of an undisclosed amount while employed as a cashier.

Dorah Tshwagong, 30,

was suspended from work this week for allegedly registering an incorrect amount of goods bought by a customer.

Ccawusa official Meshack Getyes said Tshwagong was also "accused of pocketing some of the money for herself".

Getyes said that on November 29 he went to the store to investigate com-

plaints against Tshwagong.

"I was told the affair was an internal matter. But to my surprise, the police were called and Tshwagong was arrested," said Getyes.

Ackermans' personnel manager Piet Brand denied the police had been called to arrest Tshwagong.

Nkomo death hearing postponed

By SOPHIE TEMA

FORMER Soweto deputy mayor Patrick Ndaba and his co-accused Patrick Mfeka appeared briefly in the Johannesburg Magistrates Court this week on a charge of murder and their case was postponed to January 26.

Their appearance follows the death of Sofasonke Party member David Nkomo, 45, who was allegedly gunned down at his Tshiawelo home on August 26 this year.

Nkomo was to oppose Ndaba in the

October municipal elections.

Ndaba, who has pleaded not guilty to the charge, has been refused bail four times by Magistrate PH Bredenkamp.

His bail applications were refused on the grounds that two suspects alleged to have been hired by him and Mfeka are still missing, that he would interfere with State witnesses and that he might be killed by Nkomo's followers.

His attorney, T Shapiro, said there was a possibility that a fifth bail application could be brought to court.

Dark days ahead for Black Chain shoppers

By CONNIE MOLUSI

BLACK Chain remained closed this week after a case involving the Soweto-based supermarket was postponed in the Rand Supreme Court.

The closure of the store is a sequel to the dispute between Black Chain and Jazz Stores, which was granted an order for the closure until the conflict was resolved in court.

Jazz Stores has removed all perishable goods and fridges from Black Chain while the dispute continues.

Soweto shoppers are hard hit by the closure of Black Chain, the nearest

large supermarket to the township, and many have been forced to shop in Johannesburg.

Meanwhile, the Southern Transvaal African Chamber of Commerce (Soutacoc) has threatened to intervene.

Joe Hlongwane, the deputy president of Nafcoc and the chairman of Soutacoc, said they were preparing for a meeting between a Nafcoc delegation and Cecil Smith, the chief executive director of Metro, the largest single shareholders in Jazz Stores.

"We need sound business relations between black and white business,"

he said.

"If this conflict continues Nafcoc will summon its management from all over South Africa to discuss the Black Chain-Jazz Stores impasse.

"Nafcoc views Black Chain not only as a business, but as a symbol of the few black initiatives which have succeeded.

"The closure of the store at a time when the shoppers need it most threatens the reputation and undermines the achievements of Black Chain," said Hlongwane.

Political comment and newsbills by K. Sibya. Headlines and sub-editing by C. Frans, of 204 Eloff Street Ext, Johannesburg.

S/Times 8/12/88

Newcomer Trabild sees big jump ⁽³⁰⁾

TRABILD Group Holdings, which is to come to the JSE this month through a reverse takeover of Houston Industries, projects an increase in turnover of 140% and a jump in attributable profits of 181% in the year to December.

Houston is a cash shell with about R4-million in the bank from the sale of its engineering operations to Steel World Corporation. Based on its cash balance, Houston has a net asset value of 26c a share.

In terms of the deal, Trabild holding company Tayob Investments acquired a 69,9% holding in Houston from SA Bias Holdings at 30c a share and will offer the same to minorities. It will also offer 71,5c a share for the 8,5% cumulative participating preference shares. Preference shareholders will also receive a dividend of 8,5c a share in January 1989.

Houston ordinaries are trading at 47c a share and the prefs at 70c.

Trabild, which wholesales and retails fabrics, textiles,

By Don Robertson

hardware, builders' supplies and lighting, expects taxed profits to rise to R1,31-million from R468 000 in 1987 and turnover to increase to R22-million from R9,01-million. Earnings are forecast at 5,1c a share.

Chairman Riyâaz Tayob says: "These estimates are based on audited results for the eight months to end-August and on conservative expectations for the balance of the financial year."

The increase in turnover has been accompanied by a commensurate rise in profit, achieved by changing the product mix.

Benefits

An increase in the volume of business, relatively fixed overheads and the changing sales mix are expected to produce another improvement in profit margins.

After the listing, the company intends to continue look for acquisitions and several are being investigated. The group is considering opening a second branch of Venus Builders Supplies in Pretoria in the first half of next year.

It is also intended to expand the trading arms of Ga-Rankuwa Textiles and Tayob Textiles and establish a division in wholesale haberdashery.

Mr Tayob says the company will pay two dividends a year of about 40% of group taxed profit.

The present tax rate is 34,5% because of decentralisation benefits and assessed tax losses, but is not expected to increase above 40%.

TV is top of the shops!

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Business Times Reporter
TV SETS topped the list of the most popular products sold this year — with Tedalex, as one of a number of major players in the TV market, boasting the sale of 320 000 this year against only 270 000 last year.

Similarly, Stans and Game, although they refused to give sales figures, agreed TV sales had soared this year.

Tedalex's Jack Cohen said the replacement market accounted for the upsurge in sales. Most of the original sets bought by people when TV first arrived in SA had worn out and were having to be replaced now.

Second in the popularity stakes were fax machines. Plessey executive director Bill Pearce said the total number of units sold leaped from 22 000 (last year) to 33 000 for the first six months of 1988, paving the way for the expected sale of 45 000 machines by December.

The doubling of sales occurred in spite of the constraints placed on the market by the Japanese Minister of Trade and Economy who tried to keep trade between

the two countries at the same level as last year.

Similarly, Siemens reports sales of faxes increased four-fold this year.

Mr Pearce said the high level of competition resulted in average price reductions from R5 500 for a basic product on the lower end of the range to R5 000.

It was not competitive prices which resulted in the popularity of these machines, however, but consumer demand arising out of the recognition that fax machines were a business necessity.

Mr Pearce said fax machines were "irresistible" to the businessman as they were cheaper than telex machines — about one-tenth of the cost — and were more versatile.

They allowed for the speedy distribution of text and drawings, represented legal tender and were as easy to use as a telephone.

Mr Pearce said the four product ranges available were tailored to suit market needs.

At the bottom end were the manual machines which "just do the job" selling for under R4 000. Next were the low-end products selling for R5 000 such as Plessey's Hitachi HF17, followed by the midrange HF37 at R6 500. The Rolls Royce of faxes was the HF45 at R9 000.

All models progress in sophistication across the ranges from manual machines working only with A4-sized paper at the bottom end of the range, to midrange models accepting A4 and B4 computer paper with automatic feed.

Personal computers were another red hot product. Ros Allan, managing director of TSI's newly formed distribution company TSD, estimates sales last year were 150 000 units and that next year they will reach 200 000. Barry Schechter of PunchLine says his company sold 40 000 locally assembled Pandas, thousands of which were exported.

Pick 'n Pay merchandise director Alan Gardiner said sales for bicycles (in excess of 80 000) were exceptional this year. He said it was in line with the new "keep fit

with pleasure" theme.

Mr Gardiner said a second area experiencing great growth was that of sewing machines. Demand had sprung up from nowhere taking the market by storm with Pick 'n Pay expecting to sell tens of thousands of sewing machines this year.

The market had accounted for 100 000 units. Mr Gardiner said when they were launched last July nobody expected 8 000 machines set aside for the year to be swallowed up in a matter of four weeks, leaving another 8 000 names on a waiting list.

He said: "This is the biggest success story we have ever had."

Upsurge

Security systems were also high on the popularity list. Mr Gardiner said people had become much more security conscious.

This ties in with reports from Checkers that there had been an upsurge in the record and tape market as a result of people choosing home entertainment over outside entertainment given the trend towards multiracial

entertainment venues and the frequency of bomb threats.

Mr Gardiner and Mr Cohen said the flop of the year was videos. While provision was made by Pick 'n Pay for the sale of 30 000 units only 10 000 had been bought so far.

Mr Gardiner said since the advent of the 60% surcharge on imported goods and more HP curbs, the bottom had fallen out of the video market.

Tek Corporation spokesman Richard Ferrer singled out electric stoves as the growth area for 1988 after reflecting a 63% gain on last year.

He attributed it to the surcharge which affected the market positively this time, by encouraging potential buyers to make their purchases quickly before the tax came into effect.

Checkers showed increases of 30% in the sale of microwave ovens and 25% in the sale of records and tapes.

Checkers GM home and wear Rob Hewer said the only area which showed a decline in sales was that of giftware and novelties such as glassware and gift stationery.

S/Times 4/12/88
Needs

CAUGHT IN THE

S/Times
4/12/88

Economic muscle may yet be CP's undoing

30

TODAY Boksburg is notorious. Tomorrow it might be famous — if local sanctions thwart the town council's attempts to reimpose apartheid in areas where it has disappeared.

The Reservation of Separate Amenities Act of 1953, upon which the council is relying, has notorious origins.

It was enacted because the courts had ruled that if separate facilities were provided for different races, they had to be equal.

The Act empowers anyone in charge of public premises or vehicles to reserve them for a particular race. It stipulates that such reservations may not be set aside by the courts "merely" because similar facilities have not been provided for the excluded people.

The Act was one of the earliest steps by Parliament to undermine the principles of equality in South African common law.

The South African Institute of Race Relations said at the time that it was a "blot" on the statute book. So it remains — although the Government has been "investigating" it since 1981.

Two years ago President P W Botha said at the Cape National Party congress that the Act was not practical. Had he then scrapped it, the Boksburg town council would not now have the power to turn back the clock.

Promise

About a year ago, a committee of the President's Council recommended outright repeal, but Mr Botha said that alternatives would have to be considered before "adjustments" could be made.

Legislation to amend the Act was promised for 1988, but did not materialise.

Down the years the Government has said that segregation is necessary to prevent racial friction. In making this claim it has taken into account the views of conservative whites only, and ignored the feelings of everybody else.

In 1985 the Human Sciences Research Council said that South Africa's conflict potential was high because of the division of its inhabitants by official segregation.

It warned that delays in addressing issues of relations between groups would have "cata-

by John Kane-Berman

executive director of the South African Institute of Race Relations



strophic consequences". Given the recommendations of the PC and the HSRC, it is tragic that the Government should be so dilatory in crossing so small a Rubicon as getting rid of the Act.

Experience over 15 years suggests that the initiative in bringing about change in discriminatory laws has increasingly been taken by black people.

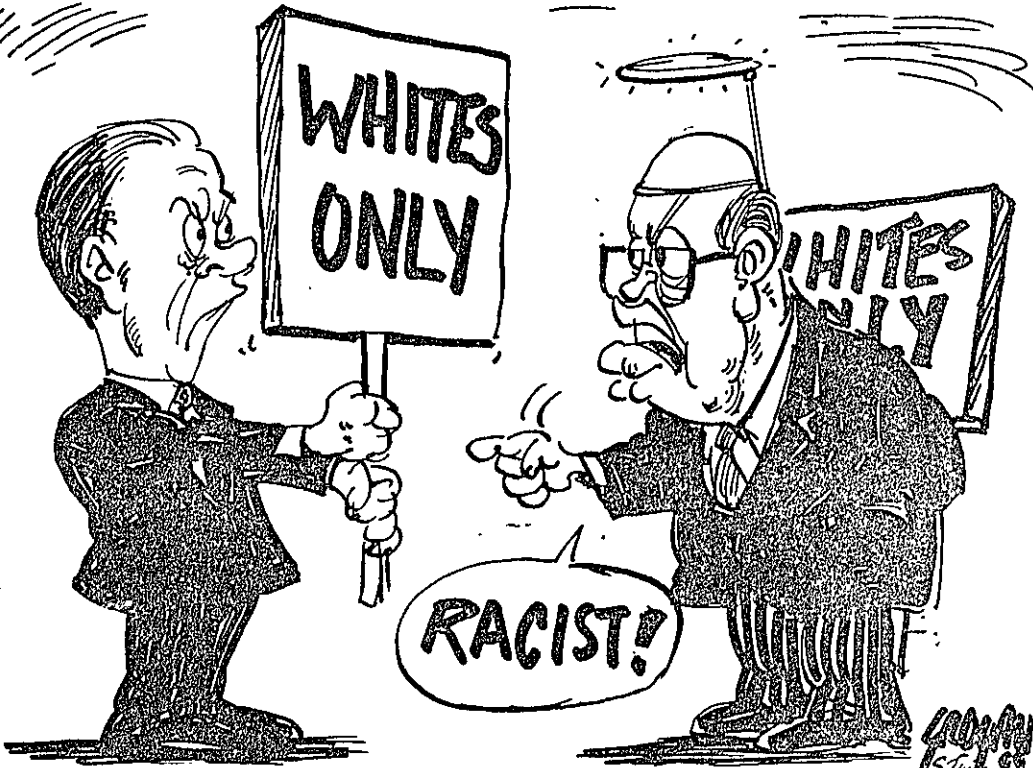
Black people organised trade unions; created the kombi-taxi industry; increasingly ignored the pass laws, and steadily undermined the Group Areas Act — relegating the Government itself more and more to the sidelines.

Is this now going to happen in Boksburg, as the local authority and the black victims of its policies square up to one another?

Even as the Government continues to dilly-dally about the Separate Amenities Act, will blacks in Boksburg render it unworkable anyway? Perhaps in the long run the final liberation of Boksburg from Verwoerdian apartheid will be achieved by black people.

As long as the Act remains on the statute book, the town council has the law on its side, but blacks have economic muscle, and they are already beginning to exert it — with the support of white business.

Their combined threat of sanctions against Boksburg could yet lead to second thoughts among at least some CP supporters. This would not be surprising



the Government that the way to neutralise the CP is to change fast enough to enlist them as allies against it.

Emergency regulations prohibit calling for consumer boycotts, but the Government may find itself secretly glad to see at least this one succeed — provided violence does not force it to intervene

One of the abiding tragedies of South Africa is the inability of black groups to rise above their political and strategic differences. Will the Boksburg CP now be the catalyst for united black action?

If blacks can sustain what could be a drawn-out process of attrition, the CP's capture of Boksburg may yet turn out to be a hollow victory as the party comes up against the reality of economic in-

terdependence in South Africa.

An extended period of attrition could lead to lay-offs. The ability of retrenched people to find jobs in other towns is now less than it might have been, in that international sanctions have reduced the employment-generating capacity of the economy.

The capacity of black consumers to hurt the CP depends on a shift in the balance of consumer spending power from white to black people.

This in turn depends on rising employment and rising wages in the economy as a whole, neither of which is possible in the context of international sanctions, which risk removing from black people in Boksburg and elsewhere the single most important weapon they can wield for change — greater economic leverage.

Tragedy

There is also the question of what transport systems are available for an effective re-direction of consumer spending. For its part, the CP is pooh-poohing a black consumer boycott.

Further, there is a risk of conflict. Consumer boycotts have been effectively deployed in the past, notably in the Eastern Cape and on the East Rand, but they were sometimes attended by coercion, which undermined community cohesion.

Violent coercion in Boksburg would also enable the CP to drive a wedge between blacks and the white businessmen who are themselves also taking practical action against the CP.

Several black leaders have told

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Rusfurn's recovery

Star 5/17/88

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Bottom
Line

MICHAEL MENOF



Government austerity measures in May and August have made Rusfurn nervous. Consumer confidence is fragile says outgoing chairman Mervyn King and once damaged takes a long time to restore.

But is Rusfurn a furniture share if Dion accounts for 37 percent of its sales and furthermore cash comprises 40 percent of sales? This is in sharp contrast to other furniture houses such as Ellerines and Joshua Doore.

The JSE furniture sector is trading at substantial discounts on net asset value. This sector needs high debt to finance its receivables which means higher interest especially with rates rising. Is this negative perception warranted in Rusfurn's case?

In its second year of relisting it has produced sparkling results helped by the Frasers furniture acquisition and Dion's impressive turnaround. The 25,1 percent investment in Joshua Doore and Mastercare Servicing were both sold. To combat rising interest rates from increased debt needed to fund receivables alternative fixed rate or fixed at a discount to prime loans have been secured.

Management's stance in not providing for deferred tax is clear. At the annual meeting scheduled on Thursday, two special resolutions are tabled — to dismiss a director at the instance of shareholders who hold more than 50 percent of the shares and to allow a director reaching age 65 to remain on to 75.

Is controlling shareholder Sankorp (Sanlam) wielding the big stick again and who exactly have they in mind? Sales reached R729,6 million (1987: 8 months R264,4 million) with operating profits R59,8 million (1987: R22,8 million). Interest cost R14,3 million (1987: R8,99 million). No tax was needed using the suspensive tax allowances.

Bottom line

After deducting outside shareholders profit share R3,84 million (1987: R650 000) the bottom line was R43,14 million (1987: eight months R14,33 million) giving earnings of 26 cents per share (1987: 12,9 cents). Issued shares increased from 129,2 million to 165,8 million following the Frasers deal. Dividends paid totalled 7,5 cents.

All five divisions produced impressive pre-interest profits — Wanda/Frasers R29,9 million, Arrow R9 million, Dion R8 million and Rudicks R3,3 million less the group overheads of R8,9 million. Operating efficiencies improved with a 20,2 percent return on average net assets and 26,4 percent return on average shareholders' funds — both more than doubling.

Rusfurn is sensitive to tax changes. The change in allowing credit base retailers to defer 50 percent of the monthly GST is being phased out to cash flow's detriment. The suspensive debtors Section 24 tax allowances permit

Rusfurn to escape hefty company tax.

Management has made a strong stand for not providing deferred tax. This accounting brainchild relating to timing differences and the matching concept whereby if sales and costs take place, tax must be provided in the same year even if it is deferred.

Management sees increasing sales resulting in a higher book, giving enhanced suspensive allowances as not needing deferred tax. If deferred tax was provided it would have reduced earnings by R18,4 million (1987: R6,6 million). Tax losses available total R16 million (1987: R27 million).

Frasers furniture interests cost R26,39 million, settled by issuing 33,8 million Rusfurn shares. Their stores have been well integrated into Wanda and synergistic benefits will be reaped in 1989. Wanda's rural stores, given satisfactory agricultural conditions, are largely insulated from many of the economic woes.

Acquisition

Dion acquired the nine-store Giddys chain in the Eastern and Western Province for R3,2 million cash. Dion is a key player with its new blue chip six months revolving credit card and its high cash sales content. New stores were opened in Welkom, Wynberg CP and Pretoria with two more planned for 1989. Once its tax losses are exhausted Rusfurn will likely integrate Dion's net assets into its group having a R20 million annual profit potential.

Shareholders' funds increased to R191,74 million (1987: R135,25 million). Total debt has risen marginally to R127,47 million (1987: R112,42 million). New banking arrangements include releasing the pledge of book debts and cancelling guarantees by Tradegro, and interest rates between 10 and 15 percent.

Working capital has improved with 1987's overdraft of R108,8 million now changed to long-term loans of R119,3 million. At end June 1988 net current assets totalled R295,68 million (1987: R121,69 million). Current assets include R440 million (1987: R289,87 million) receivables where roughly 80 percent are payable within a year.

Management is budgeting for an 18 percent increase in sales and forecasts growth in earnings despite credit restrictions and general economic slowdown. With a proven management team in place, the bad debts percentage at a historic low and the debtors book of a high quality, Rusfurn should grow.

The only negatives are holding company Tradegro's poor image and ultimate holding company Sankorp who will probably not favour any imaginative moves.

With net profits of R37 million from furniture and R8 million other, assisted by a good cash and credit sales mix, Rusfurn remains firmly in the furniture industry even if it considers itself a cut above its competitors.

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THE BIG CHILL SETS IN

BLACK communities at the weekend began their boycott of white businesses in Boksburg in earnest, and vowed to continue shopping in Benoni and Alberton for as long as the Conservative Party-run council remains adamant in its decision to close public amenities to people who are not white.

By MOJALEFA MOSEKI and SAPA

Already, a number of filling stations were beginning to feel the bite as hundreds of minibus taxis that daily patronise the outlets take their business away from stations owned by people with CP ties.

Several Boksburg shop windows now display prominent signs reading "This shop welcomes all races".

Soldiers in trucks and armed units on foot maintained a high profile around the business centre of Boksburg at the weekend and some shoppers said the army's pronounced presence began with the town's racist decision this week.

Apartheid

On Saturday, buses laid out by the Reiger Park-based Committee of 12 elected last Wednesday night at a township meeting in the hundreds of shoppers to Benoni from 9am and back after business closed at 1pm.

But the boycott was not total, with pockets of black shoppers seen in Boksburg shops and its streets.

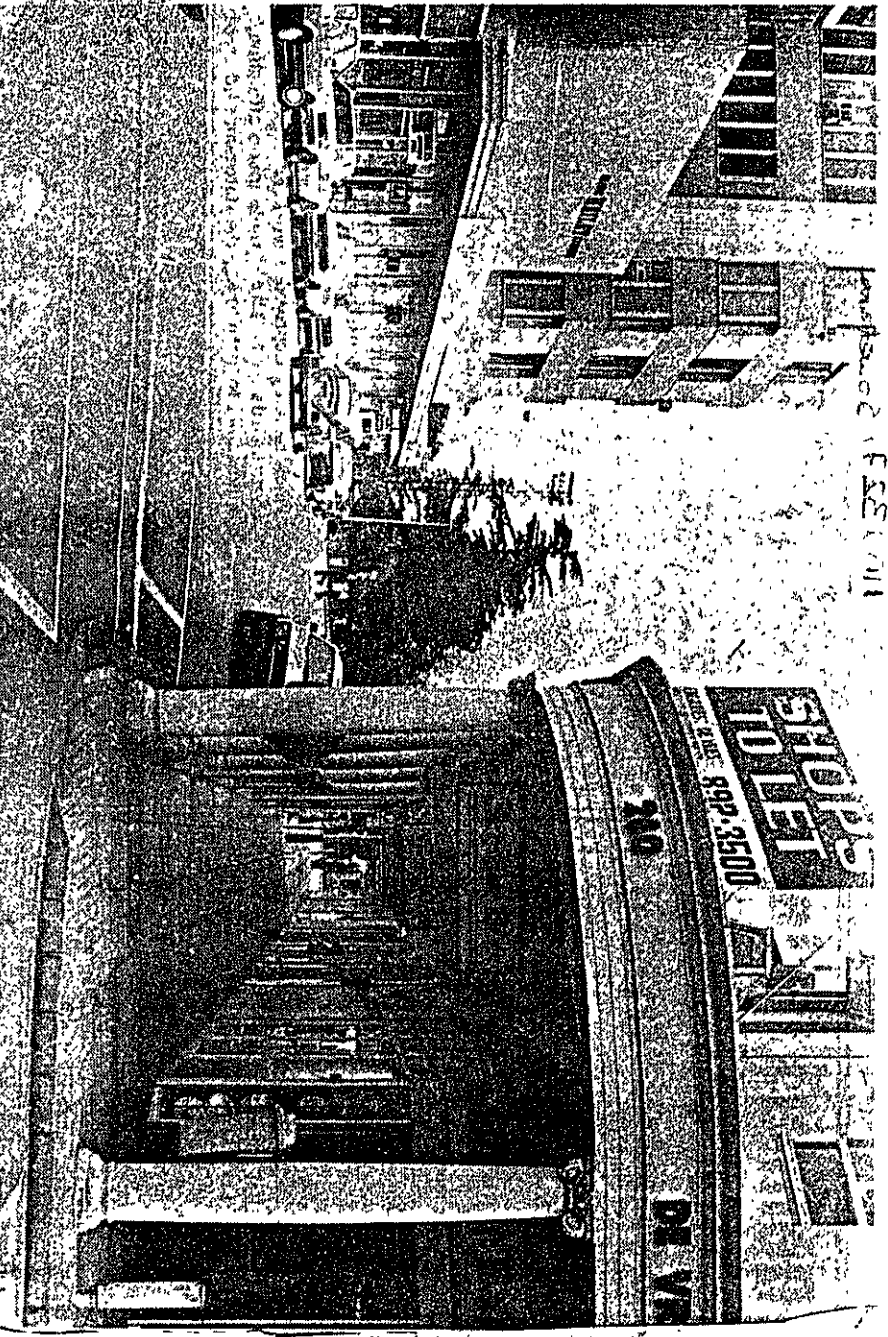
The president of the United Municipalities of

South Africa (Umsa), Mr Tom Boya, on Friday afternoon led a sit-in protest at Boksburg where whites-only signs went up last month as the Conservative Party-dominated council re-introduced old-style apartheid.

Mr Boya, flanked by nine Umsa members, delivered a speech in which he called on black shoppers to buy at other nearby towns which did not discriminate against them because of their skin colour.

He said both whites and blacks had contributed to the progress of Boksburg. He challenged the Government to scrap the Group Areas Act which the CP was using to implement apartheid in Pietersburg, Brakpan and Boksburg.

"If these laws I have mentioned were not there then the CP would have had nothing to defend its implementation of old-style apartheid," said Mr Boya.



BOKSBURG turns into a ghost town overnight. A view of Oosthuizen Street in Boksburg during rush-hour on Friday, December 2 at 4.30pm. The consumer boycott by blacks from neighbouring townships, who allegedly wield 80 percent buying power, has set in.



Atteridgeville rents to go up

THE Atteridgeville City Council, which is R5 million in the red, yesterday officially announced rent and service

Intrigue and threats now riddle Boksburg

PETER DELMAR, DANIEL SIMON and BRENT MELVILLE

THE NP opposition on Boksburg council has commissioned a top-level independent survey of the town to prove residents oppose the ruling CP administration's return to petty apartheid.

NP leader Chris Smith said the survey would be undertaken by a reputable private company. He said he also expected at least 20 000 voters to sign a petition against the council's decision to bar blacks from amenities in the town.

All 12 CP councillors on Friday declared allegiance to CP policies and measures taken in Boksburg. This put

paid to a claim by Smith the previous day that three members, including CP whip T J Ferreira, were preparing to cross the floor.

This would effectively have robbed the CP of its majority.

The black boycott of Boksburg shops, which started on Saturday, appeared to be successful.

Security forces maintained a high profile, but few black shoppers were seen.

CP sources said at the weekend mayor Beyers de Klerk was one of three CP

members planning to leave the party.

Both he and Ferreira have been hit by threats to their businesses because of their pro-apartheid stand.

It is understood Ferreira insisted on chairing a new management committee in return for joining the opposition and that CP leader Andries Treurnicht personally intervened to prevent the party slipping from power in Boksburg.

It was announced at a Press conference on Friday that a special fund would be set up for CP councillors who are

intimidated or encounter financial difficulties as a result of threatened boycotts or other actions against their businesses.

CP information committee chairman Koois van der Merwe said stories about dissent in the CP caucus were "pure balderdash" and part of an NP disinformation campaign.

Van der Merwe said the NP was busy practising "skelm apartheid" throughout SA and, if it felt so strongly about what CP-controlled town councils would do, then NP Transvaal leader F W De

Klerk should open all facilities in his constituency of Vereeniging.

"We are going to carry out our policy fearlessly. We will not surrender," Van der Merwe said.

Johannesburg's CP chairman Fred Rundle claimed the NBS had lost a stake in a R10m townhouse development in the southern suburbs because of its action against Beyers de Klerk.

Rundle said at the weekend the developers of a townhouse complex in Mayfield Park, Macrun CC, had decided against approaching the NBS for bonds for about 150 townhouses.

● To Page 2

Boksburg backlash as blacks boycott

The NBS this week ended its agency agreement with Beyers de Klerk because it said it could not reconcile the CP-controlled Boksburg Town Council's decision to implement petty apartheid with its stance as an equal opportunity employer.

Rundle said the CP's regional office had been inundated with telephone calls from "conservative minded" estate agents expressing dissatisfaction with the NBS decision to close its agency agreement with De Klerk, who is an agent in the East Rand town.

Eileen Kovacs, a spokesman for co-marketers of the Mayfield project, Loveday Real Estate, confirmed Macrun planned to approach the NBS before its

action against De Klerk.

An NBS spokesman yesterday dismissed as "utter nonsense" claims that the society would be influenced by a borrower's political beliefs.

The NBS denied it had agreed to a top-level meeting to discuss the controversy surrounding De Klerk's agency and threatened CP retaliation. Public affairs GM Brian Short said the NBS did not believe a meeting was necessary.

United Municipalities of SA president Tom Boya warned at the weekend that a complete consumer boycott of all Boksburg businesses could be expected if the council continued its apartheid plans.

● From Page

30

5/12/88

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SBDC publication to assist small businesses

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9/12/88

By BRUCE WILLAN

A SIMPLE, easy to understand fact sheet entitled Small Business and the SA Economy, explaining the role of small business in the SA economy, has been published in the interest of entrepreneurship development by the Small Business Development Corporation (SBDC).

Ben Vosloo, MD of the SBDC, says this is one of the many fruits of the first National Small Business Week which was held earlier this month.

He adds that this publication was triggered by the discovery that not a single readily available document elucidating the important relationship between small business and the economy existed.

In the first issue it states that approximately 40% of overall economic activity in SA can be accredited to the small scale enterprises in both the formal and informal sectors and exceeds 800 000.

Approximately 75% of all new jobs created are generated by the small business sector and about 35% of all formal sector employment is directly attributed to the small business sector, states the publication.

About 70% of the labour force is involved in some form of small business or informal sector activity.

Of the estimated 1m business enterprises in SA, about 625 000 are unrecorded, unlicensed, non-taxable informal sector businesses it states.

Considering the immense challenges facing the SA economy the publication stresses the vital role of the small business in contributing to finding solutions to the problems which do exist.

Small business, it says, is by far the most cost effective and efficient job creator in a free enterprise system.

The number of jobs per unit of capital invested is generally far higher than in larger firms which tend to achieve output growth without necessarily creating more employment.

Therefore it considers that small businesses are especially suitable in an economy such as ours where unemployment is widespread.

Boksburg sales 'halved'

(30) 6/12/88
The consumer boycott in Boksburg's central business district, carried out mostly by coloured shoppers from Reiger Park, has had a severe effect on business.

Mr Chris Smith, leader of the National Party caucus in the town council, today said he had received reports that sales dropped by as much as half at the weekend.

Mr Smith also believed white shoppers were staying away from the CBD after last week's blast at the Receiver of Revenue's office. — East Rand Bureau.

Upgrade for Yeoville site

A Yeoville, Johannesburg corner shopping block, with CNA as the anchor tenant, has been acquired by an Incity Real Estate syndicate of private investors for R1,5 million.

The deal offers an initial yield of 11 percent with substantial growth potential.

The two-level building is at the corner of Kennere and Raleigh streets.

Incity will spend R100 000 on remodelling the corner building and another R400 000 on improvements to the R2 million New Orleans property nearby.

The city council plans to turn the Raleigh Street shopping strip into a "user friendly" thoroughfare.

Incity chief executive, Mr Marc Wainer, says: "In giving something back to the community in which we have invested, we would like to see the Yeoville shopping strip acquire a quality of character similar to the traditional English High Street shopping fronts."

Open-area businesses flourishing in Joburg

The opening up of Johannesburg business areas to all races in the wake of relaxation of the Group Areas Act two years ago is continuing.

One major property group reports a steady flow of inquiries about and lettings of office space to non-white business.

Old Mutual Properties (OMP), for instance, has acquired 57 black and 24 Indian tenants since the CBD was opened.

Primarily retailers, the Indian tenants occupy 4 400 sq m of space.

"Our 57 black tenants now occupy 3 000 sq m, and 93 percent of that is office space," says Mr Doug van den Aardweg, assistant regional property manager (Witwatersrand) of OMP.

"They account for 2 percent of our CBD portfolio of 155 000 sq m."

Property & Construction

FRANK JEANS



Mr Van den Aardweg sees a growing recognition by black professionals and businesses of the value of a central location and the fact that there is a variety of space available at reasonable rents.

OMP's tenants' profile includes architects, attorneys and accountants to a soccer club, trade unions, a dressmaker and a building contractor.

Rents vary from about R5 a sq m to R14 sq m net, with most tenants paying about R8 a sq m.

On the industrial front, OMP's services manager, Mr Derek

Stuart-Findlay, sees the sector's strong recovery over the past two years as an "encouraging illustration of the remarkable resilience of the South African economy."

Over the past 16 months, OMP has let 115 000 sq m, of which more than 70 000 sq m is represented by units larger than 5 000 sq m.

"Industrial rents should remain firm and continue to rise slowly in line with demand, reaching R6 a sq m for 2 000 sq m in areas just south-east of Johannesburg," says Mr Stuart-Findlay.

"In the more popular PWV townships such as Wynberg and Striydom Park, the figure could be R9 for 300 to 500 sq m.

"Areas such as Wadeville and Alrode, where heavy industry is located, will continue to have a high vacancy factor for the foreseeable future."

Boycott costing R150 000 a day

(30) ~~30~~ 30 day

Boksburg group unveils plan of protest action

6/12/88

WITH the Boksburg consumer boycott starting to cost the town an estimated R150 000 a day in lost revenue, the Boksburg Alliance protest movement headed by Issy Kramer last night unveiled a new and urgent plan of action.

The first stage of the multi-approach strategy will be executed today and involves calling an immediate extraordinary council session at which the CP councillors will be asked to present a clear and unambiguous agenda for the rest of their term of office.

Secondly, the protest resolutions taken last week will be sent to all local businesses and industries, who will be asked to give their support. They will also be asked to provide the committee with details on the extent to which they have been financially affected.

Thirdly, the petition will be stepped up. Tables will be set up at major points, and various sports personalities will be called in to assist.

Kramer said the idea was to wrap up the whole petition as soon as possible.

This would enable the Alliance to proceed with the fourth stage of its strategy, which is to call an urgent meeting with Constitutional Development and Planning Minister Chris Heunis.

SIPHO NGCOBO reports that Boksburg is gradually turning into a ghost town as the five-day old consumer boy-

ROBERT GENTLE

cott of white and Indian-owned businesses by blacks sends turnovers crashing by almost 80%.

Thousands of rands worth of stocks accumulated for the normally booming festive season are being returned to the manufacturers, some businessmen said yesterday.

And some Indian businessmen, who have been caught in the cross-fire between the blacks and whites, announced they would be moving out of the town soon to trade elsewhere.

An Indian owner of a Commissioner Street clothing shop said his turnover was 80% down and he and other Indian traders were going to pull out of Boksburg into a neighbouring town by the end of December.

He said he was returning R50 000 worth of goods to the manufacturers as no-one was buying.

Boksburg Liquor Discounters manager said his turnover was 70% down and he was considering not making any more orders.

Allan Tempest of Allan's Clothiers said his black trade was 80% down.

Leven's Furnishers owner Jack Leven, whose custom is 90% black, said his business turnover was 50% down. He said he would definitely lay off some of his employees if the boycott continued.

...in development ... from the

Cheap prices offer

30
soweler
7/2/88

A CLUB, Trading Network, which offers consumers discounts in the purchase of groceries, household appliances, furniture and other items has been launched.

The club, which hopes to have about 240000 members in the next three years, was launched in Rosebank, Johannesburg, this week.

It will offer its members 640000 items on discount and members can place their orders telephonically. They will not have to fetch their goods. They will be delivered at their door steps.

It costs R50 to join the club (valid for one year) and this membership fee entitles a member to a voucher booklet reflecting savings valued at R1200.

More details on the club can be obtained from Pro-Ad. Their telephone numbers are (011) 888-1186 or (011) 672-5264.

Pretoria leads downturn in office rental growth

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star
7/12/88

By Roy Cokayne
Growth in Pretoria's central business district (CBD) office rentals now lag behind those of all other major metropolitan areas, according to a new comprehensive survey of office rentals in all South Africa's main urban areas.

This stalling of rental growth means in effect Pretoria is the first to be hit by the downturn in office rental growth, which will eventually hit all or most centres, say compilers of the survey, the Cape-based market research firm Real Estate Surveys.

But industry sources said the lack of growth in

office rentals in the capital city was a result of developers, many of whom had built on speculation, using part of their capital profit to subsidise rentals in an attempt to fill their buildings "at any price".

GOVERNMENT

These sources said it meant several buildings were let to the government for two to three years at rentals not higher than R10/sqm gross when the market rental at that stage was about R14/sqm — and hoped to increase them dramatically after two or three years, which had not happened.

"This had a crippling effect on rentals because the government regarded R10/sqm as the market rental. It also exerted downward pressure on the old market rental and placed an enormous restraint on rental growth," said one source.

Although the lack of rental growth was good for the government in the short term, in the long term it was bad for Pretoria's growth and development. This was because the major institutions would be reluctant to undertake developments in the capital city because of the low returns, the industry sources said.

Reviewing the nationwide survey results, property economist Mr Erwin Rode said it was the first time in "a considerable period of time" that Pretoria had led the office rentals downturn.

"This is due to the mas-

sive wave of new decentralisation space that has become apparent in Pretoria, accompanied by a temporary lack of government demand for CBD space in the city.

CAPE TOWN

"Between the second and third quarters of this year, grade A office space in Cape Town's CBD showed a rental growth of 9,2 percent with 13,1 percent for grade B. Braamfontein grade A jumped 9,7 percent, Johannesburg CBD grade A moved up 5,1 percent, Sandton 0,2 percent and Durban CBD grade A 7,6 percent.

"Pretoria's CBD on the other hand, recorded a zero growth for grade A and only 2,1 percent for grade B," he said.

The survey results are contained in the latest folio of the Rode Report on the South African property market.

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BABY BAKER'S

SBDC brings out helpful publication

106
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By JOSHUA RABOROKO

THE Small Business Development Corporation has published a simple, easy-to-understand fact sheet explaining the role of small business in the South African economy.

The publication appropriately entitled "small business and the South African economy" is available from SBDC's managing director, Dr

Ben Vosloo.

He said: "This fact sheet is one of the many fruits of South Africa's first national small business week which was successfully held earlier this month.

"The production of this publication was triggered by the discovery that not a single accessible document elucidating the important relationship between small business and the

So wetem 7/12/88

South African economy existed.

In so doing, Dr Vosloo said, the publication provided a concise and perceptive view of the challenges facing the South African economy.

The first 10 000 copies will be primarily targeted at decision-makers in the public and private sector, but will also be available to educational institutions and individuals on request.

Boksburg businesses facing ruin as trade plummets

CP towns face Govt action

By David Braun and Graham Linscott

The Government could soon act to clip the wings of Conservative Party-controlled town councils which are reintroducing petty apartheid.

Decisive action is expected from Constitutional Development Minister Mr Chris Heunis, who has already warned that the Government would not tolerate its policies being sabotaged at local level.

According to National Party sources, the Government may go further than merely re-considering the transfer of additional powers to local authorities.

It may act to overturn Conservative Party policy to segregate certain amenities which have previously been open to all races, particularly in areas where the reintroduction of apartheid is causing racial friction and harm to community interests.

The Boksburg Alliance — a hastily convened organisation representing organised commerce, industry and sports bodies — hopes Mr Heunis will appear personally in the town next week to announce Government action to frustrate the petty apartheid measures.

The alliance's appeal to the Government to intervene has been conveyed to Mr Heunis by Mr Sakkie Blanche, National Party MP for Boksburg.

Facing ruin

Several businesses in Boksburg could face ruin.

They have laid in Christmas stocks, for which they are required to pay within 60 days. Without normal Christmas sales, many would not be able to do so.

Shops in Boksburg's central business district were almost empty this week. Shopkeepers spoke of a fall-off in turnover of 90 percent over two weeks. One business is already reported to have been forced to close its doors.

Mr Heunis, approached for comment today, would only confirm that he had been approached by Boksburg businessmen through the Member of Parliament.

Mr Heunis last week warned that reconsideration may be given to the further transfer of autonomous powers to local authorities which acted in such a way that they created difficulties.

Retaliation

According to CP sources today, the business community would burn its fingers if it persisted in its campaign of sanctions against CP-controlled towns.

One example mentioned is the threat by the CP-controlled council of Nigel to cancel its contract with Mobil to buy 600 000 litres of fuel a month should the oil company remove its franchise from a CP town councillor in Boksburg.

The CP has also threatened to call on its 600 000 supporters throughout South Africa to withdraw their business from the Natal Building Society unless the institution reinstates its agency to the CP Boksburg management committee chairman.

Curfew idea is scrapped

West Rand Bureau

Black people in Carletonville will not be subjected to a curfew, the town council decided last night.

The council decided in November that the possibility of reinstating a curfew in the town should be investigated.

Investigation showed, however, that such a measure could not be enforced by law and the idea was dropped.

In neighbouring Westonaria, councillors were given the relevant documentation concerning the expansion of Soweto at a special council meeting in the town last night.

Councillors decided that the documents had to be studied before any comment could be made.

Another council meeting is expected to be held this week to discuss the matter.

See Page 5.

Youngsters rarin' to go as school hols begin



School's out... pupils at Jeppe Boys' High in Johannesburg, (from left) Dale Stanton, Alan Rouse, Leon von Honschooten and Mendes, show the joy which will prevail today at the start of the summer holidays in the Transvaal. Picture by Karen.

Midrand approves plans for huge new commercial centre

By Michael Chester

Midrand Town Council has voted by an overwhelming majority to create a multibillion-rand "Grand Central City" midway between Johannesburg and Pretoria.

The project, likely to cost about R4 000 million by completion, aims at challenging both Sandton and Verwoerdburg as an upper-crust shopping and commercial magnet.

It will dwarf the present Halfway House village which it will adjoin on the sprawling 270 ha site surrounding Grand Central Airport.

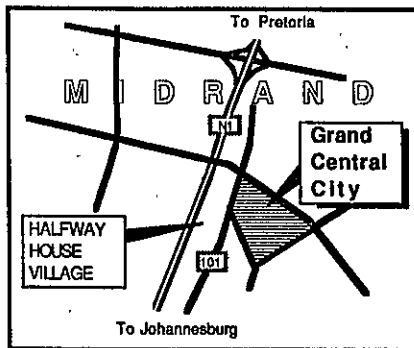
American planning consultants have been called in to design a layout on the lines of the "airparks" which have proved a tremendous success in California. These are huge commercial and entertainment complexes with a light aircraft and helicopter airstrip at the hub.

The Midrand council is drawing parallels with the Irvine Business Park south of Los Angeles and similar ventures in San Diego.

Mr Ian Becker, chairman of the council management committee, said yesterday that the council planned to start construction by the end of next year and complete the first phase by 1991.

"The project was first examined in 1983 in a special study carried out by town planning experts, who agreed on its viability. The council has listened to, and answered, initial objections and now voted to launch the scheme."

Application was being made to the Administrator of the Transvaal to invite the Townships Board to study proposals. For-



mal approval was expected by the end of March.

The Department of Transport was also being asked to expand bus services.

An overall consultant would co-ordinate planning with the principal landowner, Old Mutual, which last year paid R18 million to take over 80 percent of the site, and the property company, JH Isaacs, owner of the airport land.

The council had heard initial objections that asked questions on whether the operation of an airstrip inside the shopping complex posed any threat to safety, but believed assurances on safety precautions had now been accepted.

"With the arrival of so many multinational corporations in Midrand, and with more on the way, we are hoping that official approval will be given for an upgrading of the status of the airport to allow it to run a customs unit to handle import and export business," Mr Becker said.

Botswana, SA meet on security

Political Correspondent

Government delegations from South Africa and Botswana took the first steps in Cabinet-level talks in Pretoria yesterday to devise a security agreement between the two countries as a matter of urgency.

It is understood that high-level delegations from the countries' security forces will meet at the end of this week to implement yesterday's agreement.

The talks appeared to have made progress on solving long-standing security differences.

Foreign Minister Mr Pik Botha met his Botswana counterpart, Dr G K T Chepe, for several hours.

He was accompanied by the Minister of Law and Order, Mr Adriaan Vlok, the Minister of Defence, General Magnus Malan, and senior officials.

Dr Chepe was accompanied by Mr P H K Kedililwe, Minister in the office of the Botswana President in charge of public affairs, defence and security.

Mr Botha said officials would be entrusted to meet urgently to design and construct an agreement and a method to resolve the security problems between the two countries.

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CP threat to cut business with oil giant

MOBIL Oil has been drawn deeper into Boksburg's apartheid row.

CP sources said yesterday Nigel municipality had threatened to cancel its petrol account if the company stopped supplying a Boksburg councillor and garage-owner.

The claim came amid growing indications the CP was preparing for a confrontation with business over its plan to reimplement apartheid.

CP sources said Nigel municipality had written to Mobil threatening to end

30 **PETER DELMAR** 7/12/88

its 800 000/-a-month account.

This followed speculation the company would boycott Boksburg councillor T J Ferreira because of his council's decision to bar blacks from amenities.

One top CP source said several other CP councils would almost certainly have followed suit. Mobil this week denied it would stop supplying Ferreira.

Boksburg Chamber of Commerce president Johan Viljoen said yesterday the black boycott of shops was critical.

CP leader Andries Treurnicht is expected to reaffirm his party's commitment to petty apartheid, regardless of economic pressures, when he addresses a public meeting in the town tomorrow.

□ SIPHO NGCOBO reports that the NBS, which cancelled an agency agreement with Boksburg CP mayor Beyers de Klerk because of the council's apartheid policy, said yesterday its Boksburg clients would not be inconvenienced by the closure because there was sub-branch in the town.

Christmas tills are already jingling

(30) B/day 8/12/88

Traders see spending storm before big lull

SALES are buoyant and stocks high as retailers enter the Christmas season. Fears of a slowdown in the new year are, however, damping holiday spirits.

Christmas sales, which retailers say begin in November, account for up to 40% of annual turnover.

Dion MD Hymie Sibul said November turnover was 26% above that of last year and the first days of December showed a 29% increase.

Edgars' CE Vic Hammond predicted December's clothing sales would outpace inflation by 5%.

Edgars had stocked in anticipation of even faster growth.

Appliance sales, expected to show 16% real growth in revenue for the year, will finish with a Christmas even stronger than last year, said Domestic Appliance Manufacturers' Association chairman Richard Ferrer.

Last Christmas was good after a year of sluggish sales.

CHRISTOPHER TUCHER

Despite strong demand, retailers are confident inventory will hold out.

"Nobody is likely to run short of stock," said Rusfurn MD Jeff Austin.

Rusfurn's chains — Russells, Dion, Wonder and Frasers — had loaded up and stock levels were slightly on the high-side, Austin said.

He added it was prudent to overstock with price increases looming next year due largely to the impending 10% fuel-price rise. Savings from purchases at current prices would more than compensate for higher carrying costs.

HP curbs

Ellerines' MD Eric Ellerine also said there would be no trouble meeting demand but attributed high stock levels to slower sales. Demand for appliances and home electronics had tapered off after government's stricter HP restrictions, he said.

Blacks, who account for much of

Ellerines' business, had shown stronger buying power all year but, as they tend to buy on HP, their wings had been clipped by higher minimum deposit requirements and shorter payment periods imposed in August, he added.

Rusfurn's Austin said black demand was strongest in rural areas. A healthy agricultural economy had led to star performance at Wonder and Frasers outlets.

Import surcharges, also imposed in August, had caused buyers to advance purchases of appliances and home electronics.

"TV retailers had Christmas in August this year," said Hammond.

Most retailers canvassed by Business Day feared erosion of real wages, and continued high interest rates, would cause demand to slow next year.

The fuel-price increases would have a marked impact on prices, Ellerine said.

Where racism hits most — in the back pocket

By HELEN GRANGE

As Boksburg suffers an estimated loss of R150 000 a day and the black consumer boycott slowly drives businessmen out of town, neighbouring shopowners in Reiger Park and Vosloorus are picking up trade by up to 60 percent.

And while Boksburg residents and CP councillors have acknowledged their concern about ailing business in the CBD, the Reiger Park management committee has stalled an urgent call by the council to negotiate the boycott issue.

Reiger Park management committee chairman Mr "Butch" Janjies said this week that business was not being affected in Reiger Park and therefore there was no need to "jump when the CP snaps its fingers". On the other hand, NP-backed independent councillor Mr Issy Kramer is making a desperate attempt to counter the CP "sabotage of Boksburg and get things back to normal".

The contrasts of Boksburg and Reiger Park were illustrated clearly on visiting the two areas yesterday.

Boksburg businessmen stood despondently at their shop entrances while, only a kilometre away, Reiger Park shopowners were kept busy serving regular customers as well as those who normally shop in town.

Boksburg businessmen say:

"I'm losing up to 75 percent a day in lost business. I rely on Christmas custom to see me through the rest of the year, and if things don't improve, I will have to close shop and let somewhere else," said Mr Ahmed Essop, manager of a clothing outlet.

Several small, privately owned shops in Commissioner Street have threatened to leave town within the next week if "something isn't done".

"They (the CP) are literally taking the bread from our mouths without a thought. Their only concern is that they maintain power, and because they are politicians and not businessmen, they are prepared to sell us all down the river to satisfy their power lust," said a bitter shopkeeper.

Reiger Park businessmen say:

"I have picked up by about 60 percent since the boycott began. Business is thriving and I think it's going to be a good Christmas," said Mr N Ismail, manager of Dail's Butchery.

TURNOVER UP

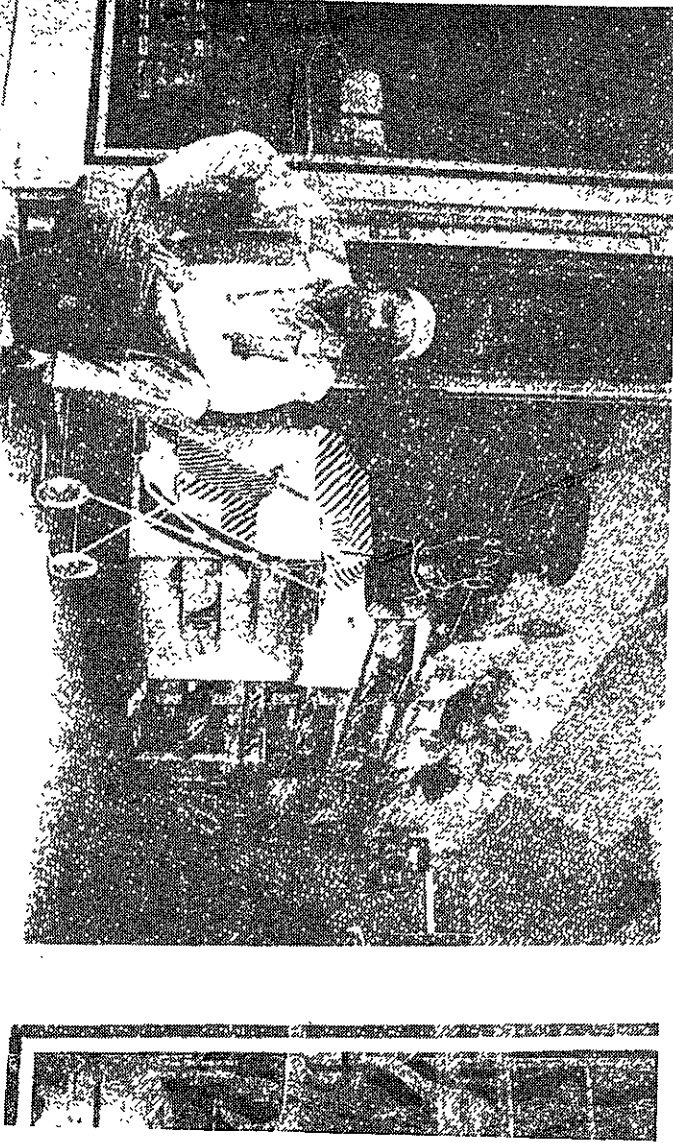
Mr Conrad van Wyk, manager of Blue Lagoon restaurant and general dealers, said he was doing a better turnover than last Christmas, despite the fact there was more variety in town.

"People are standing by the boycott, which seems to have worked in our favour," he said.

The managers of Stirtonville Cafe, Robbie's Open Market, and Beyers Fruit and Vegetable shop all reported an



A shop assistant in Reiger Park's Stirtonville Cafe keeps busy serving regular customers as well as those who would normally shop in town.



Mr Ahmed Essop, at the entrance of his empty shop, is planning to close down the moment he finds another shop to let outside Boksburg.

Boksburg's businessmen face cheerless Christmas

Boksburg has become a nightmare for businessmen and shopkeepers this Christmas.

Many businesses are reporting losses of 50 per cent on normal December turnover and the consumer boycott has resulted in the closure of at least one store. Several

By Helen Grange
and Anna Louw

others are on the brink of bankruptcy.

Mr Joe Annegarn, former president of the Transvaal Chamber of Industries and spokesman for a group of 60 local businesses who

have united to fight the Conservative Party move, said yesterday that he had received drastic reports from local shopkeepers who were being put out of business.

He said a large chain store's turnover dropped from R90 000 to R18 000 in one day.

A butchery which had an R8 000 turnover now reported a R800 turnover.

The streets in Boksburg's CBD were empty yesterday morning and shops were slow to open. The businessmen were bored and depressed but said "something has to happen".

"This simply can't go on. I can hardly pay the shop's rent. I am looking for a shop to let somewhere else and the moment I've got one, I'm getting out of here," Mr Ahmed Essop, a clothes store owner said.

Mr Essop's neighbours have already locked up and left.

The owner of a second-hand store, Mrs Elise McIntosh, arrived at work about an hour after normal opening time. "My business is crashing after only eight months of being here. There is no point in going on so, if something doesn't happen, I'm closing shop altogether."

The manager of Skipper Bar in Commissioner Street, Mr Ally Sayed, said he had lost 75 per cent of his business as a result of the boycott.

● See Page 13.



THE irony of the Conservative Party's victory in several municipalities during the October elections is it's been a triumph for the National Party.

The Nats have turned the CP's attempts to reintroduce visible public apartheid (VPA) into a public relations exercise which makes them look like bleeding-heart liberals to their friends abroad and those inside South Africa who desperately seek signs of genuine change.

In fact, it is part of the "red-herring factor" on which the Nats thrive. For long, black political analysts have noted how the Nats take a sidetrack on the road to reform.

The small CP victory has given the Nats a wonderful opportunity. The Nats have asked the CP if it is aware of the wider consequences, namely tighter international economic sanctions, and damage to domestic race relations.

That question suggest two things: one that sanctions and damaged race relations are the result of the reintroduction of visible public apartheid, not the Nats' own crude apartheid policies; and two, that the Nats themselves no longer practise apartheid and their policies are accepted by blacks.

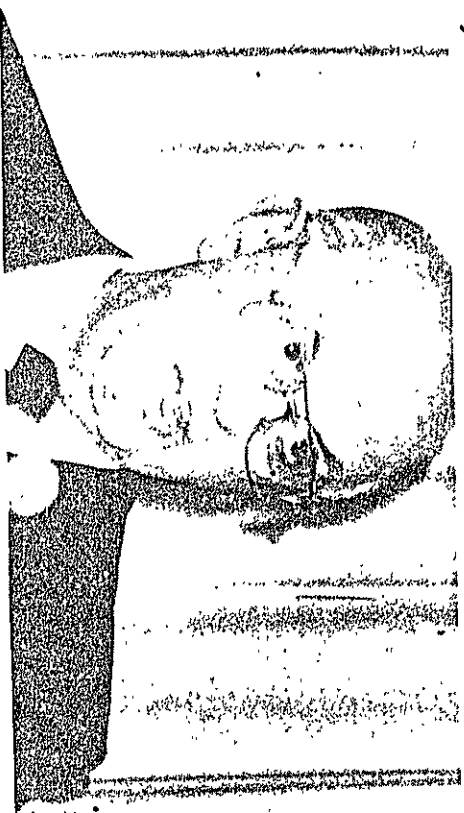
The Nats avoid the question: If we are good enough to work, eat, play and patronise cinemas in white-designated areas, why are we not good enough to live and attend schools there?

From the old Terrorism Act in the 1960s through to the current Internal Security Act and the Emergency regulations, it has been a criminal offence to advocate economic boycotts and sanctions. Yet this week, SABC news bulletins have been repeating statements by black groups that they will "withhold" their economic support of white businesses in Boksburg.

That smells fishy. It suggests that it is kosher to call for boycotts of "racist" whites, but not of the other. In fact, recent municipal and parliamentary elections show that some 80 percent of whites support either the VPA of the CP or the less visible public apartheid of the Nats. "Withholding economic support" is

CP racism lets Nats off the hook

By AMEEN AKHALWAYA, editor of the Indicator



State president PW Botha

a euphemism for sanctions and boycotts. Should extra-parliamentary groups call on its followers to withhold economic support from all white businesses until the Nats introduce genuine democracy, they would soon face charges of treason.

The red-herring factor is repeatedly seen in issues such as the Menlo Park affair. An African youngster at a predominantly white private school is barred by the Menlo Park school from its athletics track.

A huge outcry follows — orchestrated by the SABC which warns about greater international sports isolation. The government

gives the impression that it believes in non-racialism by criticising the Menlo Park move.

White sportspeople who claim they are not interested in politics suddenly dance to the Na/SABC tune, endorsing anti Menlo Park petitions.

The central issue is overlooked: If our children are acceptable enough to run alongside whites on a school athletics track, they are good enough to sit alongside whites in the same classroom.

The Nats in fact are doing exactly what the CP says it will do. Black classrooms are chronically

overcrowded; white schools are closed for lack of pupils. Instead of doing the obvious, the Nats expect us to applaud when they reveal how much more money they are pumping into black education.

Similarly, Baragwanath Hospital is chronically overcrowded.

The Nats announce again that another hospital will be built in Soweto. Amid the applause, little mention is made of under-utilised hospitals for whites which could give some relief to black patients.

In the Lenasia/Emmesdale area, more than 300 000 people have waited more than 30 years for a

public hospital. A 98-bed facility is eventually built. For more than two years, the provincial authorities responsible for the hospital plead that insufficient funds or staff (or both) are available to open it. Eventually, after widespread public protests, the House of Delegates steps in to announce that it has found enough money to open the hospital next January.

The announcement comes during the run-up to the municipal elections. Residents are expected to believe that the good Nats have made it possible for their good, apartheid-entrenching HD to properly utilise the tricameral system created by the Nats in the first place. The government creates an artificial housing shortage in our areas by delaying proclamation of land for development. Eventually, some land is made available. The government announces a subsidy for first-time home-buyers. We are expected to applaud it for its generosity.

Then the government introduces a red-herring: henceforth, the land will be developed by the private sector, thus pricing new houses out of the range of many ordinary workers. Now the developers, and the employers who cannot provide housing loans, are seen as the culprits, not the policies of the Nats which force the economically worst-off to stay furthest away from their workplaces.

These red herrings are gobbled up, not by those of us who often wonder what the fuss is about when they can't feel the benefits of Nat "reform", but by Pretoria's "friends" abroad, and whites in South Africa who are annoyed by our refusal to be grateful.

For most of us forced to accept Nat rules and regulations, the CP apartheid uproar is a red herring. Never mind VPA, if all residents of Boksburg, Pieterburg, Springs, Brakpan and elsewhere were allowed to vote in the municipal elections irrespective of race, the CP wouldn't be in control.

Nor, for that matter, would the Nats. And that is the crux of Nat-style reform.

By SYLVIA VOLLENHOVEN
RIGHT-WING people look different, they talk different and they are, well, just different.

This is not prejudice, it is a fact gleaned from a whole day of research in Boksburg.

I sometimes imagine that in hell there are several trains.

One of the worst ones has a giant snort standing on a platform shouting: "Boksburg Brakpan, Benoni, Springs ... Alle stasies".

Journalists like to make the world think they speed to each assignment with confidence and ease.

But if one is told to go to Boksburg and ask the whites there what they think, the confidence evaporates and you hope you have a minor accident that lands you in hospital with a badly bruised (but easily mended) something.

However, instead of the hordes of Neanderthal lynchers and racists who run prying blacks out of town, I found nothing but confused, embarrassed and panicky whites in Boksburg.

They look so different because they are so different.

At the famous Boksburg Lake I found only people who wanted to share their stretch of water with everyone.

For those of you who have been too bored to follow this "Dallas of the Dumps" saga, the story so far is

Amandla! AS Boksburg's Whites amper join struggle

12/11/88
14/11/88
15/11/88

that the CP won the majority in the Boksburg town council and now they want everything - the parks, lakes, halls, silkamers, waslappies, broekies, prayers etc - to be so spierwit that most of the CP would not qualify for the usage and abuse if this were to happen.

Maybe that's why they look so different.

The "other" Boksburg whites, whatever they might be, say they have always been such nice people, but you know how it is.

One does not get involved in politics when one lives with one's "taste test" stuff.

No real butter in Boksburg.

Outside of a minority of serious people, white politics does not

involve thinking or skill. It is only a gut reaction - invariably pre-historic - to discomfort or comfort.

In Boksburg black people have been threatening, for the first time, to remove the Rama.

But if you went to Boksburg last week you would swear that this is a town where the whites are clandestinely part of the struggle and the CP was just a passing, alien aberration.

They had a mass meeting - there was, I swear, an *amper*-fist in the air - where a Nat smoothie spoke of "solidarity".

I could quote some sentiments that sound mind-boggling for Boksburg but the truth is that the whites were being punched in the pocket, the only attack they

understand.

A successful consumer boycott had been launched and one statistic stands out: In one day, one of the big supermarkets had their usual average takings for December 1 drop from R90 000 to R18 000.

Don't worry to ask where the police, dogs, guns, Casspirs and emergency regulations disappeared to.

This was a boycott in support of, well, the Nats who were sore that they lost this verkramp town to the CP who in turn want to put the shine back on apartheid.

So next time the anti-apartheid activists get together, they should probably make sure they include some whites whose sole qualification is that they are anti-CP.

Oh, I almost forgot about The Lake, the centre of the controversy. It is a flat, dull, greenish, dirty stretch of water with manicured lawns, a lifeless fountain and old coloured light bulbs that do not get turned on at night.

We, down here, can afford to be snooty about their "sacred" scenery.

In any case, why do they desert such shrines to descend on us, round about now.

Who knows what alien forms could be defiling the Lake in the next few weeks while they moan about our beaches; sizzling fat and falling short of waistlines, decent manners and the exchange rate.

OK, I have one admission to make to the Boksburgers (surely there should be another term, this one makes them sound edible). I was really scared ONCE.

An African photographer and I were crossing one of the cute wooden bridges, next to a silent, giant wheel on the water (with more dead, coloured light bulbs).

A man in blue overalls, swinging a heavy chain started coming towards us.

We were mesmerised by the chain. My micro-second mental flashes went through a range of possibilities. Did we jump into the dirty green water... The worst.

Or did we face the chain... no choice for people like us who have actually braved evolution.

The man passed without incident.

The thousands of people who voted for the far-right were nowhere in sight during my study in Boksburg.

One white woman said they were all "down the mines".

Looking at the week's massive loss of profits for the business people, they are more likely down in the dumps.

Council does not expect boycott

THE Pietersburg Town Council does not expect a consumer boycott of the town by black buyers as a result of its recent decision to kick the multiracial Regional Services Council out of the Town Hall.

The chairman of the management committee, Mr Mars de Klerk, said in an interview that the Town Council had no intention to put up racial segregation signs because "blacks here know their place".

One of the councillors attached to the Conservative Party, Mr Koos Kemp, owns the Acasia Bottle Store near the office betting house in the town. More than 99 percent of his clients are black. Mr Kemp has said he also does not expect a backlash by his black customers.

But the local chamber of commerce and

industry's reaction shows a fear that the Boksburg experience, where black buyers have deserted the town since the CP takeover, might be repeated there.

By MATHATHA TSEDU

In a statement released after a meeting on up our businesses Friday, the chamber said "we have spent much relations and service. We

will not accept that this be damaged and possibly destroyed."

The chamber added that "attempts to reintroduce petty apartheid and any measures

that will reduce the human dignity of our customers and our staff will be opposed most strongly".

The publicity and information secretary of the Northern Transvaal Peoples' Co-ordinating Committee (NTPCC), Mr Kgalebe Kekana said "racists like Mr Kemp cannot expect to continue to reap the profits" from blacks while denying them human dignity.



2 YEAR GUARANTEE

AUTODEK MAXI POWER SPECIAL CAR PACKAGE

New Bernica takes the cash shell route

When New Bernica issued a cautionary statement recently, few in the market thought it would lead to what seems to be the liquidation of the company's assets. But today the board has announced that New Bernica is to sell off most of its assets and become a cash shell with R30 million in cash and no liabilities.

The move could see millions of shares in Joshua Doore, Clinic and Columbia Consultants come onto the market.

At this stage, it seems that the shareholders, chief of whom is Lifegro with 42 percent, will be offered a mixture of cash and shares in the group's listed investments in proportion to their holding in New Bernica.

According to the directors: "The interests of its shareholders will best be served by the company disposing of its unlisted assets and certain listed assets for cash and distributing the remaining listed assets to its shareholders, in specie, by way of a reduction of the share premium account."

They say: "New Bernica shareholders will then be able to retain the listed investments or dispose of them, as best suits their individual circumstances."

As at the end of June the group's major investments included about seven million shares in Clinic Holdings, about 13,4 million shares in Jo-

Diagonal
Street

ANN CROTTY



shua Doore, about 4,6 million Columbia Consultants shares, 35,4 percent of Mercedes Holdings (which owns 74 percent of Mercedes Information Technology), 20 percent of Chipkins, 22,5 percent of Mercantile Securities and a number of wholly owned subsidiaries.

Sale of the Chipkin stake, for R5,5 million, was announced in early October.

According to the directors, the current price of New Bernica shares (440c) represents a 13 percent discount to its net asset value.

This indicates NAV of around 500c and compares to a NAV of 545c at end-June, based on market valuations and directors' valuations.

Sufficient of the investments will be sold to leave New Bernica with R30 million cash and no liabilities. This cash and the remaining investments will be distributed among shareholders, which means that for each New Bernica share held, shareholders will receive 200c in cash and a parcel of listed shares.

INVESTMENTS

It is likely that the investments that will be sold include Mercedes Holding, with Sankorp being a possible buyer. In April, Sankorp bought 26 percent of MIT for R30 million.

STAKE

The stake in Mercantile Securities as well as New Bernica's wholly owned subsidiaries are also likely to be put up for sale.

So at this stage it seems that for every 100 New Bernica shares held, shareholders may receive R200 in cash, 50 Clinic shares (currently 200c a share), almost 100 Joshua Doore shares (47c a share) and about 33 Columbia shares (200c a share).

VALUE

The 100 New Bernicas have a market value, at yesterday's close of R440, compared with the combined valuation of the other assets of around R413.



Penpin boosts Transvaal operation

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8/12/89
Penpinchers (Penpin), the rapidly-growing Cape-based building materials chain, has acquired Craig Hardware Stores — a move aimed at boosting Penpin's already announced expansion in the Transvaal.

The three Craig Hardware outlets will give the Penpin group seven stores in the Transvaal.

The Craig Hardware Stores will position Penpin in more central locations in the Transvaal.

Two stores, one in Craighall Park and the

other in Ferndale will be major cash outlets, while the third, situated near Lanseria Airport will service both Johannesburg and Pretoria and will become Penpin's main bulk boards and building materials centre in the Transvaal. This centre will also house Penpinchers' roof-trussing operation.

He says the three new stores will boost the group's Transvaal operation turnover alone to at least R48 million for 1989. Turnover of Penpin's existing stores are surpass-

ing expectations this year and are projected to be in the region of R115 million by the end of this year.

The acquisition puts the group on target for a projected total turnover of more than R200 million for 1989.

The group's expansion phase is being funded by the R6 million raised in the recent rights issues. P G Bison has taken a 25,1 per cent stake in Penpin.

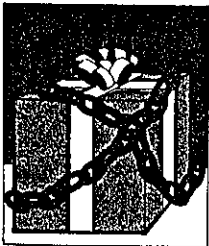
Malherbe comments: "By the end of this year, Penpin's shareholders' interest will be over R14

million, with a net asset value of more than 80 cents per share from 51 cents at the end of 1987.

Subsidiary Penboard's increase in share value from January is 37,5 per cent, making it one of the three top performers on the Development Capital Market so far this year.

The ghost of apartheid past

■ The Conservatives in Boksburg will get their white Christmas — poor and bleak



Boksburg has written itself into history: it will be a name that stands for blunt, Verwoerdian apartheid, a place where the light of reform was plunged into darkness. But as events unfold there,

and in other towns that follow its example, the demonstration effect could be profound indeed.

It does not do to get too moralistic or simplistic about the matter. It was, after all, Verwoerd himself — hero of the folk that he was — who said it was better to be poor, white and separate than rich and mixed. But now real people are finding out what that really means. Many, particularly organised business in the town, have already said they don't like it.

Boksburg perhaps never really deserved its off-blue-collar image — the car up on bricks, the kids in a tyre swing, the wife in curlers and the dogs barking at passing blacks. But, though it has some extremely affluent areas, that *Siener in Die Suburbs* scenario stuck; like Brakpan, Nigel and Springs, it was seen as verkramp at the core.

So no one was really surprised that the Conservative Party (CP) won 12 of the town's 20 council wards in the October

municipal elections. But then the party revealed what everyone should have known — that it meant exactly what its leaders spouted on public platforms — and Boksburg has become the party's first urban testing ground for its perceived mandate to roll back any and all manifestations of change or reform. The "whites only" signs are back.

The result over the past fortnight has been a quiet but devastating boycott of the town

by black and coloured consumers resident in the area — and they account for half of Boksburg's spending power. "This town is bleeding," warned Boksburg Chamber of Commerce and Industry chairman Johann Viljoen. Next year, market researchers estimate, black Boksburgers' spending will top R320m — though perhaps not, if the boycott is maintained, in Boksburg.

The growing importance of black consumer power is a national phenomenon ignored, as Boksburg demonstrates, to the peril of the Right and those unfortunate enough to live where they have control, white or black. This inevitably raises wider implications.

There is the principle of the boycott itself. Those, including the *FM*, who are opposed to sanctions against SA need to consider whether the same principle — a "liberal" seizure of the moral high ground through impoverishment — is not at work here. After all, if Boksburg council capitulates, or the town dies on its feet, foreign sanctioners will say this is simply a local demonstration of the efficacy of their tactics.

This is partly true. But there is one important distinction to be borne in mind: that sanctions are imposed on a country as a whole by outsiders, and that this boycott represents a consumer choice targeted at people who have said plainly enough they don't like the colour of the consumers' skin. That makes it a gut issue; the man in Reiger Park is taking his Christmas bonus elsewhere; there is no law that requires him to do otherwise. He is saying: if you don't want me in your park, I won't buy in your shop.

Sanctions are brought about through the imposition of various foreign laws and agree-

ments in a manner that distorts the rules of international trade. It prevents the consumer from exercising choice. Boksburg is a terribly visible symbol of racism, and the diversion of buying power in response is an understandable, human response.

It remains true that if you want to hurt someone, you hit his pocket. And so, because of that new-found visibility of the place, multinationals and companies who profess a

social conscience have already taken their own action. A number of corporate accounts, the *FM* learns, are now to be relocated to banks outside Boksburg. A major local employer, Colgate-Palmolive, has applied for rezoning to place it outside the council's ambit. Various contracts with Boksburg firms have been cancelled.

This means that the town's rates and tax base is already shrinking — and that, coupled to the direct money drain of the boycott, means Boksburg cannot be sustained as a prosperous entity unless Boks-

burgers and the CP do not really mind sliding back into the economic climate of the Thirties. With bittersweet irony, Reiger Park council leader Buch Jantjies observed of white Boksburgers: "They wanted their town white, they are going to get it white; it should be a white Christmas for them."

But Boksburg is not a monolithic place — white dissension is evident in all kinds of ways. There is a distinct backlash against the council — partly reflected in Issy Kramer's stunning victory over the CP in last week's by-election (*See People*); and in the generally held view, by NP council leader Chris Smith, for example, that a re-fought election would see off mayor Beyers de Klerk and his right-wing cohorts in no uncertain terms. It must after all be hard to take the stigma of your town having become the polecat of the country. Even sports fixtures are being cancelled since the council will not allow mixed team participation in its facilities.

Of course, the CP can legally take these steps because of the Separate Amenities Act — which specifically means that separate does not have to be equal, and that certain facilities, including park benches, can indeed



NP council leader Smith



Trying to woo them back... but the stigma remains



Mayor De Klerk... will he lose the next election?



Black civic leaders inspect Boksburg Lake ... writing on the wall

be reserved for whites. The Act was passed by the Nats in the Fifties, has been under investigation this decade, but stays on the books. So what is preventing Pretoria from simply scrapping it — as it should have done years ago, in line with the reform pronouncements of P W Botha?

So far government has been perfectly content to sit back and let the demonstration effect of CP rule sink in. Maybe it will get rid of the Act — but for the moment it can bask in the false perception that blatant racism is somehow a CP invention. This is not to deny that it has changed its ways and continues to do so — too little, too late, perhaps; but this week alone it responded to the permanence of black urbanisation by making huge tracts of land available for black settlement adjacent to Soweto (see *Current Affairs*). This, to an extent, ameliorates the intended effect of its squatting law which helped precipitate the constitutional crisis in parliament this year.

Of course, merely responding pragmatically to an ineluctable fact is in itself not particularly praiseworthy — but it is a far cry from the bulldozers and forced removals of the not-so-distant past. Remember that before Khayelitsha there was Crossroads and the notorious winter night raids on squatters; new townships in the PWV should avert such a repeated violation of human rights.

Ironically, while boycotts as such are illegal, this one actually suits Pretoria and no action has been taken against the residents of Reiger Park and Vosloorus. The argument remains that if blacks really wanted sanctions against SA, and the resultant destruction of their jobs — which some church leaders insist they do — the best way to bring this about would be to resign *en masse*. It is spending power and discretionary capital which is being diverted from Boksburg — not labour.

Elsewhere on the CP-run East Rand (Brakpan, Springs, and Nigel), the black communities were waiting to see if the action in Boksburg leads to changes back to (rel-

ative) normality before embarking on boycotts of their own.

Boksburg, and the almost universal condemnation of CP policy it has provoked, has also provided a conundrum for blacks: whether it is preferable to have outright racism, CP-style, or the National Party's rather more embarrassed version, which at least holds out the prospect of more sensitive treatment. On balance, it seems the latter is easier to live with. But once the Boksburg issue is resolved — or if it simply drags on indefinitely into the new year — the focus of attention will definitely turn to the Separate Amenities Act, group areas and the race classification laws.

This is because, even despite the Act, town councils and local authorities do have the option of desegregating facilities within their control. What this usually amounts to is concessions for the local coloured, Indian or African township to use the town hall or swimming pool for some annual gala event. But white swimming pools, in particular, are as a rule reserved for whites only throughout the country. Johannesburg's bus services are

cunningly segregated.

What Boksburg has done is crystallise the offensiveness of overt petty apartheid, which is more-or-less a way of life in SA anyway. In September, a long-distance swimming event finishing at Bloubergstrand in Cape Town had to be moved elsewhere because blacks are not allowed on Bloubergstrand. In May, the mayor of Durban, Henry Klotz, was suspended from the NP for refusing to go along with fellow party members on the council who decreed the city's two remaining whites-only beaches should stay white.

Just prior to Klotz's suspension, the Supreme Court declared that Port Elizabeth's beaches (famed for Allan Hendrickse's illegal swim), had never legally been closed to blacks and would therefore have to be opened. But then, up popped the Administrator of the Cape, Gene Louw (NP), with an appeal — pending whose decision the beaches were once again closed.

But it wasn't all regression. In June, Sats officials burnt whites-only signs in Cape Town after racial segregation was formally abolished on trains in the western Cape. A

similar step was taken on suburban commuter trains in the PWV a month later — although the lifting of apartheid on all mainline trains looks like taking a little longer.

In short, since local government is an "own" affair, the rule, however you bend or apply it, is that the facilities under any council's control are often appropriated for the ruling race group. The CP's Koos van der Merwe is quite right in accusing the Nats of practising *skelm* apartheid and in challenging NP Transvaal leader F W de Klerk to throw open facilities in his Vereeniging constituency, or belt up. The Independent Party's Jannie Momberg similarly challenged an altogether unctuous Foreign Minister Pik



MP Blanché ... fears of 'overcrowding'

30 ~~SECRET~~

FMAIL 9/12/88

Botha, who lambasted the CP over Boksburg, to "put your money where your mouth is" by telling President Botha to scrap the Act.

What excuse is there for not doing so? Boksburg's MP Sakkie Blanché (NP), argues that separate amenities cannot be done away with — particularly not in Boksburg where the ERPM mine has its operation in the centre of the town, with 28 000 black hostel dwellers. If the facilities were opened to all, "the pool would be theirs, not ours. The Act is therefore necessary in a town like ours," Blanché says. He has called on the mine to build its own pools. "Scrapping the Act would create problems and drive people to the CP for all time," he believes, while conceding "we could probably make changes

to the Act."

In effect, the building of sufficient "own" facilities for each race group is government's answer to the problem — as Chris Heunis has explained in his own inimitable fashion. In the meantime, of course, whites may enjoy "their" facilities because, they say, they paid for them.

According to independent councillor Issy Kramer, however: "The CP argument that blacks don't pay rates and taxes is refuted by the fact that blacks don't own the homes they live in; and their consumer income subsidises the trader and industrialist thus enabling him to pay his dues to the local authority."

Again, the point about the interdependence of the economy is made. And there is a further dimension: the Nationalists, in at-

tempting to reform, have felt it necessary to create structures which make for a maximum of local control. White local authorities, particularly in the Transvaal, are very often verkramp. This exposes a serious flaw in reform — that it should be executed from the top down, not bottom-up.

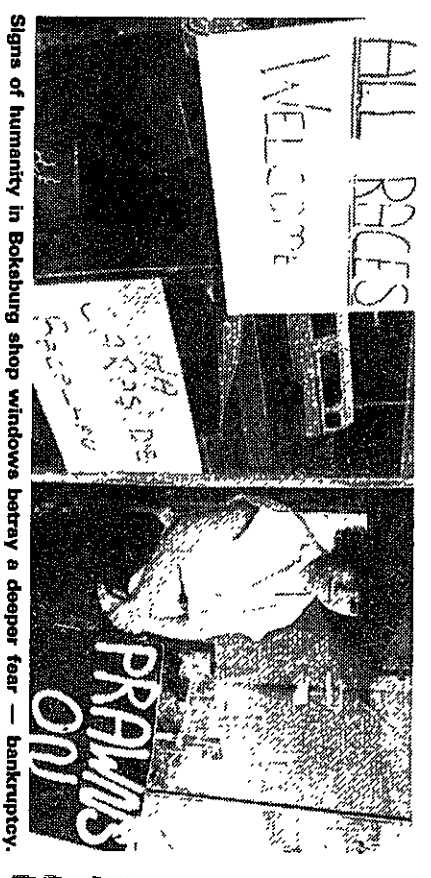
What Boksburg is doing is offensive — and it is paying a severe penalty for its ways. Government is pleased at the penalty because it believes voters will return to its fold as the High Street shops fail and the multinationals relocate and the buyers stay out. But the Separate Amenities Act is ultimately its baby — and this particular baby is going to have to be thrown out with the dirty bathwater of the past.

The Nats cannot have it both ways. ■

30
Blairy 9/12/88

BUSINESS

Boksburg learns a lesson in the business of politics



Signs of humanity in Boksburg shop windows betray a deeper fear — bankruptcy.

THE Conservative Party's determination to reintroduce petty apartheid in Boksburg has produced a hitherto unparalleled degree of consensus between white and coloured communities.

And, ironically, this consensus was reached in the finest tradition of apartheid — separately, at two different meetings last week.

Both were held in church halls. Both started 30 minutes late because there were too many people struggling to get in. Both kicked off with a word of prayer by a local priest.

Both heard solemn talk of Man having been created in God's image, and of dignity having been affronted in the most unpardonable manner.

Overflowing

Both heard speakers passionately declare, to rounds of applause, that "we have to stand up and show the CP that we are not going to take this anymore."

The ball started rolling on Tuesday night at Saint Anthony's church in the coloured suburb of Reiger Park, home to about 37 000 people.

An overflowing hall packed with foreign TV film crews heard Henry Joffes of the Save Boksburg Committee state the CP for suggesting that Reiger

People are "talking business" with a difference in Boksburg these days. ROBERT GENTLE attended two meetings at which the crisis over the CP council's return to petty apartheid was discussed.

Park residents were "riding on the backs of white taxpayers" and pointed out that they were in Reiger Park not out of choice but because group areas had uprooted them from Benoni 24 years earlier.

"The CP has stated its view, namely that although black shoppers are not barred from shopping in the CBD, they would prefer it if they shopped within their own residential areas.

"We will heed that call and show them a different kind of power... We will take our trade to those who recognise us as equals."

The point was made that this was not a fight against the CP, but against the wider problem of general segregation.

"This is not about swimming in 'your' pools, walking on 'your' lawns, dancing in 'your' halls or playing in 'your' sports fields," Joffes said. "This is about our pride and dignity as human beings."

The following day, the full import of the Reiger Park meeting finally dawned on local shoppers.

Signs in shop windows saying "All races still welcome" hid a much deeper fear — that of going bankrupt. Salvatore "Zac" Zichonno, owner of a large clothes shop, signed it up in a terse

statement: "There's just over R1 000 in my till right now. Only R12 came from white customers."

Zac recalled a recent survey which found that barely 30% of white Boksburg residents supported their local shops.

With Zac's story repeated the length and breadth of Boksburg's Commissioner Street, the main commercial artery, the huge turnout of concerned white Boksburg residents at the local Methodist Church that night came as no surprise.

The meeting was decidedly businesslike. As Boksburg MP Sakkie Blanche said in the opening minutes: "Politics ended yesterday. Now we're talking business."

Representatives from major commercial, industrial and sports associations all confirmed the worst, outlining boycott measures which meant that even marathons were to bypass Boksburg.

An affable black representative from nearby Vosloorus had the white audience in the palm of his hand as he spoke of the boycotts.

"Have you ever seen a bus stop on a highway," he asked. "Well, the CP are trying to build one." He got a standing ovation.

Statistics were cited which showed that that day, December 1, Boksburg's OK Bazaars should normally have turned over around R90 000. The actual figure recorded was said to have been only R18 000.

The other figure that should have been cited, but wasn't, concerns the spending power of Reiger Park alone. Assuming that 25 000 of its inhabitants routinely spend a mere R30 a week, the monthly fall-off in revenue would be R3m.

Proud

But crucial as the business statistics were, the political dimension could not be wished away. Mohammed Navsa, a key member of the Reiger Park committee, told the hushed white audience that this protest was all very well, but only a few months ago his community could not use the town hall and other facilities.

"Will it be again permit here, permit there? I want to feel proud of Boksburg, but you've got to make it happen for me. It was sincere. From the heart, and it hit home. There was a tangible sense of shame in the white audience, a realisation that if and when the CP threat disappeared things could never go back to the way they were."

The goalposts have been shifted. A new local political agenda has been set — and the irony is that residents have the CP to thank for it.

Latest figures point to levelling off in car sales

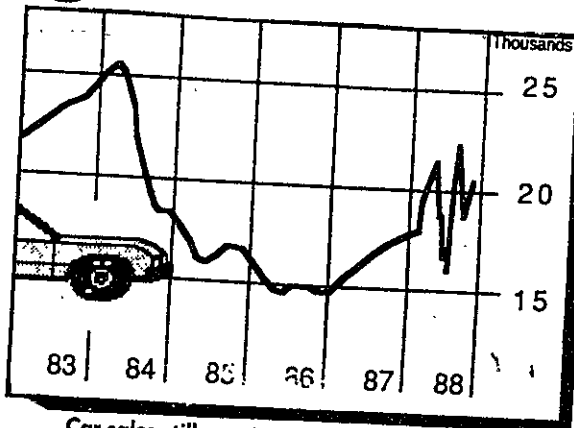
By Sven Forssman

The strong demand for new cars continued unabated during November, but sales were still below the August figure of 22 112, which represented the highest level in almost four years.

National Association of Automobile Manufacturers (Naamsa) figures released yesterday show that sales were 474 units up from the October figure of 20 422.

The buoyancy in the new car market is surprising as import surcharges and tougher hire purchase restrictions were expected to impact negatively on sales.

However, while car



Car sales still running below August's high.

sales showed a growth pattern, sales in the light commercial and medium commercial sectors were slightly down on the respective October figures of 10 095 (9 861) and 532 (472).

Combined new vehicle sales for the industry rose 332 units to 32 214.

SALES UP

A Naamsa spokesman said the sales of new motor cars and commer-

cial vehicles continued at a high level during November, underpinned by the positive business mood and the continued high level of activity in the economy.

Sales of new cars benefited from strong demand from the corporate fleet and car rental sectors, while demand for trucks and buses remained buoyant due to improved investment spending which tended to continue

for some time after consumption spending had peaked.

From a statistical point of view, the spokesman said the first signs of a levelling off in new car and light commercial sales were apparent and it was anticipated that the recent official measures to stabilise the economy, together with the recent increases in interest rates, would inevitably result in a slowdown in economic activity.

DOWNTURN

This, in turn, was likely to result in a modest downturn in demand for new cars during 1989.

Naamsa expects the vehicle market to remain "bullish" in the short term, since the demand for new passenger cars and commercial vehicles has been continuing well in excess of current supply.

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Biting the hand that drafted it

IF the government was given a taste of its own medicine over the Boksburg "apartheid" affair, latest developments in the town have practically forced it to finish off the bottle.

Police yesterday confirmed they are investigating charges laid by two Boksburg town councillors against various organisations for alleged contraventions of the Emergency regulations.

With its flair for tactics growing daily, the Conservative Party announced on Wednesday that charges had been laid in the light of "the apparent unwillingness of the government" to apply the provisions of its own Emergency regulations.

Gideon Fourie, CP chairman of the

By CHARLOTTE BAUER

Boksburg Town Council's management committee this week charged *Beeld* newspaper, the SABC and the Save Boksburg Committee with contravening Emergency regulations prohibiting the reporting of or promotion of consumer boycotts.

At the same time, the town's mayor, Beyers de Klerk charged the Natal Building Society with contravening the Intimidation Act. The building society took away De Klerk's NBS agency last week in protest against the council's reimposition of certain apartheid laws in the town.

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Heunis to meet Boksburg businessmen

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Constitutional Development Minister Mr. Chris Heunis has agreed to meet Boksburg's boycott, battered business community to discuss the Conservative Party's decision to segregate amenities in the town.

The Minister will see a delegation of the Boksburg Alliance on January 20, according to National Party members in the town.

Mr Heunis might also be presented with a petition which to date has been signed by more than 8 000 of Boksburg's residents objecting to the CP town council's decision to reintroduce apartheid.

The Boksburg Alliance includes businessmen who are opposed to the CP policy and who are deeply concerned at the economic

By David Braun,
Political Correspondent

repercussions for the town due to consumer boycotts by the coloured and black communities.

One business has already been forced to close its doors because of the boycott, while others report that turnovers have plunged.

Government sources have indicated some action is likely to be taken to clip the wings of the Boksburg Town Council.

Also on the cards, according to one senior source, is the eventual repeal of the Reservation of Separate Amenities Act, although

this is not imminent.

Government policy is to create adequate additional amenities and recreational facilities before the Act can be scrapped, so as to prevent the overcrowding of existing resorts.

Until the Act is repealed, it is not clear what the Government can do to override town councils such as Boksburg.

There is a school of thought in the Government that it should be left to local communities to put pressure on town councils.

Mr Heunis is likely to throw some light on the Government's views when he meets the Boksburg Alliance.

● See Page 6.

Alliance hopes for message to break boycott

Heunis to meet group on Boksburg rumpus

30 6/2009 9/12/88

CONSTITUTIONAL Development and Planning Minister Chris Heunis has agreed to meet Boksburg Alliance representatives next month for talks on the CP town council's return to apartheid.

NP leader in the council Chris Smith said yesterday Heunis would meet the alliance on January 20.

Members of the alliance, which includes NP and independent councillors and business groups, hope Heunis will make a public statement on government's intentions on the Separate Amenities Act which enables municipalities to enforce segregation. Boksburg MP Sakke Blanche said

PETER DELMAR

earlier the date of the meeting was being kept secret in case the CP tried to upset the alliance's strategy.

Smith acknowledged yesterday government was unlikely to repeal the Act before a general election, but alliance members hope a statement from Heunis will send a clear message to the CP-controlled council and help break the crippling black consumer boycott.

Smith disclosed yesterday that about 8 000 Boksburg voters had signed a petition denouncing the council's strategy to segregate facilities.

Charges laid against whom?

PETER DELMAR

The charges were laid in terms of the emergency and media regulations and the Public Safety Act.

One NP councillor said independent Issy Kramer was a spokesman for the Save Boksburg Committee, but Kramer pointed out that his organisation was called the Boksburg Alliance.

An estimated 13 000 voters supported the CP in municipal elections. NP candidates drew 10 000 votes.

Smith said only a few people had refused to sign the petition and he hoped 20 000, of an estimated 30 000 voters in the town, would support it. The Boksburg municipal results were viewed generally as a major upset for the NP.

Blanche has a comfortable majority of almost 3 000 over the CP. The PFP polled 2 000 votes in last year's general elections.

Smith said the petition and an opinion poll would be submitted to Heunis to substantiate the alliance's claim that the council's moves were not backed by most whites.

At an extraordinary council meeting tonight, the opposition will attempt to persuade the CP administration to abandon its apartheid policies. The management committee will also be asked to spell out its plans for the town during its five-year term.

CP leaders in Boksburg were expecting 2 000 supporters at the 1 700-seat town hall for last night's meeting to be addressed by party leader Andries Treurnicht.

VOLKSKAS still doing business in pariah town

PETER DELMAR

VOLKSKAS yesterday rejected speculation that it was planning to reconsider its business arrangement with the Boksburg Town Council over the CP municipality's efforts to reimplement petty apartheid — efforts which have made it a pariah town.

A bank spokesman said that far from asking the council to close its accounts, an ATM machine was being installed at the Volkskas agency at the civic centre.

Boksburg budgeted R190m this year for capital and operating expenditure. Natal Building Society management yesterday cancelled a top-level management meeting scheduled to discuss charges brought against it by the CP mayor of Boksburg in terms of the Intimidation Act.

The president of the Boksburg Chamber of Commerce and Industries Johan Viljoen yesterday described estimates that the black consumer boycott was costing the town R150 000 a day as too conservative.

He described the situation in the town as "extremely critical", especially for smaller businesses, which were facing financial ruin.

In addition, there were indications that investment plans worth millions had been shelved because of the adverse publicity surrounding the council's decision to bar blacks from certain facilities.

CHAIRMAN of Boksburg town council's CP-controlled management committee Gideon Fourie admitted yesterday he had "absolutely no idea" who the leaders of the Save Boksburg Committee were.

Gideon had earlier laid a charge against the organisation, as well as against Beeld and the SABC, for calling an illegal boycott.

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Black consumer boycott due to start tomorrow

Commercial jitters hit Brakpan shoppers

Black consumers living in and around Brakpan appear set to withdraw their buying power from the town's central business district from tomorrow.

A snap survey of the town's businesses — large and small — yesterday revealed a definite change in buying patterns and a rapid decline in commercial morale. Few black people were seen on the streets.

Some shopkeepers have already felt the bite — at least two have closed within the past month.

Others know it will come, but not when and nobody has any long-term hopes.

"Black and coloured people are not buying in Brakpan any more. It's the Christmas period and the shop should be full. But it's not, it's dead," a sales assistant at a large furniture chain store with a predominantly black clientele, told The Star yesterday.

At a laundrette across the road a black woman told us: "Business is all right now. But from Saturday it won't be. The boycott starts on Saturday."

The owner of a washing machine repair shop, who did not wish to be named, said he would be forced to close at the end of the month. His trade was predominantly black and seemed to have disappeared, he said.

He believed the root cause of his troubles lay with the decision by the Boksburg Town Council to reinforce apartheid in the town. His own town council's policies had to

shoulder some of the blame, he said.

The manageress of a newly opened hardware store next door, who also did not wish to be named, said: "Most of our clients are black. If they go, we'll have to close."

Mrs Lalle Fourie, who sells household cleaning materials, said her sales had dropped by about 20 percent. Forty percent of her customers were black, she said.

"Some people in the location have been telling people not to buy. They come to me and ask what's going on and I tell them to go and speak to the council. I'm NP, definitely, and I don't discriminate," she said. She believed the effects of a black withdrawal would be felt only next month.

Sales drop expected

Mr John and Mrs Lea McIntosh run a second-hand clothing store which caters mainly for black people. They said there had been no noticeable drop in sales but they were expecting it.

"We haven't really noticed anything, so far. But we are very worried. We don't know what's going to happen. My daughter-in-law in Boksburg will have to close her shop. Her sales are down, terribly," Mrs McIntosh said. They, too, thought their woes had started

with the Boksburg decision.

"We've heard nothing from this council. We're just sitting here waiting. We're afraid to buy. Say they boycott us, how are we going to pay our rent? I spoke to the Indian shopkeeper around the corner and he says he is very worried. All we can do is pray," she said.

A major chain store, which also sells furniture, was deserted except for the presence of a lone black purchaser.

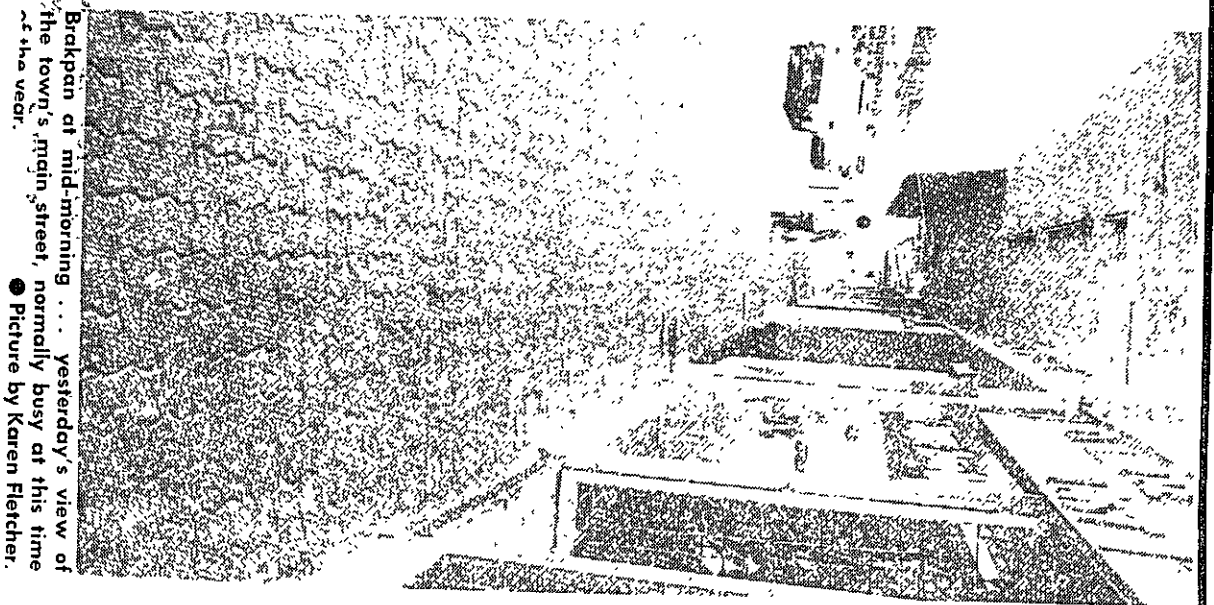
Mr Johannes Mothebe, of Tsakane, a job-seeker interviewed on the pavement in Prince George Street, said he understood there would be a boycott.

"But I also hear that the white people don't want us to walk around on the streets after dark. But the white people here, if they catch us here at night, they beat us up for nothing anyway."

His friend, Mr Thomas Dhlamini, agreed. "It's very hard for us. We struggle. We're looking for work and they're chasing us away."

Brakpan has closed its parks and other amenities to black people. Blacks are also barred from attending functions at municipal facilities.

At the time the decisions were taken by the Conservative Party-controlled council, management committee chairman Mr Johan van Aswegen said he did not think the decision would cause any trouble.



Brakpan at mid-morning ... yesterday's view of the town's main street. Picture by Karen Fletcher.

Making life easier for builders

By DICK USHER
Business Staff

SERVICE is the name of the game in the building supplies business.

Which is why, in an industry in which the informal and smaller builders are assuming greater importance, Peter Hughes, the executive director at F T Building Supplies for the Western and Eastern Cape, says that the merchant must constantly analyse his role in the marketplace to make sure that the service being offered is the service required by the customer.

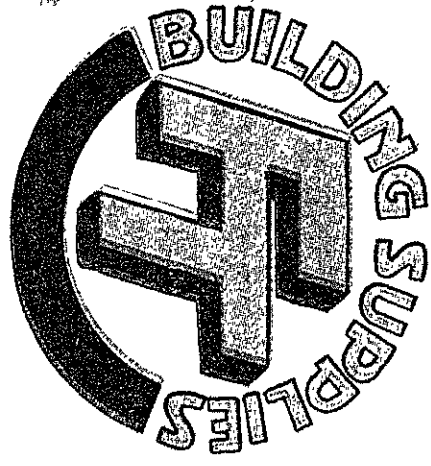
"The main part of our business is being the middleman between the manufacturers and end-users, whether the customer is a giant contractor or one man building a garage.

Efficient

"There is, after all, little difference between the products sold by one merchant and another.

"So it is the quality of customer service that makes the difference," he said.

For F T that service means providing to major contractors



Peter Hughes . . . service the name of the game.

that the company can make life easier and more efficient for them, showing that they can give competitive prices and deliver the right product at the right time.

"The big contractors used to buy direct from the manufacturer and we have to prove to them that we can give a service they cannot get from the factories, most of which are on the Reef.

"For the smaller operator we have to provide exactly the same efficiency, but also help them with advice and expertise from competent staff with technical skills and en-

thusiasm, and provide credit facilities to help them through the contract," said Mr Hughes.

"To achieve this we do the bulk buying and stock the complete range of materials that go into building a house, which saves them from having to deal with 20 or 30 different one-off traders."

This perception of the merchant's position in the industry has grown through about 13 years in the timber and building supplies industry.

Mr Hughes first worked in the motor industry, during which time he took a QIS part-time, and later joined a furniture

ture company in Cape Town to get practical accounting experience.

In 1975 he moved into the timber and building materials industry and was on the board of the D & A Timbers group before joining Federated Timbers in 1980, first as assistant manager of the Cape Town branch and later as manager.

In 1984 he was appointed regional manager of the Western Cape and a director of Federated Timbers and in 1988 was appointed executive director of Federated-Balkie, responsible for the Western

and Eastern Cape. The company is currently moving from being known as Federated Timbers to F T Building Supplies, reshaping its image to emphasise that it supplies all building materials, not just timber.

"It has been a real problem being heavily associated with timber," said Mr Hughes.

The Western Cape is one of the regions where an "area concept" has been implemented, with several compatible branches working together to service a specific area.

The main warehouse at Eppling acts as the "mother" branch for 21 F T operations in the area.

Stocking 43 000 product lines, the warehouse either acts as a distributor for branches or supplies direct to sites for contractors.

"The system has advantages that work for all parties," said Mr Hughes.

Resources

"The branches have common pricing structures, services and share resources which means that the customers know exactly where they stand with any F T Building Supplies branch.

"For manufacturers the bulk buying system means that they can plan production and delivery more efficiently, creating economies of scale for them which can be passed on through us to the customer.

"It becomes a partnership which we promote as part of the service we offer as the middleman in the industry."

Car costs cripple us ³⁰ - and worse to come ^{scribble}

Money Matters

Magnus Heystek



Star 10/12/88

MOST motor-mad South Africans don't really know what their cars cost them. They think in terms of monthly repayments and are inclined to forget "hidden" costs like insurance, tyres and general maintenance.

The latest petrol price rise comes as yet another blow to the private motorist, who in recent years has seen the price of new cars rise massively.

This results from high local inflation and the sharply depreciating value of the rand against the Japanese yen and West German mark, the two countries supplying most of our motoring needs.

Most car prices have doubled in just over three years, while a car's running costs have increased by 50 to 95 percent, depending on the car's size and original price.

Most new-car purchases today are by companies or by people assisted by their employers. Car dealers estimate that only about 15 percent of new cars are bought by private individuals.

With the outlook for the rand unhealthy, the cost of a new car is bound to rise further — placing a new car beyond the reach of Mr Average.

According to the Automobile Association, total running costs of a small car have risen by more than 50 percent from 38,8c/km in 1985 to 59c/km. This calculation was made before the latest petrol price was announced — so expect this figure to rise in the New Year.

For a medium car, the cost per kilometer rose 70 percent, from 64,8c to 110,5c. However, the owner of a luxury car has seen his cost per kilo-

	1985	1986	1987	1988	1989
Honda 150	40,3	51,8	53,2	57,1	60,9
Merc W123	63,1	88,7	96,5	107,5	123,1
Audi 500	64,8	83,1	98,7	101,5	110,5
Golf CSI	38,8	48,9	50,2	55,2	59,0

The cost of motoring (cents per kilometre).

meter over the same period rise from 63,1c to 123,1c — a leap of 95 percent. (See table).

However, if you still intend buying a medium-sized 1800 cc sedan, think what it will cost each month. *Company Motoring* magazine calculated in August (before prime rate went up and before the petrol price announcement) that a R25 502 car (GST included) would cost you between R645 and R738 a month, depending on the type of transaction (full maintenance leasing R738, Finrent R645 and rental R722).

Then add maintenance and tyre costs of R101 a month in the first year, R157 a month in the second and R258 in the third year. Insurance sets you back anything from R2 626 a year if you live near the coast to R4 250 in high-risk Johannesburg.

Taking average consumption at nine litres every 100 km and an average of 30 000 km travelled each year, the total monthly cost of your car comes to a staggering R1 481 a month in the case of full maintenance leasing, R1 388 a month under Finrent and R1 465 a month with rental.

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by JULIE WALKER



'Good guy' M&M looks to film finance for profit

MONEY & Management Holdings (M&M) aims to make R3-million taxed profit in the year to March 1989 — most of it from financing films.

M&M is the new name of Retail Management Services, which was listed on the Development Capital Market of the JSE on November 4 last year — ill-timed, to say the least.

Shop-fitting is the smallest of three divisions which now comprise M&M. Chairman Gawie Yssel — he cut his teeth at Federale Volksbeleggings — is reluctant to disclose turnover, but estimates profits of R400 000 from shop design and fitting, office design, interior decorating, and a manufacturing company which makes pine furniture for export.

PACKAGES

There are plans to make office furniture for the domestic market. Mr Yssel says the big market players claim their order books are full for months to come — "so there is always room for a small one." He says the division was established 25 years ago, and

until recently did not promote itself. But times change, and a marketing effort to broaden the client base is under way. The division has 160 employees.

Second is the property development division. "We are mainly in the white residential market, building cluster homes. We buy land, service it if necessary, and build. Every house is pre-sold, so we are not at risk if the market takes a knock."

M&M owns 50% of EC Construction and 100% of Durban's Ycon.

"The companies do not depend on internal projects to keep going." He forecasts turnover of R20-million for the year to 1989 and profits of about R1-million.

But most of M&M is the financial services division. "We do project finance packages for the property

sector, have a quartet of insurance broking companies, and we are in to film finance," says Mr Yssel.

ABUSE

Only this week Deputy Finance Minister Org Marais singled out the film industry for tax abuse. He said that the fiscus had lost out on collecting R800-million through film finance schemes which gave tax breaks to investors.

The schemes rely on on Section 11bis of the Income Tax Act, which Dr Marais said, would be phased out as soon as possible as part of the clean-up of tax laws.

Mr Yssel is not alarmed, saying, "We put together financial packages and take a fee. The company is not at risk in any way. As long as investors stick with film deals handed by reputable attorneys, auditors and pro-

duction companies, there is no risk."

He welcomes the scrapping of Section 11bis — "as long as it is substituted by another form of assistance. SA's film industry has come a long way. Many of the abuses which were prevalent before February 1988 were cleared up after guidelines were laid down in Section 24F of the tax Act. It has disciplined the film industry, it is much healthier now."

VILLAINS

Now there is an interesting thing: everyone who is into film finance in SA says that the ones who give films a bad name, the ones who back low-quality films. They each claim to be the good guys while casting the others as villains. "Films create jobs, and are

potential high earners of foreign currency," says Mr Yssel.

I think the Government wants to see some of that potential realised before it falls head over heels in love with film financiers.

SPEARHEAD

Mr Yssel says that growth in the financial services division will be the spearhead of M&M's growth.

There are 37-million ordinary M&M shares in issue, and R7.4-million was raised recently through the issue of R1 convertible preference shares. The prefs carry a coupon worth 65% of Trust Bank's prime overdraft rate, and have been issued mainly to directors.

A consortium of directors owns 45% of the company and Leisuresco — a part of Brigadier Films — owns

27%. There is a shareholders' agreement to retain control of 34% of the company between the two parties.

Essentially, the interests of the consortium were reversed into the Retail Management Services listing, which constituted a change of control. The preference share offer was 89% subscribed, the balance being taken up by underwriters.

Income from the offer will be used to reduce debt, which stood at R14-million on September 30. A standby offer opened on Friday at 25c a share — the current market price is 30c, the prefs have not yet been traded.

I believe that improved management, the threat of retrospective or future tax changes and a crowded financial services scene put M&M shares beyond the acceptable risk of the average investor.

Racist Boksburg becomes hostile

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[Signature]

Rotten bananas bear testimony to bad times

By CHARLES MOGALE
RACIST Boksburg became hostile this week. Contrary to two weeks ago, when traders openly confessed to loss of earnings

due to the Conservative Party's proclamation of a return to petty apartheid, most traders approached this week flatly refused to discuss the matter.

The situation in the small East Rand town this week was tense, with only a smattering of blacks in shops. Gone was the traditional Christmas rush of blacks.

Here and there, a sign on a window made a somewhat meek appeal for reconsideration: "All races still welcome." However, the signs were largely ignored

as blacks from Vosloorus and Reiger Park went to spend their money in the neighbouring towns of Germiston and Alberton.

Gavin Gardiner, a furniture store owner in central Boksburg told Sapa this week: "I am not selling anything, business is going down."

Already, there is talk that several businesses in the area are closing down.

Inside a large, well-known furniture chain store in Lecuwport Street, the only people seen inside for more than an hour were two white and four black staffers. One of the blacks, dressed in Santa Claus garb, spent a lonely time at the door of the shop.

Now and then he tried a smile, but ended up with only a cheerful grimace.

Approached for comment, the manager of the store, who refused to give his name, said business was bad, "but not that bad". He would not discuss the matter further.

A woman at the till of a fastfood outlet also refused to discuss the matter. Rotting bananas and almost shop-soiled cartons of soft-drinks and milk on the shelves bore testimony to bad times.

"I don't want to discuss politics. Leave me out of it," she said.

Even in the post office, which does not fall under the control of the Boksburg Municipality, race relations were visibly at a very low ebb. The trend was to politely ask white customers if they could be helped, and to demand brashly of blacks: "Wat soek jy?"

A man clad in khaki shorts in a hardware store would not even wait for reporters to introduce themselves. Smoking idly in his deserted shop, he shook his head and muttered: "No, no, no, no," before turning his back.

In Vosloorus, taximen had mixed fortunes.

Said Koos Buti Ntwe: "People just don't go to Boksburg anymore. I have even decided to operate locally only, unless I am lucky enough to get a load. We sometimes spend up to three hours waiting for our taxis to fill up. We are losing a lot, but our people have the right to withhold their money from racists."

James Makuto, whose taxi operates between Vosloorus and Germiston, said business had never been so good.

"More and more people are travelling to Germiston," he said.

Triple tragedy as Vaal youths die in crash

By SINNAH KUNENE
THOUSANDS of Sharpeville residents will be burying three local youths tomorrow who were killed when the truck they were travelling in ran out of control on the highway to Johannesburg this week.

Those killed are twin Johannes. Pumpi Skin,

13, Jeremiah Stoffel, 14, both pupils at Moeli Primary School, and George Koki Masedi, 14, of Tshebetso High School - all of Phomolong Section.

The fourth victim and driver of the horse-and-trailer Tumi Radebe, 21, will be buried at Koppies in the Free State on Sunday.

According to bottle-store owner Ratladi Monnakgotla, the driver and the three youths had gone to fetch liquor from Johannesburg when the truck ran out of control and crashed, killing all its passengers.

"I just do not know what happened... but it seems the driver lost control of the vehicle. All I can say now is that I have lost my bright little boys who loved school and were prepared to fight for their education," lamented Monnakgotla, who was also their guardian. Monnakgotla has offered to pay for the funeral and catering costs.

A mass funeral for the three, who had passed their examinations last week, will be held at the Sharpeville Hall tomorrow.

Kopano, a 23-member burial society which consists of businessmen and socialites from the Vaal and West Rand, has donated cash and groceries to assist the families.



Jeremiah Stoffel
Untimely death



George Koki Masedi
High school pupil.



Stompi Skin, Pumpi's twin... sad, but alive.

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Soweto officials to remain in jobs

By SOPHIE TEMA
TOWN clerk Nico Malan and secretary L Geldenhuys resigned from the Soweto City Council this week - but reversed their decisions on Wednesday morning at a special meeting called by the council's executive committee.

Malan confirmed that he and Geldenhuys had resigned from the council and said: "We withdrew our decisions after our differences had been ironed out."

Soweto mayor Sam Mkhwanazi confirmed

that the two officials had withdrawn their resignations and were retaining their positions as town clerk and town secretary.

At a Press conference held at the chambers, Malan announced the "Keep Soweto Clean" campaign which starts in the townships tomorrow.

Mkhwanazi said the campaign was to be a massive project which would need the support of all Soweto residents, including businessmen, housewives, children and community leaders.

The campaign is to be a on-going project for which the government has already given R2-million.

Political comment and news by K Sibya. Headlines and sub-editing by F. Alberts, all of 204 Eloff Street Ext. Johannesburg.

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INITALY

Brakes off for record spree

S/Times 11/2/88

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CARTE BLANCHE



By David Carte, BUSINESS TIMES Editor

Arnold Witkin is to wind up New Bernica and take a sabbatical.

That's a bit like watching a budding Graeme Pollock going into retirement after his first three centuries.

Entrepreneurs of Mr Witkin's kind do not come along every day. Like his friends, Derek Keys, Ken Whyte, Gordon Polovin and Jeff Liebesman, he is another one of those high-achieving Wits CAs.

Six years ago, he was as comfortable as any grey-suited bean counter could be. He was investment manager of Legal & General — good at his job, highly respected as a market commentator and well paid to boot. But in May 1982 he walked away from the security of institutional life to start New Bernica as a venture capital company.

L&G thought so highly of its departing investment boss that it was prepared to take 42% of the company. Mr Witkin could afford only 4%.

Initially, New Bernica's market capitalisation was R6-million. Now it is effectively being liquidated and is worth R72-million. Shareholders who have been on board for the short history of the company have received an average compound return of 35% a year.

But that is possibly the least of Mr Witkin's achievements. Most of all he has been a discoverer of talent.

Mr Witkin helped to put latter-day luminaries such as David Sussman of Joshua Doore and Gordon Polovin of Columbia on the road to dazzling success. He has also been a close associate of Nick Frangos of Mercedes Datakor, which has grown sales from R24-million in 1986 to a forecast R400-million this year. Having acquired Unisys, Datakor is now in the top three in information technology in SA.

David Sussman's one Price 'n' Pride store has developed into Joshua Doore, which controls World and Bradlows. Joshua Doore is No 3 in furniture retailing and is expected to reach R100 million this year.

Columbia has four listed subsidiaries and is valued by the market at R60-million. New Bernica also brought National Discount House and Clinic Holdings to the market.

Most of its protege companies have grown so fast and issued so much scrip that New Bernica's stake has been watered down to about 5%.

Mr Witkin says: "The only thing we did right was to pick a few guys we thought could be successful. Nick is the most brilliant businessman I ever met. I didn't find him. He found me. We became friends through the Young Presidents' Organisation. I guess I could just see how good he was. Gordon and David had track records of a few years before we started dealing with each other."

For the past three years, Mr Witkin has been aiming at a really big fish. He believed he had lines into all the big institutions and

Arnold to start new chapter

he is emigrating to Israel. He intends to return to business in some other capacity.

Mr Witkin explains why New Bernica is being terminated "It has always been run on a consultative basis by Ken Whyte, Hilton Loon, Peter du Toit and myself. We never did anything without complete agreement.

"At a recent board meeting we noted that our role in the various companies had been diminished and that the share price was a discount of about 30% to net assets. We agreed that the best thing we could do for shareholders was what I do the guys all asked me what I would do. I told them that I have worked hard for 27 years and could take a sabbatical.

"Basically, there were three reasons — the investment climate, our declining role in all these companies and finally the discount to net asset value. J"

"The first thing I'll do is take a holiday. Then I'll start on the books. I enjoy public speaking and teaching, so perhaps I'll do those things as well. I'll continue playing cricket for Old Eds Old Crocks. I want to have fun and by that I don't mean I want to go to parties. I want to do stimulating things with people I like."

New Bernica had a rough time in venture capital.

"We burned our fingers. We made the mistake of taking control of two companies. We did not know the businesses. Time after time one of them needed another R100 000 — the bottomless-pit syndrome.

"We said to the banks all along that it had to stand on its own feet, that there would be no comfort from mother, but we couldn't walk away.

"We sold it at a loss of R900 000. We sold the other troublesome company at a capital profit of R750 000, so our net loss was only

NEVER mind brakes on the economy — retailers in all sectors report record Christmas sales.

With only 11 shopping days to Christmas, surprised shoppers report sales increases of 30% and 40% as buyers go on an unprecedented spending binge.

They are spending regardless of import surcharges, hire-purchase curbs, higher interest rates and increased petrol prices from January.

Economists warn of a awful hangover for shoppers and shopkeepers early in the new year.

Dion managing director Hymie Sybul is delighted about Christmas sales. He says November sales soared by 26%, and in the first week of December they rose 30% above the same time last year.

Unusual

Garlick Transvaal regional director Charles Dagnall says sales have been buoyant.

"We have had a 35% increase in sales over 1987 figures for November and December, which is unusual. The first few days in December generally set the trend for the rest of the month, and we are pleasantly surprised."

Economists who believed that the two-percentage-point lift in interest rates announced in October would dampen demand are being proved wrong. Spending goes on even though the prime overdraft rate has risen by 44% since March.

Mr Dagnall puts the unexpected increase down to the fact that consumers do not have confidence in the rand. "They would rather spend than save. Many are buying goods at pre-surge prices."

Johannesburg's Eastgate manager Dave Kavanagh says traffic figures are good, and he predicts at least a 30% growth rate in trading over last year.

By Robyn Chalmers

"Almost without exception, stores are recording huge increases in turnover."

Edgars chief executive Vic Hammond predicts that Christmas sales will easily outstrip inflation. Edgars has stocked up for a good season.

The Domestic Appliance Manufacturers Association reports that indications are that Christmas for its members should be better than the predicted 16% real growth in turnover.

Wesbank senior general manager Neville Nightingale says November was a record month for his wheels bank. Taking into account that November is seasonally a good month for the car industry, Mr Nightingale says it was 50% up on 1987.

Standard Bank personal banking services deputy general manager Bill Mansfield says although it is difficult to determine credit spending so early in the month, he expects an increase of between 25% and 30% in the demand for credit, based on past trends.

Northbank card operations assistant general manager Rudi Gents says there is satisfactory growth in business, but he does not expect people to lash out with borrowed money.

Hotels

Tourism has also taken off after a slow start. SA Tourism Board (Satour) branches in Cape Town, Durban and Port Elizabeth report almost fully booked hotels.

Satour says Durban hotels are 90% booked, with only places in caravan parks left open along the North and South Coast.

Port Elizabeth and Cape Town are also popular. But as is usual, Johannesburg hotels are no more than 20% to 30% full. Those in outlying areas, such as Magaliesberg, are nearly full.

One of the few areas which

has disappointed this Christmas has been the TV, hi-fi and video market — main casualty of import surcharges and tighter HP measures. Joshua Doore managing director David Sussman says sales are down considerably, and he expects no quick upturn.

Booze

Liquor sales look good. Benny Goldberg director Tony Tosen says although the store has not yet measured sales for December, those of November were up almost 20% on last year.

"We are going to have a merry Christmas," he says. Although there is enthusiasm about the boom this month, retailers are pessimistic about next year.

Mr Dagnell does not expect a huge downturn in January, but he warns that "there will be a major fall in February".

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AHI finds more sanctions pressure

PRETORIA — Strong pressure was building up for more political and economic steps against SA, said an Afrikaanse Handelsinstituut (AHI) fact-finding mission which has just returned from Europe.

AHI president Dries Niemandt, who headed the mission, said steps such as cutting off air links and withholding technology were possible.

He said the purpose of the mission had been twofold.

"To put SA's case in perspective overseas, and in this way to exercise an influence against sanctions, boycotts and disinvestment, as well as to inform AHI members and relevant authorities

of the problems foreigners might have in this regard.

"It was quickly clear to the mission that strong pressure is building up for more political and economical steps against SA. It was also clear to the mission that influence could not be exercised against intensive sanctions, boycotts and disinvestment should the political status quo be maintained in SA.

"This could only be done by taking the standpoint that SA was in the process of evolutionary change on a constitutional level.

"Also, the suggestion that SA's eco-

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To Page 2



Blais

'More sanctions pressure building up'

economic growth deserved overseas support as a prerequisite for continuing evolutionary reform, did not meet with approval.

"More economic steps imply additional sanctions, boycotts and restrictions on capital investment in SA, while more political steps, among others the withdrawal of landing rights for SAA flights as well as those by overseas airlines to SA, as well as withholding technology from the country, could occur."

Niemandt said various people and organisations who were more favourably inclined towards SA and with which the mission had had discussions, emphasised the general attitude towards SA by

many countries, such as those of the EC, was so negative that in the long term it would be difficult to avoid more action against SA unless a basic change in attitude towards the country took place in those countries.

Such a basic change in attitude would only follow on a dramatic step towards a new political dispensation in SA which was acceptable to most black South Africans. It was clear to the mission that such a step pointed to a joint say by black South Africans in central government. — Sapa.

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From Page 1

12/12/88

Benoni cashes in as boycott hits Boksburg

19/04/72
2/12
CHARLOTTE MATHEWS 30
RETAILERS in Benoni are benefiting from the black consumer boycott of Boksburg shops, a random Business Day survey has found.

The Benoni branches of Edgars, Foschini, Beares and Jet reported noticeable increases in turnover from black customers, especially on Friday and Saturday, the main shopping days.

"Blacks and coloureds from Actonville, Daveyton, Watville, Vosloorus and Reiger Park, who don't usually come to Benoni, have been in. Turnover has doubled," said a Foschini spokesman.

The Benoni branch of Checkers said there had been no significant increase in turnover, perhaps because the store was in a residential area far from public transport.

Quiet

Shopping trends in CP-controlled Brakpan and Springs indicate they are not subject to boycott action.

In Brakpan, Checkers, Beares and Edgars noticed no significant drop in turnover in the past few weeks. Cuthberts said business was "very, very quiet", but Foschini said business was better than usual, and there had been a lot of black customers last weekend.

In Springs, there did not appear to have been a change in customer patterns. Edgars noticed a few black customers from Brakpan. Most other businesses reported the usual increase in trade at this time of year.

Black spending power puts on more muscle

MAGNUS HEYSTEK

WHITE spending power as a percentage of total household expenditure is falling rapidly, while black spending power is growing and in some sectors surpasses that of whites.

Figures released by the Bureau of Market Research at the University of South Africa show whites at the end of 1985 were responsible for two-thirds of the R55,5 billion spent by private households on goods and services in metropolitan areas.

This was down from the 77 percent in 1970.

However, in some of the major metropolitan areas, white spending power was substantially higher than the national average.

In Pretoria and Bloemfontein, white spending power accounted for 83 percent of all expenditure by private households.

The share of black spending, however, rose markedly over the same period — from 14 percent of total expenditure in 1970 to 22,2 percent at the end of 1985.

In certain areas, such as the OFS goldfields, blacks were responsible for over half of the money (56 percent) spent.

These figures, economists say, are bound to be outdated because black spending power is currently at a much higher level.

After increasing from 1970 to 1975, the share of coloureds fell to 6,3 percent in 1985. But the Asian share rose steadily during the period — up from 4,6 percent in 1975 to 5,2 percent at end-1985.

Although whites had a two-



Future so bright, you gotta wear shades

thirds share in total household expenditure, they accounted for less than half of total private household expenditure in metropolitan areas on food, clothing, footwear, washing and cleaning materials, dry-cleaning and laundry services, alcoholic beverages, stationery and reading matter.

On the other hand, whites were responsible for 94 percent of the R794,6 million paid to domestic servants and gardeners in 1985 and for 90 percent of the R5,5 billion paid in personal income tax.

A surprise finding of the survey was that of the R12,3 billion spent by blacks in metropolitan areas in 1985, 56 percent was spent by black households, ie, persons not living in a family context, 62 percent of whom

were accommodated in hostels and compounds.

Food, housing, insurance, clothing and footwear were the main items of expenditure.

The survey found that the area described as the Rest of the Witwatersrand (the East and the West Rand) was responsible for the major portion, ie, 24 percent of total household expenditure.

Second in importance was Johannesburg, followed by the Cape Peninsula, with Kimberley in last place.

A comparison over time shows that for the consumer, the five fat years from 1970 to 1975 were followed by 10 lean ones.

Growth in total real expenditure by whites in metropolitan areas fell from 4,9 percent per annum between 1970 and 1975 to

1,7 percent in the decade to 1985.

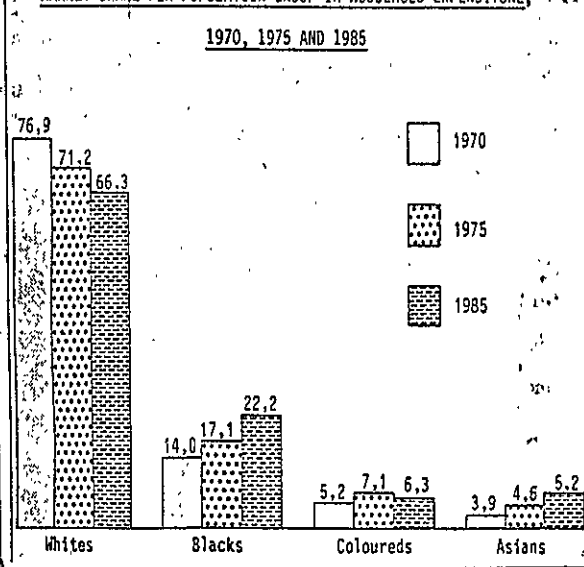
Bearing in mind that the white population in these areas increased by 1,5 percent over the past ten years, real expenditure per person only rose by 0,2 percent per annum.

If income tax is subtracted, it reveals a slight drop in real expenditure per person.

Economically, the black consumer was in a stronger position because real expenditure by blacks rose by 4,2 percent per annum against a population growth of 3,6 percent per annum.

Asians enjoyed the biggest improvement in their relative economic position between 1975 and 1985, with an increase of 4,2 percent per annum in total real expenditure and a 2,6 percent increase in population.

MARKET SHARE PER POPULATION GROUP IN HOUSEHOLD EXPENDITURE, 1970, 1975 AND 1985



Year-end bonus splurge expected to boost sales

By Michael Chester

Forecasts that consumer spending in the current Christmas buying spree might easily hit new records have been reinforced by predictions that the vast majority of companies plan a splurge with end-of-year bonuses.

PE Corporate Services, which runs a regular nationwide check on pay trends, predicts that as many as nine out of every 10 employees will receive a Christmas bonus equal to a one-month pay packet.

Miss Naomi Brehm, manager of the remuneration division, says "quite reasonable" bonuses can be expected by the rest of the labour force.

The Association of Chambers of Commerce and Industry is sticking by forecasts that overall Christmas retail sales in November and December will break all records at R10 billion or more.

"There should be bonuses in nearly all pay packets," says Miss Brehm. "It's been a good year for most companies.

"All in all, about 90 percent of employees look likely to be handed a 13th cheque — and even if that has not been negotiated in advance, workers can expect a good bonus.

"More and more, bonuses are being judged on individual work performance, which means they are being spread over the whole year rather than coming in one big lump.

"But perhaps the bulk of the labour force should be alerted that the scenario is almost certain to change in 1989.

"Pay increases in 1988 in general beat the rate of inflation for the first time in five years. Next year, the trend might well dip," she says.

...which performed a symphony concert yesterday as part of the FAK celebrations commemorating the Great Trek.

Businessman could sue Boksburg

By Lloyd Coutts

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Star 12/12/88

A businessman with multi-million-rand interests in Boksburg is considering holding the town council liable for any damages he incurs as a result of its racial policies.

But the council is sticking to its guns, and after a special meeting of the council on Friday night, "maintained the status quo", according to management committee chairman Mr Gideon Fourie.

In a letter to the council, read at a special sitting of the council

on Friday night, Mr Albert van Heerden of Merinda Enterprises said a deal in which he was to sell a factory worth R1,6 million had gone sour as a result of recent council decisions.

The multinationals Huck SA (US), Walon (France) and Uniroyal Chemicals (US), as well as the Post Office and Freightech (a member of the Barlow group), all of whom had leased factories from him, were threatening to withdraw from the town.

He had strong ties with these companies, and although he had

since sold the complex of factories, they had contacted him to complain and had threatened to leave town.

Another company that leased premises from him, National Socket Screws, was also dissatisfied.

Mr van Heerden said in his letter that he was erecting a factory for the production of low-cost housing at a rate of 300 to 500 houses a month. Turnover of R40 million a month was expected from this company.

"I am afraid the factory for black housing will be severely affected. The houses are erected

in all the black townships and if they know they are from Boksburg, they will not want to buy the houses," he said.

The letter included a copy of another to the MP for Boksburg, Mr J P I Blanche, in which Mr van Heerden asked the Government to bring an end to "the fiasco".

In another letter, Colgate-Palmolive managing director Mr G W Nocker said his company could no longer continue morally to fund the council's apartheid policies.

● See Page 6

By Michael Chester

"Spaza shops", run from the backdoors of private homes in the black townships — long hidden away from the prying eyes of the law and the taxman — now account for a combined trade turnover of R3 000 million a year.

The estimate of the phenomenal size of the spaza business, virtually unknown to the white community until lately but a common feature in black society, has been revealed in a survey carried out by marketing consultants Perry & Associates, of Johannesburg.

GIANT-KILLERS

The researchers disclose that spazas command business turnovers whose magnitude challenges the size of sales by such giant supermarket chains as Pick 'n Pay, OK Bazaars and Checkers.

Spaza is a Zulu slang word for "dummy" or "camouflaged", an expression used to describe the way traders were forced to operate out of view because they usually broke all the rules and regulations that held back the launch of black business ventures.

But they are now emerging from the shadows in the vast expansion of the informal sector as relentless reform pressures force the Gov-

Turnover puts spaza shops in big retail league

ernment and local authorities to relax the masses of red tape.

The typical spaza, say the researchers, consists of a section of a private house that has been converted into a retail grocery store — perhaps a spare bedroom or garage, or even a corrugated-iron shack at the back of the house.

They are rarely spotted by strangers — especially officials. But they bustle with business among neighbours who like the convenience of a shop around the corner to save them travelling long distances to the big shopping centres.

Their clandestine operations have also often solved the problem of the scarcity of land for development of retail services in black areas.

Almost without exception they are a purely family initiative.

"The sophistication of a typical spaza shop would surprise many people," says Mr Mike Perry, head of the marketing consultant firm.

"Often, garages have been converted into extremely adequate stores, with electronic cash registers and freezers to store meat, chicken and beer.

"All items are neatly packed and categorised, with tinned and packaged goods sorted out according to the type of product."

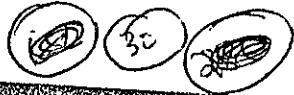
HIGHER PRICES

Prices are usually much higher than in supermarkets and corner cafes in white areas: 1 kg of sugar might cost R1,50 in a spaza against R1,22 in a supermarket; tinned spaghetti, about 49c in a supermarket, might cost R1,20.

The survey found the lowest turnover was put at R100 a day in the week, rising to about R200 on Saturdays and Sundays — meaning a turnover of R3 800 a month.

The top of the range was a spaza in Soweto with a monthly turnover running at R31 000.

Star 12/12/87
30
17%



COLGATE APPLIES TO DUMP BACKWARD BOKSBURG

PRETORIA — Colgate Palmolive in Boksburg has applied for rezoning to the Benoni district.

MD. Gerry Nocker said payments of rates and taxes to a town council which held such backward views could not be justified.

He said the Boksburg council's retreat to the petty-apartheid era had highlighted the disinvestment and sanctions issue.

This meant pressure would increase on foreign companies.

GERALD REILLY

He said developments in Boksburg had created a false impression of the Afrikaans community.

"Regardless of their political views, I cannot believe they want to create a ghost town of Boksburg."

Referring to mounting US pressure on the company to disinvest from SA, he said: "We are committed to stay in SA as long as we believe we can continue to influence political change

and protect human rights."

More than 60% of the company's 1 200 workers were non-white and the Boksburg council's actions were an insult to their dignity and contrary to all human rights.

"The council's actions were particularly irresponsible at a time when there was a positive response and goodwill from President P W Botha's peace initiatives and his efforts to create an environment for negotiation with responsible black leaders."

Govt likely to act against CP moves'

13/12/88 B/day

30 ~~1988~~ ~~1989~~

GERALD REILLY

PRETORIA — The business community expected government to act soon after the opening of Parliament to block any more moves back into apartheid in CP-controlled local authorities, Witwatersrand Chamber of Commerce and Industries vice-president Eric Henderson said yesterday.

He was reacting to reports that pressure was mounting in the US for Boksburg-based Colgate Palmolive to disinvest.

Henderson said: "We cannot see government allowing the situation to develop to a point where there is a real threat of a new wave of disinvestment and other economic action against SA."

At the weekend, the Afrikaanse Handelsinstituut warned that drastic

changes were needed to avoid further punitive economic action against SA.

PFP spokesman Harry Schwarz said it would be totally illogical for any multinational to pull out of SA because of the activities of a verkrampte town council.

By staying, multinationals were contributing to solving the problems created by the CP and other right-wing organisations.

In any case, punitive disinvestment action would not influence the CP to change its policies.

By staying in SA, Colgate-Palmolive and others would be supporting those who opposed the "Boksburg syndrome".

NBS facing veiled boycott call from CP

THE CP is expected to make a veiled boycott call against the Natal Building Society within the next few days following the NBS's failure to respond to a deadline set by the party's economic affairs spokesman Clive Derby-Lewis over the society's cancellation of its agency agreement with the CP Boksburg mayor.

Derby-Lewis said the one-week deadline expired last night and he would ask the NBS today whether it would take similar action against its agents in areas under NP control where petty apartheid

13 | 12 88 | PETER DELMAR

was still practised. Failure on their part to respond would signal to the CP that the NBS "has no desire to do business with CP people and we will inform all our CP councils and our people of this", Derby-Lewis said.

Derby-Lewis said he would also write to Colgate Palmolive and Unilever objecting to their threats to quit Boksburg. "We would not dare tell them how to run their businesses and we object to them telling us how to run this country."

Sapa reports Colgate Palmolive MD Gerry Nocker said yesterday his company, which employs 1 200 people in Boksburg, had applied for rezoning to Benoni.

A Volkskas spokesman said the bank had no plans to end its business arrangements with the Boksburg council and was, in fact, installing an ATM in the local civic centre.

□ Boksburg council has budgeted R190m for capital and operating expenditure during the current financial year.

© See Page 3

PP 100/CTR
P 'n P tops in
price survey 30
14/12/88
WLB

By BRUCE WILLAN

PICK 'n PAY came out tops in a price survey carried out recently by the SA co-ordinating Consumer Council and its regional offices in conjunction with Beeld.

The survey covered 98 products in each of 57 stores in Cape Town, Pretoria, Johannesburg, Durban and Bloemfontein.

Although the survey differentiated between Hyperstores and Supermarkets, Pick 'n Pay emerged as the cheapest in both categories when the national average was calculated.

On a regional scale, Cape Town surprisingly was cheaper for the 98 products priced in the survey coming in at between R257,98 to R264,56 for the hyperstores and R264,66 to R270,90 for the supermarkets.

While the survey does not intend to establish which group of stores is the cheapest or which region is more cost effective it does help to reflect price tendencies over a period of time.

"No name" brands are not taken into account and in some cases averages have to be taken due to temporary unavailability of stock.

The national average price for a trolley of goods increased by 1,7% from R266,17 in October 1988 to R270,67 in November this year.

Court bid to halt Checkers opening

30 B/Day 14/12/88

DURBAN — A bid to stop today's opening of a multi-million-rand Chatsworth Checkers did not proceed in the Durban Supreme Court yesterday when it was opposed by Checkers and the Minister of Housing of the House of Delegates.

The application was brought by three members of a nine-man consortium which originally tendered for the site. The application was adjourned to a date to be fixed without any order being made.

The three men are Govindasamy Vedajalam Pillay, P N Govender and Parshotham Imrith. They cited Checkers, Coreprop, the Minister of Housing of the House of Delegates and the registrar of deeds in their application for an interim order stopping the opening and the letting of any shops in the complex.

They asked that the respondents be stopped from registering and transferring the properties at Check-

ers Chatsworth and Checkers Phoenix, and for an interdict against 51% of shares being transferred to anyone but themselves.

In an affidavit Pillay said Checkers had agreed to give 51% of the shareholding in the development to the applicants if they could secure the property for Checkers. He said he was promised that he would be paid R50 000 a year for 10 years.

According to a copy of the agreement between Checkers and the consortium consisting of the three applicants and six other Indian businessmen, Checkers had offered 45% of the shares at R1 a share to the consortium. Members of the consortium who took up the offer would also have to provide loan account capital and guarantees.

W Daly, representing Checkers, said it was nonsense to suggest that Checkers would give away a controlling interest of 51% of a company costing millions of rands. — Sapa.

CP STICKS TO THEIR GUNS

DESPITE immense pressure being exerted from all quarters of the black community the Conservative Party in Boksburg has not altered its policy of petty apartheid.

And indications are that the consumer boycott will be intensified during the festive season following statements by the CP leader, Dr Andries Treurnicht, last week.

Dr Treurnicht, when addressing a public meeting in Boksburg, said the CP-controlled municipalities would refuse to back down on their apartheid stance in spite of threats of sanctions, boycotts and

By JOSHUA RABOROKO

attempts to force whites to capitulate.

Retailers in Boksburg say their economic equilibrium has been shattered in the past two weeks, with some businessmen suffering losses of up to 60 percent as the consumer boycott gains momentum.

The Foundation for African Business and Consumer Services, which includes the largest black consumer

and business bodies in southern Africa, has asserted that it will intensify the action until apartheid was demolished in the CP-controlled towns.

A spokesman for the organisation said they have consulted with their grassroots membership in and around Boksburg to investigate ways to make shopping and the general purchase of goods and services more easily available to the black consumer.

A representative of the

Reiger Park Management Committee, a coloured township near Boksburg, Mr Butch Jantjies, yesterday said they were intending to meet the Minister of Constitutional Development, Mr Chris Heunis, this month to discuss recent political developments in Boksburg.

He said matters to be discussed include: the extension of Reiger Park and the effect of the CP-controlled council on business.

Meanwhile, Vosloorus

township on the East Rand has turned into a beehive of business activity as thousands of blacks who have withdrawn their buying power in Boksburg flock into the Lesedi City, South Africa's largest shopping centre in a black area, to do business.

The manager of the centre, Mr Gray Thathane, said the boycott of Boksburg has come as "a blessing in disguise for most businesses in the centre."

30 8/day 14/12/88

MOST OF the people on Business Day's Real Economy panel — 63% of them — reported business in November to be better than it was in October, and put this down to the approaching festive season.

They expected December to be a good month, although there was no spontaneous expectation of a bumper Christmas.

Panelists in the clothing business were particularly happy about their November sales.

For the first time, three spaza shop owners were included in the panel, which has increased from 12 to 15 members. Spaza is the township slang for "camouflaged" — applied to the shops because they are run in township backyards and garages, away from the eyes of the authorities.

According to recent research findings, the turnover of spaza shops is in the region of R3bn a year. They act as distribution channels for manufacturers and wholesalers, and thus have widespread support from formal business.

Panelists generally feel January and February will be quiet months, though businesses in the townships believe good festive trade could carry over into January. This applies particularly to the spaza store owners, who will benefit from the fact that children and parents will be on holiday at home.

In assessing the interviews, Perry and Associates say that the indications of falling confidence regarding prospects for the next few months should be treated with caution, in view of the natural expectation that the man in the street will still be paying for Christmas in January and February.

"Spaza shop owners exhibit considerable confidence in the future," says Vedit Purbhoo, of Perry and Associates. "They expect the seasonal upsurge to last well into January, as they serve a captive market in the townships."

"It is interesting to note that the new entrants into the informal sector see the future as being bright, whereas established businesses expect increasing competition in the future."

THE INTERVIEWS:

□ **GLEN CAMPHER**, manager of a Johannesburg city centre Jazz supermarket store, says business was good, but not as good as he had expected.

However, it was better than in the last three months, with the number of sales and customers both improving. He thinks business will be tough in the few months to come, especially in January because "people will

BUSINESS DAY REAL ECONOMY INDEX

Christmas cheer, but bleak January

SIPHO NGCOBO

This is Business Day's sixth Real Economy Index, covering the month of November. It is based on interviews with a panel of black and white business people, drawn from the real — or free — economy, where the man in the street buys his goods. The aim is to let mainstream business know how the growing mass market is developing and reacting to changing business circumstances

have no money after the Christmas holidays".

The absence of major labour strikes and unrest, and the expected release of ANC leader Nelson Mandela, make Campher confident about business in the future. "Mandela's release would be a tremendous boost to business confidence," he says.

□ **ISAIAH "MR NUGGET" HLATSHWAYO**, shoe-shiner at the JSE premises, describes his business as good over the last month, and the same as it had been in the last three months.

He expects business to improve during the next three months, when people are back from the holidays.

□ **MIKE SEGAL**, owner of Bauers Mon's Shop in downtown Johannesburg, says his business was very good last month and much better than in the last three months. Unit sales were down, but customers were spending more. He attributes this to the festive season and end of year bonuses.

Segal sees business getting better until Christmas, and then dropping, but he believes it will pick up again late during the first quarter.

□ **STAN THOMPSON**, manager of Rebel Bottle Store in Blackheath, says business was still very good last month, and even better compared with the last three months. He attributes the increase in sales to the approaching Christmas period.

Thompson, however, expects sales to drop considerably over the next few months.

□ **JAMES STRACHAN**, manager of

Hyper-Car, says business was "fairly good" last month but that customers were a bit hesitant because of increased interest rates. Compared with the last three months, business in November was below average, he says.

Strachan was not sure about prospects for the next quarter. "It could go either way, depending on how much money people spend over Christmas," he says.

□ **COLIN BUTHELEZI**, taxi owner and chairman of the Dube/Westgate Taxi Association, says business was fair, but that the increased price of fuel and spare parts and the resultant 10% hike in taxi fares was still a problem.

Although he expects good business over the Christmas period he thinks the next few months would be difficult, as people would be short of money and as some of them would still be on holiday.

□ **PEGGY "BELAIR" SENNE**, owner of "Peggy's Place," well known licensed shebeen in Soweto, says his business was "just normal" last month, and about the same when related to the last three months.

Although he expects business to improve during the Christmas period, he thinks business will be down over the next few months.

□ **IRIS MDLETSHI**, who sells exclusive clothing from her Hillbrow flat, says business was excellent last month, as she had predicted previously, with record sales in casual clothing for both children and adults.

She attributes her excellent performance to the end-of-year bonuses and 13th cheques. Her customers were buying more and spending more. She, however, thinks the next three months would be very difficult, with many people spending their money on taking their children back to schools, colleges and universities. "People will not have money," she says.

□ **PEACE CINDI**, hair designer and owner of "Hair It Is," says business was down last month but he does not know why, since he had expected November to be a good month.

He expects a heavy downturn in business from mid-January to about the end of March. "Christmas spending would leave some people penniless. And mind you, children will be going back to school, which will hit people's pockets even harder," says Cindi.

□ **MARY-JANE STUNKIE**, who sells clothing from her Mofolo, Soweto, home, made "a lot of money" last month compared with the last three months.

The improvement began when she changed her line of product to nurses' uniforms. But she also included a variety of other products — for instance, children's clothing.

Although December looks very good for her, she thinks there will be a drop in business in the next few months.

□ **JOYCE "GRANNY" MOYO**, a Soweto shebeen owner who operates on a small, selective scale, says her business was fairly good last month, with

sales showing a slight improvement compared with the previous three months. She says there will be virtually no business in the few months to come.

□ **ROB CROCKETT**, Sage Schachot (Housing) MD, says sales were at lower overall levels last month because of higher interest and bond rates and uncertainty over future building cost escalations. He says the situation was worse, relating to the last three months, with customers buying less and paying more.

As during the previous month, Crockett expects the trends to remain the same over the next few months. He still believes new houses are actually cheap today, but that erosion of people's disposable income has made affordability a real problem.

□ **KEN ABRAHAMS**, a spaza shop owner from Ennordale coloured township, says sales were good last month because people had begun getting used to him after only three months in business. His customers were paying more and he expects business to fare even better over the next few months.

"Children are on holiday and some of the goods I am selling, like sweets, would be just right for them. And apart from that, I am selling food-stuffs which people cannot live without, irrespective of the time of year."

□ **VICTOR LENYAI**, spaza shop owner from Soweto, says business was normal last month. No fireworks, no serious disappointments. "My customers were still supporting me," says Lenyai.

He says November was better than the previous three months. Lenyai had had transport problems during August, September and October. His van had broken down, causing problems in terms of stock deliveries. He predicts a downturn in business over the next few months, especially January and February, which would be as a result of Christmas spending.

About the long-term future, Lenyai foresees an increase in the number of spaza shops. "This I think will bring about too much competition and too much tension on the spaza front," he says.

□ **WILKIE MPILA**, another Soweto spaza shop owner, describes his business as good last month. "There was good demand for my stocks," says Mpila. He says business remained the same as over the last three months, with customers buying the same.

Mpila expects the same trends in January, but is not sure what February carries for him. He has a word of advice for Spaza owners: "Perseverance and determination are essential. The future of spazas is bright," adds Mpila.

It's cheaper to shop in town than in township

30 ~~26~~ By Jovial Rantao *Star* 14/2/88

The prices of essential commodities in Reiger Park shops are still higher than those in Boksburg, despite calls by community leaders that Reiger Park traders lower prices in sympathy with residents' boycott of Boksburg businesses.

The boycott call was made in protest against the Boksburg Town Council's decision to revive petty apartheid in the town.

A survey by The Star yesterday revealed that some stores in Boksburg and Brakpan were cheaper than those in Reiger Park and that at some supermarkets in the two towns some prices were as much as 100 percent lower than those in the township.

Some examples were:

- 5 kg mealie meal — R3,79 in Boksburg and R4,75 in Reiger Park.
- 2,5 kg sugar — R3,09 in Boksburg and R3,39 in Reiger Park.
- 2 kg washing powder — R7,49 in Boksburg and R8,99 in Reiger Park.
- 2 kg rice — R3,99 in Boksburg and R4,69 in Reiger Park.

Call for Boksburg to change its mind

5/27 14/12/88
By Helen Grange (30)

The Consultative Business Movement, headed by Mr Christo Nel, has appealed to the Boksburg Town Council and the Government to reverse its "ill-considered initiatives" in an attempt to normalise business in Boksburg.

At a CBM meeting on Monday night, most delegates said they felt business should not be aligned with the NP in opposing the CP move but act independently to improve relations.

It was felt boycotts would reduce Boksburg to a ghost town.

"Events such as have occurred in Boksburg are possible only because outdated legislation remains on the statute books," Mr Nel said.

Boksburg served as a focus for business's role in contributing to normalising of society by removing all barriers to socio-economic freedom.

For business to fulfil its role it would have to apply itself to developing actions that supported the principle of transformation to a non-racial, just society, said Mr Nel.

The challenge for business was to consolidate an initiative to alleviate fear and to re-construct relationships in South Africa.

Picprop picks up

For about two years Picardi Property has not only been one of the better performers in the property sector, but it has also done well compared with the JSE industrial index.

However, since about six months ago the share has lost some ground against both JSE indices, especially the industrial one. This was on the back of a fall in the share price from 190 cents to 150 cents. One reason could be market uncertainty about Picprop's future performance following the sale of its major property, Pichel Parkade, to Southern Life at the end of March.

It is however, speculated that Picprop will have a bumper year to June 1989. MD Peter Day says that all operations are doing nicely. Stockbrokers are expecting earnings this year to be around 26 cents, a healthy 52 percent improvement on the 17,1 cents earned in financial 1988.

At the current share price of 150 cents, this places the share on a forward price:earnings ratio of around 5,8. The historic ratio is 8,8 against a sector average of 10,5. The dividend for the current financial year could be around 15 cents, which places the share on prospective dividend yield of 10 percent. Another favourable factor is that Picprop is trading at a significant discount to its historic net asset value of 284 cents.

Picprop, 77,6 percent held by Pichold, is an investment holding company involved in property (90 percent owned warehouse in Selby), textiles and garments (brand names include Le Coq Sportif, Arena, Olympic and Jimmy'Z), sports equipment (mainly rugby and soccer balls), and luggage (Revelation and Samsonite). The group also has a R16 million investment in URD Beleggings. Mr Day was reluctant to disclose

Sharespot

LYNNE PEACH

the nature of the investment but did comment that UDR Beleggings is a company within a very large financial institution. He went on to say that this investment is fairly liquid.

Investment income is set to contribute a major 75 percent to group after-tax profits in financial 1989. Sports clothing and equipment will probably maintain its contribution at around 20 percent, while the property division will account for the remaining 5 percent.

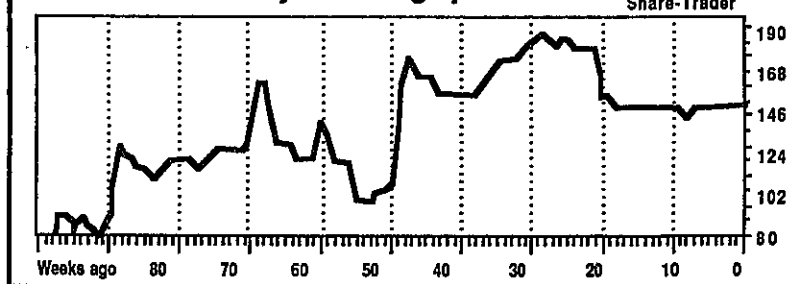
Mr Day comments that the group is interested in buying more property, for example, land in the vicinity of Cape Town Harbour is currently being looked at.

The strong earnings growth in financial 1988 was largely attributed to partial recovery in the textile division. Mr Day said the consolidation of the two clothing factories into one factory with much higher capacity, upset volumes causing turnover to be only 5 percent higher than the previous year.

However, a better operating margin, less interest paid, and a slightly lower tax rate were responsible for the 69 percent rise in earnings, from 10,1 cents to a high of 17,1 cents. The dividend was 10 cents, compared with 4,5 cents in financial 1987.

Mr Day says that volumes should improve in the current year and the group will continue to place emphasis on improving efficiencies. He says that greater chain store business is expected to materialise, and this will boost production in the quiet July to October months.

PICPROP-Weekly closing price



After surging strongly ahead for more than a year, Picprop's share price corrected fairly sharply and has stayed around the 150 cents mark for more than four months now. As for the future trend, yet to be established, an important factor will be the interim results (to be published towards the end of February 1989). If Picprop still manages to produce the goods, having sold its major property, Pichel Arcade, early this year, then the share price is likely to embark on new favourable trend.

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BUSINESS

THE rezoning of Colgate Palmolive from Boksburg into Benoni is not feasible, according to representatives of the Benoni municipality and the local chamber of commerce.

Colgate earlier this week requested that the company be rezoned from Boksburg — which is at the centre of a controversy over the apartheid policies of the newly installed Conservative Party town council — to neighbouring Benoni.

Colgate's managing director, Gerry Nocker, said the company had no in-

intention of moving from its present location, but had applied to be rezoned into the Benoni area.

"We are a community-minded company and have contributed a tremendous amount to the local community over the years. We do not want to see Boksburg deteriorate — because we care for Boksburg and its people.

"But we cannot justify the payment of rates and taxes to a town council

Sorry, Colgate, Boksburg's not Benoni

By ZEYNEP ERSAN

that has such backward views," he said in a statement.

Benoni town secretary Chris Boshoff said he understood the question of Colgate's rezoning as being a request to incorporate the factory premises into the Benoni area.

"Unfortunately, between Benoni and Colgate Palmolive there are other

areas, so it will be difficult. One cannot have a tiny part of one municipality in another area," Boshoff said.

He said the Benoni Council would investigate Colgate's application. No decision would be taken before the council's next meeting in January.

A representative of the Boksburg Chamber of Commerce and Industry referred to the "technical and legal implications" that could hinder the re-

zoning request.

"The decision to modify the two areas' borders will have to be taken at the local, provincial and central government levels, which means it will take a long time," he said.

He added that he had heard rumours that other companies were willing to emulate Colgate's action, but declined to give names.

Asked about his reasons for not re-locating the factory, Nocker said it would be "totally impossible" to do so.

Small business group calls for tax reforms

A COALITION of 40 agencies promoting small business in South Africa has called for tax reforms which would prevent hundreds of thousands of informal sector operators being regarded as criminals simply because they do not keep tax records.

The Sunnyside Group, which represents more than 150 000 small enterprise owners, has submitted updated tax reform proposals to the Competition Board, following the rejection by the government of the Margo Commission's proposal for a Comprehensive Business Tax and its introduction of the new Standard Income Tax on Employees.

The Group's new proposals suggest exemptions on record-keeping requirements for very small businesses, since informal sector entrepreneurs cannot cope with the burden of keeping a multitude of records.

Ian Hetherington, co-ordinator of the Sunnyside Group's Special Focus Team on taxation, points to the compliance costs small, start-up entrepreneurs have to meet "in terms of registering, licensing, filling in tax forms by the dozen, keeping 30-column wage registers, satisfying industrial councils, keeping record for UIF and Workmen's Compensation, to mention just a few". These he says, can sink many a small business, where the owner has to be a jack-of-all-trades.

"Small businesses run the risk of being registered, recorded, taxed, licenced, surveyed, inspected, exempted, confiscated, approved, permitted, interviewed, fined, bent, mutilated and stapled to death," Hetherington said this week.

The Sunnyside Group hopes its tax reform proposals will reduce some of these pressures. It believes the loss of revenue to the government would be negligible while the efficiency of the tax collection process would be enhanced.

The agencies represented in the Sunnyside Group include representative black business and consumer organisations as well as private sector organisations and university-based small business development agencies.

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WMAIC

WMAIC

15-22/12/88

R100m setback for Boksburg

PLANS for a R100m Boksburg shopping centre have been shelved until the situation "returns to normal".

And the property market in general has declined since the town council's decision to re-introduce petty apartheid.

The R100m shopping centre, to be called the East Rand Mall and situated on a 42 000m² site near the Pick 'n Pay Hypermarket, has been temporarily put on ice by developers Retail International (RI).

RI MD Joe Bentel said the 200-250 potential tenants, including Woolworths, Garlicks, Clicks, Truworths, Foschini and Ster Kinekor, had been notified and approved of the delay, though Edgars had withdrawn from the project.

Edgars MD Vic Hammond said the

5/12/88
LINDA ENSOR

decision not to develop a new store, which would cost about R7m to furnish and stock, was a purely commercial one which might be reconsidered if the consumer boycott fizzled out.

Brian Dugmore, chairman of the Boksburg Estate Agents' Association, said the CP stand — together with higher bond and interest rates and the seasonal decline in property sales — had led to a slump in demand for houses. Dugmore estimated a decline of between 30%-50% because of these factors.

People transferred to Boksburg had

● To Page 2

R100m Boksburg shops plan put on ice

indicated they would rather live in nearby towns like Kempton Park and Benoni than make the embarrassing admission that they were Boksburg residents.

"Generally the market has gone down and there have been far fewer inquiries. A lot of people want to sell, but there are no buyers," Dugmore said.

"No-one wants to stay in a town which is going downhill."

Frankie Giles Real Estates manager Andy Smith said there was a large number of reluctant buyers unhappy about their inability to pull out of contracts.

In another development, residents of Atlasville, which is on the border between Boksburg and Benoni, appear to have revised their opposition to incorporation into Benoni.

Gerrie Wolmarans, NP councillor for Atlasville, said that in spite of higher rates the ward's about 3 000 residents would have to pay in Benoni, all indica-

From Page 1

tions pointed to an about-face on the issue.

□ A group of major businesses with concerns on the East Rand has called for the rejection of petty apartheid and racially-based legislation.

In advertisements placed in the Press today, the businesses — BM Group, Colgate Palmolive, EMSA, Kellogg, Tupperware, Joy Manufacturing and Gillette — express serious concern about municipalities which have, or are contemplating, the re-introduction of petty apartheid.

They condemn the decision to re-introduce by-laws based on racial discrimination as an affront to human dignity, immoral and contrary to fundamental human rights.

5/12/88
B/ens

Boksburg row could aid SA's cause

WASHINGTON — Conservatives in Boksburg are providing American conservatives with the evidence they need to prove that South African blacks can score powerful political points through their buying power.

The United States conservatives are pushing this argument hard as they prepare for the next round of the anti-South Africa sanctions struggle here. Signs that US liberals have not given up on sanctions came this week when the city of Boston banned Shell Oil products because of the US company's trade links with South Africa — tenuous as they are.

Boksburg's black consumer boycott in response to a new outbreak of petty apartheid has clearly distressed the town's businessmen who are learning that discrimination does not come cheap any more.

Best solution

30 (2/20)

But the boycott has fallen into the laps of US conservatives who argue that the best solution for a peaceful end to apartheid in South Africa is black economic empowerment: give blacks the means, and they will buy their way to power-sharing.

They argue that blacks cannot be separated out of the South African economy as the sanctions movement here seems to think is possible. Squeeze that economy and you squeeze blacks too — perhaps even harder than you squeeze whites.

The reverse is that if you assist the South African economy, you will also assist blacks. Take this a step further, aim your assistance directly at blacks and you create a situation where they become so important to the overall economy that no white businessman would dare risk offending such an important slice of his market.

This is an approach that has been articulated on behalf of president-elect Mr

BY NEIL LURSEN, The Star Bureau

Boksburg's civic politicians have captured internationally for their town the title of Bastion of Bigotry but, in an unexpected way, they may be doing the rest of South Africa a big favour.

Sta 15/12/88
George Bush by members of his foreign policy team — notably Mr Alan Keyes, a black conservative who is expected to win a top job in the Bush administration.

Mr Bush likes the general approach and now it has been endorsed enthusiastically by the Heritage Foundation, a Washington think-tank that had influence in the early stages of the Reagan administration and is seeking a similar role in the Bush era.

In a just-released policy study, the foundation's Africa task force chairman Mr Nicholas Eberstadt says that to help blacks win more control of their country's economy, US aid should be targeted directly at black economic sectors.

"Too much of the current US assistance, by contrast, goes to political opposition groups," he says. "The Secretary of State (Mr James Baker from January 20) should design a programme through which the US, Western Europe and Japan assist black education, job training, health care, small business development, and housing."

Whether or not Western Europe and Japan will fall into the plan remains to be seen. But it is clear that black empowerment will be one of the main elements in the argument about South Africa when the big sanctions debate resumes in Washington next year.

The conservatives will not have an easy time pushing their line in the US Congress. Earlier this year, for instance, liberal Democrats — who control the Africa sub-

committee in the House of Representatives — rudely ignored black businessmen from South Africa who travelled to Washington to make a case for black empowerment.

The climate may be different in 1989. The South African Government has scored some valuable points with actions and events lately — among them the signing of the Brazzaville Protocol, the outspoken opposition to Boksburg's apartheid zeal, the waiving of the death penalty for the Sharpeville Six, the release of political prisoners, and the realisation here that there is, after all, a difficult right-wing problem facing the Botha regime.

If the black consumer boycott in Boksburg succeeds and the town's civic leaders decide that the trappings of white purity are maybe not so desirable after all, the opponents of sanctions have a good case to take to the Congress in 1989.

Secret fear

American conservatives also have a secret fear that further sanctions measures will lead the South African Government into a deal with the increasingly pragmatic Soviets.

Such a deal, they theorise, may take the form of a greater Soviet involvement in the distribution of South Africa's mineral riches in return for reduction of Soviet support for the ANC and Soviet pressure on a Swapo government in Namibia not to stir up animosities with Pretoria.

The prospect of a weakening of the West's influence in southern Africa, and especially a slipping grip on the mineral riches, horrifies American conservatives.

Thus they are pushing for aid to the South African economy through black empowerment. Every time Boksburg nails up a whites only sign, it may just help the US conservative effort to tear them all down.

Imported turkeys beat SA's high prices

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Star 16/12/88
By Caroline Mehliiss

Consumers can buy imported turkeys for less than locally produced chickens and turkeys.

OK Bazaars is selling frozen French turkeys for R4,29/kg and local fresh chickens for between R4,79 and R4,89/kg.

Checkers and Pick 'n Pay are selling frozen North American turkeys for R4,59/kg, while fresh chickens cost between R4,69 and R4,99/kg.

The turkeys are being sold at cost price.

PAID EARLY

Supermarket spokesmen say turkeys are available at a favourable price because they placed orders and paid for the birds early in the year when the rand was stronger against other currencies than it is now.

The imported turkeys sell for less than locally produced turkeys because production costs overseas are far lower than local costs. This is because overseas feed costs are lower and the

overseas turkey market is much bigger.

The few local turkeys available are selling for between 30c and 50c/kg more than the imported turkeys.

Mr Zach Coetzee, secretary of the SA Poultry Association, says the increase in local chicken prices is seasonal and is caused by the high demand over Christmas.

"The poultry industry is capital-intensive and it is impossible to boost supplies just for a short time of the year. But we are expanding."

He says chicken prices should drop after the festive season.

Ferdie Hartzenberg tells the *FM*: "We will not reconsider our policy. We are convinced that the boycott will not last and that its effects are not as serious as is made out. The situation will be different in the New Year."

Reflecting the turmoil, Boksburg mayor Beyers de Klerk last week laid charges against the NBS (which pulled out of the town), under the Intimidation Act. His colleague, management committee chairman Gideon Fourie, at the same time charged SABC-TV and *Beeld* in terms of the emergency regulations for in effect advocating the boycott, which has cut the town's business by at least 60%.

This week, Colgate-Palmolive chairman Gerry Nocker told employees that the company is committed to staying in SA. Nocker reaffirmed that Colgate has applied for rezoning into Benoni.

While the multinational has no wish to see Boksburg deteriorate, "we, however, cannot justify the payment of rates and taxes to a town council that has such backward views — and views that are totally opposite to ours."

The council's actions will increase pressure on foreign companies to disinvest in SA, he warns.

An opinion survey carried out by the *Boksburg Advertiser* last week found anti-CP sentiment running at 9:1, says editor Hilary Green, adding that the town is in a turmoil.

Boksburg Chamber of Commerce & Industry chairman Johann Viljoen says his chamber has had applications to join from businessmen who previously did not belong to any business association.

"They are beginning to see the need for a collective mouthpiece, especially now that we are going to see Chris Heunis."

Independent councillor and chairman of the Boksburg Alliance Issy Kramer tells the *FM* that CP leader Andries Treurnicht and Hartzenberg failed to turn up for a meeting with the alliance scheduled last Friday.

The same day, says Kramer, opposition councillors called a special meeting in vain, "to discuss a resolution to rescind all the decisions taken by the new council." ■

BOKSBURG

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FM/RL
Pressure mounts

16/12/88

Labour Party leader Allan Hendrickse has dismissed as hypocritical government's criticism of the Conservative Party (CP) for its reactionary policy in Boksburg. "Until the Separate Amenities Act is repealed, I say to the CP, continue to challenge government on it."

He was speaking in Port Elizabeth at a banquet in honour of his 10th anniversary as party leader.

Meanwhile, undaunted CP deputy leader

Tea
Star 20/12/88
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Rooibos brews up hefty sales increase

CAPE TOWN — Rooibos tea sales are booming and by the end of the year a record 3,8 million kg will have been sold by the Rooibos Tea Board.

This will be the third consecutive year in which sales have broken previous annual records.

The chairman of the board, Mr Abraham van Zyl, says the Rooibos tea industry is growing at a cracking pace and he is confident that sales will continue to show strong growth.

December sales have reached 540 000 kg, a monthly record. Fourth quarter sales for this year of 1,2 million kg are also a record.

INCREASE

The increase in Rooibos sales is linked to a swing towards healthier lifestyles, he says.

The product is gaining wider acceptance, particularly in the important northern market.

"The board had a very active promotion team in the Transvaal and this was the key to the success achieved this year," Mr van Zyl says.

One of the more striking developments this year has been the increase in sales of this herbal tea to certain European and American countries.

Sales in the first six months rose by 32 percent, compared with the previous year, and prospects for further increases in exports are very good. — Sapa.

Shopping spree set to top R6bn

20/12/88

THE December Christmas shopping spree is expected to top R6bn, according to figures released by Central Statistical Service yesterday.

The expected retail trade sales for November and December 1988 represent a real increase of 2% compared with the same period in 1987 — a 19,6% increase at current prices.

Total retail sales for 1988 show an increase of 21,9% at current prices and a real increase of 6,5% compared with 1987.

However, figures for November and December 1988 show a seasonally ad-

CHARLOTTE MATHEWS 20

justed decrease of 1% over September and October.

Assocom spokesman Edward Verburg said the figures tallied with predictions made by a Assocom survey in October which forecast spending of R10,7bn for November and December together.

"The rate of increase in spending month by month this year may be decreasing because consumers have been spending so rapidly that they can no longer match their previous expenditure," he said.

Tax break masks WOM earnings figures

By Ann Crotty

Star 20/12/88
Although World of Leisure (WOM) has reported a 106 percent increase in turnover, it was only because of a tax holiday that it was able to record a 38 percent increase in earnings for the six months to August.

The figures were released yesterday almost four months after the end of the interim period.

Turnover was up to R21,1 million (R10,2 million), but income from operations and associated companies (separate figures are

not given) rose only 18 percent to R1,3 million (R1,1 million).

The interest bill more than doubled to R477 000 (R223 000), leaving pre-tax income showing a five percent drop to R865 000 (R915 000).

As no tax was payable, the profit figure was up 49 percent to R865 000 (R580 000).

Earnings per share were up 38 percent to 2,5c (1,8c).

The company, which paid a 1c interim dividend the previous year, is paying no dividend for the

review period.

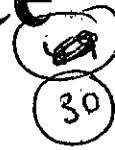
The directors say rapid expansion in the electronic retail and wholesale division severely tested management resources and accounting systems, "giving rise to disappointing results for the period under review".

"In particular, stock losses in the wholesale operation, both prior to and during the takeover thereof by new management, were the major reason for the poor performance of this division."

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Business confidence slumps in Pretoria

Star 20/12/88



By Roy Cokayne

Confidence in the economy by the Pretoria business community has slumped in the past four months with 39 percent expecting a drop in economic activity in the next few months, according to a new survey.

In addition, 33 percent are anticipating the economy to stabilise at its current level while only 27 percent foresee an improvement in the short term.

By contrast, during the previous survey in June, 41 percent of respondents expected an improvement, 25 percent a worsening and 34 percent no change in the economy.

The economic survey of the Pretoria area was conducted by the Department of Economics at the Pretoria Technikon in conjunction with the Pretoria Chamber of Commerce and was conducted among Chamber members on October 22 this year.

Despite the more pessimistic expectations, profitability still showed an increasing trend during the past four months. A total of 36 percent of respondents indicated improved profitability

Since the previous survey while another 38 percent said it was unchanged. Only 28 percent indicated a drop in profitability.

The survey notes that a healthy level of sales was still maintained by the majority of respondents during the past four

months with 64 percent reporting increased turnover and 18 percent maintaining their turnover of June this year.

But many more respondents than before — 18 percent compared with 11 percent in June this year — reported lower turnover in this period. The lower turnover affected all the sectors with the exception of jewellers, food dealers, tradesmen such as plumbers and service orientated businesses such as hair salons, which each reported increased turnover.

Short term sales expectations were generally positive and almost one in every two businessmen that responded to the survey expects increased demand in the short term. By contrast, 37 percent believe demand will remain constant while 14 expect turnover to drop over the next few months.

In contrast to the situation at the end of June this year when 33 percent of respondents indicated they were applying stricter credit controls, 41 percent are currently applying stricter controls. But the majority (56 percent) are still satisfied with their existing controls.

The expectations about bad debts remains relatively positive in the short term with 61 percent expecting no change in the current situation, 24 percent expecting bad debt to increase while the remaining 15 percent expect bad debts to decline in the next few months.

CHRIS CAIRNCROSS

CAPE TOWN - Following the gutting of District Six, Cape Town is now trying to bolster the residential component of the city's CBD.

The city's planners see this as essential if Cape Town's central downtown area is to recover any lasting vitality, and if its commercial population is to continue competing with suburban shopping centres.

They are hopeful that several de-

Cape Town in bid to draw residents back into CBD

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8/10/85
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velopments will materialise — some as soon as next year — which could encourage people to live within the CBD boundaries.

This year's amendments to the Forshore Act, transferring direct control of the barren forshore to the city council, is one development which gives hope. The greening of the city and the success of the St

George's Street Mall are others.

Recent market research has indicated there is strong interest in bringing back residents to the central city, the waterfront area and even the area near the power station site, now being cleared for redevelopment.

A preliminary proposal has been made to link the old power station site to the Victoria Basin with a canal, and to expand the canal idea elsewhere on the forshore.

City planner Peter de Tolly emphasises this idea deserves careful attention, as it could provide the catalyst for attractive living areas.

Another area which the city planners would like to see earmarked for possible concentrated residential development is the large Culemborg railway goods yard area on the forshore.

De Tolly argues that the Culemborg site, once connected to Sir Lowry Road, could extend District Six to the N1 motorway and provide an area sufficiently large and

attractive to make a significant impact on the central city.

It could form an extension to Woodstock/Salt River and provide housing for lower income groups. If the impasse over District Six can be resolved, and further encroachment of government-linked developments such as the Technikon can be restricted, the area could accommodate a residential component handling up to 7 000 people, De Tolly says.

Bank tells of teething problems

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R1-bn booze-buying spree (30)

STAR 20/12/88
South Africans will spend more than R1 000 million on alcohol during December and January.

Mr Gordon Pasley, director of Integrated Business Information Services, a retail audit company, estimates that about 65 percent of this figure, or R710 million, will be attributable to liquor sales this month. These estimations do not include liquor drunk on licensed premises.

Mr Pasley says liquor worth R826,8 million was sold in August and September, and estimations are that about R876,4 million worth was sold in October and November.

Carletonville ^{STW 21/12/88} 'dismay' over free trade rule

By Gien Elsas, West Rand Bureau

Carletonville's Conservative Party councillors have noted "with dismay" a proclamation in the Government Gazette last week declaring a free trading area in the town.

The CP-controlled council recently decided to re-impose petty apartheid.

Mr Arrie Paulus, CP MP for Carletonville, said the newly elected council had asked the Minister of Constitutional Development, Mr Chris Heunis, to withdraw the proclamation.

He said the Government's announcement made a mockery of third-tier government and he rejected the Government's decision.

Mr Paulus said it appeared the National Party approved only of decisions that conformed with NP policy.

He wanted to know why black and coloured areas were not proclaimed as free trading areas.

'BURNT DOWN'

"This would be much more convenient for the black consumer and would automatically erase discrimination as they would have large stores right on their doorstep."

He said large stores would not open township branches.

"If they were to open in the black areas, their shops would probably be burnt to the ground during times of unrest."

Mr Dawid de Ridder, acting chairman of the town's management committee, said the council was obtaining legal advice concerning possible overturning of the proclamation.

family

Coleman (40), is still in Johannesburg Hospital's intensive care unit.

Dennis (13), is recovering.

URGENT

who sustained slight injuries from Sasolburg Hospital.

of the family, the Coleman for the coast for their

had not been finalised

Boksburg to meet press

Boksburg's CP council plans a press conference today to answer questions from firms who want to pull out of the town after petty apartheid was reimposed.

Management committee chairman Mr Gideon Fourie has indicated policy will "definitely not be altered", but council will try to meet the needs of non-whites in their areas.

— East Rand Bureau.

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Star 24/12/88

(2075) (30)

Shop-owners in Boksburg count Christmas losses :

By Kaizer Nyatumba

With only a few days to go to Christmas, business owners in the Conservative Party-controlled town of Boksburg are already counting their losses, which run to thousands of rands. And some owners are considering closing down next year.

A tour of Boksburg by The Star yesterday revealed that almost all shops were empty, some tills in major supermarkets were unattended and the streets were deserted.

Store-owners — some of whom said they would be forced to close their businesses in the new year if the residents of Reiger Park and Vosloorus townships continued to do their shopping at nearby Benoni and Germiston — said their financial losses were massive and their turnover had dropped by up to 80 percent.

In an attempt to attract black customers, some businessmen displayed signs on their shops reading "We welcome all races."

Miss Roleen Browne, of Cuthberts, said daily turnover had dropped from R2 000 "during normal time" to a mere R400. By the same time last December the shop had made about R50 000 compared with this year's R8 294, she said.

To survive, some businessmen were taking their goods to shops in other cities "where they will be bought", she said.

All store-owners said they had received no additional support from whites to compensate for the loss of their black customers.

The manager of Boksburg Pharmacy, Mr Harold Zets, said some whites were doing their Christmas shopping in Benoni, Germiston or Johannesburg out of sympathy with blacks. Many others were staying away from Boksburg out of fear.

"This action of protest against the town council's petty apartheid has been very effective," he said.

Spell out our rights, Colgate MD asks CP

By Kaizer Nyatumba

The Conservative Party-controlled Boksburg Town Council, which put the East Rand town on the international map by enforcing strict apartheid, should not be surprised at getting "equally strong opposition and criticism", Colgate-Palmolive managing director Mr G W Nocker said yesterday.

In his letter to the CP's spokesman on economic affairs, Mr Clive Derby-Lewis, dated December 19, Mr Nocker said no country in the Western world, including South Africa, could ignore the views of the business community.

He was replying to Mr Derby-Lewis's letter where, in the CP MP accused him of "intruding in the democratic process in South Africa" after Mr Nocker had made an attempt to have his factory rezoned from Boksburg to Benoni to dissociate itself from the CP's racist policies.

NEGATIVE EFFECT

"If Mr Derby-Lewis questions Colgate-Palmolive's right to express opposition to the Boksburg Town Council's policies and actions, then he should remember that business contributed more than 50 percent of all rates and taxes paid to the Boksburg council," said Mr Nocker.

It was his belief, he said, that responsible businessmen and members of the public had not only a right but also a duty to challenge any policies or actions, by anyone, that would have a negative effect on business and the community.

"If we have no right to comment on their actions, I believe it would be important then to tell us what our rights are. This is particularly important to companies that might have multimillion-rand expansion plans which will create more jobs and bring more prosperity to Boksburg — and also to those new businesses that might be planning to open in Boksburg," Mr Nocker said in his letter.

He urged Mr Derby-Lewis, "in the interest of the community and of democracy in its wider sense", to reconsider the Boksburg Town Council's actions, which would affect the livelihood of many people, including those the CP claimed to represent.

Boksburg to dig heels in

BOKSBURG'S management committee is expected to reaffirm its commitment to petty apartheid at a news conference today.

Chairman Gideon Fourie said the conference had been called in response to the challenges now facing Boksburg in implementing its policies.

He would not comment further on the conference, however.

Meanwhile Colgate-Palmolive MD Gerry Nocker has responded to criticism by CP spokesman Clive Derby-Lewis of Colgate's request to have its Boksburg factory rezoned to Benoni in an attempt to dissociate itself from CP policies.

Nocker said the company, in opposing CP policies in Boksburg, was representing most responsible businessmen in accordance with their duty to challenge

BRONWYN ADAMS

those whose actions would have a negative effect on business or the community.

Nocker said Colgate was concerned about the drop in business in Boksburg's CBD, boycott threats, industrial relations problems, interference in the human rights of employees and sanctions and disinvestment.

He said business contributed more than 50% of all rates and taxes paid to the Boksburg council and therefore had a right to speak out.

Nocker urged the Boksburg Town Council to reconsider its actions in the interests of democracy and the community, and warned that its policies could threaten the livelihood of those very people it claimed to represent.

30
2/11/77
day
PP

Boksburg council still defiant

Drop Amenities Act or shut up, CP tells govt

22/12/98

THE CP-controlled Boksburg Town Council has once again challenged government to repeal the Separate Amenities Act, or continue to apply it and stop criticising the CP's application of the Act in Boksburg.

At an international Press conference conducted in Afrikaans yesterday, Boksburg's CP management committee chairman Gideon Fourie said the council found it strange that Boksburg had been subjected to "unprecedented censure" for merely applying legislation already on the statute book.

"As representatives of the people of Boksburg, we shall not stand to see this town reviled in the eyes of the world. If we were singled out for censure on a point of policy unique to our party, then we would accept such a response without quibbles.

"But the fact that our community has to be punished for legislation that is applied countrywide is totally unacceptable."

by the council were condemned while the exact legislation enacted by the NP escaped the wrath of the world at large. "This situation cannot be allowed to continue," Fourie said. He said amenities at numerous NP-run centres were still segregated and the CP was only "emulating" the situation enacted by the NP.

Forego

"We, the CP of Boksburg, have therefore decided to issue our co-applicants of the Separate Amenities Act, the NP, with a challenge.

"Either they immediately repeal Act 10 so that a further distinction in our policies can emerge or, they continue to apply it and forego the right to criticise our application of the Act in Boksburg." Until such time as the NP repealed the Act, the CP would continue to apply its measures. The Department of Constitutional Development and Planning was unable to comment on the CP challenge.



Boksburg's city fathers complain that it's all really the 'Nats' doing. Photo: Robert Botha



The chairman of the Boksburg management committee, Mr. Gideon Fourie.

'We won't bow to pressure'

Apartheid to stay, says Boksburg

By Kaizer Nyatumba

The Conservative Party-controlled Boksburg Town Council will never rescind its recently reintroduced petty apartheid even if that meant many businesses would be forced to close, the chairman of the Boksburg management committee, Mr Gideon Fourie, said yesterday.

Mr Fourie told an international press conference in Boksburg that Africans and coloureds, not his council, were responsible for the problems faced by businessmen in the town.

His council, he said, would not allow firms doing business in Boksburg to pull out and move to other towns.

"We have nothing to do with the closing of businesses," he said. "It is the black and coloured people's own choice whether or not to buy in Boksburg."

Mr Fourie said his council would never bow to the enormous pressure exerted on it and open its central business district and public facilities to all races. People would simply have to get used to their way of doing things because "within the next five years the CP will rule not only Boksburg but the whole of South Africa".

The Boksburg Town Council found it strange that it was "singled out for unprecedented censure for merely applying legislation that is in the Statute Book" and being turned into a national scapegoat.

'Merely emulating Government'

All the CP-dominated council had done was to emulate the National Party Government and other NP-controlled councils throughout the country — such as Pretoria, Vereeniging, Randfontein, Benoni, Roodepoort and Germiston — where public facilities were open to whites only and not to other population groups, he said.

Mr Fourie challenged the NP, the Boksburg Town Council's "co-applicants of the Separate Amenities Act", either to repeal the Act immediately "so that one further distinction in our policies can emerge" or continue to apply and enforce the Act "and forgo the right to criticise our application of the Act in Boksburg".

He said his council was prepared to improve public facilities in Reiger Park and Vosloorus townships and bring them to the same level as those of Boksburg.

When an American television crew asked him to speak in English, Mr Fourie refused and reminded them they were in South Africa and it was their business to learn to speak Afrikaans.

Star 22/12/88

Christmas spree likely to exceed 1987 by R1 000-m

30

By Michael Chester

Santa Claus will be carrying his biggest load on record when he arrives in South Africa at the weekend to pack the Christmas stockings.

The official forecast of the Central Statistical Service is that the Christmas shopping spree will push total December retail sales to an unprecedented R6 247 million.

From trends shown in a nationwide survey of spending patterns, it predicts that cash tills will be bulging with almost R1 000 million more than 1987 when the buying binge ends.

INFLATION ADJUSTMENT

December retail sales, according to CSS estimates, will close the season 18,5 percent higher than last year when counted in current prices.

Even allowing for inflation and adjusting sales to constant 1985 price levels, the actual volume of goodies going into shop-

ping baskets will be almost 6 percent higher.

Counting the retail business turnover for both November and December, to measure the Christmas buying season as a whole, the total climbs to R10 700 million — precisely in line with the initial forecast made by the Association of Chambers of Commerce and Industry.

That in turn boosts the overall scale of Christmas spending to 19,6 percent more than 1987.

If the CSS predictions prove accurate — and they usually come within a Santa Claus whisker of the final count — overall retail sales for the whole of 1988 will reach a record R50 billion, compared with R41 billion last year and R35 billion in 1986.

However, Assocom joins most economists in forecasting a general slowdown in consumer spending next year.

Tourist boom is giving Cape traders a bumper Christmas

30
Own Correspondent

CAPE TOWN — Cape Town traders, with the help of an injection of cash from visitors, are expecting a humdinger of a sales week.

Pick 'n Pay general manager of foods, Mr Alan Baxter, said there had been a dramatic increase in sales since last Thursday.

Traders will also benefit from a full trading week because Christmas Day falls on a Sunday.

"People are really spending this year," said Mr Baxter, and praised the tourism organisations for the outstanding job they were doing.

Checkers has also reported excellent sales on toys and gifts.

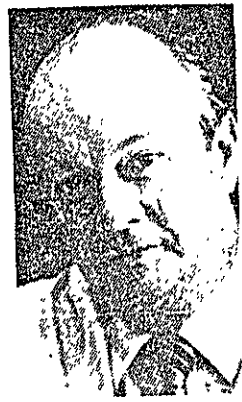
22/12/88
Mr Arnold Brock, chief regional director of the Federated Hotel, Liquor and Catering Association of South Africa (Fedhasa), said liquor sales for the first half of December were 15 to 20 percent up on last year.

He said there had also been far fewer complaints by restaurant patrons that they had been ripped off.

Managing director of the Spur chain of restaurants, Mr Gerd Topat, said the holiday season was off to a very good start, and he foresaw a 40 percent improvement over last year.

A spokesman for Juicy Lucy said the pick-up in the number of up-country tourists was one of the reasons for an improved performance, especially in the suburban areas.

OK's R26-m



Mr Gordon Hood

shock for Boksburg

ARGUS 93/12/88

30 30 30 30

The Argus Correspondent
JOHANNESBURG. — OK Bazaars is to pull out of a R26-million shopping centre development in Boksburg because of the reinstatement of petty apartheid by the town's Conservative Party council.

Managing director Mr Gordon Hood said today: "We have reluctantly decided that, at this stage, we can no longer continue our involvement in the new centre planned for the Boksburg central business district.

"There has been a decline in trading in the area during the past month and our existing store has been affected.

Main tenant

"This gives a clear indication of the effect of recent developments in the area. A reassessment of expansion activity has become necessary."

The OK was to have been the main tenant in the centre, which it would have shared with other national chains and smaller shops.

Construction was due to start early next year.

It is understood economic justification for the development now seems doubtful, with other tenants reported to be about to withdraw support.

Open to review

A spokesman for the developers, RMS Syfrets, said without the commitment of the tenants the project could not go ahead.

The OK and RMS Syfrets both said decisions about the centre were based purely on business and were taken in the interests of consumers and shareholders.

They were open to review at any future stage.

Boksburg loses R26m shops

OK BAZAARS has abandoned its involvement in a R26m major shopping centre development planned for the Boksburg CBD, MD Gordon Hood said yesterday.

"During the past month the company has sustained a loss in the Boksburg CBD with turnover down over the same period last year. Under current circumstances this necessitates a re-assessment of envisaged expansionary activity," he said.

The OK was to have been the anchor tenant, but other national chains and smaller stores were involved in the pro-

CHARLOTTE MATHEWS

ject, which was to have begun early in 1989.

The centre developers, RMS Syfrets, confirmed the project could not go ahead without the commitment of the anchor and other tenants.

As soon as the economic situation improved, the developers intended to proceed with the centre, they said.

OK and Syfrets emphasised the decision was a purely business one based on

30/12/88 • TP Page 2 → 23/12/88
BT day

Boksburg loses R26m shopping centre

the interests of consumers and shareholders and was open to review at any future stage.

Independent candidate for Boksburg Issy Kramer said this represented an enormous loss of income for the town.

"The new centre would have housed 70 tenants paying electricity, water, sewage and sanitation rates. The town council will lose millions."

CP MP Koos van der Merwe said if OK wished to withdraw from the shopping centre, it was its prerogative to do

so. He foresaw no consequences for Boksburg.

"The whole thing has been ripped out of proportion by the misinformation campaign of the media and TV," he said. "Our promises were made within the Separate Amenities Act and the voters knew what they were voting for. We have a full mandate of 50%."

• See Page 3

23/12/88 ← • From Page 1 (30) BT day

Heunis firm on CP's challenge

30
Blay
23/12/88

CONSTITUTIONAL Development and Planning Minister Chris Heunis yesterday declined to issue a fresh response to the CP-controlled Boksburg Town Council's ongoing challenge that government scrap the Separate Amenities Act.

On Wednesday, Boksburg's CP management committee chairman Gideon Fourie re-issued the CP challenge that the NP immediately repeal the Separate Amenities Act or forego the right to criticise the CP's application of the Act in Boksburg.

Heunis yesterday indicated he would stick to his November 30 statement, in which he said government would not tolerate the "moving backwards" towards practices and customs that were long abol-

DANIEL SIMON

ished.

"All communities will be treated on a non-discriminatory basis with the protection of the individual and group rights of all groups.

"Also, new patterns of living regarding the joint use of public facilities in a civilised manner will be fostered."

Heunis said the ill-considered action by certain CP city councils over the past weeks had resulted in an embarrassment for their voters, for their towns and for the whole of SA.

Responding to Heunis's statement, Fourie said the NP wanted the support of both sides of the political spectrum.

"The government is scared to show its true colours and wants to keep the left and the right happy.

"People know our policy. We do not act for both sides but only for those people who support CP views."

He said NP policy was exactly the same as the CP's in that the NP also practised the Group Areas and Separate Amenities Acts in areas under its control.

"If they repeal those two laws they will lose thousands of conservative Nationalist supporters to the CP. If they do not, then they will lose the support of thousands of left-wingers who voted NP in the recent municipal elections because of promises to scrap discriminatory laws."

BOKSBURG

Body blow for developers

The business casualty toll is rising steadily as the Boksburg CP-controlled council's decision to reintroduce petty apartheid continues to ricochet around the business community.

Shopkeepers were the first victims, hit by a sharp drop in turnover. Now down-the-line decisions are being taken to curtail commercial and industrial property development.

On the commercial side, Retail International says it'll at least delay construction of a R100m, 42 000 m² shopping centre.

Perhaps less dramatic, but just as significant in employment terms in an industrial town, is the impact on development in the 85 ha Jet Park industrial area.

While about 30% of the park, ideally located on the fringes of Jan Smuts Airport, has been taken up by factories and warehousing, development could come to a standstill. As one industrial property developer, Albert van Heerden, MD of Merinda Enterprises, explains to the *FM*: "I used to have between eight and 12 serious inquiries a week. They have suddenly dried up."

Van Heerden has plans passed and finance arranged for the development of 11 factories, comprising about 15 000 m² warehousing and 2 500 m² offices. "My portfolio involves investments of R15m. I won't delay the start of the first few units in the new year, but I won't proceed with the whole development until political problems are resolved. I'm sure other developers will do the same."

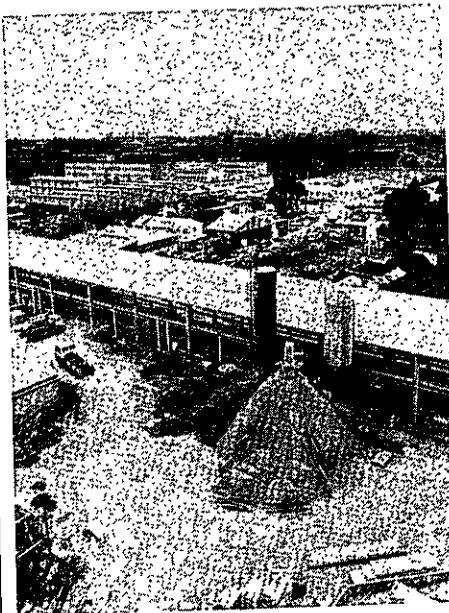
He says the factories should fetch rents of R6/m² and offices R14/m², but this could change if businessmen choose other sites.

"Developers will then have to cut rentals to attract business. That means lost income and thus reduced property values. Institutions aren't interested in whether a property is made of diamonds or gold, they just want to know the yield. That drops when rental income falls and so reduces the value of a property. The point must come when property development ceases to be worthwhile.

"Rental income on my proposed developments should be in the region of R140 000 a month. It is too early to say that all or part of this will be in jeopardy, but it could be if I can't get tenants."

Van Heerden's position is worsened by the fact that he has ploughed capital into an industrialised housing manufacturing venture. Dwellings are aimed primarily at blacks. Van Heerden believes this market, whose potential buyers include the homelands, could be seriously at risk because the units are being made in Boksburg.

"I was just completing 3 000 m² of factory and 850 m² of offices (separate from the speculative developments) earmarked for the Amper Mahala homes.



Jet Park ... development could be curtailed

"We have invested a great deal of money and had a lot of inquiries about this housing system. The intention was to go full steam into production in the new year, starting at 100 houses a month and building up to 300.

"Those projections may have to be curtailed, which could put at risk not only the capital invested, but also jobs for between 150 and 200 blacks. A further 200 would be involved in on-site erection of the dwellings."

OK pulls out of Boksburg plan

Star 23/12/88

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Staff Reporter

The OK Bazaars has decided to pull out of a R26 million shopping centre development in Boksburg after the reinstatement of petty apartheid by the town's Conservative Party town council.

Mr Gordon Hood, managing director of OK Bazaars, said: "We have reluctantly decided that, at this stage, we can no longer see our way clear to continue with our involvement in the new centre planned for the Boksburg central business district.

"There has been a decline in trading in the area during the past month and our existing store has not been unaffected."

Mr Hood said that this provided a clear indication of the effect of recent developments in the area and that under the circumstances a reassessment of expansion activity was necessary.

The OK was to have been the anchor tenant in the

centre together with other national chains and smaller line shops.

Construction was due to begin early next year.

It is understood, however, that economic justification for the retail development now appears doubtful, with some other tenants reported to be withdrawing support.

The developer of the centre, RMS Syfrets, confirmed that, without the commitment of the major tenants, the project would not be able to proceed as planned.

Both the OK and RMS Syfrets emphasised that the decision over the centre was entirely a business one, taken in the interests of consumers and shareholders.

The move, they said, was based primarily on economic considerations and was open to review at any future stage.

Jingling tills bring Christmas cheer as Cape Town spends ³⁰

W/KAARGAS 24/12/88
by JEREMY DOWSON
and KAREN STANDER

Weekend Argus Reporters

THE weather may be cloudy this Christmas, but business couldn't be sunnier for Cape Town's tourist industry.

According to Captour spokesman Ms Marion Kelder there are about 75 000 visitors in the Greater Cape Town area at present.

"We're keeping a daily check," Ms Kelder said today. "Indications are that the number of visitors has increased by about 20 percent over last year."

One of the key trends noted this season was the "high number" of first-time visitors to Cape Town.

"Captour opened an office in Johannesburg a few years ago, and this seems to have a lot to do with the steady increase in upcountry visitors," Ms Kelder said.

City hotels reported occupancy rates of between 90 and 100 percent.

A spokesman for the five-star President Hotel in Sea Point said it was about 96 percent full.

"We're expecting the hotel to be completely full within the next day or two."

While the occupancy rate was "much the same as last year's", there had been a marked increase in turnover at "outside" facilities such as bars and restaurants.

The Newlands Sun Hotel was 95 percent full, while the general manager of the Vineyard Hotel in Newlands, Mr Richard Johnston, said his hotel was full.

Overseas visitors were "definitely back", he said.

Factory shops a booming business

30 Cape Times 24/12/88

Factory shops once had an almost exclusively low-income clientele. Today there are more than 300 of these stores in the birth-place of the factory shop, the Western Cape — and even the well-heeled are seeking them out. **ROGER WILLIAMS reports.**

WHILE holiday-makers in their thousands are re-discovering the mountains, the beaches and the wine routes, many are also seeking out a Cape phenomenon of a completely different ilk — the factory shop.

At the last head-count there were more than 300 of these low-price shops in the Western Cape. This from a standing-start some years ago when the factory shop idea took root in the Peninsula — primarily as a service to factory workers, and usually on factory premises.

Now, more and more factory shops are opening their doors to the general public, and where previously it was the family battling to make ends meet that bought at these shops, one now finds lawyers, doctors, accountants and other professional people among the bargain-hunters.

Top range

Expensive limousines are often evident in the parking lot outside one particular factory shop in Salt River, selling top-of-the-range garments. And where it was once considered *infra dig* to mention that one had bought at a factory shop, women in

the fashionable suburbs are now boasting about their purchases in this fast-expanding corner of the consumer market.

Factory shops sell goods that are rejects, returns, over-runs and samples, and the shops' low overheads — a factory shop is usually a very basic place, often lacking fancy fittings and fixtures and usually to be found either attached to a factory or in a partitioned-off part of a factory — enable them to keep commodity prices low.

There are exceptions to the rule, and some factory shops are now on a par in appearance and finish with their retail counterparts.

Filled

The growing popularity of, and demand for the factory shop has induced some developers to plan new buildings specifically to house this type of shop — the R12 m Access Park shopping centre planned for a site near Kenilworth racecourse, for instance.

Visitors from abroad, with the exchange rate in their favour, are in the growing factory-shop clientele, and some of them

have reported finding "terrific bargains".

An Australian couple who visited Cape Town recently bought a suitcase at a Peninsula factory shop, filled it with other items bought at the shop — all a lot cheaper than in Australia — and had it shipped to their home Down Under.

Factory shops even have their own detailed directory, *The A to Z of Factory Shops* by Pam Black, the third revised edition of which has just been produced by Don Nelson Publishers.

While savings are often substantial, many factory shops will only accept cash and bank-guaranteed cheques, although an increasing number are now accepting bank credit cards.

Pam Black told Top of the Times: "On a visit to the USA two years ago I was impressed by the number of factory shops they have. In Orlando, Florida, a whole shopping centre was devoted to factory shops. A bargain-hunters' paradise to have all these shops under one roof!

"Factory shops tend to be widely spread throughout the Cape Peninsula, so visiting them can involve a lot of time. I know of many folk who spend a day or two of their annual leave doing the rounds.

Fast-growing

"The most popular areas are Maitland, Salt River, Parow, Epping and central Cape Town. Lansdowne, Retreat and Kenilworth are also fast-growing areas. A lot of shops tend to be hidden away, and it is for this reason I have included

maps in my book, with each shop numbered."

Black added: "Factory shops tend to be peculiar to the Western Cape, and I would like to see 'doing the rounds of the factory shops' becoming as popular as our wine routes."

Supportive

Black said while people tended to think of factory shops as only providing clothing, the range of items now offered was widening considerably to include such items as toys, crockery, materials, shoes, linen, luggage, blankets, chickens, honey, fertilizer, pots, leather goods and even slightly shop-soiled electrical appliances.

While some of the bigger retail stores in the Peninsula are known to be concerned about the

phenomenal growth of the factory-shop market, organized commerce has, from the inception of factory shops in the Western Cape, been generally supportive in principle of this type of low-cost trading.

Alan Lighton, director of the Cape Town Chamber of Commerce, told Top of the Times: "We have always felt there is a legitimate place in the distributive system for the factory shop, and that the market should dictate where these shops should be situated.

"There are various factors that influence a customer's choice of shop, including convenience, price, service, and the range of goods offered — and these apply as much to the factory shop as to the ordinary type of store in a shopping area."

reach record

LAST-MINUTE BUYING SPREE

(30)
5/11/88
05/12/88

OH, HAPPY DAY!



CHRISTMAS shoppers went on a frantic last-minute buying spree late yesterday determined to spend their last cents on gifts before the shops closed.

By KURT SWART

Spokesmen for several large chain stores said their staff were hard-pressed to cope with the frantic shopping rush and in some customers were still trying to buy gifts after the doors had closed.

Early indications are that sales are at least 30 percent up on last year's Christmas despite the Government's attempt to "cool" off consumer spending.

Thousands of shoppers packed the Mitchell's Plains Town Centre, which became a busy hubbub of noise and colour.

Shoppers said they struggled to get into popular shops jam-packed with people.

Cape Town's Central Business District was teeming with shoppers, holiday-makers and tourists as the last-minute shopping got into full swing.

And there was a roaring trade at flea markets in town with movement almost impossible through the heavy crowds.

Said one stallholder: "This is fantastic. I wish it was Christmas every day."

Last weekend we were rushed off our feet," said Mr Danny Martin, Pick n Pay's Mitchell's Plains store manager. "We were bowled over on Friday and Saturday and on Sunday we had a record house. It was quite a mad day. But that was nothing compared to the last two days. People have been

streaming in from Khayelitsha, Grassy Park, Morningside, Hanover Park and Valhalla Park to shop in the Plain.

"Our toy department has been busy since the beginning of December."

He said the supply of chocolates especially could not keep up with the demand and it had been a record year for the sale of turkeys.

Mr Alan Petersen, OK Bazaar's Mitchell's Plains store manager, also reported huge turkey sales.

"Our other big sellers included toys and gardening gifts. We also sold a lot of clothing." He added that most sales had been cash.

Record sales

Record sales were also reported at Pick and Pay's Ottery Hypermarket, according to general manager Mr Sakkie Joubert.

"Last Saturday we had an all-time record turnover and on Friday we handled more than a million rand. This week sales have been up by 30 to 40 percent."

Mitchell's Plain Shoprite store manager Mr William Bartmann estimated that sales were 20 to 30 percent higher than last year.

"Antarctics are being snapped up as well," he said, which seemed to indicate that the tradition of large family lunches on Christmas Day is still very much alive and that shoppers made sure they were prepared for the inevitable indigestion to follow.

Leaping lizards

LONDON. — Customs officers at Bristol airport found 500 lizards in the luggage of a traveller arriving in London recently.

The man was asked to open his bags. He obliged with the first, but demurred with the second, the newspaper said. It was, he said, absolutely full of two-inch brown lizards.

It might clear...

DON'T be too despondent if after you've opened your Christmas presents this morning, the rain and cloud predicted for today seem set to ruin your plans for a day at the beach. According to the Weather Bureau in Pretoria—the rain could clear by the time you've had your lunch and it should be warm enough for you to head outdoors. For a detailed forecast... see main section.

Outlook '89

RETAILING AND WHOLESALING

By Chris Gilmour, research analyst at
Anderson/Wilson and Partners

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For some obscure reason, the retailers & wholesalers sector is often viewed as being a relatively glamorous one.

This is perhaps due to the high profile of the operations within the sector and the fact that top management is regularly seen in the media.

The relative performance of the sector, however, belies this image.

For four years, from 1982 to 1985, the retailers & wholesalers index performed much in line with the industrial index.

From early 1986, though, the index has been an extremely poor relative performer.

Any attempt to forecast the outlook for this sector is fraught with difficulties because of the number and diversity of companies within the sector.

Accounting for about 8% of the industrial index, the retailers & wholesalers index comprises almost 60 companies selling everything from motor parts to clothes.

Additionally, if this exercise is to be performed properly, one should also include those retailers in the furniture & household index. This approach would incorporate about another 16 companies.

Exercise

For the purposes of this exercise, I have split the two sectors into five distinct areas: food retailing, clothing, furniture, wholesaling and other.

Consumer spending is a function of the ability and willingness to spend.

Until recently, consumer confidence had been improving strongly, resulting in a much greater willingness to spend. The ability to spend had been intact since early 1987 when interest rates bottomed.

Although not yet reflected in official figures (total retail sales for October/November were still going strongly, officially, in real terms), the ability of consumers to spend has been dampened significantly via a combination of higher interest rates, increased import surcharges and tighter hire purchase restrictions.

Ultimately, the willingness to spend will also be dampened if consumer ability to spend is squeezed further.

This is serious because consumer confidence is a very fragile thing; once it is dented, it often takes a long time before it is restored.

It seems as if private consumption expenditure (PCE) will probably grow by about two percent in 1989 and somewhat less than that in 1990.

still experience extremely competitive conditions, however, and will have to strive for every extra rand of bottom-line earnings.

Quality of management is critically important here as the low gross profit margins do not permit any lapses of concentration.

In particular, control of shrinkage, ie, pilfering, staff/supplier collusion, incorrect pricing, breakages, etc, will become even more important as the economy slows down.

The furniture retailers are already experiencing lower demand, particularly those retailers where appliances constitute a large proportion of total sales.

Basically, these retailers "had their Christmas in August".

Although sales of furniture and other appliances over the festive season should still be fairly good, the outlook for 1989 is gloomy, to say the least.

While a repeat of the 1984/85 situation — where furniture retailers were slaughtered by a combination of depressed demand and astronomical interest rates — is not envisaged, it looks as though furniture sales growth in real terms will be heavily negative next year.

Bottom-line profit growth may not be as severely affected as in 1984/85, though, as the balance sheets of furniture retailers are much healthier than they were then.

Gearing tends to be lower than it was in 1984/85 and bad debts are likely to present less of a problem this time round.

The furniture retailers went through a very painful and protracted learning curve three years ago and are unlikely to repeat the mistakes made then.

Wholesale sales growth is still lagging retail sales growth and this is likely to persist into next year.

Considering the minuscule profit margins the main players make, profit growth in this area is likely to be even more elusive than for the food retailers.

The retail clothing sector is probably the most interesting of all.

Historically, one might reasonably expect clothing sales growth to decline, say, six months after furniture retailers experience lower sales growth.

This has not happened yet, if results from the likes of Edgars, Foschini and Wooltru are anything to go by.

Perhaps one of the main reasons for this is the growth in the size of the so-called informal sector.

Official figures

W.C.B.

SURVEY 1985

A.W.A.

AGE = 10-15

OUDERDOM = 16-24

MALE / MANLIK

FEMALE / VROULIK

LANGUAGE = ENGLISH

TAAL = AFRIKAANS

- 1.....

... compares with a growth rate of just below four percent in 1987 and expected growth of about 2,5 percent in 1988 and is a natural consequence of lower economic growth resulting from the constraint on the economy caused by the need to conserve a surplus on the balance of payments.
 - 2.....

Total retail sales growth will probably still be positive in real terms next year if we assume an average inflation figure for the year of between 14 percent and 16 percent.
 - 3.....

What, then, of the outlook for the different retail areas mentioned above?
 - 4.....

It is likely that food retailers will suffer least in terms of growth in sales because food consumption is not significantly postponable.
 - 5.....

This, coupled with the fact that the population is growing fairly rapidly, should ensure that the sector remains relatively buoyant.
 - 6.....

The three main players (Pick 'n Pay, OK and Checkers) will
 - 7.....

A lot of money is being generated by this sector, which is not included in the official figures.
 - 8.....

Those clothing retailers (like Edgars) which appreciate the potential of the black consumer market generally and the informal sector in particular, are likely to perform well in 1989, provided they can tailor their stocks to the changing customer profile.
 - 9.....

The "other" retailers include the likes of Midas, CNA Gallo and Waltons.
 - 10.....

These retailers should continue to improve earnings in 1989, even under subdued economic conditions as they are essentially "niche" operations, ie, they operate in specialised markets where they enjoy significant market share.
- In summary, it would appear that certain areas of the retail sector — selected clothing, food and specialised retailers — will offer good investment opportunities in 1989.

Christmas cheer for retail sector

MOST major retailers have reported a substantial increase in festive season sales over last year's trading figures.

Stores contacted before the close of Christmas sales reported increases in business of up to 30%, while only one predicted no real increase in sales figures compared with last year.

Dion achieved a 30% increase in sales during the Christmas period this year. Deputy MD Jannie Els said Dion's home, textile, audio and major appliance de-

MARC HASENFUSS

partments increased sales by more than 50% compared with last year's figures. He said hardware had sold best, improving on last year's sales by almost 70%.

Highgate Pick 'n Pay hypermarket GM Chris Murch said sales were going well and trading was 15% higher than expectations.

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Christmas cheer for major SA retailers

Norwood Pick 'n Pay hypermarket GM Mike Fowler attributed the sales increase to Christmas Day not falling within the working week, giving people more time to do their shopping.

Checkers Warehouse stores GM Grant Fairley said Christmas sales were exceptionally good with figures definitely up from last year.

He said television sets, microwave ovens and bicycles were the most popular buys.

Clicks had experienced a higher sales increase than was expected, said MD Trevor Honneysett. He said toys and cosmetics were big sellers.

Garlicks regional GM Charles Dagnall said sales in the Transvaal had improved compared with December last year, but had not yet reached expectations. Big sellers were fashion jewellery, silverware, crockery and luggage.

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At day
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Shop-owners blame council for huge losses

By Kaizer Nyatumba

Boksburg businessmen, who have experienced their "worst Christmas ever" this year as a result of blacks' boycott of the town, have laid the blame for their massive losses squarely at the door of the Conservative Party-controlled Boksburg Town Council.

The businessmen yesterday told The Star that this has been the worst Christmas for them, and their individual losses amounted to thousands of rands.

Employees at some of the shops visited by The Star expressed concern at the lack of business, and feared they might lose their jobs if the three-week-old consumer boycott continues.

The people of Reiger Park and Boksburg townships decided on a boycott of the town when the CP-dominated Boksburg Town Council reintroduced petty apartheid, barring blacks from using public facilities in the town.

Mrs R Bhyat of Bhyat's Outfitters said Christmas sales were "very bad" and they had lost almost R20 000, or 60 percent of their business. If the boycott continued, many businesses would close down.

Miss T Dopperreira of Ocean Fishery criticised the town council for bringing upon them all the anger of the black community, thus harming their businesses.

"They (the councillors) don't know what they are doing. They are destroying other people's lives. If things continue this way, I am afraid we will have to close down," she said.

She said turnover was about 60 to 65 percent down, and they had lost "a lot of money".

"It's terrible. December is supposed to bring in enough money to cover for January, but we are struggling even to raise enough money to pay our rent," Miss Dopperreira said.

Chesler's Shoe Store manager Mr Gert Bezuidenhout said his family business's income was down only 20 percent down because it had more white than black customers. But he was quick to point out that he was not a racist and that he abhorred apartheid, which he found unchristian.

An evangelist at the coloured township of Ge-luksdal outside Brakpan, Mr Bezuidenhout said he prayed constantly for reconciliation between races and asked God to change people's hearts.

"Some people have started changing already, and many still will. There are people here in Boksburg who now concede that they made a mistake by voting for the CP. At the moment we can only pray that God will see us through these times."

Mr Bezuidenhout said Chesler's Shoe Store, which has been in Boksburg for the past 80 years, was started by a Mr Chesler, a Russian Jew who had emigrated to South Africa "and knew well how it was to be discriminated against and persecuted". When his family took over the business, it adopted Mr Chesler's non-racial stand, he said.

Select-a-Shoe manager Miss Jane Mngomezulu said she and her colleagues were worried that they might lose their jobs if the boycott went on indefinitely.

An employee of Waners Store — who did not want to be named — said the store had had a very bad Christmas and their jobs were in jeopardy.

"If things continue this way a little longer, we don't know what will happen. That's what we are all scared of because we are sitting here with nothing to do but dusting the shoes. We don't know what to do, and it's very frustrating," she said.

Christmas spending spree

By Dawn Barkhuizen **20**

SA 28/12/88
Christmas sales boomed throughout the country this year as shoppers went on a last-minute spree. Some stores reported increased sales of as much as 30 percent.

Early indications are that sales could outstrip Central Statistical Services forecasts that retail sales will close the season 18,5 percent higher than last year, pushing the total to an unprecedented R6 247 million.

Most stores reported that buyers held back until December 15, when a "panic rush" started with sales increasing by as much as 60 percent on some items.

TURKEY RECORD

The Christmas bonanza saw a rush on turkeys, with record sales at both Checkers and Pick 'n Pay. The latter sold 90 000 of the birds.

Managing director Mr Hugh Herman said Pick 'n Pay sales were up by 30 percent — 6 percent higher than last year's increase of 24 percent. Sales of food items improved across the board.

Among non-food items, bicycle and video machine sales were particularly high, he said.

Dion Stores deputy managing director Mr Jannie Els described Christmas sales as "outstanding". While not as high as the 40 percent increase recorded last year, sales for 1988 showed

an increase of between 28 and 30 percent — about 8 percent higher than expected.

Electrical items proved particularly popular, Mr Els said.

Record sales were achieved at Game for the second year running. Sales were 4 percent higher than the 8 percent increase measured last year, according to sales manager Mr Charl Greyling. He estimated that the Christmas boom was worth between R200 000 and R300 000 to the store.

He said there had been a boom on clothes, toys and smaller appliances.

At Tony Factor's there was a "panic rush" on small black-and-white TV sets, with more than 1 500 sold in less than two weeks, said marketing and sales director Mr Gerald Dembo.

SWING TO QUALITY

The store noted an increase of between 20 and 25 percent in sales, with the bulk comprising up-market furniture and bedding. Garden furniture and lawnmowers had been slow to sell, probably as a result of the cold weather, Mr Dembo said.

"Most noticeable has been the swing to quality items, particularly in furniture and clothing. Shoppers were far more discerning this Christmas."

Advance figures for Checkers showed turnover to be ahead of the inflation rate, said group human resource director Mr Andy MacLaurin.

Social change flows from law of economics Assocom

18/12/88 (30)
EDYTH BULBRING

THE real wealth of SA lay in its people who should be allowed to develop their skills and sell them freely on the market. Assocom said in its quarterly review.

If economic law was allowed to prevail, resulting in a flow of wealth throughout the economy rather than into the "unproductive coffers of the fiscus", social change would follow.

Margaret Thatcher had demonstrated in Britain that a nation could be lifted out of a "swamp of welfarism and high state expenditure onto the high ground of increased national wealth" by following sound economic laws.

Political ideologies inevitably yielded to basic economic laws.

Assocom said in SA, once rigid ideologies appeared to be retreating before the law of the marketplace. Although changes were coming too slowly, they had come, motivated by economic forces.

Undisciplined

But the economic development that measured the pace of peaceful evolutionary change had been retarded by sanctions and the cutting off of foreign capital.

Internally, undisciplined fiscal policy had drained resources from the private sector, which could have been put to productive use.

Assocom said: "Years of profligate, unproductive spending has left this country in a serious financial position, with diminishing gold and foreign exchange reserves, soaring money supply, high taxes and an inflation rate at an unacceptable level."

The President had appointed commissions to plan for change, open up the economy to private enterprise and lessen the state's "gobbling up" of resources. The findings of many of these commissions had been constructive, but heel-dragging had retarded the implementation of recommendations.